HIGHEST AND BEST USE ANALYSIS

BIG K SITE

2200 BLOCK OF MARTIN LUTHER KING, JR. AVENUE, SE

WASHINGTON, DC

DELTA ASSOCIATES
A Transwestern Company

HIGHEST AND BEST USE ANALYSIS
BIG K SITE
2200 BLOCK OF MARTIN LUTHER KING, JR. AVENUE, SE
WASHINGTON, DC

Prepared On:

May 8, 2013

Prepared For:

2228 BIG K LLC

c/o Mr. Timothy Chapman
CHAPMAN DEVELOPMENT LLC
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Reston, Virginia 20190

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2228 Big K LLC
c/o Mr. Timothy Chapman, Managing Member
Chapman Development LLC
11701 Bowman Green Drive
Reston, VA 20190

RE: Highest and Best Use Analysis
Big K Site
2200 Block of Martin Luther King Jr. Avenue, SE
Washington, DC
Delta's Project #13244

Dear Mr. Chapman:

This letter and the attached appendices present the results of our analysis undertaken in connection with the project referenced above, pursuant to our contract dated April 2, 2013.

BACKGROUND AND PURPOSE

2228 Big K LLC was selected by the District of Columbia Department of Housing and Community Development (DHCD) to redevelop four parcels on the 2200 block of Martin Luther King Jr. Avenue, SE totaling 33,047 square feet, collectively known as the Big K site. An adjacent fifth parcel at 2226 Martin Luther King Jr. Avenue, SE is also included in this study, so that the total subject site land area is 41,499 SF. 2228 Big K LLC retained Delta Associates to prepare a highest and best use analysis for the property as part of the due diligence process for acquisition.

Limitations: Our work is limited to market feasibility and financial analysis only. Delta is not providing any advice regarding legal or zoning matters, or land planning, engineering, construction cost, or architectural matters. We have obtained some of those inputs from other experts where necessary. While we collected land value information for our analysis, none of our work should be construed as a formal value opinion or appraisal of the subject.

The maximum development capacity for the property will be established through the zoning process and actual development rights would be established through development applications filed with and approved by the District of Columbia.

SCOPE OF WORK AND METHODOLOGY

In performing our work, we completed the following tasks:

- Reviewed the Property Disposition Agreement for the site.
- Reviewed previous market studies for the site and community input.
- Reviewed property information from public sources and from 2228 Big K LLC.
- Inspected the subject site and surrounding areas.
- Researched allowable types and densities of uses allowed on the property (or potentially achievable through the planning and zoning process).
- Evaluated physically possible development on the property, based on conceptual plans prepared by PGN Architects.
- Collected market data and evaluated market conditions for a variety of viable land uses.
- Surveyed representative comparable properties.
- Reviewed City and community documents and resources related to the subject site and the surrounding area.

Traditionally, highest and best use analyses follow the following sequence of tests: legal permissibility, physical possibility, economic feasibility, and maximal productivity. For this study, we applied the following process:

Identify potential land uses (legal permissibility and physical possibility): We identified potential land uses for the subject property based on legally allowable uses, physically possible uses, market conditions, and our judgment regarding the property's competitive position. We evaluated market conditions for each identified potential use, including such indicators as rent rates, vacancy, and absorption. Based on the market research, we reached conclusions about uses that have the best market potential — i.e., uses for which the supply/demand outlook favors development, and with the best chances for absorption.

Estimate residual land value (economic feasibility): For each potential identified use we collected information on income potential and development costs and calculated a residual land value at the subject.

Determine highest and best use (maximal productivity): Based on the residual land value analysis, we reached a conclusion about which development alternatives produce the greatest economic return.

SUMMARY OF FINDINGS

We considered a variety of uses, including medical office space; senior rental housing; market-rate for-sale housing; affordable for-sale housing; and artist work-live housing. Based on our analysis, as discussed later in this report, we concluded that these uses either are not market-feasible or economically viable, or they are reasonably represented by the three development program scenarios selected for financial analysis mentioned below. It is important to note that our study focuses on the highest and best use of the subject site specifically. Although government and community preferences must be considered in the course of a responsible approach to development, the findings of generalized studies regarding potential uses for a larger area or neighborhood may not coincide with the market feasibility and economic viability of those uses when applied to a specific site.

In light of allowable uses and densities, physical constraints and location characteristics of the site, an analysis of market conditions, and our judgment regarding market feasibility, we evaluated three development program scenarios to test economic viability for development on the subject site:

- Market-rate apartments
- Tax credit apartments
- Office building

Each of the scenarios could contain street-level retail as an ancillary use.

We conclude that the only economically feasible development alternative is a tax credit apartment building. Development of tax credit apartments results in a residual land value of $5 per SF or $3,919 per unit under by-right development (and $6 per SF or $4,906 per unit assuming PUD density). The analysis yields negative land values for market-rate apartments and for office, which means those are not economically feasible alternatives. Street-level retail also is not economically viable, but might be desirable as an ancillary use. Without sufficient public subsidies, profit-oriented developers or investors would not pursue a project that yields a negative return to the land, and market-based financing would not be available.

The concluded highest and best use is consistent with the growth goals and planning policies of the District. In our judgment, the concluded highest and best use is consistent with the requirements of the Property Disposition Agreement.

The financial analysis is detailed in Appendix E, and summarized on Figure 1 below.

Figure 1
Residual Land Value per Square Foot
Subject Site

Property Type	By-Right	PUD
Market-Rate Apartments: negative residual land value	($11)	($11)
Tax Credit Apartments: positive residual land value	$5	$6
Office: negative residual land value	($150)	($146)
Street-Level Retail: negative residual land value	($139)	($135)

For details, see Tables E-10 through E-17 in Appendix E.

AREA EVALUATION

The subject site is located on the east side of Martin Luther King Jr. Avenue, SE between Morris Road, SE and Maple View Place, SE in Ward 8 of the District of Columbia, in the Anacostia neighborhood.

The subject site is well located with numerous transportation options. The subject site is located approximately three miles southeast of downtown Washington and is less than half a mile from I-295, which connects the area to communities throughout the Washington metro area and to interstate highways leading to metropolitan areas in the broader region. The site is approximately a quarter-mile from the Anacostia Metrorail station to the west (Green Line). The closest airport is Washington Reagan National, approximately 7.2 miles by car to the west. The planned Anacostia Line of the DC Streetcar system would likely run adjacent to the site along Martin Luther King Avenue, SE, providing improved transportation connectivity in the immediate area and eventually connecting to other lines throughout the District of Columbia. In addition, the DC Circulator runs along Martin Luther King Jr. Avenue, SE, connecting Anacostia to Capitol Hill and Skyland Shopping Center.

The subject is convenient to employment centers. Among the major centers of employment near the site are Joint Base Anacostia-Bolling and Southwest/Downtown DC on the west side of the Anacostia River. Additionally, the redevelopment of the St. Elizabeths east campus, located less than a mile from the subject site in neighboring Congress Heights, is planned to contain 1.8 million SF of office space when fully built out. That does not include the 1.2 million-SF U.S. Coast Guard headquarters under construction now on the St. Elizabeths west campus and the 3,860 employees who will be based there. In addition, President Obama has restored funding in the administration's latest budget to continue the next phase of construction of the Department of Homeland Security's new headquarters at St. Elizabeths west campus.

The subject is close to a variety of retail options. The subject site is proximate to street-fronting neighborhood retail options along Martin Luther King Avenue, SE and Good Hope Road, SE. The closest retail center is Good Hope Marketplace, located at the intersection of Good Hope Road, SE and Alabama Avenue, SE. This center is anchored by a Safeway grocery store and also houses a Radio Shack, Payless Shoesource, and Rent-A-Center among other stores. Good Hope Marketplace is located directly across from the planned redevelopment of the Skyland Town Center, which will be anchored by Walmart. Additionally, there is a Giant grocery store about one and one half miles southeast of the site and a Fairlawn Market (formerly Yes! Organic Market) about the same distance to the northeast.

Property conditions in the neighborhood are mixed. There has been significant public and private investment and many properties have been improved and renovated. There are still pockets of properties with substandard and blighted structures. The existing residential stock in the immediate area surrounding the site consists of well-established neighborhoods and several historic properties – a number of which are in disrepair. Housing consists of a mix of row houses, single-family detached houses, and apartments. Residences to the east of the site are part of the Anacostia Historic District. Across Suitland Parkway southwest of the site is the Barry Farm community, which will be redeveloped as part of the New Communities Initiative. North and southwest of the site, along Martin Luther King Jr. Avenue, SE, land uses are primarily commercial with street-front retail.

A Business Improvement District was recently created in Anacostia. The Anacostia BID will be responsible for cleaning sidewalks and streets in front of commercial properties, as well as maintaining planters and helping market the business district to new businesses looking to relocate to the area. Constituted as a non-profit BID, the Anacostia BID is tax-exempt and will be able to apply for grants – raising funds in addition to the property tax assessment on commercial properties.

In summary, the subject is a good location from which to compete in the marketplace. The subject is situated among established neighborhoods with excellent local and regional access, and proximity to employment centers, and a variety of retail and entertainment options and services. These factors, combined with the subject's proximity to Downtown Washington, DC, make the subject a good location for development.

SUBJECT PROPERTY DESCRIPTION

The site that is the subject of this study is currently divided into five parcels, with a total land area of 41,499 SF. Table A-1 presents a summary of land areas and property tax records are shown on Tables A-2-1 through A-2-5 in Appendix A. The overall site fronts on Martin Luther King Jr. Avenue, SE, from Morris Road, SE to Maple View Place, SE. The site is roughly rectangular in shape and slopes up from Martin Luther King Jr. Avenue, SE, with significant grade change on the eastern portion.

Four of the parcels are controlled by DHCD and cover 33,047 SF. These four parcels, known as the Big K site, were acquired by the District of Columbia in 2010 with Community Development Block Grant funds. DHCD issued a Solicitation for Offers (SFO) to select a developer to redevelop the site. The five component parcels of the subject site are described below.

- The first DHCD parcel, 2228 Martin Luther King Jr. Avenue, SE, is located within the Anacostia

Historic District and is currently a vacant lot. The parcel formerly held a single-family detached house. In 2012, the building was deemed structurally unstable and damaged beyond repair and was subsequently razed.

- The second and third DHCD parcels, 2234 and 2238 Martin Luther King Jr. Avenue, SE, each contains an abandoned single-family detached housing structure. Both are located entirely within the historic district. Section 3.1.4.3 of the SFO states that these structures shall be preserved.
- The fourth DHCD parcel, located at 2252 Martin Luther King Jr. Avenue, SE at its intersection with Morris Road, SE, houses a commercial building formerly home to the Big K liquor store, now vacant. This is the only parcel on the site that is not part of the Anacostia Historic District.
- The fifth parcel (not controlled by DHCD) is 2226 Martin Luther King Jr. Avenue, SE, at the corner of Maple View Place, SE. It is currently occupied by a used car sales and repair business and is mostly used for vehicle parking. 2228 Big K LLC plans to include this parcel, with 8,452 SF, in an eventual development.

ZONING AND DEVELOPMENT POTENTIAL

The subject property currently is zoned C-3-A, which permits matter-of-right development of medium density and a mix of uses that includes office, retail, and housing. With this designation, a density incentive exists for residential development. The maximum density allowed as a matter-of-right for non-residential use on the site is a 2.5 Floor Area Ratio (FAR), while FAR for residential use is 4.0. Maximum building height is 65 feet regardless of use.

Under the PUD guidelines, the maximum permitted height for development increases to 90 feet, with maximum FARs of 4.5 and 3.0 for residential and commercial uses, respectively. Developers typically pursue a PUD only if it offers sufficient benefits from land use, design, and density to justify the additional time, cost, and risk of the approval process.

Community input noted in the SFO indicates a desire for non-residential use. The Big K Community Advisory Group recommended that development on the site contain neighborhood serving retail, small business office space, and a small business incubator, with no residential component.

Preliminary studies of the subject site have suggested residential (both market-rate and tax credit), office, and retail uses as potential uses for the site. A stand-alone retail center was not considered feasible due to the topography of the site, parking requirements, and resulting limits on development potential. However, street-floor retail was considered as a possible component for multifamily and office uses. Figure 2 below outlines development potential for the three property types considered most likely to be economically viable. The density potentials shown include possible street-level retail space.

Figure 2
Subject Site Development Potential

Property Type	Square Feet Permitted By-Right	Square Feet Permitted with PUD Process
Multifamily Residential (Market Rate)	165,996	186,746
Multifamily Residential (Tax Credit)	165,996	186,746
Office	103,748	124,497

See Table A-1 in Appendix A for details.

MARKET ANALYSIS

The following section presents brief evaluations of market conditions for each of the property types considered as potential uses for the subject site. To place the real estate market in context, Appendix F presents an overview of the metro area economy.

Multifamily

The Washington metro apartment market is heading into a more competitive environment with moderating performance. The Washington region's stabilized vacancy rate for investment grade (Class A and B) apartments increased to 4.7% at first quarter 2013 compared to 3.8% one year prior. Rent growth was modest over the year, with Class A rents up by 0.6% during the 12 months ending in March 2013, down from the 2.3% growth posted during the preceding year. Class A absorption of 6,645 units was above the long-term average and has been increasing over the past few quarters, but was outpaced by deliveries of 9,720 new units. A large slate of new projects began to deliver in the first quarter of 2012 and a historically high number of new units will be delivered through the first half of 2014. In the near term, the market has held up well with continued, albeit moderate rent growth, and absorption per project holding at 16 units per month during the first quarter.

The pipeline of new apartment units is large. Improving market fundamentals and improving financing availability in 2010 and 2011 contributed to a large increase in the pipeline of planned projects in the metro area with the potential to deliver in the next 36 months. By the first quarter of 2013, the pipeline leveled off at 35,802, with over 30,000 of these units currently under construction. In the 12 months ending in March 2013, 13,370 units broke ground in the metro area. In the next 12 months, an additional 16,300 units will come to market and approximately 11,000 more will be completed in the following year. However, the area of the District east of the Anacostia River has only 396 units planned to deliver over the next 36 months, or only about 1% of the metro total.

Appendix G presents additional information on the metro area apartment market.

We surveyed selected market-rate apartment properties that could be comparable to new development on the subject site. Table B-1 presents a summary of key information on these properties. Representative effective rents (after concessions) range from $1,325 to $1,638 per month for a one-bedroom unit and $1,686 to $2,047 for a two-bedroom unit. For the three properties, effective rents average $1,681 per unit, or $1.75 per SF.

We surveyed four tax-credit apartment communities that could be comparable to new development on the subject site, with a summary shown on Table B-3. Monthly rents range from $948 to $1,140 for one-bedroom units and from $1,073 to $1,373 for two-bedroom, two-bathroom units. For the four properties, rents average $1,165 per unit, or $1.47 per SF.

<u>Office</u>

Federal government actions — including sequestration and Base Realignment and Closure (BRAC)-related moves — have dampened office market performance in the Washington metro area. The Washington metro area office market began 2013 on a down note, as overall absorption (Class A, B, and C) decreased by 366,000 SF in the first quarter and overall vacancy increased 70 basis points from one year ago to 13.5%. This continued the performance of 2012 which saw negative absorption of 2.9 million SF. Still, vacancy in the Washington area remains the eighth-lowest among major metro areas in the U.S. Despite these conditions, demand remains strong for newer and higher quality space as tenants upgrade accommodations at a smaller premium. Class A absorption totaled positive 321,000 SF in the first quarter of 2013 and 1.2 million SF during all of 2012. We expect performance fundamentals to improve gradually over the next two years, with vacancy decreasing to 12.8% by March of 2015.

We expect the District of Columbia's office market to be challenged during 2013. We expect the Federal government to reduce the amount of space leased in the near-term, as Congress pushes agencies with lease requirements to reduce the amount of space utilized per worker. Although we expect the private sector to expand over the next few years, most companies will first occupy currently underutilized space as they wait until a clearer picture of the Federal budget is known before committing to new leases. Tenants in the market for space are seeking Class A space with an efficient floor plate that reduces occupancy costs.

Appendix H presents additional information on the metro area office market.

Table C-1 in Appendix C lists office leases signed east of the Anacostia River in the District of Columbia between 2010 and 2013 and show the average rent to be $22.18 per SF. However, there was a wide range in pricing. Deals ranged from a low of $11.89 per SF to a high of $35.00 per SF. Asking rents for currently available space range from $8.00 to $29.25 and average $16.80. See Table C-2.

<u>Retail</u>

The Washington metro area retail market is among the strongest in the U.S. The overall vacancy for all types of shopping centers is 4.9% in the metro area as of the end of the first quarter 2013. This is the lowest vacancy rate in the country among large metro areas and compares favorably to the national average of 8.9%. The core submarkets (District of Columbia, Arlington, and Alexandria) boast an even lower vacancy rate of 3.8%. Rental rates at grocery-anchored centers increased 1.2% in 2012, after rising 2.1% in 2011.

Appendix I presents additional information on the metro area retail market.

Table D-1 in Appendix D lists retail leases signed east of the Anacostia River in the District of Columbia between 2010 and 2013 and show the average rent to be $21.11 per SF. However, there was a wide range in pricing with deals ranging from $6.74 per SF to $35.00 per SF, indicating prices are affected heavily by factors like quality of space and specific location. Asking rents for currently available space range from $6.48 to $42.86 and average $23.20.

POTENTIAL DEVELOPMENT PROGRAM SCENARIOS

As discussed earlier, we considered what is legally permissible and physically possible on the subject site, based on a review of available information. We evaluated market conditions for a variety of property types to assess market potential.

As part of this study, Delta Associates reviewed and considered several City and community documents and resources related to the site and the surrounding area. Some of this material represents community input regarding preferences for potential uses on the subject site. Appendix J presents a list of the materials reviewed. It is important to note that our study focuses on the highest and best use of the subject site specifically. Although government and community preferences must be considered in the course of a responsible approach to development, the findings of generalized studies regarding potential uses for a larger area or neighborhood may not coincide with the market feasibility and economic viability of those uses when applied to a specific site.

We note that the Property Disposition Agreement (PDA) includes the following definition (page 6):

> *"Highest and Best Use" shall mean the most effective use of the Property possible, that is legally permissible, physically possible, financially feasible (as determined by an objective analysis of the market) and which results in a high quality, urban development that serves District residents and the public at large through the economic benefits that the project will provide. Economic benefits shall include, but not be limited to: tax revenue, job creation, and housing. The Highest and Best Use shall be in harmony with the growth goals and planning policies of the District, and shall be determined by taking into account the results of the Market Feasibility Study, as well as, comments from the community.*

Any development considered for the subject site would first have to pass the test of highest and best use, before consideration of economic benefits listed in the PDA. We believe this analysis addresses the requirements of the PDA.

Among the property types cited as possible uses in City documents, previous market studies, and community input were medical office space, senior rental housing, market-rate for-sale housing, affordable for-sale housing; and artist work-live housing. Our office building scenario could encompass medical office space, so that use will be tested as discussed below. Market-rate senior rental housing has been relatively rare in the metro area to date. Most age-restricted rental communities involve some public incentives, such as tax-credit financing. A tax-credit seniors rental project is plausible, but not considered likely and would likely require additional public subsidy compared to conventional (non-seniors) tax credit housing. In any event, the development economics of that use will be reasonably approximated by the tax credit apartment financial analysis discussed below. For-sale housing would have to be in a multifamily structure (condominiums) to generate a sufficient return to the land and to achieve the density the City and community desire. The market-rate condo market in the metro area is recovering from an extended slump, and — except for a few isolated projects — condo prices are not sufficient to justify new development. Affordable condos might be possible with the appropriate level of public subsidy, but the uncertainty surrounding obtaining those subsidies likely would deter many developers from considering that as a viable alternative. Artist work-live housing generally does not have a good record of market acceptance in the Washington metro area. There are a few limited examples of this type of use, but sponsors report that these units have been slower to absorb than conventional uses of the space, and economic performance has been below expectations.

In summary, we did not consider these property types (medical office space, senior rental housing, market-rate for-sale housing, affordable for-sale housing; and artist work-live housing) to be market-feasible or economically viable, or they are reasonably represented by the three development program scenarios we selected for financial analysis.

In light of the allowable uses and densities, the market analysis, and our judgment regarding market feasibility, we have tested three plausible development programs under By-Right Development. The PUD development for each scenario would involve the same type of use, but at higher density.

- Market-rate apartments
- Tax credit apartments
- Office building

Each of the scenarios could contain street-level retail as an ancillary use.

We understand that the SFO issued by DHCD states that the historic structures on site shall be preserved and incorporated into the new development. In our view, however, all of the plausible development programs would require removal of the existing structures on the site in order to enable market-feasible and economically viable development. Leaving the structures would severely complicate efficient design of potential new development, and the reduced achievable density and expected additional cost of building around the structures likely would preclude the economic return required to motivate the market to invest in new development on the site. The two existing historic structures could possibly be moved to another location within the Anacostia Historic District to allow for economically-viable development. The cost of relocating the historic structures was not considered in the financial analysis.

Under the assumed development program scenarios, any retail uses at the subject will be on the ground floor beneath other uses and would not have large anchor tenants given space constraints. Viable retail would have to be on the ground floor; multi-story retail is not considered feasible. A one-level retail structure could support only surface parking and is not considered financially or physically feasible due to parking requirements and the site's topography. Rents to support acceptable returns for developing this type of retail would have to be around $40 per SF. However, the location, scale, tenant configuration, visibility, and accessibility of the subject's street-level retail point to a much lower achievable rent.

Market-Rate Apartments

By-Right Development: The subject site can be developed as a mid-rise Class A apartment building with street-level retail at a density of 4.0 FAR averaged over all five parcels (149,495 gross SF of space) at a maximum height of 65 feet. Under this scenario, the average unit size would be 804 SF, yielding 158 units. Generally, a minimum of 200 units is required for an apartment property to be of interest to institutional investors, so a financing a project of this size might be difficult. Unit features would be typical of Class A apartment communities found in the District of Columbia, such as stainless steel kitchen appliances, granite countertops, washers and dryers, hardwood floors in living areas, nine foot ceilings, walk-in closets, as well as balconies or patios. Market-competitive project amenities would include a fitness center, business center, club room, concierge, and storage units, while parking would be below-grade. Market rents at this location average $2.00 per SF, including all premiums, such as floor level, views, fees, and parking. Since the District Class A apartment market is entering a more competitive environment, the average absorption pace expected at the subject can be expected to be lower than the current city-wide average of 19 units per month for projects currently in lease-up; we estimate about 12 units per month for the subject. At that pace, it would take 13 months to reach stabilized occupancy (95%).

Planned Unit Development (PUD): A Class A apartment building with street-level retail under a PUD can be built at a density of 4.5 FAR averaged over the entire property (170,244 gross SF of space) at a maximum height of 90 feet. The average unit size would be 804 SF, yielding 180 units under this scenario.

Figure 3 below summarizes the development program scenario for market-rate apartments, with street-level retail included within the potential square footage shown. (Note that this development scenario was determined to not be economically viable, as discussed later in this report.)

Figure 3
Development Program Scenario: Market-Rate Apartments
Subject Site

Type of Development	FAR SF	Avg. SF	# of Units	Rent per SF
By-Right Development	149,495	804	158	$2.00
Planned Unit Development	170,244	804	180	$2.00

Tax Credit Apartments

By-Right Development: The subject site can be built as a mid-rise apartment building reserved for tenants earning up to 60% of Area Median Income (AMI) with ground-floor retail at a density of 4.0 FAR averaged over the entire property (121,243 gross SF of space) at a maximum height of 65 feet. Under this scenario, the average unit size would be smaller than a typical Class A apartment unit – 678 SF with a total of 152 units. Unit features would be high-quality, but some features and amenities would be less luxurious than those found in a typical new Class A apartment community. Parking would be below-grade. Market rents at this location average $1.90 per SF, including all premiums and parking. Average absorption would be about 15 units per month, which would require 10 months to reach stabilized occupancy (95%).

Planned Unit Development (PUD): A mid-rise apartment building affordable to tenants earning up to 60% of AMI with street-level retail in a PUD can be built at a density of 4.5 FAR averaged over all five parcels (154,962 gross SF of space) at a maximum height of 90 feet. The average unit size would be 675 SF, yielding 195 units under this scenario. At a monthly absorption pace of 15 units per month, it would take 13 months to reach stabilized occupancy (95%).

See Figure 4 below summarizes the development program scenario for tax credit apartments with street-level retail. (Note that this development scenario was determined to be the highest and best use for the site, as discussed later in this report.)

Figure 4
Development Program Scenario: Tax Credit Apartments
Subject Site

Type of Development	FAR SF	Avg. SF	# of Units	Rent per SF
By-Right Development	121,243	678	152	$1.90
Planned Unit Development	154,962	675	195	$1.90

Office

By-Right Development: Under this scenario, the subject site can be built as a mid-rise neighborhood office building with street-level retail at a density of 2.5 FAR averaged over all five parcels (87,246 gross SF of space) at a maximum height of 65 feet with approximately 146 below-grade parking spaces. Market rents average $25.00 per SF per year full service. Possible tenants at this location include associations, non-profits, and small professional services tenants such as medical or legal offices.

Planned Unit Development (PUD): Under a PUD, the subject site could be developed as a mid-rise neighborhood office building with street-level retail at a density of 3.0 FAR averaged over the entire property (107,996 gross SF of space) at a maximum height of 90 feet with approximately 181 below-grade parking spaces.

Figure 5 summarizes the development program scenario for an office building, with street-level retail included in the potential square footage shown. (Note that this development scenario was determined to not be economically viable, as discussed later in this report.)

Figure 5
Development Program Scenario: Office Building
Subject Site

Type of Development	FAR SF	Rent per SF
By-Right Development	87,246	$25.00
Planned Unit Development	107,996	$25.00

Street-Level Retail

Each of the three development program scenarios could accommodate an estimated 6,000 to 15,000 SF of street-level retail, partly as an amenity for the other uses above and partly for urban design objectives, to create an aesthetically attractive streetscape that would benefit the marketability of the primary use on the site. Achievable initial retail rents might be $10 to $15 per SF triple net depending on the tenant type, size, and location in the building. Examples of the type of community-oriented retail that could be market-feasible include restaurants, drycleaners, bakery, etc. (Note that street-level retail on its own was determined to not be economically viable, but would be important as an ancillary use for a mixed use building with residential units above the retail, as discussed later in this report.)

FINANCIAL ANALYSIS

Using the estimated income projections and development costs, we prepared a residual land value for each of the development program scenarios. For income, we used estimates based on the market analysis for each property type. For operating expenses and capitalization rates, we relied on surveys that Delta conducts on a regular basis. For development costs, we relied on hard cost estimates provided by the developer and on our own research for soft costs and financing costs.

We conclude that the only economically feasible development alternative is a tax credit apartment building. Development of tax credit apartments with street-level retail results in a residual land value of $5 per SF or $3,919 per unit under by-right development (and $6 per SF or $4,906 per unit assuming PUD density). The analysis yields negative land values for market-rate apartments and for office, which means those are not economically feasible alternatives. Street-level retail also is not economically viable, but might be desirable as an ancillary use. Without sufficient public subsidies, profit-oriented developers or investors would not pursue a project that yields a negative return to the land, and market-based financing would not be available.

The concluded highest and best use is consistent with the growth goals and planning policies of the District. In our judgment, the concluded highest and best use is consistent with the requirements of the Property Disposition Agreement.

The financial analysis is detailed in Appendix E, and summarized on Figure 6 below.

Figure 6
Residual Land Value per Square Foot
Subject Site

Property Type	By-Right	PUD
Market-Rate Apartments: negative residual land value	($11)	($11)
Tax Credit Apartments: positive residual land value	$5	$6
Office: negative residual land value	($150)	($146)
Street-Level Retail: negative residual land value	($139)	($135)

For details, see Tables E-10 through E-17 in Appendix E.

* * * * *

It has been a pleasure undertaking this assignment for you.

Respectfully submitted,

DELTA ASSOCIATES

David Weisel, CRE
President, Consulting Division

William Rich
Senior Vice President and Project Director

Steven Reilly
Senior Associate

NOTICE

Delta Associates (DA) considers that it is essential to the reader's examination of this document, and projections contained herein, to understand the use of data, the methodology involved, the role of judgments as distinct from calculations in the methodology, factors which affect current projections, and the impact, if any, of change over time.

The purpose of market, economic and financial projections, together with the basis for the projections, is to make available a considered opinion on potential economic returns from the project so that those who utilize these results can evaluate them in terms of methodology employed, data applied as well as judgments made and identified. All prospective data are subject to uncertainties. As actual market and economic factors affecting the project materialize, they may differ somewhat from the basis projected herein. Unforeseen changes in laws may also affect real estate market performance and value. Accordingly, although the projections in this report are those one would reasonably expect to occur given the conditions existing at the time of this writing, actual market and financial results may differ from the projections.

Similarly, projections herein have been prepared utilizing the information, assumptions and calculations outlined in this report. Select information utilized in the projection process is on occasion from sources other than DA; where such information is from published sources, DA has identified the source and assumed such information to be accurate as presented. Where such information is from unpublished sources, DA has reviewed the information for reasonableness and consistency before including same herein. No representations are made by DA as regards property ownership, size, zoning conformance, occupancy and lease terms, availability of utilities, soil conditions, flood hazard, environmental problems, or any other matters. All such property specific data has been supplied to DA by the property owner and/or its agents and DA has assumed this data to be accurate as provided.

DA's principal business activity is the evaluation of real estate development economics, including the analysis of market potentials, evaluation of projected operating and financial results, and valuations. In the course of each year the firm typically performs more than a hundred assignments for building and development organizations, financial institutions, property owners and the like. The firm considers that it is "expert" in this field, and it is DA's belief that the methodology and other procedures employed by it constitute valid and accepted methods of evaluating and valuing real estate. However, it is pointed out that procedures used herein rely on judgments dependent on the accuracy of data and influenced by external circumstances which can change quickly with time and substantially affect the project and hence its value. DA recommends that its clients recognize these limitations inherent in using the projections of this report when making business decisions.

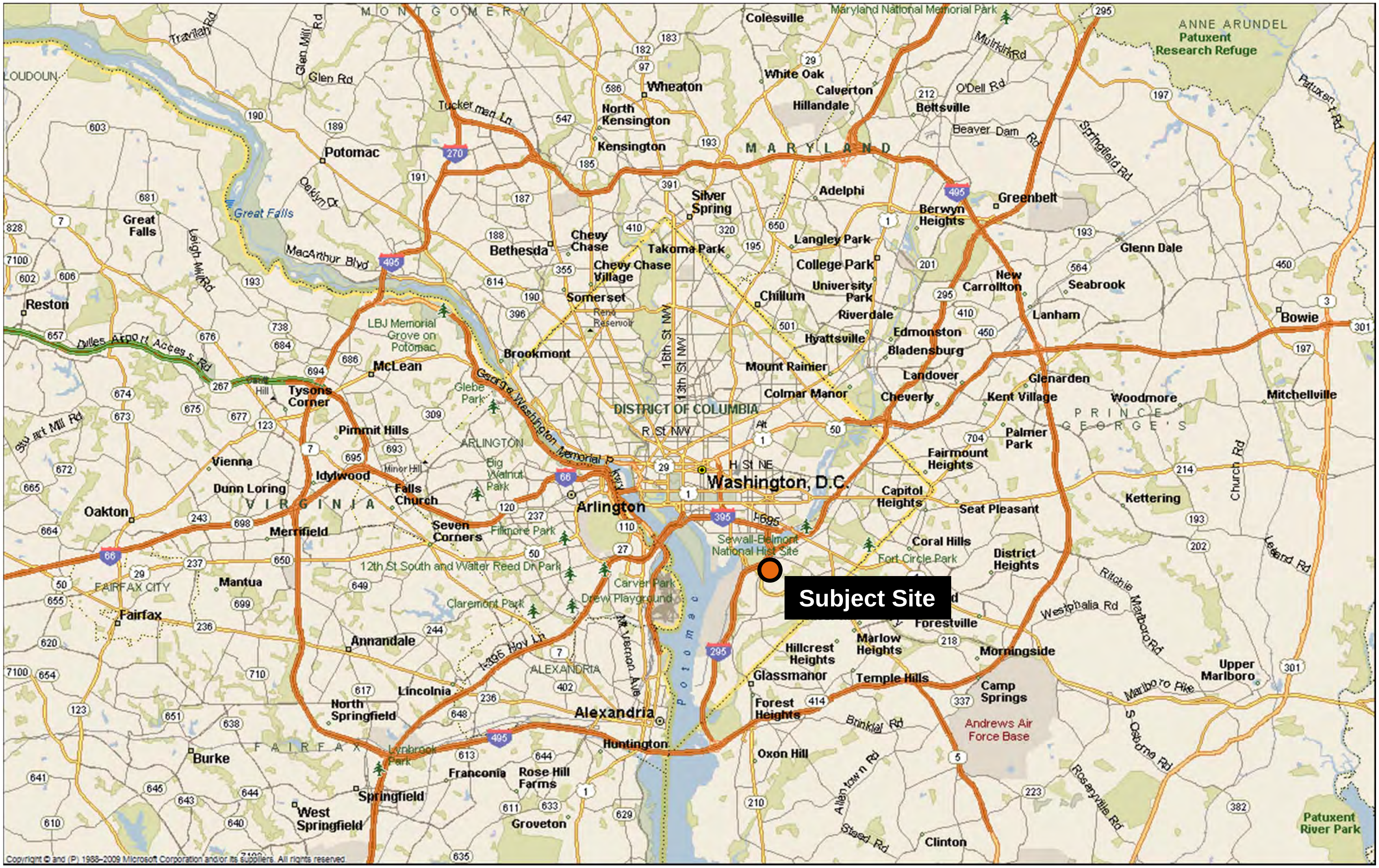
Finally, the reader is hereby advised that Delta Associates is the trade name of Transwestern Delta Associates, L.L.C., a Delaware limited liability company. As such, DA is part of the Transwestern (TW) family of real estate service companies that broker, finance, manage, advise, and develop real estate throughout the United States. This disclosure is made so as to (1) avoid the appearance of a conflict and (2) to assure the client of confidentiality and impartiality. Delta Associates is independently operated by its principals and separately officed in Old Town Alexandria. In no way does Delta Associates' TW affiliation affect the judgments expressed herein.

APPENDICES

Appendix A:

Maps and Property Information

REGIONAL MAP



Source: MapPoint 2004; Delta Associates, May 2013.

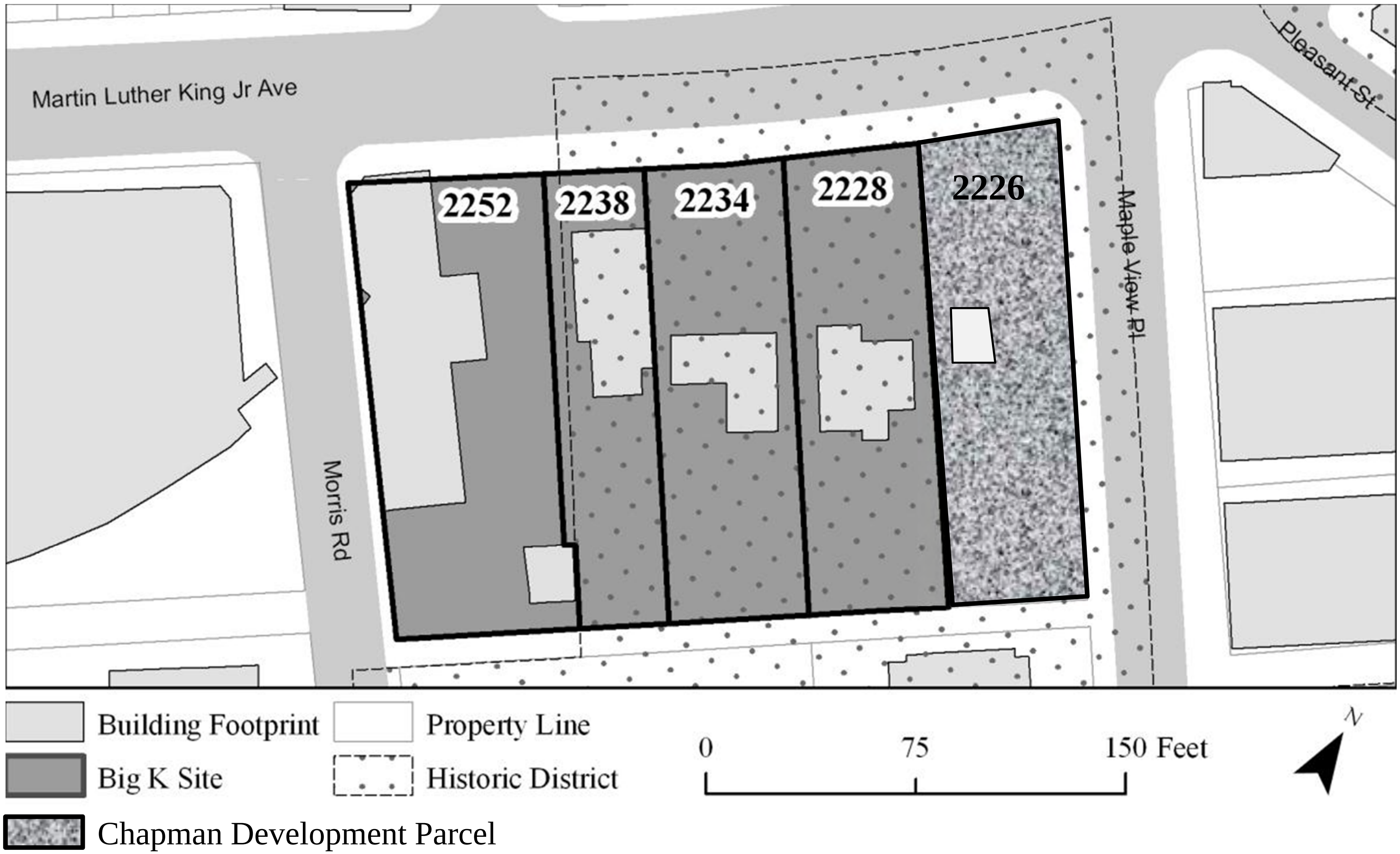
DA13244

NEIGHBORHOOD MAP

Source: MapPoint 2004; Delta Associates, May 2013.

DA13244

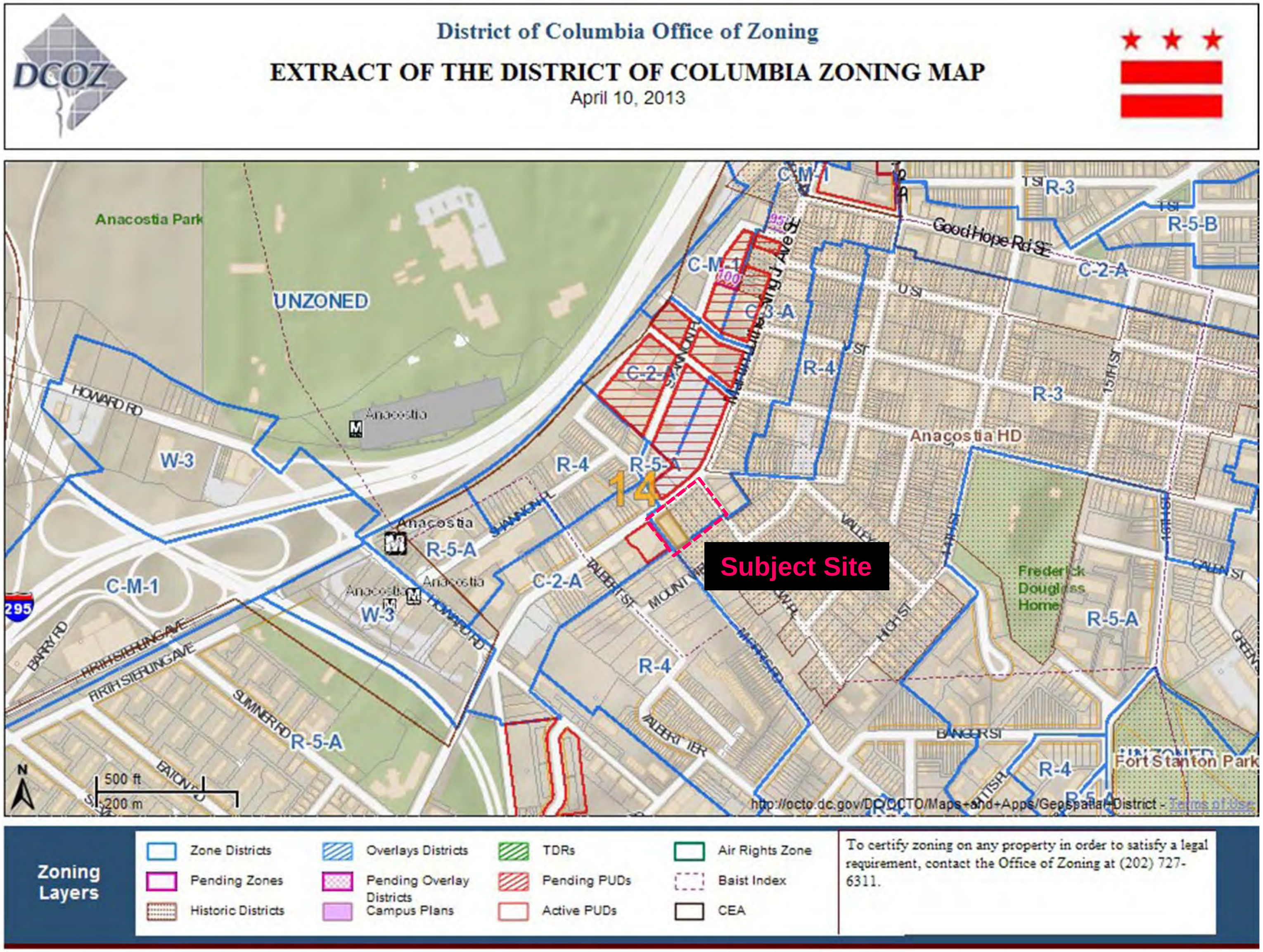
SUBJECT SITE LAYOUT



Source: DC Dept. of Housing & Community Development; Delta Associates, May 2013.

DA13244

SUBJECT SITE ZONING MAP



Source: DC Office of Zoning; Delta Associates, May 2013.

DA13244

TABLE A-1

LAND AREA AND DEVELOPMENT POTENTIAL
BIG K SITE
WASHINGTON, DC

Land Areas		
Address	**SSL**	**SF**
Chapman Development Parcel		
2226 Martin Luther King Jr. Ave., SE	5802 0809	8,452
DHCD Parcels		
2228 Martin Luther King Jr. Ave., SE	5802 0810	8,233
2234 Martin Luther King Jr. Ave., SE	5802 0811	8,157
2238 Martin Luther King Jr. Ave., SE	5802 0978	5,747
2252 Martin Luther King Jr. Ave., SE	5802 0977	10,910
DHCD Parcels Subtotal		33,047
Total land area		**41,499**

Development Potential (gross above-grade building area)	
By-right Development Potential:	
x By-right Residential FAR	4.0
or	
x By-right Commercial FAR	2.5
= By-right Development Potential - Residential	**165,996**
or	
= By-right Development Potential - Commercial	**103,748**
PUD Development Potential:	
x Residential FAR with PUD	4.5
or	
x Commercial FAR with PUD	3.0
= PUD Development Potential - Residential	**186,746**
or	
= PUD Development Potential - Commercial	**124,497**

NOTES:
FAR = Floor-area ratio (ratio of above-grade building area to the land area).
PUD = Planned Unit Development.

Source: District of Columbia, Delta Associates, May 2013.

DA13244
13244 Apdx A-E, A1 Land area+FAR
5/8/2013

TABLE A-2-1

PROPERTY TAX RECORD

2226 MARTIN LUTHER KING JR. AVENUE, SE

Property Detail

Address: 2226 MARTIN LUTHER KING JR AV SE

SSL: 5802 0809

Record Details			
Neighborhood:	ANACOSTIA	**Sub-Neighborhood:**	A
Use Code:	62 - Commercial-Garage,Vehicle Sale	**Class 3 Exception:**	No
Tax Type:	TX - Taxable	**Tax Class:**	002 - Commercial
Homestead Status:	** Not receiving the Homestead Deduction		
Assessor:	BRANDON FERARAN		
Gross Building Area:		**Ward:**	8
Land Area:	8,452	**Triennial Group:**	1

Owner and Sales Information	
Owner Name:	CHO ANDREW H
Mailing Address:	127 WESTWAY APT T3; GREENBELT MD20770-1960
Sale Price:	Not Available
Recordation Date:	08/27/1998
Instrument No.:	067674

Tax Year 2014 Preliminary Assessment Roll		
	Current Value (2013)	**Proposed New Value (2014)**
Land:	$253,560	$253,560
Improvements:	$17,490	$18,360
Total Value:	$271,050	$271,920
Taxable Assessment: *	$271,050	$271,920

* Taxable Assessment after Tax Assessment Credit and after $69,100 Homestead Credit, if applicable. (Click here for more information).

** If you believe you should be receiving tax relief through the Homestead deduction program and if you are domiciled in the District and this property is your principal place of residence, you can access the link below, complete the form, and return it per the instructions. For additional information regarding the Homestead program, call (202)727-4TAX. Click here to download the Homestead Deduction and Senior Citizen Tax Relief application *

Source: DC Real Property Assessment Database, Delta Associates; May 2013.

DA13244
13244 Apdx A- Property Records
5/6/2013

TABLE A-2-2

PROPERTY TAX RECORD

2228 MARTIN LUTHER KING JR. AVENUE, SE

Property Detail

Address: 2228 MARTIN LUTHER KING JR AV SE
SSL: 5802 0810

Record Details			
Neighborhood:	ANACOSTIA	**Sub-Neighborhood:**	A
Use Code:	12 - Residential-Detached-Single-Fa	**Class 3 Exception:**	No
Tax Type:	DC - District of Columbia	**Tax Class:**	001 - Residential
Homestead Status:	** Not receiving the Homestead Deduction		
Assessor:	AVIS SAVAGE		
Gross Building Area:		**Ward:**	8
Land Area:	8,233	**Triennial Group:**	1

Owner and Sales Information	
Owner Name:	DISTRICT OF COLUMBIA
Mailing Address:	1800 MARTIN LUTHER KING JR AVE; WASHINGTON DC20020-6900
Sale Price:	$995,000
Recordation Date:	07/26/2010
Instrument No.:	65323

Tax Year 2014 Preliminary Assessment Roll		
	Current Value (2013)	**Proposed New Value (2014)**
Land:	$125,470	$119,210
Improvements:	$10,700	Not Available
Total Value:	$136,170	$119,210
Taxable Assessment: *	$136,170	$119,210

* Taxable Assessment after Tax Assessment Credit and after $69,100 Homestead Credit, if applicable. (Click here for more information).

** If you believe you should be receiving tax relief through the Homestead deduction program and if you are domiciled in the District and this property is your principal place of residence, you can access the link below, complete the form, and return it per the instructions. For additional information regarding the Homestead program, call (202)727-4TAX. Click here to download the Homestead Deduction and Senior Citizen Tax Relief application *

Source: DC Real Property Assessment Database, Delta Associates; May 2013.

DA13244
13244 Apdx A- Property Records
5/6/2013

TABLE A-2-3

PROPERTY TAX RECORD

2234 MARTIN LUTHER KING JR. AVENUE, SE

Property Detail

Address: 2234 MARTIN LUTHER KING JR AV SE
SSL: 5802 0811

Record Details			
Neighborhood:	ANACOSTIA	**Sub-Neighborhood:**	A
Use Code:	12 - Residential-Detached-Single-Fa	**Class 3 Exception:**	No
Tax Type:	DC - District of Columbia	**Tax Class:**	001 - Residential
Homestead Status:	** Not receiving the Homestead Deduction		
Assessor:	AVIS SAVAGE		
Gross Building Area:		**Ward:**	8
Land Area:	8,157	**Triennial Group:**	1

Owner and Sales Information	
Owner Name:	DISTRICT OF COLUMBIA
Mailing Address:	1800 MARTIN LUTHER KING JR AVE; WASHINGTON DC20020-6900
Sale Price:	$995,000
Recordation Date:	07/26/2010
Instrument No.:	54212

Tax Year 2014 Preliminary Assessment Roll		
	Current Value (2013)	**Proposed New Value (2014)**
Land:	$125,290	$119,010
Improvements:	$13,760	$14,530
Total Value:	$139,050	$133,540
Taxable Assessment: *	$139,050	$133,540

* Taxable Assessment after Tax Assessment Credit and after $69,100 Homestead Credit, if applicable. (Click here for more information).

** If you believe you should be receiving tax relief through the Homestead deduction program and if you are domiciled in the District and this property is your principal place of residence, you can access the link below, complete the form, and return it per the instructions. For additional information regarding the Homestead program, call (202)727-4TAX. Click here to download the Homestead Deduction and Senior Citizen Tax Relief application *

Source: DC Real Property Assessment Database, Delta Associates; May 2013.

DA13244
13244 Apdx A- Property Records
5/6/2013

TABLE A-2-4

PROPERTY TAX RECORD

2238 MARTIN LUTHER KING JR. AVENUE, SE

Address: 2238 MARTIN LUTHER KING JR AV SE

SSL: 5802 0978

Record Details			
Neighborhood:	ANACOSTIA	**Sub-Neighborhood:**	A
Use Code:	12 - Residential-Detached-Single-Fa	**Class 3 Exception:**	No
Tax Type:	DC - District of Columbia	**Tax Class:**	001 - Residential
Homestead Status:	** Not receiving the Homestead Deduction		
Assessor:	AVIS SAVAGE		
Gross Building Area:		**Ward:**	8
Land Area:	5,747	**Triennial Group:**	1

Owner and Sales Information	
Owner Name:	DISTRICT OF COLUMBIA
Mailing Address:	1800 MARTIN LUTHER KING JR AVE; WASHINGTON DC20020-6900
Sale Price:	$995,000
Recordation Date:	07/26/2010
Instrument No.:	65323

Tax Year 2014 Preliminary Assessment Roll		
	Current Value (2013)	**Proposed New Value (2014)**
Land:	$118,500	$112,410
Improvements:	$9,860	$10,440
Total Value:	$128,360	$122,850
Taxable Assessment: *	$128,360	$122,850

* Taxable Assessment after Tax Assessment Credit and after $69,100 Homestead Credit, if applicable. (Click here for more information).

** If you believe you should be receiving tax relief through the Homestead deduction program and if you are domiciled in the District and this property is your principal place of residence, you can access the link below, complete the form, and return it per the instructions. For additional information regarding the Homestead program, call (202)727-4TAX. Click here to download the Homestead Deduction and Senior Citizen Tax Relief application *

Source: DC Real Property Assessment Database, Delta Associates; May 2013.

TABLE A-2-5

PROPERTY TAX RECORD

2252 MARTIN LUTHER KING JR. AVENUE, SE

Address: 2252 MARTIN LUTHER KING JR AV SE

SSL: 5802 0977

Record Details			
Neighborhood:	ANACOSTIA	**Sub-Neighborhood:**	A
Use Code:	42 - Store-Misc	**Class 3 Exception:**	No
Tax Type:	DC - District of Columbia	**Tax Class:**	002 - Commercial
Homestead Status:	** Not receiving the Homestead Deduction		
Assessor:	BRANDON FERARAN		
Gross Building Area:		**Ward:**	8
Land Area:	10,910	**Triennial Group:**	1

Owner and Sales Information	
Owner Name:	DISTRICT OF COLUMBIA
Mailing Address:	1800 MARTIN LUTHER KING JR AVE; WASHINGTON DC20020-6900
Sale Price:	$995,000
Recordation Date:	07/26/2010
Instrument No.:	65323

Tax Year 2014 Preliminary Assessment Roll		
	Current Value (2013)	**Proposed New Value (2014)**
Land:	$327,300	$327,300
Improvements:	$147,060	$154,480
Total Value:	$474,360	$481,780
Taxable Assessment: *	$474,360	$481,780

* Taxable Assessment after Tax Assessment Credit and after $69,100 Homestead Credit, if applicable. (Click here for more information).

** If you believe you should be receiving tax relief through the Homestead deduction program and if you are domiciled in the District and this property is your principal place of residence, you can access the link below, complete the form, and return it per the instructions. For additional information regarding the Homestead program, call (202)727-4TAX. Click here to download the Homestead Deduction and Senior Citizen Tax Relief application *

Source: DC Real Property Assessment Database, Delta Associates; May 2013.

DA13244
13244 Apdx A- Property Records
5/6/2013

Appendix B:

Apartment Market Information

TABLE B-1

SELECTED CLASS A APARTMENT PROPERTIES
WASHINGTON, DC AND PRINCE GEORGE'S COUNTY, MD
MAY 2013

#	Property Name/Address	Year	Unit Types	# of Units	Unit Mix	Unit Size (SF)	Asking Rents Monthly	Asking Rents Per SF	Effective Rents Monthly	Effective Rents Per SF
1	Carmel Midtown Square	2008	1BR/1B	106	42%	928	$1,638	$1.76	$1,638	$1.76
	5561 Auth Way		2BR/2B	122	48%	1,240	$2,047	$1.65	$2,047	$1.65
	Camp Springs, MD		3BR/2B	24	10%	1,441	$2,160	$1.50	$2,160	$1.50
			Total/Weighted Average	**252**	**100%**	**1,128**	**$1,886**	**$1.67**	**$1,886**	**$1.67**
2	Fort Totten Station	2007	Efficiency	9	3%	660	$1,522	$2.31	$1,480	$2.24
	5210 3rd Street, NE		1BR/1B	97	31%	672	$1,472	$2.19	$1,430	$2.13
	Washington, DC		1BR/1B/Den	77	25%	772	$2,041	$2.64	$1,958	$2.54
			2BR/2B	125	41%	1,026	$1,728	$1.68	$1,686	$1.64
			Total/Weighted Average	**308**	**100%**	**840**	**$1,720**	**$2.05**	**$1,667**	**$1.98**
3	Metro Place at Town Center	2006	1BR/1B	114	29%	759	$1,325	$1.75	$1,325	$1.75
	4300 Telfair Boulevard		1BR/1B/Loft or 2BR/1B	69	17%	875	$1,490	$1.70	$1,490	$1.70
	Camp Springs, MD		2BR/2B	204	51%	1,070	$1,695	$1.58	$1,695	$1.58
			2BR/2B/Loft	10	3%	1,267	$1,995	$1.57	$1,995	$1.57
			Total/Weighted Average	**397**	**100%**	**952**	**$1,561**	**$1.64**	**$1,561**	**$1.64**
	Total/Weighted Average			**957**	**--**	**962**	**$1,697**	**$1.76**	**$1,681**	**$1.75**

NOTES:
Unit sizes are in leasable square feet.
Some unit sizes and base rents are averages. Sizes exclude balconies/patios.

Source: Delta Associates, May 2013.

DA13244
13244 Apdx A-E, B1 Apt rent comps (market)
5/8/2013

TABLE B-2

ABSORPTION SUMMARY | ACTIVELY LEASING CLASS A APARTMENT PROJECTS
DISTRICT OF COLUMBIA
FIRST QUARTER 2013

PROJECT NAME/LOCATION	TOTAL UNITS [1]	DATE LEASING BEGAN	DATE OF DELIVERY	UNITS ABSORB.	MONTHLY ABSORPTION PACE PER QUARTER				OVERALL LEASE-UP PACE SINCE MARKETING BEGAN	CURRENT CONCESS. AS A % OF FACE RENT
					Q2 '12	Q3 '12	Q4 '12	Q1' 13		
LOW-RISE APARTMENTS										
Flats at Atlas Washington, DC	257	3/12	4/12	224	31	19	14	11	18	2%
MID-RISE APARMENTS										
Trilogy NoMa - Cirq Washington, DC	239	9/12	9/12	115	NA	NA	15	23	19	14%
AVA H Street Washington, DC	124	9/12	11/12	49	NA	NA	4	12	12	0%
Aria on L Washington, DC	54	12/12	1/13	20	NA	NA	12	5	6	16%
360 H Street Washington, DC	198	2/13	4/13	2	NA	NA	NA	8	8	NA
Kennedy Row Washington, DC	130	3/13	3/13	-- /2	NA	NA	NA	NA	NA	0%
HIGH-RISE APARTMENTS										
Yale West Washington, DC	216	12/11	1/12	198	25	23	7	7	13	10%
Archstone 1st + M Washington, DC	469	3/12	6/12	325	19	44	30	15	27	9%
Meridian Mount Vernon Triangle Washington, DC	390	4/12	6/12	328	24	52	18	20	29	4%
Capitol View on 14th Washington, DC	255	9/12	11/12	128	NA	20	17	19	18	8%
Highland Park - Phase II Washington, DC	116	12/12	1/13	34	NA	NA	NA	11	11	8%
Flats 130 at Constitution Square - Phase II Washington, DC	203	2/13	3/13	15	NA	NA	NA	15	15	8%
Total/Average: **First Quarter 2012 - First Quarter 2013**	**2,651**	**--**		**1,438**					**19**	**7%**

[1] Includes only market-rate units.
[2] Projects began leasing in March after quarterly research was completed.

This shows leasing activity from Q2 2012 - Q1 2013. Excludes properties stabilized during this period (in any).

Source: Delta Associates, May 2013.

DA13244
13244 Apdx A-E, B2-Class A Pace
5/8/2013

TABLE B-3

SELECTED TAX CREDIT APARTMENT PROPERTIES
WASHINGTON, DC
MAY 2013

#	Property Name/Address	Year	Unit Types	# of Units	Unit Mix	Unit Size (SF)	Asking Rents		Effective Rents	
							Monthly	Per SF	Monthly	Per SF
1	The Lofts at Sheridan Station	2011	Efficiency	8	8%	541	$750	$1.39	$750	$1.39
	2516 Sheridan Road, SE		1BR/1B	42	40%	742	$948	$1.28	$948	$1.28
	Washington, DC		2BR/1B	19	18%	905	$1,195	$1.32	$1,195	$1.32
			2BR/2B	35	34%	1,113	$1,238	$1.11	$1,238	$1.11
			Total/Weighted Average	**104**	**100%**	**881**	**$1,075**	**$1.22**	**$1,075**	**$1.22**
2	Matthews Memorial Terrace [1]	2011	1BR/1B	51	52%	700	$953	$1.36	$953	$1.36
	2632 Martin Luther King Jr. Avenue, SE		2BR/2B	43	43%	903	$1,073	$1.19	$1,073	$1.19
	Washington, DC		3BR/2B [2]	5	5%	1,002	N/A	N/A	N/A	N/A
			Total/Weighted Average	**99**	**100%**	**752**	**$957**	**$1.27**	**$957**	**$1.27**
3	The Grays on Pennsylvania	2010	1BR/1B	110	93%	625	$1,140	$1.82	$1,140	$1.82
	2323 Pennsylvania Avenue, SE		2BR/2B	8	7%	918	$1,373	$1.50	$1,373	$1.50
	Washington, DC		**Total/Weighted Average**	**118**	**100%**	**645**	**$1,156**	**$1.79**	**$1,156**	**$1.79**
4	Lotus Square	2006	1BR/1B	2	1%	650	$1,120	$1.72	$1,120	$1.72
	800 Kenilworth Avenue, NE		2BR/2B	169	98%	825	$1,343	$1.63	$1,343	$1.63
	Washington, DC		3BR/2B	2	1%	1,300	$1,542	$1.19	$1,542	$1.19
			Total/Weighted Average	**173**	**100%**	**828**	**$1,343**	**$1.62**	**$1,343**	**$1.62**
	Total/Weighted Average			**494**	**--**	**791**	**$1,165**	**$1.47**	**$1,165**	**$1.47**

NOTES:
Unit sizes are in leasable square feet.
Some unit sizes and base rents are averages. Sizes exclude balconies/patios.
[1] Unit mix is for the entire building; 32 of these units are designated affordable at 60% AMI. The remaining units are seniors' housing and units reserved for tenants at Barry Farm.
Rents listed are only for the units designated affordable at 60% AMI.
[2] None of the 3BR/2B units in the property are among the units designated affordable at 60% AMI. These units are priced at rates in accordance with the household income of the occupants.

Source: Delta Associates, May 2013

DA13244
13244 Apdx A-E, B3 Apt rent comps (tax-credit)
5/8/2013

TABLE B-4

LEASE-UP PACE OF SELECTED TAX CREDIT APARTMENT PROPERTIES
WASHINGTON, DC
MAY 2013

#	Property Name/Address	Year Built	# of Units	# of Months In Lease-Up	Lease-Up Pace Per Month
1	The Lofts at Sheridan Station 2516 Sheridan Road, SE Washington, DC	2011	104	3	35
2	Matthews Memorial Terrace [1] 2632 Martin Luther King Jr. Avenue, SE Washington, DC	2011	99	10	10
3	The Grays on Pennsylvania 2323 Pennsylvania Avenue, SE Washington, DC	2010	118	12	10
4	Lotus Square 800 Kenilworth Avenue, NE Washington, DC	2006	173	NA	NA
	Total/Weighted Average [2]		**321**	**--**	**13**

[1] Unit mix is for the entire building; 32 of these units are designated affordable at 60% AMI. The remaining units are seniors' housing and units reserved for tenants at Barry Farm.
[2] Excludes comparable #4.

Source: Delta Associates, May 2013.

TABLE B-5

PROJECTED CLASS A APARTMENT SUPPLY AND DEMAND
DISTRICT OF COLUMBIA
FIRST QUARTER 2013 - FIRST QUARTER 2016

			District of Columbia	
A.	**Estimated Supply To Be Absorbed To Reach Normalized Vacancy Rate of 5%**			
	1.	Units in Stabilized Projects Needed to Reach Normalized Vacancy	-131	[1]
	2.	Units in Projects In Lease-Up Needed to Reach Normalized Vacancy	1,098	[2]
	3.	Units in Projects Under Construction-Not Yet Leasing (assuming attrition of 5%) Needed to Reach Normalized Vacancy	7,160	[2]
	4.	Apartment Units in Planned Projects (assuming attrition of 80%)	1,249	[3]
	5	Total Supply to be Absorbed Over Next 3 Years with a Normalized Vacancy Rate	9,377	
B.	**Estimated Demand**			
	1.	Total Demand Over Next 3 Years	5,100	[4]
C.	**Estimated Over/(Under) Supply of Units**		**4,277**	
D.	**Estimated Inventory and Occupancy at First Quarter 2016**			
	1.	Current Inventory in Stabilized Projects	10,610	[5]
	2.	Units in Projects In Lease-Up	2,459	[5]
	3.	Units in Projects Under Construction-Not Yet Leasing (assuming attrition of 5%)	7,536	[5]
	4.	Apartment Units in Planned Projects (assuming attrition of 80%)	1,315	[5]
	5.	The Subject - Phase I Only	200	
	6.	Projected Total Inventory 3 Years from Now	22,121	
	7.	Current Occupied Units in Stabilized Projects	10,210	[5]
	8.	Current Occupied Units in Projects in Lease-up	1,238	[5]
	9.	Projected New Demand Over Next 3 Years	5,100	[4]
	10.	Projected Occupied Units 3 Years from Now	16,548	
	11.	Projected Available Units 3 years from Now (line 6 - line 10)	5,573	
E.	**Estimated Overall Vacancy Rate at First Quarter 2016** (line D.10 / line D.6)		**25.2%**	
		Compared to Stabilized Vacancy Rate at 3/13	*3.8%*	[5]
		Compared to Overall Vacancy Rate at 3/13	*12.4%*	[5]

[1] Equilibrium, or "normalized" vacancy is assumed to be 5.0%. These are units required to achieve equilibrium in the new supply.
[2] 95% of available units in lease-up and/or under construction. See Table B-7.
[3] 95% of units in the planning stage. See Table B-8.
[4] See Table B-9.

Source: Delta Associates, May 2013.

DA13244
13244 Apdx A-E, B5-SUP-DEMAND APTS
5/8/2013

TABLE B-6

SUMMARY OF CLASS A INVENTORY
DISTRICT OF COLUMBIA
FIRST QUARTER 2013 - FIRST QUARTER 2016

		Number of Units			Vacancy
Capitol Hill Riverfront		**Total**	**Occupied**	**Available**	**Rate**
Existing Stabilized Projects	[1]	1,322	1,278	44	3.3%
Projects In Lease-Up	[2]	130	0	130	100.0%
Existing Inventory		1,452	1,278	174	12.0%
Projects Under Construction-Not Yet Leasing	[2]	1,302			
Projects Planned and Not Yet Leasing	[3]	2,466			
Projected Inventory 3 Years from Now		5,220			
Projects Under Construction-Not Yet Leasing after attrition	[4]	1,302			
Projects Planned and Not Yet Leasing after attrition	[5]	493			
Projected Inventory 3 Years from Now after attrition		3,247			

		Number of Units			Vacancy
District of Columbia		**Total**	**Occupied**	**Available**	**Rate**
Existing Stabilized Projects	[1]	10,610	10,210	400	3.8%
Projects In Lease-Up	[2]	2,459	1,238	1,221	49.7%
Existing Inventory		13,069	11,448	1,621	12.4%
Projects Under Construction-Not Yet Leasing	[2]	7,933			
Projects Planned and Not Yet Leasing	[3]	6,576			
Projected Inventory 3 Years from Now		27,578			
Projects Under Construction-Not Yet Leasing after attrition	[4]	7,536			
Projects Planned and Not Yet Leasing after attrition	[5]	1,315			
Projected Inventory 3 Years from Now after attrition		21,921			

[1] From Delta Associates' quarterly survey.

[2] See Table B-7.

[3] See Table B-8.

[4] Assuming attrition for projects that switch to condominium.

[5] Assuming attrition for projects that are delayed or cancelled.

Source: Delta Associates, May 2013.

DA13244
13244 Apdx A-E, B6-Inventory Summary
5/8/2013

TABLE B-7

CLASS A RENTAL APARTMENT PROJECTS UNDER CONSTRUCTION AND/OR MARKETING
DISTRICT OF COLUMBIA
FIRST QUARTER 2013

MARKETING

	Project Name	Total	Market Rate Vacant/Avail	Location	Sponsor	Project Type	Pre-Leasing Begins	Initial Occupancy	Construction Completion
1.	AVA H Street	124	75	NE - H Street	AvalonBay	Mid-Rise	9/2012	12/2012	2Q 2013
2.	Flats at Atlas	257	33	NE - H Street	Clark Realty Capital	Garden w/SP	3/2012	4/2012	6/2102
3.	Archstone 1st + M	469	144	NE - NoMa	AvalonBay	High-Rise	4/2012	6/2012	1/2013
4.	Aria on L	54	34	NE - NoMa	Ellisdale Construction	Mid-Rise	10/2012	1/2013	1Q 2013
5.	Flats 130 at Constitution Square - Phase II	203	188	NE - NoMa	Stonebridge Associates	High-Rise	2/2013	3/2013	6/2013
6.	Cirq - Trilogy Noma Building 1	239	80	NE - NoMa	Mill Creek	Mid-Rise	9/2012	9/2012	2Q 2013
7.	Highland Park - Phase II	115	81	NW - Columbia Heights	Donatelli Development, Inc.	Mid-Rise	12/2012	1/2013	2Q 2013
8.	Meridian at Mt. Vernon Triangle	390	62	NW - Mt. Vernon Tri.	Paradigm	High-Rise	4/2012	4/2012	7/2012
9.	Yale West Apartments	216	18	NW - Mt. Vernon Tri.	IBG Partners	High-Rise	12/2011	1/2012	1/2012
10.	Capitol View on 14th	255	127	NW - U Street	UDRT	High-Rise	9/2012	11/2012	1/2013
11.	Kennedy Row	130	130	SE - Hill East	Tritec Capital Ltd	Mid-Rise	3/2013	3/2013	4/2013
	Total	2,452	972						

UNDER CONSTRUCTION - NOT YET MARKETING

	Project Name	Total	Market Rate Vacant/Avail	Location	Sponsor	Project Type	Pre-Leasing Begins	Initial Occupancy	Construction Completion
1.	Monroe Street Market - Phase I	517	517	NE - Brookland	Abdo Development LLC	Mid-Rise & TH	4Q 2013	4Q 2013	4Q 2014
2.	Fort Totten Square	303	303	NE - Fort Totten	JBG	Mid-Rise	3Q 2014	4Q 2014	1Q 2015
3.	360 H Street	198	198	NE - H Street	Albemarle Group	Mid-Rise	2/2013	4/2013	1Q 2013
4.	Capitol Place	348	348	NE - H Street	Fisher Brothers	High-Rise	1Q 2015	2Q 2015	2Q 2015
5.	2 M Street, NE	221	221	NE - NoMa	William C. Smith & Co.	Mid-Rise	3Q 2013	3Q 2013	1Q 2014
6.	Camden NoMa - Phase I	320	320	NE - NoMa	Camden	High-Rise	12/2013	1/2014	3/2014
7.	Trilogy NoMa	316	316	NE - NoMa	Mill Creek	Mid-Rise	7/05	7/05	7/05
8.	Washington Gateway	368	368	NE - NoMa	MidAtlantic Realty Partners	High-Rise	1Q 2014	2Q 2014	3Q 2014
9.	Cathedral Commons	145	145	NW - Cathedral Heights	Bozzuto	Mid-Rise	5/2014	7/2014	10/2014
10.	First Baptist Prkg. Lot	201	201	NW - Dupont Circle	Keener-Squire	High-Rise	2Q 2014	3Q 2014	2Q 2014
11.	CityCenterDC	366	366	NW - East End	Hines	High-Rise	8/2013	10/2013	2/2014
12.	Dorchester House Addition	117	117	NW - Meridian Hill	Potomac Investment Properties	Mid-Rise	4/2014	10/2014	10/2014
13.	440 K Street	234	234	NW - Mt. Vernon Tri.	Quadrangle	High-Rise	3Q 2013	4Q 2013	4Q 2013
14.	m. Flats Mount Vernon Triangle	233	233	NW - Mt. Vernon Tri.	Kettler	High-Rise	4/2014	4/2014	8/2014
15.	Meridian at Mt. Vernon Triangle - Phase II	393	393	NW - Mt. Vernon Tri.	Paradigm	High-Rise	3Q 2014	3Q 2014	4Q 2014
16.	77H	276	276	NW - NoMa	JBG	Mid-Rise	10/2013	4Q 2013	1Q 2014
17.	Petworth Safeway site	200	200	NW - Petworth	Duball	Mid-Rise	2Q 2014	2Q 2014	3Q 2014
18.	7th Flats at Progression Place	154	154	NW - Shaw	Four Points LLC	High-Rise	1Q 2013	3Q 2013	3Q 2013
19.	CityMarket at O	400	400	NW - Shaw	Roadside Development	High-Rise	1Q 2013	3Q 2013	1Q 2014
20.	Jefferson at Market Place	227	227	NW - Shaw	Jefferson Apartment Group	High-Rise	1Q 2014	2Q 2014	2Q 2014
21.	Takoma Central	144	144	NW - Takoma	Level 2 Development	Mid-Rise	2Q 2014	2Q 2014	2Q 2014
22.	1919 14th Street	134	134	NW - U Street	Level 2 Development	Mid-Rise	4Q 2013	4Q 2013	4Q 2013
23.	Jefferson at 14W	212	212	NW - U Street	Perseus Realty	Mid-Rise	2Q 2013	2Q 2013	2Q 2013
24.	Louis at 14th/U	268	268	NW - U Street	JBG	Mid-Rise	4Q 2013	4Q 2013	1Q 2014
25.	The District	125	125	NW - U Street	JBG	Mid-Rise	2Q 2013	2Q 2013	2Q 2013
26.	The Woodley	211	211	NW - Woodley Park	JBG	High-Rise	1Q 2014	1Q 2014	1Q 2014
27.	1212 4th Street	182	182	SE - Capitol Riverfront	Forest City Washington	Mid-Rise	2Q 2014	3Q 2014	3Q 2014
28.	Park Chelsea	432	432	SE - Capitol Riverfront	William C. Smith & Co.	High-Rise	3Q 2014	4Q 2014	1Q 2015
29.	Camden South Capitol	264	264	SW - South Capitol	Camden	High-Rise	4/2013	4/2013	10/2013
30.	Sky House I	213	213	SW - Waterfront	Urban-Atlantic	High-Rise	10/2013	10/2013	4Q 2013
31.	Sky House II	211	211	SW - Waterfront	Urban-Atlantic	High-Rise	3/2014	1Q 2014	2Q 2014
	Total	7,933	7,933						

Source: Delta Associates, May 2013.

DA13244
13244 Apdx A-E, B7-UnderConst
5/8/2013

TABLE B-8

CLASS A RENTAL APARTMENT PROJECTS
PLANNED FOR DELIVERY WITHIN FIVE YEARS
DISTRICT OF COLUMBIA
FIRST QUARTER 2013

				Planned as Rental Within 36 Months				
Project Name	Market Rate Units	Location	Project Type	Proper Zoning	Initial Approvals	Site Plan Approved	Building Permits Issued	Construction Start Date
1. Brookland Square	263	NE - Brookland	Mid-Rise	Yes	Yes	Yes	No	3Q 2013
2. 700 Constitution	140	NE - Capitol Hill	Mid-Rise	No	No	No	No	4Q 2013
3. Art Place at Fort Totten - Phase I	399	NE - Fort Totten	Mid-Rise	Yes	Yes	Yes	No	2Q 2013
4. 601-645 H Street	300	NE - H Street	High-Rise	Yes	Yes	Yes	No	4/2013
5. Atlas District - Phase II	173	NE - H Street	Garden w/SP	Yes	Yes	Yes	No	3Q 2014
6. 22 M Street	340	NE - NoMa	High-Rise	Yes	No	No	No	4Q 2013
7. Parkside - Phase II	180	NE - Riverside Terrace	Mid-Rise	Yes	Yes	Yes	No	3Q 2013
8. 5333 Connecticut	263	NW - Chevy Chase DC	High-Rise	Yes	Yes	Yes	No	2Q 2013
9. Hilton Washington	230	NW - Dupont Circle	High-Rise	Yes	Yes	Yes	No	3Q 2013
10. 2251 Wisconsin Avenue	81	NW - Glover Park	Mid-Rise	Yes	Yes	Yes	No	4/2013
11. 1250 9th Street	72	NW - Shaw	Mid-Rise	Yes	Yes	Yes	No	4/2013
12. Tenleytown Safeway site	200	NW - Tenleytown	Mid-Rise	No	No	No	No	2Q 2014
13. 13 & U	134	NW - U Street	Mid-Rise	No	No	No	No	3Q 2013
14. 2221 14th Street	30	NW - U Street	Mid-Rise	Yes	Yes	Yes	No	2Q 2013
15. Atlantic Plumbing (All Parcels)	390	NW - U Street	High-Rise	Yes	Yes	Yes	No	2Q 2013
16. Boundary (f. WMATA site)	250	NW - U Street	Mid-Rise	Yes	Yes	Yes	No	2Q 2013
17. Howard Town Center	356	NW - U Street	Mid-Rise	Yes	Yes	Yes	No	2Q 2013
18. Square 37 - East	93	NW - West End	High-Rise	Yes	Yes	Yes	No	3Q 2013
19. 1111 New Jersey Avenue	315	SE - Capitol Riverfront	High-Rise	Yes	Yes	No	No	4Q 2013
20. 909 Half Street	404	SE - Capitol Riverfront	High-Rise	Yes	Yes	Yes	Yes	1Q 2014
21. Ballpark Square	290	SE - Capitol Riverfront	High-Rise	Yes	Yes	Yes	No	6/2013
22. Capper Carrollsburg - Square 769 North	137	SE - Capitol Riverfront	High-Rise	Yes	Yes	Yes	No	4/2014
23. Half Street - Akridge	277	SE - Capitol Riverfront	High-Rise	Yes	Yes	Yes	No	4Q 2013
24. Riverfront on the Anacostia	200	SE - Capitol Riverfront	High-Rise	Yes	Yes	No	No	1Q 2014
25. The Lofts at Capitol Quarter	156	SE - Capitol Riverfront	Garden & TH	Yes	Yes	Yes	No	6/2013
26. The Yards - Parcel N	256	SE - Capitol Riverfront	High-Rise	Yes	Yes	Yes	No	3Q 2013
27. Skyland Town Center - Block 2	216	SE - Hillcrest	Mid-Rise	Yes	Yes	Yes	No	4/2014
28. Randall School - Phase I	120	SW - South Capitol	Mid-Rise	Yes	Yes	No	No	2Q 2013
29. St. Matthew's Redevelopment	210	SW - Waterfront	High-Rise	Yes	Yes	Yes	No	1Q 2014
30. The Wharf - Parcel 4 Apt	101	SW - Waterfront	Mid-Rise	Yes	Yes	Yes	No	3Q 2013
Total:	**6,576**							

Source: Delta Associates, May 2013.

DA13244
13244 Apdx A-E, B8-3 years
5/8/2013

TABLE B-9

RECONCILIATION OF ESTIMATES OF DEMAND
FOR MULTIFAMILY HOUSING
DISTRICT OF COLUMBIA
FIRST QUARTER 2013

Estimates of Demand:	District of Columbia
1. Average Annual Demand Based on Apartment Absorption:[1]	1,189
2. Average Annual Demand Based On Building Permits Issued:[2]	1,498
3. Average Annual Demand Based on Household Growth:[3]	2,584
Average of 1 Through 3:	1,757
Delta Estimate of Annual Demand:	1,700

[1] See Table B-10.
[2] See Table B-11.
[3] See Table B-12.

Source: Delta Associates, May 2013.

DA13244
13244 Apdx A-E, B9-Demand Reconcil
5/8/2013

TABLE B-10

ABSORPTION SUMMARY
CLASS A APARTMENT PROJECTS
DISTRICT OF COLUMBIA
1998 - 2013 [1]

#	Project Name/Location	Type	Total Units	Units Absorbed	Date Marketing Began	Date Delivered	Date Stabilized	Average Monthly Lease-Up Pace [2]
			Stabilized Projects					
1.	Ambassador House	High-Rise	82	82	12/97	12/97	6/98	14
2.	The Lexington	High-Rise	86	86	3/99	5/99	9/99	14
3.	The Park Connecticut	High-Rise	142	142	1/00	3/00	6/00	21
4.	The Regent	High-Rise	53	53	11/00	12/00	5/01	8
5.	The Gatsby	Mid-Rise	52	52	4/01	5/01	3/02	5
6.	Alban Towers	High-Rise	221	221	4/01	7/01	5/02	15
7.	Gables Woodley Park	High-Rise	197	197	11/01	12/01	1/04	8
8.	The Lexington at Market Square - Ph II	High-Rise	49	49	2/02	3/02	6/03	3
9.	Residences at Park Hyatt	High-Rise	85	85	2/02	3/02	6/03	5
10.	Warder Mansion	Mid-Rise	38	38	6/02	7/02	12/02	5
11.	City Lofts	Mid-Rise	14	14	8/02	11/02	12/02	3
12.	3883 Connecticut Avenue	High-Rise	158	158	9/02	12/02	12/03	10
13.	Summit Roosevelt	High-Rise	198	198	10/02	12/02	08/03	19
14.	Summit Grand Parc	High-Rise	105	105	12/02	1/03	11/03	10
15.	POST Massachusetts Avenue	High-Rise	269	269	9/02	10/02	1/04	17
16.	The Hudson	High-Rise	84	84	3/03	4/03	3/04	7
17.	Avalon at Gallery Place	High-Rise	203	203	3/03	4/03	9/05	8
18.	Meridian at Gallery Place	High-Rise	462	462	7/03	9/03	9/05	20
19.	Mass Court	High-Rise	371	371	12/03	3/04	6/05	21
20.	The Ellington	High-Rise	190	190	3/04	8/04	3/05	15
21.	The Kennedy-Warren (South Wing)	High-Rise	114	114	8/04	10/04	5/06	6
22.	The DeSoto	High-Rise	66	66	10/04	12/04	9/05	6
23.	Andover House	High-Rise	171	171	1/05	4/05	12/05	17
24.	Park Triangle	Mid-Rise	117	117	12/05	2/06	2/07	8
25.	The Flats at Dupont Circle	High-Rise	306	306	3/06	6/06	5/07	20
26.	2400 M Street	High-Rise	359	359	3/06	3/06	8/07	19
27.	Jefferson at Thomas Circle	High-Rise	292	292	10/06	10/06	2/08	16
28.	Vaughan Place at McLean Gardens	Low-Rise & TH	319	319	3/07	3/07	5/09	10
29.	Newseum Residences	High-Rise	135	135	3/07	7/07	5/08	6
30.	Fort Totten Station	Low-Rise	308	308	10/07	10/07	8/09	13
31.	Senate Square	High-Rise	410	410	11/07	11/07	8/10	12
32.	The Woodward Building	High-Rise	189	189	1/08	1/08	8/09	11
33.	Highland Park	Mid-Rise	183	183	4/08	4/08	8/09	11
34.	Jefferson at Capitol Yards	High-Rise	448	448	6/08	7/08	2/11	13
35.	Axiom at Capitol Yards	High-Rise	246	246	7/08	8/08	2/10	11
36.	Gables Takoma Park	Low-Rise	145	145	8/08	10/08	5/09	14
37.	Onyx on First	High-Rise	255	255	8/08	9/08	11/09	15
38.	V at City Vista	High-Rise	195	195	11/08	11/08	11/09	14
39.	909 at Capitol Yards	High-Rise	237	237	4/09	5/09	5/10	16
40.	Allegro	Mid-Rise	297	297	4/09	4/09	8/10	17
41.	Ashton Judciary Squre	High-Rise	48	48	5/09	8/09	5/10	2
42.	Park Place	Mid-Rise	133	133	7/09	7/09	8/10	9
43.	West End 25	High-Rise	275	275	7/09	8/09	2/11	13
44.	View 14	High-Rise	178	178	11/09	11/09	11/10	14
45.	425 Massachusetts	High-Rise	559	559	4/10	4/10	2/12	23
46.	The Loree Grand	High-Rise	183	183	6/10	6/10	8/11	12
47.	3333 Wisconsin Avenue	High-Rise	100	100	7/10	8/10	5/11	10
48.	Flats 130 at Constitution Square	High-Rise	440	440	9/10	10/10	12/12	15
49.	Residences on the Avenue	High-Rise	286	286	4/11	5/11	5/12	21
50.	Foundry Lofts	Mid-Rise	136	136	8/11	11/11	5/12	14
51.	Rhode Island Row	Low-Rise	220	220	9/11	1/12	12/12	14
52.	The Griffin	Mid-Rise	49	49	4/12	4/12	6/12	24
			Projects in Lease-Up as of First Quarter 2013					
53.	Yale West	High-Rise	216	198	12/11	1/12	--	13
54.	Flats at Atlas	High-Rise	257	224	3/12	4/12	--	18
55.	Archstone 1st + M	High-Rise	469	325	3/12	6/12	--	27
56.	Meridian at Mt. Vernon Triangle	High-Rise	390	328	4/12	4/12	--	29
57.	AVA H Street	Mid-Rise	124	49	9/12	11/12	--	12
58.	Capitol View on 14th	High-Rise	255	128	9/12	11/12	--	18
59.	Trilogy NoMa - Cirq	Mid-Rise	239	115	9/12	9/12	--	19
60.	Aria on L	Mid-Rise	54	20	12/12	1/13	--	6
61.	Highland Park - Phase II	High-Rise	116	34	12/12	1/13	--	11
62.	360 H Street	Mid-Rise	198	2	2/13	4/13	--	8
63.	Flats 130 at Constitution Square - Phase II	High-Rise	203	15	2/13	3/13	--	15
64.	Kennedy Row	Mid-Rise	130	0	3/13	3/13	--	NA
			District of Columbia					
			Total Absorbed:					
			1998 - 2013	**11,896**				
			2008 - 2013	**6,240**				
			Annual Average Absorption:					
			1998 - 2013	**780**				
			2008 - 2013	**1,189**				

[1] 2013 data are through the first quarter.
[2] Includes pre-leasing activity.

Source: Delta Associates, May 2013.

DA13244
13244 Apdx A-E, B10-Stabilized
5/8/2013

TABLE B-11

HOUSING UNITS AUTHORIZED BY BUILDING PERMITS
DISTRICT OF COLUMBIA
1999 - JANUARY 2013

	Single Family [1]		Multifamily [2]		
Year	**#**	**%**	**#**	**%**	**Total**
1999	325	47.6%	358	52.4%	683
2000	195	24.2%	611	75.8%	806
2001	149	16.6%	747	83.4%	896
2002	401	25.2%	1,190	74.8%	1,591
2003	156	10.9%	1,271	89.1%	1,427
2004	226	11.7%	1,710	88.3%	1,936
2005	201	7.0%	2,659	93.0%	2,860
2006	127	6.7%	1,781	93.3%	1,908
2007	582	32.8%	1,190	67.2%	1,772
2008	219	55.3%	177	44.7%	396
2009	233	20.7%	893	79.3%	1,126
2010	193	26.1%	546	73.9%	739
2011	327	7.1%	4,285	92.9%	4,612
2012	339	8.9%	3,484	91.1%	3,823
2013 Through Jan.	55	100.0%	0	0.0%	55
1999 - 2013	3,728	15.1%	20,902	84.9%	24,630
Annual Avg.	**265**	**--**	**1,484**	**--**	**1,749**
2008 - 2013	1,366	12.7%	9,385	87.3%	10,751
Annual Avg.	**269**	**--**	**1,846**	**--**	**2,115**
Annual Average of Multifamily Permits:					**1,846**
Annual Average of Rental Multifamily Permits : [3]					**1,498**

[1] Single-family is defined as detached single-family and attached two-family units.
[2] Multifamily units are defined as buildings containing three or more attached units.
[3] Allowance made for multifamily permits applied towards condominium construction, using historical owner-occupied versus renter-occupied data (See Table B-14).

Source: U.S. Census Bureau, Delta Associates, May 2013.

DA13244
13244 Apdx A-E, B11-DmdBldPmt
5/8/2013

TABLE B-12

PROJECTED ANNUAL RENTAL APARTMENT DEMAND
BASED ON HOUSEHOLD GROWTH
DISTRICT OF COLUMBIA
2012 - 2017

District of Columbia					
A.	Projected Annual Increase in Households: [1]				3,316
B.	Vacancy/Replacement Requirements: [2]				1.1
C.	Annual Housing Demand:				3,648
	1.	Single Family Units at	12.7%	of Annual Housing Demand: [3]	463
	2.	Multifamily Units at	87.3%	of Annual Housing Demand: [3]	3,184
		a. Owner Occupied Units	18.9%	of Annual Multifamily Demand: [4]	600
		b. Renter Occupied Units	81.1%	of Annual Multifamily Demand: [4]	2,584

[1] See Table B-13.
[2] Adjustment factor of 1.1 applied to households to accommodate demolitions and conversions.
[3] Based on ratio of single-family and multifamily building permits for period of 2008 - 2013 for the District of Columbia. See Table B-11
[4] Based on historic ratio of renter vs. owner occupied multifamily units. See Table B-14.

Source: Delta Associates, May 2013.

DA13244
13244 Apdx A-E, B12-Dmd HH
5/8/2013

TABLE B-13

HOUSEHOLD TRENDS
DISTRICT OF COLUMBIA
2012 - 2017

Year	Number of Households	Annual Change Number	Annual Change Percent
2012	273,186	--	--
2017	289,767	**3,316**	**1.2%**
2012 - 2017 Change:	**16,581**	**--**	**--**

Source: ESRI, Delta Associates, May 2013.

DA13244
13244 Apdx A-E, B13-HH Trends
5/8/2013

TABLE B-14

MULTIFAMILY HOUSING TENURE
DISTRICT OF COLUMBIA
2011

Total Multifamily Units	155,844
Owner Occupied Multifamily Units	29,388
Renter Occupied Multifamily Units	126,456
% of Multifamily Units Which Are Renter Occupied:	**81.1%**
% of Multifamily Units Which Are Owner Occupied:	**18.9%**

Source: U.S. Census Bureau - American Community Survey 2010;
Delta Associates, May 2013.

DA13244
13244 Apdx A-E, B14-Tenure
5/8/2013

TABLE B-15

SUMMARY OF APARTMENT BUILDING SALES
EAST OF THE ANACOSTIA RIVER
WASHINGTON, DC
2010-2013

#	Project Name/Location	Date of Sale	# of Units	Year Built	Sale Price Total	Sale Price Per Unit
1.	142 Wayne Place SE Washington, DC	1/12	57	1944/1990	$3,705,000	$65,000
2.	Terrace Manor SE Washington, DC	12/12	61	1949	$3,200,000	$52,459
3.	4611 Bass Place SE Washington, DC	12/12	115	1948	$5,600,000	$48,696
	Total/Average:	**--**	**233**	**--**	**$12,505,000**	**$53,670**

Source: Delta Associates, May 2013.

DA13244
13244 Apdx A-E, B15-WashClassB10
5/8/2013

Appendix C:

Office Market Information

TABLE C-1

SELECTED OFFICE LEASES
EAST OF THE ANACOSTIA RIVER
WASHINGTON, DC
2010-2013

#	Tenant type	Address	SF	Term (months)	Lease Date	Rent/SF [1]
1	Health/Wellness	2041 Martin Luther King Jr. Ave SE	5,374	n/a	Jan-10	$35.00
2	Medical	2041 Martin Luther King Jr Ave SE, Ste. 107	956	n/a	Apr-10	$30.00
3	Community Organization	2041 Martin Luther King Jr Ave SE	6,745	n/a	May-10	$25.76
4	Association	2041 Martin Luther King Jr. Ave SE, Ste. LL1	636	n/a	Jun-10	$19.00
5	Government	2311 Martin Luther King Jr Ave SE	2,592	36	Jun-10	$26.70
6	Community Organization	3029 Martin Luther King Jr Ave SE	3,169	n/a	Oct-10	$23.35
7	Medical	5140 Nannie Helen Burroughs Ave NE	9,210	36	Oct-10	$15.15
8	Government	2701 Pennsylvania Ave SE	8,919	36	Jan-11	$21.87
9	n/a	3109 Martin Luther King Jr. Ave SE	1,700	92	Feb-11	$16.57
10	Community Organization	2759 Martin Luther King Jr. Ave SE	2,400	24	May-11	$27.00
11	Community Organization	3109 Martin Luther King Jr. Ave SE	3,600	54	Jul-11	$11.89
12	Medical	3029 Martin Luther King Jr Ave SE	4,806	40	Jul-11	$22.95
13	Medical	2512 Sheridan Rd SE	1,956	n/a	Aug-11	$27.60
14	Association	3109 Martin Luther King Jr. Ave SE	750	36	Oct-11	$14.42
15	Government	3109 Martin Luther King Jr. Ave SE	1,000	n/a	Dec-11	$16.80
16	Community Organization	2041 Martin Luther King Jr Ave SE, Ste. 304	16,732	n/a	Jan-12	$25.23
17	n/a	2811 Pennsylvania Ave SE	700	n/a	Jun-12	$16.50 + elec.
18	n/a	3341 Benning Rd NE	700	n/a	Jun-12	$16.50 + elec.
19	n/a	2021 Martin Luther King Jr Ave SE	720	36	Jul-12	$25.00
20	n/a	2759 Martin Luther King Jr Ave SE	130	24	Aug-12	n/a
21	n/a	2759 Martin Luther King Jr Ave SE	200	24	Aug-12	n/a
22	n/a	2021 Martin Luther King Jr Ave SE	2,444	36	Aug-12	$25.00
23	n/a	2811 Pennsylvania Ave SE	1,290	n/a	Oct-12	n/a
24	n/a	2759 Martin Luther King Jr Ave SE	700	24	Nov-12	$24.49
25	Religious	1610 T St SE	3,000	36	Jan-13	$16.00
26	n/a	4609 Polk St NE	1,932	84	Apr-13	$16.00
		Average	3,168	41		$22.18
		Minimum	130	24		$11.89
		Maximum	16,732	92		$35.00

[1] Full-service rents, except as noted. Average, minimum, maximum are for available full-service rents only.

Source: CoStar, Delta Associates, May 2013.

DA13244
13244 Apdx A-E : C1 office lease comps
5/8/2013

TABLE C-2

OFFICE ASKING RENTS
EAST OF THE ANACOSTIA RIVER
WASHIGNTON, DC
MAY 2013

#	Address	Year Built/ Renovated	Building Size (SF)	Available Space (SF)	**Rent/SF** [1]
1	401 56th St NE	1987	2,275	2,275	$8.00
2	421 Alabama Ave SE	1921	27,000	27,000	$12.00
3	639 Atlantic Ave SE	1990	2,240	2,240	$8.00
4	3461 Benning Rd NE	1969	1,846	1,846	$29.25
5	3938 Benning Rd NE	1931	3,000	1,000	$10.00
6	2759 Martin Luther King Jr Ave SE	1935	9,200	1,800	$29.00
7	3732 Minnesota Ave NE	1942	7,500	7,500	$20.00
8	4025 Minnesota Ave NE	1953	2,700	2,200	$19.10
9	4614 Minnesota Ave NE	1922	1,300	1,300	$10.50
10	5140 Nannie Helen Burroughs Ave NE	1992	18,420	18,420	$22.15
11	1909 14th St SE	1940	1,750	1,750	n/a
12	3010 Martin Luther King Jr Ave SE	na	10,000	10,000	n/a
	Average			6,444	$16.80
	Minimum			1,000	$8.00
	Maximum			27,000	$29.25

[1] Full-service rents.

Source: CoStar, Delta Associates, May 2013.

DA13244
13244 Apdx A-E : C2 office asking rents
5/8/2013

TABLE C-3

OFFICE BUILDING SALES
EAST OF THE ANACOSTIA RIVER
WASHINGTON, DC
2010-2013
(Sorted by Date of Sale)

#	Date	Address	Year built	SF	Sale Price	Price/SF
1	Apr-10	1909 14th St SE	1940	1,750	$515,000	$294
2	Dec-10	2715 Pennsylvania Ave SE	1913	2,483	$275,000	$111
3	Jan-11	1217-1219 Good Hope Rd SE	1940	11,721	$950,000	$81
4	Jan-11	3130 Martin Luther King Jr Ave SE	1920	2,735	$660,000	$241
5	Jan-12	2537 Pennsylvania Ave SE	1949	1,018	$300,000	$295
6	Sep-12	6103 Dix St NE	n/a	2,400	$340,000	$142
7	Dec-12	2019-2021 Shannon Pl SE	2008	2,052	n/a	n/a
8	n/a	2004-2010 Martin Luther King Jr Ave SE	1941	20,848	n/a	n/a
9	n/a	3029 Martin Luther King Jr. Ave SE	2001	11,340	n/a	n/a
10	n/a	2512 Sheridan Rd SE	1905	1,956	n/a	n/a
		Average		5,830		$52
		Minimum		1,018		$81
		Maximum		20,848		$295

Note: average, minimum, maximum price/SF for available sale prices only.

Source: District of Columbia Property Assessment Database, CoStar, Delta Associates, May 2013.

DA13244
13244 Apdx A-E, C3 Office bldg sales
5/8/2013

Appendix D:

Retail Market Information

TABLE D-1

SELECTED RETAIL LEASES
EAST OF THE ANACOSTIA RIVER
WASHINGTON, DC
2010-2013

#	Tenant	Address	SF	Term (months)	Lease Date	Rent/SF [1]
1	Vivid Solutions	2208 Martin Luther King Jr Ave SE	2,784	n/a	Apr-10	$14.64
2	Apex Care Pharmacy	4047 Minnesota Ave NE	2,020	36	Aug-10	$25.74
3	Arch Development Corp	2027 Martin Luther King Jr Ave SE	1,935	36	Aug-10	$25.00
4	Uniontown Bar & Grill	2200 Martin Luther King Jr Ave SE	1,431	115	Aug-10	$27.45
5	Uniontown Bar & Grill	2200 Martin Luther King Jr Ave SE	1,432	60	Sep-10	$24.34
6	East River Family Strengthening Collaborative	3911 Minnesota Ave NE	5,000	120	Sep-10	$20.97
7	Yes! Organic Market (now: Fairlawn Market)	2300 Pennsylvania Ave SE	7,500	115	Oct-10	$26.00
8	DC Department of Employment Services	4049 S Capitol St SW	7,080	60	Dec-10	$24.29
9	Gospel Truth Greater Guiding	3021 Naylor Road SE	1,950	n/a	Apr-11	$7.14
10	Ashley Stewart	2831 Alabama Ave SE	3,320	n/a	Apr-11	$35.00
11	FlexCare Pharmacy	3839 Alabama Ave SE	2,500	120	Jun-11	$25.00
12	Heavenly Angels Childcare Center	3021 Naylor Rd SE	6,450	n/a	Aug-11	$7.73
13	The Connections Therapy Center	3839 Alabama Ave SE	3,000	60	Aug-11	$26.93
14	Liberty Tax Service	3526 East Capitol St NE	2,200	n/a	Oct-11	$20.00
15	Mrs. King	3021 Naylor Road SE	1,450	n/a	Oct-11	$6.74
16	Boost Mobile	3827 Pennsylvania Ave SE	1,000	48	Jan-12	$27.48
17	Danielle	1429 Good Hope Rd SE	1,500	n/a	Feb-12	$11.20
18	KRA	3839 Alabama Ave SE	4,000	60	Mar-12	$29.63
19	PA 7 Management	4047 Minnesota Ave NE	1,520	120	Mar-12	$33.55
20	Power to Become Daycare	2503 Good Hope Rd SE	8,000	n/a	Apr-12	n/a
21	Shark's Fish & Chicken	4047 Minnesota Ave NE	1,520	58	Jun-12	$33.55
22	n/a	4047 Minnesota Ave NE	1,520	36	Jun-12	$33.55 + Util.
23	n/a	1429 Good Hope Rd SE	1,200	60	Jul-12	$12.00 + Util.
24	Beauty Island	3526 East Capitol St NE	11,000	120	Jul-12	$11.17
25	Calistoga Construction	2401 Martin Luther King Jr Ave SE	900	12	Oct-12	$7.33
26	America's Best Wings	2831 Alabama Ave SE	1,507	120	Oct-12	$35.00
27	n/a	2401 Martin Luther King Jr Ave SE	900	12	Oct-12	$7.33
28	n/a	1429 Good Hope Rd SE	1,000	12	Nov-12	$12.00 + Util.
29	n/a	1541 Alabama Ave SE	1,228	n/a	Jan-13	n/a
30	n/a	1541 Alabama Ave SE	2,420	n/a	Jan-13	n/a
31	Seafood and Co	2125 Alabama Ave SE	1,454	120	Feb-13	$24.76
32	Sunbelt Rentals	2204 Martin Luther King Jr Ave SE	2,450	n/a	Mar-13	$25.00
33	United States Postal Service	2831 Alabama Ave SE	6,546	n/a	Mar-13	n/a
34	Autozone	4045 Minnesota Ave NE	7,893	n/a	n/a	n/a
		Average	3,165	71		$21.11
		Minimum	900	12		$6.74
		Maximum	11,000	120		$35.00

[1] Triple-net (NNN) rents, except as noted. Average, minimum, maximum for available NNN rents only.

Source: CoStar, Delta Associates, May 2013.

DA13244
13244 Apdx A-E, D1 retail lease comps
5/8/2013

TABLE D-2

RETAIL ASKING RENTS
EAST OF THE ANACOSTIA RIVER
WASHINGTON, DC
MAY 2013

#	Address	Available Street Level Space (SF) [1]	Rent/SF [2]
1	3839-3861 Alabama Ave SE	2,800	$27.00
2	3621 Benning Rd NE	20,000	$9.00
3	4435 Benning Rd NE	1,700	$30.00
4	607 Division Ave NE	2,500	$6.48
5	1115-1117 Good Hope Rd SE	5,178	$12.60
6	1357 Good Hope Rd SE	4,750	$28.00
7	568 Lebaum St SE	3,900	$21.54
8	2741 Martin Luther King Jr Ave SE	2,000	$15.00
9	2761-2765 Martin Luther King Jr Ave SE	2,400	$25.00
10	1916 Martin Luther King Jr Ave SE	700	$42.86
11	2028 Martin Luther King Jr Ave SE	2,200	$35.93
12	1926 Martin Luther King Jr. Ave SE	3,600	$15.00
13	2324 Pennsylvania Ave SE	9,200	$20.92
14	3200-3230 Pennsylvania Ave SE	4,000	$34.70
15	4315 Sheriff Rd NE	600	$24.00
16	3401 Benning Rd NE	1,500	n/a
17	1243 Good Hope Rd SE	2,040	n/a
18	2503 Good Hope Rd SE	500	n/a
19	5127-5131 Nannie Helen Burroughs Ave NE	15,862	n/a
	Average	4,496	$23.20
	Minimum	500	$6.48
	Maximum	20,000	$42.86

[1] Some sizes are approximate.
[2] Triple-net (NNN) rents. Average, minimum, maximum for available rents only.

DA13244
13244 Apdx A-E : D2 retail asking rents
5/8/2013

Source: CoStar, Delta Associates, May 2013.

TABLE D-3

RETAIL BUILDING SALES
EAST OF THE ANACOSTIA RIVER
WASHINGTON, DC
2010-2013
(Sorted by Date of Sale)

#	Date	Address	Year built	SF	Sale Price	Price/SF
1	Nov-12	1918 14th St SE	1969	19,242	$2,835,000	$147
2	Apr-10	1357 Good Hope Rd SE	1907	6,250	$515,000	$82
3	Jan-11	3839 Minnesota Ave	1949	3,115	$950,000	$305
4	Mar-11	1241 Good Hope Rd SE	1905	1,848	n/a	n/a
5	Oct-11	1243 Good Hope Rd SE	1965	2,052	$250,000	$122
6	Oct-11	2910 Martin Luther King Jr Ave	1925	1,258	$130,000	$103
7	Nov-11	5026 Benning Rd SE	1968	2,838	$550,000	$194
8	Dec-11	4323 Sheriff Rd NE	1928	1,987	$130,000	$65
9	Feb-12	1203 Good Hope Rd SE	1915	1,117	$307,763	$276
10	May-12	2022 Martin Luther King Jr Ave SE	1948	5,558	$330,000	$59
11	Jun-12	2931 Martin Luther King Jr Ave	1938	6,074	$970,000	$160
12	Jun-12	3016 Martin Luther King Jr Ave SE	1947	6,031	$762,500	$126
13	Jun-12	4139 Wheeler Rd SE	n/a	10,740	$1,218,000	$113
14	Jul-12	4435 Benning Rd NE	1983	1,700	$550,000	$324
15	Nov-12	4854 Nannie Helen Burroughs Ave NE	1960	1,651	$525,000	$318
16	Mar-13	1239 Good Hope Rd SE	1905	2,196	$259,900	$118
17	Mar-13	2403 Martin Luther King Jr Ave SE	1910	4,790	$290,000	$61
18	n/a	1306-1308 Good Hope Rd SE	1926	2,051	n/a	n/a
19	n/a	1431-1433 Good Hope Rd SE	1922	1,049	n/a	n/a
20	n/a	6101 Dix St NE	1923	2,374	n/a	n/a
21	n/a	4914-4920 Central Ave NE	1933	9,540	n/a	n/a
22	n/a	2400 Martin Luther King Jr Ave SE	1925	4,265	n/a	n/a
23	n/a	2921-2927 Martin Luther King Jr Ave SE	1950	5,985	n/a	n/a
24	n/a	4400 Benning Rd NE	2001	1,354	n/a	n/a
25	n/a	3911-3951 Minnesota Ave NE	1977	72,249	n/a	n/a
26	n/a	2427-2429 Minnesota Ave SE	1928	1,259	n/a	n/a
27	n/a	4635 Nannie Helen Burroughs Ave NE	1915	1,800	n/a	n/a
28	n/a	4907 Nannie Helen Burroughs Ave NE	n/a	2,042	n/a	n/a
29	n/a	4315 Sheriff Rd NE	1996	5,550	n/a	n/a
30	n/a	3903-3911 Benning Rd NE	1989	6,016	n/a	n/a
31	n/a	322 40th St NE	1941	68,556	n/a	n/a
32	n/a	5127-5131 Nannie Helen Burroughs Ave NE	1928	19,600	n/a	n/a
		Average		8,817		$135
		Minimum		1,049		$59
		Maximum		72,249		$324

Note: average, minimum, maximum price/SF for available sale prices only.

Source: District of Columbia Property Assessment Database, CoStar, Delta Associates, May 2013.

DA13244
13244 Apdx A-E, D3 Retail bldg sales
5/8/2013

Appendix E:

Financial Analysis

TABLE E-1

SUMMARY OF TOTAL DEVELOPMENT COSTS (BY-RIGHT ZONING)
BIG K SITE
WASHINGTON, DC
AS OF MAY 2013

		Total Costs				
	SF	Total Hard Costs	Total Soft Costs Before Financing	Financing Costs	Total Soft Costs	Total Development Costs
Market-Rate Apartments	149,495	$29,151,503	$4,809,998	$3,948,228	$8,758,226	$37,909,730
Tax Credit Apartments	165,996	$29,049,300	$5,374,121	$3,331,086	$8,705,206	$37,754,506
Office	87,246	$18,321,742	$2,528,400	$2,973,856	$5,502,256	$23,823,998
		Costs per Square Foot				
		Total Hard Costs	Total Soft Costs Before Financing	Financing Costs	Total Soft Costs	Total Development Costs
Market-Rate Apartments		$195	$32	$26	$59	$254
Tax Credit Apartments		$175	$32	$20	$52	$227
Office		$210	$29	$34	$63	$273
		Cost as Share of Hard Costs				
		Total Hard Costs	Total Soft Costs Before Financing	Financing Costs	Total Soft Costs	Total Development Costs
Market-Rate Apartments		100.0%	16.5%	13.5%	30.0%	130.0%
Tax Credit Apartments		100.0%	18.5%	11.5%	30.0%	130.0%
Office		100.0%	13.8%	16.2%	30.0%	130.0%

Notes:
Retail space is on ground floor of apartment and office structures.

Source: Delta Associates, May 2013.

TABLE E-2

DEVELOPMENT COST ANALYSIS FOR MARKET-RATE APARTMENTS (BY-RIGHT ZONING)
BIG K SITE
WASHINGTON, DC
AS OF MAY 2013

	SF	Total Hard Costs	Per SF
Hard Costs	149,495	$29,151,503	$195.00

	Share of Hard Costs	Amount	Per SF
Subtotal of Soft Costs Before Financing Costs	*16.5%*	$4,809,998	$32.18
Subtotal of Hard and Soft Costs Before Financing Costs		*$33,961,501*	*$227.18*
Financing Costs	*13.5%*	$3,948,228	$26.41
Total Soft Costs Including Financing Costs	*30.0%*	$8,758,226	$58.59
Total Development Costs Excluding Land		$37,909,730	$253.59

Financing Costs		
Financing during construction		Total of hard costs and soft costs excluding financing costs
Financing during post-occupancy lease-up		Total of hard costs and soft costs excluding financing costs
Interest rate	7.0%	
Amortization	0	Interest only
Loan to cost	84.0%	Total of hard costs excl. land and soft costs excl. financing.
Loan amount	$28,527,661	
Loan Fees	2.2%	Total loan amount
Construction period	18	months
Lease-up period	12	months
Total loan period (construction + lease-up)	30	months
Mid-point of loan period	15	months
Maximum loan balance during construction	$28,527,661	
Average loan balance during construction	$19,018,441	
Annual interest payments during construction	$1,323,683	
Total interest payments during construction	$3,309,209	
Loan fees	$639,020	
Total Financing Costs	$3,948,228	

Assumptions	
Total building area (approx.)	149,495
Total land area	41,499
FAR (approx.)	4.0

Notes:
Costs shown above include retail space in building.

Source: RealtyRates.com, Delta Associates, May 2013.

DA13244
13244 Apdx A-E, E-2 market-rate apt-BR
5/10/2013

TABLE E-3

DEVELOPMENT COST ANALYSIS FOR TAX CREDIT APARTMENTS (BY-RIGHT ZONING)
BIG K SITE
WASHINGTON, DC
AS OF MAY 2013

	SF	Total Hard Costs	Per SF
Hard Costs	121,243	$21,217,525	$175.00

	Share of Hard Costs	Amount	Per SF
Subtotal of Soft Costs Before Financing Costs	*18.5%*	$3,925,242	$32.38
Subtotal of Hard and Soft Costs Before Financing Costs		*$25,142,767*	*$207.38*
Financing Costs	*11.5%*	$2,433,015	$20.07
Total Soft Costs Including Financing Costs	*30.0%*	$6,358,257	$52.44
Total Development Costs Excluding Land		$27,575,782	$227.44

Financing Costs		
Financing during construction		Total of hard costs and soft costs excluding financing costs
Financing during post-occupancy lease-up		Total of hard costs and soft costs excluding financing costs
Interest rate	7.0%	
Amortization	0	Interest only
Loan to cost	84.0%	Total of hard costs excl. land and soft costs excl. financing.
Loan amount	$21,119,924	
Loan Fees	2.2%	Total loan amount
Construction period	18	months
Lease-up period	6	months
Total loan period (construction + lease-up)	24	months
Mid-point of loan period	12	months
Maximum loan balance during construction	$21,119,924	
Average loan balance during construction	$14,079,950	
Annual interest payments during construction	$979,964	
Total interest payments during construction	$1,959,929	
Loan fees	$473,086	
Total Financing Costs	$2,433,015	

Assumptions	
Total building area (approx.)	121,243
Total land area	41,499
FAR (approx.)	4.0

Notes:
Costs shown above include retail space in building.

Source: RealtyRates.com, Delta Associates, May 2013.

DA13244
13244 Apdx A-E, E-3 tax credit apt-BR
5/10/2013

TABLE E-4

DEVELOPMENT COST ANALYSIS FOR AN OFFICE BUILDING (BY-RIGHT ZONING)
BIG K SITE
WASHINGTON, DC
AS OF MAY 2013

	SF	Total Hard Costs	Per SF
Hard Costs	87,246	$18,321,742	$210.00

	Share of Hard Costs	Amount	Per SF
Subtotal of Soft Costs Before Financing Costs	*13.8%*	$2,528,400	$28.98
Subtotal of Hard and Soft Costs Before Financing Costs		*$20,850,142*	*$238.98*
Financing Costs	*16.2%*	$2,973,856	$34.09
Total Soft Costs Including Financing Costs	*30.0%*	$5,502,256	$63.07
Total Development Costs Excluding Land		$23,823,998	$273.07

Financing Costs		
Financing during construction		Total of hard costs and soft costs excluding financing costs
Financing during post-occupancy lease-up		Total of hard costs and soft costs excluding financing costs
Interest rate	6.9%	
Amortization	0	Interest only
Loan to cost	85.0%	Total of hard costs excl. land and soft costs excl. financing.
Loan amount	$17,722,621	
Loan Fees	3.0%	Total loan amount
Construction period	18	months
Lease-up period	18	months
Total loan period (construction + lease-up)	36	months
Mid-point of loan period	18	months
Maximum loan balance during construction	$17,722,621	
Average loan balance during construction	$11,815,080	
Annual interest payments during construction	$814,059	
Total interest payments during construction	$2,442,177	
Loan fees	$531,679	
Total Financing Costs	$2,973,856	

Assumptions	
Total building area (approx.)	87,246
Total land area	41,499
FAR (approx.)	2.5

Notes:
Costs shown above include retail space in building.

Source: RealtyRates.com, Delta Associates, May 2013.

DA13244
13244 Apdx A-E, E-4 office-BR
5/10/2013

TABLE E-5

SUMMARY OF TOTAL DEVELOPMENT COSTS (PUD ZONING)
BIG K SITE
WASHINGTON, DC
AS OF MAY 2013

		Total Costs				
	SF	Total Hard Costs	Total Soft Costs Before Financing	Financing Costs	Total Soft Costs	Total Development Costs
Market-Rate Apartments	170,244	$33,197,656	$5,477,613	$4,496,232	$9,973,845	$43,171,501
Tax Credit Apartments	186,746	$32,680,463	$5,719,081	$4,090,012	$9,809,093	$42,489,556
Office	107,996	$22,679,137	$2,698,817	$4,115,078	$6,813,895	$29,493,031

	Costs per Square Foot				
	Total Hard Costs	Total Soft Costs Before Financing	Financing Costs	Total Soft Costs	Total Development Costs
Market-Rate Apartments	$195	$32	$26	$59	$254
Tax Credit Apartments	$175	$31	$22	$53	$228
Office	$210	$25	$38	$63	$273

	Cost as Share of Hard Costs				
	Total Hard Costs	Total Soft Costs Before Financing	Financing Costs	Total Soft Costs	Total Development Costs
Market-Rate Apartments	100.0%	16.5%	13.5%	30.0%	130.0%
Tax Credit Apartments	100.0%	17.5%	12.5%	30.0%	130.0%
Office	100.0%	11.9%	18.1%	30.0%	130.0%

Notes:
Retail space is on ground floor of apartment and office structures.

Source: Delta Associates, May 2013.

TABLE E-6

DEVELOPMENT COST ANALYSIS FOR MARKET-RATE APARTMENTS (PUD ZONING)
BIG K SITE
WASHINGTON, DC
AS OF MAY 2013

	SF	Total Hard Costs	Per SF
Hard Costs	170,244	$33,197,656	$195.00

	Share of Hard Costs	Amount	Per SF
Subtotal of Soft Costs Before Financing Costs	*16.5%*	$5,477,613	$32.18
Subtotal of Hard and Soft Costs Before Financing Costs		*$38,675,269*	*$227.18*
Financing Costs	*13.5%*	$4,496,232	$26.41
Total Soft Costs Including Financing Costs	*30.0%*	$9,973,845	$58.59
Total Development Costs Excluding Land		$43,171,501	$253.59

Financing Costs

Financing during construction		Total of hard costs and soft costs excluding financing costs
Financing during post-occupancy lease-up		Total of hard costs and soft costs excluding financing costs
Interest rate	7.0%	
Amortization	0	Interest only
Loan to cost	84.0%	Total of hard costs excl. land and soft costs excl. financing.
Loan amount	$32,487,226	
Loan Fees	2.2%	Total loan amount
Construction period	18	months
Lease-up period	12	months
Total loan period (construction + lease-up)	30	months
Mid-point of loan period	15	months
Maximum loan balance during construction	$32,487,226	
Average loan balance during construction	$21,658,151	
Annual interest payments during construction	$1,507,407	
Total interest payments during construction	$3,768,518	
Loan fees	$727,714	
Total Financing Costs	$4,496,232	

Assumptions	
Total building area (approx.)	170,244
Total land area	41,499
FAR (approx.)	4.5

Notes:
Costs shown above include retail space in building.

Source: RealtyRates.com, Delta Associates, May 2013.

DA13244
13244 Apdx A-E, E-6 market-rate apt-PUD
5/10/2013

TABLE E-7

DEVELOPMENT COST ANALYSIS FOR TAX CREDIT APARTMENTS (PUD ZONING)
BIG K SITE
WASHINGTON, DC
AS OF MAY 2013

	SF	Total Hard Costs	Per SF
Hard Costs	154,962	$27,118,350	$175.00

	Share of Hard Costs	Amount	Per SF
Subtotal of Soft Costs Before Financing Costs	*17.5%*	$4,745,711	$30.63
Subtotal of Hard and Soft Costs Before Financing Costs		*$31,864,061*	*$205.63*
Financing Costs	*12.5%*	$3,393,905	$21.90
Total Soft Costs Including Financing Costs	*30.0%*	$8,139,616	$52.53
Total Development Costs Excluding Land		$35,257,966	$227.53

Financing Costs		
Financing during construction		Total of hard costs and soft costs excluding financing costs
Financing during post-occupancy lease-up		Total of hard costs and soft costs excluding financing costs
Interest rate	7.0%	
Amortization	0	Interest only
Loan to cost	84.0%	Total of hard costs excl. land and soft costs excl. financing.
Loan amount	$26,765,811	
Loan Fees	2.2%	Total loan amount
Construction period	18	months
Lease-up period	9	months
Total loan period (construction + lease-up)	27	months
Mid-point of loan period	14	months
Maximum loan balance during construction	$26,765,811	
Average loan balance during construction	$17,843,874	
Annual interest payments during construction	$1,241,934	
Total interest payments during construction	$2,794,351	
Loan fees	$599,554	
Total Financing Costs	$3,393,905	

Assumptions	
Total building area (approx.)	154,962
Total land area	41,499
FAR (approx.)	4.5

Notes:
Costs shown above include retail space in building.

Source: RealtyRates.com, Delta Associates, May 2013.

DA13244
13244 Apdx A-E, E-7 tax credit apt-PUD
5/10/2013

TABLE E-8

DEVELOPMENT COST ANALYSIS FOR AN OFFICE BUILDING (PUD ZONING)
BIG K SITE
WASHINGTON, DC
AS OF MAY 2013

	SF	Total Hard Costs	Per SF
Hard Costs	107,996	$22,679,137	$210.00

	Share of Hard Costs	Amount	Per SF
Subtotal of Soft Costs Before Financing Costs	*11.9%*	$2,698,817	$24.99
Subtotal of Hard and Soft Costs Before Financing Costs		*$25,377,954*	*$234.99*
Financing Costs	*18.1%*	$4,115,078	$38.10
Total Soft Costs Including Financing Costs	*30.0%*	$6,813,895	$63.09
Total Development Costs Excluding Land		$29,493,031	$273.09

Financing Costs

Financing during construction		Total of hard costs and soft costs excluding financing costs
Financing during post-occupancy lease-up		Total of hard costs and soft costs excluding financing costs
Interest rate	6.9%	
Amortization	0	Interest only
Loan to cost	85.0%	Total of hard costs excl. land and soft costs excl. financing.
Loan amount	$21,571,261	
Loan Fees	3.0%	Total loan amount
Construction period	18	months
Lease-up period	24	months
Total loan period (construction + lease-up)	42	months
Mid-point of loan period	21	months
Maximum loan balance during construction	$21,571,261	
Average loan balance during construction	$14,380,841	
Annual interest payments during construction	$990,840	
Total interest payments during construction	$3,467,940	
Loan fees	$647,138	
Total Financing Costs	$4,115,078	

Assumptions	
Total building area (approx.)	107,996
Total land area	41,499
FAR (approx.)	3.0

Notes:
Costs shown above include retail space in building.

Source: RealtyRates.com, Delta Associates, May 2013.

DA13244
13244 Apdx A-E, E-8 office-PUD
5/10/2013

TABLE E-9

SUMMARY OF RESIDUAL LAND VALUE ANALYSIS
BIG K SITE
WASHINGTON, DC
MAY 2013

By-Right Zoning	**Per SF**	**Per Unit**
Market-Rate Apartments: negative residual land value	($11)	($10,524)
Tax Credit Apartments: positive residual land value	$5	$3,919
Office: negative residual land value	($150)	--
Street-Level Retail: negative residual land value	($139)	--
PUD Zoning	**Per SF**	**Per Unit**
Market-Rate Apartments: negative residual land value	($11)	($10,564)
Tax Credit Apartments: positive residual land value	$6	$4,906
Office: negative residual land value	($146)	--
Street-Level Retail: negative residual land value	($135)	--

Source: Delta Associates, May 2013.

TABLE E-10

RESIDUAL LAND VALUE ANALYSIS
URBAN MID-RISE APARTMENT BUILDING WITH STRUCTURED PARKING (BY-RIGHT ZONING)
WASHINGTON, DC
MAY 2013

		Per SF	Per Unit
Annual Income Per Unit Per Year		$20.40	$19,302
Less: Vacancy	5%	($1.02)	($965)
Effective Annual Gross Income Per Unit Per Year		$19.38	$18,337
Less: Operating Expenses Per Unit Per Year		($6.96)	($6,583)
Net Operating Income		$12.42	$11,754
Capitalization Rate		4.6%	4.6%
Total Stabilized Value		$270	$255,528
Less: Development Costs			
Hard Costs		($195)	($184,503)
Soft Costs		($32)	($30,443)
Total Development Costs excluding Land		($227)	($214,946)
Less: Developer's Profit (based on Total Stabilized Value)	20%	($54)	($51,106)
Negative Residual Land Value		**($11)**	**($10,524)**

Notes:

1 Assumes average unit size of 804 SF GLA and 158 market-rate units.

2 Assumes average overall monthly rent of $2.00 including premiums and parking.

3 Indicative of a typical new mid-rise wood-frame apartment project inside the Beltway with structured parking.

4 Analysis is for market-rate units.

5 Assumptions are based on (1) Delta's survey of area developers, owners/managers, and investors; (2) market information for the Washington area; (3) Delta's experience with financial feasibility analyses of development projects.

6 This analysis does not constitute an estimate of actual costs for the subject project. It is merely an indication of typical costs.

Source: Delta Associates, May 2013.

DA13244
13244 Apdx A-E, E-10 Land Resid - market apt-BR
5/10/2013

TABLE E-11

RESIDUAL LAND VALUE ANALYSIS
URBAN TAX CREDIT MID-RISE APARTMENT BUILDING WITH STRUCTURED PARKING (BY-RIGHT ZONING)
WASHINGTON, DC
MAY 2013

		Per SF	Per Unit
Annual Income Per Year		$19.38	$15,458
Less: Vacancy	5%	($0.97)	($773)
Effective Annual Gross Income Per Year		$18.41	$14,686
Less: Operating Expenses Per Year		($7.01)	($5,595)
Net Operating Income		$11.40	$9,090
Capitalization Rate		5.1%	5.1%
Total Stabilized Value		$223	$178,244
Less: Development Costs			
Hard Costs		($175)	($139,589)
Soft Costs		($32)	($25,824)
Total Development Costs excluding Land		($207)	($165,413)
Less: Developer's Profit (based on Total Stabilized Value)	5%	($11)	($8,912)
Positive Residual Land Value		**$5**	**$3,919**

Notes:

1 Assumes average unit size of 678 SF GLA and 152 tax credit units.

2 Assumes average overall monthly rent of $1.90 including premiums and parking.

3 Indicative of a typical new mid-rise wood-frame apartment project inside the Beltway with structured parking .

4 Analysis is for tax credit units.

5 Assumptions are based on (1) Delta's survey of area developers, owners/managers, and investors; (2) market information for the Washington area; (3) Delta's experience with financial feasibility analyses of development projects.

6 This analysis does not constitute an estimate of actual costs for the subject project. It is merely an indication of typical costs.

7 Compared to market-rate development, a developer is willing to accept a lower profit with a tax credit apartment project since there are benefits to obtaining tax credit financing as opposed to conventional equity sources.

Source: Delta Associates, May 2013.

TABLE E-12

RESIDUAL LAND VALUE ANALYSIS
URBAN OFFICE BUILDING WITH STRUCTURED PARKING (BY-RIGHT ZONING)
WASHINGTON, DC
MAY 2013

		Per SF
Annual Income Per SF Per Year		$25.00
Less: Vacancy	15%	($3.75)
Effective Annual Gross Income Per SF Per Year		$21.25
Less: Operating Expenses Per SF Per Year		($15.00)
Net Operating Income		$6.25
Capitalization Rate		5.6%
Total Stabilized Value		$112
Less: Development Costs		
Hard Costs		($210)
Soft Costs		($29)
Total Development Costs excluding Land		($239)
Less: Developer's Profit (based on Total Stabilized Value)	20%	($22)
Negative Residual Land Value Per SF		**($150)**

Notes:

1 Assumes average building size of 87,246 SF gross building area, or 78,522 SF net rentable.
2 Assumes average overall monthly rent of $25 including parking.
3 Indicative of a typical new low-rise office project inside the Beltway with structured parking .
4 Assumptions are based on (1) Delta's survey of area developers, owners/managers, and investors; (2) market information for the Washington area; (3) Delta's experience with financial feasibility analyses of development projects.
5 This analysis does not constitute an estimate of actual costs for the subject project. It is merely an indication of typical costs.

Source: Delta Associates, May 2013.

DA13244
13244 Apdx A-E, E-12 Land Residual - office-BR
5/10/2013

TABLE E-13

RESIDUAL LAND VALUE ANALYSIS
STREET-LEVEL RETAIL (BY-RIGHT ZONING)
WASHINGTON, DC
MAY 2013

		Per SF
Annual Income Per SF Per Year (NNN)		$10.00
Less: Vacancy	15%	($1.50)
Effective Annual Gross Income Per SF Per Year		$8.50
Less: Operating Expenses Per SF Per Year		$0.00
Net Operating Income		$8.50
Capitalization Rate		6.8%
Total Stabilized Value		$125
Less: Development Costs		
Hard Costs		($210)
Soft Costs		($29)
Total Development Costs excluding Land		($239)
Less: Developer's Profit (based on Total Stabilized Value)	20%	($25)
Negative Residual Land Value Per SF		**($139)**

Notes:

1 Assumes 14,851 SF of street-level retail.

2 Assumes average overall monthly rent of $10 NNN.

3 Assumptions are based on (1) Delta's survey of area developers, owners/managers, and investors; (2) market information for the Washington area; (3) Delta's experience with financial feasibility analyses of development projects.

4 This analysis does not constitute an estimate of actual costs for the subject project. It is merely an indication of typical costs.

Source: Delta Associates, May 2013.

TABLE E-14

RESIDUAL LAND VALUE ANALYSIS
URBAN MID-RISE APARTMENT BUILDING WITH STRUCTURED PARKING (PUD ZONING)
WASHINGTON, DC
MAY 2013

		Per SF	Per Unit
Annual Income Per Year		$20.40	$19,294
Less: Vacancy	5%	($1.02)	($965)
Effective Annual Gross Income Per Year		$19.38	$18,330
Less: Operating Expenses Per Year		($6.96)	($6,583)
Net Operating Income		$12.42	$11,747
Capitalization Rate		4.6%	4.6%
Total Stabilized Value		$270	$255,373
Less: Development Costs			
Hard Costs		($195)	($184,431)
Soft Costs		($32)	($30,431)
Total Development Costs excluding Land		($227)	($214,863)
Less: Developer's Profit (based on Total Stabilized Value)	20%	($54)	($51,075)
Negative Residual Land Value		**($11)**	**($10,564)**

Notes:
1 Assumes average unit size of 804 SF GLA and 180 market-rate units.
2 Assumes average overall monthly rent of $2.00 including premiums and parking.
3 Indicative of a typical new mid-rise wood-frame apartment project inside the Beltway with structured parking.
4 Analysis is for market-rate units.
5 Assumptions are based on (1) Delta's survey of area developers, owners/managers, and investors; (2) market information for the Washington area; (3) Delta's experience with financial feasibility analyses of development projects.
6 This analysis does not constitute an estimate of actual costs for the subject project. It is merely an indication of typical costs.

Source: Delta Associates, May 2013.

TABLE E-15

RESIDUAL LAND VALUE ANALYSIS
URBAN TAX CREDIT MID-RISE APARTMENT BUILDING WITH STRUCTURED PARKING (PUD ZONING)
WASHINGTON, DC
MAY 2013

		Per SF	Per Unit
Annual Income Per Year		$19.38	$15,401
Less: Vacancy	5%	($0.97)	($770)
Effective Annual Gross Income Per Year		$18.41	$14,631
Less: Operating Expenses Per Year		($7.04)	($5,595)
Net Operating Income		$11.37	$9,036
Capitalization Rate		5.1%	5.1%
Total Stabilized Value		$223	$177,170
Less: Development Costs			
Hard Costs		($175)	($139,068)
Soft Costs		($31)	($24,337)
Total Development Costs excluding Land		($206)	($163,405)
Less: Developer's Profit (based on Total Stabilized Value)	5%	($11)	($8,859)
Positive Residual Land Value		**$6**	**$4,906**

Notes:

1 Assumes average unit size of 675 SF GLA and 195 tax credit units.

2 Assumes average overall monthly rent of $1.90 including premiums and parking.

3 Indicative of a typical new mid-rise wood-frame apartment project inside the Beltway with structured parking .

4 Analysis is for tax credit units.

5 Assumptions are based on (1) Delta's survey of area developers, owners/managers, and investors; (2) market information for the Washington area; (3) Delta's experience with financial feasibility analyses of development projects.

6 This analysis does not constitute an estimate of actual costs for the subject project. It is merely an indication of typical costs.

7 Compared to market-rate development, a developer is willing to accept a lower profit with a tax credit apartment project since there are benefits to obtaining tax credit financing as opposed to conventional equity sources.

Source: Delta Associates, May 2013.

DA13244
13244 Apdx A-E, E-15 Land Resid - tax apt-PUD
5/10/2013

TABLE E-16

RESIDUAL LAND VALUE ANALYSIS
URBAN OFFICE BUILDING WITH STRUCTURED PARKING (PUD ZONING)
WASHINGTON, DC
MAY 2013

		Per SF
Annual Income Per SF Per Year		$25.00
Less: Vacancy	15%	($3.75)
Effective Annual Gross Income Per SF Per Year		$21.25
Less: Operating Expenses Per SF Per Year		($15.00)
Net Operating Income		$6.25
Capitalization Rate		5.6%
Total Stabilized Value		$112
Less: Development Costs		
Hard Costs		($210)
Soft Costs		($25)
Total Development Costs excluding Land		($235)
Less: Developer's Profit (based on Total Stabilized Value)	20%	($22)
Negative Residual Land Value Per SF		**($146)**

Notes:

1 Assumes building size of 107,996 SF gross building area, or 82,345 net rentable.

2 Assumes average overall monthly rent of $25 including parking.

3 Indicative of a typical new low-rise office project inside the Beltway with structured parking .

4 Assumptions are based on (1) Delta's survey of area developers, owners/managers, and investors; (2) market information for the Washington area; (3) Delta's experience with financial feasibility analyses of development projects.

5 This analysis does not constitute an estimate of actual costs for the subject project. It is merely an indication of typical costs.

Source: Delta Associates, May 2013.

TABLE E-17

RESIDUAL LAND VALUE ANALYSIS
STREET-LEVEL RETAIL (PUD ZONING)
WASHINGTON, DC
MAY 2013

		Per SF
Annual Income Per SF Per Year (NNN)		$10.00
Less: Vacancy	15%	($1.50)
Effective Annual Gross Income Per SF Per Year		$8.50
Less: Operating Expenses Per SF Per Year		$0.00
Net Operating Income		$8.50
Capitalization Rate		6.8%
Total Stabilized Value		$125
Less: Development Costs		
Hard Costs		($210)
Soft Costs		($25)
Total Development Costs excluding Land		($235)
Less: Developer's Profit (based on Total Stabilized Value)	20%	($25)
Negative Residual Land Value Per SF		**($135)**

Notes:
1 Assumes 14,851 SF of street-level retail.
2 Assumes average overall monthly rent of $10 NNN.
3 Assumptions are based on (1) Delta's survey of area developers, owners/managers, and investors; (2) market information for the Washington area; (3) Delta's experience with financial feasibility analyses of development projects.
4 This analysis does not constitute an estimate of actual costs for the subject project. It is merely an indication of typical costs.

Source: Delta Associates, May 2013.

Appendix F:

Metro Area Economic Overview

THE WASHINGTON AREA ECONOMY

First Quarter 2013

SEQUESTRATION STARTS; WHAT WILL BE ITS IMPACT?

Sequestration – the Federal government's automatic budget cuts – is in progress at the time of this writing. Its impact is unknown for two reasons:

- Will it be modified by Congress?
- How will cuts play out in this region?

The first is unknowable.

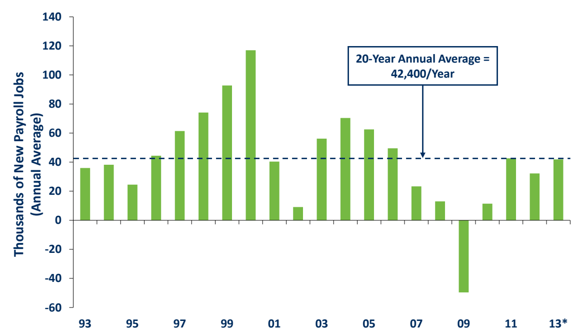
The second is intriguing. Consider this: We know that cuts will not be pro rata in Washington. In fact there is evidence that when an industry shrinks, like the oil industry in the 1980s, the home base of Houston actually expanded at the expense of satellite locations like Dallas, Denver and New Orleans. Could that happen here?

In the meantime, government contractors impacted by this reduction should be able to weather this storm as they have had ample time to prepare and reposition. The more immediate impact of sequestration will be felt by Federal employees with forced furlough days. Whatever the outcome of sequestration, we expect growth in the metro area to remain sluggish during 2013, with the economy generating greater momentum if and when a compromise on sequestration is achieved.

Regardless, the Washington metro area continues to experience slow growth. Payroll employment increased 41,900 during the 12 months ending January 2013, compared to job growth associated with prior expansion cycles of 60,000 – 80,000 and a long-term annual average of 42,400. As a result, this expansion feels anemic by comparison. However, at December 2012 the unemployment rate remains the lowest in the nation among major metros,

PAYROLL JOB GROWTH

Washington Metro Area



**12 months ending in January 2013.*
Source: Bureau of Labor Statistics, Delta Associates; March 2013.

ECONOMIC HIGHLIGHTS
Washington Metro Area | First Quarter 2013

Payroll Employment: 3.0 million at January 2013.

Job Change: grew 41,900 during the 12 months ending January 2013. Compares to 42,400/annum long-term average.

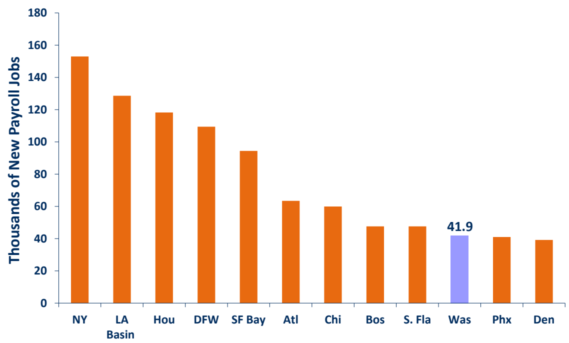
Unemployment Rate: 5.2% at December 2012, down from 5.4% one year ago and lowest among the nation's largest metro areas.

Inflation: prices increased 1.8% during the 12 months ending January 2013.

Housing Prices: increased 5.8% during the 12 months ending December 2012.

Source: Bureau of Labor Statistics, S&P/Case-Shiller; March 2013.

PAYROLL JOB GROWTH
Large Metro Areas | 12 Months Ending January 2013



Source: Bureau of Labor Statistics, Delta Associates; March 2013.

TRENDS IN EMPLOYMENT BY MAJOR SECTOR
Washington Metro Area

	JANUARY 2013	12-MONTH CHANGE	20-YEAR ANNUAL AVERAGE
State/Local Gov't	315.1	13.3	3.8
Leisure/Hospitality	271.9	11.2	5.1
Education/Health	383.0	9.6	8.5
Prof/Bus. Services	697.6	8.7	16.7
Financial Services	150.7	4.7	1.0
Construction	138.5	1.4	2.0
Trans./Utilities	62.1	1.2	0.0
Wholesale Trade	62.9	0.5	0.1
Information	76.1	0.5	-0.2
Manufacturing	47.8	(1.3)	-0.9
Retail Trade	259.1	(2.2)	1.9
Other Services	182.4	(2.2)	3.7
Federal Gov't	374.7	(3.5)	0.7
Total	**3,021.9**	**41.9**	**42.4**

Note: In thousands of payroll jobs.
Source: BLS, Delta Associates; March 2013.

at 5.2%. And some employers are reporting difficulty in filling positions in cyber-security and health care – two rapidly growing industry sectors.

The good news in all of this is the Washington metro area has been shifting away from its dependence on the Federal government, and we believe the long-term outlook for the Washington metro area is strong. The Washington area will experience long-term growth due its strengths such as a highly educated work force, a diversified economy (as compared to the dependence of the region on the Federal establishment in the 1970s), growing tech and health care industries, a high quality of life, a strong housing market with sustained values, and as a destination for corporate and association headquarters moves. These are the things that will sustain its growth in the period ahead.

THE WASHINGTON METRO AREA HAS BEEN SHIFTING AWAY FROM ITS DEPENDENCE ON THE FEDERAL GOVERNMENT, AND WE BELIEVE THE LONG-TERM OUTLOOK FOR THE WASHINGTON METRO AREA IS STRONG.

PAYROLL JOBS

With 3.0 million payroll jobs, the Washington metro area ranks the fourth-largest job market among metro areas, behind New York, the LA Basin and Chicago. The Washington metro area economy added 41,900 new positions during the 12 months ending January 2013. This number is just below the 20-year annual average of 42,400 but is modest compared to past recovery cycles which averaged 60,000-80,000.

Although the Washington metro area added 41,900 new jobs during the past 12 months, other metro areas continue to outpace it in job gains. New York, LA Basin and Houston are the leaders in job growth, spurred by growth in Professional/Business Services and Health/Education. Although New York and LA Basin continue to play catch-up, adding back jobs lost during the downturn, Houston's job growth is being fueled by the Energy and Trade/Transportation sectors.

PAYROLL JOBS BY SECTOR

The top three sectors leading job growth are State/Local Government, Leisure/Hospitality, and Education/Health – with a total of 34,100 new jobs added to the economy in these three sectors alone. Notably, the Federal Government sector lost 3,500 jobs during the 12 months ending January 2013, as agencies tighten spending due to Federal austerity measures. Just over half of these job cuts occurred in the District of Columbia. The Federal government is not laying off workers; rather, a hiring freeze has prevented hiring for vacated positions due to retirement or workers leaving for other positions outside the Federal government.

The largest sectors within the Washington metro area are Professional/Business Services, Government, and Education/Health. The adjacent graph explores job growth within each of these sectors during the 43 months following the trough of recent recessions.

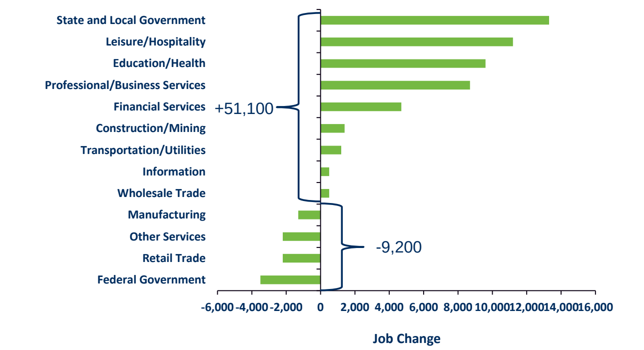
- Compared to past recovery cycles, job growth in the Professional/Business Services sector is making gains, but is lackluster compared to the 2001 and 1991 recoveries. This sector added 52,800 jobs since the trough of the 2009 recession. This compares to 188,300 jobs added after the trough of the 2001 recession and 95,300 jobs added after the 1991 recession.
- Gains in the Government sector since the trough of the 2009 recession have been lackluster, given current austerity measures. This sector added 9,700 jobs since the trough of the 2009 recession. This compares to 34,100 jobs added after the trough of the 2001 recession, and 1,300 jobs gained after the trough of the 1991 recession.
- Growth in the Health/Education sector has outpaced growth experienced after the 2001 and 1991 recessions. This sector added 40,400 jobs since the trough of the 2009 recession. This compares to 11,900 jobs added after the trough of the 2001 recession, and 22,100 jobs added after the trough of the 1991 recession.

During the current recovery cycle, we expect job growth within the Professional/Business Services sector to remain lackluster compared to past cycles, as businesses wait for more clarity on the Federal budget. Although we expect this sector to gain momentum once confidence is regained, growth will be softer than past recovery cycles. Job growth within the Education/Health sector should remain on its current trajectory, as the growing and aging population continues to feed demand for services.

We expect the Professional/Business Services sector to create over 143,800 jobs over a six year period – from 2012 to 2017. We expect most of these positions to be created in the Management, Scientific, and Technical Consulting Services and Computer Systems Design and Related Services sectors. We project the Construction/Mining sector to follow with 55,400 positions as the housing recovery strengthens.

PAYROLL JOB GROWTH

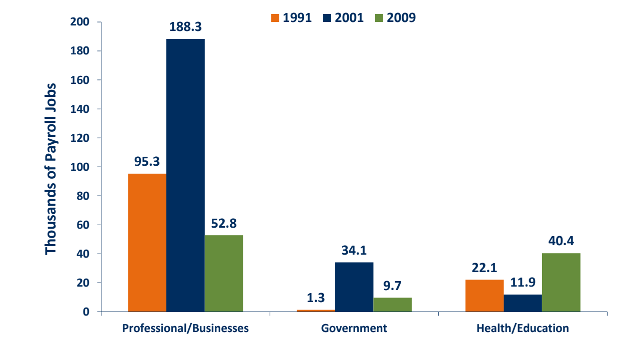
Washington Metro Area | 12 Months Ending January 2013



Source: Bureau of Labor Statistics, Delta Associates; March 2013.

PAYROLL JOB GROWTH BY SELECT SECTORS

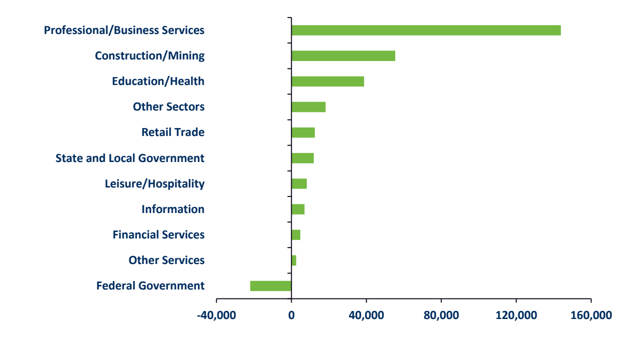
Washington Metro Area | Comparison to Past Recoveries



Note: Job growth total for 43 months after trough.
Source: Bureau of Labor Statistics, Delta Associates; March 2013.

PROJECTED PAYROLL JOB GROWTH

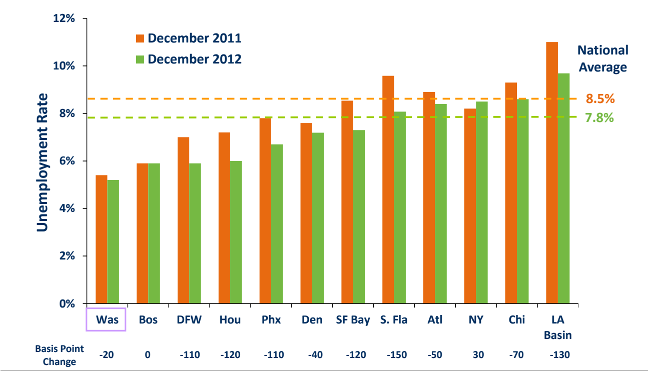
Washington Metro Area | 2012 – 2017



Source: Dr. Stephen Fuller, Delta Associates; March 2013.

UNEMPLOYMENT RATE

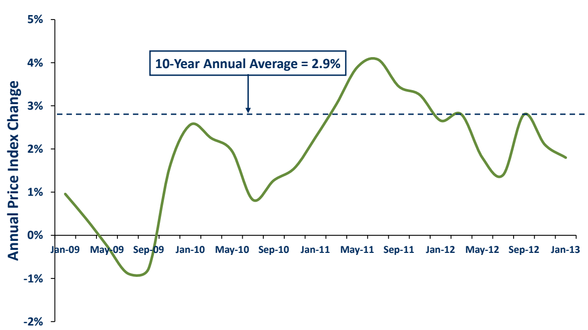
Large Metro Areas | December 2011 vs. December 2012



Source: Bureau of Labor Statistics, Delta Associates; March 2013.

CONSUMER PRICE INDEX (CPI)

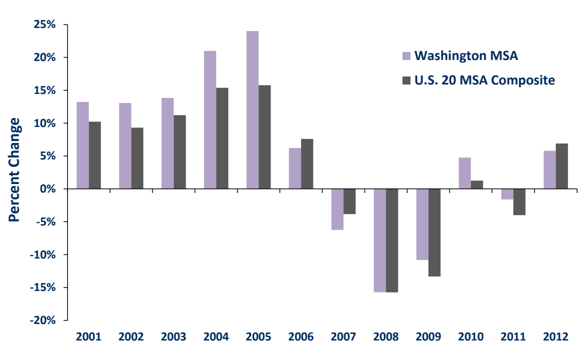
Washington/Baltimore Region



Note: data is 12 months ending.
Source: : Bureau of Labor Statistics, Delta Associates; March 2013.

PERCENT CHANGE IN HOUSE PRICES

Washington MSA vs. U.S. 20 MSA Composite



Note: Seasonally adjusted.
Source: S&P/Case-Shiller, Delta Associates; March 2013.

UNEMPLOYMENT RATE

The Washington area unemployment rate was 5.2% at December 2012, down from 5.4% one year ago. This compares to the national rate of 7.8% in December 2012. The national rate edged up to 7.9% in January 2013 but down to 7.7% in February 2013. The Washington metro area has the lowest unemployment rate among the nation's largest metro areas. The Washington metro area unemployment rate peaked in January 2010, at 7.0%, and has since declined, albeit unevenly. We expect the Washington metro area unemployment rate to hover around the low-to-mid 5.0% range through 2013.

REGIONAL CONSUMER PRICE INDEX

Overall inflation in the Washington/Baltimore region was 1.8% during the 12 months ending January 2013, compared to the national inflation rate of 1.6%. The rise was due primarily to medical expenses rising 5.1% during the past 12 months. Housing, primarily the cost of shelter, also experienced a notable rise, at 2.3%. For all of 2013, we expect inflation to be contained, as slowly progressing economic conditions keep prices in check, with growth of around 2.0% to 3.0%. As long as appropriate monetary measures are in place, inflation should remain controlled.

HOUSING PRICES

House prices increased 5.8% in the Washington metro area during the 12 months ending December 2012, according to the S&P/Case-Shiller Home Price Index. This compares to a rise of 6.9% in the 20 MSA Composite Index.

The Washington area housing market is in the recovery phase of the cycle. The region's housing market recovery will likely remain steady as price appreciation means more homeowners get above water on their mortgages. This transition will happen slowly, however, as many potential sellers struggle with the cash needed to cover transaction costs. Buyers will likely continue to outnumber sellers, putting upward pressure on prices.

REGION'S CORE INDUSTRIES

The Federal government is the largest component of the Washington area economy, accounting for more than one-third of the Gross Regional Product (GRP), as its spending touches every job sector.

The most important element of Federal spending in the metro area economy is procurement – the government's purchase of goods and services from the private sector. Due to budget austerity measures, procurement spending declined 5.5% during 2012, following a decline of 3.1% during 2011. This represents a $7.0 billion reduction in procurement spending in the Washington metro area since 2010 and has resulted in the loss of nearly 25,000 contractor jobs per annum. We expect procurement to experience further decline during 2013, on level with the decline experienced during 2012.

Automatic across-the-board Federal budget cuts, totaling $1.2 trillion over ten years, have officially started as of March 1, 2013. This dagger has been looming over the heads of businesses and consumers since November 2011, hampering economic growth due to uncertainty. Half the cuts will come from the Defense budget and half from the Domestic budget.

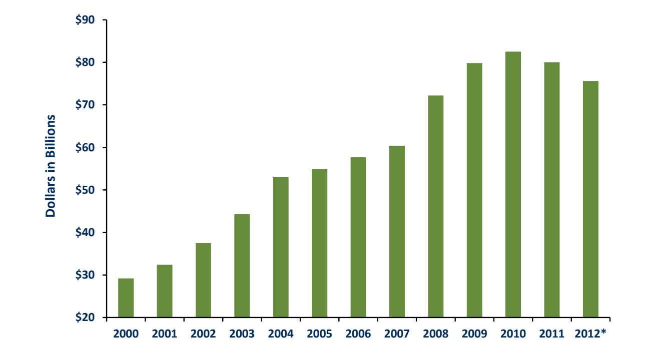
Given sequestration – the Federal government's automatic budget cuts – is in progress at the time of this writing, we expect the Washington metro economy to be impacted if the plan is not amended by Congress. However, we believe Congress will eventually agree on more palatable terms to reduce spending, given the impact to the economy if the full sequestration occurs as planned. In the meantime, the private sector will be reluctant to expand. Government contractors impacted by this reduction should be able to weather this storm as they have had ample time to prepare and reposition. The more immediate impact of sequestration will be felt by Federal employees with forced furlough days. Whatever the outcome of sequestration, we expect growth in the metro area to remain sluggish during 2013, with the economy generating greater momentum if and when a compromise on sequestration is achieved.

WASHINGTON AREA ECONOMIC OUTLOOK

We expect the Washington metro area economy to progress slowly during 2013. We do not anticipate stronger growth to occur until a compromise is reached on sequestration. Regardless, we expect the speed to be slower than seen in previous expansion cycles. During this period we expect the Federal government to reduce spending. However, we expect other sectors to pick up the slack to help stimulate the Washington metro economy through 2017 – specifically the Professional/Business Services and Health and Education sectors.

FEDERAL PROCUREMENT SPENDING

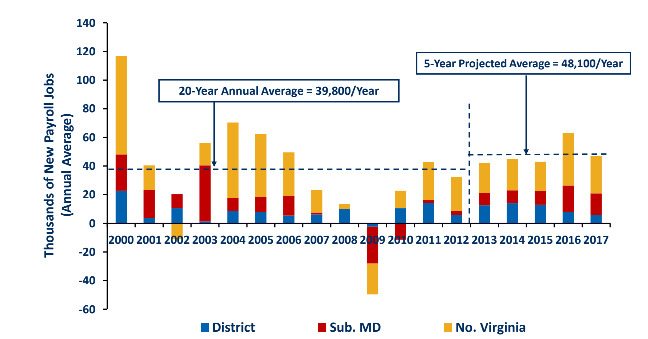
Washington Metro Area



**Estimate.*
Source: Dr. Stephen Fuller, Delta Associates; March 2013.

PAYROLL JOB GROWTH

Washington Metro Area



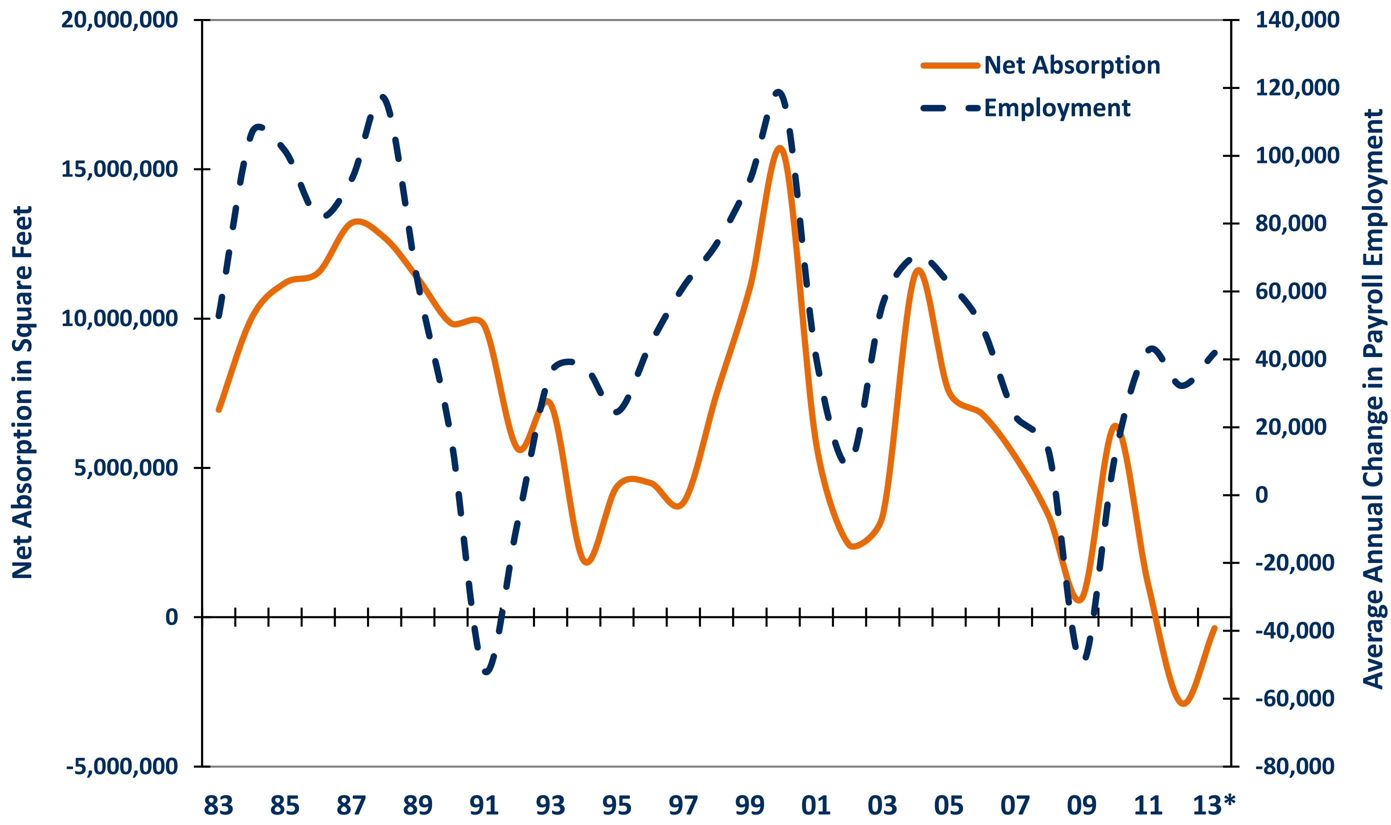
Source: Bureau of Labor Statistics, Dr. Stephen Fuller, Delta Associates; March 2013.

In consultation with Dr. Stephen Fuller of George Mason University, we estimate that 48,100 payroll jobs will be added to the Washington metro area economy each year during the 5-year period 2013 to 2017. Private sector firms will be the cornerstone of employment growth in the period ahead.

WE ESTIMATE THAT 48,100 PAYROLL JOBS WILL BE ADDED TO THE WASHINGTON METRO AREA ECONOMY EACH YEAR DURING THE 5-YEAR PERIOD 2013 TO 2017.

OFFICE ABSORPTION AND EMPLOYMENT

Washington Metro Area



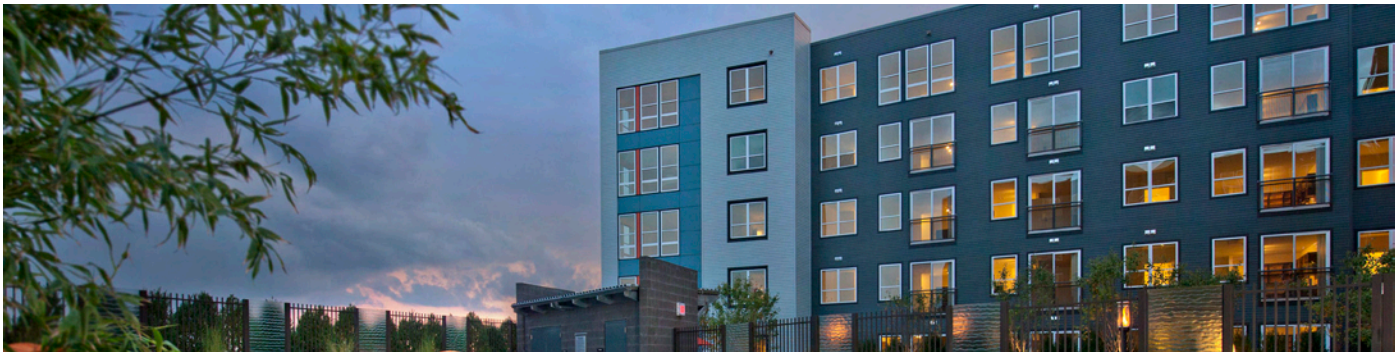
*12-month job growth through January 2013. Net absorption during 1st quarter 2013.
Source: Bureau of Labor Statistics, Delta Associates; March 2013.

Appendix G:

Metro Area Apartment Overview

STATE OF THE MID-ATLANTIC CLASS A APARTMENT MARKET

First Quarter 2013



A NEW YEAR, A NEW REALITY. IN THE SHORT RUN: GOOD NEWS IS MIXED WITH TROUBLING TRENDS, YET LONG TERM PROSPECTS REMAIN EXTREMELY BRIGHT

WASHINGTON METRO AREA

There is a mix of good news and troubling trends in the apartment market as we begin 2013.

In the positive column:

- Strong Class A **absorption** levels and absorption pace per project point to solid demand, despite an increasingly competitive marketplace.
- The region's **development pipeline** has plateaued and construction starts are back down to more reasonable levels this quarter.
- **Rent growth** is registered in most submarkets, albeit at much more modest rates than at earlier points in this cycle.
- **Concessions** remain low, registering just 2.8% of face rents, compared to 2.6% one year ago.
- The Class A stabilized **vacancy** rate declined from 5.1% last year at this time to 4.9% in March 2013.

However, there are trends that portend a troubling intermediate future:

- **Rents** have begun to markedly decline in several submarkets, particularly in those that are burdened with high levels of new supply.
- The **pipeline** remains oversized compared to historic levels of demand.
- And the future of our **regional economy**, in light of Federal austerity measures, remains a large question mark.

In the long-term, the region's apartment market prospects remain extremely bright, given lifestyle, economic and demographic trends. These prospects and trends are discussed in detail a bit later in this article.

SIZE MATTERS

Average apartment size has been declining over the past decade in the face of changing demographics. For example:

- The District: Average high-rise apartment size down 5.0% to 845 SF
- Northern Virginia: Average garden apartment size down 7.0% to 945 SF

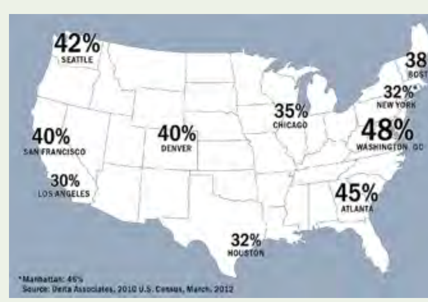
This trend is comprised of two factors: smaller unit sizes and a change in unit mix. From 2006-2007 product to projects delivering in 2012, there has been a shift to accommodate single person households with shifts from 1BR+Den units to 1BR units in low-rise units and high-rise units shifts from 1BR to Studios and 2BR to 1BR+Den units.

ADAPTING TO THE EVOLVING MARKET: Changes in Unit Mix | 2006-'07 vs. 2012

	EFFICIENCY	1BR/1B	1BR/1B/DEN OR LOFT	2BR/2B	2BR/2B/DEN OR LOFT OR 3BR/2B	3BR/3B
LOW-RISE PRODUCT						
2006-2007	2.0%	36.6%	11.5%	42.3%	7.6%	0.0%
2012	2.4%	42.0%	5.7%	42.2%	7.3%	0.5%
MID- AND HIGH-RISE PRODUCT						
2006-2007	10.3%	41.3%	12.7%	28.7%	6.9%	0.1%
2012	11.7%	38.9%	14.9%	27.9%	6.9%	0.0%

Source: Delta Associates; March 2013.

This shift reflects the dramatic change in household composition. Nationally 28% of households contain just one person. In urban areas that share is much larger, with the District of Columbia having the highest share in the nation according to the U.S. Census, at 48%; even higher than Manhattan, at 46%.



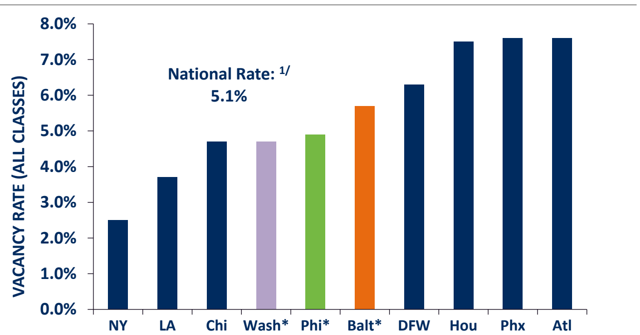
FIRST QUARTER 2013 HIGHLIGHTS

- **Stabilized vacancy** for investment grade apartments (Class A and B) is one of the lowest in the nation at 4.7%, up from 3.8% a year ago.
- **Rents** for all investment grade apartments were up 0.7% over the past 12 months.
  - Class A rents rose by 0.6 % over the past year, down from the 2.3% growth posted at first quarter 2012.
  - Class B rents increased by 0.1%. (For more information, please see our Washington Metropolitan Area Class B Apartment Market Report, available by subscription under separate cover.)
- **Annual Net Absorption**, at 1,965 Class A and B apartments (39% of our long term average), edged up this quarter, but remained well below the region's long-term average. This moderated absorption level is due to several factors including:
  - Increase in Class B vacancy from its extremely low vacancy rate of 2.2% one year ago to 4.4% at first quarter 2013.
  - Job growth has moderated since early 2011.

However, Washington recorded 6,645 Class A units absorbed over the past 12 months, as the trend toward renting vs. owning appears to have resumed its upward trend in the Washington metro area in 2012.

As predicted by Delta Associates, and demonstrated by the latest U.S. Census Bureau data, the structural shift toward renting appears to have played out in the Washington area. This trend is further illustrated by Washington's nation-leading for-sale housing market performance. (For more information about the local for-sale housing market, please see our Washington Area Housing Trends, available free to qualified readers, under separate cover.) Absorption over the next 36 months may be somewhat higher than the region's

APARTMENT VACANCY RATES
Major Apartment Markets



1/ The 57 largest apartment markets in the U.S.
** Year-End 2012 data except for Washington, Baltimore, and Philadelphia which are as of first quarter 2013.*

Source: M/PF, Delta Associates; March, 2013.

IN THE LONG-TERM, THE REGION'S APARTMENT MARKET PROSPECTS REMAIN EXTREMELY BRIGHT, GIVEN LIFESTYLE, ECONOMIC AND DEMOGRAPHIC TRENDS.

RENTS

Effective rents for both Class A and Class B apartments posted growth region-wide, increasing over the year by 0.4%.

VACANCY

Washington metro area stabilized vacancy for all classes of apartments remains one of the lowest in the nation. The vacancy rate for Class A apartments declined to 4.9% from 5.1% a year ago. For all classes of apartments, the current quarter's rate ticked up to 4.7%, compared to 3.8% at first quarter 2012, largely due to the deteriorating performance of the B's.

CONCESSIONS

Notwithstanding an increase in the number of actively marketing projects, concessions remained nearly unchanged for Class A projects overall: 2.8% at first quarter 2013 vs. 2.6% at first quarter 2012. The increase was driven entirely by Northern Virginia, as overall concessions declined in Suburban Maryland and The District. This barometer of the market may lose some of its efficacy as the share of properties in the region using rent optimization software increases, and thereby "real-time pricing" without concessions becomes more wide-spread. Concessions for all Class A properties (those filling up as well as those replacing turnover) continued to trend upward:

CONCESSIONS FOR ALL CLASS A PROPERTIES

	FIRST QUARTER 2010	FIRST QUARTER 2011	FIRST QUARTER 2012	FIRST QUARTER 2013
No. VA	5.8%	3.1%	2.3%	3.2%
Sub. MD	5.4%	2.6%	2.9%	2.3%
District	7.4%	4.9%	3.0%	2.5%
Metro-Wide	**5.8%**	**3.1%**	**2.6%**	**2.8%**

Concessions for projects currently filling-up, and not yet stabilized, are up over the year with a particularly large increase posted by projects in Suburban Maryland:

CONCESSIONS FOR PROJECTS CURRENTLY FILLING UP, AND NOT YET STABILIZED	FIRST QUARTER 2010	FIRST QUARTER 2011	FIRST QUARTER 2012	FIRST QUARTER 2013
No. VA	15.4%	7.8%	8.3%	8.3%
Sub. MD	13.2%	7.4%	4.7%	9.5%
District	14.8%	9.6%	6.7%	7.0%
Metro-Wide	**15.7%**	**8.0%**	**6.9%**	**8.3%**

Concession rates have increased markedly over the year as the number of projects in lease-up, currently 45, has risen from 23 projects over the past 12 months. (see Table 3.11). As the number of projects in lease-up continues to increase, we expect an increasingly competitive landscape, and correspondingly higher concessions.

PIPELINE

The pipeline of likely deliveries over the next 36 months held steady over the first quarter 2013. We expect the pipeline to shrink in 2013, as the region moves further through the current development cycle. As financing became available in 2010 following the recent recession, the pipeline grew rapidly, with a record setting construction pace in 2011. After declining for the first half of 2012, the pipeline has held relatively steady over the past 9 months, and is at 35,802 at first quarter 2013. The number of planned units projected to deliver in the 36-month pipeline declined from 6,869 units at year-end 2012 to 5,667 at first quarter 2013 as units under construction climbed to 30,211. See details of this trend below:

SHARE OF PLANNED VS. UNDER CONSTRUCTION IN 36 MO. PIPELINE

PERIOD	% PLANNED	% UNDER CONSTRUCTION
1Q 2013	18%	82%
4Q 2012	19%	81%
3Q 2012	23%	77%
2Q 2012	28%	72%
1Q 2012	32%	68%

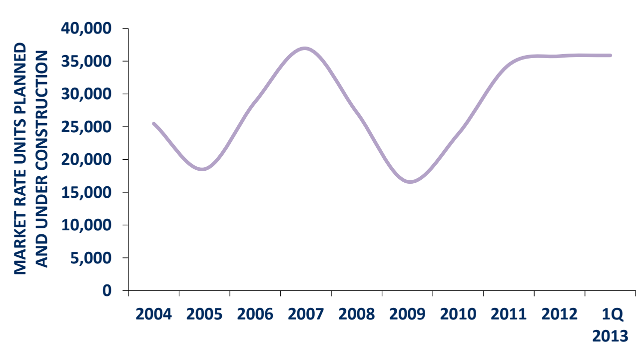
We project 16,300 units will deliver over the next 12 months, of which 99% are currently under construction. Deliveries are expected to decrease to 11,077 units during the following 12 month period – Q2 2014 to Q1 2015. Approximately 80% of these expected deliveries are under construction at first quarter 2013.

FIRST QUARTER 2013 HIGHLIGHTS

long-term average of 5,095 units per annum. This projection is predicated upon the "de-nesting" and "un-coupling" of potential renters currently living with parents or roommates, and improved job growth and reduced uncertainty in the region over the intermediate term.

- **Average monthly absorption** at new projects ticked up over the past 12 months from 15 to 16 units per project per month. This pace bodes well for projects delivering in 2013, as the number of projects in lease-up begins to climb. The number of projects in lease-up has increased from 23 to 45 over the past 12 months and there are more to come in the period ahead.
- **Concessions** at Class A projects ticked up slightly due to the large increase posted in Northern Virginia. While still extremely low, overall concessions increased slightly to 2.8% of face rent at first quarter 2013 compared to 2.6% one year earlier. Over the past year concessions for projects in initial lease-up increased from 6.9% to 8.3%, driven by a particularly large increase for projects in Suburban Maryland.
- The **development pipeline** reached a cyclical low of 16,606 as of year-end 2009. Since then improving market fundamentals and improving financing pushed the pipeline to 34,449 units at year-end 2011. At first quarter 2013, the number stands at 35,802 as production moderated over the past two quarters. This pause has occurred before during this development cycle, only to be followed by record setting levels of ground breakings. Future quarters will demonstrate whether the market continues to discount the threat of overbuilding. Starts eased this quarter with 2,671 units breaking ground this quarter compared to 2,518 in fourth quarter 2012.

MARKET RATE APARTMENT DEVELOPMENT PIPELINE
Washington Metro | 2004 – First Quarter 2013

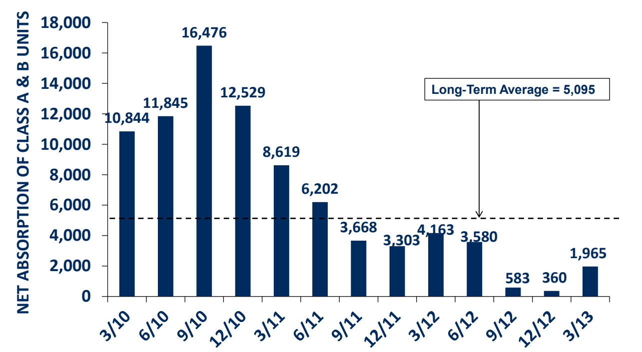


Source: Delta Associates, March, 2013.

Archstone: Archstone First + M, Washington, DC

ANNUAL NET APARTMENT ABSORPTION

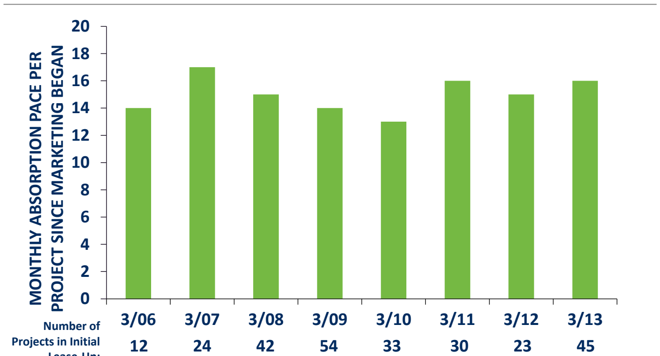
Class A & B Units | Washington Metro



Source: Delta Associates, March, 2013.

ABSORPTION PACE PER PROJECT PER MONTH

For Projects in Initial Lease-Up | Washington Metro



Source: Delta Associates, March, 2013.

SUPPLY/DEMAND STATISTICS

ABSORPTION, DELIVERIES, STARTS, AND PIPELINE SUMMARY				
	NOVA	SUB MD	DISTRICT	METRO-WIDE
Net Absorption Class A & B:				
12 mo. ending 3/13	212	-47	1,800	1,965
12 mo. ending 3/12	2,465	596	1,102	4,163
12 mo. ending 3/11	4,012	3,386	1,221	8,619
Deliveries:				
12 mo. ending 3/13	4,674	2,762	2,284	9,720
Projected:				
12 mo. ending 3/14	6,739	5,206	4,355	16,300
12 mo. ending 3/15	4,974	2,627	3,476	11,077
12 mo. ending 3/16	2,061	881	1,120	4,062
Starts:				
1Q 2013	1,220	407	1,044	2,671
12 mo. ending 3/13	5,545	3,893	3,932	13,370
36-month Pipeline[1]:				
At 3/2013	15,165	10,363	10,274	35,802
At 3/2012	13,508	10,490	9,508	33,506
At 3/2011	13,802	11,449	9,198	34,449

[1]Includes vacant units in projects leasing up, units under construction and units expected to begin construction and deliver in the the next 36 months.

SUBSTATE RECAP

The District's Class A apartment market is holding up well in light of the large slate of deliveries since mid-year 2012. Class A rents remained positive, climbing 0.7% over the past year, yet rent decreases were registered in the NoMa/H Street and Upper NW submarkets, and the Columbia Heights/Shaw submarket's rents were unchanged. However, the Capitol Hill/Riverfront submarket posted a healthy annual rent increase of 8.6%. The Central submarket posted the highest effective base rent in the District, at $3.27/SF.

The District's 36-month pipeline of projects stands at 10,274 units as of March 2013. This count is up 4% from year-end 2012 with three projects, containing 1,044 market-rate units, breaking ground in the 1st quarter 2013.

Stabilized vacancy, at 3.8%, decreased from 4.0% one year ago, despite an influx of new product easing undersupply in the District. Despite a 68% increase in annual absorption over Q1 2012 levels, vacancy will likely edge upward over the coming quarters due to an imbalance between deliveries and absorption. Over the past 12 months 1,786 Class A units were absorbed vs. 2,284 units delivering during the same period. Projected deliveries in the District for the next year will nearly double the preceding 12 month's haul, with 4,355 units delivering in Q2 2013 – Q1 2014 and an additional 1,120 delivering in the following year. Much of the new product coming to market over the next 24 months is concentrated in emerging markets such as Mt. Vernon Triangle, NoMa, H Street, Shaw, and the Capitol Riverfront. These units have reversed the supply/demand balance in favor of renters and are moderating performance metrics, with concessions required to maintain occupancy in most submarkets. Rising concessions will increase the competitiveness of the District vs. other close in submarkets, elevating its share of total regional absorption.

Northern Virginia's 36-month pipeline stands at 15,165 units at first quarter 2013. The first quarter Class A stabilized vacancy rate is 4.9%, down from 5.1% one year prior. Projected deliveries over the next year are set to increase by 44% to 6,739, from the 4,674 units delivered during the past 12 months. This level of production will outstrip absorption even as units filled increased by 42% over the year to 3,102. This imbalance will push up stabilized vacancy over the coming quarters.

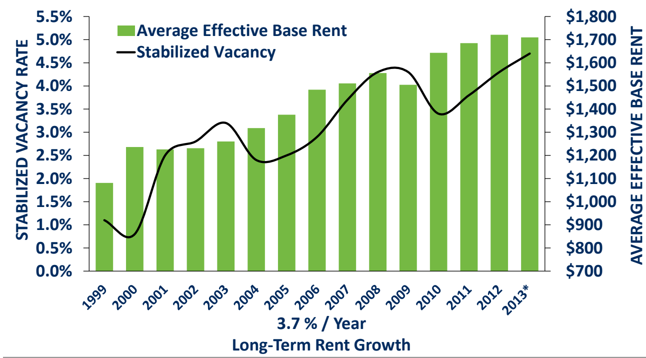
Low-rise Class A properties in Northern Virginia posted rent declines of 0.3% over the year. Rents in Eastern and Western Prince William and Fredericksburg were particularly affected. Rents are also down 0.1% for Class A high-rise apartments in Northern Virginia, with Alexandria experiencing the steepest rent declines due to wide-spread and deep concessions.

Suburban Maryland's 36-month pipeline is 10,363 units at first quarter 2013. 5,206 units are expected to deliver in this substate area over the next 12 months; an 88% increase over the previous year's total of 2,762 units. Annual Class A absorption increased to 1,757 units over the past 12 months, a 118% jump over first quarter 2012's levels. Even so, deliveries will continue to outpace absorption. Current stabilized vacancy stands at 5.7%. Twelve projects containing nearly 3,500 units are slated for delivery over the next six months, putting downward pressure on occupancy and rents in this substate area.

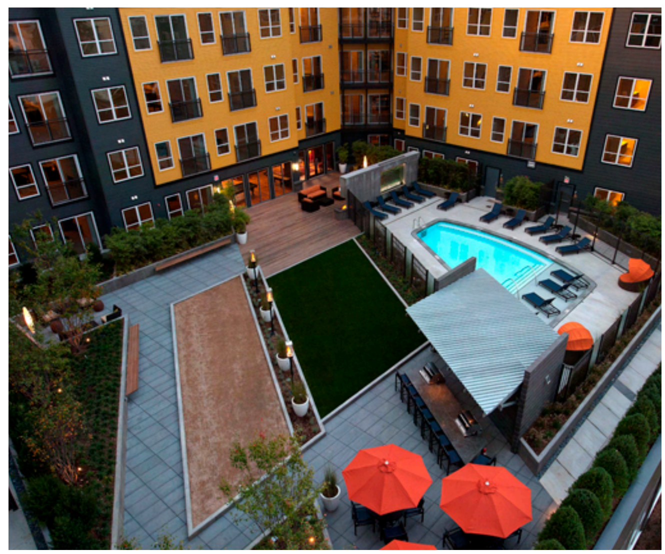
Class A low-rise properties in Suburban Maryland experienced rent growth of 1.7% over the past year while Class A high-rise properties saw rent increases of 1.2%. Rents are up 1.6% for all Class A apartments in Suburban Maryland. The Bethesda high-rise submarket is the top performing submarket this quarter, with no concessions and effective rents increasing by 7.7% over the year. These metrics are indicative of a submarket with strong demand

EFFECTIVE RENTAL RATE AND VACANCY RATE

All Types and Classes of Apartments | Washington Metro



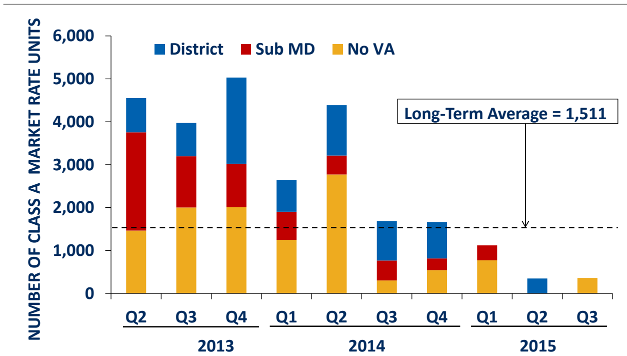
Source: Delta Associates, March 2013. ** As of 1st quarter 2013.*



DSF Group: Halstead Square – The Rockwell, Vienna, VA

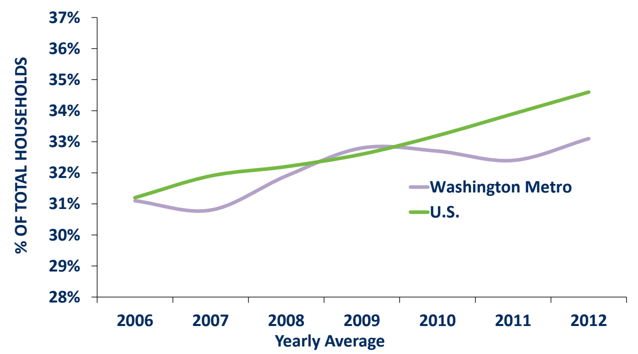
PROJECTED DELIVERIES

Projects Currently Under Construction | Washington Metro 2013-2015



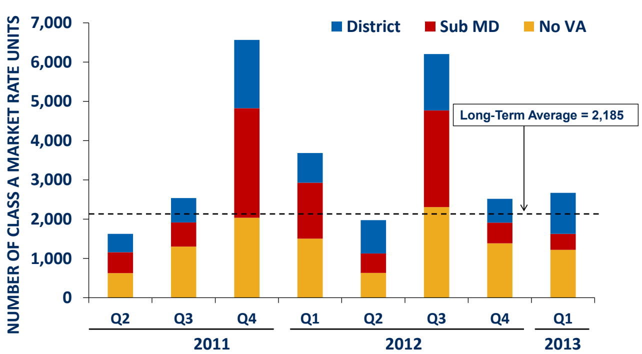
Source: Delta Associates, March, 2013.

RENTER HOUSEHOLDS
Washington Metro vs. U.S. | 2006 - 2012



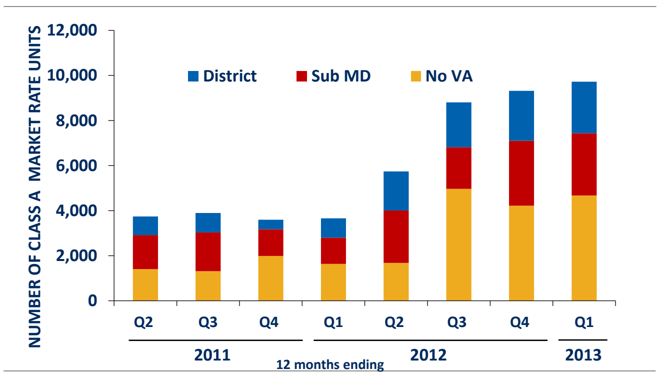
Source: U.S. Census, Delta Associates, March, 2013.

CLASS A APARTMENT UNIT STARTS
Washington Metro | 2011-2013



Source: Delta Associates, March, 2013.

ANNUAL CLASS A APARTMENT UNIT DELIVERIES
Washington Metro | 2011-2012



Source: Delta Associates, March, 2013.

and limited supply – the last Class A project delivered in Bethesda was in 2008.

GROWING DEMAND THE OLD FASHIONED WAY

The Washington area's Class A apartment absorption was 6,645 units over the past 12 months – a 30% increase over the long-term average. Contributing factors to the trend include:

- Flight to quality by heretofore Class B renters.
- Apartment supply that is no longer constrained.
- A resumed increase in the share of renter households.

Over the coming quarters, two factors will be necessary for rental demand generation:

- Job growth
- Demographic shifts:
  - The "de-nesting" of 25 to 34 year olds who are living at home
  - The "un-coupling" of 25 to 34 year olds who are living together to save money

We expect "de-nesting" and "un-coupling" to take place in the 2013 to 2015 period with improved job growth and reduced uncertainty in the region over the intermediate term. And this will produce solid, not spectacular, Class A apartment absorption. Therefore, we project demand of approximately 5,700 Class A units per annum over the next three years; slightly stronger than the metro region's long-term average of 5,095 units.

Even as the number of projects in lease-up increased at first quarter 2013, the market saw per project monthly lease-up pace increase slightly to 16 units from 15 units one year prior. There are 45 projects in active lease-up, up from 23 at first quarter 2012. This number of projects in lease-up will continue to climb with a large slate of projects set to deliver over the next 24 months, eventually putting downward pressure on per project lease-up pace.

CONSTRUCTION UPDATE

After limited construction in 2009 and 2010 due to tightened credit markets and poor property performance metrics, construction came roaring back in 2011 with 14,827 units breaking ground - the largest number recorded by Delta Associates since this publication began in 1994. Construction pace plateaued in 2012, with another 14,838 units breaking ground. In first quarter 2013 construction moderated, with 2,671 units breaking ground, for a trailing 12-month average of 13,370 units starting construction. Several additional quarters of moderated production will be required for the market to return to supply/demand equilibrium in 2015-16.

In the near term, however, the opening of the development spigot in 2011 and 2012 is easing the previous supply constrained market with 9,720 units delivering over the past 12 months. An additional 16,300 units will come to market from Q2 2013 to Q1 2014 and approximately 11,077 units from Q2 2014 to Q1 2015.

As job growth has moderated and deliveries continue at elevated levels, market fundamentals will likely become more competitive over the next 18 months. Close monitoring of the overall health of the Washington economy will be important in 2013, as steadily improving job growth and demographic and lifestyle shifts are key to producing the absorption necessary to fill the large slate of projects delivering over the coming months.

MARKET FUNDAMENTALS WILL LIKELY BECOME MORE COMPETITIVE OVER THE NEXT 18 MONTHS. CLOSE MONITORING OF THE OVERALL HEALTH OF THE WASHINGTON ECONOMY WILL BE IMPORTANT IN 2013, AS STEADILY IMPROVING JOB GROWTH AND DEMOGRAPHIC AND LIFESTYLE SHIFTS ARE KEY TO PRODUCING THE ABSORPTION NECESSARY TO FILL THE LARGE SLATE OF PROJECTS DELIVERING OVER THE COMING MONTHS.

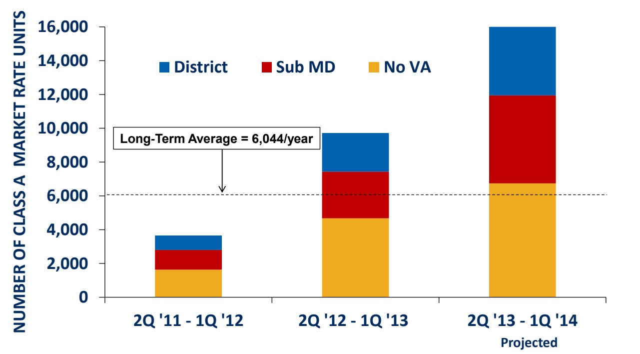
SUPPLY/DEMAND AND RENT OUTLOOK

Given the projected delivery schedule of projects currently under construction, we expect the region-wide vacancy rate for stabilized Class A apartment properties to edge upward from 4.9% today, to 5.1% by first quarter 2016 and a bit higher before then. However, there will be significant variance in conditions within the region. (See Table A on page 40).

Class A rents will face downward pressure over the next 24 months at the regional level due to the large slate of scheduled deliveries compared to projected demand levels. Rent growth has slowed over the past 12 months in most submarkets and turned negative in several over the past two quarters. Given headwinds on the demand front, and a robust delivery schedule, modest rent declines are probable at the regional level in 2013 and 2014. Better projects in stronger submarkets will outperform these market averages. We expect rental rates to recover to the long term average rates of growth of 4.3% by 2016.

ANNUAL CLASS A APARTMENT UNIT DELIVERIES

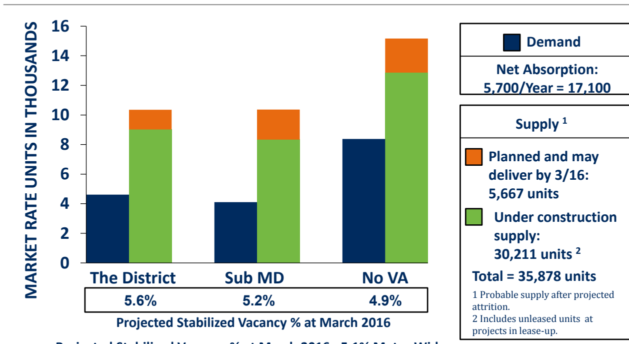
Washington Metro | 2011-2014



Source: Delta Associates, March, 2013.

DEMAND AND SUPPLY PROJECTIONS

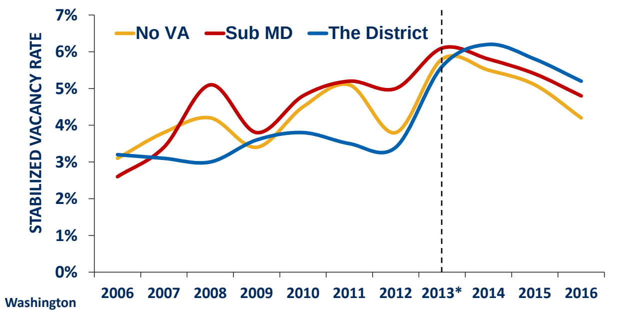
Washington Metro Class A Apartment Market | Mar. 2013– Mar. 2016



Source: Delta Associates, March, 2013.

CLASS A APARTMENT VACANCY RATE

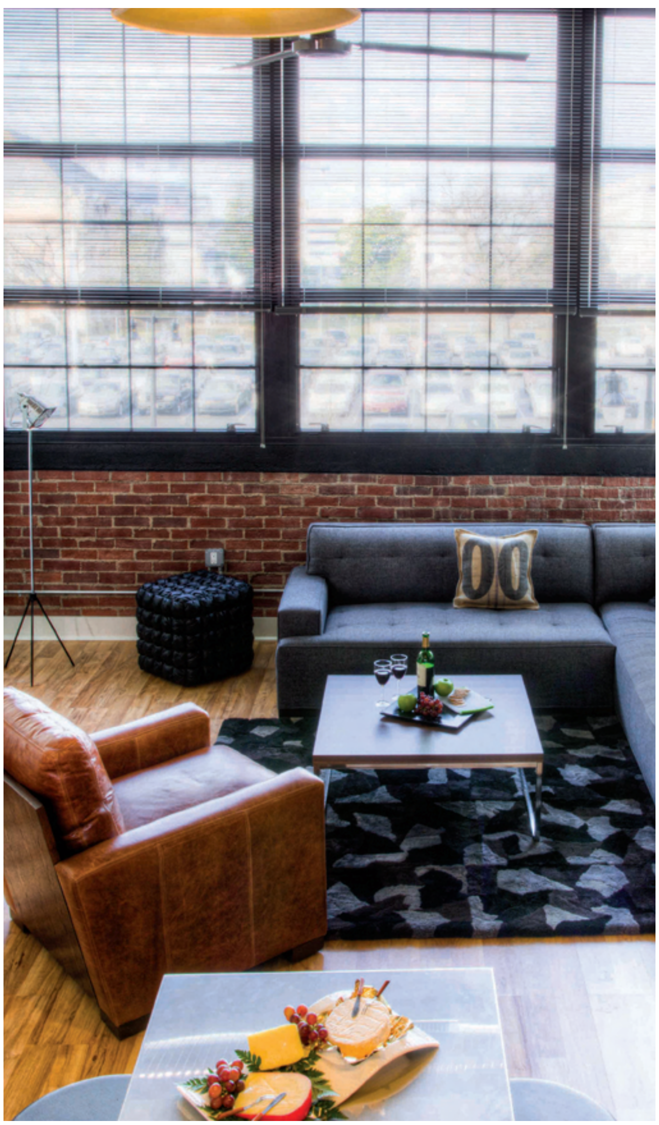
Washington Metro | Year-End 2006-2016



	2006	2007	2008	2009	2010	2011	2012	2013*	2014	2015	2016
Washington Metro Vacancy	2.3%	2.9%	3.6%	4.4%	3.6%	5.0%	4.2%	5.9%	5.7%	5.3%	4.5%

Source: Delta Associates, March, 2013.

** Q1 2013 Class A Vacancy - 4.9%*



Forest City Washington: Foundry Lofts, Washington, DC

MODEST RENT DECLINES ARE PROBABLE AT THE REGIONAL LEVEL IN 2013 AND 2014. BETTER PROJECTS IN STRONGER SUBMARKETS WILL OUTPERFORM THESE MARKET AVERAGES. WE EXPECT RENTAL RATES TO RECOVER TO THE LONG TERM AVERAGE RATES OF GROWTH OF 4.3% BY 2016.

RETURN ON INVESTMENT

Total return on apartment investment (cash flow plus appreciation) in the Washington market continues to track below the national average, as reported by NCREIF. While this index reports a 6.55% 12-month total return, this measure is significantly off the cyclical peak of 28.64% in 2010. This breather is to be expected after such a huge run-up earlier this cycle in area prices. (See Table B on page 41)

WASHINGTON INVESTMENT SALES

The Washington investment sales market experienced robust activity in 2010 and 2011. 2011 saw strength in investment sales with $2.41 billion of multifamily Class A communities trading (19 low-rise properties, and ten mid-/high-rise properties).

2012 saw a decline in Class A sales activity, with $1.45 billion of multifamily Class A building sales (eight low-rise properties and eight mid-/high-rise properties). The average per unit price for 2012 sales was 10.6% lower than year-end 2011 for low-rise units (at $200,000). High-rises prices are off 7.1% from year-end 2011 at ($393,000).

For the first two months of 2013, we note $183 million of multifamily Class A building transaction volume (three low-rise properties) plus the Archstone sale. Of major note in the Washington region in 2013 is the break up and sale of stalwart developer and operator, Archstone, to AvalonBay and Equity Residential. This transaction, covering 138 existing properties nationally and development sites throughout the region closed in February 2013.

It is our sense that cap rates trended lower during the first half of 2012 but stabilized since. We believe that cap rates will likely stabilize or nudge up slightly during 2013, as market conditions become more competitive amid increased supply and job growth is muted in the region. Apartments will remain in favor as an asset class, however, as indicated in our year-end 2012 Market Maker Survey.

Three multifamily land sales have closed through February 2013, totaling $69 million, with the capacity for over 1,190 apartment units. Over $338 million in multifamily land sales were completed in 2012, with the capacity for over 5,600 units, compared to $280 million in sales during 2011. The ramp up in sales volume from 2011 to 2012 (particularly in the latter half of 2012) is indicative that the multifamily development community continued to pursue opportunities in this latter phase of this development cycle.

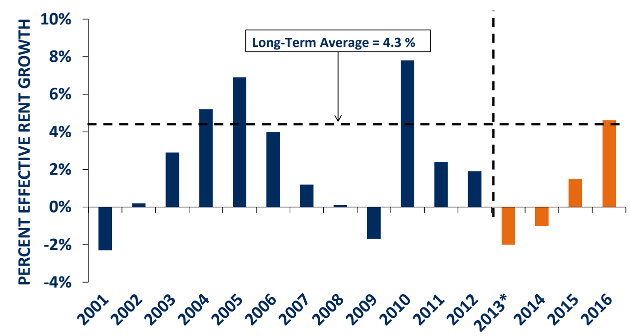
IT IS OUR SENSE THAT CAP RATES TRENDED LOWER DURING THE FIRST HALF OF 2012 BUT STABILIZED SINCE. WE BELIEVE THAT CAP RATES WILL LIKELY STABILIZE OR NUDGE UP SLIGHTLY DURING 2013.

THE WAY FORWARD

As the market becomes more competitive, we find that our more successful developer clients are competing with superior product, in stronger submarkets with best in class management and marketing. Specifically, they are doing the following:

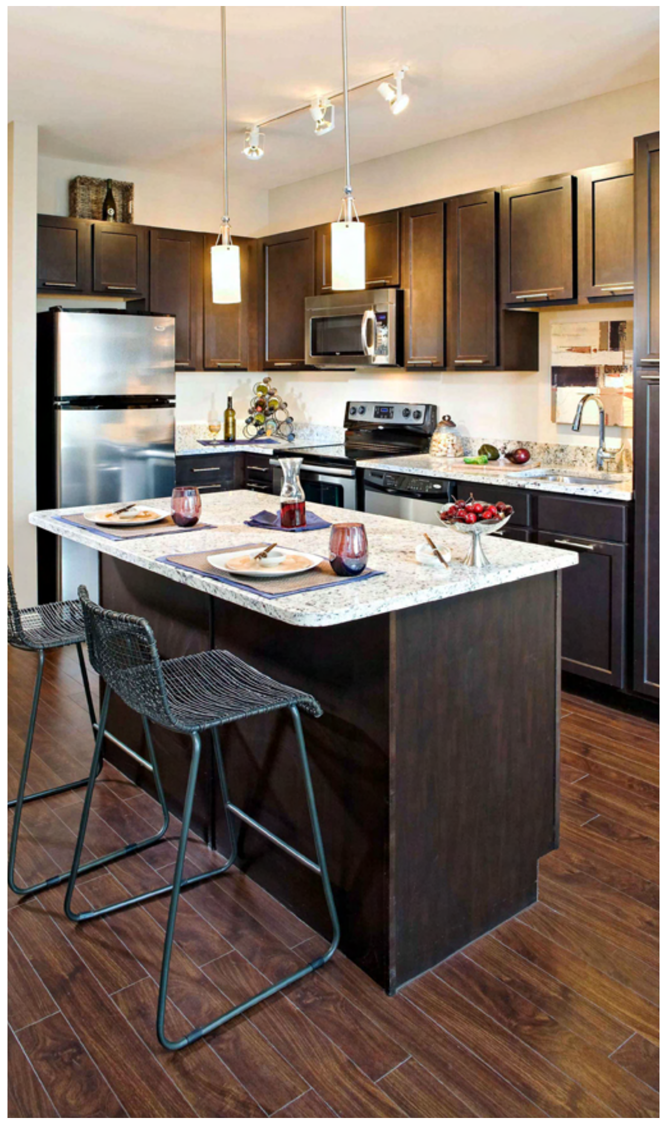
1. Investing in repositioning existing under-performing assets, with particular attention paid to the demographic segments that will likely be attracted to the property based on location, product type, and unit mix.
2. Positioning to take advantage of the long-term prospects for apartment living in the region. While near-term conditions may be competitive, demographic trends paint a bright future for the apartment market-place.
   - Millions of prospective renters in Gen-Y will continue to join the workforce over the coming decade and demand flexible housing arrangements that apartments provide.
   - Those in the Gen-Y cohort currently doubling up or living at home will eventually “age-out” (or be nudged out) and look for their own place, further enhancing demand over the long-term.
3. Innovating with new features and community amenities, including:
   - Pet-centric amenities such as pet care centers, dog-walking areas, etc.
   - Interactive media stations in club rooms and electronic concierge notification systems
   - Built-in audio systems and flexible furniture, such as moveable kitchen islands, to maximize small unit spaces
   - Bike storage, bike and car sharing infrastructure, especially near Metro

ANNUAL CLASS A APARTMENT RENT GROWTH
Washington Metro | 2001 - 2016



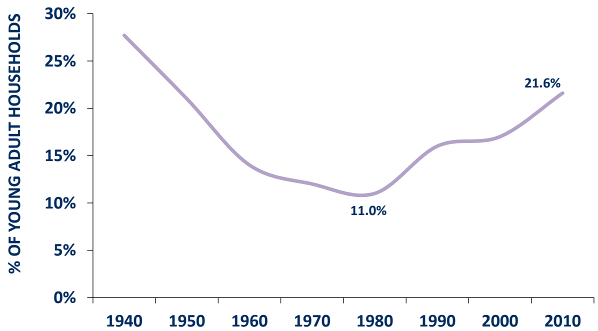
Source: Delta Associates, March, 2013.

** Annual rent growth at 1Q 2013 is 0.3%*



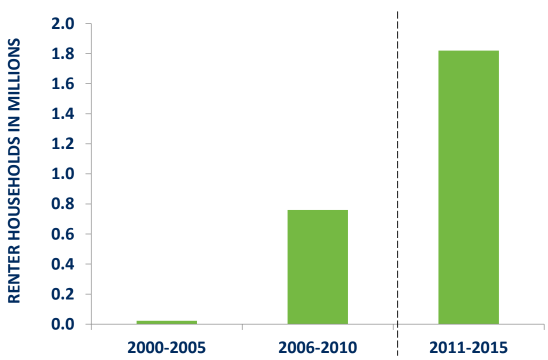
Urban Atlantic and A&R Development Corp.: Rhode Island Row, Washington, DC

YOUNG ADULTS LIVING IN MULTIGENERATIONAL HOUSEHOLDS
United States | 1940 –2010



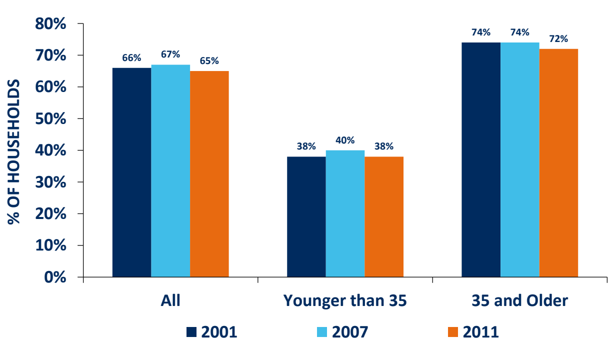
Source: American Community Survey, Pew Research Center, Delta Associates, March 2013.

ANNUAL CHANGE IN TOTAL U.S. RENTER HOUSEHOLDS



Source: U.S. Census Bureau, John Burns Real Estate Consulting, Delta Associates, March, 2013.

HOUSEHOLDS OWNING THEIR PRIMARY RESIDENCE
By Age of Householder | United States | 2001 - 2011



Source: American Community Survey, Pew Research Center, Delta Associates, March 2013.

- Outdoor spaces, including movie screens, screened-in porches or fireplaces that expand the living space of the property and extend the summer "outdoor" season.
- Units uniquely targeted to roommate shares.

4. Going for Metro oriented, urban-place locations that appeal to those renters who demand to be near their place of work, near the action, and appeal to the increasing number of tenants who chose not to own a car.

LONG-TERM RENTAL OUTLOOK BRIGHT

Demographic and housing trends in the US will power a healthy apartment market over the next five years.

A large share of the prime renter demographic of Millennials continues to rent rather than own. A study by the Pew Research center notes that households owning their primary residence declined from 40% in 2007 to just 38% in 2011. The members of this generation total approximately 75 million and will drive a significantly share of housing demand in the coming years. Millennials, due to lifestyle preferences as well as economic realities, are approaching housing and locational preferences in different ways than their predecessors. These choices, valuing walkability, transit access, and more urban mixed-use settings, are a good match for apartment living. For example, the Pew Research Center found that vehicle ownership by those 25 and younger had declined from 73% in 2007 to 66% in 2011. These small changes, when magnified by the size of this age cohort, point to lifestyle choices that are well positioned to be addressed by apartment living.

While living at home has always been a fallback option for the younger generation during tough economic times, the scale of future potential renters currently foregoing the traditional rental market is well beyond any recession and recovery in the past. The share of young adults living in multigenerational households (often meaning with mom and dad) rose to 21.6% in 2010. As the economy continues to recover, this national group of young people represents a huge pool of likely future renters, which leads to the next bright spot on the horizon.

Due to a confluence of factors, including the Gen Y demographic bulge and the increased preference to rent rather than own following the national housing collapse, there is an extremely large cohort of renters expected to emerge from 2010 through 2015 (9.1 million) – nearly three times the increase the nation experienced during the period from 2005 to 2010. This pool of renters should power a strong national and local rental market over the intermediate to long term.

Appendix H:

Metro Area Office Overview

THE WASHINGTON METRO AREA OFFICE MARKET

First Quarter 2013

MARKET REMAINS ON HOLD AS SEQUESTRATION TAKES EFFECT

The Washington metro area office market experienced soft conditions during the 1st quarter of 2013, as net absorption was negative and the overall vacancy rate increased. Sequestration took effect, dampening market enthusiasm. And BRAC-related move outs in Northern Virginia, hampered growth. And the trend to tenant "densification" of the use of office space further put pressure on demand.

Given these conditions, concession packages remain elevated as property owners compete for the limited pool of tenants in the market. This, coupled with shorter lease terms, has put downward pressure on effective rents, declining another 0.6% during the past three months. However, better buildings in stronger submarkets are outperforming this metro-wide trend.

Growth in the private sector over the next several years will overcome densification trends and we look for notable market momentum and improvement by mid-decade.

GROWTH IN THE PRIVATE SECTOR OVER THE NEXT SEVERAL YEARS WILL OVERCOME DENSIFICATION TRENDS AND WE LOOK FOR NOTABLE MARKET MOMENTUM AND IMPROVEMENT BY MID-DECADE.

NET ABSORPTION

Net absorption of office space in the Washington metro area totaled negative 366,000 SF during the 1st quarter of 2013, compared to negative 349,000 SF during the 4th quarter of 2012. This compares to negative 1.7 million SF during the 1st quarter of 2012 and negative 2.9 million SF during all of 2012.

OFFICE MARKET HIGHLIGHTS
Washington Metro Area | First Quarter 2013

Net absorption: Negative 366,000 SF during the 1st quarter of 2013, compared to negative 1.7 million SF during the 1st quarter of 2012 and negative 2.9 million SF during all of 2012.

Sublease space: Increased by 107,000 SF during the 1st quarter of 2013. Sublease space represents 0.9% of the standing inventory.

Overall vacancy rate: 13.5%, up from 12.5% one year ago. Eighth-lowest rate in the nation among major metro areas.

Direct vacancy rate: 12.6%, up from 11.6% one year ago.

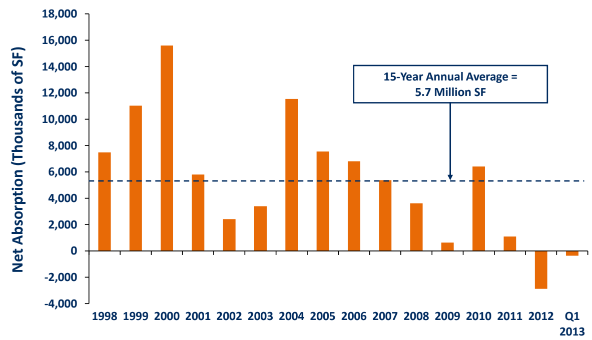
Pipeline (U/C and U/R): 7.2 million SF, level with one year ago.

Pipeline pre-lease rate: 47%, compared to 50% one year ago.

Effective rents: Down 0.6% during the 1st quarter of 2013, compared to a decline of 2.9% in all of 2012.

Investment sales: $888 million ($324/SF) during the 1st quarter of 2013, compared to $2.0 billion ($424/SF) during the 1st quarter of 2012 and $6.7 billion ($355/SF) during all of 2012.

OFFICE NET ABSORPTION
Washington Metro Area



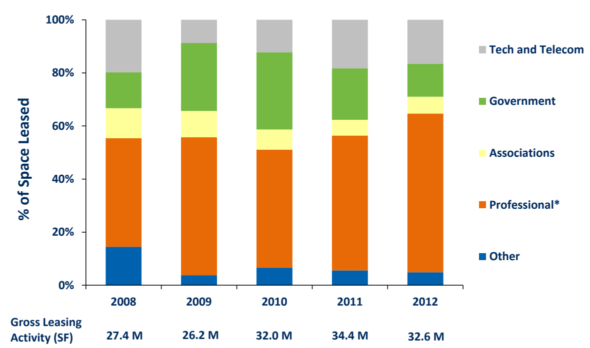
Source: Delta Associates; March 2013.

NET ABSORPTION OF OFFICE SPACE AND CHANGE IN SUBLEASE SPACE
Washington Metro Area | 2012 versus Q1 2013 (000s of SF)

MARKET	DIRECT SPACE NET ABSORPTION		SUBLEASE SPACE ABSORBED OR (RETURNED)	
	2012	Q1 2013	2012	Q1 2013
NOVA	(2,594)	(384)	(123)	94
Sub MD	297	213	(3)	(7)
District	(581)	(195)	117	(194)
Total	**(2,878)**	**(366)**	**(9)**	**(107)**

Source: Delta Associates; March 2013.

OFFICE LEASING ACTIVITY BY SECTOR
Washington Metro Area



**Legal, Financial, Business Services.*
Source: CoStar, Delta Associates; March 2013.

Of note, the 15-year average annual absorption is 5.7 million SF and the 15-year quarterly average is 1.4 million SF.

Northern Virginia and the District of Columbia experienced negative net absorption during the 1st quarter of 2013, as demand could not keep pace with tenants vacating space. Northern Virginia continued to experience BRAC-related move-outs. Comparably, the District suffered from tenants vacating space to relocate to newer (and often smaller) space. Notably, Federal Voting Assistance Program vacated 283,000 SF at 1777 N. Kent Street in the RCB Corridor to relocate to the newly constructed Mark Center project at 4800 Mark Center Drive under the BRAC decision. In the District of Columbia Arent Fox vacated 220,000 SF at 1050 Connecticut Avenue, NW to relocate to the newly constructed space at 1000 Connecticut Avenue, NW.

Suburban Maryland held its own during the 1st quarter with positive net absorption. Although net absorption was due primarily to pre-leased deliveries, this substate area faced fewer large move-outs compared to Northern Virginia and the District of Columbia, which placed net absorption in positive territory for the past three months.

For detailed submarket-level analysis including leasing activity and move-outs, please contact **Delta Associates** for submarket reports on your area of interest.

Sublease space increased 107,000 SF in the Washington metro area during the 1st quarter of 2013, after declining 193,000 SF during the 4th quarter of 2012. Sublease space increased 9,000 SF during 2012. Sublease space currently represents just 0.9% of standing inventory at March 2013. This compares to a level of 1.4% at the end of 2009. The limited amount of sublease space on the market will help promote a rebound, though shadow space (excess leased space that is not being marketed) remains a concern.

Net absorption of Class A space totaled 766,000 SF during the 1st quarter of 2013, compared to 321,000 SF during the 4th quarter of 2012. Net absorption of Class A space totaled positive 1.2 million SF during 2012. Tenants continue to upgrade accommodations as Class A rents remain relatively low. However, rents for newly constructed space closer to the core could rise sharply as the number of blocks of available space is declining due to tenant demand for newer space and the limited construction starts over the past few years.

LEASING ACTIVITY

Leasing activity in the Washington metro area was modest during the 1st quarter of 2013, as many tenants waited for Congress to amend sequestration. The most notable deal of the 1st quarter of 2013 was Arnold & Porter pre-leasing

375,000 SF at 601 Massachusetts Avenue, NW in the East End submarket. The law firm will be vacating space at 555 12th Street, NW, also in the East End, after Boston Properties demolishes and rebuilds the former NPR space. Also notable, the Office of the Director of National Intelligence leased 182,000 SF at 12290 Sunrise Valley Drive in Reston/ Herndon. This building was vacated during 2012 by the National Geospatial-Intelligence Agency when it relocated to Fort Belvoir under the BRAC decision.

Government leasing activity decreased to 12% of all SF leased in the Washington metro area during 2012, compared to 19% during 2011 and 29% during 2010. Comparably, leasing from professional businesses increased to 60% during 2012, compared to 51% during 2011 and 45% in 2010.

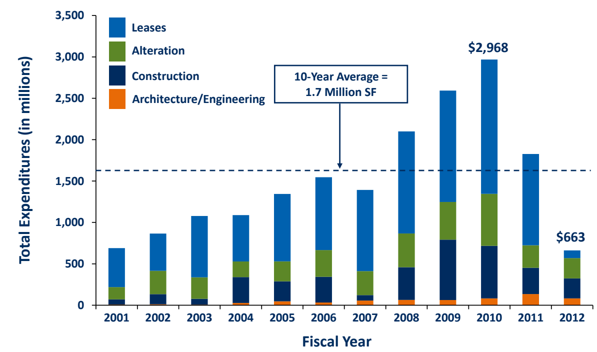
The newly created Government Real Estate Index by *Government Leasing News* tracks four primary Government expenditure categories, which include Architecture & Engineering, Construction, Alterations, and Leasing. Peak obligations of nearly $3.0 billion occurred in FY 2010 and have declined notably during the past two years to $663 million in FY 2012. This represents a decline of 78% over a two year period. The drop is due to the mandates by Office of Management and Budget (OMB) and Congress to reduce agency footprints, budgetary restrictions imposed by appropriation committees, holdovers in expiring Government leases, and delays in the approval of new and replacement leases, according to Government Leasing News. The most notable decline occurred in leasing expenditures, declining 94% over the past two years from $1.6 billion at the peak in FY 2010 to $94 million in FY 2012. Notably, nearly all leases that were due to expire in FY 2012 were either being granted short-term extensions or were classified as outright holdovers. Given current Federal budget austerity measures, we expect limited expenditures during the remainder of FY 2013.

We expect leasing activity from GSA to be muted during 2013, as proposed GSA leases are under increased scrutiny by Congress. GSA recently issued 16 lease prospectuses to Congress for approval. This activity could boost demand in the Washington metro area. However, Congress continues to push agencies to lease less space per employee, which reduces the amount of total space an agency can lease.

If and when an amendment to sequestration is agreed upon by Congress, we expect the share of leasing activity from the private sector to pick up gradually. The bulk of the jobs added to the economy during this period will be from the private sector, as we project the Federal government will shed jobs under budget pressure. However, we expect leasing activity from the private sector to be restrained compared to past recovery cycles. We expect companies will actively seek to renew and those with shadow space will utilize the

FEDERAL OFFICE BUILDING EXPENDITURES

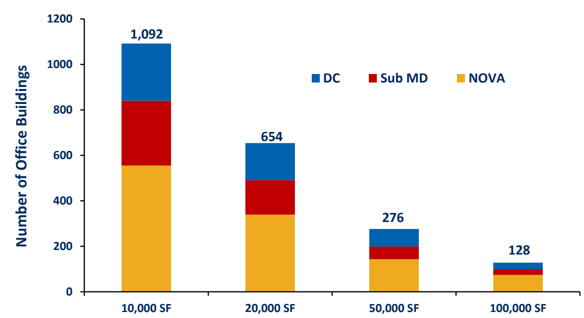
National Capital Region



Source: FPDS.gov, Government Leasing News, Delta Associates; March 2013.

OFFICE BUILDINGS WITH CONTIGUOUS BLOCKS OF AVAILABLE SPACE

Washington Metro Area | March 2013



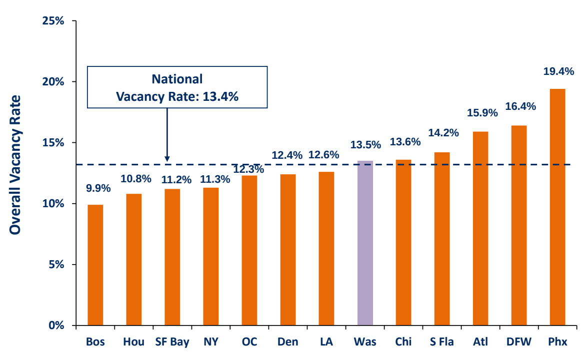
Note: Includes buildings under construction or renovation.
Source: CoStar, Delta Associates; March 2013.

VACANCY RATES AND VACANT SPACE (ALL CLASSES)
Washington Metro Area | Mar. 2012 vs. Mar. 2013

	MARCH 2012	MARCH 2013
VACANCY RATE		
Direct	11.6%	12.6%
Sublet	0.9%	0.9%
VACANT SPACE (MILLIONS OF SF)		
Direct	46.4	52.5
Sublet	3.9	4.1

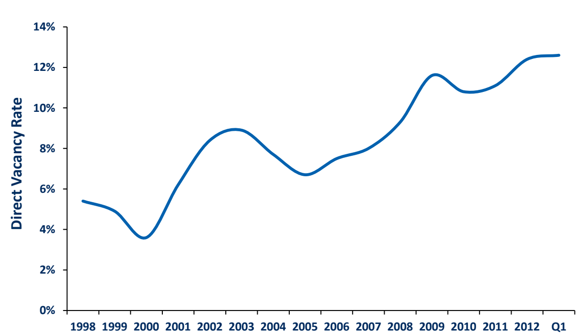
Source: CoStar, Delta Associates; March 2013.

OFFICE VACANCY RATES
Selected Metro Areas | First Quarter 2013



Source: CoStar, Delta Associates; March 2013.

OFFICE VACANCY RATE
Washington Metro Area



Source: CoStar, Delta Associates; March 2013.

additional room before inking new deals. In addition, tenants are increasingly leasing less space per employee due to the rising implementation of hoteling and teleworking programs and rightsizing office space due to staff reduction during the downturn. We expect this trend to continue.

There are 1,092 buildings with contiguous blocks of available space that are 10,000 SF or greater at March 2013, compared to 1,074 one year ago. Half of the total blocks are located in Northern Virginia. There are 128 buildings with blocks of space available over 100,000, up from 102 buildings one year ago. The number of large blocks increased, as demand remains limited, Department of Defense tenants continue to vacate space under the BRAC plan in Northern Virginia, and developers are starting to break ground on new projects. We anticipate the number of large blocks to continue to rise during the balance of 2013 for these reasons.

VACANCY RATE

The Washington area's overall vacancy rate is 13.5% at the end of the 1st quarter of 2013, up from 13.4% at year-end 2012, and 12.5% one year ago. The Washington metro has the eighth-lowest overall vacancy rate among large metro areas in the United States. The Boston and Houston metro areas have the lowest vacancy rates at 9.9% and 10.8%, respectively.

The Washington metro area's direct vacancy rate was 12.6% at March 2013, up from 12.4% at December 2012, and 11.6% one year ago.

The Washington area overall Class A vacancy rate is 12.3% at March 2013, down from 12.5% at year-end 2012, but up from 12.2% one year ago. The Washington area direct Class A vacancy rate is 10.8%, down from 10.9% three months prior, but up from 10.7% one year ago.

CONSTRUCTION

There is 7.2 million SF of office space under construction or renovation in the Washington metro area at March 2013, level with one year ago. 47% of the space under construction is pre-leased at March 2013, compared to 50% one year ago. This compares to the 10-year average pre-lease rate of 44%.

Developers started construction on 284,000 SF during the 1st quarter of 2013, compared to 3.7 million SF during 2012. Developers pushed forward on pre-leased projects or used their own resources to start spec projects – banking on improved conditions upon delivery.

Although the lending environment is showing some signs of easing, it remains tight. Moving forward we believe there will be limited groundbreakings during 2013 that have low or no pre-leasing in place – unless the developer starts the work using internal resources.

We anticipate several projects will break ground in Tysons Corner and Reston/Herndon over the next 24 months, as developers prepare to deliver new product due to Metro's arrival. In addition, we expect renovations (or demolition and re-build) to vacated Class B/C buildings to rise. As tenants vacate older space, particularly due to the BRAC decision, landlords will look to renovations, as tenants in the market are seeking newer office space.

Although breaking ground on spec projects at this point in the cycle is not warranted in many submarkets, we believe the risk is lowered in select, well-positioned submarkets.

Developers delivered 1.1 million SF of office space in the Washington metro area during the 1st quarter of 2013. These projects came on-line at 77% leased. Notably, JBG delivered 574,000 SF at 9613 Medical Center Drive in the North Rockville submarket. This space is fully leased by the National Cancer Institute.

A total of 2.8 million SF of office space, including renovations, delivered in the Washington metro area during 2012. Projects that came on-line during 2012 delivered at 67% pre-leased. This compares to the 10-year annual average of 7.2 million SF at 50% leased upon delivery.

PROJECTED SUPPLY VS. DEMAND

We project the metro-wide overall vacancy rate will edge down from 13.5% today to 12.8% at March 2015. Although we expect demand to gradually pick up pace over the next two years, we do not believe this demand will be robust enough to significantly lower the vacancy rate metro-wide, as other tenants consolidate or vacate space and new product delivers. Much of the demand will be generated by pre-leased deliveries arriving to the market over the next two years.

- We project the overall Northern Virginia vacancy rate will decline, from 15.7% today to 14.7% by March 2015, as this substate captures at least half of the job growth in the metro area.
- We project the overall office vacancy rate in Suburban Maryland will edge down from 14.8% today to 14.2% by March 2015.
- We project the overall vacancy rate will edge down in the District from 9.6% today to 9.0% by March 2015.

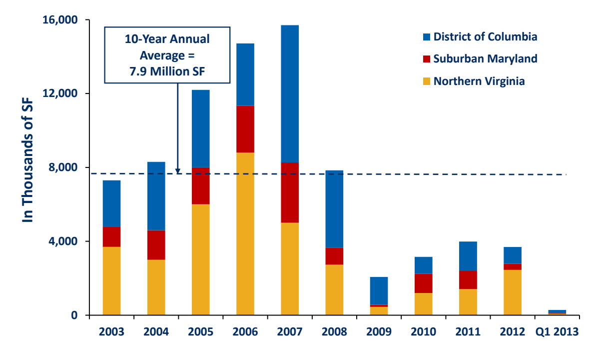
We believe the vacancy rate will decline only modestly over the next two years, as leasing activity remains muted. With

OFFICE SPACE UNDER CONSTRUCTION
Washington Metro Area | (Millions of SF)

SUBSTATE AREA	MARCH 2011	MARCH 2012	MARCH 2013
NOVA	1.9	2.0	3.6
Sub MD	1.3	2.2	1.1
District	2.6	3.0	2.6
Total	**5.8***	**7.2**	**7.2***

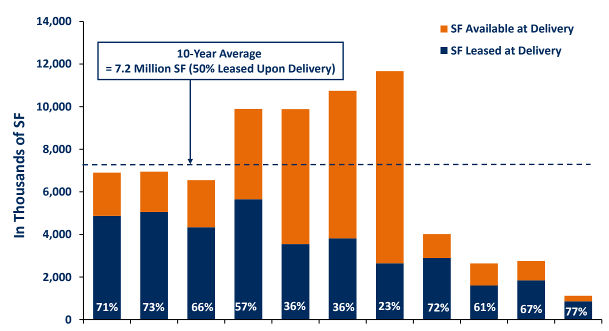
**Does not total due to rounding.*
Source: CoStar; Delta Associates; March 2013.

OFFICE CONSTRUCTION STARTS
Washington Metro Area



Source: CoStar, Delta Associates; March 2013.

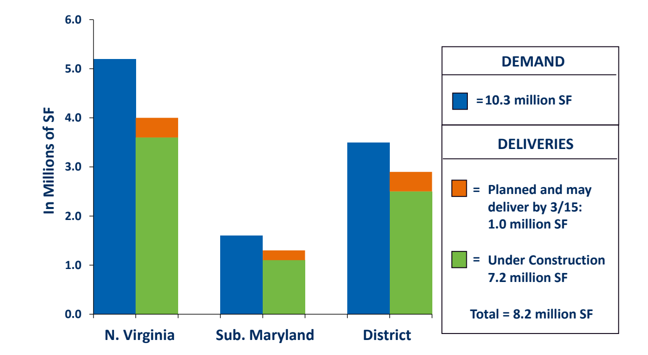
OFFICE CONSTRUCTION DELIVERIES
Washington Metro Area



Source: CoStar, Delta Associates; March 2013.

OFFICE DEMAND AND DELIVERIES

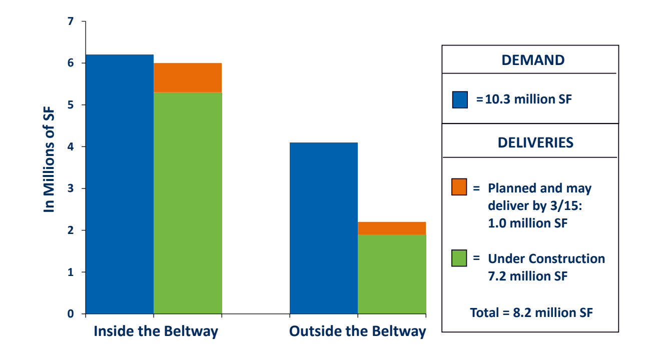
Washington Metro Area | 24 Months Ending March 2015



Source: Delta Associates; March 2013.

OFFICE DEMAND AND DELIVERIES

Washington Metro Area | 24 Months Ending March 2015



Source: Delta Associates; March 2013.

GSA taking a breather from leasing space due to budget austerity measures, coupled with the private sector being too timid to lease space until there is a better sense to the direction of the regional economy, leasing levels will be muted. The hesitancy to lease space arrives at a time when tenants will be vacating second-generation space – relocating to newer space signed for during 2011 and 2012. We look to 2015 for the market to transition to stronger conditions.

We expect overall vacancy outside the Beltway to edge down to 14.2% over the next 24 months, from 15.4% today. We project the overall vacancy rate inside the Beltway to edge down to 11.6% by March 2015, from 12.0% today. We believe vacancy will be slow to decline, as a handful of spec projects are underway and could impede a reduction in the vacancy rate if tenants are not secured by delivery. In addition, a healthy amount of second-generation space is due to come online over the next few quarters – particularly in the District of Columbia and Northern Virginia due to BRAC-related move-outs.

EFFECTIVE RENTS

The average effective office rent declined 0.6% during the 1st quarter of 2013, compared to declining 2.9% during 2012. We expect concession packages to remain elevated during 2013, as tenants remain hesitant to lease space, coupled with older second-generation space coming on the market. Overall, the market remains in tenant favor. We believe the window of opportunity to secure lowered rents on quality Class A space in the closer-to-the-core submarkets is closing in submarkets with better supply/demand balance.

We believe average metro-wide effective rents will likely edge down by 1.5% to 2.5% during 2013, as vacancy remains elevated. Rents should remain soft during 2014. We expect it will not be until 2015 and 2016 when the Washington metro area experiences noticeable gains in rent. However, better buildings in stronger submarkets have typically outperformed this metro wide average. We expect newly constructed office buildings to experience rent gains in the near-term as the availability is dwindling.

INVESTMENT SALES

Investment sales activity softened during the 1st quarter of 2013 – particularly in the District of Columbia. Investment sales totaled $888 million in the Washington metro area during the 1st quarter of 2013, compared to $1.9 billion during the 4th quarter of 2012. Sales volume totaled $6.7 billion during all of 2012. Sales prices averaged $324/SF in the Washington metro area during the 1st quarter of 2013, compared to $355/SF during 2012. Notably, Clarion Partners purchased 701 8th Street, NW in the East End submarket for $99 million ($735/SF) and Piedmont Office Realty Trust purchased 901 N. Glebe Road in the RCB Corridor for $176 million ($544/SF) during the past three months.

The average cap rate for core office assets in the Washington metro area, on a 12-month trailing basis, was 6.0% at the end of the 4th quarter 2012, according to Real Capital Analytics. The average cap rate is down 65 basis points from one year ago, but has been flat lately. Any further decline in cap rates during 2013 is likely to be modest. However, trophy assets will continue to trade at lower cap rates. Cap rates for recent Class A/Trophy trades have been in the 5.0% to 6.0% range.

INVESTMENT RETURNS

Total returns (cash flow plus appreciation) realized in the Washington office market were 5.55% for the 12 months ending December 2012. The Washington area return is outpaced by the national return of 9.49%, as other metro areas are playing catch-up to the Washington market, which outperformed earlier in this cycle. Washington's CBD returns were slightly higher compared to those of the suburbs.

We expect the Washington area to remain among the premier long-term investment markets in the nation, although returns from other markets should continue to exceed Washington's as those cities move forward in the recovery cycle. Washington's still-high pricing and rising vacancy rate are weakening investors' returns in the short term.

LAND SALES

There were no notable office land sales in the Washington metro area during the 1st quarter of 2013, compared to four deals during 2012. Office land sales totaled $52.4 million during 2012. Notably, Carr Properties purchased 1.3 acres for $18.2 million at 4500 East-West Highway in Bethesda/Chevy Chase during 2012. This company broke ground during the 4th quarter of 2012 on 220,000 SF on this parcel.

We expect land sales in the Washington metro area to gradually pick up pace during the balance of 2013. Although the development climate should remain soft next year in most submarkets, developers will be looking to purchase land – planning for the next round of development and delivering during 2015/16 when the market transitions back to landlord favor.

THE WASHINGTON METRO AREA OFFICE MARKET OUTLOOK

We expect the Washington metro area market to remain one of the best performing office markets in the nation in the intermediate and long run. However, in the short run,

NCREIF RETURN INDEX[1]
Office Properties

METRO AREA	12-MONTH TOTAL RETURN AT 4TH QUARTER 2012[1]
San Francisco	20.68%
Houston	15.87%
New York	12.01%
Denver	10.87%
Phoenix	10.02%
Dallas	9.88%
National Average	**9.49%**
Atlanta	9.25%
Chicago	7.38%
Boston	6.57%
Los Angeles	5.99%
Washington	**5.55%**
Wash. CBD	*6.16%*
Wash. Suburbs	*4.33%*

[1]NCREIF compiles return based on its members' $112.7 billion office portfolios.
The index includes both current income and capital appreciation returns.
Source: Delta Associates, based on data in NCREIF's 4th Quarter 2012 Real Estate Performance Report.

recovery will continue to be slow until sequestration is better understood (or amended). Until then, tenants, developers and investors will remain hesitant.

We expect limited demand from the government in the near-term due to budget austerity measures. Although the private sector will help pick up this slack, demand will be lackluster compared to past recovery cycles as tenants figure out how to use less office space per worker. Tenants with the budget are taking advantage of lowered rents and upgrading to newer space. However, this demand will not be enough to offset tenants vacating or downsizing space during 2013. Meaningful growth in demand will not be felt until 2014 or 2015.

We project the metro-wide overall vacancy rate will edge down from 13.5% today to 12.8% at March 2015. Although we expect new demand to gradually pick up pace over the next two years, we do not believe this demand will be robust enough to lower the vacancy rate significantly as other tenants consolidate or vacate space. A significant portion of demand will be generated by pre-leased deliveries arriving to the market over the next two years. Demand over the next two years will be back-loaded into 2014.

We believe average metro-wide effective rents will likely edge down by 1.5% to 2.5% during 2013, as vacancy remains elevated. Rents should remain soft during 2014. We expect it will not be until 2015 and 2016 when the Washington metro area experiences material gains in rent. However, better buildings in stronger submarkets have typically outperformed this metro-wide average. We expect newly constructed office buildings to experience rent gains in the near-term as the availability is dwindling.

WE EXPECT NEWLY CONSTRUCTED OFFICE BUILDINGS TO EXPERIENCE RENT GAINS IN THE NEAR-TERM AS THE AVAILABILITY IS DWINDLING.

Appendix I:

Metro Area Retail Overview

Bull Run Plaza, Manassas, Virginia

A SUMMARY AT FIRST QUARTER 2013

WASHINGTON AREA ECONOMY SNAPSHOT

- Job Growth: 39,700 new jobs during the 12 months ending February 2013.
- Unemployment Rate: 5.5% at February 2013, compared to the U.S. rate of 7.6%.
- Average Household Income: $108,400 in 2012, 59% higher than the U.S. average.
- Projected Job Growth 2013-2017: to average 48,100 per annum.

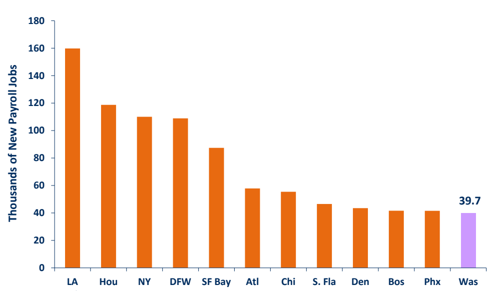
WASHINGTON AREA RETAIL MARKET SNAPSHOT

- Shopping Center Vacancy Rate: 4.9% at March 2013, down from 5.8% one year earlier; Lowest in the United States.
- Grocery-Anchored Asking Rents: up 1.2% during 2012.
- Retailers doing more with less: 1,100 retail jobs were shed during the 12 months ending February 2013.
- Discounters, gyms, personal services, and restaurants are active in the market.
- Grocery-Anchored Shopping Center Development: 2.8 million SF under construction or renovation at March 2013.

INSIDE THIS ISSUE

Capital Gateway, Washington, DC

PAYROLL JOB GROWTH
Large Metro Areas | 12 Months Ending February 2013



Source: Bureau of Labor Statistics, Delta Associates; April 2013.

ECONOMY AND OUTLOOK

The Washington metro area continues to experience slow growth for an expansion cycle. Payroll employment increased 39,700 during the 12 months ending February 2013, compared to job growth associated with prior expansion cycles of 60,000 – 80,000. As a result, this expansion feels anemic by comparison. However, at February 2013 the unemployment rate remains the lowest in the nation among major metros, at 5.5%. And some employers are reporting difficulty in filling positions in cyber-security and health care – two rapidly growing industry sectors.

Sequestration – the Federal government's automatic budget cuts – is in progress at the time of this writing. Although this will hinder growth unless amended, the Washington metro area has been shifting away from its dependence on the Federal government, and we believe the long-term outlook for the Washington metro area is strong. The Washington area will experience long-term growth due its strengths such as a highly educated work force, a diversified economy (as compared to the dependence of the region on the Federal establishment in the 1970s), growing tech and health care industries, a high quality of life, a strong housing market with sustained values, and as a destination for corporate and association headquarters moves. These are the things that will sustain its growth in the period ahead.

Although the Washington metro area added 39,700 new jobs during the past 12 months, other metro areas continue to outpace it in job gains. New York, LA Basin and Houston are the leaders in job growth, spurred by growth in Professional/Business Services and Health/Education. Although New York and LA Basin continue to play catch-up, adding back jobs lost during the downturn, Houston's job growth is being fueled by the Energy and Trade/Transportation sectors.

RETAIL PAYROLL JOBS
Washington Metro Area

YEAR	RETAIL EMPLOYMENT	CHANGE
2006	270,200	1,700
2007	270,400	200
2008	265,500	(4,900)
2009	251,600	(13,900)
2010	254,800	3,200
2011	259,900	5,100
2012	262,400	2,500
2013*	255,300	(1,100)

**Employment total at February 2013; change reflects the 12 month period ending February 2013.*
Source: Bureau of Labor Statistics; April 2013.

The Shops at Pershing, Arlington, Virginia

The retail sector shed 1,100 jobs in the Washington metro area, a decline of 0.4%, during the 12 months ending February 2013. This compares to a national rise of 1.7%. Considering the continued expansion of retailing in the Washington region, this payroll reduction is a real testament to the industry's drive to efficiency – to do more with less.

Incomes in the Washington metro area grew by 34% from 2000 to 2012, compared to just 20.0% nationally. By 2017, the Washington metro area's average household income is projected to rise 14%, compared to a rise of 13% nationally. The elevated income in the Washington area supports the demand for retail.

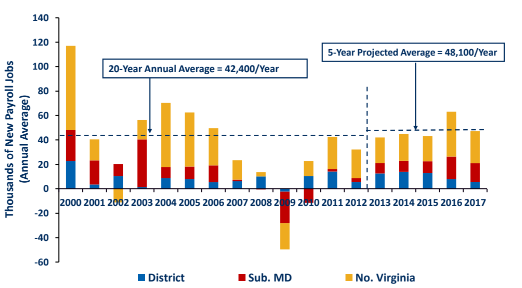
AVERAGE HOUSEHOLD INCOME

JURISDICTION	2000 (ACTUAL)	2012 (ACTUAL)	2017 (PROJ.)
Washington Metro Area	$80,600	$108,400	$124,000
U.S.	$56,600	$68,200	$77,100

Source: ESRI, Delta Associates; April 2013.

PAYROLL JOB GROWTH

Washington Metro Area



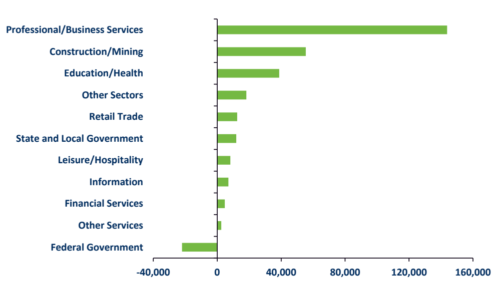
Source: Bureau of Labor Statistics, Dr. Stephen Fuller, Delta Associates; April 2013.

We expect the Washington metro area economy to progress slowly during the balance of 2013. Given sequestration has been in effect as of March 1, we expect the speed of economic growth to be slower than seen in previous expansion cycles. We do not anticipate stronger growth to occur unless a change to sequestration is executed. In the period ahead, we expect the Federal government to reduce spending. However, we expect other sectors to pick up the slack to help stimulate the Washington metro economy through 2017 – specifically the Professional/Business Services and Health and Education sectors.

In consultation with Dr. Stephen Fuller of George Mason University, we estimate that 48,100 payroll jobs will be added to the Washington metro area economy each year during the 5-year period 2013 to 2017. Private sector firms will be the cornerstone of employment growth in the period ahead.

PROJECTED PAYROLL JOB GROWTH

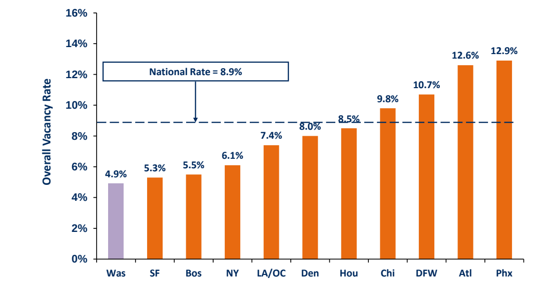
Washington Metro Area | 2012 – 2017



Source: Dr. Stephen Fuller, Delta Associates; April 2013.

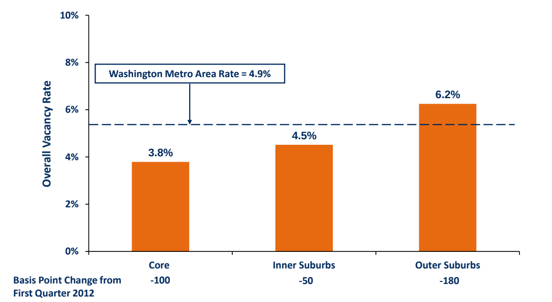
We expect the Professional/Business Services sector to create over 143,800 jobs over a six year period – from 2012 to 2017. We expect most of these positions to be created in the Management, Scientific, and Technical Consulting Services and Computer Systems Design and Related Services sectors. We project the Construction sector to follow with 55,400 positions as the housing recovery strengthens. Through 2017, spurred by rising job gains in other sectors, the retail sector is projected to grow 12,500 jobs to support a robust retail industry.

SHOPPING CENTER VACANCY – ALL TYPES
Select Metro Areas | First Quarter 2013



Note: Includes shopping centers of all types.
Source: CoStar, Delta Associates; April 2013.

SHOPPING CENTER VACANCY – ALL TYPES
Washington Metro Area | First Quarter 2013



Note: Includes shopping centers of all types.
Source: CoStar, Delta Associates; April 2013.

Core = District, Arlington, and Alexandria.
Inner Suburbs = Montgomery, Prince George's, and Fairfax.
Outer Suburbs = Frederick, Loudoun, and Prince William.

The Lansburgh Building, Washington, DC

RETAIL MARKET CONDITIONS

The Washington metro area has over 135 million SF of shopping center retail space, inclusive of all types of retail, in over 1,200 shopping centers. Just over half of the Washington area shopping centers are over 25 years old, while only 14% are aged ten years or less. Although new retail projects have entered the market, older centers remain the bulk of retail space – providing opportunity for renovation and upgrade.

The Washington metro area has the lowest shopping center vacancy rate among large metro areas at the end of the 1st quarter of 2013. Overall vacancy for all types of shopping centers was 4.9% in the Washington metro area at the end of the 1st quarter of 2013, down from 5.8% one year ago. This compares favorably to the national average of 8.9% at March 2013.

Submarkets located within the Core (District, Arlington, and Alexandria) held a 3.8% vacancy rate for all types of shopping centers at the end of the 1st quarter 2013. The Core holds a lower vacancy rate compared to submarkets located within the Inner and Outer Suburbs. Although the Outer Suburbs holds the highest vacancy rate at 6.2% at March 2013, this area experienced the steepest decline of 180 basis points during the past year. This was due in part to tenants backfilling large blocks of vacated space. For example, Ace Wholesale Market backfilled 65,000 SF of space vacated by Super Q Mart at River Oaks Shopping Center in Prince William County, LA Fitness backfilled 46,000 SF of space vacated by Super Q Mart at Davis Ford Crossing in Prince William County and Grand Mart backfilled 40,000 SF of space vacated by Giant Food at Westridge Square Shopping Center in Frederick County.

Although tenants continue to show preference for retail space located closer to the Core, demand remains steady for well-located space in the Outer Suburbs. The decline in the Core was due in large part to smaller lease deals.

The majority of lease deals inked in the Washington metro area during the 1st quarter of 2013 were food establishments (both sit-down and fast food), grocers, personal services, and gyms.

Of note, restaurateurs and retailers are currently focusing on the Capitol Riverfront area. This submarket captured 125,000 SF of lease deals during 2011 and 2012, due in part to the influx of residences, according to the Washington Business Journal. We expect most of the new apartment product coming to market over the next 24 months to be concentrated in the emerging submarkets, such as the Capitol Riverfront, which should continue to attract retailers to this neighborhood. The growing demand

World of Beer, Arlington, Virginia

for retail space will support the expected pipeline. As of year-end 2012, the Capitol Riverfront had just under 224,000 SF of existing retail. Once built out, this submarket will have nearly 900,000 SF of retail space.

RETAIL DEVELOPMENT Capitol Riverfront | Year-End 2012	
	SF
Existing / Completed	223,629
Under Construction	109,850
Planned	564,637
Total	**898,116**

Source: Capitol Riverfront BID, Delta Associates; April 2013.

Nationally, retailers expected to expand during 2013 include discount/ luxury grocers, restaurants (particularly fast food and fast casual), and fitness/health/spa concepts, according to ChainLinks Retail Advisors. Retailers expected to contract include traditional/large format grocers, video stores, and bookstores. Video and bookstores are expected to continue the shift to e-commerce.

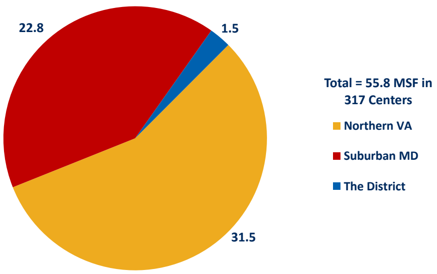
EXPANDING/CONTRACTING RETAILERS United States | 2013
EXPANDING RETAILERS
Discount/Luxury Grocers
Restaurants
Fitness/Health/Spa
Drug Stores
Dollar Stores/Discounters
CONTRACTING RETAILERS
Traditional/Large Format Grocers
Video Stores
Bookstores
Office Supplies
Home Improvement

Source: ChainLinks Retail Advisors, Delta Associates; April 2013.

GROCERY-ANCHORED SHOPPING CENTER MARKET CONDITIONS

Given the demand for groceries at all points of the economic cycle, grocery-anchored shopping centers maintain the greatest stability compared to other retail property types. Of the total retail inventory in

GROCERY-ANCHORED SHOPPING CENTER SCALE
Washington Metro Area | 2012



Note: Estimate; In millions of SF.
Source: CoStar, Delta Associates; April 2013.

Dunkirk Gateway, Dunkirk, Maryland

the Washington metro area, 55.8 million SF is located in 317 grocery-anchored shopping centers as of year-end 2012, which is just under half of the total shopping center retail inventory in the metro area.

The grocery-anchored shopping center inventory is down from 57.6 million SF at year-end 2011, as a handful of grocery stores shuttered within centers over the past year and were therefore removed from the inventory. Notably, Delhaize America has been closing underperforming Food Lion stores, which includes Bloom and Bottom Dollar stores. Of the 113 stores that closed nationwide, eight closed in the Washington metro area. As centers sign a grocery store as a tenant, the center will return to our inventory.

We perform an annual year-end survey of over 300 Washington area grocery-anchored shopping centers, and tabulate vacancy and rent data. The metro-wide vacancy rate for grocery-anchored shopping centers edged down to 4.9% at year-end 2012, from 5.5% at year-end 2011. Rental rates at grocery-anchored centers increased 1.2% in 2012, after rising 2.1% in 2011. Metro-wide average in-line tenant rents were $32.04/SF at year-end 2012, compared to $31.65/SF at year-end 2011.

GROCERY-ANCHORED SHOPPING CENTER DEVELOPMENT

There are 12 notable grocery-anchored shopping centers, totaling 2.8 million SF, under construction or renovation in the metro area at March 2013.

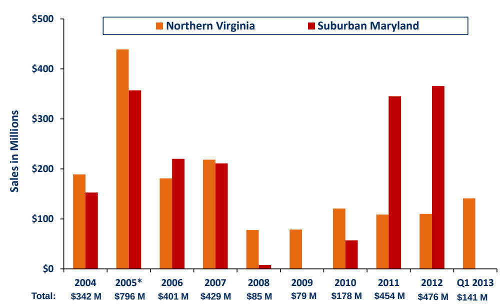
NOTABLE GROCERY-ANCHORED SHOPPING CENTERS UNDER CONSTRUCTION OR UNDER RENOVATION
Washington Metro Area | March 2013

SHOPPING CENTER	JURISDICTION	RBA	ANCHOR
Dulles Landing	Loudoun	600,000	Walmart
Towne Centre at Laurel	Prince George's	400,000	Harris Teeter
CityCenter DC	District	325,000	TBD
Downtown Crown	Montgomery	260,000	Harris Teeter
Hilltop Village Center	Fairfax	250,000	Wegmans
Tysons West Promenade	Fairfax	247,000	Walmart
Shops at Seneca Meadows	Montgomery	200,000	Wegmans
Cathedral Commons	District	128,000	Giant
Dunn Loring Metro	Fairfax	125,000	Harris Teeter
Clarksburg Village Center	Montgomery	109,000	Harris Teeter
CityMarket at O Street	District	88,000	Giant
One Loudoun – Phase 1	Loudoun	62,000	Fresh Market
Total:		**2,794,000**	

Source: WBJ, CoStar, Washington Post, Delta Associates; April 2013.

Festival at Riva, Annapolis, Maryland

GROCERY-ANCHORED SHOPPING CENTER SALES
Washington Metro Area Suburbs



Note: Excludes properties under contract.
Source: Real Capital Analytics, graphic by Delta Associates; April 2013.
**Includes large portfolio sale by CalPERS.*

There are additional grocery-anchored shopping centers in the planning stages that are not included in the adjacent table, some of which may deliver by 2014/2015. As lending continues to loosen, groundbreakings should gain momentum. Given the long-term demand for goods, coupled with elevated incomes, in the metro area, we believe developers will look to deliver new product as the market strengthens.

OWNERS REPOSITION LOCAL MALLS TO COMPETE

As shoppers and retailers continue to show interest in newer centers closer to the core, some owners of older, under-performing malls are looking to reposition their product to compete. Nationwide, malls will experience a rising vacancy rate during 2013, as weaker anchor/department stores are expected to close, according to ChainLinks Retail Advisors.

After 33 years, Laurel Mall closed during 2012 for demolition. The developer, Greenberg Gibbons, is currently repositioning the site into a mixed-use development, called Towne Centre at Laurel, in order to successfully compete. The project, scheduled to deliver by the fall of 2014, will include 435 residential units and 400,000 SF of retail, including a grocery store and a movie theater.

Demolition of Springfield Mall also started during 2012. Vornado, the owner, plans to transform the site into a mixed-use development called Springfield Town Center. The project, which is scheduled to deliver during summer of 2014, will include 700,000 SF of retail, restaurants, a fitness center, and a movie theater.

Other owners are in the planning process. The Howard Hughes Corporation plans to demolish a portion of Landmark Mall in Alexandria. The mixed-use plan, waiting for approval, calls for approximately 300,000 SF of retail and up to 400 apartment units, which will be incorporated with streets, sidewalks, and open space. Forest City also hopes to change the Ballston Common Mall into a mixed-use project, adding just over 300 residential units above the property.

GROCERY-ANCHORED SHOPPING CENTER INVESTMENT SALES

There was one notable grocery-anchored shopping center investment sale in the Washington metro area suburbs during the 1st quarter of 2013. As part of a 40-property national portfolio, Blackstone purchased Dulles Town Center for $141 million ($191/SF) during February 2013. Sales volume totaled $476 million ($290/SF) during all of 2012.

Vienna Shopping Center, Vienna, Virginia

THE BOTTOM LINE

We expect the Washington metro area retail market to progress during the balance of 2013. Although retail jobs have declined during the past 12 months, retailers continue to expand in the Washington metro area. However, through 2017, we expect retailers to pick up hiring. Spurred by rising job gains in other sectors, particularly the Professional/Business Services sector creating over 143,800 jobs, the retail sector is projected to grow 12,500 jobs to support a robust retail industry. Notably, the Professional/Business Services sector generates high-wage jobs – the type that spend retail dollars, occupy office space, buy homes, and rent Class A apartments.

As consumers regain confidence in the local economy, retail spending will pick up which will keep the vacancy rate lowered in the Washington metro area. We expect the vacancy rate for shopping centers to remain low during the balance of 2013, as new retailers enter the Washington metro market and existing retailers look to expand. We look to restaurants, grocers, and gyms to remain active in the market – seeking newer space closer to the Core. As demand improves, we expect asking rents to rise by approximately 2.0% to 3.0% during 2013.

Given demand for Class A space, we believe property owners will continue to invest, where the cash is available, in repositioning existing under-performing assets – either upgrading or transforming shopping centers. Currently, tenants seeking space are interested in newer, Class A space with high foot traffic. Centers that focus on everyday needs, such as groceries and other necessities, remain successful during economic downturns or slow-growth periods.

Given high disposable incomes and a solid, highly educated employment base in the area, we expect the Washington area retail market to remain one of the premier retail markets in the nation.

As a result, we have observed the successful investor and developer with these strategies:

1. Selectively accumulating assets at below replacement cost while prices and interest rates are lower. The window is closing, as prices are rising.
2. Acquiring debt or recapitalizing assets.
3. Repositioning underperforming assets, especially with a mixed-use, grocery anchored, outdoor format.
4. Invest in existing assets to enhance operational performance via better leasing and/or reduced cost.
5. Developing new projects in select submarkets with good supply/demand fundamentals.

Appendix J:

City and Community Resources and Documents Reviewed

Appendix J
City and Community Resources Reviewed

Listed below are several documents related to the site and the surrounding area, along with links to documents, publication dates, and authors (when available and apparent). Some of this material represents community input regarding preferences for potential uses on the subject site. Delta Associates reviewed and considered these materials as part of the research and analysis for the highest and best use analysis.

1. *Issuance of Solicitation for Offers Disposition - Big K Site (2228, 2234, 2238, & 2252 Martin Luther King Jr. Avenue, S.E.)*, (To Be Released: June 4, 2012), District of Columbia Department of Housing and Community Development, Property Acquisition and Disposition Division
http://dhcd.dc.gov/sites/default/files/dc/sites/dhcd/publication/attachments/01%20-%20Solicitation%20-Big%20K%20Issuance%20of%20Solicitation%20for%20Offers%20FINAL.pdf

2. *Big K Community Advisory Group Recommendations*, (September 22, 2011), District of Columbia Department of Housing and Community Development
http://dhcd.dc.gov/sites/default/files/dc/sites/dhcd/publication/attachments/bigk9-22-11.pdf

3. People Plan DC (2011) (site with links to multiple documents), District of Columbia Department of Housing and Community Development; National Community Reinvestment Coalition
http://www.peopleplandc.org/anacostia

4. *Focus Group 1: Anacostia Focus Group Discussion Transcription*, (2011)
http://www.peopleplandc.org/wp-content/uploads/2011/10/Anacostia-focus-group-transcript.pdf

5. *Focus Group 2: Anacostia Focus Group Discussion Transcription*, (July 7, 2011)
http://www.peopleplandc.org/wp-content/uploads/2011/10/Anacostia-focus-group-july-7.pdf

6. *Neighborhood Stabilization Initiative*, (June 9th Big K presentation)
http://www.peopleplandc.org/wp-content/uploads/2011/10/June-9th-Big-K-Presentation-Anacostia.pdf

7. *A Housing Market Analysis and Acquisition Strategy, The Anacostia Study Area, City of Washington, District of Columbia*, (March 2011), Zimmerman/Volk Associates, Inc.

   Main Report:
   http://dhcd.dc.gov/sites/default/files/dc/sites/dhcd/publication/attachments/Final_Historic_Anacostia_Housing_Report.pdf

   Appendices One and Two:
   http://www.peopleplandc.org/wp-content/uploads/2011/10/Final-Historic-Anacostia-Housing-Report-Appendix-Descriptions.pdf

Appendix Three:
http://www.peopleplandc.org/wp-content/uploads/2011/11/Tab-6-Housing-Market-Analysis.pdf

8. *Neighborhood Indicators for Historic Anacostia and Ivy City/Trinidad*, (June 30, 2011), The Urban Institute
http://www.peopleplandc.org/wp-content/uploads/2011/10/UI-NSP2-indicators-report-final.pdf

9. *Anacostia Commercial Market Analysis*, (March 2011), Green Door Advisors
http://dhcd.dev.dc.gov/dhcd/frames.asp?doc=/dhcd/lib/dhcd/pdf/Final_Anacostia_Commercial_Market_Analysis.pdf

10. *DC Retail Action Strategy: Anacostia – Poplar Point*, (December 2009), District of Columbia Office of Planning; ERA; Jair Lynch Development Partners; StreetSense; Washington DC Economic Partnership
http://planning.dc.gov/DC/Planning/In+Your+Neighborhood/Wards/Ward+8/Retail+Action+Strategy/Anacostia+Polar+Point

11. *Anacostia Neighborhood Investment Fund Plan*, (June 2008), District of Columbia Office of Planning
http://planning.dc.gov/DC/Planning/In+Your+Neighborhood/Wards/Ward+8/Anacostia,+Neighborhood+Investment+Fund,+Plan,+Planning,+8,+Final+Plan

12. *DC Comprehensive Plan: Chapter 18 — Far Southeast/Southwest Area Element*, *(2006),* District of Columbia Office of Planning
http://planning.dc.gov/DC/Planning/In+Your+Neighborhood/Wards/Ward+7/Comprehensive+Plan+Area+Elements/Far+Southeast+Southwest+Area+Element

13. *The Big K Site, 2228, 2234, 2238 & 2252 Martin Luther King Jr. Avenue, S.E., Washington, D.C. 20020, Property Disposition Agreement Between The District of Columbia, a municipal corporation by and through The Department of Housing and Community Development and 2228 MLK LLC,* (undated).

Appendix K:

Delta Associates' Credentials

AN INTRODUCTION TO DELTA ASSOCIATES

A Firm of Experienced Professionals Providing Commercial Real Estate Research, Advisory & Valuation Services

The firm's practice is organized in four related areas:

1. **Valuation** services.
2. **Consulting and advisory** services for real estate projects including market and demand/supply analyses, financial and development program analyses, and fiscal and economic impact studies.
3. **Litigation support** including dispute resolution, from forensic fact-finding to mediation and expert witness services. Damages, material adverse change, and contract disputes are specialties.
4. **Subscription Data** for select metro areas for office, apartment, condominium, retail, and industrial property types.

The firm has extensive experience in all aspects of the real estate advisory business including:

- market research and demand/supply analysis
- litigation support and expert testimony
- development programming and planning
- financial and fiscal analyses
- valuation services
- economic impact and revitalization studies
- strategic market research and market entry strategies
- property performance evaluation and "tune-up" recommendations
- site selection and lease/purchase evaluation
- highest and best use studies

Highly focused research and analysis is communicated in thoroughly documented and brief, well-written reports. Services are frequently undertaken with a team of other professionals -- lawyers, engineers, architects and planners. Delta appreciates and responds to the need for timely performance of assignments to comply with project schedules.

Valuations are a specialty of the firm – notes, entities that own real estate and partial interests in real estate.

Consulting and advisory services are provided by an Executive of the firm who is Counselor of Real Estate (CRE) on a variety of subjects, to a broad spectrum of clients. Items addressed include market and financial feasibility analyses for proposed projects, site selection and pre-acquisition due diligence services, performance evaluation of existing income-producing properties, work-out strategies for troubled projects, investment analysis, and strategic market/submarket demand/supply analysis. Advice to clients emphasizes practical, yet creative, approaches that reflect the experience of the firm's senior staff. Clients served by the firm are varied and include:

- asset managers and advisors
- banks and insurance companies
- brokers and property managers
- corporate users and owners
- developers and REITs
- government agencies
- hotel chains and operators
- institutional investors
- law firms
- mortgage bankers and underwriters
- pension funds
- retailers

Subscription Data on the Washington/Baltimore area market is available from the firm in the form of affordable, subscriber-based quarterly publications. In addition, summary quarterly reports for LA/Orange County, Phoenix, Houston, Denver, San Antonio, Austin, Dallas/Ft. Worth, and Chicago are also available. These reports summarize the local economy, office and industrial markets.

REPORTS

- office
- apartments and condominiums
- retail
- industrial
- regional economy
- opinion survey of real estate industry leaders

CONTENT

- land and building sales prices and cap rates
- vacancy, absorption and rent rates
- construction, deliveries and standing inventory
- current and historic data
- list of planned and under construction projects
- property type outlook and list of "players"

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WWW.DELTAASSOCIATES.COM | INFO@DELTAASSOCIATES.COM |

REPRESENTATIVE DELTA ASSIGNMENTS

CLIENT	SERVICE	LOCATION	PURPOSE
MONY	Apartment Market Study	Tempe, AZ	Loan underwriting
Hines Interests	Office Market Database and Intelligence Report	Washington, DC	Annual Business Plan (30+ year assignment)
Federal Realty Inv. Trust	Retail Market Study	Buckhead, GA	Pre-development Planning
Ritz-Carlton	Condo Market Study	Washington, DC	Pre-development Planning
Washington R.E. Inv. Trust	Due Diligence Reports	DC Metro	Pre-acquisition studies of Apartment and Office Buildings
American Speech-Language-Hearing Association	Comparative Economics	Indianapolis, IN	Corporate Relocation Study
A New York Bank (confidential)	Evaluation of Distressed Asset	Baltimore, MD	Restructure a loan

A SELECTED LIST OF REFERENCES OF THE FIRM

The following individuals are a cross section of clients who can respond to questions about the work of Delta Associates and its principals. Available upon request are additional references in your specific business and/or geographic area.

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- Martin D. (Art) Walsh, Esq.
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HIGHEST AND BEST USE ANALYSIS AND LAND VALUE OPTIMIZATION STUDIES

OVERVIEW OF HBU AND LAND VALUE OPTIMIZATION SERVICES

Land owners often face decisions about how best to exploit the value of their property. Delta Associates assists clients in developing strategies to realize the highest potential from land assets — a process called land value optimization. In this discipline — traditionally referred to as "highest and best use analysis" — four analytical tests are key to a decision:

- *Legally permissible:* What are the legal uses allowed for the property? What uses are likely to be allowed, even if not permitted under current zoning laws? In this facet of the analysis, Delta Associates often works with legal counsel to determine strategy.
- *Physically possible:* The site's physical constraints are evaluated to determine uses that are suitable. Advisors from the physical sciences, such as civil and environmental engineers, are consulted.
- *Financially feasible:* For a given use that meets the first two tests, development costs are estimated and compared against a market-based income and expense pro forma to determine if an acceptable return can be generated from each use.
- *Optimally productive:* Finally, alternative uses and combinations of uses are compared to determine the use or uses that generate the optimal return. Essential to this analysis is an estimate of the likely present value to the land owner of probable future transactions and other cash flows. A common mistake in financial analysis is to build a static proforma or an idealized cash flow forecast without a realistic assessment of the viewpoint of the likely development partner and an estimate of when a transaction will be consummated. This latter step is Land Value Optimization and is often set in the context of a computerized model of development economics.

In addition to issues of land use, the firm often is called on to evaluate the risk profile and return potential from a variety of implementation formats:

- Sale or ground-lease of the entire parcel to a developer
- Sale or ground-lease of the parcel, with retention of upside potential based on project performance
- Joint Venture of the development with an experienced development firm
- Development of the parcel by retention of a Fee Developer
- Development of the parcel by staffing up and taking on debt

ILLUSTRATIVE ASSIGNMENTS

GEORGE WASHINGTON UNIVERSITY, WASHINGTON, DC

GWU engaged Delta Associates to prepare an HBU/Land Value Optimization Study for the re-use of its old hospital site on Washington Circle — a mixed-use project that could contain up to one million square feet of office, apartments, student dorms, hotel, retail, and conference facilities. Delta worked with the University's master plan consultant and zoning counsel to develop multiple scenarios of various combinations of uses, in order to determine the optimal return within the University's mission, local political constraints, neighborhood concerns, and market feasibility.

POTOMAC YARD, ARLINGTON AND ALEXANDRIA, VIRGINIA

Since 1992, Delta Associates has assisted the current and previous owners of this 350-acre planned mixed-use development south of National Airport. The firm's services over the course of this relationship have included market analyses, development programming scenarios, land pricing studies, fiscal and economic impact analyses, transit and infrastructure impact studies, and cash flow and absorption forecasts. Central to this set of on-going studies has been the early HBU/Land Value Optimization Study that assisted the owner in planning the land uses at the site. Uses studied and optimized include: office, hotel, retail, industrial, and housing of a variety of sorts.

MARTENS VOLVO PROPERTY, WASHINGTON, DC

An auto dealership in a desirable neighborhood undergoing residential and commercial re-development engaged Delta Associates to evaluate developer proposals and prepare financial analyses to evaluate the optimal implementation approach. The objectives: Maximize value while minimizing risk within the context of a variety of development scenarios. Delta Associates developed strategies for maximizing the ownership's objectives for a combination of long-term control and appreciation together with some short-term liquidity. The firm assisted with negotiations with the preferred development partner and prepared alternative financial models as negotiations progressed.

FIRST BAPTIST CHURCH, WASHINGTON, DC

This church is located in Northwest Washington in a neighborhood experiencing strong development pressure. The church desired an analysis of the optimal use of its parking lot, and Delta Associates prepared a comparative analysis of apartment and office development — the two uses for which there is demonstrable demand and likely to be permitted under the site's zoning. In addition to cash flow analyses showing the church's relative returns under each scenario, the firm also prepared an assessment of the pros and cons of each compared to the church's stated objectives.

TAX ANALYSTS, ARLINGTON, VIRGINIA

A not-for-profit research organization controlling a mixed-use site sought Delta Associates assistance with a land value optimization analysis that also required a study of implementation format. Key components to this study: The client's need for headquarters space, acquisition of remaining out-parcels on the subject site, optimization of potential uses (office and apartments), and evaluation of different development/implementation formats. The firm prepared financial models to evaluate the mix of uses, timing of development opportunities, development/implementation formats, and evaluation of the most desirable to potential development partners. Other issues considered in the analysis included a potential sale-leaseback transaction, and the need for local government assistance (through zoning exceptions and economic development incentives).

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DELTA ASSOCIATES' FEASIBILITY PRACTICE

Evaluating market support and testing financial feasibility are critical first steps when undertaking real estate development. Delta Associates has substantial experience in providing clients thorough market and financial analyses on which to base decisions about acquisition, development, repositioning and marketing real estate projects. These assignments are directed by executives of the firm who are Counselors of Real Estate (CRE).

Delta Associates offers comprehensive feasibility evaluations and pre-development/redevelopment services in situations where informed judgments about potential market and economic conditions are required. Assignments undertaken by the firm are diverse, and include office buildings, subdivision and multifamily properties, resort developments, industrial and retail projects, as well as housing for seniors. Clients are varied and include developers, landowners, investors, financial institutions, and government agencies, among others.

Delta Associates provides feasibility services from the initial conceptual stages of a project through the successive phases of development planning and implementation. Services provided include:

- **Market Studies**
- **Demand/Supply Studies**
- **Development Programming**
- **Financial Evaluation**

SERVICES OFFERED

Market Studies: Information gathered during market research and analysis establishes the basis for evaluating the scale and character of demand for a proposed development or renovation. Market analysis provides the information needed to refine preliminary development concepts or proposals by providing data on existing supply – projects that will be comparable and/or competitive with the proposed development – and demand for the subject project.

Delta Associates undertakes extensive field research to gather market data. This research includes surveys of existing comparable developments, interviews with local experts, and review of planning documents, studies, and other data relevant to the market for the proposed development. This research is often complemented by information obtained in the normal course of the firm's data publishing activities.

Key areas addressed in market studies include:

- General market conditions including the nature and extent of existing and proposed competitive development.
- Demographics and area economic analysis to estimate prospective market support for the proposed development.
- Evaluation of opportunities currently untapped by existing or planned development.
- Identification of market and regulatory factors which affect design and marketability.
- Absorption pace and staging considerations.

Based on the data collected during market analysis, clients are able to make an informed decision on the viability of a proposed development – whether built new or renovated.

Development programming is the analytic step where market opportunities are translated into a specific scale and character of development. The proposed development concept is refined and a development program established based on market analysis.

Development programming includes:

- Specification of product type, scale, and sale price or rent rate.
- Identification of appropriate and optimum physical design and layout.
- Estimation of absorption pace.
- Recommendation of staging.
- Specification of amenities and project features.
- Evaluation of development constraints.

Financial Evaluation: Market support and the resulting development program are evaluated in financial terms to assess financial feasibility. This is accomplished through a variety of analytic techniques.

- **Cash Flow Statements** provide clients with a dynamic financial picture of a project. Revenues and costs are projected over the development period as the initial test of a project's economic feasibility.
- **Present Value Analysis** is the method by which a projected cash flow stream is converted to a present day value, accounting for required investment returns and risk, to facilitate comparison of alternatives which involve different investment and return patterns.
- **Debt-Equity Analysis** presents after-financing cash flow results, often with sensitivity analyses for alternative financing terms.
- **Post-Tax Analysis** addresses the development in "earnings" terms and assesses the impact on cash flow of tax obligations/ benefits. This evaluation is often undertaken for a publicly held client.

A SELECTED LIST OF RECENT PROJECTS AND CLIENT REFERENCES

Potomac Yard is a 350 acre former RF&P rail yard in Arlington and Alexandria, VA, just two miles from downtown Washington, DC. Office, retail, hotel and residential uses are planned, totaling 5 to 10 million SF. Services provided by Delta Associates include market analysis and development programming for this 20 plus year development project. Special financial evaluation: land use optimization of first two neighborhoods. Fiscal impact modeling.

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Market Intelligence of Downtown Washington, DC office market is maintained annually for this major office developer as part of corporate planning for future projects. Computerized database contains over 300 properties, encompassing 110 million SF of existing and planned development. Five year predictive model for vacancy and rent rates, by submarket.

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Condominium Conversion vs. Continued Rental Analysis of Saddle Ridge, an existing 216-unit rental garden apartment project built in 1989 in Ashburn Village, Loudoun Co., VA. Financial analysis focused on results of continued rental operations compared to condominium conversion. Market study conducted of pace and price potential. One of many market and financial analyses undertaken for this client throughout the mid-Atlantic region.

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PUBLIC SECTOR AND INSTITUTIONAL SERVICES

Delta Associates provides development, real estate and tourism consulting services to federal, local and state government entities; institutions; utilities and non-profit organizations.

SERVICES OF THE FIRM

ECONOMIC IMPACT STUDIES

- Cost/benefit studies
- Job generation analysis

INFRASTRUCTURE FEASIBILITY

- Demographic Analysis
- Tolling Generation and Support Analysis

REVITALIZATION STRATEGIES

- Downtowns
- Neighborhoods
- Commercial Corridors
- Waterfronts

REUSE STRATEGIES

- Military Bases & Other Large Excess Properties
- Brownfields
- Historic Properties

ECONOMIC DEVELOPMENT STRATEGIES

- Competitive Assessments
- Target Industry Analysis
- Labor Force and Underemployment Analysis
- Business Park Feasibility
- Business Incubator/Research Park Feasibility
- Empowerment Zone Applications

RECREATION, TOURISM AND ENTERTAINMENT

- Heritage Tourism and Rural Tourism Strategies and Impacts
- Convention/Civic Center Feasibility and Impacts
- Attraction Feasibility and Impacts

ILLUSTRATIVE OF RECENT ASSIGNMENTS

TOLL BRIDGE FEASIBILITY

Forecast demographic and land use impacts of the planned Mid-Currituck Bridge on North Carolina's Outer Banks in support of revenue projections required for private sector financing of the project. Projected the bridge's impacts on the permanent & seasonal population, hotels, retail, rental housing, & several thousand unplatted lots over 40-years.

HEADQUARTERS LOCATION FEASIBILITY STUDY

Advised a public utility in the Mid-Atlantic on opportunities to acquire a new headquarters office facility. Supported life-cycle cost analysis comparing purchase of a commercial property to construction of their own new building.

ECONOMIC AND FISCAL IMPACT STUDY

Evaluated the economic and fiscal impacts on the City of Alexandria, Virginia of the development of the 2.5 million SF headquarters of the U.S. Patent & Trademark Office.

DOWNTOWN REVITALIZATION

Development potential identified for office, retail, residential and lodging in Clarksburg, WV. Specific projects tested for market and financial feasibility. Streetscaping, façade enhancement, retail recruitment strategy and construction of new municipal building implemented.

NEIGHBORHOOD REVITALIZATION

Client hospital and major landowner in inner-city portion of Kansas City, MO. Construction of new four-lane highway through neighborhood stimulus for revitalization. Market potential evaluated for medial office space, assisted living, market rate rental, lodging and convenience retail.

CORRIDOR REVITALIZATION

Corridor and town center could not compete with newer strip development in Baltimore County. Corridor divided into four distinct components based upon target markets, usage and building density. Recommendations addressed the development of a performing arts facility in conjunction with a cultural and entertainment district, the construction of a mixed-use, higher-density town center and renovation and retenating of older strip centers along the corridor.

WATERFRONT REVITALIZATION

Bridgeport, CT waterfront no longer functions as a major port. Alternative uses evaluated for the waterfront from a market and financial feasibility perspective: marina, hotel/convention center, museums and water-related specialty retail.

MILITARY BASE REUSE

Potential for market and non-market driven uses as input to the Environmental Impact Statements for the reuse of Eaker AFB, Loring AFB, KI Sawyer AFB and March AFB.

COMPETITIVE ASSESSMENT/TARGET INDUSTRY IDENTIFICATION

San Antonio assessed in terms of site seeker location perspective for manufacturing, distribution, back-office and high-tech. Targeted industries recommended: fabricated metals and services, computer/office equipment, communications equipment, electronic components, aircraft parts and warehousing/distribution.

LABOR FORCE/UNDEREMPLOYMENT ANALYSIS

Roanoke, VA demonstrated very low unemployment rate impacting industry expansion and relocation. Employer interviews and surveys and resident surveys conducted to determine existence of underemployment and hidden labor force and need for better education/training programs.

BUSINESS PARK FEASIBILITY

Existing industrial park in Kansas City contained vacant and underutilized buildings. In-depth evaluation of metropolitan parks and survey of existing tenants used to upgrade and reposition park.

BUSINESS INCUBATOR/RESEARCH PARK FEASIBILITY

Issues addressed - limited research and development in metropolitan area and particularly at the University of New Orleans. National trends in research and development funding by type and survey of area firms served as input to strategy to develop a cooperative venture of all of the region's higher educational institutions, federal research centers and high-tech firms.

ATTRACTION FEASIBILITY

Visitation, operations, and economical impacts for additional attractions at Blennerhassett Historical Island State Park, including working farm, archeological interpretation, Native American exhibits, period gardens, four new festivals, amphitheater and arts/crafts center.

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