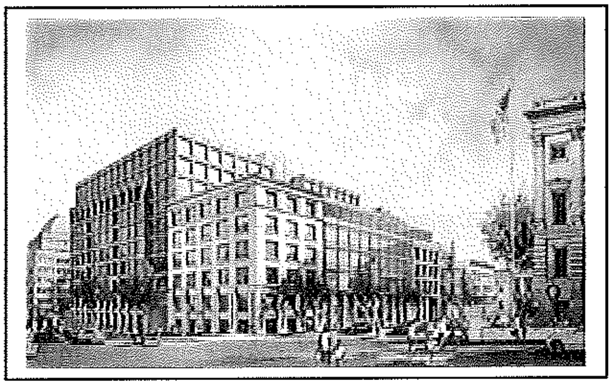
505 9th STREET, NW
WASHINGTON, D.C.



CLASS A OFFICE DEVELOPMENT PROPOSAL

SUBMITTED AS A
FINAL PRACTICUM PROJECT FOR
REAL ESTATE DEVELOPMENT

JOHNS HOPKINS UNIVERSITY
SCHOOL OF PROFESSIONAL STUDIES IN BUSINESS AND EDUCATION
EDWARD ST. JOHN REAL ESTATE PROGRAM

JAMES O. ERWIN

Spring 2005

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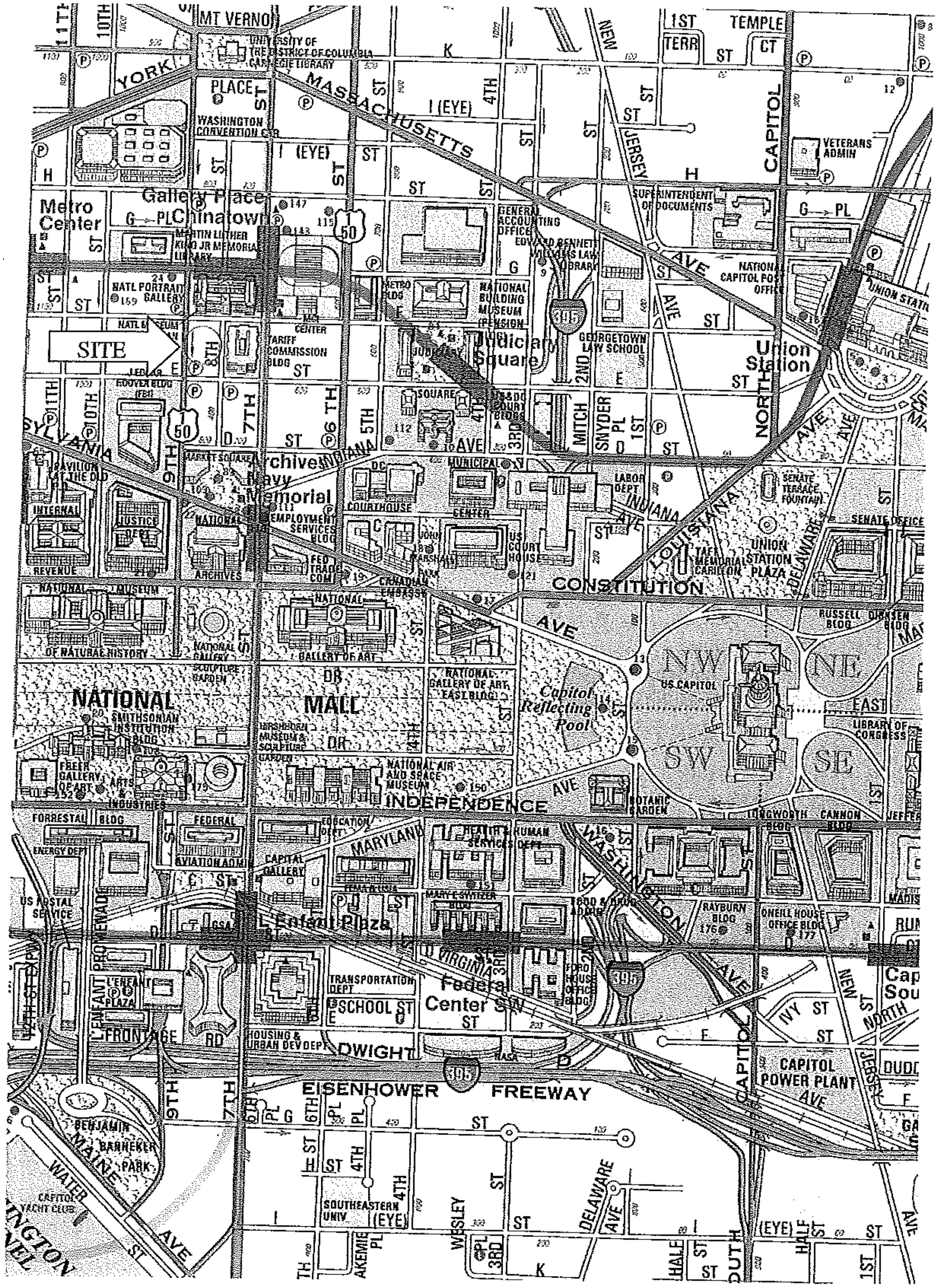
LOCATION MAP



PROJECT DESCRIPTION

Development: Proposed 10-story, 326,000 square foot, Class A office building located at the corner of 9th & E Streets, NW in downtown Washington, D.C.

Site: Approximately 35,000 square foot lot currently improved with a surface parking lot. The entire lot encompasses the southern half of a full block bordered by 8th & 9th Streets, NW and D and E Streets, NW.

Zoning: Current Zoning for this location is C-4 (commercial) / DD (development district). Office development is permitted by right.

Ownership Structure: The Project will be acquired and developed by 505 NINTH LLC, a single purpose Limited Liability Company (LLC). Members of the LLC will include Erwin Development (the "Developer"), which will contribute 10% of the equity to the venture, and an institutional investment partner, which will provide 90% of the equity. The Developer will be the managing member of the entity and will be responsible for the development, operation and disposition of the Project.

INVESTMENT HIGHLIGHTS

The analysis for the Project assumes a July 1, 2005 start (acquisition date), with the design of the building starting in July and lasting approximately 9 months. The construction timeframe is underwritten at 24 months, with preleasing of 60% of the building assumed prior to securing the construction loan. Lease-up of the balance of the building is expected to occur over the ensuing 12 months. Total time between acquisition and stabilized occupancy is 36 months.

Timing:
Land Acquisition - 2nd quarter 2005
Begin construction - 4th quarter 2005
Building delivery - 4th quarter 2007
Stabilization - 2nd quarter 2008

Total Project Cost: $153.5 MM / $423 per gross square foot

Debt/Financing: Construction loan in the amount of $115.1 MM (75% of project costs).

Equity: $38.3 MM, of which Developer contributes $3.8 MM (10%), and an institutional equity partner contributes $34.5 MM (90%).

Stabilized NOI: $13,035,535 (fiscal year 2009)

Cap Rate: 7.50%

Stabilized Value: $173.8 MM / $533 per rentable square foot

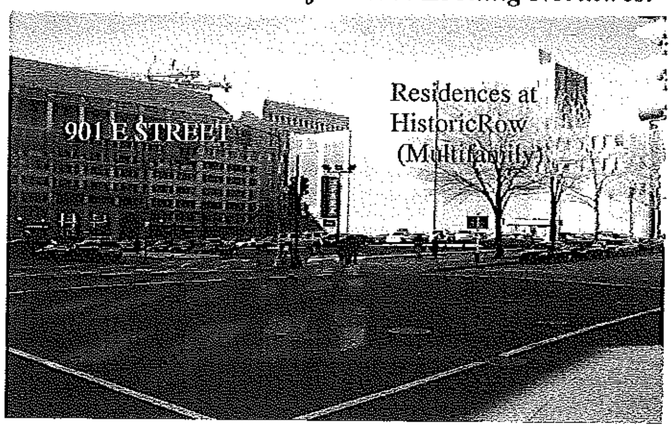
Project IRR: 20.6% (assuming sale upon stabilization)

Return on Cost: 8.5%

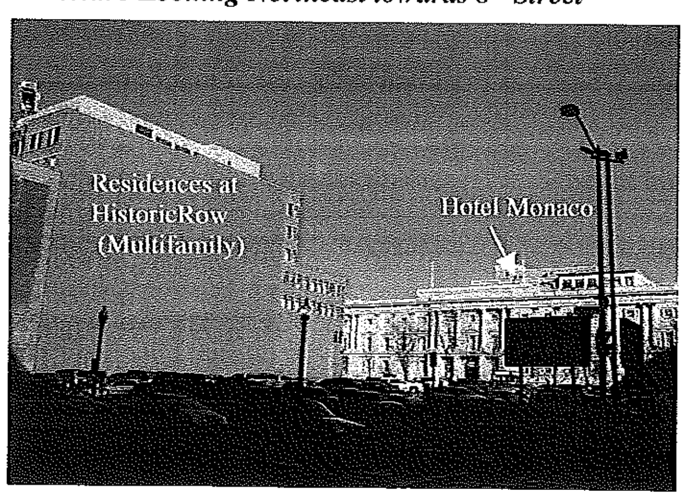
The proposed project is to be a Class A office building located at 9th and E Streets, NW in the East End Submarket of downtown Washington, D.C. This particular site is currently used as a parking lot, located across the street from the FBI Building and next to the Kimpton Hotel Monaco (Old Tariff Building).

Picture Looking Southwest towards the FBI Building

Picture at intersection of 9th & E Looking Northwest



Picture Looking Northeast towards 8th Street



Sources and Uses

The chart below summarizes the project funding and construction costs.

Sources	Amount	PSF GBA
Construction Loan	115,143,960	317.24
Equity (Developer)	3,838,132	10.57
Equity (Partner)	34,543,188	95.17
Total Sources	$153,525,280	$422.99

Uses	Amount	PSF GBA
Land	51,530,252	141.98
Hard Costs	42,577,936	117.31
Soft Costs	9,488,428	26.14
Tenant Improvements	21,668,294	59.70
Leasing Commissions	8,725,390	24.04
Construction Interest	15,265,201	42.06
Hard Cost Contingency	2,125,397	5.86
Soft Cost Contingency	474,421	1.31
Financing Costs	1,669,961	4.60
Total Uses	$153,525,280	$422.99

Summary of Stabilized Proforma Assumptions

Lead Tenant: This analysis assumes that the lead tenant will sign a pre-lease for floors 2-8, with the planning and design of the tenant improvements to be an integral part of the overall building design. The tenant improvements for the lead tenant is expected to be completed within the construction budget and timeframe.

Speculative Office Tenants: The balance of the space (office floors 8-10), as well as the retail space will be leased over the 12 month period following construction completion.

Retail: The ground floor is split between market retail and theater uses. Within the two market retail bays, the size and ceiling heights (11ft.) can accomodate a vairety of retail users such as a bank, coffee shop, or camera shop. The balance of the ground floor will be reserved to accommodate a theater or other arts-related retail, which is required under the current zoning regulations.

STABILIZED NET OPERATING INCOME (FY 2009)	AMOUNT	PSF
Base Rent	$13,614,766	$41.68
Expense Reimbursement	$5,587,872	$17.11
Parking Income	$675,960	$2.07
Gross Potential Income	$19,878,598	$60.86
Less: Vacancy (3% EGI)	($596,358)	($1.83)
Effective Gross Income	$19,282,240	$59.04
Operating Expenses	$3,565,179	$10.92
RE Taxes	$2,681,526	$8.21
Total Expenses	$6,246,705	$19.13
Net Operating Income	$13,035,535	$39.91

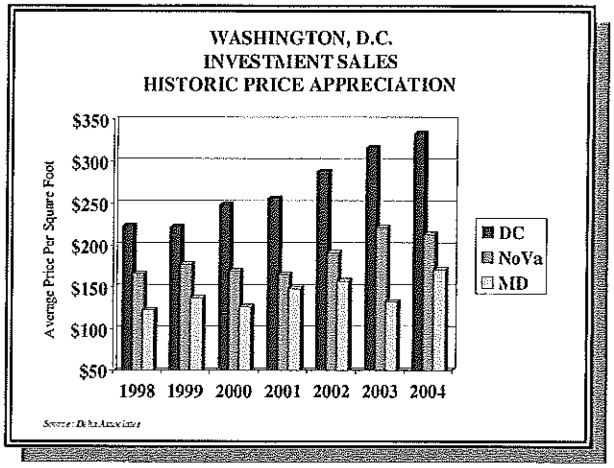
** Fiscal Year 2009 is the period of July 2008-June 2009*

Parking: The stabilized proforma assumes 252 spaces (1 per 1,300 SF) with net income of approximately $215 per space per month.

Operating Expenses and RE Taxes: The operating expenses used are based on comparable building expenses and total $19.12 per square foot in the first stabilized year (FY 2009). A detailed description of each expense is presented in the Financial Overview section.

MARKET OVERVIEW

Washington, D.C. is the most sought after investment market in the United States. Many investors rank it as the top investment market in the world. Through third quarter 2004, 38 transactions accounted for $2.5 billion in sales volume, with another billion projected prior to year-end.



Developable sites in prime locations have become scarce and construction costs continue to escalate to new highs. This fact, combined with historically low borrowing costs, allows investors to justify purchase prices well above current replacement cost. In addition, there is ample supply of equity capital seeking investment in commercial real estate, especially in primary investment markets such as Washington, D.C. Trophy buildings are now trading for prices in excess of $625 per square foot, whereas as recently as 2003, there was a psychological barrier to prices at $500 per square foot.

Recent Class A Office Building Sales

Date	Property	Size (SF)	Price	PSF	Buyer	Seller	Est. Cap Rate
Mar-05	1875 K Street, NW	186,000	$113,000,000	$608	Shorentstein	Quadrangle	5.7%
Mar-05	555 11th Street, NW	404,000	$265,000,000	$656	R. Dweck	Rubenstein	6.0%
Dec-04	1900 K Street, NW	342,800	$216,900,000	$633	TIAA	NOP/Hines	6.2%
Dec-04	1001 Penn Ave, NW	802,400	$461,300,000	$575	TIAA	NOP/Hines	6.2%
Aug-04	1111 Penn Ave, NW	331,000	$158,000,000	$477	Werner	Tauber	5.9%

Land Prices

The downtown area of Washington, D.C. has natural boundaries that constrain it to a finite geographic location. To the south, it is bordered by the national mall, to the east, Interstate -395, and to the west, Georgetown. To the north, the border is Massachusetts Avenue, the other side of which is residential. The downtown area is not only constrained horizontally, but also constrained vertically. There are strict zoning regulations that keep buildings from being taller than the U.S. Capitol. Because of the limited supply of land in this downtown area, prices for land have been gradually increasing. Today, land prices routinely exceed $100 per FAR foot, and in some cases approach $150 per FAR foot. The below table highlights recent land transactions in downtown.

Land Sales in Downtown D.C.

Date	Property	Size	Buyer	Price per FAR
Dec-04	4th & Mass	22,000	ASB/Penzance	$105
Aug-04	1101 NY Ave	31,731	Louis Dryfus	$140
Jul-04	11th & New York	17,300	Tishman	$125
Feb-04	1101 K Street	27,755	JBG	$80
Dec-03	8th & G	15,690	Westworld	$105

The Leasing Market

The submarket and particular location commands the highest office rents in the city with law firms and high end lobbing/government relations groups vying for space. Rents in the $45.00 PSF (net) range is not uncommon for trophy quality office space.

DOWNTOWN WASHINGTON, D.C.
RECENT LEASING ACTIVITY FOR CLASS A BUILDINGS

Tenant	Address	Class	Size (SF)	Type	Term	Rent	Date	TI	Esc.
Major Law firm	950 F Street NW	A	118,000	New-Relocation	15 Yrs	$41.00 NNN	01-Jul-03	$60.00	2.25%
Major Law firm	1001 Pennsylvania Ave NW	A	105,000	Renewal	11 Yrs	$50.50 Gross	01-Mar-04	$50.00	2.50%
Major Law firm	901 New York Ave NW	A	85,131	New-Relocation	15 Yrs	$49.00 Gross	01-Jun-03	$55.00	2.50%
National Institute	701 Pennsylvania Ave NW	A	80,000	Renewal	11 Yrs	$50.19 Gross	01-Dec-03	$20.00	2.25%
Finance Board	1625 Eye St NW	A	68,598	New-Relocation	10 Yrs	$44.00 NNN	01-Nov-04	$65.00	2.00%
Energy Company	1399 New York Avenue NW	A	3,673	New-Relocation	10 Yrs	$53.00 Gross	01-Mar-04	$40.00	2.50%
Fortune 500 Company	1300 Eye St NW	A	3,671	Renewal	5 Yrs	$37.00 NNN	01-Dec-04	$17.00	2.50%
Fortune 500 Company	1101 Pennsylvania Ave NW	A	1,461	New-Relocation	5 Yrs 4 Mths	$40.00 NNN	15-Aug-04	$6.00	2.50%

Source: Spauding & Slye

AERIAL VIEW OF SITE

DEVELOPMENT ISSUES

The Property will be a Class A office building of institutional quality. Given its location, the building should be of sufficient class and quality to attract the most active leasing class in this submarket – major law firms, and high-end lobbying/government relations firms.

- With respect to this development, a pre-lease is highly recommended, both to achieve the most favorable cost of capital (debt and equity), and to reduce the overall risk of the project. A 50% preleasing of the office component will be required prior to commencement of the development Project. Likely candidates for this preleasing is a "lead" tenant that has the financial capacity to commit to at least 180,000 square feet. With major tenants in the market negotiating leases 2-3 years in advance, this provides excellent opportunity to secure pre-leasing for the Project. In this market, tenants include major law firms, the GSA, or a major corporation or association. Given the recent activity by major law firms to relocate and customize their spaces, it is likely that a law firm will be the lead tenant for this Project. Due to the limited amount of contiguous space available over 100,000 square feet, law firms are forced to make leasing decisions 2-4 years in advance. This is advantageous to the office developer as it allows for pre-leasing to occur prior to major debt and equity commitments.

- Since the project resides in a DD zoning overlay that requires a component of arts use, the Project will need to have a significant portion of the ground level leased to an arts use, such as a theater. This use is not uncommon in the East End submarket. In fact, several examples of a theater in an office building include The Warner Building at 1299 Pennsylvania Ave, NW, the National Theater at 1321 Pennsylvania Ave, NW and the E Street Theater at 555 11th Street, NW (Lincoln Square). A detailed description of the arts requirement is provided in the Site Description section of this offering memorandum. In addition, incorporation of an arts component will allow for an increase in allowable FAR.

- The site is currently divided into five separate parcels. Four of the parcels belong to one ownership entity, while the other belongs to a second, separate ownership entity. It is assumed that the current owners would be willing to sell (or ground lease) the land to the Developer.

- One important factor in the project is the timing of critical events in the planning, construction, and delivery schedule. The following schedule is a simplified version of major events that will occur during the project. The greatest degree of risk would be in the pre-development phase (initial funding, site plan approval, and permits), and in the leasing of the project. Within the pre-development phase, the risk greatest because there needs to be an outlay of capital prior to zoning and site plan approvals. Additionally, the pre-leasing activity would take place simultaneously. The success of the project would depend on the pre-development and land acquisition events happening in near sequential order, as construction could not begin before land was secured and the design/construction documents were completed. In addition, pre-leasing to an anchor tenant is a critical component of the transaction because the construction loan would be contingent upon it.

  From the time the partnership is in place, and capital is committed to the deal, time has a dollar cost associated with it. A delay would increase costs, and reduce returns of the project. Once construction starts, one of the primary risks is escalating construction costs. Generally, an experienced contractor can perform the construction process reliably (even with weather delays), however, construction costs are variable. One way to mitigate this risk would be through a Guaranteed Maximum Price (GMP) contract.

Another major risk associated with a prolonged delay in construction would be that it could potentially endanger the terms of the pre-lease. As part of the lease negotiations, the Lead Tenant will require certain delivery dates, and will likely have termination provisions if the space were not ready for occupancy on or near the target date. Since the construction loan is tied to the pre-lease, if the there were a default under the pre-lease and the anchor tenant pulled out, the construction lender may require additional equity commitments. Furthermore, as a contingency for funding the construction loan, all necessary zoning approvals, construction contracts, and building permits must be in place. All of these factors combine to make the most critical period in the Project that of Pre-Development and Land Purchase & Financing.

Project Timeline

Jul-05 Dec-05 Jul-06 Dec-06 Jul-07 Dec-07

PRE DEVELOPMENT
Base Building Design
Plans /Specs
Construction Contract
Site Plan Prep/Review
Partnership Documents

Critical Period

LAND PURCHASE & FINANCING
Loan Application
Preleasing
Loan Approval/Funding
Close on Land

CONSTRUCTION
Permits
Site Prep / Grading
Foundation
Base Building Construction
MEP Work
Tenant Improvements

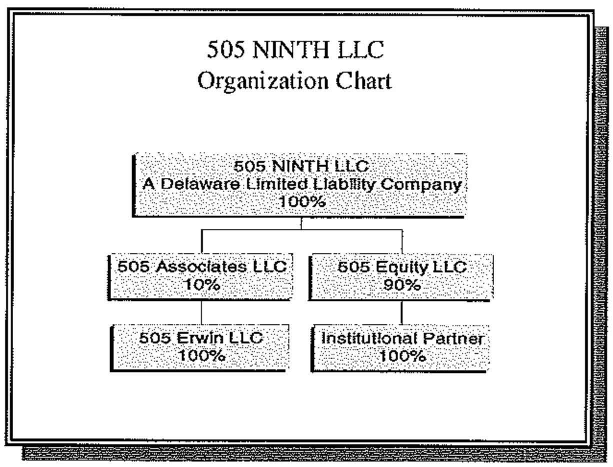
DELIVERY
Cert. of Occupancy
Leasing

PROJECT MANAGEMENT PLAN

Project Delivery: Between the two traditional methods of project delivery (design-bid-build or negotiated select), design-bid-build is favored due to the phasing sequence of the process. Since it is anticipated that the construction project will be bid to three separate contractors in a competitive process, reliable, prepared construction design is preferred. Under the negotiated select program, both the architect and the contractor would be identified from the beginning of the Project. One other consideration that is important in the selection of the design-bid-build method is the likelihood of pre-leasing by a major anchor tenant prior to Project commencement. In a pre-leasing scenario, the design-bid-build process may allow the anchor tenant to influence or "customize" its space in the design phase of the project. It would be important for the details of this customization to be identified prior to bidding the construction contract.

DEVELOPMENT TEAM

Developer/Owner: 505 Ninth LLC, a limited liability company, will be formed with the sole purpose of acquiring and developing the Property. The capitalization of 505 NINTH LLC will be 75% debt ($114MM) and 25% equity ($38MM).



Two separate LLC entities will comprise 505 NINTH LLC: 505 Associates (10%), who will act as the developer, and 505 Equity LLC, whose sole member will be an institutional equity source. This partnership structure will allow for the institutional equity to provide construction loan guarantees as part of the 505 NINTH LLC entity.

Architect: Established in 1965, Hartman-Cox is a 30-person, Washington, D.C. based firm. The firm has executed close to twenty-five major commissions in the downtown, Central Business District and federal government areas. Notable projects include Lincoln Square, Market Square, 1875 K Street, and One Franklin Square. With extensive experience in building design within Washington, D.C. this firm would be not only qualified, but also best suited for this project. Subject to negotiations, the lump sum contract for Architectural Design will be 2.5% of gross building costs (approximately $2.75 PSF of gross building area). The compensation will be earned according to the following schedule:

	Timing	Earned Compensation
Concept Drawings/Test Fit	30 days	10%
Schematics	60 days	20%
Construction Documents	120 days	40%
Design Development	210 days	85%
Final Drawings	240 days	100%

In addition, the architect will be paid 1.5% of gross building costs ($1.65 PSF of gross building area) for designing the mechanical, electrical, and plumbing (MEP) systems of the building.

Construction Management:

A construction manager (CM) will be retained to provide process management oversight. The CM will also provide necessary coordination among design, bidding and negotiation, and construction. It is anticipated that the CM will be involved as early as the pre-design and test-fit stage. The CM will not have the authority to act as an agent of the ownership, but rather serve in an advisory role.

After the architect has completed the construction drawings, the ownership will bid the project out to three general contractors. The bidding process will allow the ownership to judge the best company to provide construction services. It is important to select a contractor that has a track record in developing Class A office buildings, but also to choose a firm large enough to provide qualified contracting services for both base building and interior construction. Also, larger contracting firms are more likely to have access to a broader base of subcontractors, which may translate into pricing advantages. The project will be bid to three major contractors that have excellent track records in building Class A office buildings in Washington, D.C. – Clark, Davis, and Donohoe.

Legal:

Robins Kaplan Miller & Ciresi, a prominent law firm based in Washington, D.C. will represent the interests of the ownership entity.

Management & Leasing:

Management and leasing services will be contracted to a third party under separate agreements.

Property Management - Jones Lang LaSalle is an experienced property management firm with a number of Class A buildings under management in downtown Washington, D.C., including 1300 Eye Street (Franklin Square), 1275 K Street, NW, and 1425 New York Ave, NW. Jones Lang will be retained under annual property management contract. The management fee will be approximately 2.5% of Effective Gross Income.

Leasing - the company to provide leasing services for the building will be Grubb & Ellis, one of the leading firms in the Washington, D.C. area with extensive experience in landlord representation. The terms of the contract will represent competitive market pricing, which is assumed to cost the landlord 5% for new

lease deals, and 3.0% on any lease renewals. There will be customary splits for landlord and tenant representatives.

DESIGN CONSIDERATIONS

Leadership in Energy & Environmental Design (LEED)

This initiative was developed and is administered by the U.S. Green Building Council, a national non-profit organization. Membership in the organization includes a coalition of leaders from the building industry with representation from manufacturers of building products, financial and insurance companies, architectural/engineering/professional firms, contractors and builders, universities, as well as local and federal governmental agencies.

The USGBC has established a point system whereby projects are awarded credits based on criteria set forth in the program. It is important to note that the LEED criteria sets *performance*-based requirements, and while building materials may contribute to qualification standards, the materials are not specifically rated. This means that the bulk of additional development costs will be related to the design of the project, so that integrated systems can work more efficiently together. It is important in selecting an architectural firm that they have experience in LEED certifications. In addition, since conformance to LEED standards depend on the inter-relation of building systems, it is critical that the decision regarding LEED rating be decided early in the process because this may influence the selection of which architectural firm to employ.

LEED POINTS RATING

Rating Level	Points Required
Certified	26-32
Silver	33-38
Gold	39-51
Platinum	52-69

There are numerous reasons to consider a "green design", but the primary reason for the project is that there are quantifiable data indicating that the cost savings related to a green building design are worth the additional cost (initial investment). The financial benefits of green buildings include lower energy consumption, more efficient waste disposal, and savings from increased productivity.

According to a report analyzing data from 60 LEED building nationwide, researchers found that energy consumption was reduced by 18%-37%, with the LEED certification. The reduction in consumption is primarily due to reducing peak load demand by optimizing/integrating building systems (i.e. high performance lighting, underfloor air distribution systems, increase reflectivity, and on-site generation of electricity using photovotaics). This is important, especially in view of the increase in energy rates as a result of the recent deregulation of the power industry. The chart below summarizes the findings of this study.

REDUCED ENERGY USE IN GREEN BUILDINGS COMPARED TO CONVENTIONAL BUILDINGS

	Certified	Silver	Gold	Average
Energy Efficiency (above standard code)	18%	30%	37%	28%

Source: USGBC, Capital E. Analytics

Security and Landscaping

Given the location of the Project (within 1 block of the FBI Headquarters), security in design will be a consideration. The National Capital Urban Design and Security Plan outlines basic guidelines regarding the physical protective measures for buildings in the downtown monumental and commercial core. While these guidelines do not contain specific information about how to design the building itself, it does offer a design framework to balance security and urban beautification.

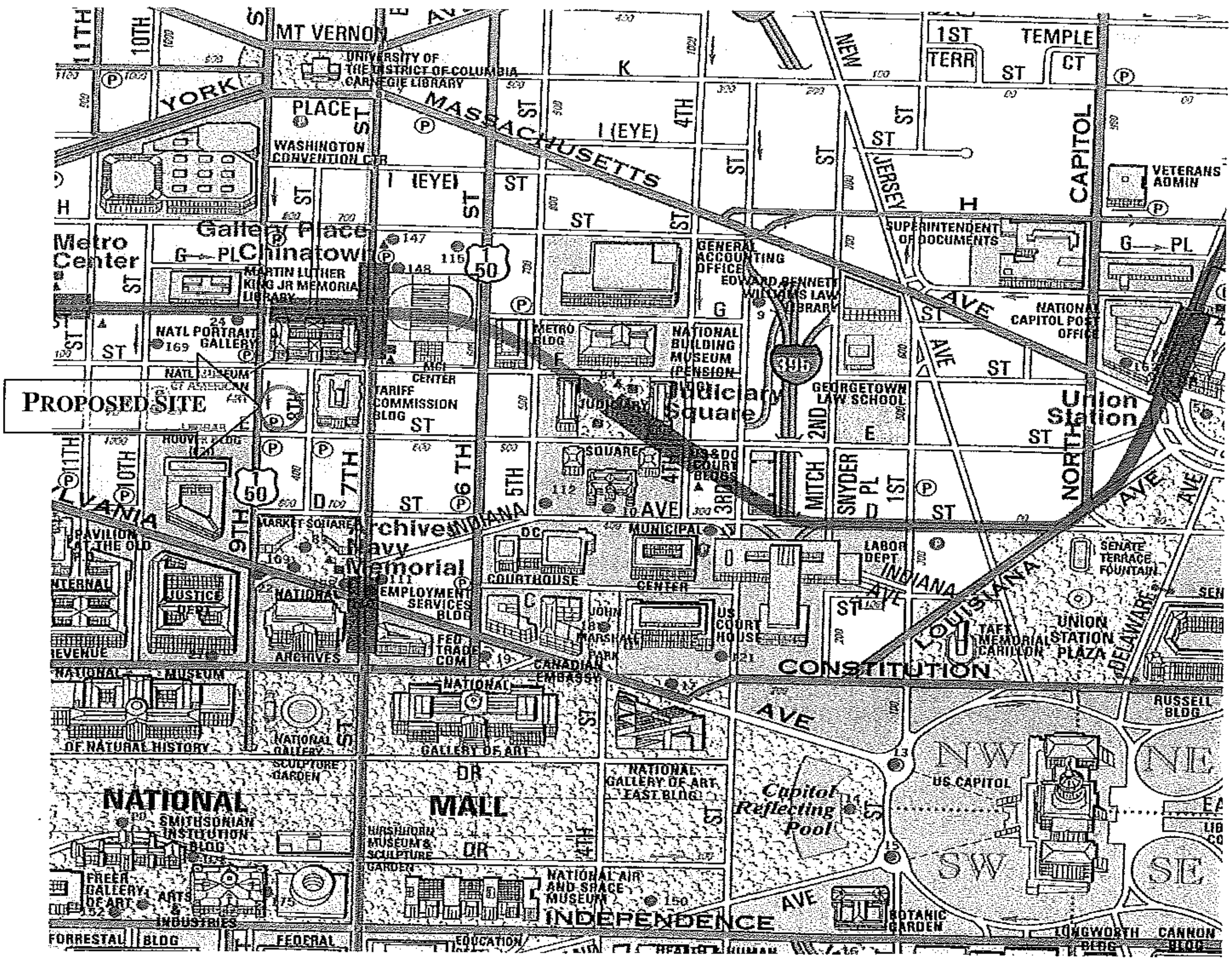
By contrast, the Federal Emergency Management Agency (FEMA) created a 430-page comprehensive reference manual for architects and engineers. The document is FEMA Publication 426 *Reference Manual to Mitigate Potential Terrorist Attacks against Buildings* (December 2003), and it provides detailed information on threat assessment, architectural and engineering design considerations (mitigation measures), as well as design considerations for the building's envelope, systems, and interior layout.

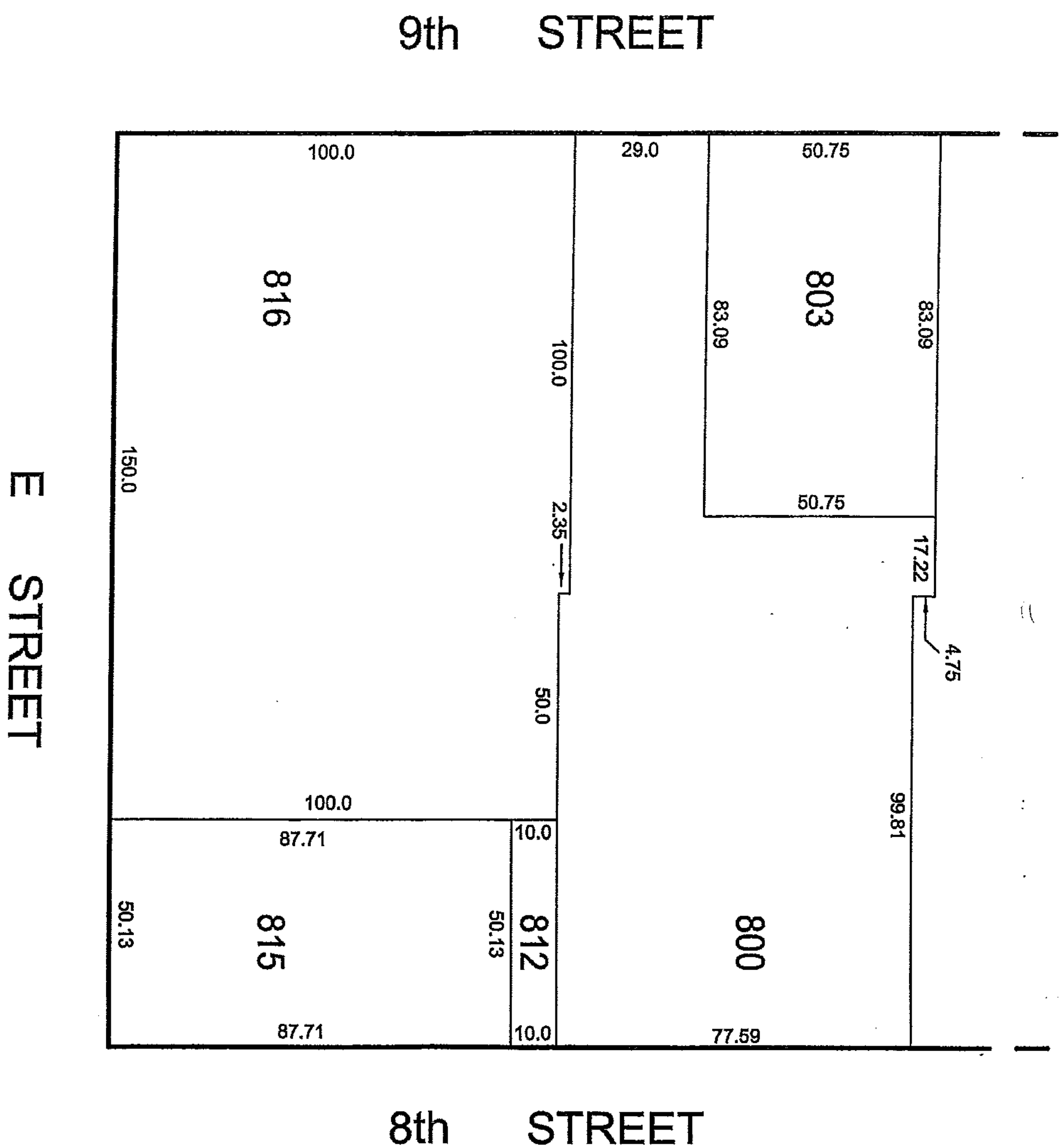
While the building will not be required to meet the new GSA standard for structural specifications, it would be prudent to incorporate the latest blast-proofing technologies. Two prominent developments in New York City, the new Time Warner Center on Columbus Circle and the design for the new World Trade Center in New York feature a resilient glass façade to mitigate damage from a major bomb explosion. In the design of both buildings, the curtain wall is primarily a two-way cable-net wall with heavily laminated and heat-strengthened glass. Using advanced technologies, a microscopic coating of metal oxide that allows heat and sunlight to pass into the building but also can provide a "Low-E" factor. This can help save on energy costs, and help the building meet LEED environmental standards. The building architect will need to balance design and function, and given the building's location across from the FBI Headquarters, the function will no doubt incorporate modern security features.

SITE & LOCATION OVERVIEW

The site is well-located in the center of the monumental and commercial core of the city. Within one block of the site, there is the FBI Headquarters, the Spy Museum, the National Museum of American Art (under renovation), and a Metrorail station (Gallery Place). In addition, the Property is situated approximately two blocks north of Pennsylvania Avenue, where numerous law firms, government agencies, and Fortune 500 companies lease Class A space. Two blocks to the northeast, is the MCI Center – home to Washington's professional basketball team, and site of nearly 220 programmed events per year.

The immediate neighborhood can be characterized primarily as office (private sector and government). Recently (especially within the past two years), there have been an increasing number of residential units delivered in the neighborhood. This "mixed-use" quality of the neighborhood continues to grow with the delivery of Gallery Place (two blocks to the north), as well as a significant amount of retail opening up in this submarket. A location map is attached below.




9th STREET
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803
815
812
800
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29.0
50.75
83.09
83.09
100.0
150.0
2.35
50.75
17.22
4.75
50.0
99.81
100.0
87.71
10.0
50.13
50.13
87.71
10.0
77.59

Location: The Property is located on E Street, NW between 8th and 9th Streets in downtown Washington, D.C. Adjacent to the north of the Property is the Spy Museum, The Residences at Historic Row, which is a multifamily property owned and managed by Bozzuto. To the east, across 8th Street, NW is the side entrance to the Kimpton Hotel Monaco, which opened in 2002. To the west, across 9th Street, NW is a 10-story Class A office building, 901 E Street, NW. To the south, across E Street, is Market Square North (401 9TH Street), an 11-story Class A office building.

Site Composition: One rectangular lot consisting of five separate tax parcels. Ownership of the five tax parcels is currently divided between two groups – one group owns 4 parcels, a second group owns 1 parcel.

SITE AT 9TH & E – TAX PARCELS

Square	Lot	Address	Owner		Land Area (SF)
0406	0800	9th ST NW	E MacMahon		11,480
0406	0803	9th ST NW	E MacMahon		4,299
0406	0812	8th ST NW	E MacMahon		501
0406	0815	8th ST NW	E MacMahon		4,397
0406	0816	9th ST NW	J Evans Trustees		14,897
				Total:	35,574

Size: Approximately 35,500 square feet or .81 acres

Topography: Generally flat, with a slight slope downhill to the south (9th Street)

Access: Vehicular access is provided at E Street on the south and 9th Street to the west. E Street is a two-way thoroughfare, while 9th Street is a one-way street with southbound traffic flow toward Pennsylvania Avenue. The remaining street that borders the site is 8th Street, which terminates on F Street to the north and does not provide good traffic flow access from the north.

Access to the Metrorail system is outstanding – the Property is within four blocks of all lines in the Metrorail system. The nearest station is the Gallery Place Metro Station, one block north. The Gallery Place Station is a major hub offering service to three of the five lines - Green, Yellow, and Red. Within walking distance (4 blocks to the west), there is Metro Center, which provides service to the Blue, Orange, and Red Lines.

Existing Improvements: The site is currently improved with an asphalt paved surface parking lot, providing approximately 200 spaces.

Frontage: The site is a rectangle in shape with dimensions of approximately (200' x 175'). The longer border extends the full block along E Street, between 8th & 9th Streets, while each of the two shorter edges front 8th & 9th Street. This allows the site to have 550 feet of street frontage, counting all three sides. Since the Property

occupies a full block, it benefits from having three sides exposed of street frontage.

BUILDING DESCRIPTION

The building will be a 10-story structure with the ground floor level featuring three retail bays, including a performing arts theater. Floors 2-10 will be designed for commercial office space. The building will extend 4 levels below grade, allowing for one concourse level (storage and theater), and three levels of underground parking. A detailed description of the improvements is provided below:

Amenities will include a roof top terrace, concierge service, a 24-hour lobby attendant, fitness facility, and a proposed arts-related retail on the ground floor. The lobby will have granite and marble floors with wood finish on the walls. Each standard floor plate (floors 2-10) will have 8'-6" ceiling heights and 6 corner offices.

Size: Gross Building Area: 362,953 Sqft.

Net Rentable Area (SqFt.)	
Office	337,595
Retail/Theater:	20,500
Concourse:	23,250
	326,617

Address: 505 9th Street, NW
Washington, DC 20005

Floors: 10 stories

Entrance: Lobby is prominently located on 9th Street, NW and will feature a wide foyer finished in polished marble, floor to ceiling glass, and a frosted glass light wall.

Floor Plates: Within the immediate neighborhood (4-block radius of the property), most buildings feature 20,000-45,000 square foot floor plates. The larger floor plates are more appealing to law firm tenants. The advantage of this Project site is that it covers a full 35,000 square foot lot, and as such, the floor plates can exceed 30,000 square feet. The building will be designed to feature 31,400 square feet of rentable office space on floors 2-10. Column spacing will be 30' on center.

Structure: Steel frame/reinforced concrete.

Façade: The building's façade will be of institutional quality that will appeal to investors and high-end corporate tenants and will add aesthetic value to the streetscape.

Elevators: The building will contain seven elevators. Six of the seven will be high-speed passenger elevators; there will be one freight elevator. One passenger elevator and the freight elevator will access the parking garage.

Systems: VAV System with supplemental cooling tower, can accommodate 24 hours operations.

Security: State-of-the-art system controlled by Kastle. The elevator access to each floor will be individually controlled by card key access. In addition, there will be a 24-hour lobby attendant who will control access to the common area lobby as well as monitor closed circuit video surveillance of the building's common areas.

Parking: Zoning requires 1 space per 1,800 square feet, with a minimum of 285 square feet of garage area per parking space. The building will be designed so that the parking ratio will exceed the minimum requirement for several reasons. First, the building will incorporate arts-related retail that will draw additional people to the building. In addition, given its location proximate to popular tourist destinations like the Spy Museum and the Smithsonian American Art museum, as well as the MCI Center, additional parking would help to accommodate likely above average parking demand. Also, given the likely tenant of a high-end law firm, the building would benefit from having additional parking.

The three levels of underground parking will accommodate 252 spaces, which equals 1 per 1,300 square feet of rentable area with 375 square feet per spot. The below chart summarizes the parking space calculation. The costs are provided in this section for reference, however they are also included in the construction cost schedule.

SCHEDULE OF BASE BUILDING / BELOW GRADE COSTS

Site			35,000 sf	
Building NRA			326,617 sf	
Required Parking	1 per	1,800 sf	181 spaces	
Area Per Space		375 sf / space	68,045 sf	
Required Structured/Underground			68,045 sf	
Gross Buildable Area Per Floor		90% of 35,000	31,500 sf	
Required Floors of Parking			3 Floors	
				Spaces
Actual Structured/Underground Parking			94,500 sf	252
Parking Cost	$75.00	per sf	$7,087,500	
Other Below Grade Costs				
Concourse Level	$65.00	for 30,000 sf	$1,950,000	
TOTAL Below Grade Costs			**$9,037,500**	

ZONING REGULATIONS

The Property is zoned Commercial District (C-4) with Development District (DD) Overlay.

Commercial District C-4

According to Chapter 7 of the District of Columbia Municipal Regulations, permitted uses as a matter of right in the C-4 district include the proposed use – office with retail. Other zoning restrictions that control the building envelope include:

- **Height:** As for the maximum height in the C-4 District, the limit is 110 feet. However, a building may be erected to a height not exceeding 130 feet provided that the building or other structure shall face or abut a street not less than 100 feet wide between building lines. None of the streets fronting the Property are 100 feet wide, so the height limitation is 110 feet.
- **Setback:** Rear yards are required to be 2.5 inches per foot of height, not less than 12 feet. Assuming a building height of 110 feet, there will need to be a setback of 22.9 feet. Per paragraph 774.11 of the zoning regulations, in case of a corner lot (the Subject Property), depth of the rear yard may be measured from the centerline of the street abutting the lot at the rear of the building. The Property's address will be 505 9th Street, so 8th Street is planned as the rear of the building, which can accommodate this setback.
- **FAR**: the standard maximum allowed is 8.5, however a structure that is erected to a height in excess of 110 ft may have a floor area ratio not exceeding 10.0. Since the structure is limited by height (due to adjacent street widths), the allowable FAR is 8.5. However, this can be increased with bonus density under the Downtown Development district provisions, as discussed below.

Downtown Development District (DD)

The Downtown Development Overlay District is designed to help create a balanced mixture of uses by means of incentives and requirements for critically important land uses identified in the Comprehensive Plan, including retail, hotel, residential, entertainment, arts and cultural uses. To ensure that new development meets the requirements of the DD district, an applicant for a building permit or certificate of occupancy involving 10,000 square feet or more of gross floor area shall provide a copy of the application to the D.C. office of Planning (DC OPP), at the time of filing with the Zoning Administrator. Within 10 days, DC OPP shall provide the Zoning Administrator a memo setting forth the interpretation of the DD Overlay District requirements. Generally the provisions of the DD district restrict the location of driveways & loading docks, require that 50% of a street wall on the ground floor be devoted to display windows, but most importantly, the DD district establishes a Downtown Arts District.

Downtown Arts District

The primary objective of the Arts District is to retain, expand, and support concentration of spaces and activities for the arts – including performing and visual arts, cultural facilities, entertainment, and arts-related uses. This District creates two corridors:

1. Spine of theaters, restaurants, nightclubs and arts-related uses along E Street from 6th to 14th Streets, NW. Since the subject Property is within this corridor, this provision will impact the subject development.

2. Pedestrian oriented concentration of museums, art galleries, other performing or visual arts uses along 7th Street from Pennsylvania Ave to north of G Street. Of note, the new Gallery Place project, which received TIF funding from the City, has spurred retail development along 7th Street, NW.

The requirements under the Downtown Arts District include:

- Not less than 1.0 FAR devoted to preferred retail and service uses – (there are 24 qualified uses listed, but examples include restaurant, cocktail lounge, music store, theater, art gallery, art exhibition, and book stores).

- Not less than 0.25 of this requirement shall be devoted to *preferred* uses of performing arts, art exhibition area, dinner theater, museum, or TV/radio broadcast studio. If 0.5 FAR is devoted to these preferred uses, then the full 1.0 FAR described above is not required.

Considerations for bonus density:

Per section 1704.6b Bonus density is earned at a ratio of 1:2 if a performing arts space is included. So, to qualify, 0.5 FAR shall be devoted to a performing arts or museum use. In exchange for this, the allowable FAR is increased by 1.0 (2 x 0.5). Thus, the final FAR for the project increases from 8.5 to 9.5.

Based on the size of the lot (35,574 SF), using a 9.5 FAR, the site could accommodate a density of 337,953 square feet.

Parking

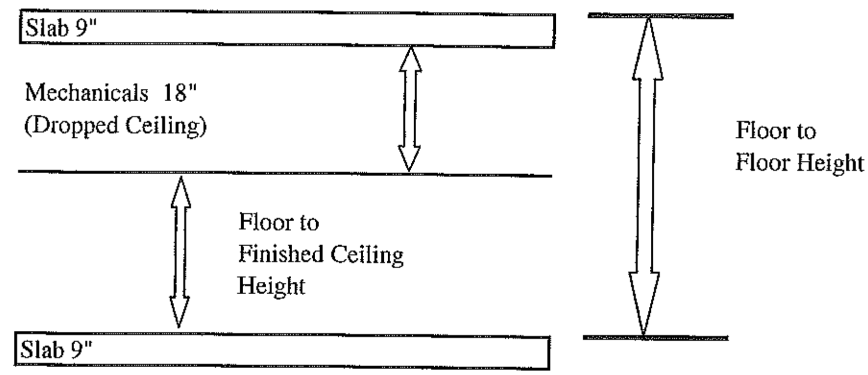
For C-4 districts, a building or structure built on a lot having an area of more than 10,000 square feet, the parking requirement is 1 space for each 1,800 square feet of gross floor area above 2,000 square feet. A minimum of 285 square feet of parking area shall be provided for each parking space. However, based on competitive buildings in the market, and given that the building will need to appeal to high-end users, more parking will be included. Specifically, the parking will be designed for 1 space per 1,300 square feet, while still allowing 375 square feet per space of garage area. Since the parking garage will need to extend three levels below grade, adding this additional parking capacity will not increase construction costs significantly.

Building Height

The following page illustrates the considerations in determining the overall height and size of the building, based on factors of FAR and finished interior ceiling heights.

TYPICAL OFFICE FLOOR

(not to scale)



BUILDING RENTABLE AREA

Site Size (SF)
35,574

FAR = 9.5

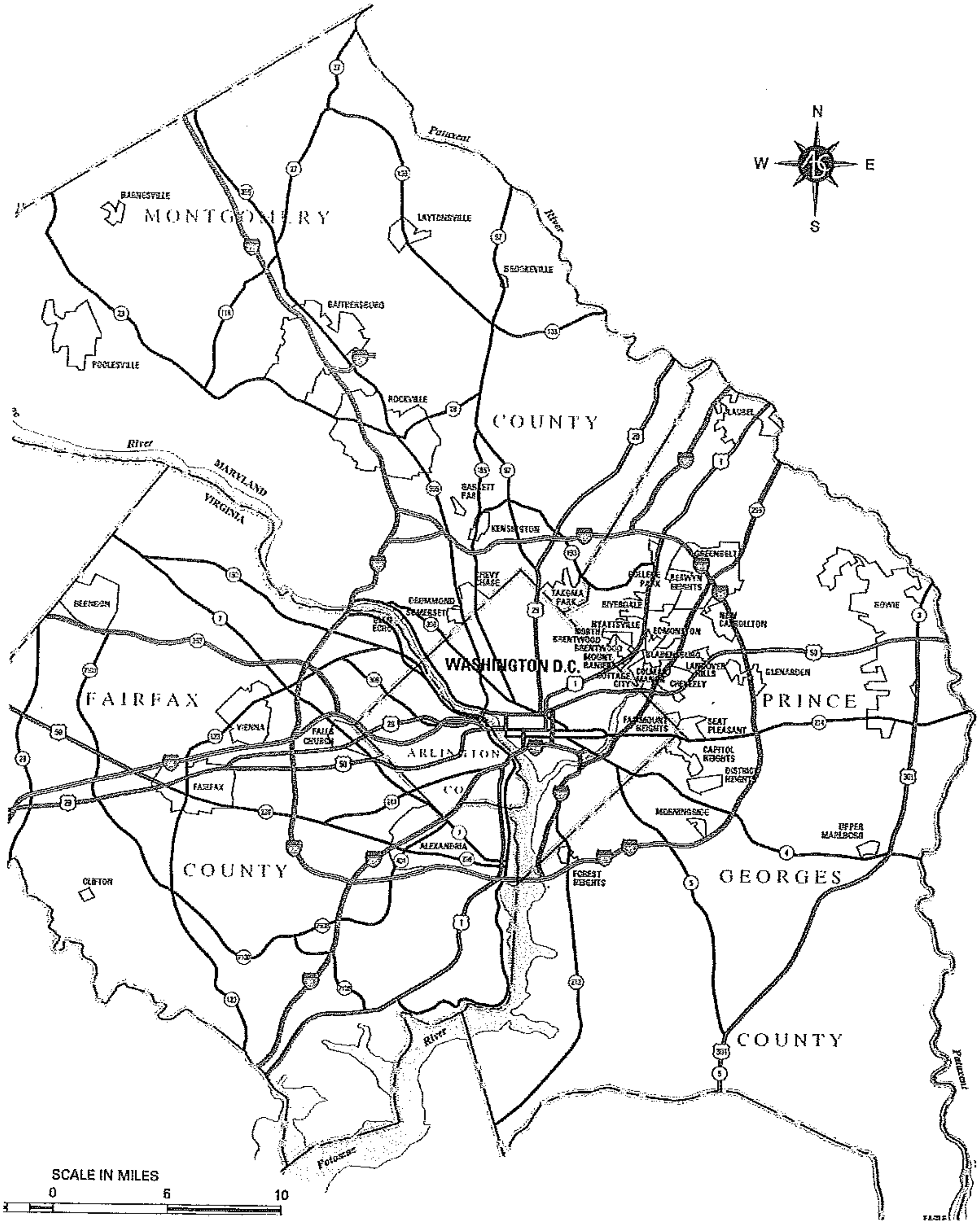
FAR Allowable (SF)
337,953

Max Height (Ft.)
110

Floor	Floor to Floor Height (ft)	Floor to Finished Ceiling (ft)	Max Allowable Area (SF)	Net Rentable Area [1]
Ground 1	13.25	11.00	33,795	20,500
2	10.75	8.50	33,795	31,430
3	10.75	8.50	33,795	31,430
4	10.75	8.50	33,795	31,430
5	10.75	8.50	33,795	31,430
6	10.75	8.50	33,795	31,430
7	10.75	8.50	33,795	31,430
8	10.75	8.50	33,795	31,430
9	10.75	8.50	33,795	31,430
10	10.75	8.50	33,795	31,430
Total Building (Above Grade)	110.0		337,953	303,367
Concourse 1 Level (Below Grade) [2]			25,000	23,250
Total SF			362,953	326,617

1) 40% loss factor on ground floor due to lobby; 7% loss factor on other floors.

2) Below grade space does not count against FAR


N
W
E
S
Patuxent
River
COUNTY
FAIRFAX
COUNTY
PRINCE
GEORGES
COUNTY
WASHINGTON D.C.
MARYLAND
VIRGINIA
Potomac
BARNESVILLE
LAYTONSVILLE
POOLESVILLE
ROCKVILLE
KENSINGTON
CHEVY CHASE
TAKOMA PARK
COLLEGE PARK
RIVERDALE
HYATTSVILLE
GREENBELT
LAUREL
BOWIE
GLENARDEN
SEAT PLEASANT
CAPITOL HEIGHTS
MORNINGSIDE
UPPER MARLBORO
FOREST HEIGHTS
ALEXANDRIA
VIENNA
FALLS CHURCH
FAIRFAX
CLIFTON
SCALE IN MILES
0
5
10

WASHINGTON, D.C. METROPOLITAN AREA

The Washington Metropolitan Area is comprised of fourteen jurisdictions, extending over approximately 2,000 square miles throughout the District of Columbia, Northern Virginia and Maryland. Included in this market are more "edge cities" per square mile than any other place in the United States. The Washington, D.C. Metropolitan Statistical Area is known for its well-educated, professional work force that has been attracted to the area for quality-of-life issues such as proximity to work, education, recreation and housing.

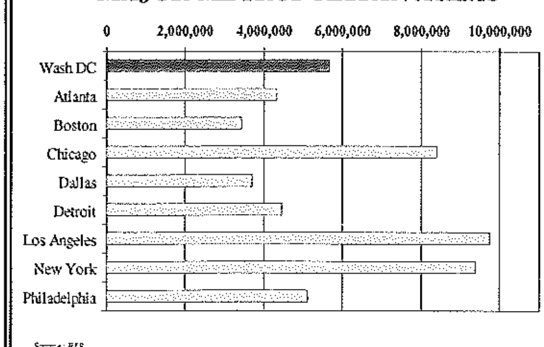
FORTUNE 500 COMPANIES
HEADQUARTERED IN THE WASHINGTON MSA

Rank	Company	Business Description
16	Fannie Mae	Financial Services
32	Freddie Mac	Secondary Mortgages
56	Lockheed Martin	Aerospace, Defense, Electronics
137	General Dynamics	Defense, Aerospace
175	Marriott International	Lodging, Senior Living
181	AES	Energy & Utilities
191	Capital One Financial	Financial Services
216	Nextel	Telecommunications
262	US Airways Group	Airline
275	Gannett	Media
357	Danaher	Manufacturing
377	Pepco Holdings	Energy & Utilities
434	Host Marriott	Lodging REIT
439	Coventry Healthcare	Healthcare
473	SLM Holding	Financial Services
482	NVR	Home Builder , Mortgage Lender

As the national capital region, the Washington, D.C. area offers a unique blend of government stability, strong economic growth potential and history. Over the past decade, the Washington, D.C. area has evolved from a "government town" into one of the country's largest and most prominent commercial centers. This transformation can be attributed to strong demographics, modern transportation networks, a stable core industry (the federal government) and an attractive quality of life. The combination of these factors has resulted in an unprecedented period of growth in the region, and has positioned the area for strong future expansion.

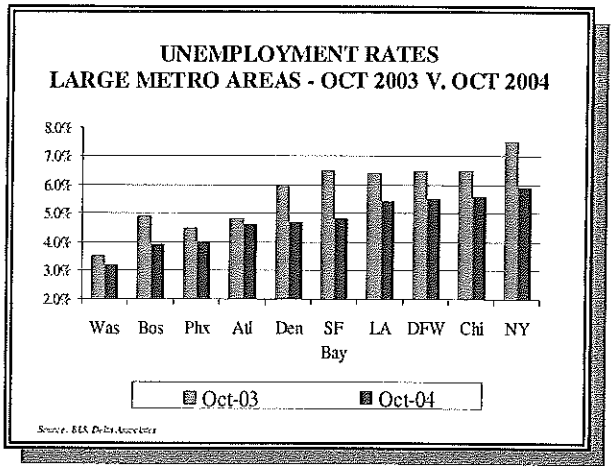
Overall, the Washington, D.C. area has enjoyed relatively stable economic conditions despite a national economic recession. The relationship among the area's core industries (Federal Government, Technology, Building Industry, International Business, Defense Industry and Hospitality) is unique relative to those found in other metropolitan areas. The Federal Government's procurement activity supports the economy directly through contractors, and indirectly through subcontractors who are engaged to create goods and services for the primary contract. In total, the federal government represents more than one-third of the Gross Regional Product, and is the largest purchaser of technology and building products. Furthermore, the region receives a disproportionate share of federal government spending (both direct and procurement dollars), help carry the remainder of the region's core economies through economic downturns.

POPULATION OF MAJOR METROPOLITAN AREAS

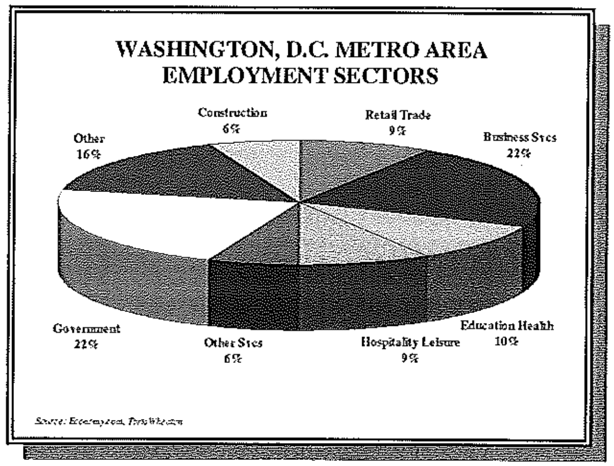


Population: With a total population of approximately five million, the Washington Metropolitan Statistical Area ("MSA") is the fifth most populous MSA in the nation. The Washington MSA covers 10 counties (five in Maryland and five in Virginia) and the District of Columbia. The largest of these counties are Fairfax, Arlington and Montgomery. Together with the District, these counties account for approximately 53% of the MSA population. While the city of Washington, D.C. barely ranks in the top 20 of largest cities in the U.S., the metropolitan area ranks among the five largest in the country. Metropolitan

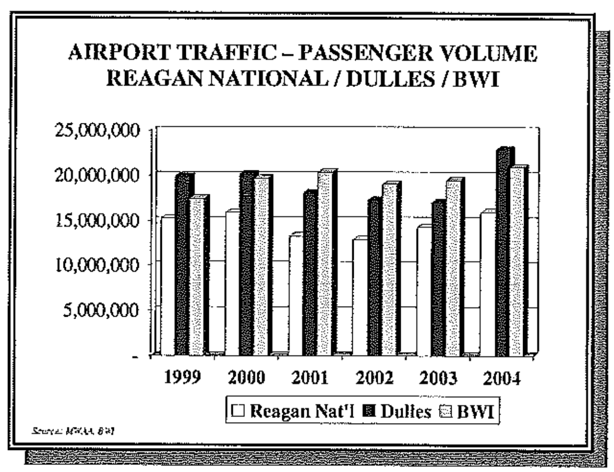
Washington's population totaled just over 5 million people, making it the fourth largest PMSA behind New York, Los Angeles and Chicago.



Employment: In October 2004, the Washington, D.C. area had the lowest unemployment rate in the nation, at 3.1%, out of 51 metro areas with a population of 1 million or more. Washington, D.C. has the sixth-largest employment level of the major national MSAs with approximately 2.87 million workers. Over the last 10 years, employment has grown at an average annual rate of 2.1%.



As expected, the Metro area's economic base was based on the government and services sector; however, the emergence of the technology industry in the late 1990's furthered the diversification of the economy. Its growth, which added more than 412,000 new jobs during the 1990s, peaked in 1999-2000 when approximately 200,000 (50% of decade total) jobs were added. A better benchmark for future long-term job growth is the region's 20-year annual average of approximately 54,600 new jobs. The area's job base is expected to grow by an average of 40,000 net new jobs per year in the next five years following its trailing 20-year average. This near-term growth is projected to come from both the public and private sectors.



Transportation: The Washington, D.C. area is home to three major airports: Ronald Reagan Washington National Airport, Washington Dulles International Airport, and Baltimore/Washington International Airport. Ronald Reagan Washington National Airport is located approximately seven miles from the Property. Dulles Airport, which serves domestic and international flights, is located approximately 20 miles west of the Property in Northern Virginia. Baltimore/Washington International (BWI) Airport is located approximately 30 miles northeast of the Property, and it provides both domestic and international flights. Despite a decline in passenger volume after September 2001, the three major airports are reporting cargo and passenger activity commensurate with 1998 levels.

The Washington MSA is also served by the Metrorail and Metrobus systems ("Metro"). The Metro provides inexpensive, convenient, and exceptionally clean service throughout Washington, D.C., Suburban Maryland and Northern Virginia. Its system stretches more than 103 miles servicing 83 stations. Ridership totals approximately 166 million passengers per year. Surrounding the city is the

Capital Beltway (Interstate 495) that links Washington, D.C. to an extensive network of primary roads and the federal interstate highway system (including I-95, the East Coast's primary north-south thoroughfare). Also planned for Washington D.C. is an ambitious shuttle bus system to change the way tourists, residents, and federal workers navigate central Washington. The estimated $26 million "Circulator" system will make it convenient for downtown professionals to attend cross-town meetings and for visitors to monument-hop or travel from the new Convention Center to a restaurant or hotel.

DOWNTOWN WASHINGTON, D.C. BUSINESS IMPROVEMENT DISTRICT

The Downtown D.C. Business Improvement District ("Downtown BID") is a private non-profit that provides cleaning, safety, hospitality, marketing, economic development and homeless services to Washington's city center. The Downtown BID's mission is to help raise downtown D.C. to world-class standards as a commercial, cultural and residential destination. The Downtown BID promotes downtown D.C. as the site of the world's best museums, cultural venues, restaurants, hotels and shopping. In 2001, the borders of the Downtown BID were expanded towards Union Station at the request of property owners in the East End. Now, the Downtown BID covers an expanse of over 110 blocks, roughly from 16th Street to North Capitol, and from Massachusetts Avenue to the National Mall.

The area around the Downtown BID is quickly becoming a focal point of commercial and residential activity for the entire region.

Since the opening of the MCI Center in 1997, downtown D.C. has become a national destination for entertainment and culture, and the new convention center, having opened in March 2003, is one of the largest in the country. Currently, over 5,000 housing units are under construction or in the development pipeline in an area made up of the Downtown BID and within four blocks around the BID. The MCI Center sits at the heart of this residential development boom.

With the development of the $400 million Newseum, the Shakespeare Theatre's second stage and the re-opening of the Smithsonian's National Portrait Gallery and Museum of American Art, downtown D.C. is poised to become an international cultural destination. In addition, the re-development of the 10-acre site of the old convention center will complete the re-birth of downtown D.C., with over 800 residential units, 375,000 square feet of office space, 300,000 square feet of retail, a one-acre public plaza, along with potential for a boutique hotel and a new public library and/or a music performance space.

THE EAST END OF WASHINGTON, D.C.
Major Anchors

MCI Center: The MCI Center (the "Arena"), located at 7th and F Streets, opened on December 2, 1997 and is home to the Washington Wizards (men's professional basketball), Washington Mystics (women's professional basketball), Washington Capitals (professional hockey), and Georgetown Hoyas (men's college basketball). The Arena cost in excess of $200 million and totals 1.05 million square feet (equivalent to one city block long and one city block wide) and has approximately 20,000 seats including 114 luxury suites. In addition, the MCI Center has 500 underground parking spaces, is located within two blocks of 13,000 additional parking spaces, and is accessible by four metro stations (Gallery Place/Chinatown, Archives, Metro Center, and Judiciary Square).

In addition to the roughly 100 regular season basketball and hockey games the MCI Center hosts each year, the Arena also hosts approximately 100 events including concerts (Tim McGraw, Bon Jovi, Aerosmith, etc.), family shows (Disney on Ice, etc.), and sporting events (The World Figure Skating Championships, The Harlem Globetrotters, professional wrestling, Washington International Horse Show, etc.). The MCI Center also has retail and restaurant tenants. Modell's Sporting Goods Team Store, and Nick & Stef's Steakhouse operate from within the MCI Center everyday and are open to the general public, not just those attending an event at the Arena.

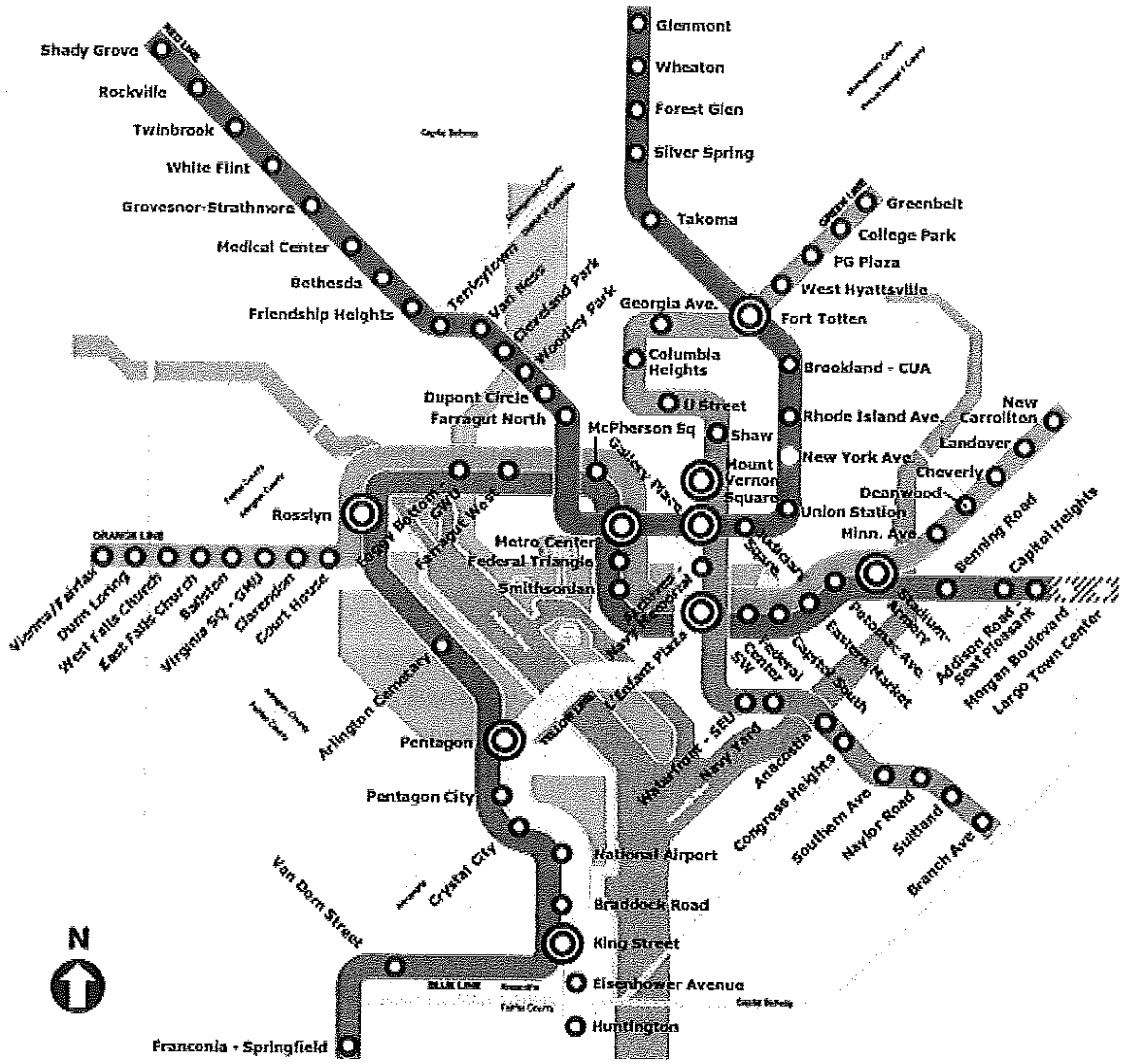
The MCI Center initiated the rejuvenation of the East End, and it continues to act as an economic driver making Gallery Place and the surrounding areas one of the city's most attractive places to work, live, and play. The area surrounding Gallery Place has successfully grown out of its 9-to-5 past to become a true 24-hour destination.

The New Washington Convention Center: This new facility opened for business in March 2003 and is the sixth-largest facility in the nation offering 2.3 million square feet of space. Located at Mount Vernon Square, the convention center features 720,000 square feet of exhibit space, 150,000 square feet of meeting space and 44,000 square feet of retail space lining the facility's perimeter. The building also includes many amenities: fiber-optic wiring; high-tech glass that filters out heat; a $4 million public arts program, and an attached Metro station undergoing a $13.8 million expansion. It is estimated to generate an economic stimulus of more than $1.4 billion per year for the metro area. This new facility puts Washington on par with elite convention cities like New York, Paris, Las Vegas, Tokyo and San Francisco.

ECONOMIC DRIVERS IN THE IMMEDIATE TRADE AREA

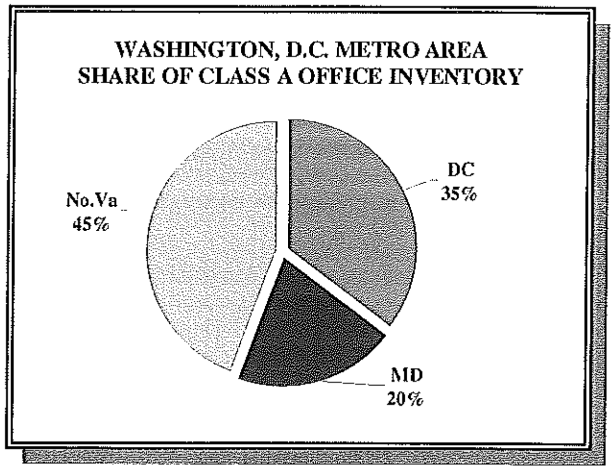
- New Convention Center
- Tourism
- Expanding Residential Population
- Cultural Attractions
- Destination Retail – 7th Street Corridor
- Metro Stations (Metro center / Gallery Place-Chinatown)
- East End Commercial Office District
- Hotels (Existing and Planned Headquarters Hotel for the New Convention Center)

WASHINGTON, D.C. METRORAIL MAP



WASHINGTON, D.C. OFFICE MARKET OVERVIEW

Washington, D.C. continues to perform as the strongest office market in the country. Consisting of approximately 179 million square feet of Class A office space, the Washington, D.C. metropolitan area office market is the third largest in the United States. Washington, D.C. (the "District of Columbia", or the "District") itself accounts for approximately 63 million square feet or nearly 35% of the area's total Class A office space.



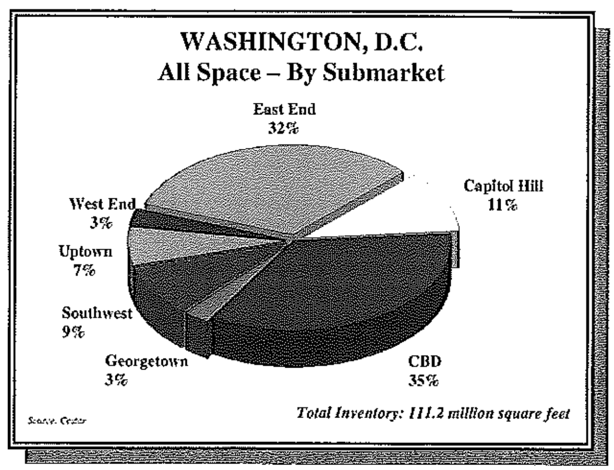
The Washington, D.C. office market is comprised of seven submarkets, summarized as follows:

WASHINGTON, D.C. OFFICE MARKET – (ALL SPACE)
2001 - 2004

Submarket	Year End 2004		Direct Vacancy Rate at End of:				SF Under Construction/ Renovation at 12/04	Net Absorption (SF)			
	Total Rentable SF All Bldgs.	SF Available Immediately All Bldgs.	2001	2002	2003	2004		2001	2002	2003	2004
CBD	38,071,869	1,751,306	3.8%	5.6%	5.5%	4.6%	1,047,250	416,000	(737,000)	934,000	439,000
East End	**36,212,406**	**2,624,846**	**4.5%**	**3.9%**	**6.9%**	**7.1%**	**1,231,983**	**713,000**	**754,000**	**(139,000)**	**1,673,000**
Capitol Hill	12,240,123	452,885	6.2%	3.4%	3.5%	3.7%	2,830,827	546,000	1,253,000	651,000	65,000
Southwest	10,061,450	432,642	6.1%	6.2%	6.5%	4.3%	800,000	222,000	(10,000)	381,000	221,000
Georgetown	2,924,495	64,339	3.8%	5.8%	3.4%	2.2%	172,556	(60,000)	(58,000)	70,000	36,000
West End	3,700,894	122,130	1.3%	1.9%	2.9%	3.3%	-	-	(23,000)	(37,000)	(15,000)
Uptown	8,104,990	307,975	3.3%	4.1%	5.1%	3.8%	106,000	(80,000)	(50,000)	(81,000)	106,000
TOTAL	**112,073,479**	**5,756,137**	**4.3%**	**4.6%**	**5.6%**	**5.1%**	**6,188,586**	**1,757,000**	**1,129,000**	**1,123,000**	**2,525,000**

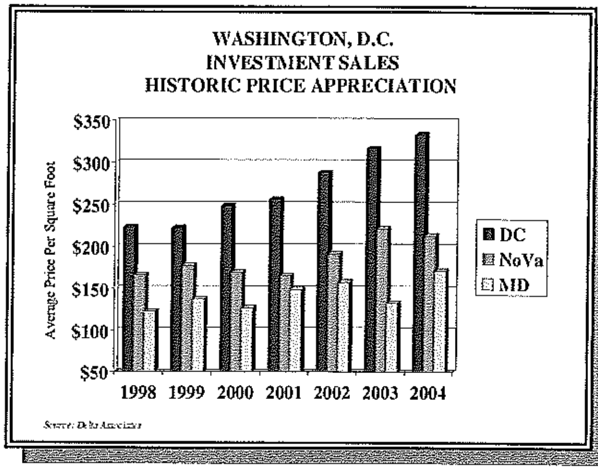
Source: Delta Associates

Several major downtown Washington, D.C. developments will continue to serve as economic stimuli to the city. Gallery Place, now open, is a $250 million mixed-use project. It consists of 250,000 square feet of office, 265,000 square feet of retail, 190 luxury apartments and a 650-car garage adjacent to MCI Center. The MCI Center itself was built in 1997 and is a $200 million, 20,000-seat arena that serves as the home for The Washington Wizards (NBA) as well as other events. Located at Mount Vernon Square at the intersection of Massachusetts and New York Avenues, NW, the 2.3 million square foot Washington Convention Center opened in March 2003. This new facility helps to reinforce the District as a international metropolitan city. In addition, there is increased residential development within the city, especially downtown. According to the DC Marketing Center, as of December 2004, there were 1,678 residential units (1,332 apartments; 346 condos) under construction within the downtown Business Improvement District.



INVESTMENT SALES ACTIVITY

Washington, D.C. is the most sought after investment market in the U.S. Many investors rank it as the top investment market in the world. Through third quarter 2004, 38 transactions accounted for $2.5 billion in sales volume, with another billion projected prior to year-end.



While developable sites become more of a rarity and construction costs continue to escalate to new highs, replacement cost for Class A buildings are on the rise. Although replacement costs for Class A office buildings are approaching $400 per square foot, there is a lack of developable sites in prime locations. This fact allows investors to justify purchase prices well above replacement cost. In addition, the current financing environment (and the subsequent low cost of capital) is driving capitalization rates down, supporting premium pricing. Trophy buildings are now trading for prices in excess of $625 per square foot, whereas as recently as 2003, there was a psychological barrier to prices at $500 per square foot. To illustrate this phenomenal trend, the following table highlights select sales of trophy buildings from 2002-2005 year to date.

WASHINGTON, D.C.
TROPHY BUILDING SALES 2002-2005

Address	Year Built / Renovated	Square Feet	$ (Millions)	$ / PSF
2005 YTD				
1875 K Street, NW (Pending)	2001	186,000	$113	$608
555 11th Street, NW (Pending)	2001	368,880	$247	$670
2004				
1900 K Street, NW	1996	342,884	$219	$638
1001 Pennsylvania Avenue, NW	1986	758,796	$435	$574
51 Louisiana Avenue, NW	1935 / 1999	204,000	$112	$550
1111 Pennsylvania Avenue, NW	1967 / 2002	331,267	$157	$474
2003				
1399 New York Avenue, NW	2002	124,000	$63	$505
3000-50 K Street, NW	1999	536,206	$185	$345
2300 N Street, NW	1986	276,930	$114	$408
1101 Pennsylvania Avenue, NW	1999	218,447	$104	$500
2002				
Independence I & II, SW	2002	948,813	$345	$364
799 9th Street, NW	2002	201,462	$78	$387
1500 K Street, NW	2002	243,066	$85	$350
1627 Eye Street, NW	2002	104,050	$37.5	$360

Source: Realcapitalanalytics, Eastdil

NEW OFFICE DEVELOPMENT: DOWNTOWN VS. SUBURBAN LOCATIONS

Below is a chart that depicts the relative comparison of development costs, return requirements, and required market rents to justify new construction. All figures are general estimates, based on a survey conducted by Delta Associates in November 2004. Even though the figures represent a generalization about the market, they highlight an important trend in relative land costs and rents. Note that within Downtown Washington, D.C. the land costs are over double of what they are in the surrounding areas, even for metro-proximate suburban locations. This increased cost of land, combined with the skyrocketing operating expense increases (largely due to increased real estate tax assessments in the District), is driving the rental rates for new trophy buildings above $50.00 per square foot. In addition, the fact that there are fewer remaining sites in which to build, the replacement cost for trophy buildings are quickly escalating.

Land Sales In Downtown Washington, D.C.

The downtown area of Washington, D.C. has natural boundaries that constrain the "downtown area to a finite geographic location. To the south, it is bordered by the national mall, to the east, Interstate -395, and to the west, Georgetown. To the north, the border is Massachusetts Avenue, on the other side of which is residential. The downtown area is constrained horizontally, but also constrained vertically. There are strict zoning regulations that keep buildings from being taller than the U.S. Capitol. Because of the finite supply of land in this downtown area, prices for land have been gradually increasing. Today, land prices routinely exceed $100 per FAR foot, and in some cases approach $150 per FAR foot. The below table highlights recent land transactions in downtown.

Land Sales in Downtown D.C.

Date	Property	Size	Buyer	Price per FAR
Dec-04	4th & Mass	22,000	ASB/Penzance	$105
Aug-04	1101 NY Ave	31,731	Louis Dryfus	$140
Jul-04	11th & New York	17,300	Tishman	$125
Feb-04	1101 K Street	27,755	JBG	$80
Dec-03	8th & G	15,690	Westworld	$105

Even with the relative high cost of development in downtown Washington, D.C., developers are still finding new project to build, based on the strong market fundamentals. The good news for the future is that new development is not constrained to just office. There is a balanced mix of residential, hotel, retail and museums that will diversify the commercial uses of the city's core.

More detail regarding the development projects in the downtown business improvement district that are listed in the adjoining table can be found on the website *http://www.dcmarketingcenter.com.*

COMMERCIAL DEVELOPMENT WITHIN THE DOWNTOWN BID

	12/31/03	12/31/04
# Projects	31	27
Total $ Value	2.0 B	1.9 B
Total SF	6.7 MM	4.6 MM
Office SF	3.1 MM	1.5 MM
Housing Units	1,673	1,326
Hotel Rooms	383	383
Retail SF	0.5 MM	.17 MM
Museums/Arts SF	0.3 MM	0.7 MM

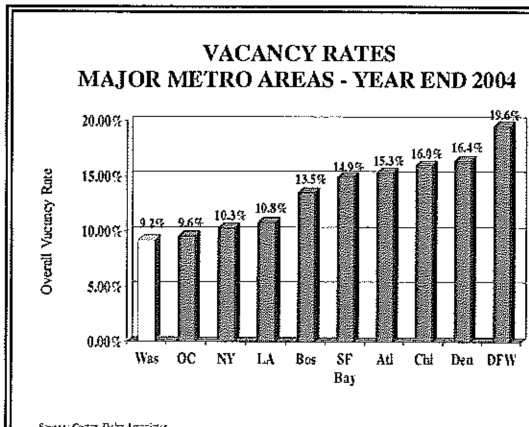
Source: Downtown BID

WASHINGTON, D.C. DEVELOPMENT
PROMINENT CLASS A OFFICE BUILDINGS UNDER CONSTRUCTION

Projects	Submarkets	Size (Sq. Ft.)	% Preleased	Developer	Projected Completion	Status
950 F Street, NW	East End	280,100	64%	Douglas Development	2005	950 F Street, NW is a historic redevelopment. Asking rents are mid $40's per square foot, full service. Alston & Bird and PharMa have signed leases to date.
1700 K Street, NW	CBD	380,000	70%	Gewirz	2005	1700 K Street, NW and 1730 K Street, NW were demolished to make way for a new Class A building at the southwest corner of 17th and K Streets, NW. Asking rents are in the mid to high $50 per square foot range, full service. The law firm of Winston & Strawn is the lead tenant. Morrison & Foerster also leased 80,000 square feet.
875 15th Street, NW Bowen Building	East End	228,000	83%	Kaempfer Company	2005	Historic redevelopment on McPherson Square. Will be built to a Trophy standard. Asking rents are anticipated to be in the $38-42 per square foot, triple net pre-lease signed with law firm of Paul Hastings for 80,000 square feet.
601 Pennsylvania Ave, NW	East End	349,000	97%	Freedom Forum	2006	One of the last trophy sites located on Pennsylvania Avenue, NW. Freedom Forum purchased the property for Newseum. Construction. Newseum is relocating from Rosslyn, Virginia.
1875 Pennsylvania Avenue, NW	CBD	290,000	100%	TMW	2006	Pre-leased to Wilmer Cutler. Part of strategic relocation plan for 550,000 + sf over a 20 year plus time frame. Occupying space in adjoining buildings.
1601 K Street, NW	CBD	250,000	89%	JBG	2006	Will look to achieve low to mid $50's per square foot, full service. Rehab / new construction. LOI signed with Kirkpatrick & Lockhart for 155,000 square feet.
701 8th Street Portrait Building	East End	150,000	60%	Trammell Crow	2006	Historic redevelopment with Calvary Baptist Church. Asking rents anticipated in the high $40's per square foot, full service. Thelen, Reid & Priest is the lead tenant.
975 F Street, NW	East End	160,000	52%	Akridge	2006	975 F Street, NW is a historic redevelopment. Property subject to a ground lease with Catholic Archdiocese. Dewey Ballantine is considering location.

"DOWNTOWN" WASHINGTON, D.C. OFFICE MARKET

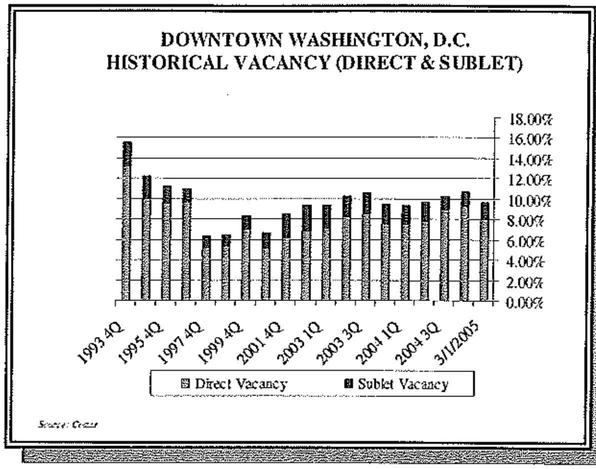
For the purposes of this report, the geographic area of Downtown Washington, D.C. is defined by Costar, and encompasses the submarkets of the East End, Central Business District (CBD), and the West End. Together, the East End and the CBD make up the bulk of the office space in Washington, D.C. accounting for approximately 2/3rds of the total office inventory. This section addresses Class A vacancy, rental rates, and leasing activity/absorption within the Downtown area.



DOWNTOWN WASHINGTON, D.C. - VACANCY

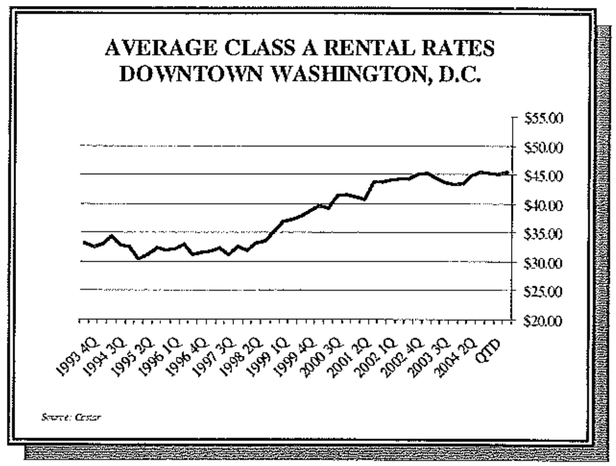
The District's vacancy rate is lower than in other major metropolitan cities. Overall, according to Costar, the vacancy (including sublet space) has hovered just below 10%. Generally, this level of vacancy is considered "healthy" by many real estate experts as the long-term natural vacancy rate. The natural vacancy rate is the rate at which the market is approximately in balance between supply and demand.

The District of Columbia continues to prove it is one of the strongest, most consistent office markets in the country. For example, during the early 1990's, despite the overbuilding that occurred across the United States and a recession, the District's occupancy did not dip below 89%. This phenomenon illustrates the historic stability for which this market is known. By 1997, the surrounding suburbs of Northern Virginia and suburban Maryland tightened so much that the market reached structural equilibrium - the point at which rental rates justify speculative construction. Between 1998-1999, the downtown vacancy rate hovered in the 5%-7% range. Even with the recent increases in the vacancy rate, largely due to a record number of new deliveries, downtown D.C. continues to absorb new space at a healthy clip, and is expected to remain stable in the near future.



DOWNTOWN WASHINGTON, D.C. - CLASS A RENTAL RATES

Over the past 10 years, the average Class A gross rental rate in Washington, D.C. has increased from approximately $33 to $45 per square foot full service, representing an annual compounded growth rate of 3.1%. The scarcity of developable land available for new supply continues to place consistent pressure on rental rates within the Washington, D.C. office market. In the Downtown submarket, average rents have remained stable since 2002, with good prospects for moderate growth. The future prospect for growth is stable, although the impact of increased tax assessments will be an important factor in influencing how much growth will occur. With the prospect of real estate tax expenses escalating for office buildings in the District by significant margins, tenants will likely become savvier in negotiating lease clauses to limit per annum expense pass-throughs. The good news is that Downtown D.C. has always carried a certain *cachet* among those tenants looking for an important business address (i.e., law firms, lobbyists), and that shows no sign of changing.



Downtown Washington, D.C. - Leasing Activity and Absorption

The below chart illustrates an important leasing dynamic in downtown Washington, D.C. This listing includes leasing activity in the trophy class buildings downtown. Although law firms account for all of the largest leases, there are nearly as many Fortune 500 companies on the list. While the Fortune 500 companies generally account for the mid range lease sizes, they make up an important component of the leasing profile in the District. Since this listing includes trophy buildings only, major government leases (GSA) are not included.

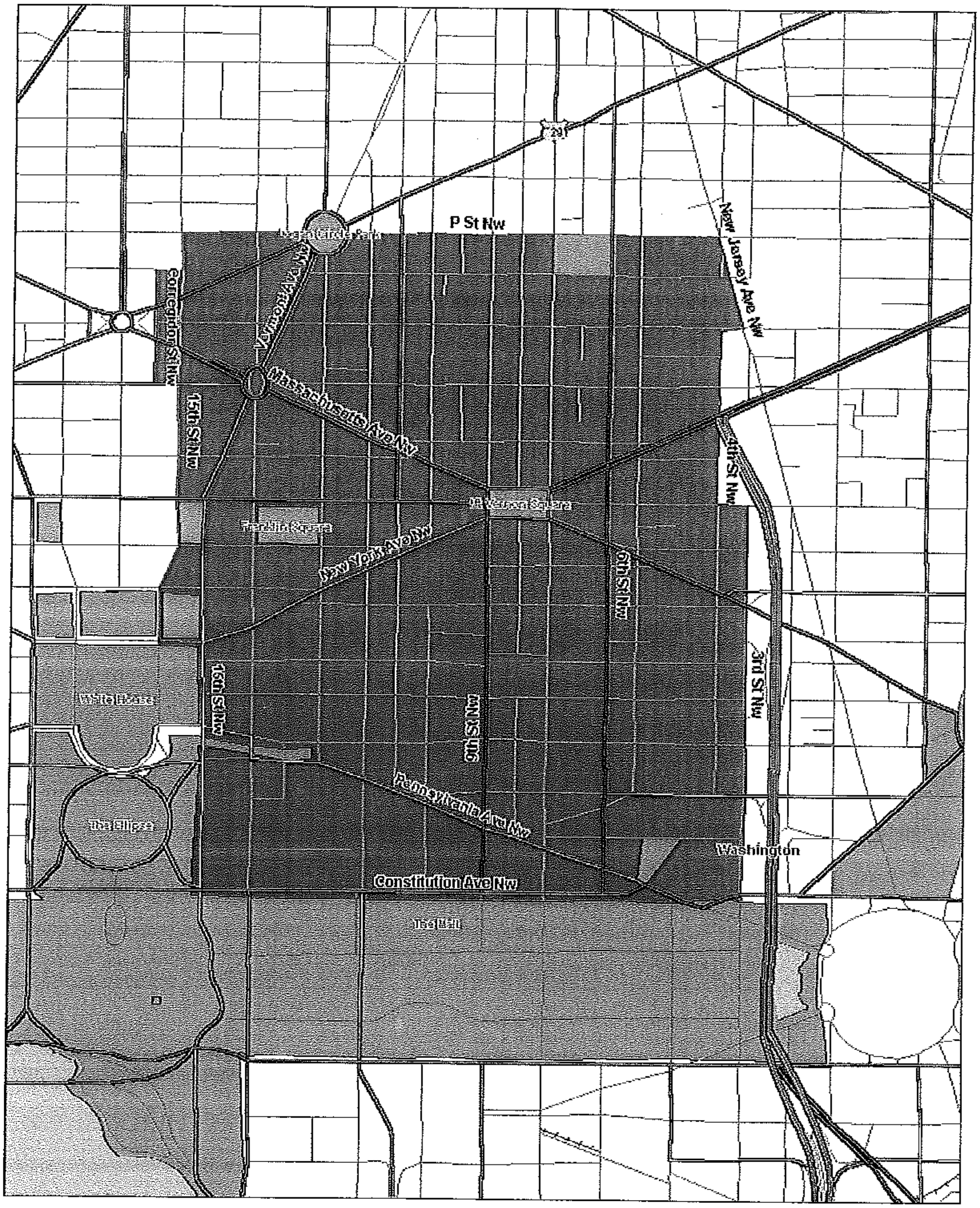
With operating expenses in the District approaching \$15.00, a \$41.00 net rent equates to a gross rent of \$56.00 per square foot. Clearly, the list below shows depth in the mid \$50.00 per square foot range for trophy buildings in the District.

Downtown Washington, D.C.
Recent Leasing Activity for Class A Buildings

Tenant	Address	Class	SF	Type	Term	Rent	Execution	TIs	Esc.
Major Law firm	950 F Street NW	A	118,000	New-Relocation	15 Yrs	$41.00 NNN	01-Jul-03	$60.00	2.25%
Major Law firm	1001 Pennsylvania Ave NW	A	105,000	Renewal	11 Yrs	$50.50 Gross	01-Mar-04	$50.00	2.50%
Major Law firm	901 New York Ave NW	A	85,131	New-Relocation	15 Yrs	$49.00 Gross	01-Jun-03	$55.00	2.50%
Major Law firm	875 15 St NW	A	85,000	New-Relocation	12 Yrs	$35.00 NNN	18-Feb-03	$65.00	2.00%
,or Law firm	1300 Eye St NW	A	81,837	New-Relocation	15 Yrs	$36.00 NNN	01-Nov-04	$65.00	2.50%
National Institute	701 Pennsylvania Ave NW	A	80,000	Renewal	11 Yrs	$50.19 Gross	01-Dec-03	$20.00	2.25%
Finance Board	1625 Eye St NW	A	68,598	New-Relocation	10 Yrs	$44.00 NNN	01-Nov-04	$65.00	2.00%
Fortune 500 Company	601 13th St NW	A	25,000	New-Relocation	10 Yrs	$36.00 NNN	15-Oct-04	$65.00	2.50%
Fortune 500 Company	701 Pennsylvania Ave NW	A	21,096	New-Relocation	5 Yrs	$54.00 Gross	01-Oct-04	$50.00	2.50%
National Corporation	1399 New York Avenue NW	A	8,530	New-Relocation	10 Yrs	$37.50 NNN	01-Dec-03	$50.00	2.50%
Engineering Firm	1401 Eye St NW	A	7,904	New-Relocation	10 Yrs	$37.50 NNN	28-Jun-04	$45.00	2.50%
Energy Company	1399 New York Avenue NW	A	3,673	New-Relocation	10 Yrs	$53.00 Gross	01-Mar-04	$40.00	2.50%
Fortune 500 Company	1300 Eye St NW	A	3,671	Renewal	5 Yrs	$37.00 NNN	01-Dec-04	$17.00	2.50%
Fortune 500 Company	1101 Pennsylvania Ave NW	A	1,461	New-Relocation	5 Yrs 4 Mths	$40.00 NNN	15-Aug-04	$6.00	2.50%

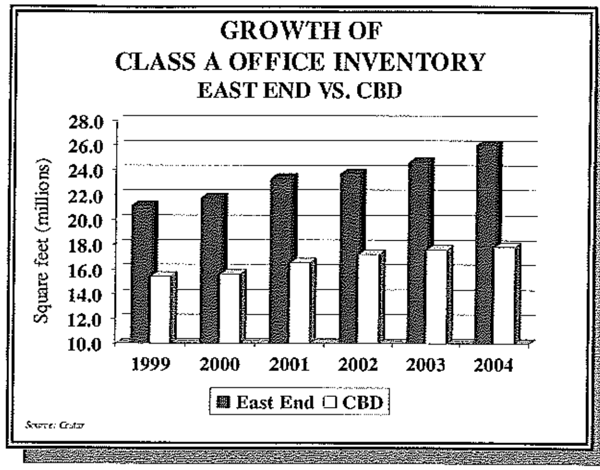
Source: Spauding & Slye

MAP OF THE EAST END SUBMARKET (COSTAR)



THE EAST END SUBMARKET

The East end submarket contains a total of 26 million square feet of Class A office space, which represents about 56% of the Class A office space in Downtown Washington, D.C. The geographic area generally encompasses the commercial district bordered by the Central Business District to the east and Capitol Hill to the west. The adjoining graphic illustrates the trade area, as defined by Costar.



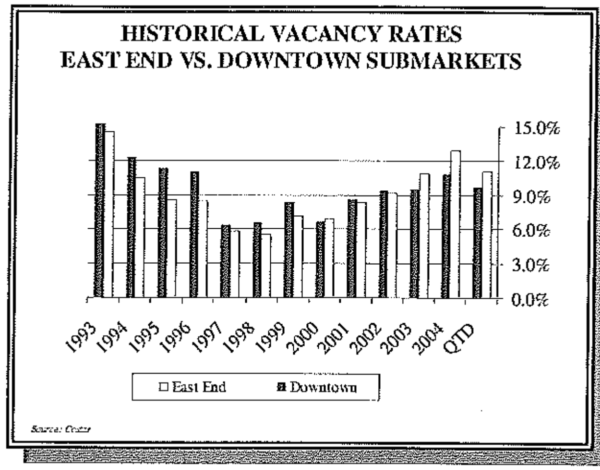
The East End is the largest submarket in terms of inventory, but it is also the submarket that has seen the greatest amount of new construction. This new construction is not limited to office, but is a balance of mixed use, office, residential and arts space. The table below outlines some of the major projects currently under construction near the subject Property. All of the projects listed below (with the exception of the Newseum) are within a few blocks of 505 9th Street, NW.

MAJOR DEVELOPMENTS UNDER CONSTRUCTION WITHIN CLOSE PROXIMITY TO 9TH & E STREETS, NW

Project	Developer	Type	Investment	Delivery
Newseum	CarrAmerica	✧ Museum + Residential ✧ Total 525,000 SF	$400 MM	2Q 2007
601 F Street (Shakespeare Theatre)	CarrAmerica	✧ Theater + Office ✧ 230,000 SF	$139 MM	2Q2007
Nat'l Portrait Gallery	Smithsonian	✧ Museum	$216 MM	7/4/2006
Artisan Condos	JBG	✧ Residential ✧ 131 units	$51 MM	1Q 2006
Ventana Condos	Douglas/Faison	✧ Residential	$28 MM	3Q 2005
Atlantic Building	Douglas/CarrAmerica	✧ Office ✧ 286,000 SF	$120 MM	1Q 2006
Portrait Building (Rehab)	Trammell Crow	✧ Office ✧ 170,000 SF	$45 MM	1 Q 2005

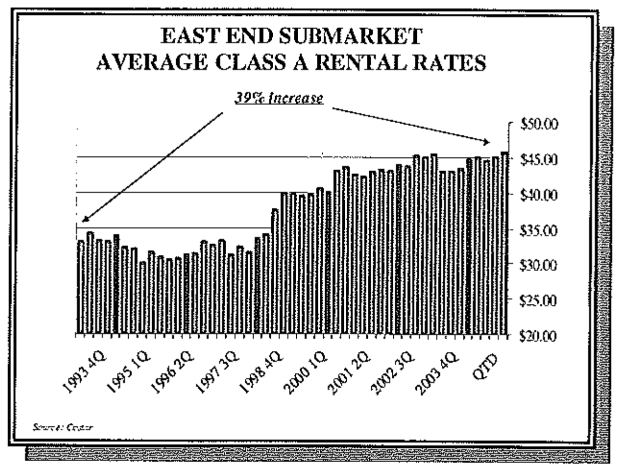
Source: Downtown BID

THE EAST END - VACANCY



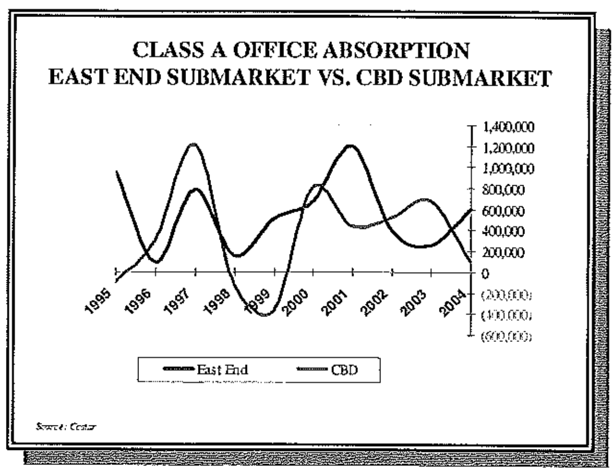
The vacancy rate in the East End has generally tracked that of the overall downtown market, however with recent new construction, the vacancy rate has climbed modestly. The vacancy rate for Downtown as of March 2005 was 9.7% (8.0% direct + 1.7% sublet), while the vacancy rate in the East End was 11.1% (9.7& direct + 1.4% sublet). The good news about new development is that there is virtually no speculative office construction; new projects generally have at lease 50% preleasing secured.

THE EAST END CLASS A RENTAL RATES



There are a finite number of development sites available in prime East End locations. The result is a supply constrained office market with market rent growth. Current rents for Class A properties are approximately $45.00 per square foot, with the newest "trophy" buildings consistently achieving rents in the mid- $50's per square foot, full service. Examples of buildings achieving the highest rents include 1700 K Street, NW, 1101 New York Avenue, NW, 950 F Street, NW and 1875 Pennsylvania Avenue, NW. Overall, over the past 10 years, rents in the East End have grown nearly 40%, which equates to 3.3% compounded annual growth.

THE EAST END - ABSORPTION



The East End continues to be one of the most stable submarkets, accounting for the majority of Class A space leased over the last 10 years. Tenants looking for high quality, Class A buildings and Metrorail proximity seek East End locations. Compared to the Central Business District, the East End has historically had a more stable rate of net absorption. In fact, since 1998, the East End has never experienced a year with negative net absorption. This stability is expected to continue, even with the high level of new construction, due to the level of pre-leasing in new projects.

THE EAST END RETAIL MARKET

Since there is a portion of the building that will be leased to retail/arts – related tenants, it is important to briefly review the retail leasing market. While market information is not as readily available for retail as it is for office, through research and contacts in the leasing industry, the following information was obtained.

East End - Retail Leases in "Trophy" Buildings

SELECTED RETAIL LEASING IN THE EAST END

Building	Tenant	Size (SF)	Lease Com. Date	Rental Rate (PSF)	Esc.	Comment
Lincoln Square	E Street Retail	4,000	May 2005	$45.00	3% annual	
555 11th Street, NW	Theater (movie)	40,000	Jan 2004	$10.00	+$50k per 5yrs	Theater
Homer Building	Coffee Shop	1,763	Jan 2004	$58.00	3.00% annual	High foot traffic location
601 13th Street, NW	Camera Shop	1,000	Jul 2003	$45.00	+$5.50 psf every 3yrs	Lease dated to 2003
	Deli	4,845	Dec 1994	$32.00	2.75% annual	Current rent on old lease
Warner Building 1299 Penn Ave, NW	Theater	39,000	Oct 1992	$7.15	None	Theater
The Gallup Building 901 F Street, NW	Restaurant	8,035	Jan 2004	$39.80	2% annual	Corner location
Gallery Place	Women's Clothing	5,720	Aug 2004	$30.00	+$2.50 psf every 2yrs	Nat'l chain – fronts 7th St
7th & G Streets, NW	Bank	2,610	Aug 2004	$60.00	+$3.00 psf every 4yrs	H Street frontage (office)
	Restaurant	3,375	Oct 2005	$40.00	+$5.00 psf every 5yrs	Facing interior courtyard

Source: For more information regarding sources, contact the author of this report.

Important to note is that this represents a cross-section of tenant types that have leased space in the East End Submarket. Also, the two theater tenants (Warner Building, Lincoln Square) were selected intentionally to highlight leasing terms that apply to a theater/arts tenant, which will be an important component of the subject development.

SOURCES AND USES

Sources	Amount	PSF GBA
Construction Loan	115,143,960	317.24
Equity (Developer)	3,838,132	10.57
Equity (Partner)	34,543,188	95.17
Total Sources	$153,525,280	$422.99

Uses	Amount	PSF GBA
Land	51,530,252	141.98
Hard Costs	42,577,936	117.31
Soft Costs	9,488,428	26.14
Tenant Improvements	21,668,294	59.70
Leasing Commissions	8,725,390	24.04
Construction Interest	15,265,201	42.06
Hard Cost Contingency	2,125,397	5.86
Soft Cost Contingency	474,421	1.31
Financing Costs	1,669,961	4.60
Total Uses	$153,525,280	$422.99

CONSTRUCTION LOAN TERMS

The loan will be 3 years with two 1-year extentions. Interest on the loan will be 3.5% and there is an origination fee of 85 basis points. The institutional equity partner will provide a $25 million repayment guaranty, completion guaranty, environmental and certain non-recourse carveouts.

As part of a pre-lease, there will likely be certain provisions requiring the Developer to meet construction deadlines over the construction period. If the Borrower fails to meet these requirements, the Borrower must pay a penalty to the pre-lessee in the amount specified in the pre-lease.

Maximum Loan Amount: Shall be the lesser of (i) $115.5 MM or (ii) 75% of total development costs based on a final approved development budget currently estimated to be $153.5 MM, or (iii) 70% of the stabilized appraised value of the project.

Initial Loan Amount: As a contingency to funding, the Developer shall have obtained all necessary zoning, construction contracts, and building permits needed to complete the project. Until such time the amount funded cannot exceed the lesser of (i) $25 million or (2) $140/FAR (cost of land).

Interest Rate: LIBOR + 1.60%

Amortization: Interest only

Pre-leasing Requirement: Closing will be subject to the preleasing of at least 50% of the rentable area of the building. Lease shall be fully executed by landlord and tenant.

Collateral: Secured by 1st deed of trust on all land and improvements, and assignment of all related leases, rents, personal property. Subordinate financing or third party guaranty obligations secured by the Property will not be permitted.

Initial Term: 36 months from close.

Extention Options: Two 12 month options for a fee of 0.2% of the then outstanding loan amount. Approval of the extention is in the absolute discretion of the Lender.

Origination Fee: Origination fee of 85 bps on the full commitment. Underwriting fee of $200,000.

Summary of Construction Loan Terms

Total Loan Amount	$113,797,500	75.0% of H/S Costs
30-d LIBOR	3.00%	
Spread	1.50%	
Interest Rate*	4.50%	
Term	3	years
Amortization	interest only	
Annual Debt Service	$1,355,489	Month (1-12)
Annual Debt Service	$4,330,806	Month (13-24)
Annual Debt Service	$4,513,371	Month (25-30)
Construction Loan Fee (85bp)	$967,279	
Lender U/W Fee	$200,000	

* *Note to account for potenial increase in LIBOR, the interest rate is adjusted by +25bps every 12 months*

SCHEDULE OF CONSTRUCTION COSTS

GBA 362,953
NRA 326,617

			PROJECTED FINAL COST	$/GBA	$/NRA
Hard Construction Costs - Base Building					
Base Building - Demo (parking lot)			90,738	0.25	0.28
Base Building (Below Grade - Garage)		see schedule building desc.	9,037,500	24.90	27.67
Base Building (Above Grade)		$85.00 PSF GBA	30,851,005	85.00	94.46
Gen. Contractor-Pre Const. Fees/Exp.			18,148	0.05	0.06
Gen. Contractor-Fee	3.0%	Base Building Exp.	1,196,655	3.30	3.66
Testing & Inspection			297,621	0.82	0.91
PEPCO-Electric Service			326,658	0.90	1.00
Security Equipment & Wiring			217,772	0.60	0.67
VAV Boxes			235,919	0.65	0.72
Fitness Center			235,919	0.65	0.72
Environmental	$2.00	per land sf	70,000	0.19	0.21
Contingency @	5.0%	hard costs	2,125,397	5.86	6.51
		Subtotal	$44,703,333	$123.17	$136.87
Land Acquisition/Delivery Costs					
Land Cost			48,998,655	135.00	150.02
Preconstruction -carry			272,215	0.75	0.83
Closing Costs/Transfer Taxes/Legal (3.5%)			1,714,953	4.25	5.25
Broker Sale Commission			544,430	1.50	1.67
		Subtotal	$51,530,252	$141.50	$157.77
Tenant/Leasing Costs					
Tenant Allowances			20,688,321	57.00	63.34
Tenant Test Fit			181,477	0.50	0.56
Leasing Commission			8,725,390	24.04	26.71
Legal Fees			362,953	1.00	1.11
Marketing/Public Relations			435,544	1.20	1.33
		Subtotal	$30,393,684	$83.74	$93.06
Soft Costs					
Architect	2.5%	Base Building Exp.	999,481	2.75	3.06
MEP, Strucutre, Civil Eng	1.5%	Base Building Exp.	599,689	1.65	1.84
Geotechnical			21,777	0.06	0.07
Consultant PEPCO Utilities			25,407	0.07	0.08
Consultant Environmental			10,889	0.03	0.03
Accounting Review/Inspection			286,733	0.79	0.88
Other Consultants and Reimbursables			453,691	1.25	1.39
		Subtotal	$2,397,666	$6.61	$7.34
Other					
Zoning			119,774	0.33	0.37
Surveys			58,072	0.16	0.18
Misc. Printing			65,332	0.18	0.20
Permit Fees/Deposits			362,953	1.00	1.11
Insurance			475,468	1.31	1.46
RE Taxes - Construction (thru 12/07)			4,472,668	12.32	13.69
Development fee (2% Hard Costs)			894,067	2.46	2.74
Legal Fees - Construction			214,142	0.59	0.66
Misc professional fees			141,552	0.39	0.43
Audit Costs/Tax Studies			286,733	0.79	0.88
Contingency @	5.0%	soft costs	474,421	1.31	1.45
		Subtotal	$7,565,183	$20.84	$23.16
Total Hard & Soft Costs			$136,590,119	$376.33	$418.20
Financing Costs					
Construction Loan Costs + Legal Fees			1,669,961	4.60	5.11
Construction Interest (thru 7/08)			15,265,201	42.06	46.74
		Subtotal	$16,935,162	$46.66	$51.85
		TOTAL	$153,525,280	$422.99	$470.05

STABILIZED PROFORMA & ASSUMPTIONS

Income

Base Rent – the rent roll table below outlines the absorption schedule for the new building, along with the rental rates, and tenant improvement allowances. Year 1 of the stabilized proforma is fiscal year 2009. Even though there are new leases executed in this first year, it is assumed that the tenant improvement allowance (over a warm lighted shell) is paid for out of the contruction budget. As this is a stabilized proforma, it is assumed the building is fully leased.

RENT ROLL

Floor	Suite	NRA	Tenant	Lease Comm	Term (yrs)	Rent	Esc.	TI's
10	1000	31,430	Spec Tenant 1	Jul-08	10	$45.00	2.50%	$60.00
9	900	31,430	Spec Tenant 2	May-08	10	$45.00	2.50%	$60.00
8	800	31,430	Spec Tenant 3	Mar-08	10	$45.00	2.50%	$60.00
7	700	31,430	Lawfirm (Lead)	Jan-08	15	$45.00	2.5% + $2.00 Bump	$60.00
6	600	31,430	Lawfirm (Lead)	Jan-08	15	$45.00	2.5% + $2.00 Bump	$60.00
5	500	31,430	Lawfirm (Lead)	Jan-08	15	$45.00	2.5% + $2.00 Bump	$60.00
4	400	31,430	Lawfirm (Lead)	Jan-08	15	$45.00	2.5% + $2.00 Bump	$60.00
3	300	31,430	Lawfirm (Lead)	Jan-08	15	$45.00	2.5% + $2.00 Bump	$60.00
2	200	31,430	Lawfirm (Lead)	Jan-08	15	$45.00	2.5% + $2.00 Bump	$60.00
Ground	100	2,500	Retail	May-08	5	$45.00	2.50%	$60.00
	125	3,000	Theater	Mar-08	20	$15.00	$5.00 psf every 5 yrs	$35.00
	150	15,000	Theater	Mar-08	20	$15.00	$5.00 psf every 5 yrs	$35.00
Concourse	C-25	10,000	Theater	Mar-08	20	$15.00	0.00%	$10.00
	C-35	10,000	Lawfirm (Lead)	Jan-08	15	$20.00	0.00%	$10.00
	C-50	3,250	Storage	Jun-08	5	$20.00	0.00%	$10.00
		326,617						

Reimbursements – office tenants pay building expenses on a triple net basis (all building expenses), while retail tenants pay net of taxes and insurance only. Tenants in the concourse space below grade do not pay reimbursements.

Parking Income – it is asssumed that the garage will be managed by a third party operator (such as Colonial) under an operating licence agreement. The terms of this agreement will be based on market terms, which is generally 10% of adjusted gross receipts (AGR). AGR is income after expenses, with major expenses being maintenance & repair, payroll, and liability insurance. Landlord is responsible for the structural integrity of the garage. Income will be from monthly permits and daily charges. Monthly permits will be made available ranging in price from $270 per month for a reserved space, to $220 for a monthly unreserved space, while daily parkers will be charged $10-$14 per day, based on market and availability. Based on preliminary discussions with Colonial, it is expected that the garage will earn an

average of $215 per month per space, with income in the first year approximately 75% (during stabilization).

PARKING INCOME

Space Type	% of Garage	Monthly Rate
Reserved	10%	$270
Monthly Permit	70%	$220
Transient	20%	$170
		$215

$215	per space
252	spaces
$650,160	annual income
$9.55	psf net income (95,385 sf)

Expenses

To estimate the stabilized operating expenses for the Property, expenses for comparable buildings in the submarket were reviewed. The table below summarizes the comparable building expenses with the proforma projection for the Project.

Note: Variable expense are those expenses that are dependent on occupancy. For example, the utility expense will be less for a building that is 25% occupied, than for a building that is 100% occupied. To account for variable expense during stabilization of the Project, the following expenses are classified as variable, as noted below.

STABILIZED OPERATING EXPENSES – COMPARABLE OFFICE BUILDINGS

	Comp1	Comp2	Comp3	Project	
Size (SF)	186,347	448,246	187,624	326,617	
Stories	11	12	12	10	
Yr Built	2002	1990	2002	2007	
% Leased	100%	87%	100%	Stabilized	
Expense Category ($/SF)				**CY 2005**	**CY 2008**
Cleaning	$3.47	$2.33	$1.89	$2.57	$2.72
Utilities	$2.60	$2.25	$2.33	$2.39	$2.54
Management	$1.57	$1.56	$1.34	$1.49	$1.58
R&M	$1.80	$3.17	$2.15	$2.37	$2.52
Administrative	$0.89	$1.43	$1.91	$1.41	$1.50
Insurance	$0.35	$0.31	$0.57	$0.41	$0.44
Taxes	$7.45	$7.44	$6.74	$7.21	$8.21
Total Expenses	**$18.13**	**$18.49**	**$16.93**	**$17.85**	**$19.50**

The current stabilized operating expenses are estimated to be $19.50 per square foot in 2008. This amount is based on average 2005 expenses for comparable buildings, grown by 2.0% per annum for three years, and continues to grow at this rate through the projection. A detailed description of the operating expense categories is provided below.

Cleaning – this includes janitorial services, which will be run through a contract to third party company. The three comparable buildings all have major law firm tenancy, so the average amount is represenative of the level of services that will be required. This expense does not include additional cleaning for the retail/theater component; as such this expense is not passed through as a reimbursable expense to those tenants. It is assumed that retail/theater tenants will have separate contracts for cleaning. This is a 75% varible expense.

Utilities – this includes all utilities for the building. Some of this expense may include overtime HVAC (usage after normal building hours), and in such case, the landlord would be entitled to charge for overtime useage, in accordance with the terms negotiated in the lease. During the design of the building, and in consultation with the lead anchor tenant, it may be economically prudent to conform to some level of LEED standard, which would yield cost savings of 15%-25%. LEED standards are addressed in the Site Description section of this memorandum. This is a 50% variable expense.

Management – as indicated earlier, the property management services will be provided by contract to a third party. The management fee in the D.C. market is usually set as a percentage of Effective Gross Income. In this case, it is assumed to be 2.5%.

Repairs & Maintenance – this includes general maintenance and repair to common areas, façade, roof, and interior tenant spaces. Major line items would be electrical, elevator, plumbing, window cleaning, snow removal and HVAC. In addition, the Property Management company will have a dedicated maintenance staff (generally – 1 Chief Engineer, 2 technicians). The maintenance staff payroll expense will be allocated to this category. This is a 25% variable expense.

Administrative – this includes other costs related to the operations of the building – grounds & security, concierge, office expenses (telephone/computer), audit expenses, advertising, tenant relations functions, and other miscellaneous expenses related to the operation of the Property.

Insurance – the expense for comparable properties include property & liability coverage, with some level of terrorism risk coverage. This expense has escalated significantly in the last three years, from an average of $0.20 per square foot to nearly $0.40 per square foot). For this Property, the average of the three insurance expenses for comparable buildings is used to estimate the 2005 expense.

Real Estate Taxes – this expense also has increased significantly in the last three years as property assessments have increased. The taxes for all of the parcels together are currently assessed at $29,257,750 (2006). The DC assessors office will usually set the first assessment at the amount of the development costs for the property, and then re-assess the following year (2009), based on the leasing of the property. As of 2005, the tax rate for commercial office buildings is $1.85 per $100 assessed value, and it is assumed these tax rates will be in effect throughout the investment period.

Upon stabilization, the taxes are based on an assessment of $150,000,000, which equates to a tax of $2,775,000 ($8.49 PSF). In addition, the Property will be subject to a business improvement tax of approximately $0.145 per square foot. The downtown business improvement district is discussed in the Area Overview section of this memorandum.

The following table provides information regarding the existing RE tax assessment, and the estimated increases as the Project stabilizes.

PROJECTED REAL ESTATE ASSESSMENT AND TAXES

Square	Lot	Land Area	Owner Name	Assessment 2005	Assessment 2006	Projected 2007	Projected 2008	Projected 2009
406	815	4397	KEG Associates	$3,094,660	$3,616,250			
406	812	501	KEG Associates	$352,610	$412,000			
406	803	4299	KEG Associates	$3,025,700	$3,535,750			
406	800	11480	KEG Associates	$8,079,810	$9,441,750			
406	816	14897	Jan Evans Trustees	$10,484,740	$12,252,000			
			Total Assessment	$25,037,520	$29,257,750	$85,000,000	$125,000,000	$150,000,000
		Property Taxes	$1.85 per $100	$463,194	$541,268	$1,572,500	$2,312,500	$2,775,000
		B.I.D. Taxes	$0.145 per SF	$0	$0	$0	$46,400	$46,400
				$463,194	$541,268	$1,572,500	$2,358,900	$2,821,400

Capital Expenditures

Tenant Improvements and Leasing Commissions: 2008 tenant improvements and leasing commissions are summarized below in the following table. These capital costs are projected to grow at 2% per annum throughout the period (2008 = Year 1).

TENANT IMPROVEMENTS AND LEASING COMMISSIONS

	Retail Bay	Theater	Office 2-7	Office 8-10
Renewal Probability	75.0%	75.0%	75.0%	75.0%
Tenant Improvements				
New	$15.00	$35.00	$45.00	$45.00
Renew	$5.00	$10.00	$10.00	$10.00
Weighted avg.	$7.50	$16.25	$18.75	$18.75
Leasing Commissions				
New	5.00%	5.00%	5.00%	5.00%
Renew	3.00%	3.00%	3.00%	3.00%
Weighted avg.	3.50%	3.50%	3.50%	3.50%

Capital Reserves: Capital reserve is $0.15 per square foot. It is escalated at 2.0% per annum throughout the projection period.

EXIT STRATEGY

After completion of the construction, and stabilization of the project, the construction loan will be paid off in one of two ways: immediate sale of the asset or refinance to a permanent loan and hold. The exit strategy used will depend on market conditions in 2008 when the project stabilizes, with the ultimate goal of maximizing returns to the equity investors. If the leasing market is soft or there is a significant delay in the stabilization of the Project, another option would be to extend the construction loan into a "mini-perm" loan of short term duration (1-2 years).

If the investment sales market remains strong as it is in 2005, where trophy buildings sell for north of $600-$650 per square foot (see market section for recent transactions), then the first option would have the best return. However, if market conditions dictate a longer term hold strategy, then option two (refinancing) should be considered.

Sales Assumption

Since the end of 2004, there have been three buildings that have sold for in excess of $600 per square foot – 1900 K Street, 555 11th Street (Lincoln Square), and 1875 K Street. The capitalization rates in these transactions were all below 6.5%. Stabilized values for this Project listed below, but as a conservative estimate, utilzes a 7.5% capitalization rate. Clearly today's market would support a higher valuation, and this scenario will be explored in the following section.

Year 4 (Stabilized NOI)	$13,035,535
Terminal Cap Rate	7.50%
Gross Residual Value	$173,807,133
Less: Sales Expenses*	1.75%
Net Residual Value	$170,765,509
PSF	$523

* Note: Sales Expenses are	
Transfer Tax	1.10%
Broker Fees	0.50%
Closing/Legal Costs	0.15%
Total Sales Expenses	1.75%

Refinance with Permanent Loan

Based on estimated loan terms for a 10-year term, 30 year amortization loan with an interest rate of 6.50% (5.00% index + 1.50% spread), 70% loan to value. The interest rate is above the current market of 5.45% (4.25% index 1.20% spread), however for purposes of projecting the loan in 2008, the increased index and spread is used as a conservative estimate.

Summary of Permanent Loan Terms	
LTV on Stabilized Value	70.0%
Loan Amount	$121,444,139
Term	10
Index (US Treasury)	5.00%
Spread	1.50%
Interest Rate	6.50%
Amortization	30
Monthly Payment	($767,610)
Annual Payment	($9,211,315)
Loan Constant	7.58%
Perm Loan Fee (85bps)	1,032,275

Three scenarios are considered in addition to the base case: construction hard costs increase by 20%; the investment sales market remains robust (as it is today) with sales capitalization rate of 6.50%; and interest rates increase where the 10-year treasury moves from its current level of 4.30% to 6.00%.

I. BASE CASE

In this scenario, the assumptions are equal to those described in the Financial Overview Section. The construction costs are estimated using current expense levels for comparable developments. The rental rates are also in-line with comparable leases that have recently been executed in the market. Although rental rates of $45.00 NNN is on the upper end of the range with most of the major law firm leases signed in the lower $40.00's PSF NNN or mid $50.00's PSF full service. The capitalization rates for the exit value assumptions are generally conservative compared to today's market with approximately 100 basis point increase. The project equity IRR is leveraged.

Capitalization	
Equity	$38.3 MM
Construction Loan	$115.1 MM
Construction Costs	
Hard Costs	$44.7 MM
Land Acquisition/Delivery	$51.3 MM
Soft Costs	$40.4 MM
Financing Costs	$16.9 MM
Total / PSF	$153.4 MM / $423 PSF (gross)
Rental Rates	
Office	$45.00 PSF NNN
Retail	$45.00 PSF NN (taxes, insurance)
Theater	$10.00 PSF
Stabilized NOI (FY 2009)	$13,035,535
Sell upon stabilization	
Year 4 Exit Cap Rate	7.50%
Net Residual Value / PSF	$170.8 MM / $523 PSF (rentable)
Project Equity IRR	20.6%
Refinance & Hold	
Permanent Loan terms	70% LTV, 10 /30, 6.50% interest rate
Permanent Loan Amount	$121.4 MM
Year 10 Exit Cap Rate	8.0%
Net Residual Value / PSF	$191.9 MM / $587 PSF
Project Equity IRR	25.0%

	Construction Period			Stabilized Period							
Fiscal Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
Begin	Jul-05	Jul-06	Jul-07	Jul-08	Jul-09	Jul-10	Jul-11	Jul-12	Jul-13	Jul-14	Jul-14
End	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15	Jun-15
Construction CF (After Debt Svc)	(82,228,260)	(36,129,415)	(35,167,605)	-	-	-	-	-	-	-	-
Stabilized CF (Unleveraged)	-	-	-	13,035,535	13,305,026	13,580,427	13,862,020	14,349,179	15,016,317	15,318,127	15,623,693
	(82,228,260)	(36,129,415)	(35,167,605)	13,035,535	13,305,026	13,580,427	13,862,020	14,349,179	15,016,317	15,318,127	15,623,693

OPTION 1 - SELL UPON STABILIZATION

Assumptions

Year 4 (Stabilized NOI)	$13,035,535	* Note: Sales Expenses are	
Terminal Cap Rate	7.50%	Transfer Tax	1.10%
Gross Residual Value	$173,807,133	Broker Fees	0.50%
Less: Sales Expenses*	1.75%	Closing/Legal Costs	0.15%
Net Residual Value	$170,765,509	Total Sales Expenses	1.75%
PSF	$523		

Project Equity Returns

Year	**1**	**2**	**3**
Equity Investment	(37,932,500)	-	-
New Loan Proceeds	-	-	-
Construction Loan Payoff	-	-	(115,592,780)
Sale Proceeds	-	-	170,765,509
	(37,932,500)	-	55,172,728

IRR	20.6%	% OF IRR FROM RESIDUAL	100%

OPTION 2 - REFINANCE & HOLD THRU YEAR 10

Assumptions

(Stabilized NOI - For loan Sizing)	$13,035,535	Index (US Treasury)	5.00%				
Terminal Cap Rate	7.50%	Spread	1.50%	Year 11 (Stabilized NOI)	$15,623,693	* Note: Sales Expenses are	
Gross Residual Value	$173,807,133	Interest Rate	6.50%	Terminal Cap Rate	8.00%	Transfer Tax	1.10%
LTV on Stabilized Value	70.0%	Amortization	30	Gross Residual Value	$195,296,163	Broker Fees	0.50%
Loan Amount	$121,444,139	Monthly Payment	(767,610)	Less: Sales Expenses*	1.75%	Closing/Legal Costs	0.15%
Term	10	Annual Payment	(9,211,315)	Net Residual Value	$191,878,480	Total Sales Expenses	1.75%
		Loan Constant	7.58%	PSF	$587		
		Perm Loan Fee (85bps)	$1,032,275				

Project Equity Returns

Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Operating Cash Flows Before Debt	-	-	-	13,035,535	13,305,026	13,580,427	13,862,020	14,349,179	15,016,317	15,318,127
Debt Service	-	-	-	(9,211,315)	(9,211,315)	(9,211,315)	(9,211,315)	(9,211,315)	(9,211,315)	(9,211,315)
Equity Investment	(37,932,500)	-	-	-	-	-	-	-	-	-
New Loan Net Proceeds	-	-	120,411,863	-	-	-	-	-	-	-
Construction Loan Payoff	-	-	(115,592,780)	-	-	-	-	-	-	-
Sale Proceeds	-	-	-	-	-	-	-	-	-	$191,878,480
	(37,932,500)	-	4,819,083	3,824,220	4,093,711	4,369,112	4,650,705	5,137,864	5,805,002	197,985,292

IRR	25.0%

% OF IRR FROM	
Cash Flow	24%
Refinance	8%
Residual	68%

CONSTRUCTION DRAW SCHEDULE - BASE CASE

MONTHLY CONSTRUCTION SCHEDULE

1 Base Building - Demo (parking lot)
2 Base Building (Below Grade - Garage)
3 Base Building (Above Grade)
4 Gen. Contractor Pre Const. Fees/Exp.
5 Gen. Contractor Fee
6 Testing & Inspection
7 PECO Electric Service
8 Security Equipment & Wiring
9 VAV Boxes
10 Fitness Center
11 Environmental
12 Contingency @
13 Land Cost
14 Preconstructio
15 Closing/Ti
16 Broker's
17 Tra
18 T
19

90.7%
9,033
30.

Mar-06 9	2Q Apr-06 10	May-06 11	Jun-06 12	3Q Jul-06 13	Aug-06 14	Sep-06 15	4Q Oct-06 16	Nov-06 17	Dec-06 18	1Q Jan-07 19	Feb-07 20	Mar-07 21	2Q Apr-07 22	May-07 23	Jun-07 24	3Q Jul-07 25	Aug-07 26	Sep-07 27	4Q Oct-07 28	Nov-07 29	Dec-07 30	Jan-08 31	Feb-08 32	Mar-08 33	Apr-08 34	May-08 35	Jun-08 36
	9,074																										
	1,713,945	1,713,945	1,713,945	1,713,945	1,713,945	1,713,945	1,713,945	1,713,945	1,713,945	1,713,945	1,713,945	1,713,945	1,713,945	1,713,945	1,713,945	1,713,945											
	861	49,861	49,861	49,861	49,861	49,861	49,861	49,861	49,861	49,861	49,861	49,861	49,861	49,861	49,861												
											217,772																
											235,919					235,919											
			88,558	88,558	88,558	88,558	88,558	88,558	88,558	88,558	88,558	88,558	88,558	88,558	88,558												
													2,068,832	2,068,832	2,068,832	2,068,832	2,068,832			2,068,832	2,068,832			2,068,832	2,068,832		2,068,832
													181,477														
																2,181,348			2,181,348		2,181,348						
															217,772												
																	158,480										
							786,250					786,250							1,179,450					1,179,450			
					7,253	37,253	37,253	37,253	37,253	37,253	37,253	37,253	37,253	37,253	37,253												
																95,578											
					19,768	19,768	19,768	19,768	19,768	19,768	19,768	19,768	19,768	19,768	19,768	-	-	-	-	-	-	-	-	-	-	-	-
					09,384	1,909,384	2,695,634	1,909,384	1,909,384	1,909,384	2,363,075	2,695,634	4,159,692	3,978,216	4,195,988	6,295,621	2,227,322	-	3,360,798	2,068,832	4,250,180	-	-	3,248,282	2,068,832	-	2,068,832
					09,384	1,909,384	2,695,634	1,909,384	1,909,384	1,909,384	2,363,075	2,695,634	4,159,692	3,978,216	4,195,988	6,295,621	2,227,322	-	3,360,798	2,068,832	4,250,180	-	-	3,248,282	2,068,832	-	2,068,832
					3,106	48,922,490	51,618,124	53,527,508	55,436,892	57,346,276	59,709,351	62,404,985	66,564,677	70,542,893	74,738,881	81,034,502	83,261,824	83,261,824	86,622,622	88,691,454	92,941,633	92,941,633	92,941,633	96,189,915	98,258,748	98,258,748	100,327,580
					3,832	305,766	322,613	334,547	346,481	358,414	373,183	390,031	416,029	440,893	467,118	709,052	728,541	728,541	757,948	776,050	813,239	813,239	813,239	841,662	859,764	859,764	877,866
					3,216)	(2,215,149)	(3,018,247)	(2,243,931)	(2,255,864)	(2,267,798)	(2,736,259)	(3,085,665)	(4,575,722)	(4,419,109)	(4,663,106)	(7,004,673)	(2,955,863)	(728,541)	(4,118,745)	(2,844,882)	(5,063,419)	(813,239)	(813,239)	(4,089,944)	(2,928,596)	(859,764)	(2,946,698)

505 9th STREET

Stabilized Proforma - BASE CASE

	PSF	1 Jun-09	2 Jun-10	3 Jun-11	4 Jun-12	5 Jun-13	6 Jun-14	7 Jun-15	8 Jun-16	9 Jun-17	10 Jun-18	11 Jun-19
Rentable Square Footage:		326,617										
INCOME												
Base Rent	$41.68	$13,614,766	$13,896,151	$14,183,721	$14,477,603	$14,711,939	$14,973,876	$15,285,602	$15,604,738	$15,930,931	$16,311,810	$16,895,690
Absorption & Turnover Vacancy	0.00	-				(27,200)	(17,147)				(615,136)	(354,593)
Recoveries	17.11	5,587,872	5,699,825	5,814,007	5,930,638	6,049,532	6,179,083	6,307,107	6,433,124	6,565,233	6,414,102	6,660,142
Parking	2.07	675,960	689,479	703,269	717,334	731,681	746,314	761,241	776,466	791,995	807,835	823,991
General Vacancy	(1.83)	(596,358)	(608,564)	(621,030)	(633,767)	(625,845)	(661,046)	(691,834)	(705,645)	(719,860)	(110,913)	(390,945)
Effective Gross Income	**$59.04**	**$19,282,240**	**$19,676,891**	**$20,079,967**	**$20,491,808**	**$20,840,107**	**$21,221,080**	**$21,662,116**	**$22,108,683**	**$22,568,299**	**$22,807,698**	**$23,634,285**
OPERATING EXPENSES												
Cleaning	$2.57	$840,974	$857,794	$874,950	$892,449	$909,378	$928,034	$947,074	$966,015	$985,335	$979,500	$1,010,562
Utilities	2.45	800,083	816,085	832,407	849,055	865,463	883,065	901,024	919,044	937,425	940,273	966,220
Maint & Repair	2.48	808,429	824,598	841,090	857,912	874,786	892,426	910,423	928,631	947,204	958,260	980,968
Management	1.48	482,056	491,922	501,999	512,295	527,878	548,206	559,232	570,396	581,887	586,890	602,643
RE Taxes	8.21	2,681,526	2,735,156	2,789,859	2,845,656	2,902,570	2,960,621	3,019,833	3,080,230	3,141,835	3,204,671	3,268,765
Insurance	0.44	143,711	146,586	149,517	152,508	155,558	158,669	161,842	165,079	168,381	171,749	175,183
Admin	1.50	489,926	499,724	509,718	519,913	530,311	540,917	551,736	562,770	574,026	585,506	597,216
Total Expenses	$19.13	$6,246,705	$6,371,865	$6,499,540	$6,629,788	$6,765,944	$6,911,938	$7,051,164	$7,192,165	$7,336,093	$7,426,849	$7,601,557
NET OPERATING INCOME	**$39.91**	**$13,035,535**	**$13,305,026**	**$13,580,427**	**$13,862,020**	**$14,074,163**	**$14,309,142**	**$14,610,952**	**$14,916,518**	**$15,232,206**	**$15,380,849**	**$16,032,728**
CAPITAL EXPENDITURES												
Tenant Improvements	$0.00	-					28,982				768,919	1,617,572
Leasing Commissions	0.00	-					27,696				714,249	1,503,460
Capex Reserve	0.15	48,993	50,462	51,976	53,535	55,142	56,796	58,500	60,255	62,062	63,924	65,842
Total Capital Costs	$0.15	$48,993	$50,462	$51,976	$53,535	$55,142	$113,474	$58,500	$60,255	$62,062	$1,547,092	$3,186,874
CASH FLOW BEFORE DEBT SERVICE	**$39.76**	**$12,986,542**	**$13,254,564**	**$13,528,451**	**$13,808,485**	**$14,019,021**	**$14,195,668**	**$14,552,452**	**$14,856,263**	**$15,170,144**	**$13,833,757**	**$12,845,854**

II. CONSTRUCTION HARD COSTS INCREASE BY 20%

In this scenario, the construction hard costs are increased by 20% over the Base Case Scenario. As result, the total cost of the development increases from \$153.5 MM (\$423 PSF) to \$165.2 MM (\$455 PSF). Both the construction loan and the equity required increases to cover the increase in construction costs. While the stabilized NOI does not change, and the exit value assumption in Year 4 remains the same, the outstanding balance on the construction loan is significantly greater. Under the immediate sale option, the IRR drops from 20% to 7%. Under the refinance and hold option, the permanent loan has to be increased from 70% to 75% LTV to cover the larger balance of the construction loan. To account for the higher leverage, the interest rate spread was increased from 150 to 175 basis points over the comparable term treasury. The impact to the IRR under the refinance and hold scenario declines to 23% from 25% in the Base Case scenario. The decline is not as pronounced in the refinance and hold option because approximately 20% of the IRR is coming from seven years of stabilized cash flow.

Capitalization	
Equity	\$41.3 MM
Construction Loan	\$123.9 MM
Construction Costs	
Hard Costs	\$54.2 MM
Land Costs	\$51.5 MM
Soft Costs	\$40.9 MM
Financing Costs	\$18.6 MM
Total / PSF	\$165.2 MM / \$455 PSF (gross)
Rental Rates	
Office	\$45.00 PSF NNN
Retail	\$45.00 PSF NN (taxes, insurance)
Theater	\$10.00 PSF
Stabilized NOI (FY 2009)	\$13,035,535
Sell upon stabilization	
Year 4 Exit Cap Rate	7.50%
Net Residual Value / PSF	\$170.8 MM / \$523 PSF (rentable)
Project Equity IRR	7.1%
Refinance & Hold	
Permanent Loan terms	75% LTV, 10 /30, 6.50% interest rate
Permanent Loan Amount	\$130.1 MM
Year 10 Exit Cap Rate	8.0%
Net Residual Value / PSF	\$191.8 MM / \$587 PSF
Project Equity IRR	23.4%

SENSITIVITY ANALYSIS

CONSTRUCTION HARD COSTS INCREASE BY 20%

Sources	Amount	PSF GBA
Construction Loan	123,909,134	341.39
Equity (Developer)	4,130,304	11.38
Equity (Partner)	37,172,740	102.42
Total Sources	$165,212,179	$455.19

Uses	Amount	PSF GBA
Land	51,530,252	141.98
Hard Costs	51,093,523	140.77
Soft Costs	9,997,277	27.54
Tenant Improvements	21,668,294	59.70
Leasing Commissions	8,725,390	24.04
Construction Interest	16,967,046	46.75
Hard Cost Contingency	3,060,571	8.43
Soft Cost Contingency	499,864	1.38
Financing Costs	1,669,961	4.60
Total Uses	$165,212,179	$455.19

SCHEDULE OF CONSTRUCTION COSTS

SENSITIVITY ANALYSIS - HARD COSTS INCREASE 20%

				PROJECTED FINAL COST	$/GBA	$/NRA
GBA 362,953						
NRA 326,617						
Hard Construction Costs - Base Building						
Base Building - Demo (parking lot)				108,886	0.30	0.33
Base Building (Below Grade - Garage)		see schedule building desc.		10,845,000	29.88	33.20
Base Building (Above Grade)		$85.00 PSF GBA		37,021,206	102.00	113.35
Gen. Contractor-Pre Const. Fees/Exp.				21,777	0.06	0.07
Gen. Contractor-Fee	3.0%	Base Building Exp.		1,435,986	3.96	4.40
Testing & Inspection				357,146	0.98	1.09
PEPCO-Electric Service				391,989	1.08	1.20
Security Equipment & Wiring				261,326	0.72	0.80
VAV Boxes				283,103	0.78	0.87
Fitness Center				283,103	0.78	0.87
Environmental	$2.00	per land sf		84,000	0.23	0.26
Contingency @	5.0%	hard costs		3,060,571	7.03	9.37
			Subtotal	$54,154,094	$147.80	$165.80
Land Acquisition/Delivery Costs						
Land Cost				48,998,655	135.00	150.02
Preconstruction -carry				272,215	0.75	0.83
Closing Costs/Transfer Taxes/Legal (3.5%)				1,714,953	4.25	5.25
Broker Sale Commission				544,430	1.50	1.67
			Subtotal	$51,530,252	$141.50	$157.77
Tenant/Leasing Costs						
Tenant Allowances				20,688,321	57.00	63.34
Tenant Test Fit				181,477	0.50	0.56
Leasing Commission				8,725,390	24.04	26.71
Legal Fees				362,953	1.00	1.11
Marketing/Public Relations				435,544	1.20	1.33
			Subtotal	$30,393,684	$83.74	$93.06
Soft Costs						
Architect	2.5%	Base Building Exp.		1,199,377	3.30	3.67
MEP, Strucutre, Civil Eng	1.5%	Base Building Exp.		719,626	1.98	2.20
Geotechnical				21,777	0.06	0.07
Consultant PEPCO Utilities				25,407	0.07	0.08
Consultant Environmental				10,889	0.03	0.03
Accounting Review/Inspection				286,733	0.79	0.88
Other Consultants and Reimbursables				453,691	1.25	1.39
			Subtotal	$2,717,500	$7.49	$8.32
Other						
Zoning				119,774	0.33	0.37
Surveys				58,072	0.16	0.18
Misc. Printing				65,332	0.18	0.20
Permit Fees/Deposits				362,953	1.00	1.11
Insurance				475,468	1.31	1.46
RE Taxes - Construction (thru 12/07)				4,472,668	12.32	13.69
Development fee (2% Hard Costs)				1,083,082	2.98	3.32
Legal Fees - Construction				214,142	0.59	0.66
Misc professional fees				141,552	0.39	0.43
Audit Costs/Tax Studies				286,733	0.79	0.88
Contingency @	5.0%	soft costs		499,864	1.38	1.53
			Subtotal	$7,779,641	$21.43	$23.82
Total Hard & Soft Costs				$146,575,172	$403.84	$448.77
Financing Costs						
Construction Loan Costs + Legal Fees				1,669,961	4.60	5.11
Construction Interest (thru 7/08)				16,967,046	46.75	51.95
			Subtotal	$18,637,007	$51.35	$57.06
		TOTAL		$165,212,179	$455.19	$505.83

SENSITIVITY ANALYSIS
CONSTRUCTION HARD COSTS INCREASE BY 20%

	Construction Period			Stabilized Period							
Fiscal Year	1	2	3	4	5	6	7	8	9	10	11
Begin	Jul-05	Jul-06	Jul-07	Jul-08	Jul-09	Jul-10	Jul-11	Jul-12	Jul-13	Jul-14	Jul-14
End	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15	Jun-15
Construction CF (After Debt Svc)	(87,027,680)	(41,578,491)	(36,606,008)	-	-	-	-	-	-	-	-
Stabilized CF (Unleveraged)	-	-	-	13,035,535	13,305,026	13,580,427	13,862,020	14,349,179	15,016,317	15,318,127	15,623,693
	(87,027,680)	(41,578,491)	(36,606,008)	13,035,535	13,305,026	13,580,427	13,862,020	14,349,179	15,016,317	15,318,127	15,623,693

OPTION 1 - SELL UPON STABILIZATION

Assumptions

Year 4 (Stabilized NOI)	$13,035,535
Terminal Cap Rate	7.50%
Gross Residual Value	$173,807,133
Less: Sales Expenses*	1.75%
Net Residual Value	$170,765,509
PSF	$523

* Note: Sales Expenses are	
Transfer Tax	1.10%
Broker Fees	0.50%
Closing/Legal Costs	0.15%
Total Sales Expenses	1.75%

Project Equity Returns

Year	1	2	3
Equity Investment	(37,932,500)	-	-
New Loan Proceeds	-	-	-
Construction Loan Payoff	-	-	(127,279,679)
Sale Proceeds	-	-	170,765,509
	(37,932,500)	-	43,485,829

IRR	7.1%

% OF IRR FROM RESIDUAL 100%

OPTION 2 - REFINANCE & HOLD THRU YEAR 10

Assumptions

(Stabilized NOI - For loan Sizing)	$13,035,535
Terminal Cap Rate	7.50%
Gross Residual Value	$173,807,133
LTV on Stabilized Value	75.0%
Loan Amount	$130,118,720
Term	10

Index (US Treasury)	5.00%
Spread	1.75%
Interest Rate	6.75%
Amortization	30
Monthly Payment	(843,948)
Annual Payment	(10,127,370)
Loan Constant	7.78%
Perm Loan Fee (85bps)	$1,106,009

Year 11 (Stabilized NOI)	$15,623,693
Terminal Cap Rate	8.00%
Gross Residual Value	$195,296,163
Less: Sales Expenses*	1.75%
Net Residual Value	$191,878,480
PSF	$587

* Note: Sales Expenses are	
Transfer Tax	1.10%
Broker Fees	0.50%
Closing/Legal Costs	0.15%
Total Sales Expenses	1.75%

Project Equity Returns

Year	1	2	3	4	5	6	7	8	9	10
Operating Cash Flows Before Debt	-	-	-	13,035,535	13,305,026	13,580,427	13,862,020	14,349,179	15,016,317	15,318,127
Debt Service	-	-	-	(10,127,370)	(10,127,370)	(10,127,370)	(10,127,370)	(10,127,370)	(10,127,370)	(10,127,370)
Equity Investment	(37,932,500)	-	-	-	-	-	-	-	-	-
New Loan Net Proceeds	-	-	129,012,711	-	-	-	-	-	-	-
Construction Loan Payoff	-	-	(127,279,679)	-	-	-	-	-	-	-
Sale Proceeds	-	-	-	-	-	-	-	-	-	$191,878,480
	(37,932,500)	-	1,733,032	2,908,165	3,177,656	3,453,057	3,734,650	4,221,809	4,888,947	197,069,236

IRR	23.4%

% OF IRR FROM	
Cash Flow	21%
Refinance	3%
Residual	76%

III. INTEREST RATES INCREASE

In this scenario interest rates rise, which increases the cost of borrowing – both for the construction loan and for the permanent loan. Also, as a related effect to a rise in interest rates, capitalization rates will likely increase as well as capital seeks higher returns in alternative investment classes (such as bonds). This scenario includes a 100 basis point increase in LIBOR (from 3.0% to 4.0%), along with a 100 basis point increase in the 10 year treasury (from 5.00% to 6.00%). The exit capitalization rates were also revised upwards – the year 4 exit cap rate increased from 7.5% to 8.0%, which in turn lowered the stabilized value, and subsequently lowered the permanent loan amount (based on a 70% LTV, unchanged from the Base Case). The increase in the construction loan balance, due solely to increase in interest costs, combined with a reduced permanent loan, due to higher cap rate valuations, caused the construction loan balance to exceed the size of the permanent loan. A loan re-sizing would be required, however for the purposes of isolating the impact of the increase in interest rates, it was left alone. The result to the IRRs is predictable: the immediate sale option declined significantly to 6.2%, while the refinance and hold option declined to approximately 21%.

Capitalization	
Equity	$38.8 MM
Construction Loan	$116.3 MM
Construction Costs	
Hard Costs	$44.7 MM
Land	$51.5 MM
Soft Costs	$40.4 MM
Financing Costs	$18.5 MM
Total / PSF	$155.1 MM / $427 PSF (gross)
Rental Rates	
Office	$45.00 PSF NNN
Retail	$45.00 PSF NN (taxes, insurance)
Theater	$10.00 PSF
Stabilized NOI (FY 2009)	$13,035,535
Sell upon stabilization	
Year 4 Exit Cap Rate	8.00%
Net Residual Value / PSF	$160.1 MM / $490 PSF (rentable)
Project Equity IRR	6.2%
Refinance & Hold	
Permanent Loan terms	70% LTV, 10/30, 7.50% interest rate
Permanent Loan Amount	$113.8 MM
Year 10 Exit Cap Rate	9.0%
Net Residual Value / PSF	$170.6 MM / $522 PSF
Project Equity IRR	20.9%

INTEREST RATES INCREASE

Summary of Construction Loan Terms

Total Loan Amount	$116,250,000	75.0% of H/S Costs
30-d LIBOR	4.00%	
Spread	1.50%	
Interest Rate*	5.50%	
Term	3	years
Amortization	interest only	
Annual Debt Service	$1,611,746	Month (1-12)
Annual Debt Service	$4,838,759	Month (13-24)
Annual Debt Service	$4,896,210	Month (25-30)
Construction Loan Fee (85bp)	$988,125	
Lender U/W Fee	$200,000	

* *Note to account for potenial increase in LIBOR, the interest rate is adjusted by +25bps every 12 months*

Summary of Permanent Loan Terms

LTV on Stabilized Value	70.0%	
Loan Amount	$113,853,880	
Term	10	years
Index (US Treasury)	6.00%	
Spread	1.50%	
Interest Rate	7.50%	
Amortization	30	
Monthly Payment	($796,083)	
Annual Payment	($9,552,994)	
Loan Constant	8.39%	
Perm Loan Fee (85bps)	967,758	

SENSITIVITY ANALYSIS

INTEREST RATES INCREASE

Sources	Amount	PSF GBA
Construction Loan	116,330,816	320.51
Equity (Developer)	3,877,694	10.68
Equity (Partner)	34,899,245	96.15
Total Sources	$155,107,755	$427.35

Uses	Amount	PSF GBA
Land	51,530,252	141.98
Hard Costs	42,577,936	117.31
Soft Costs	9,488,428	26.14
Tenant Improvements	21,668,294	59.70
Leasing Commissions	8,725,390	24.04
Construction Interest	16,847,676	46.42
Hard Cost Contingency	2,125,397	5.86
Soft Cost Contingency	474,421	1.31
Financing Costs	1,669,961	4.60
Total Uses	$155,107,755	$427.35

SENSITIVITY ANALYSIS

INTEREST RATES INCREASE

	Construction Period			Stabilized Period							
Fiscal Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
Begin	Jul-05	Jul-06	Jul-07	Jul-08	Jul-09	Jul-10	Jul-11	Jul-12	Jul-13	Jul-14	Jul-14
End	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15	Jun-15
Construction CF (After Debt Svc)	(82,484,518)	(36,637,369)	(35,985,869)	-	-	-	-	-	-	-	-
Stabilized CF (Unleveraged)	-	-	-	13,035,535	13,305,026	13,580,427	13,862,020	14,349,179	15,016,317	15,318,127	15,623,693
	(82,484,518)	(36,637,369)	(35,985,869)	13,035,535	13,305,026	13,580,427	13,862,020	14,349,179	15,016,317	15,318,127	15,623,693

OPTION 1 - SELL UPON STABILIZATION

Assumptions

Year 4 (Stabilized NOI)	$13,035,535	* Note: Sales Expenses are	
Terminal Cap Rate	8.00%	Transfer Tax	1.10%
Gross Residual Value	$162,944,188	Broker Fees	0.50%
Less: Sales Expenses*	1.75%	Closing/Legal Costs	0.15%
Net Residual Value	$160,092,664	Total Sales Expenses	1.75%
PSF	$490		

Project Equity Returns

Year	**1**	**2**	**3**
Equity Investment	(38,750,000)	-	-
New Loan Proceeds	-	-	-
Construction Loan Payoff	-	-	(116,357,755)
Sale Proceeds	-	-	160,092,664
	(38,750,000)	-	43,734,909

IRR	6.2%

% OF IRR FROM RESIDUAL 100%

OPTION 2 - REFINANCE & HOLD THRU YEAR 10

Assumptions

(Stabilized NOI - For loan Sizing)	$13,035,535	Index (US Treasury)	6.00%				
Terminal Cap Rate	8.00%	Spread	1.50%	Year 11 (Stabilized NOI)	$15,623,693	* Note: Sales Expenses are	
Gross Residual Value	$162,944,188	Interest Rate	7.50%	Terminal Cap Rate	9.00%	Transfer Tax	1.10%
LTV on Stabilized Value	70.0%	Amortization	30	Gross Residual Value	$173,596,589	Broker Fees	0.50%
Loan Amount	$113,853,880	Monthly Payment	(796,083)	Less: Sales Expenses*	1.75%	Closing/Legal Costs	0.15%
Term	10	Annual Payment	(9,552,994)	Net Residual Value	$170,558,649	Total Sales Expenses	1.75%
		Loan Constant	8.39%	PSF	$522		
		Perm Loan Fee (85bps)	$967,758				

Project Equity Returns

Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Operating Cash Flows Before Debt	-	-	-	13,035,535	13,305,026	13,580,427	13,862,020	14,349,179	15,016,317	15,318,127
Debt Service	-	-	-	(9,552,994)	(9,552,994)	(9,552,994)	(9,552,994)	(9,552,994)	(9,552,994)	(9,552,994)
Equity Investment	(38,750,000)	-	-	-	-	-	-	-	-	-
New Loan Net Proceeds	-	-	112,886,122	-	-	-	-	-	-	-
Construction Loan Payoff	-	-	(116,357,755)	-	-	-	-	-	-	-
Sale Proceeds	-	-	-	-	-	-	-	-	-	$170,558,649
	(38,750,000)	-	(3,471,633)	3,482,541	3,752,032	4,027,433	4,309,026	4,796,185	5,463,323	176,323,781

IRR	20.9%

% OF IRR FROM	
Cash Flow	26%
Refinance	-6%
Residual	80%

IV. SALES MARKET REMAINS STRONG

In this scenario, the demand for institutional grade real estate remains strong, which is not an unreasonable assumption. Within the capital markets, some hold the belief that there has been a fundamental change in the way that investors view real estate. Today, especially in primary markets such as Washinton, D.C., real estate is viewed as a separate asset class, and has received increased allocations by protfolio managers to serve as a hedge against stocks and bonds. Within downtown Washington, D.C. capitalization rates, are consistently below 7.00% for the past twelve months for well located Class A properties. In this scenario, it is assumed that capitalization rates and values remain unchanged from current levels. Year 4 cap rate is assumed to be 6.5%, which results in a building value of $625 per square foot – not unreasonable given comparable sales. The Year 10 cap rate is assumed to be 7.0%, 50 basis points lower than the Base Case. This results in a residual value in 2018 of only $627 per square foot. The residual represents 50% of the IRR, which is reasonable by today's standards. The stabilized values in this scenario push the IRR to exceptional levels.

Capitalization	
Equity	$37.9 MM
Construction Loan	$113.8 MM
Construction Costs	
Hard Costs	$44.7 MM
Land	$51.5 MM
Soft Costs	$40.4 MM
Financing Costs	$15.1 MM
Total / PSF	$151.7 MM / $418 PSF (gross)
Rental Rates	
Office	$45.00 PSF NNN
Retail	$45.00 PSF NN (taxes, insurance)
Theater	$10.00 PSF
Stabilized NOI (FY 2009)	$13,035,535
Sell upon stabilization	
Year 4 Exit Cap Rate	6.50%
Net Residual Value / PSF	$197.0 MM / $603 PSF (rentable)
Project Equity IRR	48.1%
Refinance & Hold	
Permanent Loan terms	70% LTV, 10/30, 7.00% interest rate
Permanent Loan Amount	$140.1 MM
Year 10 Exit Cap Rate	7.5%
Net Residual Value / PSF	$204.7 MM / $627 PSF
Project Equity IRR	30.2%

SENSITIVITY ANALYSIS

SALES MARKET REMAINS STRONG

Sources	Amount	PSF GBA
Construction Loan	113,800,757	313.54
Equity (Developer)	3,793,359	10.45
Equity (Partner)	34,140,227	94.06
Total Sources	$151,734,343	$418.06

Uses	Amount	PSF GBA
Land	51,530,252	141.98
Hard Costs	42,577,936	117.31
Soft Costs	9,488,428	26.14
Tenant Improvements	21,668,294	59.70
Leasing Commissions	8,725,390	24.04
Construction Interest	13,474,263	37.12
Hard Cost Contingency	2,125,397	5.86
Soft Cost Contingency	474,421	1.31
Financing Costs	1,669,961	4.60
Total Uses	$151,734,343	$418.06

SENSITIVITY ANALYSIS

SALES MARKET REMAINS STRONG

	Construction Period			Stabilized Period							
Fiscal Year	1	2	3	4	5	6	7	8	9	10	11
Begin	Jul-05	Jul-06	Jul-07	Jul-08	Jul-09	Jul-10	Jul-11	Jul-12	Jul-13	Jul-14	Jul-14
End	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15	Jun-15
Construction CF (After Debt Svc)	(81,927,041)	(35,551,975)	(34,255,328)	-	-	-	-	-	-	-	-
Stabilized CF (Unleveraged)	-	-	-	13,035,535	13,305,026	13,580,427	13,862,020	14,349,179	15,016,317	15,318,127	15,623,693
	(81,927,041)	(35,551,975)	(34,255,328)	13,035,535	13,305,026	13,580,427	13,862,020	14,349,179	15,016,317	15,318,127	15,623,693

OPTION 1 - SELL UPON STABILIZATION

Assumptions

Year 4 (Stabilized NOI)	$13,035,535	* Note: Sales Expenses are	
Terminal Cap Rate	6.50%	Transfer Tax	1.10%
Gross Residual Value	$200,546,692	Broker Fees	0.50%
Less: Sales Expenses*	1.75%	Closing/Legal Costs	0.15%
Net Residual Value	$197,037,125	Total Sales Expenses	1.75%
PSF	$603		

Project Equity Returns

Year	1	2	3
Equity Investment	(37,932,500)	-	-
New Loan Proceeds	-	-	-
Construction Loan Payoff	-	-	(113,801,843)
Sale Proceeds	-	-	197,037,125
	(37,932,500)	-	83,235,282

IRR	48.1%	% OF IRR FROM RESIDUAL	100%

OPTION 2 - REFINANCE & HOLD THRU YEAR 10

Assumptions

(Stabilized NOI - For loan Sizing)	$13,035,535	Index (US Treasury)	5.50%				
Terminal Cap Rate	6.50%	Spread	1.50%	Year 11 (Stabilized NOI)	$15,623,693	* Note: Sales Expenses are	
Gross Residual Value	$200,546,692	Interest Rate	7.00%	Terminal Cap Rate	7.50%	Transfer Tax	1.10%
LTV on Stabilized Value	70.0%	Amortization	30	Gross Residual Value	$208,315,907	Broker Fees	0.50%
Loan Amount	$140,127,852	Monthly Payment	(932,274)	Less: Sales Expenses*	1.75%	Closing/Legal Costs	0.15%
Term	10	Annual Payment	(11,187,289)	Net Residual Value	$204,670,378	Total Sales Expenses	1.75%
		Loan Constant	7.98%	PSF	$627		
		Perm Loan Fee (85bps)	$1,191,087				

Project Equity Returns

Year	1	2	3	4	5	6	7	8	9	10
Operating Cash Flows Before Debt	-	-	-	13,035,535	13,305,026	13,580,427	13,862,020	14,349,179	15,016,317	15,318,127
Debt Service	-	-	-	(11,187,289)	(11,187,289)	(11,187,289)	(11,187,289)	(11,187,289)	(11,187,289)	(11,187,289)
Equity Investment	(37,932,500)	-	-	-	-	-	-	-	-	-
New Loan Net Proceeds	-	-	138,936,766	-	-	-	-	-	-	-
Construction Loan Payoff	-	-	(113,801,843)	-	-	-	-	-	-	-
Sale Proceeds	-	-	-	-	-	-	-	-	-	$204,670,378
	(37,932,500)	-	25,134,923	1,848,246	2,117,737	2,393,138	2,674,731	3,161,890	3,829,028	208,801,216

IRR	30.2%

% OF IRR FROM	
Cash Flow	11%
Refinance	39%
Residual	50%

Research of the market and the development process indicates that the proposed Project is not only feasible, it has the potential of providing investors with excellent returns. It is recommended that the Project move forward, based on the following reasons:

- The site at 505 9th Street, NW is one of the last remaining prime developable sites in the East End submarket. The immediate area, already a well established commercial location, has seen remarkable growth over the last five years, including major projects such as the MCI Center, Spy Museum, Gallery Place, and the Smithsonian Museum of American Art. The old convention center site (approximately 10 acres) is three blocks to the north and is currently being redeveloped into a mixed-use property by a partnership lead by Hines and Charles E. Smith.

- The site is proximate to several Metrorail stations. In fact, it is within four blocks of three stations, allowing access to all lines in the system. Office buildings near metro stations are valued at a premium in today's market.

- The site occupies a full ½ block, which allows for street frontage on three sides. This is unusual in the submarket, and adds to the appeal of the building.

- Zoning allows construction of office by right, which will help to accelerate the site plan and permitting process.

- Washington, D.C. is a stable investment market for commercial real estate.

- Current market rents justify new construction. There are a few buildings currently under construction in the submarket, however there is a significant level of pre-leasing in each project. The current velocity (and terms) of the pre-leasing in competitive buildings are an indicator of a healthy market. In addition, historic market rents in the East End submarket have experienced relative stability and modest growth, and the general consensus for the future is optimistic.

- Upon completion of the Project, there are two exit options – sell the asset upon completion, or refinance and hold. These two options offer flexibility for 505 NINTH LLC, which increases the chances of maximizing returns. For example, in case of rising interest rates where the 10-year treasury moves to 6.0% and there is a corresponding rise in cap rates, the immediate sale IRR dorps to 6%, but for the refinance and hold option, the Project IRR is still above 20%.

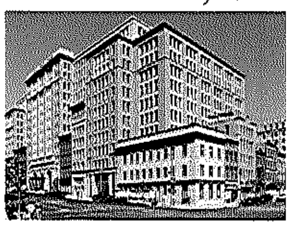
- While there are risks associated with this development proposal, there are ways to mitigate those risks. For example, to protect against escalating construction costs, the construction contract can be subject to a guaranteed maximum price (GMP). In addition, it is possible to hedge the risk of rising interest rates by purchasing a LIBOR cap. While there are other risks that cannot be mitigated, the potential investment returns justify moving forward with the development.

EXHIBIT I

RECENT INVESTMENT SALES TRANSACTIONS
WASHINGTON, D.C.

D.C. REPRESENTATIVE TRANSACTIONS

RECENT SALES

PROPERTY	TRANSACTION	HIGHLIGHTS
1875 K Street, NW  186,000 Square Feet	Date: March 2005 **$113,000,000 / $607 PSF** Buyer: Shorenstein Seller: NCP II (Quadrangle/Gewirz)	♦ Class A ♦ CBD Submarket ♦ 100% leased ♦ Est. 5.7% going in yield
555 11th Street, NW  404,000 Square Feet	Date: March 2005 **$265,000,000 / $656 PSF** Buyer: Dweck Properties Seller: Ruben Companies	♦ Trophy ♦ East End Submarket ♦ In Place Debt ♦ Sub 6% going in yield
1900 K Street, NW  342,844 Square Feet	Date: December 2004 **$216,900,000 / $633 PSF** Buyer: TIAA Seller: NOP/HINES	♦ Trophy ♦ CBD Submarket ♦ 100% leased ♦ Est. 6.2% going in yield

D.C. REPRESENTATIVE TRANSACTIONS

RECENT SALES

PROPERTY	TRANSACTION	HIGHLIGHTS
1001 Pennsylvania Ave, NW  802,390 Square Feet	Date: December 2004 **$461,300,000 / $575 PSF** Buyer: TIAA Seller: NOP/HINES	♦ Trophy ♦ East End Submarket ♦ 100% leased ♦ Est. 6.2% going in yield
1111 Pennsylvania Ave, NW  331,000 Square Feet	Date: August 2004 **$158,000,000 / $477 PSF** Buyer: Werner/Shorenstein Seller: Tauber Estate	♦ Trophy ♦ East End Submarket ♦ Single tenant ♦ MLB lease through 2017 ♦ Sub 5.0% going in yield

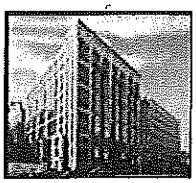
[redacted]

EXHIBIT II

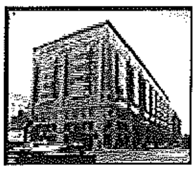
THE COMPETITIVE SET
CLASS A OFFICE BUILDINGS
WITHIN 3 BLOCKS OF THE SITE

(SOURCE: COSTAR)

325 7th St NW ***Liberty Place*** ***Washington, DC 20004*** ***District of Columbia***	Building Type: **Class A Office** Status: **Built Jan 1991** Building Size: **157,550 SF** Typical Floor Size: **12,591 SF** Stories: **12**	Space Avail: **8,731 SF** Max Contig: **8,731 SF** Smallest Space: **8,731 SF** Rent/SF/Yr: **$47.00-$48.50** % Leased: **94.5%**



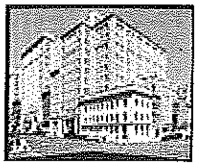
575 7th St NW ***Terrell Place*** ***Washington, DC 20004*** ***District of Columbia***	Building Type: **Class A Office** Status: **Built Sep 2003** Building Size: **476,634 SF** Typical Floor Size: **47,000 SF** Stories: **11**	Space Avail: **103,079 SF** Max Contig: **67,969 SF** Smallest Space: **860 SF** Rent/SF/Yr: **$25.00-$50.00** % Leased: **78.4%**



401 9th St NW ***Market Square North*** ***Washington, DC 20004*** ***District of Columbia***	Building Type: **Class A Office** Status: **Built Nov 1999** Building Size: **404,695 SF** Typical Floor Size: **37,722 SF** Stories: **11**	Space Avail: **19,029 SF** Max Contig: **12,577 SF** Smallest Space: **6,452 SF** Rent/SF/Yr: **$48.00** % Leased: **100%**

701 9th St NW ***Edison Place*** ***Washington, DC 20001*** ***District of Columbia***	Building Type: **Class A Office** Status: **Built Jul 2001** Building Size: **364,000 SF** Typical Floor Size: **34,900 SF** Stories: **10**	Space Avail: **0 SF** Max Contig: **0 SF** Smallest Space: **-** Rent/SF/Yr: **-** % Leased: **100%**

750 9th St NW ***The Victor Bldg*** ***Washington, DC 20001*** ***District of Columbia***	Building Type: **Class A Office** Status: **Built Jan 2000** Building Size: **310,604 SF** Typical Floor Size: **35,574 SF** Stories: **9**	Space Avail: **0 SF** Max Contig: **0 SF** Smallest Space: **-** Rent/SF/Yr: **-** % Leased: **100%**



555 11th St NW
Lincoln Square
Washington, DC 20004
District of Columbia

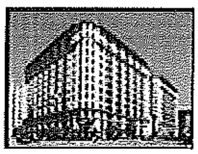
Building Type: **Class A Office**
Status: **Built Feb 2001**
Building Size: **368,880 SF**
Typical Floor Size: **30,500 SF**
Stories: **14**
Expenses: **2001 Combined Est Tax/Ops @ $14.00/sf**

Space Avail: **30,900 SF**
Max Contig: **23,490 SF**
Smallest Space: **3,450 SF**
Rent/SF/Yr: **$42.00-$60.00**
% Leased: **98.0%**

700 11th St NW
Edward Bennett Williams Bldg
Washington, DC 20001
District of Columbia

Building Type: **Class A Office**
Status: **Built Jun 1991**
Building Size: **310,684 SF**
Typical Floor Size: **25,382 SF**
Stories: **12**

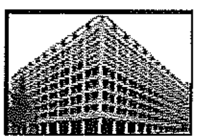
Space Avail: **0 SF**
Max Contig: **0 SF**
Smallest Space: **-**
Rent/SF/Yr: **-**
% Leased: **100%**



555 12th St NW
The Thurman Arnold Bldg
Washington, DC 20004
District of Columbia

Building Type: **Class A Office**
Status: **Built Jan 1995**
Building Size: **769,631 SF**
Typical Floor Size: **53,000 SF**
Stories: **12**

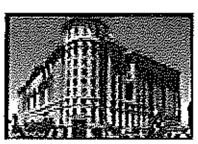
Space Avail: **3,711 SF**
Max Contig: **3,711 SF**
Smallest Space: **3,711 SF**
Rent/SF/Yr: **$43.00**
% Leased: **100%**



601 D St NW
Patrick Henry Bldg
Washington, DC 20004
District of Columbia

Building Type: **Class A Office**
Status: **Built 1973, Renov Sep 1997**
Building Size: **471,808 SF**
Typical Floor Size: **48,000 SF**
Stories: **10**

Space Avail: **0 SF**
Max Contig: **0 SF**
Smallest Space: **-**
Rent/SF/Yr: **-**
% Leased: **100%**



601-611 E St NW
AARP Headquarters Bldg Ph 1
Washington, DC 20004
District of Columbia

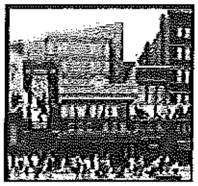
Building Type: **Class A Office**
Status: **Built May 1991**
Building Size: **558,904 SF**
Typical Floor Size: **55,890 SF**
Stories: **10**

Space Avail: **0 SF**
Max Contig: **0 SF**
Smallest Space: **-**
Rent/SF/Yr: **-**
% Leased: **100%**

901 E St NW
Washington, DC 20004
District of Columbia

Building Type: **Class A Office**
Status: **Built Oct 1989**
Building Size: **249,000 SF**
Typical Floor Size: **23,000 SF**
Stories: **10**
Expenses: **2003 Est Ops @ $45.00/sf**

Space Avail: **207,571 SF**
Max Contig: **113,354 SF**
Smallest Space: **3,712 SF**
Rent/SF/Yr: **$48.00-$49.00**
% Leased: **98.5%**



800 F St NW
Historic Row
Washington, DC 20004
District of Columbia

Building Type: **Class A Office**
Status: **Built 1875, Renov Jun 2002**
Building Size: **110,424 SF**
Typical Floor Size: **13,803 SF**
Stories: **8**

Space Avail: **0 SF**
Max Contig: **0 SF**
Smallest Space: **-**
Rent/SF/Yr: **-**
% Leased: **100%**

901 F St NW
The Gallup Bldg at 901 F Street, N.W.
Washington, DC 20004
District of Columbia

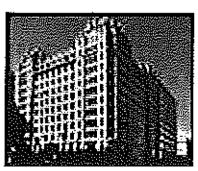
Building Type: **Class A Office**
Status: **Built Nov 2000**
Building Size: **113,000 SF**
Typical Floor Size: **11,200 SF**
Stories: **8**

Space Avail: **5,342 SF**
Max Contig: **4,235 SF**
Smallest Space: **1,107 SF**
Rent/SF/Yr: **$55.00**
% Leased: **95.3%**

1025 F St NW
The Woodies Bldg
Washington, DC 20004
District of Columbia

Building Type: **Class A Office**
Status: **Built 1902, Renov Mar 2004**
Building Size: **498,920 SF**
Typical Floor Size: **46,000 SF**
Stories: **10**

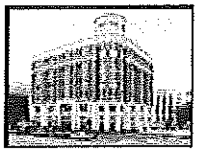
Space Avail: **309,473 SF**
Max Contig: **184,024 SF**
Smallest Space: **6,889 SF**
Rent/SF/Yr: **$25.00-$60.00**
% Leased: **38.0%**



1201 F St NW
Washington, DC 20004
District of Columbia

Building Type: **Class A Office**
Status: **Built Apr 2000**
Building Size: **225,365 SF**
Typical Floor Size: **18,300 SF**
Stories: **12**

Space Avail: **0 SF**
Max Contig: **0 SF**
Smallest Space: **-**
Rent/SF/Yr: **-**
% Leased: **100%**



801 G St NW
Faith, Family, Freedom Bldg
Washington, DC 20001
District of Columbia

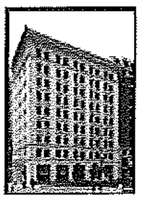
Building Type: **Class A Office**
Status: **Built Nov 1996**
Building Size: **45,072 SF**
Typical Floor Size: **7,512 SF**
Stories: **6**

Space Avail: **0 SF**
Max Contig: **0 SF**
Smallest Space: **-**
Rent/SF/Yr: **-**
% Leased: **100%**

1001 G St NW
Washington Center West
Washington, DC 20001
District of Columbia

Building Type: **Class A Office**
Status: **Built Sep 1989**
Building Size: **324,000 SF**
Typical Floor Size: **28,000 SF**
Stories: **12**

Space Avail: **76,958 SF**
Max Contig: **27,620 SF**
Smallest Space: **1,582 SF**
Rent/SF/Yr: **$35.00-$48.00**
% Leased: **97.5%**



1001 G St NW
Washington Center East
Washington, DC 20001
District of Columbia

Building Type: **Class A Office**
Status: **Built 1911, Renov Sep 1989**
Building Size: **48,000 SF**
Typical Floor Size: **4,042 SF**
Stories: **9**

Space Avail: **4,042 SF**
Max Contig: **4,042 SF**
Smallest Space: **4,042 SF**
Rent/SF/Yr: **$42.50**
% Leased: **100%**

1120 G St NW
Washington, DC 20005
District of Columbia

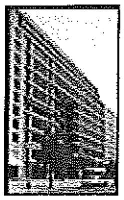
Building Type: **Class A Office**
Status: **Built Mar 1982, Renov 1990**
Building Size: **125,933 SF**
Typical Floor Size: **12,207 SF**
Stories: **10**

Space Avail: **11,237 SF**
Max Contig: **4,564 SF**
Smallest Space: **1,500 SF**
Rent/SF/Yr: **$31.00-$40.00**
% Leased: **94.7%**

616 H St NW
The Offices at Gallery Place
Washington, DC 20001
District of Columbia

Building Type: **Class A Office**
Status: **Built Nov 2004**
Building Size: **220,102 SF**
Typical Floor Size: **27,512 SF**
Stories: **8**

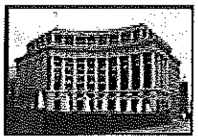
Space Avail: **90,412 SF**
Max Contig: **90,412 SF**
Smallest Space: **4,500 SF**
Rent/SF/Yr: **$43.00-$48.00**
% Leased: **58.9%**



625 Indiana Ave NW
Indiana Plaza
Washington, DC 20004
District of Columbia

Building Type: **Class A Office**
Status: **Built Jan 1989**
Building Size: **158,340 SF**
Typical Floor Size: **14,094 SF**
Stories: **11**

Space Avail: **0 SF**
Max Contig: **0 SF**
Smallest Space: **-**
Rent/SF/Yr: **-**
% Leased: **100%**



701 Pennsylvania Ave NW
East Tower
Washington, DC 20004
District of Columbia

Building Type: **Class A Office**
Status: **Built Jun 1990**
Building Size: **349,450 SF**
Typical Floor Size: **37,000 SF**
Stories: **13**

Space Avail: **98,534 SF**
Max Contig: **69,097 SF**
Smallest Space: **1,142 SF**
Rent/SF/Yr: **$38.00-$55.00**
% Leased: **91.0%**

Expenses: **2002 Est Tax @ $5.48/sf; 2002 Est Ops @ $10.20/sf**

801 Pennsylvania Ave NW
West Tower
Washington, DC 20004
District of Columbia

Building Type: **Class A Office**
Status: **Built Jun 1990**
Building Size: **344,200 SF**
Typical Floor Size: **37,000 SF**
Stories: **13**

Space Avail: **19,193 SF**
Max Contig: **13,028 SF**
Smallest Space: **1,207 SF**
Rent/SF/Yr: **$36.00-$46.00**
% Leased: **99.6%**

Expenses: **2002 Est Tax @ $5.48/sf; 2002 Est Ops @ $10.20/sf**

1001 Pennsylvania Ave NW
Washington, DC 20004
District of Columbia

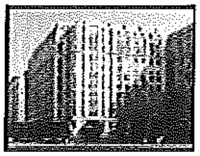
Building Type: **Class A Office**
Status: **Built Oct 1986**
Building Size: **758,796 SF**
Typical Floor Size: **60,000 SF**
Stories: **14**

Space Avail: **140,819 SF**
Max Contig: **90,243 SF**
Smallest Space: **6,000 SF**
Rent/SF/Yr: **$40.00-$54.00**
% Leased: **99.0%**

1101 Pennsylvania Ave NW
Evening Star Bldg
Washington, DC 20004
District of Columbia

Building Type: **Class A Office**
Status: **Built 1898, Renov Nov 1989**
Building Size: **218,672 SF**
Typical Floor Size: **19,730 SF**
Stories: **13**

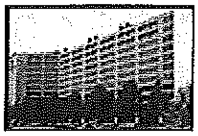
Space Avail: **31,612 SF**
Max Contig: **19,730 SF**
Smallest Space: **150 SF**
Rent/SF/Yr: **$37.00-$40.00**
% Leased: **90.1%**



1111 Pennsylvania Ave NW
Presidential Bldg
Washington, DC 20004
District of Columbia

Building Type: **Class A Office**
Status: **Built Jan 1966**
Building Size: **355,855 SF**
Typical Floor Size: **24,552 SF**
Stories: **14**

Space Avail: **19,901 SF**
Max Contig: **18,217 SF**
Smallest Space: **1,684 SF**
Rent/SF/Yr: **$45.00-$48.00**
% Leased: **94.4%**



1201 Pennsylvania Ave NW
Heurich Bldg
Washington, DC 20004
District of Columbia

Building Type: **Class A Office**
Status: **Built 1980**
Building Size: **422,200 SF**
Typical Floor Size: **35,000 SF**
Stories: **11**

Space Avail: **29,286 SF**
Max Contig: **13,756 SF**
Smallest Space: **100 SF**
Rent/SF/Yr: **$32.00**
% Leased: **97.9%**