

# 2400 Wilson Boulevard



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BU 767.810 Section 51

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## **Executive Summary**

**Property Location:** The 2400 block of Wilson Boulevard is bordered by Wilson Boulevard on the north, Clarendon Boulevard on the south, N. Barton Street on the west, and N. Adams Street on the east in Arlington, Virginia 22201.

**Property Description:** The subject is comprised of 12 parcels totaling 65,412 square feet. Each parcel is zoned C-2 which allows for the proposed use of mixed-use, rental apartments and ground floor retail. However, in order to get the proposed FAR of 5.94 and height of 140 feet, the project must be taken through Arlington County's site plan approval process. Currently, there are four buildings on the site with commercial uses. Each owner, RPC number, address, and lot size are listed below.

Map #	RPC	Owner	Address	Lot Size (SF)
1	18006008	Embassy Of The Republic Of Korea	N. Barton Street	8,595
2	18006023	Embassy Of The Republic Of Korea	Clarendon Boulevard	1,121
3	18006017	Dumera Properties One LLC	Wilson Boulevard	2,234
4	18006011	Dumera Properties One LLC	2424 Wilson Boulevard	2,904
5	18006010	Dumera Properties One LLC	Wilson Boulevard	2,795
6	18006009	2440 Wilson Boulevard LLC	2440 Wilson Boulevard	10,666
7	18006014	Cybil Company NV	2420 Wilson Boulevard	6,786
8	18006018	Cybil Company NV	2420 Wilson Boulevard	648
9	18006013	Embassy Of The Republic Of Korea	2400 Wilson Boulevard	10,979
10	18006015	Embassy Of The Republic Of Korea	N. Adams Street	2,700
11	18006016	Cybil Company NV	N. Adams Street	7,300
NA	NA	Arlington County	NA	8,684
<b>Total Square Feet:</b>				<b>65,412</b>
<b>Total Acreage:</b>				<b>1.50</b>

**Highest and Best Use:** Mixed-use; rental apartments and ground floor retail.

**Development Schedule:** Preconstruction (5/1/2009 – 5/1/2012)

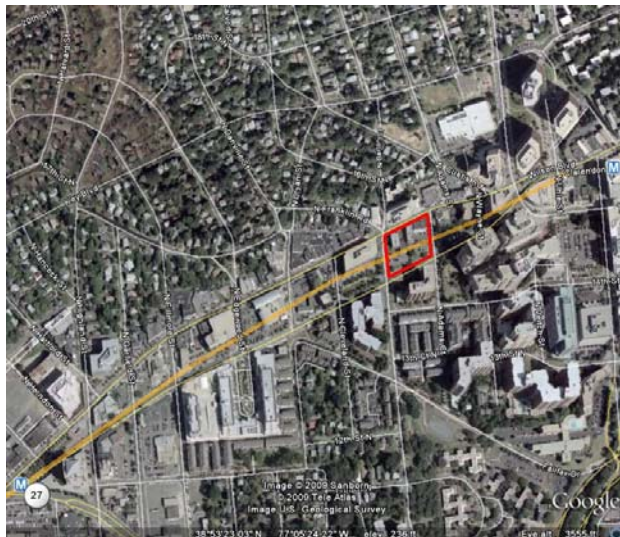
Construction (5/1/2012 – 12/31/2014)

Marketing / Lease-Up (7/20/2014 – 7/31/2016)

**Investment Strategy:** The developer will enter a partnership with an equity investor. The ownership will be split 90/10. The equity investor will commit 90% of the equity and require a 10% preferred equity return. The split between the investor and developer will be 90/10 for the pref and excess cash flow. The project will be a five year hold after construction, and the IRR breakdown is 16.42% for the investor and 27.42% for the developer.

### Location / Accessibility

The site is located on the Rosslyn-Ballston Corridor in the Courthouse submarket of Arlington, Virginia. The four streets surrounding the parcels, providing frontage on each, are Wilson Boulevard to the north, Clarendon Boulevard to the south, N. Barton Street to the west, and N. Adams Street to the east. The site is highly visible to car and foot traffic. Wilson Boulevard at North Troy Street had an average daily traffic volume of 12,950 in 2002. This traffic count was done approximately 0.4 miles west of the subject. Clarendon Boulevard at 16<sup>th</sup> Street North had an average daily traffic volume of 14,000 in 2002. Clarendon Boulevard and 16<sup>th</sup> Street North is approximately 0.4 miles east of the site.<sup>1</sup> See page 72 for complete traffic counts.



One of the greatest strengths of the site is its proximity to the Metrorail. Located at the 2400 block of Wilson Boulevard, the site conveniently sits between the Courthouse Metrorail Station, which is approximately 0.2 miles to the east, and the Clarendon Metrorail Station, which is approximately 0.6 miles to the west. Both stations are well within walking distance and are located on the Orange Line. On the average weekday, more than 14,000 people enter or exit the Courthouse Metrorail

Station.<sup>2</sup> In addition to the Metrorail, the site affords great accessibility to I-66, Arlington Boulevard (Route 50), Lee Highway (Route 29), the George Washington Parkway, and I-395.

Washington, DC (Georgetown) is approximately 2.0 miles from the site, and the Central Business District of Washington, DC is approximately 4.5 miles away. The Central Business

<sup>1</sup> CoStar

<sup>2</sup> Arlington County. <[http://www.arlingtonva.us/departments/CPHD/planning/data\\_maps/metro/courthouse/index.htm](http://www.arlingtonva.us/departments/CPHD/planning/data_maps/metro/courthouse/index.htm)>.

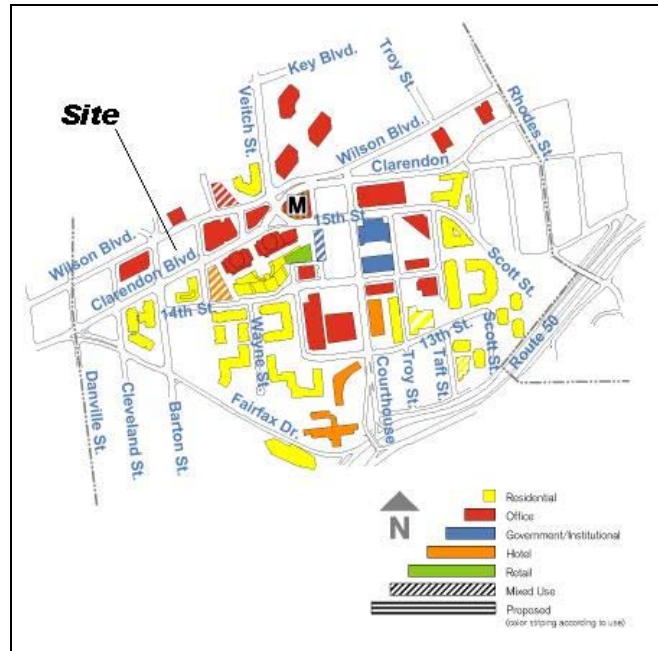


District could also be accessed by the Orange Line. The first Metrorail stop in Washington, DC is the Foggy Bottom – GMU Station which is only two stops from the Courthouse Metrorail Station.

The Courthouse submarket has a mix of residential, office, government, hotel, and retail. The map to the right shows the diversified uses of the Courthouse neighborhood and the area surrounding the site.

Due to the stability of the economy in the Washington, DC region, the steady growth of Arlington and the Rosslyn-Ballston Corridor, and painless accessibility of the Courthouse neighborhood makes the 2400 block of Wilson Boulevard a strong candidate for an urban infill project such as the mixed use development in this proposal.

### Courthouse Submarket



Source: Arlington Economic Development<sup>3</sup>

### AUSA Building



### Adjacent Uses

Across Wilson Boulevard to the north on the northeast corner of Wilson Boulevard and N. Barton Street is the AUSA Building (2425 Wilson Boulevard). The AUSA Building is a 76,000 square feet office building with 72,700 square feet of gross rentable area. It is six stories and sits on 0.69 acres of land. The total FAR is 2.52, and the building height is 89.13 feet. It is currently 100% leased, and the Association of the United States Army is the anchor tenant leasing 31,012 square feet. The next largest

tenant is TARP Worldwide leasing 12,662 square feet. The AUSA Building was renovated in

<sup>3</sup> Arlington Economic Development. <<http://www.arlingtonvirginiausa.com/index.cfm/6172>>.

1997 and has 105 parking spaces. The above picture of the AUSA Building is the southwest corner of the building.

Across N. Adams Street to the east is the Navy League Building (2300 Wilson Boulevard). The Navy League Building, built in 2005, is a seven story, 212,947 square feet office building with street level retail. The gross rentable area is 196,004 square feet. It sits on 1.13 acres, the FAR is 4.32, and the building height is 119.42 feet which includes a top floor penthouse. The major

### **Navy League Building**



tenants include the law firm Bean, Kinney & Korman PC (66,318 square feet), the United States Coast Guard (30,989 square feet), the Associated General Contractors of America (24,000 square feet), and Five Guys Famous Burgers and Fries (23,000 square feet). The Navy League Building is currently 91.2% leased and is LEED Certified – Silver. The picture above is the northeast corner of the Navy League Building taken from Wilson Boulevard and N. Adams Street.

### **2500 Wilson Boulevard**



Across Barton Street to the west is a 101,989 square feet office building with street level retail (2500 Wilson Boulevard). It was built in 1986, sits on 1.42 acres, and is five stories. Its FAR is 1.64 and building height is 80 feet. It is currently 90.3% leased, and its major tenants are the Telecommunications Industry Association (22,828 square feet), the First Commonwealth Bank of Virginia (5,000 square feet), Virginia

Community Bank (4,179 square feet), and BroadReach Healthcare, LLC (3,481 square feet).



The picture on the previous page is a view from the northeast of 2500 Wilson Boulevard. It was taken from the northeast corner of Wilson Boulevard and N. Barton Street.

Across Clarendon Boulevard to the south is the Charleston (2400 Clarendon Boulevard). The Charleston is a condominium building with 167 units. It sits on 1.10 acres of land. The zoning is RA4.8 which is high-medium residential. In order for the Charleston to achieve its 152 units per acre density, the owner took the property through the County's site plan approval process. The approved FAR is 3.30, and the

### **The Charleston**



building height is 124.9 feet. The above picture is the north side of the Charleston. It was taken from the parking lot just south of the Delhi Dhaba Indian Café and Carryout.

### **Courtland Park**



Across Clarendon Boulevard to the southwest is Courtland Park (2500 Clarendon Boulevard). Courtland Park is an apartment building with 264 units. Courtland Park also went through the County's site plan approval process. Its approved FAR is 3.24, and its building height ranges from 72.33 feet to 117.83 feet in the three buildings. As of 3/18/09, it was 99.62% occupied. The unit mix includes efficiencies, one

bedroom units, two bedroom units, and three bedroom units. Rental rates for the efficiencies range from \$1,515 to \$1,595; \$1,485 to \$1,755 for the one bedroom units; \$2,245 to \$2,345 for the two bedroom units; and \$2,945 for the three bedroom units. Like the Charleston, Courtland



Park's zoning is also RA4.8 which is high-medium residential. The lot size is 85,641 square feet or 1.97 acres. In order for the owner to have achieved its 134 units/acre density, the project was taken through the County's site plan approval process. The picture on the previous page is a view of the northeast corner of Courtland Park.

Across Clarendon Boulevard to the southeast is a new construction project, Residence Inn – Arlington Courthouse. It will be a ten story, 132,000 square feet hotel with 176 suites. In addition, there will be 9,500 square feet of first floor retail and restaurant space and 180 parking spaces. It is being developed by the Donohoe Companies and anticipated to deliver in the summer of 2009. The Residence Inn – Arlington

#### **Residence Inn – Arlington Courthouse**



Courthouse is the final piece of the Courthouse Plaza.<sup>4</sup> The above picture is the northwest side of the Residence Inn – Arlington Courthouse.

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<sup>4</sup> Donohoe Companies. <<http://www.donohoecompanies.com/property.aspx?PropertyID=13>>.

## Adjacent Uses



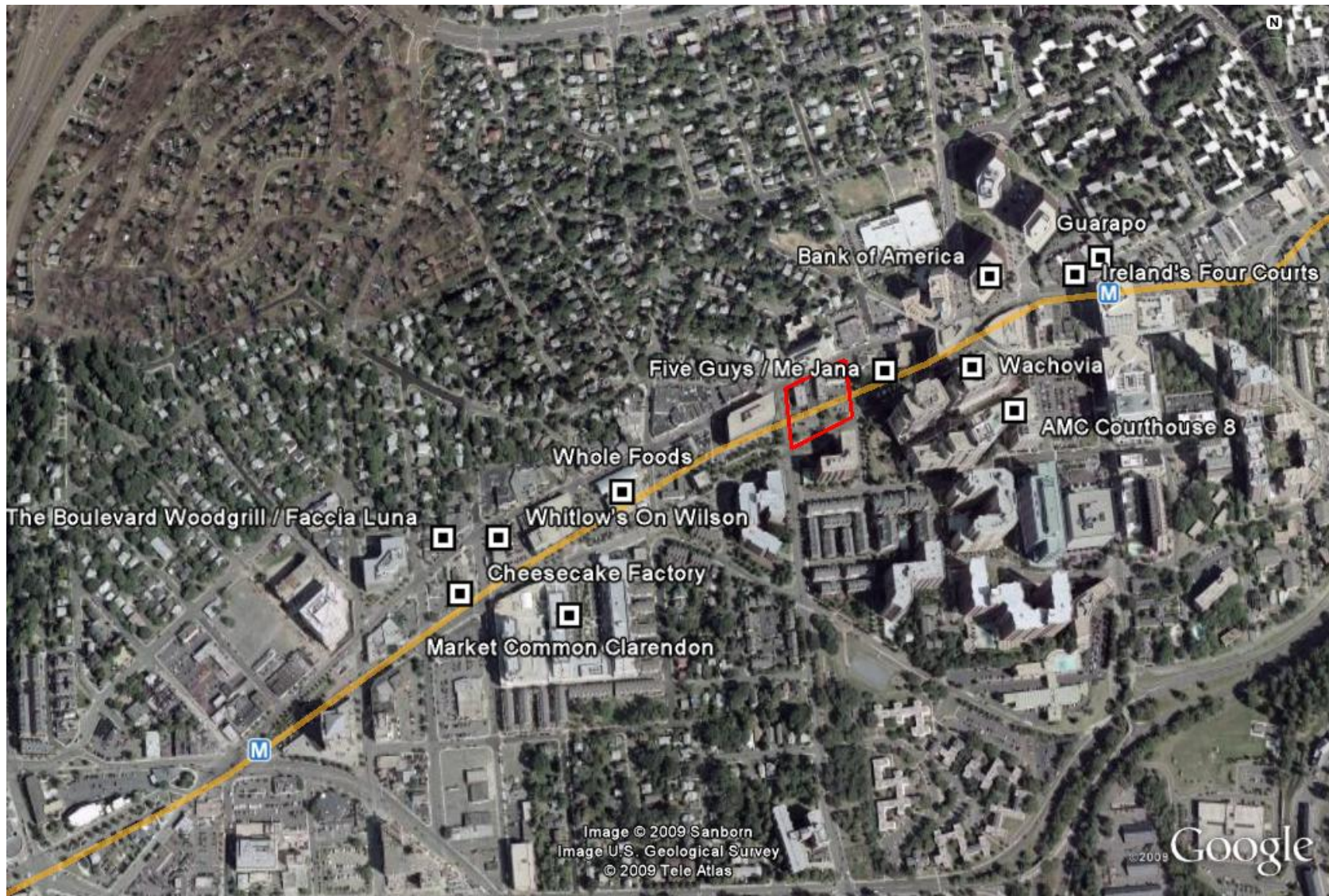
**Places of Interest:**

Due to its proximity to Washington, DC and the convenience of the Courthouse and Clarendon Metrorail Station, the Courthouse area has experienced growth over the years that includes both residential and commercial. Below is a list of places of interest relevant to the site.

Place of Interest	Address	Type	Distance to Site (Miles)
Five Guys	2300 Wilson Blvd.	Restaurant	0.01
Me Jana	2300 Wilson Blvd.	Restaurant	0.01
The Java Shack	2507 N. Franklin Rd.	Restaurant	0.07
Wachovia	2200 Clarendon Blvd.	Bank	0.08
PNC	2601 Clarendon Blvd.	Bank	0.09
Bank of America	2111 Wilson Blvd.	Bank	0.17
AMC Courthouse 8	2150 Clarendon Blvd.	Movie Theatre	0.20
Courthouse Metro	2100 Wilson Blvd.	Metro	0.20
Whole Foods	2700 Wilson Blvd.	Grocery	0.20
The Boulevard Woodgrill	2901 Wilson Blvd.	Restaurant	0.29
Faccia Luna	2909 Wilson Blvd.	Restaurant	0.30
Guarapo	2039 Wilson Blvd.	Restaurant	0.30
Ireland's Four Courts	2051 Wilson Blvd.	Restaurant	0.30
Market Common Clarendon	2800 Clarendon Blvd.	Various	0.30
Whitlow's On Wilson	2854 Wilson Blvd.	Restaurant	0.30
Cheesecake Factory	2900 Wilson Blvd.	Restaurant	0.40
Clarendon Metro	3100 Wilson Blvd.	Metro	0.60
Ray's the Steaks	1725 Wilson Blvd.	Restaurant	0.80
Giant	3450 Washington Blvd.	Grocery	0.90
Tallula	2761 Washington Blvd.	Restaurant	1.10
Ballston Common Mall	4238 Wilson Blvd.	Mall	1.50



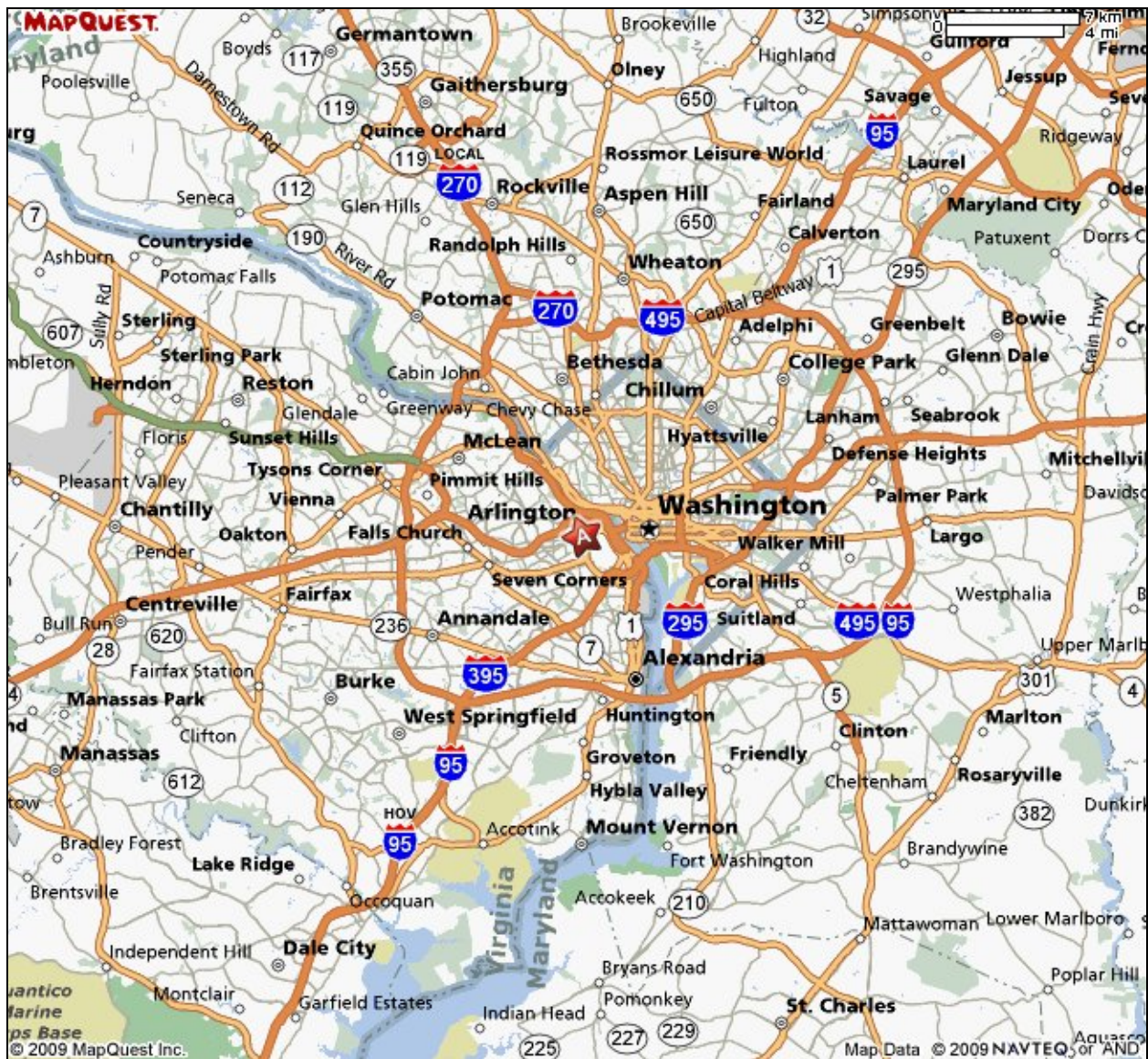
## Places of Interest







## Region Map



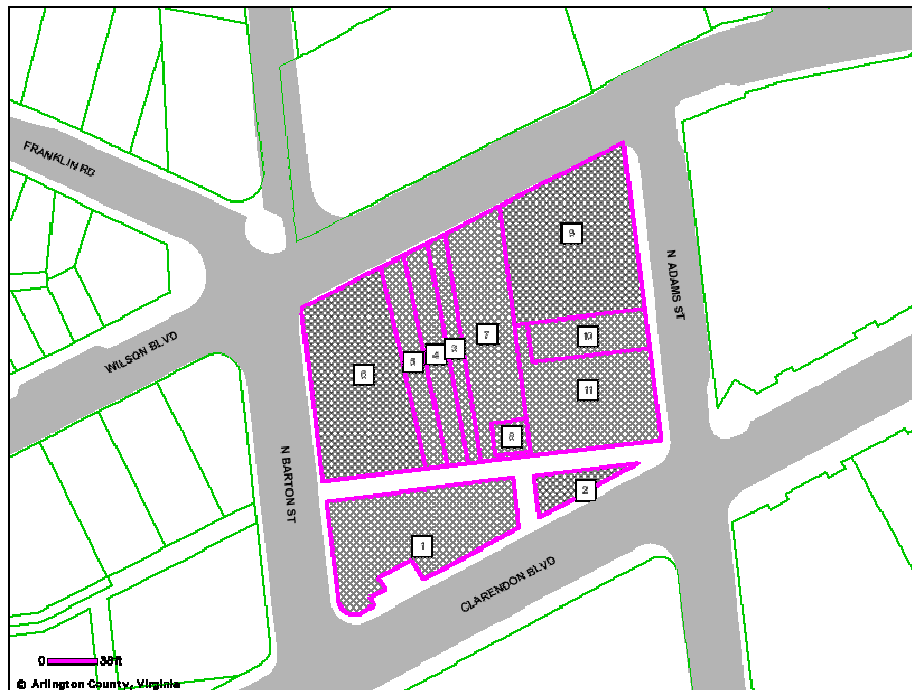
The red star with the “A” in the middle represents 2400 Wilson Boulevard.

### Current Property Status / Property Description

The site currently consists of eleven parcels with four owners totaling 56,728 square feet or 1.30 acres. In addition, Arlington County owns approximately 8,684 square feet within the overall site that includes alleyways. This brings the total land area to 65,412 square feet or 1.50 acres.

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10	18006015	Embassy Of The Republic Of Korea	N. Adams Street	2,700
11	18006016	Cybil Company NV	N. Adams Street	7,300
NA	NA	Arlington County	NA	8,684
<b>Total Square Feet:</b>				<b>65,412</b>
<b>Total Acreage:</b>				<b>1.50</b>

Map numbers below can be cross referenced with the "Map Number" on the previous page.



Source: Arlington, VA<sup>6</sup>

<sup>6</sup> Arlington County.

<<http://www.arlingtonva.us/departments/EnvironmentalServices/cpe/maps/MappingCenterInteractive.aspx>>.



The following are details about each existing building:

1. The Universal Building – 2400 Wilson Boulevard
  - a. Built in 1961
  - b. Gross Floor Area is 12,680 square feet
  - c. Current Tenants:
    - i. The Korean Embassy occupies the entire building.
2. The Loflin Building – 2420 Wilson Boulevard
  - a. Built in 1946
  - b. Gross Floor Area is 9,057 square feet
  - c. Current Tenants:
    - i. Esthertiques Skin Care
    - ii. Dream Travel
    - iii. Immigration Consultants
    - iv. American Realty Group
    - v. The Sundquist Company, LLC
    - vi. Service Solution, Inc.
3. 2424 Wilson Boulevard
  - a. Built in 1945
  - b. Gross Floor Area is 4,300 square feet
  - c. Current Tenants:
    - i. Subway
    - ii. Delhi Dhaba
4. 2440 Wilson Boulevard
  - a. Built in 1964
  - b. Gross Floor Area is 7,350 square feet
  - c. Current Tenants:
    - i. Professional Bartending School
    - ii. Edge Yoga
    - iii. Papa Johns Pizza
    - iv. Clarencourt Salon
    - v. New Members Cleaners



All eleven parcels are zoned C-2 or “Service Commercial--Community Business Districts”. As specified in Section 26 of the Arlington County Zoning Ordinance, should a site with a C-2 zoning be used as multifamily, RA8-18 zoning regulations should be used for lot area and density. Section 13 states that buildings shall not exceed four stories or 40 feet. However, should additional height / density be desired, the proposed project must be taken through the County’s site plan approval process, which this project will do. The site plan approval process is discussed in the Development Process section on page 51. The height of 140 feet and FAR of 5.94 will be proposed.

### **Current Leases of the Existing Tenants**

A major risk that presents itself is the handling of the current leases of the existing tenants. If there are not lease termination provisions in the event of a sale in place, there are a few approaches the buyer and tenant could take. The first, and the worst case scenario for the buyer, is a holdout. The tenant could simply let the lease take its natural course and continue to operate until it expires. This could delay construction causing the buyer to lose money. The next approach each party could take is a buyout of the lease from the existing tenant. This would be negotiated on a per square foot basis over the remaining term of the lease past the construction start date. The final approach, which is the most unlikely, is the tenant could simply leave. Since leases run with the land, it is not uncommon for tenants to receive compensation for terminating a lease prematurely if it ultimately benefits the owner.

According to the owner of 2440 Wilson Boulevard, all of his leases have lease termination provisions in place should there be a sale of the property. The only other properties that do not propose the risk of tenant holdouts are the parcels owned by the Embassy of the Republic of Korea. The Korean Embassy currently owns and occupies 2400 Wilson Boulevard, and there are not any buildings located on the southern most portion of the site. Therefore, in the event of a sale, the Embassy of the Republic of Korea could simply relocate their office space to another building at a different location. For the sake of this paper, it will be assumed that the entire Loflin Building at 2420 Wilson Boulevard and 2424 Wilson Boulevard will not have any tenant holdovers. All of the leases will expire prior to the start of construction. Therefore, there will be no need to buy out any of the current tenants.

## Site Photos



Existing Site: Looking southeast



Existing Site: North Side of the Universal Building – 2400 Wilson Boulevard



Existing Site: North Side of the Loflin Building – 2420 Wilson Boulevard



Existing Site: North Side of 2424 Wilson Boulevard



Existing Site: North Side of 2440 Wilson Boulevard



Existing Site: East Side of 2440 Wilson Boulevard





Existing Site: Looking Northeast



Existing Site: Looking Northwest



Existing Site: Southside of 2440 Wilson Boulevard (left) and 2424 Wilson Boulevard (right)



Existing Site: Southside of the Loflin Building and the Universal Building

## **Market Analysis**

### **Population**

The site is located in Arlington, Virginia which sits in Arlington County. Arlington County has seen consistent population and job growth throughout the last century. In 1990, the population in Arlington County was 170,936. In 2000, it grew to 189,453. Of the total population, 68.9% of the residents were Caucasian, 9.4% were African American, and 18.6% were Hispanic. In 2005, the population grew to 195,965 or by 3.4%. 64.6% of the residents were Caucasian, 8.7% were African American, and 16.3% were Hispanic. According to Arlington Economic Development, the 2010 population projection is 212,200.

Based on historic data, the population in Arlington County is forecasted to grow this decade. As shown in the chart to the right, according to the US Census Bureau, dating back to 1900, the population increased each decade except for one. From 1970 to 1980, the total population decreased 12.4%. Arlington County experienced its highest growth in population of 137.5% from 1940 to 1950. In 2000, the population in Courthouse was 9,643.<sup>8</sup> Clarendon's population in 2000 was 1,693.<sup>9</sup>

In the year 2000, the population within one mile from the site was 31,424. The 2008 estimate is 34,626 which is a 10.19% increase from 2000 (Arlington County's population grew 4.78% in the same timeframe). In 2013, the population is projected to grow 5.08% to 36,386 (Arlington County is projected to grow 2.64% in 2013). See page 73 for a market comparison report. Within three miles from the site, the population was 217,984 in 2000. In 2008, the population is estimated to have grown 3.08% from 2000 to 224,689. The 2013 projection is 228,228, a 1.58% increase. Within five miles from the site, the

**Arlington County Population**

Year	Population	% Change
1900	6,430	NA
1910	10,231	59.1%
1920	16,040	56.8%
1930	26,615	65.9%
1940	57,040	114.3%
1950	135,449	137.5%
1960	163,401	20.6%
1970	174,284	6.7%
1980	152,599	-12.4%
1990	170,936	12.0%
2000	189,453	10.8%
2005	195,965	3.4%
2010	212,200	8.3%

Source: Arlington Economic Development and The Department of Community Planning, Housing and Development<sup>7</sup>

<sup>7</sup> Arlington County.

<[http://www.arlingtonva.us/Departments/CPHD/planning/data\\_maps/Census/people/CensusPeoplePoptab.aspx](http://www.arlingtonva.us/Departments/CPHD/planning/data_maps/Census/people/CensusPeoplePoptab.aspx)>,  
<[http://www.arlingtonvirginiausa.com/statistics/\\_02.pdf](http://www.arlingtonvirginiausa.com/statistics/_02.pdf), [http://www.arlingtonvirginiausa.com/statistics/\\_08.pdf](http://www.arlingtonvirginiausa.com/statistics/_08.pdf)>.

<sup>8</sup> Arlington County.

<[http://www.arlingtonva.us/departments/CPHD/planning/data\\_maps/metro/courthouse/images/demographics\\_00.gif](http://www.arlingtonva.us/departments/CPHD/planning/data_maps/metro/courthouse/images/demographics_00.gif)>.

<sup>9</sup> Arlington County.

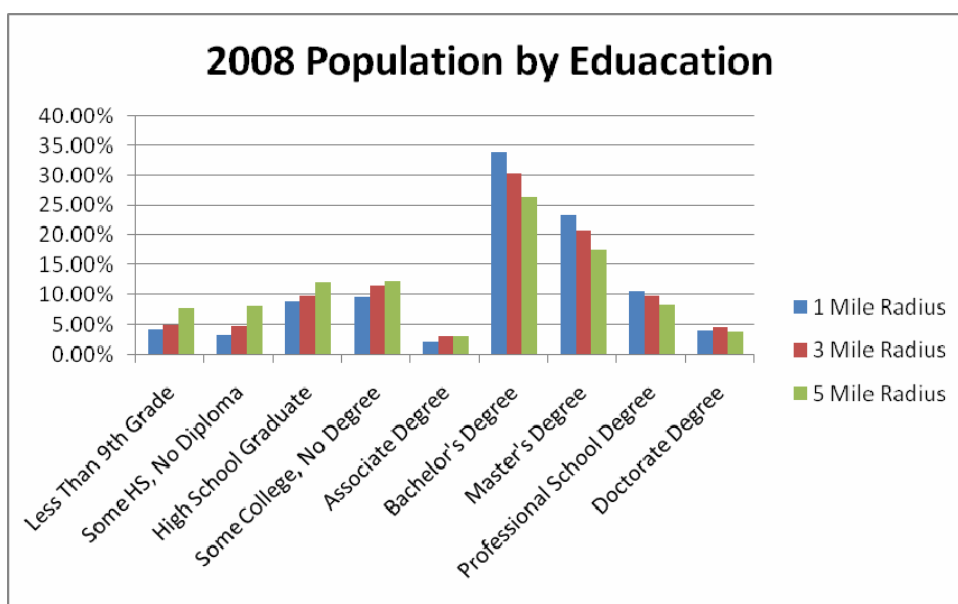
<[http://www.arlingtonva.us/departments/CPHD/planning/data\\_maps/metro/clarendon/images/clarendon\\_demographics.jpg](http://www.arlingtonva.us/departments/CPHD/planning/data_maps/metro/clarendon/images/clarendon_demographics.jpg)>

population in 2000 was 600,109. The 2008 population estimate is 624,646, a 4.09% increase. The population is projected to grow 2.09% in 2013 to 637,690.

In 2008, the largest population by age within one mile of the site was the 25 to 34 age group. It consisted of 31.60% of the population or 10,941 people. The second largest is the 35 to 44 age group. It consists of 18.94% of the population or 6,559 people. This stands true within three and five miles of the site as well. The 25 to 34 age group consists of 22.87% (51,396 people) of the population within three miles of the site and 19.85% (124,002 people) of the population within five miles of the site. The 35 to 44 age group consists of 16.83% (37,808 people) of the population within three miles of the site and 16.50% (103,052 people) within five miles of the site.

The median age within a one mile radius of the site in 2008 was 35.6 while the average age was 38.1. Within three miles from the site, the median age in 2008 was 36.3, and the average age was 38.5. The median age within a five mile radius of the site in 2008 was 37.1 while the average age was 38.6. Please see page 74 for a complete breakdown of population by age.

In 2000, 60.2% of adults 25 years and older in Arlington County had a Bachelor's Degree or higher.<sup>10</sup> 71.0% of Courthouse's population were college graduates (BA / BS), and 79.4% had college degrees (BA / BS). Within one mile of the site, 34.02% (9,743 people) have their Bachelor's Degree, and 23.34% (6,684 people) have their Master's Degree. 72.12% have their Bachelor's Degree or higher.<sup>11</sup>



<sup>10</sup> Arlington Economic Development. <[http://www.arlingtonvirginiausa.com/statistics/\\_10.pdf](http://www.arlingtonvirginiausa.com/statistics/_10.pdf)>.

<sup>11</sup> CoStar Group. <<http://costar.com>>.

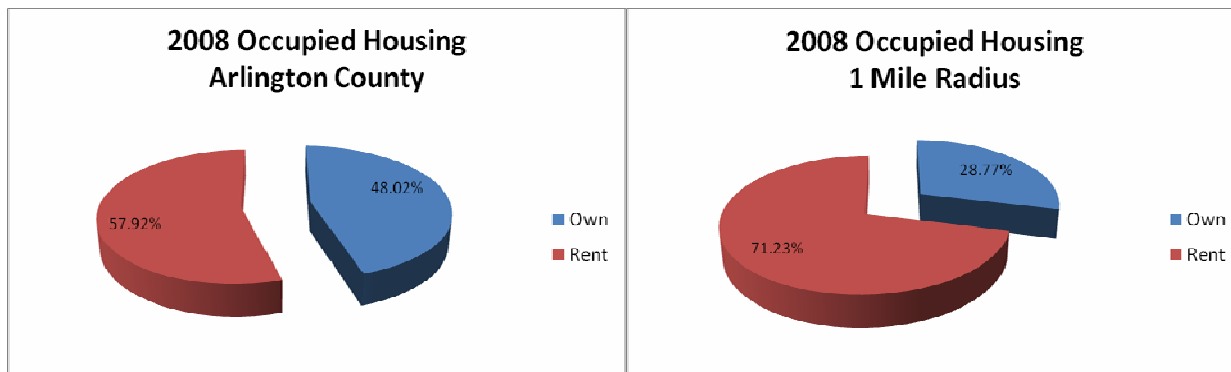


## Households

The total number of households in 2000 was 86,352 in Arlington County; 39,322 of which were family households. The average household size was 2.15, and the average family size was 2.96. In 2005, Arlington County had 92,100 households. In 2010, the number of households is projected to increase to 99,600.<sup>12</sup> This will have a positive effect on housing, commercial, and retail. As the number of households grow, the demand for housing increases. In turn, people naturally desire to work and shop close to their homes, so the demand for commercial and retail space also increases.

In 2000, Courthouse had 5,572 total households. Of the total, 25.6% or 1,426 were family households, and 74.4% or 4,146 were non-family households.<sup>13</sup> On the other hand, Clarendon had only 674 total households in 2000. 51.9 % or 350 were family households, and 48.1% or 324 were non-family households.<sup>14</sup>

Within a one mile radius of the site, there were 17,348 households according to the 2000 Census. In 2008, the number of households is estimated to be 18,739, an 8.02% increase from 2000. Arlington County saw only a 2.49% growth in households over the same time period. In 2013, the number of households is projected to increase by 3.54% to 19,403 households compared to 1.21% for Arlington County. The average household size in 2008 was 1.80 while 71.23% rented and 28.77% owned within a one mile radius of the site. 57.92% of households in Arlington County rented, and 42.08% owned.<sup>15</sup>



Within a three mile radius of the site, there were 105,430 households according to the 2000 Census. In 2008, the number of households is estimated to be 107,826, a 2.27% increase from 2000. In 2013, the number of households is projected to increase by 1.04% to 108,946

<sup>12</sup> Arlington Economic Development. <[http://www.arlingtonvirginiausa.com/statistics/\\_09.pdf](http://www.arlingtonvirginiausa.com/statistics/_09.pdf)>.

<sup>13</sup> Arlington County.

<[http://www.arlingtonva.us/departments/CPHD/planning/data\\_maps/metro/courthouse/images/demographics\\_00.gif](http://www.arlingtonva.us/departments/CPHD/planning/data_maps/metro/courthouse/images/demographics_00.gif)>.

<sup>14</sup> Arlington County.

<[http://www.arlingtonva.us/departments/CPHD/planning/data\\_maps/metro/clarendon/images/clarendon\\_demographics.jpg](http://www.arlingtonva.us/departments/CPHD/planning/data_maps/metro/clarendon/images/clarendon_demographics.jpg)>

<sup>15</sup> CoStar Group. <<http://www.costar.com>>.

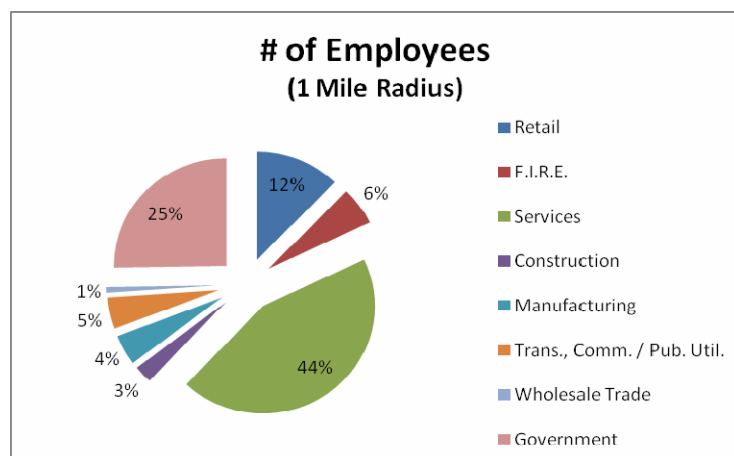
households. The average household size in 2008 was 1.96 while 60.85% rented and 39.15% owned.

Within a five mile radius of the site, there were 274,539 households according to the 2000 Census. In 2008, the number of households is estimated to be 285,483, a 3.99% increase from 2000. In 2013, the number of households is projected to increase by 2.00% to 291,184 households. The average household size in 2008 was 2.09 while 59.12% rented and 40.88% owned. See pages 76 and 77 for a complete household summary.

## Employment

The City of Arlington is the County Seat of Arlington County, and Courthouse is the home of the Arlington County Government. Courthouse includes major associations and businesses that include more than 15,000 employees.<sup>16</sup> In 2000, the Arlington County civilian labor force consisted of 115,329 people. The number of people who were unemployed was 1,258 making the unemployment rate 1.1%. In 2005, the civilian labor force grew to 121,350 people. In turn, the number of people who were unemployed was 3,026 inflating the unemployment rate to 2.5%.<sup>17</sup>

In 2005, the total employment in Arlington County was 199,300. Services consisted of 88,600 (44.5%) of the jobs while government jobs totaled 55,700 (27.9%). In 2010, Arlington County projects the total employment to grow to 209,600. They forecast 96,100 (45.8%) of the jobs will be services and 57,200 (27.3%) will be government jobs.<sup>18</sup> Both are slight increases from 2000. Also in 2005, Virginia Hospital Center was the largest private employer employing 1,991 people. Verizon was next employing 1,850.<sup>19</sup>



Within a one mile radius of the site, there are a total of 2,356 businesses and 42,972 employees. On average, there are 18 employees per business. The largest industry within the one mile radius is the services industry. There are a total of 1,195 businesses that employ 18,902 people (16 employees per business). The second largest industry is the government. There are 293

<sup>16</sup> Rosslyn-Ballston Corridor Retail Action Plan. Page 27.

<sup>17</sup> Arlington Economic Development. <[http://www.arlingtonvirginiausa.com/statistics/\\_15.pdf](http://www.arlingtonvirginiausa.com/statistics/_15.pdf)>.

<sup>18</sup> Arlington Economic Development. <[http://www.arlingtonvirginiausa.com/statistics/\\_31.pdf](http://www.arlingtonvirginiausa.com/statistics/_31.pdf)>.

<sup>19</sup> Arlington Economic Development. <[http://www.arlingtonvirginiausa.com/statistics/\\_32.pdf](http://www.arlingtonvirginiausa.com/statistics/_32.pdf)>.

government businesses that employ 10,826 people (37 people per business).<sup>20</sup> A complete summary could be found on page 78.

## Income

In 1990, the average household income in Arlington County was \$66,869. The largest percentage of households, 12.2%, made between \$20,000 and \$29,999. 5.0% made more than \$150,000, and 9.5% made less than \$10,000. In 2000, the average household income was \$106,903. 10.2% made less than \$10,000, and 9.5% made more than \$150,000. The largest difference was in the greater than \$150,000 bracket. Households, in general, made more money between 1990 and 2000. The percentages in the lower income brackets decreased while the percentages in the higher income brackets increased. This trend is forecasted to continue through 2010 and beyond. In 2010, the largest household income bracket is forecasted to be the greater than \$150,000. 11.5% of households are projected to make more than \$150,000.<sup>21</sup> Below is the household income distribution for Arlington County from 1990 to 2020.

Household Income	1990	2000	2005	2010	2015	2020
Mean Household Income	\$66,869	\$106,903	\$125,003	\$152,300	\$188,424	\$237,918
Less than \$10,000	9.5%	10.7%	10.7%	9.8%	9.0%	8.4%
\$10,000 to \$19,999	11.0%	10.4%	10.4%	9.5%	8.8%	8.1%
\$20,000 to \$29,999	12.2%	10.1%	10.1%	9.3%	8.5%	7.9%
\$30,000 to \$44,999	11.0%	10.4%	10.4%	9.5%	8.8%	8.1%
\$45,000 to \$59,999	11.1%	10.3%	10.3%	9.5%	8.7%	8.1%
\$60,000 to \$74,999	9.2%	10.0%	10.7%	10.5%	9.7%	9.0%
\$75,000 to \$99,999	6.7%	9.2%	10.2%	11.2%	12.2%	12.7%
\$100,000 to \$124,999	9.7%	8.7%	9.6%	10.5%	11.5%	12.3%
\$125,000 to \$149,999	6.0%	9.3%	10.3%	11.3%	12.4%	13.3%
\$150,000+	5.0%	9.5%	10.5%	11.5%	12.6%	13.5%

In 2008, within a one mile radius of the site, 17.42% of the households had a household income from \$50,000 to \$74,999. 17.32% fell into the \$100,000 to \$149,999 household income bracket. Within a three mile radius of the site, 17.13% had a household income between \$50,000 and \$74,999. 16.98% made anywhere from \$100,000 to \$149,999. Within a five mile radius, 17.14% of the households had an income between \$50,000 and \$74,999. 15.68% made between \$100,000 and \$149,000.<sup>22</sup>

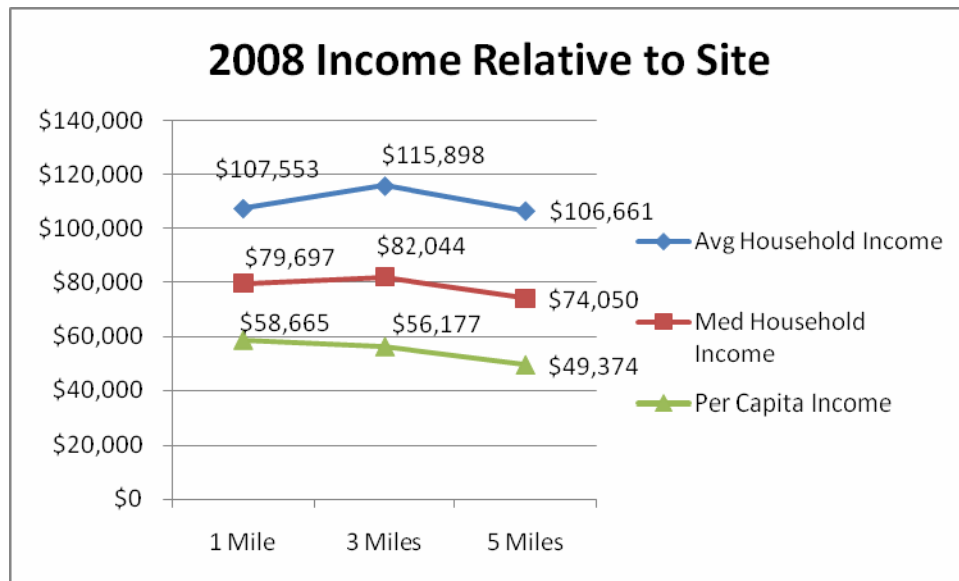
<sup>20</sup> CoStar Group. <<http://costar.com>>.

<sup>21</sup> Arlington Economic Development. <[http://www.arlingtonvirginiausa.com/statistics/\\_24.pdf](http://www.arlingtonvirginiausa.com/statistics/_24.pdf)>.

<sup>22</sup> CoStar Group. <<http://www.costar.com>>.



Below is a graph showing the 2008 income levels relative to the site.



## Consumer Spending

In 2008, consumer spending within a one mile radius of the site was \$966.4 million. Consumers spent more than \$316 million on Transportation / Maintenance. The next closest was \$140.9 million on Entertainment and \$112.8 on Apparel. Transportation / Maintenance was also the most spent within three and five miles of the site. Consumers spent \$1.8 billion and \$4.6 billion respectively. Like the consumers within one mile from the site, Entertainment was second within three and five miles from the site. Consumers spent \$861.1 million and \$2.1 billion respectively. The only difference in the top three was number three. Consumers within three and five miles from the site spent \$759.6 million and \$1.8 billion on Education / Day Care. For a complete breakdown on consumer spending for 2008, please see page 79.

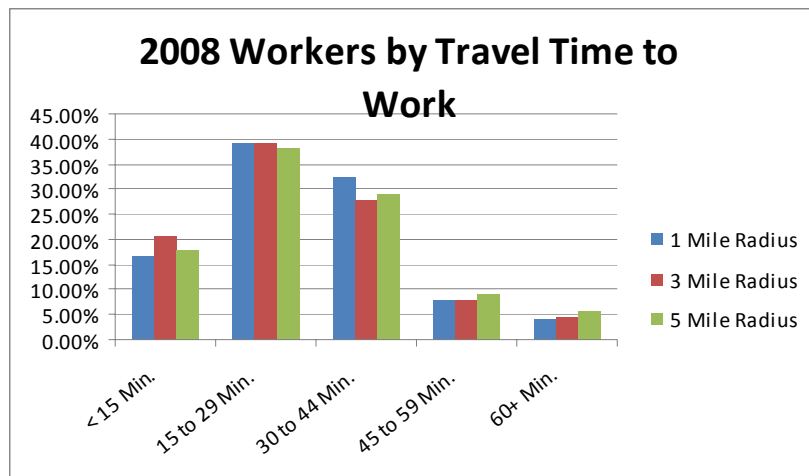
## Commuting Patterns

Arlington County is very dependent on other sectors in the Washington, DC area. In the year 2000, 29.6% of the residents who lived in Arlington County worked in Arlington County. 36.4% of the residents commuted out of Arlington County to work in Washington, DC. As far as the actual workforce in Arlington County, 21.0% was made up of Arlington County residents. 30.7% of the Arlington County workforce in 2000 was made up of Fairfax County residents, the largest out of any group.

Arlington County is also very dependent on out-of-town visitors whether it be for business or vacation. In the year 2000, Ronald Reagan National Airport had 15,888,199 in total passenger traffic. In 2005, the number increased by 1,959,688 or 12.3% to 17,847,887. In

2003, the average hotel occupancy was 67.9%. In 2005, the average occupancy increased 6.4% to 74.3%.

Within a one and three mile radius of the site, 39.30% of the population travel 15 to 29 minutes to work. Within five miles of the site, 38.13% of the population also travel 15 to 29 minutes to work.<sup>23</sup> The chart to the right shows the 2008 travel time to work of the people, age 16 years and older, who live within one to five miles from the site.



In 2005, the average weekday passenger trips at the Courthouse Metrorail Station were 13,915. There were 6,793 in Clarendon. The total average weekday passenger trips were 86,945 on the Orange Line. Rosslyn had the most with 30,381, and Virginia Square had the least with 6,179. The Blue / Yellow Line, which services the City of Arlington but not the Courthouse neighborhood, totaled 96,678 average weekday passenger trips.<sup>24</sup> See page 80 for counts on all Arlington Metrorail Stations.

### Supply Analysis

In 2008, there were 19,936 housing units within a one mile radius of the site. 15,920 of the housing units were multifamily. The median year built of the total housing units was 1969. Within three miles of the site, there were 114,643 total housing units (79,661 multifamily) in 2008. Their median year built is a little older at 1960. Within five miles of the site, there were 305,747 total housing units (196,774 multifamily) in 2008, and the median year built was 1959.<sup>25</sup>

There are currently 690 multifamily units under construction within a one mile radius of the site, 1,355 multifamily units within three miles of the site, and 3,027 multifamily units within five miles of the site. Below is the list of multifamily projects in Arlington that are currently under construction.<sup>26</sup>

<sup>23</sup> CoStar Group. <<http://www.costar.com>>.

<sup>24</sup> Arlington Economic Development. <[http://www.arlingtonvirginiausa.com/statistics/\\_54.pdf](http://www.arlingtonvirginiausa.com/statistics/_54.pdf)>.

<sup>25</sup> CoStar Group. <<http://www.costar.com>>.

<sup>26</sup> Arlington Economic Development. <<http://www.arlingtonvirginiausa.com/devupdate/current.pdf>>.

<b>Project Name</b>	<b>Multifamily Units</b>	<b>Neighborhood</b>	<b>Distance From Site (Miles)</b>
Rhodes Hill Square	89	Courthouse	0.7
Clarendon Center	244	Clarendon	0.4
Columbia Village	235	Columbia Pike	4.9
Halstead @ Columbia Pike	269	Columbia Pike	2.0
Siena Park	188	Columbia Pike	2.9
220 20th Street S.	266	Crystal City	4.5
Aster at Crystal City	184	Crystal City	5.0
Crescent Apartments	205	East Falls Church	4.6
City View Residential Site Plan	20	Lee Highway	0.6
Alexan 24	217	Nauck Village	4.1
The Shelton	94	Nauck Village	4.7
Shirlington Crest	171	Nauck Village	4.7
The Millennium	300	Pentagon City	3.9
Turnberry Tower	337	Rosslyn	1.0
Hilltop House 100	100	Rosslyn	1.2
The Amelia Residential	108	Virginia Square	1.1

There are currently 6,098 housing units in Courthouse, 255 units under construction, and 306 units that have been approved but have not begun construction. In addition, Courthouse has 162,448 square feet of existing retail, 19,393 square feet under construction and 46,566 square feet approved but not yet built. In Clarendon, there are 1,215 existing housing units with 708 units under construction. Also, Clarendon has 549,035 square feet of existing retail, 34,061 square feet under construction, and 62,160 square feet approved but not yet built.<sup>27</sup> See page 81 for development summaries of Courthouse and Clarendon.

### **Rental Analysis**

The Delta “Third Quarter 2008 Report: Mid-Atlantic Class A Apartment Market” shows the total class A vacancy rate as 2.8% in Northern Virginia. The market comparisons on pages 35 through 39 have vacancy rates that range from 0.38% to 10.00%. A 5.0% vacancy rate was used for the proposed project. This is conservative by Delta’s research and falls right in the middle of the comparables.

Delta also analyzed the rental concessions for the Washington, DC metropolitan area. The suburban area average for the third quarter 2008 was 3.7%. Northern Virginia’s average was 3.4%. To be conservative, the concession used for the purpose of this project is 5.25%. Site visits to market comparables proved it was common for new tenants to receive two months rent free with a twelve to thirteen month lease. Another common concession is for all new tenants to have the initial move-in fees waived.

<sup>27</sup> Arlington Economic Development. <<http://www.arlingtonvirginiausa.com/index.cfm>>.

Rental rates for the proposed project are priced 20% higher than the visited market comparables. These rents could be achieved due to the subject's convenient location between the Courthouse and Clarendon metro stations, superior amenities in comparison to the comps, and opportune accessibility to neighborhood stores and restaurants. The face rent is \$2.80 / RSF, and the effective rent is \$2.66 / RSF.

### **Target Market**

Due to the strength of the Washington, DC market and Arlington's proximity to Washington, it is likely that the future tenants of the subject will be the combination of people who relocated from Washington, other Arlington submarkets, and people from other parts of northern Virginia who either commute to the area or prefer to do a reverse commute. Based on the market data, the target market for the subject has been defined as the following:

- Ages 25 to 34 (primary)
  - 31.60% of the population within a one mile radius
  - 38.13% of the population within a five mile radius (includes a substantial portion of Washington, DC)
- Ages 35 to 44 (secondary)
  - 18.94% of the population within a one mile radius
  - 16.50% of the population within a five mile radius
- Household income between \$75,000 and \$149,000
- People who work within 15 to 29 minutes to work (primary)
  - 39.30% of the population within a one mile radius
  - 38.13% of the population within a five mile radius
- People who work within 30 to 44 minutes to work (secondary)
  - 32.49% of the population within a one mile radius
  - 29.09% of the population within a five mile radius
- Educated with at least a bachelor's degree

### **Capture Analysis**

In "Real Estate Market Analysis: A Case Study Approach", Adrienne Schmitz and Deborah Brett define capture rate as the "projected demand growth a project must attract in order to fill its rentable space or to sell its lots or homes."<sup>28</sup> To analyze demand and determine the capture rate, the potential demand was determined for the subject property based on population data for the one, three, and five mile radius of the site. Certain characteristics were then extrapolated from CoStar data including average household size, the percentage of

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<sup>28</sup> Schmitz, Adrienne and Deborah L. Brett. *Real Estate Market Analysis: A Case Study Approach*. Page 33.



multifamily units as a total of housing units, and number of households that could afford the proposed units. The total potential demand for the subject property was determined to be 12,280 for a one mile radius, 61,030 for the three mile radius, and 138,779 for the five mile radius.

Determining residual market demand required additional calculations. The competitive supply was calculated by determining the number of renter occupied households that could afford to rent at the subject (households making greater than \$50,000 / year). The number of units currently under construction, prorated for affordability, was then added to the competitive supply in determining the total competitive supply.

Based on the analysis, there appears to be a very strong demand for the subject property. Below is the calculation of the capture rate for the subject:

<b>Capture Rate Calculation</b>			
<b>Market Demand Forecast</b>	<b>1 Mile</b>	<b>3 Miles</b>	<b>5 Miles</b>
Population Forecast (2013)	36,386	228,228	637,690
Population Forecast (2016)	37,442	230,352	645,517
Persons per HH	1.80	1.96	2.09
Forecasted Housing Unit Demand	20,801	117,527	308,860
Percentage Multifamily	79.85%	69.49%	64.36%
Potential Apt Demand	16,610	81,669	198,782
% of Households - Afford Apts	70.41%	71.17%	66.49%
Total Potential Demand for Units	11,695	58,124	132,170
Frictional Vacancy	5%	5%	5%
Total Potential Demand: Subject	12,280	61,030	138,779
<b>Market Residual Demand</b>			
Competitive Supply	9,398	46,693	112,218
New Construction	486	964	2,013
Total Competitive Supply	9,884	47,658	114,231
Residual Demand	2,395	13,373	24,548
Estimate Mkt Occupancy Rate	95%	95%	95%
<b>Subject Capture Estimate</b>	<b>12.52%</b>	<b>2.24%</b>	<b>1.22%</b>

### Absorption Rate

From a market perspective, it is feasible for the subject to reach stabilized occupancy of 95% within 18 months of substantial completion. In order to do so, the subject must lease-up at an absorption rate of 16 units per month.

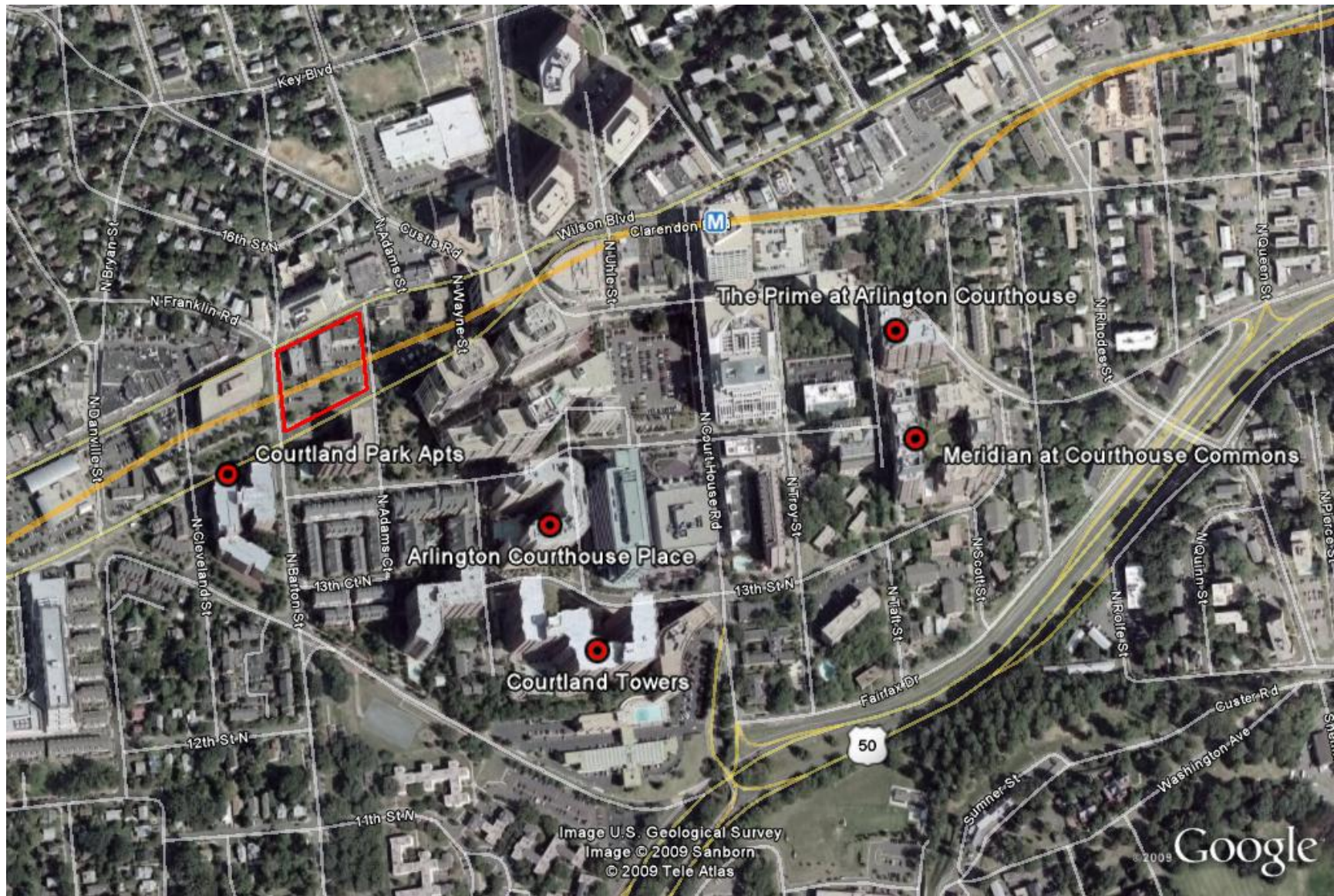
### Absorption Rate

No. of Units	300
No. of Months to Reach Stabilized Occupancy	19
Absorption Rate	16 units / month

This absorption rate of 16 units per month should be reached for the following reasons:

- Strong demand for the product. (See capture rate chart above).
- Conveniently located 0.2 miles from the Courthouse Metrorail Station.
- Walkability to shopping, restaurants, and entertainment.
- Accessibility to major roads.
- Employment is stable within the Washington, DC MSA.
- Property management company with strong experience in marketing and leasing.
- High occupancy rates in comparables.
- Superior amenities to comparables.
- Renter households make up 71.23% of the total households within a one mile radius of the site.

### Comparable Map





### Comparable #1

#### Courtland Park Apartments

2500 Clarendon Boulevard

Arlington, VA 22201



Source: <http://www.dittmarcompany.com/communities/courtlandpark/courtlandparkpics.html>

**Distance from Site:** 0.1 miles

**Building Type:** Mid Rise

**Total Units:** 264

Unit Type	# of Units	SF	Rent	\$ / SF
Efficiency			\$1,515 - \$1,595	
1 Bedroom		590 - 910	\$1,485 - \$1,755	\$1.93 - \$2.52
2 Bedrooms		1,000 - 1,115	\$2,245 - \$2,345	\$2.10 - \$2.25
3 Bedrooms			\$ 2,945	
Total	264			

\* Manager did not provide the breakdown of the number of units

**Occupancy as of 3/18/09:** 99.62%

**Utilities:** Individually controlled heating and cooling

**Washer / Dryer:** In unit

**Balcony:** Yes

#### Community Amenities:

Community room  
Fitness center  
Game room  
24 hour attended front desk  
Garage parking



## Comparable #2

**Courtland Towers**  
1200 N. Veitch Street  
Arlington, VA 22201



Source: <http://www.dittmarcompany.com/communities/courtlandtowers/courtlandtowerspics.html>

**Distance from Site:** 0.3 miles

**Building Type:** High Rise

**Total Units:** 575

Unit Type	# of Units	SF	Rent	\$ / SF
<b>Furnished</b>				
Efficiency	2	-	\$ 2,995	\$ -
1 Bedroom	47	700 - 950	\$ 3,295	\$3.46 - \$4.71
2 Bedrooms	20	1,060 - 1,350	\$ 3,695	\$2.74 - \$3.49
3 Bedrooms	6	1,700 - 1,800	\$ 4,195	\$2.33 - \$2.47
Total Furnished	75			
<b>Unfurnished</b>				
Efficiency	-	-	\$ -	
1 Bedroom	321	700 - 950	\$1,645 - \$2,015	\$2.12 - \$2.35
1 Bedroom and Den	16	1,000	\$1,895 - \$2,075	\$1.90 - \$2.08
2 Bedrooms	130	1,060 - 1,350	\$2,245 - \$2,935	\$2.12 - \$2.17
2 Bedrooms and Den	8	1,340	\$2,875 - \$3,045	\$2.15 - \$2.27
3 Bedrooms	25	1,700 - 1,800	\$3,195 - \$3,495	\$1.88 - \$1.94
Total Unfurnished	500			

**Occupancy as of 3/18/09:** 95.40%

**Concessions:** 2 months of free rent with a 14 month lease

**Utilities:** Gas and electric are additional

**Washer / Dryer:** In unit

**Balcony:** Yes

<b>Community Amenities:</b>	
Indoor lap pool	Indoor basketball hoop
Outdoor pool	Indoor driving range
Fitness center with saunas	Community room
Game room	Theatre room
Racquetball courts	Garage parking

### Comparable #3

#### Arlington Courthouse Place

1320 N. Veitch Street  
Arlington, VA 22201



Source: [http://www.archstoneapartments.com/Apartments/Virginia/Clarendon-Ballston-Rosslyn/Arlington\\_Courthouse\\_Place/](http://www.archstoneapartments.com/Apartments/Virginia/Clarendon-Ballston-Rosslyn/Arlington_Courthouse_Place/)

**Distance from Site:** 0.3 miles

**Building Type:** High Rise

**Total Units:** 564

Unit Type	# of Units	SF	Starting Rent	\$ / SF (Starting Rent)
Studio	2	525	\$ 1,525	\$ 2.90
1 Bedroom	329	724 - 800	\$ 1,625	\$ 2.24
1 Bedroom and Den	79	855 - 870	\$ 1,885	\$ 2.20
2 Bedrooms	154	1,030 - 1,300	\$ 2,185	\$ 2.12
Total	564			

**Occupancy as of 3/18/09:** 94.50%

**Concessions:** Waiving initial fees and 1/2 a month's rent off select apartments.

**Utilities:** Tenant is responsible for all utilities.

**Washer / Dryer:** In unit

**Balcony:** Yes

#### Community Amenities:

24 hour resident concierge	Conference room
Sports club	Swimming pool
Great room	Garage parking
Business center	

#### Comparable #4

##### The Prime Apartments at Arlington Courthouse

1415 North Taft Street  
Arlington, VA 22201



Source: <http://www.equityapartments.com/market/brochure.aspx?page=overview&PropID=2760>

**Distance from Site:** 0.4 miles

**Building Type:** High Rise

**Total Units:** 195

Unit Type	# of Units	SF	Rent	\$ / SF
Efficiency	36	544 - 612	\$1,475 - \$1,700	\$2.71 - \$2.78
1 Bedroom	102	768 - 884	\$1,775 - \$1,975	\$2.23 - \$2.31
2 Bedrooms	57	1,054 - 1,352	\$2,155 - \$2,650	\$1.96 - \$2.04
Total	195			

**Occupancy as of 3/18/09:** 93.33%

**Concessions:** Waiving move-in fee on select units if move-in within 10 days

**Washer / Dryer:** In unit

**Balcony:** No

##### Community Amenities:

Business center	Garage and/or covered parking
Fitness center	Package service
Complimentary cocktail parties and socials	Reserved parking
Corporate units	Valet dry cleaning service
Extra storage	

## Comparable #5

### Meridian at Courthouse Commons

1401 North Taft Street  
Arlington, VA 22201



Source: <http://www.meridiancourthouse.com/index.html>

**Distance from Site:** 0.5 miles

**Building Type:** High Rise

**Total Units:** 755

Unit Type	# of Units	SF	Rent	\$ / SF
Efficiency			\$ 1,461	
1 Bedroom			\$ 1,700	
2 Bedrooms			\$ 2,650	
Total				

\* Manager did not provide the unit breakdown and square footage

**Occupancy as of 3/18/09:** 90.00%

**Concessions:** Waive move-in fees if application is signed within the first 48 hours  
2 months off 13 month leases

**Utilities:** Individually controlled gas heat and hot water

**Washer / Dryer:** In unit

**Balcony:** Glass enclosed balconies / sunrooms

Community Amenities:	
On-site concierge	Putting green
Package acceptance and delivery	Private courtyard with picnic/BBQ area
Rooftop clubrooms	Guest suite accommodations
Social events	Dry cleaning service on-site
Fitness facility with cardio theater	Convenience store/deli on-site
Aerobics room with energized wood flooring	Complimentary coffee service weekdays
Swimming pool	Underground garage parking
2 racquet/squash courts	Restricted electronic access
Rooftop sundeck/garden	24-hour emergency maintenance



### **Highest and Best Use**

When determining the highest and best use of the subject, a number of variables were taken into consideration which includes a comparison of the uses, site capacity, land value, and risks. First, given the site's proximity to public transportation and major highways and roads, it was determined the site is easily accessible by foot and car. Next, the site's current characteristics were weighed. Due to its size of 1.50 acres and C-2 zoning, the site could physically support a redevelopment and by right, has the versatility to handle a number of different uses. Then, a market analysis concluded the area has strong demographics with a growing population, high household incomes, and a low unemployment rate. Finally, a financial analysis was done showing the site could support a project financially. The following subsections explain why mixed-use apartments / retail are the highest and best use for the subject.

### **Risks**

Like any development project, the subject faces a number of risks that cannot be overlooked. The first is zoning. Given the site's C-2 zoning, the by right uses are versatile. However, in order to achieve the desired density and height, the project must be taken through the County's site plan approval process. At any time during the site plan approval process, the County could determine the project does not meet their requirements and could ultimately reject the proposal.

The next risk that has been identified is the financial risk associated with developing the site. Given today's financial market, acquiring debt from the financial institutions has become more difficult. Banks have tightened their underwriting standards requiring higher debt service coverage ratios. In addition to the higher debt service coverage ratios, banks are requiring borrowers to have tenants committed to space for office loans. This has been a significant hurdle for office developers today. Finally, lending institutions are requiring lower loan to value ratios. Well, like debt, equity has come at a premium. Equity investors have tightened their standards demanding premium returns.

Construction and market / lease-up risks are two significant risks since both are projected and cannot be controlled. As of today, the Washington, DC metro area and Arlington County in particular are proven to be strong. Arlington County and the Courthouse submarket is projected to grow and the need for new real estate will be in demand. However, if the economy worsens and Arlington is affected negatively, growth could stall, and the demand for new product could change in an instant. Therefore, lease-up projections are at risk slowing down potential income at income producing properties. In addition, construction prices fluctuate

regularly. Receiving a quote from a contractor today does not guarantee a price 36 months from now when construction is set to begin. Another example of construction risk is the current site conditions. There is a risk that the subsurface is different in the areas that were not tested by the geotech engineers.

Finally, the current tenants are a risk for the redevelopment of the site. If the current owners did not agree to lease termination provisions with their current tenants, the tenants could possibly hold out and stay until their lease ends which can delay construction. In order to prevent this from happening, the tenants may have to be bought out of their leases. The two buildings that do not present this risk are 2400 Wilson Boulevard and 2440 Wilson Boulevard. The Korean Embassy owns and occupies the Universal Building at 2400 Wilson Boulevard. They will be able to rent office space elsewhere. 2440 Wilson Boulevard has termination provisions built into the current tenants' leases.

### **Commercial Discussion**

Two major risks that effect office developments more than apartments include BRAC, financing and lease-up. They are explained below:

#### **BRAC**

One of the largest risks facing Arlington County real estate is the Base Realignment and Closure (BRAC) Act. In November of 2005, it was approved that more than four million square feet of office space be vacated which totals greater than 17,000 jobs.<sup>29</sup> Approximately 76 percent of the vacancy will be in the Crystal City submarket which represents thirteen percent of the total office space in Arlington County. The Department of Defense has a deadline of September 15, 2011 for all moves. As these moves take place over the next two years, the number of vacancies in Arlington will continue to climb, and the landlords will more than likely offer concessions and decrease their rental rates in order to fill vacancies.

#### **Financing and Lease-Up**

Given today's financial markets, banks have tightened their underwriting guidelines making it extremely challenging to receive debt. Not only are the banks requiring a handsome debt service coverage ratio, they also require office developments to have leases in place prior to lending. Developers today are finding this extremely difficult to accomplish. Most companies are not growing and spending money carefully. Therefore, they are hesitant to lease new space. On the other hand, if a market is growing and the demand for housing is prevalent, a bank would be willing to lend to a developer with a strong proposal for multifamily rentals like the subject.

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<sup>29</sup> Arlington Convention and Visitors Service. <<http://www.stayarlington.com/index.cfm/12908>>.

## Financial Projections

Given the following projections, the mixed use of apartments and retail would provide a higher net operating income when compared to the mixed use of office and retail. Today, the current vacancy for Class A office on the Rosslyn-Ballston corridor is approximately 5%, but to be conservative, a 7% vacancy rate was used for apartments. However, as stated above, the vacancy rate for office in Arlington County is projected to increase in 2011 due to BRAC while the demand for multifamily rental apartments is projected to increase.

Site SF	65,412
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FAR with Site Plan Approval	
Apartments / Retail	5.94
Office / Retail	5.35

Height	
Apartments / Retail	140
Office / Retail	140

Stories	
Apartments / Retail	13
Office / Retail	10

Floorplate	GSF
Apartments / Retail	36,400
Office / Retail	35,000

Acquisition Costs	
Total	\$ 15,600,000
Per FAR Foot	
Apartments / Retail	\$ 40.14
Office / Retail	\$ 44.57
Per Site GSF	\$ 238

Construction \$ / SF	Per GSF	Apts	Office
Hard (assumed similar btw office and apts)	\$ 235.32	\$ 91,445,633	\$ 82,362,253
Soft (25% of Construction Costs)	\$ 53.84	\$ 30,481,878	\$ 27,454,084
Total	\$ 289.16	\$ 121,927,510	\$ 109,816,337

Rent / SF	
Apartments (per Month)	\$ 2.80
Retail (per Year NNN)	\$ 40.00
Office (per Year Full Service)	\$ 37.00

Gross Potential Income	
Apartments	\$ 12,034,427
Retail	\$ 1,456,000
Office	\$ 11,840,000
Parking	
Apts / Retail	\$ 270,000
Office / Retail	\$ 662,069

Vacancy / Credit Loss	
Apartments	7.00%
Office	5.00%

Effective Gross Income	
Apartments	\$ 12,797,197
Office	\$ 13,260,166

Operation Cost	Per Unit / SF	Total
Apartments	\$ 9,000	\$ 2,700,000
Office	\$ 12	\$ 3,840,000

NOI	
Apts / Retail	\$ 10,097,197
Office / Retail	\$ 9,420,166

GSF Summary	
Apartments / Retail	388,600
Apartments	352,200
Retail Level	36,400
Office / Retail	350,000
Office	320,000
Retail Level	30,000

Greenspace	
Apartments / Retail	44.4%
Office / Retail	46.5%

Parking	
Apartments / Retail	357
Apartments	300
Retail	57
Office / Retail	603
Office	552
Retail	52

Number of Apt Units	300
---------------------	-----

Terminal Cap Rate	
Apartments	7.0%
Office	7.0%

Terminal Value	
Apartments	\$ 144,245,676
Office	\$ 134,573,793

## **Apartments Versus Condominiums**

Due to the market as it stands today, the marketplace demands rental apartments as opposed to condominiums. Lending institutions are more willing to lend to a multifamily rental project rather than a condominium project. There is too much insecurity for the end user in today's environment when it comes to job security. As unemployment and foreclosure rates continue to climb, the amount of new homeownership products will continue to decline. When the market calls for additional condominium units, this project will be re-evaluated at that time for the possibility of a conversion.

## **Highest and Best Use Conclusion**

Given the timing of the project, it has been determined that the highest and best use of the subject is multifamily rental apartments as opposed to office and condominiums. Apartments are physically possible, legally permissible, financially feasible, and maximally productive. The risks of building office far outweigh the risks of building apartments. In addition to the standard risks of zoning, financing, construction, and market / lease-up that any project faces, new office buildings in Arlington County face new greater risks like BRAC and having its financing pulled because of the potential lack of tenants.

In the previous section, the market analysis confirmed apartments are the highest and best use for the subject by showing:

- Historical and projected population growth.
- High education levels of the population within a five mile radius of the site.
- 71.23% of the households within a one mile radius are renter occupied.
- Low unemployment rate 2.5% in Arlington County.
- High median household income of \$79,697 within a one mile radius of the site.
- 2,356 businesses and 42,972 employees within a one mile radius of the site providing a strong employment base.
- The projected demand for additional rental apartment units due to projected population growth and lack of supply to support it.

In addition, the Courthouse submarket is comprised mostly of local government, multifamily and retail. The amount of multifamily tenant office is minimal and might be better serviced in other submarkets of Arlington such as Rosslyn or Ballston. Finally, the subject is located in a strong market due to its proximity to Washington, DC. Tenants are likely to come from different areas around the region such as Washington, DC, various neighborhoods of Arlington, and other areas such as Fairfax County where the tenants might reverse commute to work.



### **Building Design and Site Plan**

Due to the accessibility of the site by car, foot, or metro, high traffic counts on Wilson and Clarendon Boulevard, and urban nature of the Courthouse submarket, the design of the building has urban characteristics such as a potential LEED Platinum certification and being highly visible to pedestrians as they walk or drive by. The building will be 140 feet tall with four levels of below grade parking totaling 444 parking spaces. The FAR will be 5.94.

The apartment main lobby entrance will be located on the south side of the building on Clarendon Boulevard. The retail users will have access on Wilson Boulevard on the north, N. Adams Street on the east, and N. Barton Street on the west. Included on the first floor for the apartment users will be the management office, leasing office, and mailroom. The building skin will consist of precast concrete and punched windows. The first floor retail will be 20 feet slab to slab while the apartment units will be 10 feet slab to slab.

The second floor of the building will include amenities to be used by the apartment tenants only. The amenities include a business center, social / party room with a pool table, theatre, and exercise room with weights and racquetball. The roof will be green and will consist of gas grills and a swimming pool. The fire hazard the gas grills hold and added weight and potential water leakage of the swimming pool are all factors that have been taken into consideration in the design of the building.

Apartment units will include the following amenities:

- Washer and dryer
- Stainless steel appliances
- Refrigerator
- Garbage disposal
- Microwave
- Dishwasher
- Range
- Cable and internet hookups in living rooms and bedrooms

The countertops in the kitchen will be granite, and the cabinets will have a cherry finish. The interior doors will be double panel with a cherry finish to match the kitchen cabinets. The cable will be Comcast. Satellite dishes will not be allowed. The kitchens and bathrooms will have tile flooring while the living rooms and bedrooms will be carpet. Fixtures in all rooms will have a nickel finish. Each unit will be responsible for their own utilities. The electricity, water and gas will be submetered. All of the appliances will be Energy Star rated to lessen the energy costs to the tenants and minimize the carbon footprint the building will naturally create.

The first floor retail will be a base building without any finishes. The finishes will be done as tenants sign their leases. Tenant improvements have been accounted for in the proforma. Retail tenants will be allowed signage. Retail signs must fit the neighborhood and will require approval from the owners.

The parking garage will be accessed at the west side of the building on N. Barton Street. The parking ratio is one parking spot for each apartment unit and one parking spot for every 580 square feet of retail gross floor area requiring 357 spaces. However, there will be a total of 444 parking spaces located on four floors below grade. The streetscape will consist of street trees, lighting for the safety of pedestrians at night, and trash cans to keep the streets clean.

The following images are examples of the quality proposed for this development. Images are both exterior and interior. Finally, a site plan as been included showing the layout of the building on the site in addition to a typical floor plan and parking plan.

**Sample Façade**



**Sample Façade**



**Rooftop Pool**



**Rooftop Cookout Area**



**Lobby**



**Game Room**



**Fitness Center**



**Business Center**



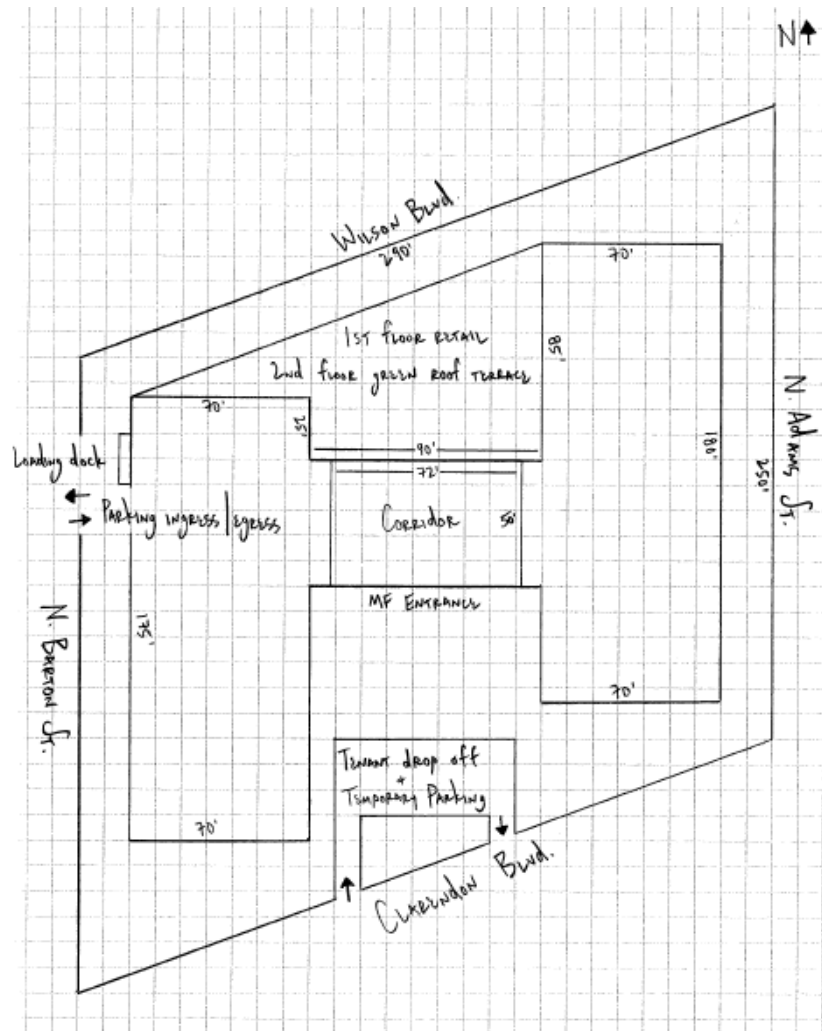
**Open Kitchen**



**Kitchen Appliances**



## Site Plan

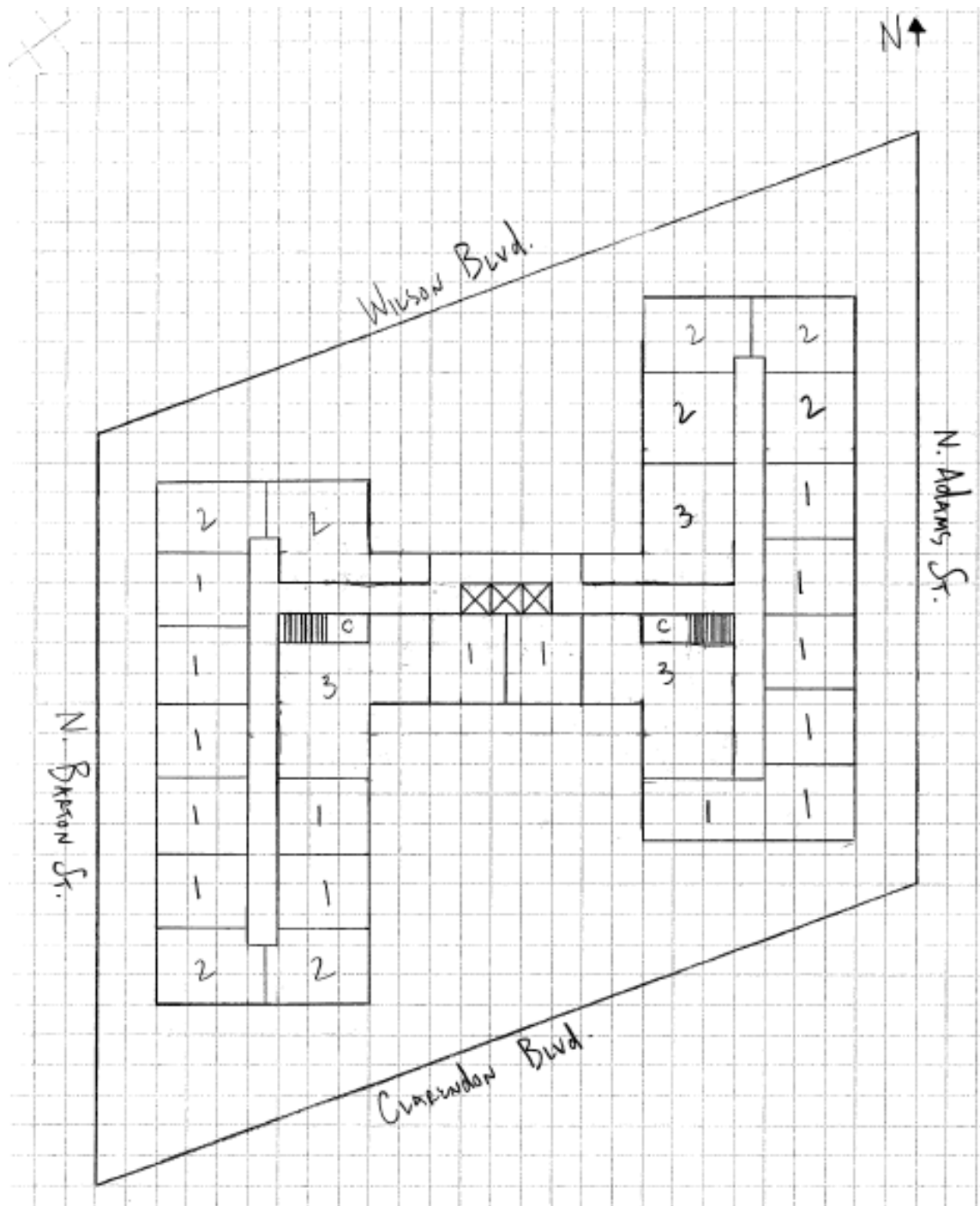


Notes about the site plan:

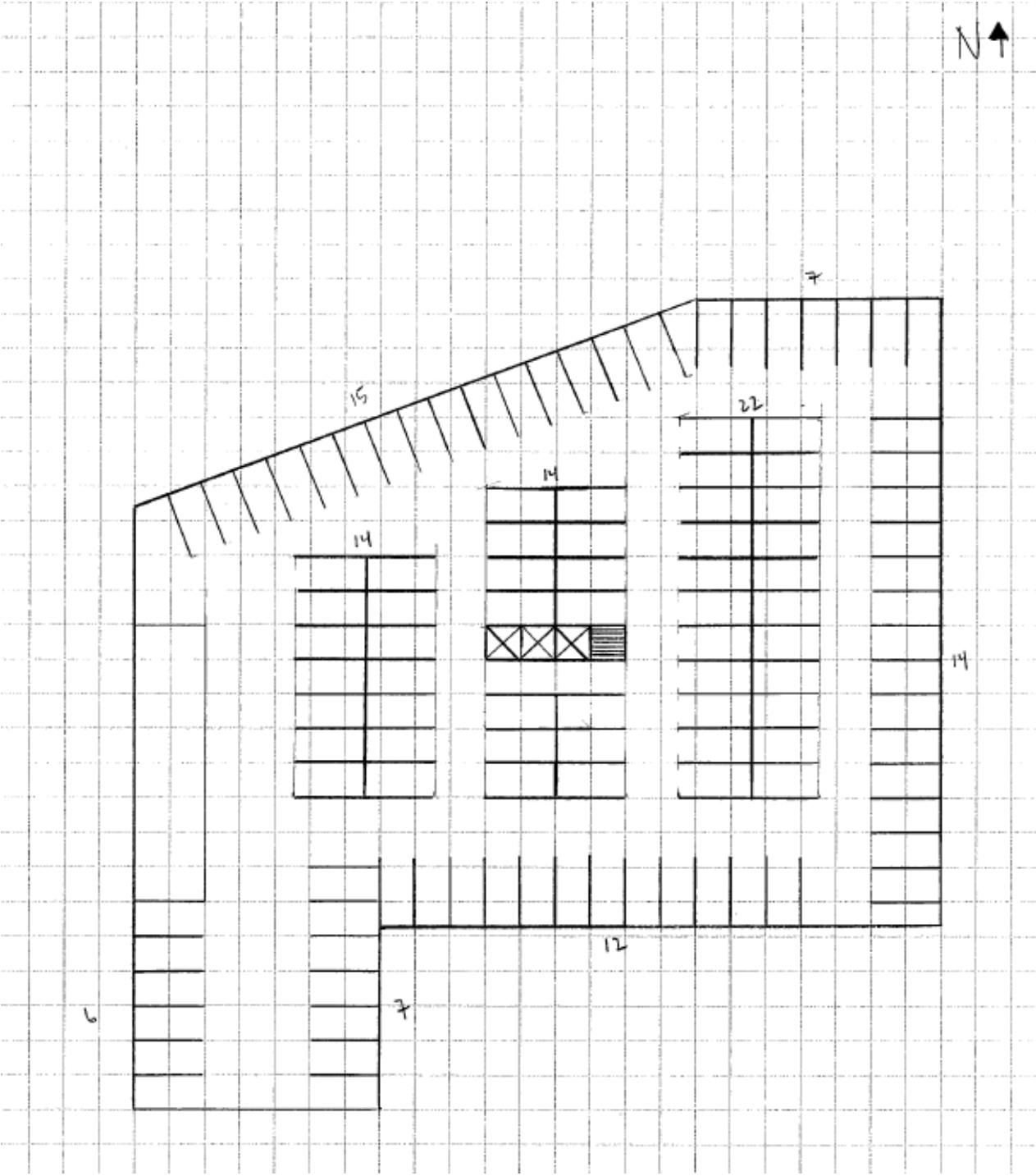
1. The 72' x 50' box in the center of the building is the building corridor / residential public space.
2. The entrance for the apartments will be located on the south side of the building at Clarendon Boulevard. The entrances for the retail are located on Clarendon Boulevard, N. Adams Street, and N. Barton Street. The retail entrances are subject to change depending on the size and type of tenants.
3. The arrows on the west side of the site plan are the ingress and egress for the parking garage.
4. There is a tenant drop-off and temporary parking area at the south sided of the property.



# Typical Floor



Parking Plan



## **Development Process**

Key members of the development team include:

- Owner / Developer – The owner / developer will be responsible for managing the project from predevelopment through marketing and lease-up. He will be responsible for arranging financing for the project and negotiating contracts with architects, engineers, the general contractors, and current owners. Other than the investor, the owner / developer is taking the most risk compared to the other development team members.
- Architect and Engineers (Civil, Structural, MEP) – The architect and engineers will be responsible for designing the project and inspecting the project as it progresses through construction. They will be expected to be available to answer any questions the general contractor may have and to work as efficiently as possible.
- General Contractor / Subcontractors – The general contractor will be responsible for hiring quality subcontractors. They are expected to work efficiently and finish the job on-time and on-budget. Any change orders that arise must be approved by the owner.
- Specialty Consultants
  - Geotechnical – The geotechnical engineer will be responsible for providing a phase one environmental site assessment. They will also inspect the property for any asbestos or other hazardous materials and will provide construction monitoring throughout the construction phase of the project.
  - Acoustical – The acoustical engineer will work with the architect in determining the most relevant building materials to use in order to minimize external and internal sounds.
  - Traffic – The traffic engineer will report on the current traffic count in the area and analyze how the subject will impact traffic.
- Lenders – The lender will provide debt to the project.
- Lawyers – The lawyers will construct agreements between the architects, engineers, general contractor, and the sellers. In addition, they will play an important part in zoning and getting the project approved through the site plan approval process.

Key members of the development team (continued):

- Government Agencies – The government agencies will ultimately approve the project. In addition, they will grant permits and inspect the project to ensure compliance throughout the development process.

The entire development schedule is projected to take 87 months which includes marketing and lease-up. It is 68 months from preconstruction through substantial completion. The following are the major categories of the development process beginning with the 36 month option to purchase the land in May 2009 and ending with marketing / leasing. In order to streamline the process, this project delivery method will be Design-Build, and the contractor will be paid on a cost plus fee basis.

### **Preconstruction**

The first phase of the project is preconstruction. It is scheduled to begin in May 2009. The preconstruction portion of the project is scheduled to take 36 months and includes the following tasks:

- 36 month option (5/1/2009 – 4/30/2012)
- Market / Demand Analysis (5/1/2009 – 7/31/2009)
- Traffic Study (1/1/2010 – 3/31/2010)
- Design / Engineering (11/1/2011 – 4/30/2012)
- Site Plan Approval Process (8/1/2009 – 10/31/2011)
- Land Acquisition / Closing (2/1/2012 – 4/30/2012)
- Permits

### **Site Plan Approval Process**

Site plan districts were written to give the County flexibility to approve modifications based on the individual characteristics of each site. The site plan applications are submitted in accordance with Administrative Regulation 4.1 and is reviewed internally by the Departments of Community Planning, Housing & Development; Public Works; Parks, Recreation, and Cultural Resources; Police; Fire; Environmental Services; and Economic Development. In addition, the site plan is reviewed by the Site Plan Review Committee (SPRC) which is made-up of members of the Planning Commission, County Advisory Commissions and Committee representatives, and Civic Association and neighborhood representatives.

In an April 8, 2009 interview with Daryll Smith, Permitting and Customer Service Supervisor in the Department of Environmental Services with Arlington County, Mr. Smith said it takes approximately 60 days for the County to review the application with each submission. Once the application is submitted, the respective departments review it and issue comments.



The developer then addresses the comments and resubmits the application. Mr. Smith said it could take anywhere from two to three years to receive final approval to begin construction.

“Site plan review requires public hearings before both the Planning Commission and the County Board. The Planning Commission reviews new site plans and major amendments and makes a recommendation to the County Board. The Planning Commission receives a written County Manager's report (staff report) and a report from the SPRC. The staff report recommendation includes a number of suggested conditions for approval. The County Board then takes final action on the site plan. If the project is approved, then the applicant can proceed with the development process and obtaining permits for development.”<sup>30</sup>

This project will be taken through the site plan approval process in order to achieve additional height and the desired density which is 140 feet and 5.94 FAR. According to the Courthouse Sector Plan, the subject has been designated by the County has “High Medium” residential density consisting of 73 to 90 units/acre.<sup>31</sup> Given that the site is 1.50 acres, the Courthouse Sector Plan will yield 117 multifamily units. However, given the current comparables in the marketplace today, the County should be willing to grant the additional height and density. Neil Thompson, Senior Site Planner in the Department of Community Planning, Housing and Development – Planning Division with Arlington County, recommended a maximum height of 153 feet, 10,000 to 30,000 square feet of ground floor retail, and one parking spot per residential unit.

In the schedule on page 54, the site plan approval process is projected to begin on August 1, 2009 and end on October 31, 2011. Given the fact that it is unknown when final approval will come, there have been multiple factors taken into consideration when projecting final approval. These items include multiple meetings with county officials to understand their expectations of the project, various application submittals in response to the County's comments, and the hearings with the Planning Commission and County Board.

## **Construction**

The next stage of the project is construction. Construction is scheduled to take 32 months and includes the following tasks:

- Demolition of the existing building on the site
- Concrete work which includes the foundation, below grade parking, building slabs and walls
- Construct the skin of the building

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<sup>30</sup> Arlington County.

<[http://www.arlingtonva.us/Departments/CPHD/planning/applications/site\\_plans/CPHDPlanningApplicationsSite\\_plansMain](http://www.arlingtonva.us/Departments/CPHD/planning/applications/site_plans/CPHDPlanningApplicationsSite_plansMain)>.

<sup>31</sup> Courthouse Sector Plan. Page 20.

- Installation of the elevators, finishes on each floor, and FF&E (furniture, fixtures, and equipment)
- Site work
- Punchlist and final inspections

The construction schedule and pricing was determined in an interview with Dave Pastrick. Mr. Pastrick is currently a Project Manager with Clark Construction. The construction pricing will be discussed in further detail in the Financial Projections section of this development proposal.

### **Marketing / Leasing**

The final development phase is marketing / leasing. An experienced management company will be hired that specializes in marketing and leasing. Leasing of the retail space will begin immediately, and preleasing of the residential units will begin in July 2014. At this time, the finishes in floors one through four will be complete in addition to the first floor lobby. This will provide the management company and leasing agents six months until substantial completion. Substantial completion is projected to be achieved in June 2014.

### Preconstruction Schedule – 2009 and 2010

Activity	Dur	Start	Finish	2009									2010																	
				MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC							
36 Month Option	784	1-May-09	30-Apr-12																											
Preconstruction																														
Market / Demand Analysis	66	1-May-09	31-Jul-09					Market / Demand Analysis																						
Traffic Study	66	1-Jan-10	31-Mar-10																	Traffic Study										
Design / Engineering	131	1-Nov-11	30-Apr-12																											
Site Plan Approval Process	594	1-Aug-09	31-Oct-11																											
Land Acquisition / Closing	65	1-Feb-12	30-Apr-12																											
Demo Permit			1-May-12																											
Construction Permit			1-May-12																											

### Preconstruction Schedule – 2011 and 2012

Activity	Dur	Start	Finish	2011												2012																	
				JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC						
36 Month Option	784	1-May-09	30-Apr-12													36 Month Option																	
Preconstruction																																	
Design / Engineering	131	1-Nov-11	30-Apr-12													Design / Engineering																	
Site Plan Approval Process	594	1-Aug-09	31-Oct-11													Site Plan Approval Process																	
Land Acquisition / Closing	65	1-Feb-12	30-Apr-12													Land Acquisition / Closing																	
Demo Permit			1-May-12													Demo Permit																	
Construction Permit			1-May-12													Construction Permit																	

## Construction Schedule – 2012 and 2013

Activity	Dur	Start	Finish	2012												2013																
				APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC								
Construction																																
Demolition	60	1-May-12	24-Jul-12					Demolition																								
Foundations - Excavation	80	24-Jul-12	13-Nov-12									Foundations - Excavation																				
Concrete																																
Garage - Level P4 / Spread Footings	30	14-Nov-12	26-Dec-12											Garage - Level P4 / Spread Footings																		
Garage - Level P3	25	27-Dec-12	31-Jan-13												Garage - Level P3																	
Garage - Level P2	20	1-Feb-13	1-Mar-13													Garage - Level P2																
Garage - Level P1	20	2-Mar-13	30-Mar-13														Garage - Level P1															
1st Floor - Concrete	25	31-Mar-13	5-May-13															1st Floor - Concrete														
2nd Floor - Concrete	15	6-May-13	27-May-13																2nd Floor - Concrete													
3rd Floor - Concrete	10	28-May-13	11-Jun-13																	3rd Floor - Concrete												
4th Floor - Concrete	10	12-Jun-13	26-Jun-13																		4th Floor - Concrete											
5th Floor - Concrete	10	27-Jun-13	11-Jul-13																			5th Floor - Concrete										
6th Floor - Concrete	10	12-Jul-13	26-Jul-13																				6th Floor - Concrete									
7th Floor - Concrete	10	27-Jul-13	10-Aug-13																					7th Floor - Concrete								
8th Floor - Concrete	10	11-Aug-13	25-Aug-13																						8th Floor - Concrete							
9th Floor - Concrete	10	26-Aug-13	9-Sep-13																							9th Floor - Concret						
10th Floor - Concrete	10	10-Sep-13	24-Sep-13																								10th Floor - Cor					
11th Floor - Concrete	10	25-Sep-13	9-Oct-13																									11th Floor -				
Main Roof Concrete	15	10-Oct-13	31-Oct-13																										Main Ro			
Penthouse Concrete	10	1-Nov-13	15-Nov-13																											Penth		
Skin - Precast and Punch Windows	120	16-Nov-13	3-May-14																													
Elevators	150	22-Dec-13	20-Jul-14																													
Finishes / MEP																																
1st Floor / Lobby - Finishes / MEP	150	22-Dec-13	20-Jul-14																													



### Construction Schedule – 2014 and 2015

Activity	Dur	Start	Finish	2014												2015																	
				JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC						
Construction																																	
Skin - Precast and Punch Windows	120	16-Nov-13	3-May-14	<div></div>												Skin - Precast and Punch Windows																	
Elevators	150	22-Dec-13	20-Jul-14	<div></div>												Elevators																	
Finishes / MEP																																	
1st Floor / Lobby - Finishes / MEP	150	22-Dec-13	20-Jul-14	<div></div>												1st Floor / Lobby - Finishes / MEP																	
2nd Floor - Finishes / MEP	130	5-Jan-14	6-Jul-14	<div></div>												2nd Floor - Finishes / MEP																	
3rd Floor - Finishes / MEP	125	19-Jan-14	13-Jul-14	<div></div>												3rd Floor - Finishes / MEP																	
4th Floor - Finishes / MEP	120	2-Feb-14	20-Jul-14	<div></div>												4th Floor - Finishes / MEP																	
5th Floor - Finishes / MEP	120	16-Feb-14	3-Aug-14	<div></div>												5th Floor - Finishes / MEP																	
6th Floor - Finishes / MEP	120	2-Mar-14	17-Aug-14	<div></div>												6th Floor - Finishes / MEP																	
7th Floor - Finishes / MEP	120	16-Mar-14	31-Aug-14	<div></div>												7th Floor - Finishes / MEP																	
8th Floor - Finishes / MEP	120	30-Mar-14	14-Sep-14	<div></div>												8th Floor - Finishes / MEP																	
9th Floor - Finishes / MEP	120	13-Apr-14	28-Sep-14	<div></div>												9th Floor - Finishes / MEP																	
10th Floor - Finishes / MEP	120	27-Apr-14	12-Oct-14	<div></div>												10th Floor - Finishes / MEP																	
11th Floor - Finishes / MEP	120	11-May-14	26-Oct-14	<div></div>												11th Floor - Finishes / MEP																	
Site Work	80	7-Aug-14	26-Oct-14	<div></div>												Site Work																	
FF&E	90	17-Aug-14	21-Dec-14	<div></div>												FF&E																	
Punchlist and Final Inspections	60	8-Oct-14	31-Dec-14	<div></div>												Punchlist and Final Inspections																	
Substantial Completion			31-Dec-14	<div></div>												<div></div> Substantial Completion																	
Marketing and Lease-Up		20-Jul-14	30-Jun-16	<div></div>																													

### Marketing and Lease-Up Schedule – 2016

Activity	Dur	Start	Finish	2016											
				JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
<b>Marketing and Lease-Up</b>		20-Jul-14	31-Jul-16												

### **Investment Strategy**

When determining an investment strategy for the site, two viable options have been identified:

1. The first is to buy the current owners outright and use an equity investor to help finance the project. Property values will be determined by the approved FAR of 5.94 after it is taken through the site plan approval process. The property will be developed and held for five years.
2. The second option is the same as the first except for the hold period. The hold period for this option is ten years and is analyzed in the financial projections section.

After analyzing the projections, it is more profitable for the partnership to hold the subject for five years after construction. The returns are analyzed in the financial projections section beginning on page 63.

### **36 Month Option**

The land will be optioned for 36 months. In addition to a standard feasibility study, the main condition in the option will be site plan approval from the County. Each land owner will be paid an upfront nonrefundable option fee of \$5.29 per land square foot per year to hold the land during the feasibility period. The option fee will total \$300,000 each year totaling \$900,000 over the 36 month option period. At any time, should the site plan be rejected by the County or the project is deemed not feasible, the buyer has the option to walk away from the deal. In the occurrence the project is deemed infeasible, the buyer loses the option fee but is not responsible for the outright purchase of the parcels. If the site plan is approved by the County, each owner will be paid on a FAR basis.

### **Arlington County Alleys**

Located on the southern portion of the site are two 15' wide alleyways owned by Arlington County. In order to close them, each adjoining property owner must agree on the closing. Once the agreement is reached, the County has an application that must be submitted to the County Board titled "Application for Vacation or Abandonment of a Public Street, Alley, Easement or Right of Way." Upon approval from the County Board, a sale price is negotiated between the County and buyer. According to Daryll Smith, Permitting and Customer Service Supervisor in the Department of Environmental Services with Arlington County, each adjoining parcel will then own an equal share of the alley. In this case, each property line would be extended 7.5'. In addition, each property owner would then be responsible for the increase in assessed taxes due to the additional owned square footage.

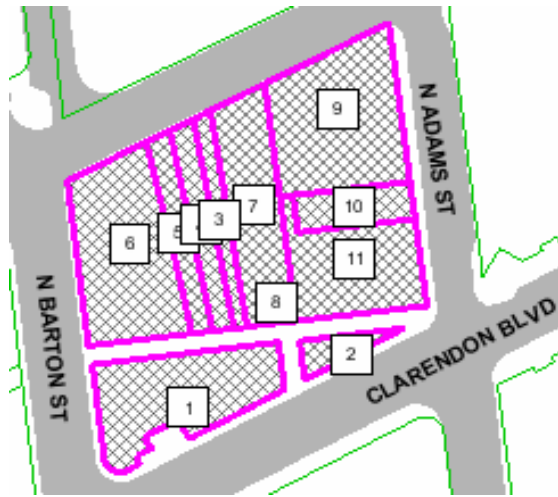
## Acquisition Strategy

Given the current ownership, shapes and sizes of each parcel, it is imperative for each parcel to be acquired and be included in the development. Including Arlington County, there are five property owners on the overall site. Even though it is feasible to do the project without acquiring every parcel, it is highly unlikely for the owners who own multiple parcels to sell them off in pieces. For example, the project could be built without parcels one and two (refer to the map to the right).

However, the Embassy of the Republic of

Korea owns these parcels in addition to parcels nine and ten which are located on the opposite side of the site in the northeast corner. Another example is the possibility of a smaller project located on the northwest corner of the site that includes parcels three through eight. The total square footage is 26,033. However, parcels seven and eight are owned by Cybil Company NV. Well, Cybil Company NV also owns parcel eleven which is 7,300 square feet. It is highly unlikely they would be willing to part ways with only a portion of their property.

**Proposed Site**



## Land Acquisition

Above Map #	RPC	Owner	Lot Size (SF)	Sale Price
1	18006008	Embassy Of The Republic Of Korea	8,595	\$ 2,049,807
2	18006023	Embassy Of The Republic Of Korea	1,121	\$ 267,345
6	18006009	2440 Wilson Boulevard LLC	10,666	\$ 2,543,717
9	18006013	Embassy Of The Republic Of Korea	10,979	\$ 2,618,364
10	18006015	Embassy Of The Republic Of Korea	2,700	\$ 643,919
	NA	Arlington County	8,684	\$ 2,071,033
<b>Parcels in Economic Unit 1800603G:</b>				
7	18006014	Cybil Company NV Metropolitan Asset Mgmt Inc.	6,786	\$ 1,618,382
8	18006018	Cybil Company NV Metropolitan Asset Mgmt Inc.	648	\$ 154,540
11	18006016	Cybil Company NV Metropolitan Asset Mgmt Inc.	7,300	\$ 1,740,965
<b>Parcels in Economic Unit 1800503G:</b>				
3	18006017	Dumera Properties One LLC	2,234	\$ 532,783
4	18006011	Dumera Properties One LLC	2,904	\$ 692,570
5	18006010	Dumera Properties One LLC	2,795	\$ 666,575
<b>Totals:</b>			<b>65,412</b>	<b>\$ 15,600,000</b>
<b>\$ / FAR:</b>				<b>\$ 40.14</b>

Based on conversations with

industry practitioners and sales comparables, the land is valued at \$52,000 per unit. One industry professional suggested \$50,000 a unit in today's market may be on the high side. He said back in 2007 when the market was hot, land was being purchased for \$60,000 to \$70,000 per unit. He also would not ascribe any value to the retail portion of the project since retail is such a high risk today. To be conservative, \$52,000 per unit was used making the

total offering price \$15.6 million and the price per FAR \$40.14.

## **Capital Structure**

The capital structure will be based on a 90/10 split between the investor and developer. The investor will be responsible for 90% of the equity while the developer will be responsible for 10%. The investor will contribute \$35.9 million, and the developer will contribute \$4.0 million in equity during construction. In addition, the preconstruction costs will be split 90/10 which includes the option fee and other predevelopment costs. The investor will require 10% preferred equity return, and the investor will take 90% of the pref while the developer will receive the balance. Any extra cash flow the project produces will also be paid on a 90/10 basis.

## **Exit Strategies**

The current development proposal is a five year hold. Should the need for an exit strategy arise prior to the sale in year six, three exit strategies have been identified:

1. Convert the apartment units into condominium units and sell each unit individually. In 2008, within a one mile radius of the site, the median housing value of an owner occupied residence was \$571,389. Given the features of the development, strong amenity base and urban location, the median housing price for area should be feasible for the subject.
2. Sell the investment prior to year five. This will give the owner the benefits of the reoccurring income and proceeds from the sale even though the hold period is not as long as projected.
3. Take the property through the site plan approval process and sell it with its new entitlement attached. The increased density / FAR will increase the property's value from its current status. This will transfer the development risk to the next buyer.

## **Financial Projections**

### **Hard Costs**

#### **Construction Costs**

The hard costs are based on pricing I received from Dave Pastrick with Clark Construction. The price of \$235.32 per gross square foot is trended forward 3% per year for three years due to the likely increase in construction costs and includes the foundation work, structure (including the garage), site work, skin, roofing and waterproofing, finishes, elevators, mechanical, and electrical. Also included in the per square foot cost is the underground parking garage which is 40 feet below grade and 161,800 gross square feet. It has been determined that there is no water or rock in the subterrain.

#### **Furniture, Fixtures and Equipment**

The furniture, fixtures and equipment line item includes FF&E for all the public areas such as the lobby, leasing and management office, exercise room, business center, and social / game room.

#### **Construction Contingency**

The construction contingency is 5% of the hard costs and furniture, fixtures and equipment. This contingency will account for any increases in hard cost and FF&E pricing. It will also cover any current unforeseeable items that are not accounted for.

### **Soft Costs**

#### **Architecture and Engineering**

The architecture and engineering is 7% of the total hard costs. It consists of the design of the building, reimbursables and supervision during construction.

#### **Geotechnical / Soils Engineering**

The geotechnical / soil engineering will be done to analyze the site conditions. It will determine how the foundation will be designed and the materials needed to support the structure of the building.

#### **Traffic Study**

A traffic study will be done to analyze current traffic patterns and traffic counts. It will also include a projection analysis of the impact on traffic the subject will have on the area.

#### **Building Permit**

The building permit fee is calculated on a gross square feet basis. The price is \$0.72 per GSF of total floor area.



### **Impact Fees**

This is an assumed line item that will be imposed by Arlington County and will be used for a need in the community. Daryll Smith, Permitting & Customer Service Supervisor with Arlington County, said impact fees will be addressed in the comments during the site plan approval process.

### **Affordable Housing Cash Contribution**

Since there will not be any affordable housing in the proposed development, the partnership must make an affordable housing cash contribution to the County. The total contribution is summarized below:

<b>FAR</b>	<b>\$ / FAR</b>	<b>GSF</b>	<b>\$ Contribution</b>
Up to 1.0 FAR	\$ 1.50	65,412	\$ 98,118
1.0 - 3.0 FAR	\$ 4.00	130,824	\$ 523,296
3.0 FAR +	\$ 8.00	202,464	\$ 1,619,712
Total	\$ 5.62	398,700	\$ 2,241,126

### **Legal Fees**

This line item includes legal fees charged during entitlement, the site plan approval process, acquisition, during construction, and lease-up.

### **Hazard & Liability Insurance (Construction Period)**

Hazard and liability insurance is to protect the partnership during the construction period.

### **Real Estate Taxes**

The real estate taxes are those paid during construction. They are based on the 2009 tax assessments.

### **Developer Fees**

The developer fee accounts for 2.0% of the total development cost.

### **Soft Cost Contingency**

The soft cost contingency accounts for 10% of the total soft costs. It will cover any costs that are unaccounted for along with unforeseen price increases.

### **Construction Loan Interest**

The construction loan interest is assumed and calculated as a 6.0% interest rate on a \$93,118,660 construction to perm loan.

### **Construction Lender's Origination Fee**

The construction lender's origination fee is assumed to be 25 basis points of the loan.

### **Perm Lender's Origination Fee**

Like the construction lender's origination fee, it is assumed the perm lender's origination is 25 basis points as well.

**Leasing / Marketing Expenses**

The leasing / marketing expenses are projected to cover the leasing commissions for the retail space and marketing expenses for both the retail and multifamily.

**Operating Reserves**

The operating reserve was calculated on a monthly basis. It is projected to cover one month of operating shortfalls. Should there be insufficient cash flow to cover the operating expenses and/or debt service, the operating reserve will be in place to cover the deficit.

## General Information and Assumptions

Site SF	65,412
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Building GSF	
Ground Floor Floorplate	36,400
Floors 2-13 Floorplate	29,350
Total Floors	13
Multifamily Floors	12
Height	140
Multifamily GSF	352,200
Retail GSF	32,800
Building GSF	388,600
Underground Parking	161,800
Number of Floors	4
Spaces per Level	111
Total Parking Spaces	444
GSF Including Parking	550,400

Gross to Rentable Conversions			
	GSF	Multiple	RSF
Multifamily	352,200	15%	316,980
Retail	32,800	4%	31,488

FAR	5.94
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Retail Leasing Commissions	
New	5.00%
Renewal	2.50%

Tenant Improvements (per SF)	
New	\$ 25.00
Renewal	\$ 10.00

Construction Trending	3% per year
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Terminal Cap Rate (5 yr hold)	7.00%	25 basis points for every additional year after 5 years
Terminal Cap Rate (10 yr hold)	8.25%	

Selling Costs	3.00%
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Investor Hurdle Rate	15.00%
Developer Hurdle Rate	20.00%

Investor Equity Contribution	90.00%
Developer Equity Contribution	10.00%

Investor Preferred Equity Return	10.00%
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CF and Disposition Splits	
90/10 to a 10%	
90/10 until investor made whole	
Investor	90.00%
Developer	10.00%

36 Month Option (\$5.29 / SF / year)				
Year	Total	Investor	Developer	
Year 1	\$ 300,000	\$ 270,000	\$ 30,000	
Year 2	\$ 300,000	\$ 270,000	\$ 30,000	
Year 3	\$ 300,000	\$ 270,000	\$ 30,000	
		\$ 810,000	\$ 90,000	

Predevelopment Fees Prior to Loan (Will be paid back at loan closing)			
Year	Total	Investor	Developer
Year 1	\$ 333,333	\$ -	\$ 333,333
Year 2	\$ 333,333	\$ -	\$ 333,333
Year 3	\$ 333,333	\$ -	\$ 333,333
	\$ 1,000,000	\$ -	\$ 1,000,000

Construction costs	2009
Price per Building GSF	\$ 215.35
Price per Parking Space	\$ 30,223

## Construction Costs

Category	Quantity	Unit	Rate	Total
FOUNDATIONS				
Support of Excavation	38,800	SF	\$55	\$2,134,000
Excavation	53,926	CY	\$25	\$1,348,148
STUCTURE		Unit Rate		
Slab on grade & Footings	36,400	SF	\$30.00	\$1,092,000
Foundation Walls	38,800	SF	\$35.00	\$1,358,000
Garage Decks	109,200	SF	\$40.00	\$4,368,000
1st - Roof Slabs	473,200	SF	\$20.00	\$9,464,000
SITEWORK				
Existing Demo / Utility Relocation	72,500	SF	\$70.00	\$5,075,000
Hardscape	20,960	SF	\$30.00	\$628,800
Landscaping	20,960	SF	\$15.00	\$314,400
SKIN				
Storefront (18')	11,640	SF	\$80.00	\$931,200
MF Levels - Precast & Punch Windows	135,800	SF	\$55.00	\$7,469,000
Penthouse - EIFS	3,638	SF	\$40.00	\$145,500
ROOFING & WATERPROOFING				
Vertical Bentonite & Misc Flashing	38,800	SF	\$15.00	\$582,000
Roofing (Green)	8,003	SF	\$24.00	\$192,060
FINISHES				
Parking Garage	161,800	SF	\$10.00	\$1,618,000
Retail Core&Shell / Lobby High End	36,400	SF	\$45.00	\$1,638,000
Unit Finishes	352,200	SF	\$40.00	\$14,088,000
ELEVATORS				
Gen2s (3 cars - 17 stops each)	51	Stops	\$28,000	\$1,428,000
MECHANICAL				
Parking Levels	145,600	SF	\$5.00	\$728,000
Retail	36,400	SF	\$45.00	\$1,638,000
MF Levels	436,800	Sf	\$40.00	\$17,472,000
ELECTRICAL				
Parking Levels	145,600	SF	\$3.00	\$436,800
Retail	36,400	SF	\$22.00	\$800,800
MF Levels	436,800	SF	\$20.00	\$8,736,000
Construction Cost TOTAL				\$83,685,708
\$/Gross SF (Including Parking)				\$152.05
\$/Unit				\$278,952

## Multifamily and Other Income

Unit Type	No. of BRs	No. of BAs	Unit Rent Sq. Ft.	No. of Units	Monthly Rent	Rent / RSF	Total Annual Rental Income
1-BR Units	1	1	825	150	\$ 2,400	\$ 2.91	\$ 4,320,000
2-BR Units	2	2	1,200	130	\$ 3,425	\$ 2.85	\$ 5,343,000
3-BR Units	3	2	1,850	20	\$ 4,120	\$ 2.23	\$ 988,800
<b>TOTAL RENTAL UNITS</b>			<b>316,750</b>	<b>300</b>	<b>\$ 2,959</b>	<b>\$ 2.80</b>	<b>\$ 10,651,800</b>

<b>Concessions</b>	5.25%
<b>Effective Rent / RSF</b>	<b>\$ 2.66</b>

Other Income			
	\$ / Unit / Month	\$ / Unit	Total Annual Other Income
Parking	\$ 75	\$ 900	\$ 270,000
Late Fees	\$ 15	\$ 180	\$ 54,000
Pet Charges	\$ 10	\$ 120	\$ 36,000
Storage	\$ 15	\$ 180	\$ 54,000
Lease Breakage Fees	\$ 4	\$ 50	\$ 15,000
Damages	\$ 8	\$ 100	\$ 30,000
Application Fees	\$ 2	\$ 25	\$ 7,500
Amenities Fees	\$ 25	\$ 300	\$ 90,000
Miscellaneous	\$ 15	\$ 180	\$ 54,000
<b>Total Other Income</b>			<b>\$ 610,500</b>

Rent / Expense Escalation & Vacancy Assumptions	
Projected Annual Rent Increase	3%
Projected Annual Expense Increase	3%
Projected Vacancy / Credit Loss	5%

## Retail Income

<b>GSF</b>	32,800
<b>Rent / SF - NNN</b>	<b>\$ 40.00</b>
<b>Vacancy</b>	<b>10.00%</b>
<b>Rent Increase</b>	<b>3.00%</b>
<b>Lease Term</b>	<b>10 years</b>
<b>Free Rent</b>	<b>3 months</b>
<b>Effective Rent</b>	<b>\$ 39.00</b>

## Multifamily Lease-Up Schedule

	Units Leased	Cumulative Units Leased	Rental Income
<b>Year: 2015</b>			
Jan-15	30	30	\$ 102,903
Feb-15	20	50	\$ 171,505
Mar-15	15	65	\$ 222,956
Apr-15	15	80	\$ 274,408
May-15	15	95	\$ 325,859
Jun-15	15	110	\$ 377,311
Jul-15	15	125	\$ 428,762
Aug-15	15	140	\$ 480,214
Sep-15	15	155	\$ 531,665
Oct-15	15	170	\$ 583,117
Nov-15	15	185	\$ 634,568
Dec-15	15	200	\$ 686,020
			<b>\$ 4,819,289</b>
<b>Year: 2016</b>			
Jan-16	15	215	\$ 759,595
Feb-16	15	230	\$ 812,590
Mar-16	15	245	\$ 865,585
Apr-16	15	260	\$ 918,580
May-16	15	275	\$ 971,575
Jun-16	15	290	\$ 1,024,571
Jul-16	10	300	\$ 1,059,901
Aug-16	-	300	\$ 1,059,901
Sep-16	-	300	\$ 1,059,901
Oct-16	-	300	\$ 1,059,901
Nov-16	-	300	\$ 1,059,901
Dec-16	-	300	\$ 1,059,901
			<b>\$ 11,711,901</b>



### Operating Expenses

	Amount	Per Unit	Per GSF
<b>Administrative Expenses</b>	\$ 60,000	\$ 200	\$ 0.15
<b>Repairs &amp; Maintenance</b>	\$ 285,000	\$ 950	\$ 0.73
<b>Rental Expenses</b>	\$ 170,000	\$ 567	\$ 0.44
<b>Salaries</b>	\$ 382,500	\$ 1,275	\$ 0.98
<b>Utilities</b>	\$ 290,000	\$ 967	\$ 0.75
<b>Property Management Fee (4% of EGI)</b>	\$ 452,845	\$ 1,509	\$ 1.17
<b>Real Estate Taxes</b>	\$ 750,000	\$ 2,500	\$ 1.93
<b>Insurance</b>	\$ 120,000	\$ 400	\$ 0.31
<b>Total Operating Expenses</b>	\$ 2,390,345	\$ 7,968	\$ 6.15
<b>Replacement Reserve</b>	\$ 90,000	\$ 300	\$ 0.23

### Sources

#### Construction to Perm Loan

Total Development Cost	\$ 133,026,657
Loan to Cost	70%
Total Equity	\$ 39,907,997
Investor Equity	\$ 35,917,197
Developer Equity	\$ 3,990,800
Loan Amount	\$ 93,118,660
Interest Rate	6.00%
Fixed or Variable	Fixed
Term	10
Amortization	30
Annual Payment	\$6,699,521
Monthly Payment	\$558,293
1st Payment Date	7/1/2016

## Uses

	Total	\$ / Unit	\$ / GSF	% of Total	Notes
<b>Acquisition Costs</b>					
Purchase Price	\$ 15,600,000	\$ 47,129	\$ 40.14	11.73%	\$40.14 per FAR
State and County Taxes	\$ 78,000	\$ 236	\$ 0.20	0.06%	
Acquisition Legal Fees	\$ 100,000	\$ 302	\$ 0.26	0.08%	
<b>Total Acquisition Costs</b>	\$ 15,778,000	\$ 47,667	\$ 40.60	11.86%	
<b>Construction Costs</b>					
Hard Costs	\$ 91,445,633	\$ 276,267	\$ 235.32	68.74%	Trended forward 3 years at 3% per year
Furniture, Fixtures and Equipment	\$ 4,500,000	\$ 13,595	\$ 11.58	3.38%	
Construction Contingency	\$ 4,797,282	\$ 14,493	\$ 12.35	3.61%	
<b>Total Construction Costs</b>	\$100,742,914	\$ 304,355	\$ 259.25	75.73%	
<b>Professional Fees &amp; Other Soft Costs</b>					
A & E	\$ 6,401,194	\$ 19,339	\$ 16.47	4.81%	7% of hard costs
Geotechnical / Soils Engineering	\$ 30,000	\$ 91	\$ 0.08	0.02%	
Traffic Study	\$ 20,000	\$ 60	\$ 0.05	0.02%	
Environmental Site Assessment	\$ 30,000	\$ 91	\$ 0.08	0.02%	
Building Permit	\$ 279,792	\$ 845	\$ 0.72	0.21%	\$0.72 per GSF of total floor area
Impact Fees	\$ 500,000	\$ 1,511	\$ 1.29	0.38%	
Affordable Housing Cash Contribution	\$ 2,160,326	\$ 6,527	\$ 5.56	1.62%	
Legal Fees	\$ 200,000	\$ 604	\$ 0.51	0.15%	\$1.50 per square foot of GFA for first 1.0 FAR \$4.00 per square foot of GFA from 1.0 FAR to 3.0 FAR \$8.00 per square foot of GFA above 3.0 FAR
Hazard & Liability Insurance (Construction Period)	\$ 100,000	\$ 302	\$ 0.26	0.08%	
Real Estate Taxes	\$ 246,777	\$ 746	\$ 0.64	0.19%	
Developer Fees	\$ 2,608,366	\$ 7,880	\$ 6.71	1.96%	
Soft Cost Contingency	\$ 1,257,646	\$ 3,799	\$ 3.24	0.95%	2.0% of total development costs 10% of total soft costs
<b>Total Professional Fees &amp; Other Soft Costs</b>	\$ 13,834,101	\$ 41,794	\$ 35.60	10.40%	
<b>Financing Costs</b>					
Construction Loan					
Loan Interest	\$ 681,356	\$ 2,058	\$ 1.75	0.51%	50 months beginning 5/1/2012 to 6/30/2016 Includes construction and lease-up through stabilization
Lender's Origination Fee	\$ 232,797	\$ 703	\$ 0.60	0.18%	
Perm Loan					
Lender's Origination Fee	\$ 232,797	\$ 703	\$ 0.60	0.18%	25 basis points of loan amount
<b>Total Financing Costs</b>	\$ 914,153	\$ 2,762	\$ 2.35	0.69%	
<b>Start-Up Costs &amp; Reserves</b>					
Leasing / Marketing Expenses	\$ 1,000,000	\$ 3,021	\$ 2.57	0.75%	
Operating Reserves (Capitalized)	\$ 757,489	\$ 2,288	\$ 1.95	0.57%	
<b>Total Start-Up Costs &amp; Reserves</b>	\$ 1,757,489	\$ 5,310	\$ 4.52	1.32%	
<b>TOTAL USES OF FUNDS</b>	\$133,026,657	\$ 401,887	\$ 342.32	100.00%	

## 5-Year Hold – Cash Flow

	Year 1 2009	Year 2 2010	Year 3 2011	Year 4 2012	Year 5 2013	Year 6 2014	Year 7 2015	Year 8 2016	Year 9 2017	Year 10 2018	Year 11 2019	Year 12 2020	Year 13 2021	Year 14 2022
<b>RENTAL INCOME</b>														
Gross Potential Rental Income - Apt. Units	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,819,289	\$ 11,711,901	\$ 13,493,382	\$ 13,898,183	\$ 14,315,128	\$ 14,744,582	\$ 15,186,920	\$ 15,642,527
Gross Potential Rental Income - Retail	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,374,689	\$ 1,415,929	\$ 1,458,407	\$ 1,502,159	\$ 1,547,224	\$ 1,593,641	\$ 1,641,450	\$ 1,690,693
Gross Potential Other Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 325,865	\$ 679,986	\$ 773,363	\$ 796,564	\$ 820,461	\$ 845,075	\$ 870,427	\$ 896,540
<b>Total Gross Potential Income</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,519,842</b>	<b>\$ 13,807,816</b>	<b>\$ 15,725,152</b>	<b>\$ 16,196,906</b>	<b>\$ 16,682,813</b>	<b>\$ 17,183,298</b>	<b>\$ 17,698,797</b>	<b>\$ 18,229,761</b>
Less Concessions - Apt. Units	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 298,493	\$ 622,869	\$ 708,403	\$ 729,655	\$ 751,544	\$ 774,091	\$ 797,313	\$ 821,233
Less Concessions - Retail	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,165	\$ 40,340	\$ 41,550	\$ 42,797	\$ 44,080	\$ 45,403	\$ 46,765	\$ 48,168
<b>GPI Less Concessions</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,182,184</b>	<b>\$ 13,144,607</b>	<b>\$ 14,975,199</b>	<b>\$ 15,424,455</b>	<b>\$ 15,887,189</b>	<b>\$ 16,363,804</b>	<b>\$ 16,854,719</b>	<b>\$ 17,360,360</b>
Less Vacancy / Credit Loss - Apts / Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 677,917	\$ 698,255	\$ 719,202	\$ 740,778	\$ 763,002	\$ 785,892
Less Vacancy / Credit Loss - Retail	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 133,552	\$ 137,559	\$ 141,686	\$ 145,936	\$ 150,314	\$ 154,824	\$ 159,469	\$ 164,253
<b>Effective Gross Income</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,048,632</b>	<b>\$ 13,007,048</b>	<b>\$ 14,155,596</b>	<b>\$ 14,580,264</b>	<b>\$ 15,017,672</b>	<b>\$ 15,468,202</b>	<b>\$ 15,932,248</b>	<b>\$ 16,410,216</b>
<b>DEVELOPMENT EXPENDITURES</b>														
Option Fee	\$ 300,000	\$ 300,000	\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Predevelopment	\$ 333,333	\$ 333,333	\$ 333,333	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Acquisition	\$ -	\$ -	\$ -	\$ 15,778,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction	\$ -	\$ -	\$ -	\$ 28,564,219	\$ 44,342,219	\$ 44,342,219	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>OPERATING EXPENDITURES</b>														
Administrative Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,956	\$ 32,026	\$ 66,829	\$ 76,006	\$ 78,286	\$ 80,635	\$ 83,054	\$ 85,546	\$ 88,112
Repairs & Maintenance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,039	\$ 152,124	\$ 317,438	\$ 361,029	\$ 371,860	\$ 383,016	\$ 394,507	\$ 406,342	\$ 418,532
Rental Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,708	\$ 90,740	\$ 189,349	\$ 215,351	\$ 228,466	\$ 235,320	\$ 242,379	\$ 249,651	\$ 257,000
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,342	\$ 204,166	\$ 426,035	\$ 484,540	\$ 499,076	\$ 514,048	\$ 529,469	\$ 545,354	\$ 561,714
Utilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,619	\$ 154,793	\$ 323,007	\$ 367,363	\$ 378,384	\$ 389,736	\$ 401,428	\$ 413,471	\$ 425,875
Property Management Fee (4% of EGI)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 241,714	\$ 504,386	\$ 573,650	\$ 590,859	\$ 608,585	\$ 626,843	\$ 645,648	\$ 665,018
Real Estate Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,946	\$ 400,325	\$ 835,363	\$ 950,078	\$ 978,580	\$ 1,007,937	\$ 1,038,175	\$ 1,069,321	\$ 1,101,400
Insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,911	\$ 64,052	\$ 133,658	\$ 152,012	\$ 156,573	\$ 161,270	\$ 166,108	\$ 171,091	\$ 176,224
<b>Total Expenditures</b>	<b>\$ 633,333</b>	<b>\$ 633,333</b>	<b>\$ 633,333</b>	<b>\$ 44,342,219</b>	<b>\$ 44,342,219</b>	<b>\$ 44,580,740</b>	<b>\$ 1,339,940</b>	<b>\$ 2,796,067</b>	<b>\$ 3,180,029</b>	<b>\$ 3,275,430</b>	<b>\$ 3,373,693</b>	<b>\$ 3,474,904</b>	<b>\$ 3,579,151</b>	<b>\$ 3,686,526</b>
Loan Draw	\$ -	\$ -	\$ -	\$ 31,039,553	\$ 31,039,553	\$ 31,039,553	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loan Running Total	\$ -	\$ -	\$ -	\$ 31,039,553	\$ 62,079,106	\$ 93,118,660	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity	\$ 633,333	\$ 633,333	\$ 633,333	\$ 13,302,666	\$ 13,302,666	\$ 13,302,666	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity Running Total - Construction Period	\$ -	\$ -	\$ -	\$ 13,302,666	\$ 26,605,331	\$ 39,907,997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity Running Total	\$ 633,333	\$ 1,266,667	\$ 1,900,000	\$ 15,202,666	\$ 28,505,331	\$ 41,807,997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>NET OPERATING INCOME</b>	<b>\$ (633,333)</b>	<b>\$ (633,333)</b>	<b>\$ (633,333)</b>	<b>\$ (13,302,666)</b>	<b>\$ (13,302,666)</b>	<b>\$ (13,541,186)</b>	<b>\$ 4,708,692</b>	<b>\$ 10,210,981</b>	<b>\$ 10,975,567</b>	<b>\$ 11,304,834</b>	<b>\$ 11,643,979</b>	<b>\$ 11,993,298</b>	<b>\$ 12,353,097</b>	<b>\$ 12,723,690</b>
Scheduled Addition to Replacement Res.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107,465	\$ 110,689	\$ 114,009	\$ 117,430	\$ 120,952	\$ 124,581	\$ 128,318	\$ 132,168
<b>NOI ADJUSTED FOR RESERVES</b>	<b>\$ (633,333)</b>	<b>\$ (633,333)</b>	<b>\$ (633,333)</b>	<b>\$ (13,302,666)</b>	<b>\$ (13,302,666)</b>	<b>\$ (13,541,186)</b>	<b>\$ 4,601,227</b>	<b>\$ 10,100,293</b>	<b>\$ 10,861,558</b>	<b>\$ 11,187,404</b>	<b>\$ 11,523,026</b>	<b>\$ 11,868,717</b>	<b>\$ 12,224,779</b>	<b>\$ 12,591,522</b>
<b>LEASING COMMISSIONS</b>														
Tenant Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 402,948	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>DEBT SERVICE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,791,467</b>	<b>\$ 6,699,521</b>	<b>\$ 6,699,521</b>	<b>\$ 6,699,521</b>	<b>\$ 6,699,521</b>	<b>\$ 6,699,521</b>	<b>\$ 6,699,521</b>
<b>DEBT SERVICE COVERAGE RATIO</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.62</b>	<b>1.62</b>	<b>1.67</b>	<b>1.72</b>	<b>1.77</b>	<b>1.82</b>	<b>1.87</b>
<b>NET CASH FLOW</b>	<b>\$ (633,333)</b>	<b>\$ (633,333)</b>	<b>\$ (633,333)</b>	<b>\$ (13,302,666)</b>	<b>\$ (13,302,666)</b>	<b>\$ (13,541,186)</b>	<b>\$ 3,411,079</b>	<b>\$ 7,308,826</b>	<b>\$ 4,162,037</b>	<b>\$ 4,487,883</b>	<b>\$ 4,823,506</b>	<b>\$ 5,169,196</b>	<b>\$ 5,515,717</b>	<b>\$ 5,867,243</b>
Return on Cost									8.25%	8.50%	8.75%	9.02%	9.29%	9.57%
Return on Equity									9.96%	10.73%	11.54%	12.36%	13.22%	14.10%
<b>OPERATING RESERVE</b>														
Expenditures from Operating Reserve						\$ (238,521)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on Operating Reserve (2%)						\$ -	\$ 10,379	\$ 10,587	\$ 10,799	\$ 11,015	\$ 11,235	\$ 11,460	\$ 11,689	\$ 11,918
Operating Reserve Balance						\$ 518,968	\$ 529,348	\$ 539,934	\$ 550,733	\$ 561,748	\$ 572,983	\$ 584,442	\$ 596,131	\$ 608,049
<b>REPLACEMENT RESERVE</b>														
Scheduled Addition to RR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107,465	\$ 110,689	\$ 114,009	\$ 117,430	\$ 120,952	\$ 124,581	\$ 128,318	\$ 132,168
Expenditures from RR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (296,566)	\$ -	\$ -
Interest on RR (2%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,149	\$ 4,406	\$ 6,774	\$ 9,258	\$ 11,863	\$ 14,660	\$ 17,598
RR Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107,465	\$ 220,303	\$ 338,718	\$ 462,922	\$ 593,133	\$ 734,496	\$ 885,859	\$ 1,048,917
<b>NET CF ADJUSTED FOR RESERVES</b>	<b>\$ (633,333)</b>	<b>\$ (633,333)</b>	<b>\$ (633,333)</b>	<b>\$ (13,302,666)</b>	<b>\$ (13,302,666)</b>	<b>\$ (13,302,666)</b>	<b>\$ 3,411,079</b>	<b>\$ 7,308,826</b>	<b>\$ 4,162,037</b>	<b>\$ 4,487,883</b>	<b>\$ 4,823,506</b>	<b>\$ 5,169,196</b>	<b>\$ 5,515,717</b>	<b>\$ 5,867,243</b>
<b>TERMINAL VALUE</b>														
Terminal Value		\$ 179,878,888												
<b>SELLING COSTS</b>		<b>\$ (5,396,367)</b>												
<b>LOAN REPAYMENT</b>		<b>\$ (86,650,970)</b>												
<b>GAIN ON SALE</b>		<b>\$ 88,997,671</b>												
<b>Levered Deal Level IRR</b>	<b>16.42%</b>													

## Cash Flow Continued – Investor & Developer Return (5-Year Hold)

Investor Return of Capital	\$ (37,627,197)	Investor 90%	\$ -
Developer Return of Capital	\$ (4,180,800)	Developer	\$ -
Investor Accrued Pref	\$ (5,899,203)	90/10 CF	\$ 40,635,004
Developer Accrued Pref	\$ (655,467)		
NET CF for Distribution	\$ 40,635,004		

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13
Project Cash Flow	\$ (633,333)	\$ (633,333)	\$ (633,333)	\$ (13,302,666)	\$ (13,302,666)	\$ (13,302,666)	\$ 3,411,079	\$ 7,308,826	\$ 4,162,037	\$ 4,487,883	\$ 4,823,506	\$ 5,169,196	\$ 94,522,929
Preferred Equity Return				\$ 3,990,800	\$ 3,990,800	\$ 3,990,800	\$ 3,990,800	\$ 3,990,800	\$ 3,990,800	\$ 3,990,800	\$ 3,990,800	\$ 3,990,800	\$ 3,990,800
Accrued Pref. Equity				\$ -	\$ 3,990,800	\$ 7,981,599	\$ 11,972,399	\$ 12,552,120	\$ 9,234,094	\$ 9,062,857	\$ 8,565,773	\$ 7,733,067	\$ 6,554,671
Preferred Equity Paid							\$ 3,411,079	\$ 7,308,826	\$ 4,162,037	\$ 4,487,883	\$ 4,823,506	\$ 5,169,196	\$ 5,525,258
Excess CF							\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,977,459
Investor Return													
Preferred Equity (10%)				\$ -	\$ -	\$ -	\$ 3,069,971	\$ 6,577,943	\$ 3,745,833	\$ 4,039,095	\$ 4,341,155	\$ 4,652,277	\$ 4,972,732
Excess CF (90/10 Split)				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excess CF (50/50 Split)				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investor Balance	\$ (570,000)	\$ (1,140,000)	\$ (1,710,000)	\$ (13,682,399)	\$ (25,654,798)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)
Initial Contribution / Development Expenditures	\$ (570,000)	\$ (570,000)	\$ (570,000)	\$ (11,972,399)	\$ (11,972,399)	\$ (11,972,399)							
Investor Return of Capital													\$ 37,627,197
Investor Accrued Pref													\$ 5,899,203
Developer Fee Contribution				\$ -									
Gain on Sale													
Total	\$ (570,000)	\$ (570,000)	\$ (570,000)	\$ (11,972,399)	\$ (11,972,399)	\$ (11,972,399)	\$ 3,069,971	\$ 6,577,943	\$ 3,745,833	\$ 4,039,095	\$ 4,341,155	\$ 4,652,277	\$ 48,499,133
Investor IRR to a 10%	10.73%												
90/10 Split													\$ 36,571,503
Total	\$ (570,000)	\$ (570,000)	\$ (570,000)	\$ (11,972,399)	\$ (11,972,399)	\$ (11,972,399)	\$ 3,069,971	\$ 6,577,943	\$ 3,745,833	\$ 4,039,095	\$ 4,341,155	\$ 4,652,277	\$ 85,070,636
Investor IRR	16.42%												
Investor NPV	\$1,721,568												

Developer Return													
Preferred Equity (10%)				\$ -	\$ -	\$ -	\$ 341,108	\$ 730,883	\$ 416,204	\$ 448,788	\$ 482,351	\$ 516,920	\$ 552,526
Excess CF (90/10 Split)				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excess CF (50/50 Split)				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Developer Balance	\$ (63,333)	\$ (126,667)	\$ (190,000)	\$ (1,520,267)	\$ (2,850,533)	\$ (4,180,800)	\$ (4,180,800)	\$ (4,180,800)	\$ (4,180,800)	\$ (4,180,800)	\$ (4,180,800)	\$ (4,180,800)	\$ (4,180,800)
Initial Contribution / Development Expenditures	\$ (63,333)	\$ (63,333)	\$ (63,333)	\$ (1,330,267)	\$ (1,330,267)	\$ (1,330,267)							
Developer Return of Capital													\$ 4,180,800
Developer Accrued Pref													\$ 655,467
Developer Fee					\$ 2,608,366								
Gain on Sale													\$ -
Total	\$ (63,333)	\$ (63,333)	\$ (63,333)	\$ (1,330,267)	\$ (1,330,267)	\$ 1,278,099	\$ 341,108	\$ 730,883	\$ 416,204	\$ 448,788	\$ 482,351	\$ 516,920	\$ 5,388,793
Developer IRR to a 10%	22.73%												
90/10 Split													\$ 4,063,500
Total	\$ (63,333)	\$ (63,333)	\$ (63,333)	\$ (1,330,267)	\$ (1,330,267)	\$ 1,278,099	\$ 341,108	\$ 730,883	\$ 416,204	\$ 448,788	\$ 482,351	\$ 516,920	\$ 9,452,293
Developer IRR	27.42%												
Developer NPV	\$543,157												

## 10-Year Hold – Cash Flow

	Year 1 2009	Year 2 2010	Year 3 2011	Year 4 2012	Year 5 2013	Year 6 2014	Year 7 2015	Year 8 2016	Year 9 2017	Year 10 2018	Year 11 2019	Year 12 2020	Year 13 2021	Year 14 2022	Year 15 2023	Year 16 2024	Year 17 2025	Year 18 2026	Year 19 2027
<b>RENTAL INCOME</b>																			
Gross Potential Rental Income - Apt. Units	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,819,289	\$ 11,711,901	\$ 13,493,382	\$ 13,898,183	\$ 14,315,128	\$ 14,744,582	\$ 15,186,920	\$ 15,642,527	\$ 16,111,803	\$ 16,595,157	\$ 17,093,012	\$ 17,605,802	\$ 18,133,976
Gross Potential Rental Income - Retail	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,374,689	\$ 1,415,929	\$ 1,458,407	\$ 1,502,159	\$ 1,547,224	\$ 1,593,641	\$ 1,641,450	\$ 1,690,693	\$ 1,741,414	\$ 1,793,657	\$ 1,847,466	\$ 1,902,890	\$ 1,959,977
Gross Potential Other Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 325,865	\$ 679,986	\$ 773,363	\$ 796,564	\$ 820,461	\$ 845,075	\$ 870,427	\$ 896,540	\$ 923,436	\$ 951,139	\$ 979,673	\$ 1,009,063	\$ 1,039,335
<b>Total Gross Potential Income</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,519,842</b>	<b>\$ 13,807,816</b>	<b>\$ 15,725,152</b>	<b>\$ 16,196,906</b>	<b>\$ 16,662,813</b>	<b>\$ 17,183,298</b>	<b>\$ 17,698,797</b>	<b>\$ 18,229,761</b>	<b>\$ 18,776,654</b>	<b>\$ 19,339,953</b>	<b>\$ 19,920,152</b>	<b>\$ 20,517,756</b>	<b>\$ 21,133,289</b>
Less Concessions - Apt. Units	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 298,493	\$ 622,869	\$ 708,403	\$ 729,655	\$ 751,544	\$ 774,081	\$ 797,313	\$ 821,233	\$ 845,810	\$ 871,246	\$ 897,383	\$ 924,305	\$ 952,034
Less Concessions - Retail	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,165	\$ 40,340	\$ 41,550	\$ 42,797	\$ 44,080	\$ 45,403	\$ 46,765	\$ 48,168	\$ 49,613	\$ 51,101	\$ 52,634	\$ 54,213	\$ 55,840
<b>GPI Less Concessions</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,182,184</b>	<b>\$ 13,144,607</b>	<b>\$ 14,975,199</b>	<b>\$ 15,424,455</b>	<b>\$ 15,887,189</b>	<b>\$ 16,363,804</b>	<b>\$ 16,854,719</b>	<b>\$ 17,360,360</b>	<b>\$ 17,881,171</b>	<b>\$ 18,417,606</b>	<b>\$ 18,970,134</b>	<b>\$ 19,539,238</b>	<b>\$ 20,125,415</b>
Less Vacancy / Credit Loss - Apts / Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 677,917	\$ 698,255	\$ 719,202	\$ 740,778	\$ 763,002	\$ 785,892	\$ 809,468	\$ 833,753	\$ 858,765	\$ 884,528	\$ 911,064	\$ 937,828
Less Vacancy / Credit Loss - Retail	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 133,552	\$ 137,559	\$ 141,686	\$ 145,936	\$ 150,314	\$ 154,824	\$ 159,469	\$ 164,253	\$ 169,180	\$ 174,256	\$ 179,483	\$ 184,868	\$ 190,414
<b>Effective Gross Income</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,048,632</b>	<b>\$ 13,007,048</b>	<b>\$ 14,155,596</b>	<b>\$ 14,580,264</b>	<b>\$ 15,017,672</b>	<b>\$ 15,468,202</b>	<b>\$ 15,932,248</b>	<b>\$ 16,410,216</b>	<b>\$ 16,902,522</b>	<b>\$ 17,409,598</b>	<b>\$ 17,931,886</b>	<b>\$ 18,469,843</b>	<b>\$ 19,023,938</b>
<b>DEVELOPMENT EXPENDITURES</b>																			
Option Fee	\$ 300,000	\$ 300,000	\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Predevelopment	\$ 333,333	\$ 333,333	\$ 333,333	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Acquisition	\$ -	\$ -	\$ -	\$ 15,778,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction	\$ -	\$ -	\$ -	\$ 28,564,219	\$ 44,342,219	\$ 44,342,219	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>OPERATING EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,956</b>	<b>\$ 32,026</b>	<b>\$ 66,829</b>	<b>\$ 76,006</b>	<b>\$ 78,286</b>	<b>\$ 80,635</b>	<b>\$ 83,054</b>	<b>\$ 85,546</b>	<b>\$ 88,112</b>	<b>\$ 90,755</b>	<b>\$ 93,478</b>	<b>\$ 96,282</b>	<b>\$ 99,171</b>
Administrative Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,956	\$ 32,026	\$ 66,829	\$ 76,006	\$ 78,286	\$ 80,635	\$ 83,054	\$ 85,546	\$ 88,112	\$ 90,755	\$ 93,478	\$ 96,282	\$ 99,171
Repairs & Maintenance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,039	\$ 152,124	\$ 317,438	\$ 361,029	\$ 371,860	\$ 383,016	\$ 394,507	\$ 406,342	\$ 418,532	\$ 431,088	\$ 444,021	\$ 457,341	\$ 471,062
Rental Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,708	\$ 90,740	\$ 189,349	\$ 215,351	\$ 221,811	\$ 228,466	\$ 235,320	\$ 242,379	\$ 249,651	\$ 257,140	\$ 264,854	\$ 272,800	\$ 280,984
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,342	\$ 204,166	\$ 426,035	\$ 484,540	\$ 498,076	\$ 514,088	\$ 529,469	\$ 545,354	\$ 561,714	\$ 578,566	\$ 595,923	\$ 613,800	\$ 632,214
Utilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,619	\$ 154,793	\$ 323,007	\$ 367,363	\$ 378,384	\$ 389,736	\$ 401,428	\$ 413,471	\$ 425,875	\$ 438,651	\$ 451,811	\$ 465,365	\$ 479,326
Property Management Fee (4% of EGI)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 241,714	\$ 504,386	\$ 573,650	\$ 590,859	\$ 608,585	\$ 626,843	\$ 645,648	\$ 665,018	\$ 684,968	\$ 705,517	\$ 726,683	\$ 748,483	\$ 770,938
Real Estate Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,946	\$ 400,325	\$ 835,363	\$ 950,078	\$ 978,580	\$ 1,007,937	\$ 1,038,175	\$ 1,069,321	\$ 1,101,400	\$ 1,134,442	\$ 1,168,476	\$ 1,203,530	\$ 1,239,636
Insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,911	\$ 64,052	\$ 133,658	\$ 152,012	\$ 156,573	\$ 161,270	\$ 166,108	\$ 171,091	\$ 176,224	\$ 181,511	\$ 186,956	\$ 192,565	\$ 198,342
<b>Total Expenditures</b>	<b>\$ 633,333</b>	<b>\$ 633,333</b>	<b>\$ 633,333</b>	<b>\$ 44,342,219</b>	<b>\$ 44,342,219</b>	<b>\$ 44,580,740</b>	<b>\$ 1,339,940</b>	<b>\$ 2,796,067</b>	<b>\$ 3,180,029</b>	<b>\$ 3,275,430</b>	<b>\$ 3,373,693</b>	<b>\$ 3,474,904</b>	<b>\$ 3,579,151</b>	<b>\$ 3,686,526</b>	<b>\$ 3,797,121</b>	<b>\$ 3,911,035</b>	<b>\$ 4,028,366</b>	<b>\$ 4,149,217</b>	<b>\$ 4,273,694</b>
Loan Draw	\$ -	\$ -	\$ -	\$ 31,039,553	\$ 31,039,553	\$ 31,039,553	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loan Running Total	\$ -	\$ -	\$ -	\$ 31,039,553	\$ 62,079,106	\$ 93,118,660	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity	\$ 633,333	\$ 633,333	\$ 633,333	\$ 13,302,666	\$ 13,302,666	\$ 13,302,666	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity Running Total - Construction Period	\$ 633,333	\$ 1,266,667	\$ 1,900,000	\$ 15,202,666	\$ 28,505,331	\$ 41,807,997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity Running Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>NET OPERATING INCOME</b>																			
	\$ (633,333)	\$ (633,333)	\$ (633,333)	\$ (13,302,666)	\$ (13,302,666)	\$ (13,541,186)	\$ 4,708,692	\$ 10,210,981	\$ 10,975,567	\$ 11,304,834	\$ 11,643,979	\$ 11,993,298	\$ 12,353,097	\$ 12,723,690	\$ 13,105,401	\$ 13,498,563	\$ 13,903,520	\$ 14,320,625	\$ 14,750,244
Scheduled Addition to Replacement Res.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107,465	\$ 110,689	\$ 114,009	\$ 117,430	\$ 120,952	\$ 124,581	\$ 128,318	\$ 132,168	\$ 136,133	\$ 140,217	\$ 144,424	\$ 148,756	\$ 153,219
<b>NOI ADJUSTED FOR RESERVES</b>	<b>\$ (633,333)</b>	<b>\$ (633,333)</b>	<b>\$ (633,333)</b>	<b>\$ (13,302,666)</b>	<b>\$ (13,302,666)</b>	<b>\$ (13,541,186)</b>	<b>\$ 4,601,227</b>	<b>\$ 10,100,293</b>	<b>\$ 10,861,558</b>	<b>\$ 11,187,404</b>	<b>\$ 11,523,026</b>	<b>\$ 11,868,717</b>	<b>\$ 12,224,779</b>	<b>\$ 12,591,522</b>	<b>\$ 12,969,268</b>	<b>\$ 13,358,346</b>	<b>\$ 13,759,096</b>	<b>\$ 14,171,869</b>	<b>\$ 14,597,025</b>
<b>LEASING COMMISSIONS</b>																			
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 402,948	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 295,871	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TENANT IMPROVEMENTS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 787,200</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 314,880</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>DEBT SERVICE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,791,467</b>	<b>\$ 6,699,521</b>	<b>\$ 6,699,521</b>	<b>\$ 6,699,521</b>	<b>\$ 6,699,521</b>	<b>\$ 6,699,521</b>	<b>\$ 6,699,521</b>	<b>\$ 6,699,521</b>	<b>\$ 6,699,521</b>	<b>\$ 6,699,521</b>	<b>\$ 6,699,521</b>	<b>\$ 6,699,521</b>
<b>DEBT SERVICE COVERAGE RATIO</b>							-	1.62	1.67	1.72	1.77	1.82	1.87	1.92	1.97	2.02	2.07	2.12	2.17
<b>NET CASH FLOW</b>																			
	\$ (633,333)	\$ (633,333)	\$ (633,333)	\$ (13,302,666)	\$ (13,302,666)	\$ (13,541,186)	\$ 3,411,079	\$ 7,308,826	\$ 4,162,037	\$ 4,487,883	\$ 4,823,506	\$ 5,169,196	\$ 5,525,258	\$ 5,881,250	\$ 6,269,747	\$ 6,658,825	\$ 7,059,575	\$ 7,462,221	\$ 7,865,825
Return on Cost									8.25%	8.50%	8.75%	9.02%	9.29%	9.56%	9.85%	10.15%	10.45%	10.77%	11.12%
Return on Equity									9.96%	10.73%	11.54%	12.36%	13.22%	14.03%	14.89%	15.73%	16.56%	17.38%	18.20%
<b>OPERATING RESERVE</b>																			
Expenditures from Operating Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (238,521)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on Operating Reserve (2%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,379	\$ 10,587	\$ 10,799	\$ 11,015	\$ 11,235	\$ 11,460	\$ 11,689	\$ 11,923	\$ 12,161	\$ 12,404	\$ 12,652	\$ 12,905	\$ 13,163
Operating Reserve Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 518,968	\$ 529,348	\$ 539,934	\$ 550,733	\$ 561,748	\$ 572,983	\$ 584,442	\$ 596,131	\$ 608,054	\$ 620,215	\$ 632,619	\$ 645,272	\$ 658,177	\$ 671,329
<b>REPLACEMENT RESERVE</b>																			
Scheduled Addition to RR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107,465	\$ 110,689	\$ 114,009	\$ 117,430	\$ 120,952	\$ 124,581	\$ 128,318	\$ 132,168	\$ 136,133	\$ 140,217	\$ 144,424	\$ 148,756	\$ 153,219
Expenditures from RR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on RR (2%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,149	\$ 4,406	\$ 6,774	\$ 9,258	\$ 11,863	\$ 14,595	\$ 17,358	\$ 20,141	\$ 22,944	\$ 25,767	\$ 28,609	\$ 31,471	\$ 34,342
RR Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107,465	\$ 220,303	\$ 338,718	\$ 462,922	\$ 593,133	\$ 729,358	\$ 870,716	\$ 1,018,217	\$ 1,171,961	\$ 1,331,948	\$ 1,498,289	\$ 1,670,990	\$ 1,849,152
<b>NET CF ADJUSTED FOR RESERVES</b>	<b>\$ (633,333)</b>	<b>\$ (633,333)</b>	<b>\$ (633,333)</b>	<b>\$ (13,302,666)</b>	<b>\$ (13,302,666)</b>	<b>\$ (13,302,666)</b>	<b>\$ 3,411,079</b>	<b>\$ 7,308,826</b>	<b>\$ 4,162,037</b>	<b>\$ 4,487,883</b>	<b>\$ 4,823,506</b>	<b>\$ 5,169,196</b>	<b>\$ 5,525,258</b>	<b>\$ 5,881,250</b>	<b>\$ 6,269,747</b>	<b>\$ 6,658,825</b>	<b>\$ 7,059,575</b>	<b>\$ 7,462,221</b>	<b>\$ 7,865,825</b>
<b>TERMINAL VALUE</b>																			
	\$ 176,933,638	\$ 176,933,638	\$ 176,933,638	\$ 176,933,638	\$ 176,933,638	\$ 176,933,638	\$ 176,933,638	\$ 176,933,638	\$ 176,933,638	\$ 176,933,638	\$ 176,933,638	\$ 176,933,638	\$ 176,933,638	\$ 176,933,638	\$ 176,933,638	\$ 176,933,638	\$ 176,933,638	\$ 176,933,638	\$ 176,933,638
<b>SELLING COSTS</b>	<b>\$ (5,308,009)</b>	<b>\$ (5,308,009)</b>	<b>\$ (5,308,009)</b>	<b>\$ (5,308,009)</b>	<b>\$ (5,308,009)</b>	<b>\$ (5,308,009)</b>	<b>\$ (5,308,009)</b>	<b>\$ (5,308,009)</b>	<b>\$ (5,308,009)</b>	<b>\$ (5,308,009)</b>	<b>\$ (5,308,009)</b>	<b>\$ (5,308,009)</b>	<b>\$ (5,308,009)</b>	<b>\$ (5,308,009)</b>	<b>\$ (5,308,009)</b>	<b>\$ (5,308,009)</b>	<b>\$ (5,308,009)</b>	<b>\$ (5,308,009)</b>	<b>\$ (5,308,009)</b>
<b>LOAN REPAYMENT</b>	<b>\$ (77,927,025)</b>	<b>\$ (77,927,025)</b>	<b>\$ (77,927,025)</b>	<b>\$ (77,927,025)</b>	<b>\$ (77,927,025)</b>	<b>\$ (77,927,025)</b>	<b>\$ (77,927,025)</b>	<b>\$ (77,927,025)</b>	<b>\$ (77,927,025)</b>	<b>\$ (77,927,025)</b>	<b>\$ (77,927,025)</b>	<b>\$ (77,927,025)</b>	<b>\$ (77,927,025)</b>	<b>\$ (77,927,025)</b>	<b>\$ (77,927,025)</b>	<b>\$ (77,927,025)</b>	<b>\$ (77,927,025)</b>	<b>\$ (77,927,025)</b>	<b>\$ (77,927,025)</b>
<b>LOAN ON SALE</b>	<b>\$ 95,108,873</b>	<b>\$ 95,108,873</b>	<b>\$ 95,108,873</b>	<b>\$ 95,108,873</b>	<b>\$ 95,108,873</b>	<b>\$ 95,108,873</b>													



## Cash Flow Continued – Investor & Developer Return (10-Year Hold)

Investor Return of Capital	\$ (30,636,417)	Investor 90%	\$ -
Developer Return of Capital	\$ (3,404,046)	Developer	\$ -
Investor Accrued Pref	\$ -	90/10 CF	\$ 61,068,410
Developer Accrued Pref	\$ -		
NET CF for Distribution	\$ 61,068,410		

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18
Project Cash Flow	\$ (633,333)	\$ (633,333)	\$ (633,333)	\$ (13,302,666)	\$ (13,302,666)	\$ (13,302,666)	\$ 3,411,079	\$ 7,308,826	\$ 4,162,037	\$ 4,487,883	\$ 4,823,506	\$ 5,169,196	\$ 5,525,258	\$ 5,281,250	\$ 6,269,747	\$ 6,658,825	\$ 7,059,575	\$ 102,581,221
Preferred Equity Return				\$ 3,990,800	\$ 3,990,800	\$ 3,990,800	\$ 3,990,800	\$ 3,990,800	\$ 3,990,800	\$ 3,990,800	\$ 3,990,800	\$ 3,990,800	\$ 3,990,800	\$ 3,990,800	\$ 3,990,800	\$ 3,990,800	\$ 3,990,800	\$ 3,990,800
Accrued Pref. Equity				\$ -	\$ 3,990,800	\$ 7,981,599	\$ 11,972,399	\$ 12,552,120	\$ 9,234,094	\$ 9,062,857	\$ 8,565,773	\$ 7,733,067	\$ 6,554,671	\$ 5,020,212	\$ 3,729,762	\$ 1,450,815	\$ -	\$ -
Preferred Equity Paid							\$ 3,411,079	\$ 7,308,826	\$ 4,162,037	\$ 4,487,883	\$ 4,823,506	\$ 5,169,196	\$ 5,525,258	\$ 5,281,250	\$ 6,269,747	\$ 6,658,825	\$ 7,059,575	\$ 102,581,221
Excess CF							\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investor Return																		
Preferred Equity (10%)				\$ -	\$ -	\$ -	\$ 3,069,971	\$ 6,577,943	\$ 3,745,833	\$ 4,039,095	\$ 4,341,155	\$ 4,652,277	\$ 4,972,732	\$ 4,753,125	\$ 5,642,772	\$ 4,897,453	\$ 3,591,720	\$ 3,591,720
Excess CF (90/10 Split)				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excess CF (50/50 Split)				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investor Balance	\$ (570,000)	\$ (1,140,000)	\$ (1,710,000)	\$ (13,682,399)	\$ (25,654,798)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)
Initial Contribution / Development Expenditures	\$ (570,000)	\$ (570,000)	\$ (570,000)	\$ (11,972,399)	\$ (11,972,399)	\$ (11,972,399)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)	\$ (37,627,197)
Investor Return of Capital																		
Investor Accrued Pref																		
Developer Fee Contribution				\$ -														
Gain on Sale																		
Total	\$ (570,000)	\$ (570,000)	\$ (570,000)	\$ (11,972,399)	\$ (11,972,399)	\$ (11,972,399)	\$ 3,069,971	\$ 6,577,943	\$ 3,745,833	\$ 4,039,095	\$ 4,341,155	\$ 4,652,277	\$ 4,972,732	\$ 4,753,125	\$ 5,642,772	\$ 5,992,942	\$ 6,353,618	\$ 37,361,530
Investor IRR to a 10%	10.18%																	
90/10 Split																		\$ 54,961,569
Total	\$ (570,000)	\$ (570,000)	\$ (570,000)	\$ (11,972,399)	\$ (11,972,399)	\$ (11,972,399)	\$ 3,069,971	\$ 6,577,943	\$ 3,745,833	\$ 4,039,095	\$ 4,341,155	\$ 4,652,277	\$ 4,972,732	\$ 4,753,125	\$ 5,642,772	\$ 5,992,942	\$ 6,353,618	\$ 92,323,099
Investor IRR	14.18%																	
Investor NPV	\$1,240,333																	

Developer Return																		
Preferred Equity (10%)				\$ -	\$ -	\$ -	\$ 341,108	\$ 730,883	\$ 416,204	\$ 448,788	\$ 482,351	\$ 516,920	\$ 552,526	\$ 528,125	\$ 626,975	\$ 544,161	\$ 399,080	\$ 399,080
Excess CF (90/10 Split)				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excess CF (50/50 Split)				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Developer Balance	\$ (63,333)	\$ (126,667)	\$ (190,000)	\$ (1,520,267)	\$ (2,850,533)	\$ (4,180,800)	\$ (4,180,800)	\$ (4,180,800)	\$ (4,180,800)	\$ (4,180,800)	\$ (4,180,800)	\$ (4,180,800)	\$ (4,180,800)	\$ (4,180,800)	\$ (4,180,800)	\$ (4,059,079)	\$ (3,752,201)	\$ (3,404,046)
Initial Contribution / Development Expenditures	\$ (63,333)	\$ (63,333)	\$ (63,333)	\$ (1,330,267)	\$ (1,330,267)	\$ (1,330,267)	\$ (4,180,800)	\$ (4,180,800)	\$ (4,180,800)	\$ (4,180,800)	\$ (4,180,800)	\$ (4,180,800)	\$ (4,180,800)	\$ (4,180,800)	\$ (4,180,800)	\$ (4,059,079)	\$ (3,752,201)	\$ (3,404,046)
Developer Return of Capital																		
Developer Accrued Pref																		
Developer Fee						\$ 2,608,366												
Gain on Sale																		
Total	\$ (63,333)	\$ (63,333)	\$ (63,333)	\$ (1,330,267)	\$ (1,330,267)	\$ 1,278,099	\$ 341,108	\$ 730,883	\$ 416,204	\$ 448,788	\$ 482,351	\$ 516,920	\$ 552,526	\$ 528,125	\$ 626,975	\$ 665,882	\$ 705,958	\$ 4,151,281
Developer IRR to a 10%	20.27%																	
90/10 Split																		\$ 6,106,841
Total	\$ (63,333)	\$ (63,333)	\$ (63,333)	\$ (1,330,267)	\$ (1,330,267)	\$ 1,278,099	\$ 341,108	\$ 730,883	\$ 416,204	\$ 448,788	\$ 482,351	\$ 516,920	\$ 552,526	\$ 528,125	\$ 626,975	\$ 665,882	\$ 705,958	\$ 10,258,122
Developer IRR	23.13%																	
Developer NPV	\$246,320																	

**Appendix**  
**Traffic Count Report – 2002**

	Street	Cross Street	Avg Daily Volume	Miles from Site
1	14th St N	N Uhle St	4,300	0.16
2	N Veitch St	N Key Blvd	10,000	0.20
3	N Court House Rd	14th St N	12,000	0.24
4	Wilson Blvd	N Troy St	12,950	0.27
5	Clarendon Blvd	16th St N	14,000	0.37
6	N Barton St	11th St N	5,500	0.37
7	N Rhodes St	Wilson Blvd	6,225	0.41
8	N Highland St	N Franklin Rd	3,800	0.44
9	N Fairfax Dr	N Rolfe St	620	0.45
10	N Rhodes St	14th St N	7,121	0.47
11	10th St N	N Daniel St	11,000	0.50
12	I-66	20th St N	86,000	0.52
13	Washington Blvd	N Garfield St	22,000	0.54
14	N Scott St	Lee Hwy	3,051	0.55
15	Wilson Blvd	N Quinn St	12,862	0.55
16	N Quinn St	18th St N	6,164	0.56
17	N Highland St	10th Rd N	3,600	0.56
18	Spout Run Pky	I-66	14,000	0.60
19	N Quinn St	N Scott St	2,840	0.60
20	N Pierce St	Clarendon Blvd	7,473	0.61
21	N Fairfax Dr	N Pierce St	4,146	0.64
22	N Barton St	N Pershing Dr	3,600	0.66
23	N Key Blvd	N Ode St	4,800	0.70
24	N Pershing Dr	N Barton St	6,400	0.71
25	N Highland St	8th St N	2,100	0.76
26	N Oak St	18th St N	3,891	0.77
27	N Lorcom Ln	N Fillmore St	13,000	0.80
28	N Nash St	Nash St	7,984	0.81
29	N Key Blvd	N Oak St	7,298	0.81
30	Wilson Blvd	Fort Myer Dr	13,866	0.81
31	N Meade St	14th St N	7,315	0.84
32	Fort Myer Dr	Wilson Blvd	1,838	0.85
33	Fort Myer Dr	Wilson Blvd	7,500	0.86
34	Wilson Blvd	N Moore St	12,597	0.87
35	Fort Myer Dr	N Key Blvd	3,191	0.89
36	George Washington Memorial Pky	Spout Run Pky	71,000	0.90
37	N Nash St	I-66	71,000	0.90
38	N Lynn St	Wilson Blvd	21,355	0.90
39	Fort Myer Dr	19th St N	16,684	0.91
40	19th St N	Fort Myer Dr	8,886	0.91
41	Lee Hwy	N Kenmore St	14,514	0.92
42	N Lynn St	Wilson Blvd	23,958	0.94
43	I-66	N Lincoln St	102,000	0.94
44	I-66	Fort Myer Dr	25,482	0.95
45	Wilson Blvd	N Lynn St	10,475	0.95
46	N Moore St	19th St N	3,390	0.95
47	19th St N	N Lynn St	6,222	1.00
48	N Lynn St	Lee Hwy	22,920	1.00

Source: CoStar Group

### Market Comparison Report

	1 Mile		County	
Population				
Growth 2000 - 2008	10.19%		4.78%	
Growth 2008 - 2013	5.08%		2.64%	
2008 Blue Collar	1,365	6.34%	10,647	10.23%
2008 White Collar	20,155	93.66%	93,454	89.77%
2008 Population By Race				
White	26,900	77.69%	142,971	72.02%
Black Afr Am	1,753	5.06%	16,369	8.25%
Am Indian Alaskan	81	0.23%	748	0.38%
Asian	3,290	9.50%	16,741	8.43%
Hawaiian Pacif Islr	12	0.03%	147	0.07%
Other Race	1,158	3.34%	13,689	6.90%
Two or More	1,432	4.14%	7,848	3.95%
Households				
Growth 2000 - 2008	8.02%		2.49%	
Growth 2008 - 2013	3.54%		1.21%	
Renter Occupied	13,348	71.23%	51,259	57.92%
Owner Occupied	5,391	28.77%	37,247	42.08%
2008 Households by HH Income				
Income < \$35,000	3,270	17.45%	13,595	15.36%
Income \$35,000 - \$74,999	5,537	29.55%	25,098	28.36%
Income \$75,000 - \$149,999	6,237	33.29%	30,494	34.45%
Income \$150,000 - \$249,999	2,443	13.04%	13,331	15.06%
Income \$250,000+	1,251	6.68%	5,988	6.77%
2008 Median Household Income	\$79,697		\$85,033	
2008 Median Age	35.60		37.80	

### Total Population and Population by Age

Radius	1 Mile		3 Miles		5 Miles	
Population						
2013 Projection	36,386		228,228		637,690	
2008 Estimate	34,626		224,689		624,646	
2000 Census	31,424		217,984		600,109	
Growth 2008 - 2013	5.08%		1.58%		2.09%	
Growth 2000 - 2008	10.19%		3.08%		4.09%	
2008 Population by Age	34,626		224,689		624,646	
Age 0 - 4	1,168	3.37%	9,196	4.09%	31,881	5.10%
Age 5 - 9	1,299	3.75%	9,418	4.19%	30,701	4.91%
Age 10 - 14	1,170	3.38%	8,838	3.93%	29,714	4.76%
Age 15 - 17	561	1.62%	4,509	2.01%	16,351	2.62%
Age 18 - 20	486	1.40%	12,003	5.34%	26,190	4.19%
Age 21 - 24	1,306	3.77%	12,154	5.41%	31,639	5.07%
Age 25 - 34	10,941	31.60%	51,396	22.87%	124,002	19.85%
Age 35 - 44	6,559	18.94%	37,808	16.83%	103,052	16.50%
Age 45 - 49	2,865	8.27%	16,602	7.39%	46,948	7.52%
Age 50 - 54	2,099	6.06%	14,109	6.28%	42,189	6.75%
Age 55 - 59	1,922	5.55%	14,061	6.26%	40,218	6.44%
Age 60 - 64	1,554	4.49%	10,902	4.85%	30,671	4.91%
Age 65 - 74	1,721	4.97%	12,756	5.68%	36,917	5.91%
Age 75 - 84	689	1.99%	7,133	3.17%	22,499	3.60%
Age 85 and over	287	0.83%	3,803	1.69%	11,673	1.87%
Age 16 and over	30,800	88.95%	195,778	87.13%	527,141	84.39%
Age 18 and over	30,429	87.88%	192,729	85.78%	515,998	82.61%
Age 21 and over	29,943	86.48%	180,726	80.43%	489,808	78.41%
Age 65 and over	2,698	7.79%	23,693	10.54%	71,089	11.38%
Median Age	35.6		36.3		37.1	
Average Age	38.1		38.5		38.6	

Source: CoStar Group

## Population

Radius	1 Mile		3 Miles		5 Miles	
<b>2008 Population by Marital Status (Age 15+)</b>	<b>30,989</b>		<b>197,238</b>		<b>532,349</b>	
Total, Never Married	16,445	53.07%	95,037	48.18%	239,874	45.06%
Married, Spouse Present	9,449	30.49%	64,917	32.91%	176,553	33.16%
Married, Spouse Absent	1,834	5.92%	13,621	6.91%	41,137	7.73%
Widowed	732	2.36%	8,507	4.31%	28,951	5.44%
Divorced	2,529	8.16%	15,156	7.68%	45,834	8.61%
Males Divorced	1,213		6,470		19,717	
Females Divorced	1,316		8,686		26,117	
Males, Never Married	8,842		48,986		124,568	
Females, Never Married	7,603		46,050		115,306	
<b>2008 Population by Education</b>	<b>28,635</b>		<b>168,571</b>		<b>458,169</b>	
Less Than 9th Grade	1,206	4.21%	8,559	5.08%	36,343	7.93%
Some High School, No Diploma	923	3.22%	8,143	4.83%	36,930	8.06%
High School Graduate (Includes Equivalency)	2,525	8.82%	16,623	9.86%	55,747	12.17%
Some College, No Degree	2,746	9.59%	19,497	11.57%	57,057	12.45%
Associate Degree	581	2.03%	5,105	3.03%	14,471	3.16%
Bachelor's Degree	9,743	34.02%	51,169	30.35%	121,323	26.48%
Master's Degree	6,684	23.34%	35,275	20.93%	80,417	17.55%
Professional School Degree	3,053	10.66%	16,515	9.80%	37,776	8.24%
Doctorate Degree	1,174	4.10%	7,685	4.56%	18,105	3.95%
<b>2008 Population by Occupation (Age 16+)</b>	<b>7,063</b>		<b>43,169</b>		<b>110,577</b>	
Management, Business, & Financial	1,021	14.46%	5,379	12.46%	12,058	10.90%
Professional & Related Occupations	3,916	55.44%	21,596	50.03%	49,481	44.75%
Services	371	5.25%	2,922	6.77%	8,349	7.55%
Sales & Office	1,376	19.48%	9,181	21.27%	24,749	22.38%
Farming, Fishing, and Forestry	19	0.27%	92	0.21%	213	0.19%
Construction and Extraction, Maint	730	10.34%	4,820	11.17%	13,839	12.52%
Production & Transportation	164	2.32%	1,832	4.24%	7,412	6.70%
<b>2008 Workers by Travel Time to Work (Age 16+)</b>	<b>22,881</b>		<b>131,585</b>		<b>333,217</b>	
Less Than 15 Minutes	3,769	16.47%	27,098	20.59%	59,585	17.88%
15 to 29 Minutes	8,992	39.30%	51,711	39.30%	127,062	38.13%
30 to 44 Minutes	7,434	32.49%	36,582	27.80%	96,919	29.09%
45 to 59 Minutes	1,761	7.70%	10,282	7.81%	29,910	8.98%
60+ Minutes	925	4.04%	5,912	4.49%	19,741	5.92%

Source: CoStar Group



## Households

Radius	1 Mile		3 Miles		5 Miles	
Households						
2013 Projection	19,403		108,946		291,184	
2008 Estimate	18,739		107,826		285,483	
2000 Census	17,348		105,430		274,539	
Growth 2008 - 2013	3.54%		1.04%		2.00%	
Growth 2000 - 2008	8.02%		2.27%		3.99%	
2008 Households by HH Size	18,740		107,825		285,482	
1-Person Households	9,565	51.04%	52,150	48.37%	129,474	45.35%
2-Person Households	5,914	31.56%	31,852	29.54%	81,595	28.58%
3-Person Households	1,663	8.87%	10,966	10.17%	32,544	11.40%
4-Person Households	967	5.16%	6,987	6.48%	21,926	7.68%
5-Person Households	379	2.02%	3,228	2.99%	10,748	3.76%
6-Person Households	158	0.84%	1,435	1.33%	4,912	1.72%
7 or more Person Households	94	0.50%	1,207	1.12%	4,283	1.50%
2008 Average Household Size	1.80		1.96		2.09	
2008 Households by HH Income	18,738		107,826		285,484	
Income Less than \$15,000	1,329	7.09%	8,396	7.79%	27,646	9.68%
Income: \$15,000 - \$24,999	774	4.13%	5,126	4.75%	16,508	5.78%
Income: \$25,000 - \$34,999	1,167	6.23%	5,887	5.46%	18,909	6.62%
Income: \$35,000 - \$49,999	2,272	12.13%	11,674	10.83%	32,605	11.42%
Income: \$50,000 - \$74,999	3,265	17.42%	18,466	17.13%	48,934	17.14%
Income: \$75,000 - \$99,999	2,991	15.96%	15,489	14.36%	38,830	13.60%
Income: \$100,000 - \$149,999	3,246	17.32%	18,310	16.98%	44,754	15.68%
Income: \$150,000 - \$249,999	2,443	13.04%	15,096	14.00%	35,787	12.54%
Income: \$250,000 - \$499,999	859	4.58%	6,067	5.63%	14,142	4.95%
Income: \$500,000 or more	392	2.09%	3,315	3.07%	7,369	2.58%
2008 Avg Household Income	\$107,553		\$115,898		\$106,661	
2008 Med Household Income	\$79,697		\$82,044		\$74,050	
2008 Per Capita Income	\$58,665		\$56,177		\$49,374	
2008 Occupied Housing	18,739		107,826		285,482	
Owner Occupied	5,391	28.77%	42,218	39.15%	116,707	40.88%
Renter Occupied	13,348	71.23%	65,608	60.85%	168,775	59.12%

Source: CoStar Group

## Households Cont'd

Radius	1 Mile		3 Miles		5 Miles	
<b>2008 Housing Value - Owner Occupied</b>	<b>5,393</b>		<b>42,218</b>		<b>116,706</b>	
Value Less than \$20,000	-	0.00%	8	0.02%	93	0.08%
Value \$20,000 - \$39,999	10	0.19%	20	0.05%	161	0.14%
Value \$40,000 - \$59,999	8	0.15%	50	0.12%	136	0.12%
Value \$60,000 - \$79,999	16	0.30%	67	0.16%	236	0.20%
Value \$80,000 - \$99,999	28	0.52%	112	0.27%	439	0.38%
Value \$100,000 - \$149,999	163	3.02%	1,132	2.68%	2,484	2.13%
Value \$150,000 - \$199,999	292	5.41%	1,767	4.19%	4,625	3.96%
Value \$200,000 - \$299,999	660	12.24%	4,049	9.59%	13,443	11.52%
Value \$300,000 - \$399,999	638	11.83%	4,794	11.36%	15,305	13.11%
Value \$400,000 - \$499,999	498	9.23%	4,595	10.88%	13,703	11.74%
Value \$500,000 - \$749,999	1,343	24.90%	10,271	24.33%	26,032	22.31%
Value \$750,000 - \$999,999	751	13.93%	5,966	14.13%	16,380	14.04%
Value \$1,000,000 or more	986	18.28%	9,387	22.23%	23,669	20.28%
<b>2008 Med Housing Val-Owner Occ'd</b>	<b>\$571,389</b>		<b>\$609,897</b>		<b>\$574,216</b>	
<b>2008 Housing Units by Units in Structure</b>	<b>19,936</b>		<b>114,643</b>		<b>305,747</b>	
1 Unit Attached	1,226	6.15%	11,999	10.47%	49,673	16.25%
1 Unit Detached	2,764	13.86%	22,869	19.95%	58,654	19.18%
2 Units	297	1.49%	1,766	1.54%	6,670	2.18%
3 - 19 Units	4,961	24.88%	21,039	18.35%	57,090	18.67%
20 - 49 Units	1,429	7.17%	7,966	6.95%	22,277	7.29%
50 or more Units	9,233	46.31%	48,890	42.65%	110,737	36.22%
Mobile Home or Trailer	18	0.09%	105	0.09%	227	0.07%
Boat, RV, Van, Etc.	8	0.04%	9	0.01%	419	0.14%
<b>2008 Housing Units by Yr Built</b>	<b>19,933</b>		<b>114,644</b>		<b>305,747</b>	
Built 1999 to Present	2,697	13.53%	10,592	9.24%	30,176	9.87%
Built 1995 to 1998	1,154	5.79%	3,708	3.23%	6,591	2.16%
Built 1990 to 1994	1,649	8.27%	4,749	4.14%	8,164	2.67%
Built 1980 to 1989	2,986	14.98%	10,695	9.33%	23,692	7.75%
Built 1970 to 1979	1,171	5.87%	10,954	9.55%	32,765	10.72%
Built 1960 to 1969	2,277	11.42%	17,336	15.12%	47,458	15.52%
Built 1950 to 1959	3,445	17.28%	18,737	16.34%	45,698	14.95%
Built 1940 to 1949	2,670	13.39%	15,665	13.66%	40,620	13.29%
Built 1939 or Earlier	1,884	9.45%	22,208	19.37%	70,583	23.09%
<b>2008 Median Year Built</b>	<b>1969</b>		<b>1960</b>		<b>1959</b>	

Source: CoStar Group

**Daytime Employment Report**  
**(1 Mile Radius)**

<b>Business Employment by Type</b>	<b># of Businesses</b>	<b># Employees</b>	<b>#Emp/Bus</b>
<b>Total Businesses</b>	<b>2,356</b>	<b>42,972</b>	<b>18</b>
<b>Total Retail</b>	<b>360</b>	<b>5,237</b>	<b>15</b>
Home Improvement Stores	4	107	27
General Merchandise Stores	4	77	19
Food Stores	32	728	23
Auto Dealers and Gas Stations	33	337	10
Apparel and Accessory Stores	16	101	6
Furniture and Home Furnishings	44	806	18
Eating and Drinking Places	153	2,557	17
Miscellaneous Retail Stores	74	524	7
<b>Finance-Insurance-Real Estate</b>	<b>226</b>	<b>2,446</b>	<b>11</b>
Banks, Saving and Lending Inst.	38	480	13
Security Brokers and Investments	30	428	14
Insurance Carriers and Agencies	19	232	12
Real Estate-Trust-Holding Co.	139	1,306	9
<b>Services</b>	<b>1,195</b>	<b>18,902</b>	<b>16</b>
Hotels and Lodging	16	938	59
Personal Services	80	347	4
Business Services	151	2,156	14
Motion Picture and Amusement	33	453	14
Health Services	81	847	10
Legal Services	132	593	4
Educational Services	37	914	25
Social Services	161	5,751	36
Other Services	504	6,903	14
Agriculture / Mining	16	88	6
<b>Construction</b>	<b>81</b>	<b>1,121</b>	<b>14</b>
<b>Manufacturing</b>	<b>63</b>	<b>1,958</b>	<b>31</b>
<b>Transportation, Comm. / Pub Util.</b>	<b>86</b>	<b>2,033</b>	<b>24</b>
<b>Wholesale Trade</b>	<b>36</b>	<b>361</b>	<b>10</b>
<b>Government</b>	<b>293</b>	<b>10,826</b>	<b>37</b>
<b>Daytime Population</b>	<b>42,972</b>		
<b>Daytime Population / Business</b>	<b>17</b>		
<b>Residential Population</b>	<b>34,626</b>		
<b>Residential Population / Business</b>	<b>15</b>		

Source: CoStar Group

## 2008 Consumer Spending Report

2008 Annual Spending (in Thousands)	1 Mile	3 Miles	5 Miles
<b>Total Specified Consumer Spending</b>	<b>\$966,466</b>	<b>\$5,852,990</b>	<b>\$14,635,001</b>
<b>Total Apparel</b>	<b>\$112,778</b>	<b>\$697,973</b>	<b>\$1,744,852</b>
Women's Apparel	30,877	197,812	486,299
Men's Apparel	22,251	134,523	335,767
Girl's Apparel	4,372	28,218	78,248
Boy's Apparel	3,199	20,670	58,427
Infant Apparel	1,615	10,381	28,644
Footwear (Excluding Infants)	10,067	63,074	160,979
Other Apparel Products / Services	40,397	243,294	596,488
<b>Total Entertainment</b>	<b>\$140,930</b>	<b>\$861,137</b>	<b>\$2,120,048</b>
Sports and Recreation	38,116	235,802	578,578
TV, Radio and Sound Equipment	46,129	278,181	698,317
Reading Materials	12,561	75,161	179,103
Travel	43,007	265,393	647,690
Photographic Equipment	1,117	6,600	16,360
<b>Total Food At Home</b>	<b>\$55,963</b>	<b>\$345,709</b>	<b>\$933,315</b>
Cereal Products	4,154	26,009	71,415
Bread & Bakery Products	8,163	50,581	133,910
Fish and Seafood	2,817	17,145	45,673
Meats (All)	17,994	111,555	310,750
Dairy Products	10,075	62,125	163,943
Fruits and Vegetables	12,761	78,294	207,625
<b>Total Food Away From Home</b>	<b>\$98,607</b>	<b>\$579,605</b>	<b>\$1,435,603</b>
Breakfast and Brunch	9,448	55,763	140,631
Dinner	37,758	221,141	543,103
Lunch	34,172	200,777	499,639
Snacks and Non Alcoholic Beverages	15,111	88,899	220,026
Catered Affairs	2,119	13,025	32,204
<b>Total Alcoholic Beverages</b>	<b>\$36,418</b>	<b>\$216,280</b>	<b>\$529,616</b>
Alcoholic Bev. at Home	22,150	132,842	329,410
Alcoholic Bev. away from Home	14,268	83,438	200,207
<b>Total Furniture / Appliances</b>	<b>\$51,788</b>	<b>\$323,116</b>	<b>\$806,194</b>
Bedroom Furniture	5,108	30,853	77,602
Living Room Furniture	8,642	53,175	131,902
Other Living & Family Room Furniture	2,204	13,743	34,021
Other Furniture	5,537	34,171	84,802
Major Appliances	5,221	34,026	88,452
Small Appliances	15,941	98,405	239,544
Misc Household Equipment	9,134	58,743	149,870
<b>Total Transportation / Maint.</b>	<b>\$316,795</b>	<b>\$1,839,291</b>	<b>\$4,589,891</b>
New Autos / Trucks / Vans	67,711	398,980	1,004,692
Used Vehicles	23,692	131,436	321,773
Boats and Outboard Motor, Etc.	5,731	37,451	86,448
Gasoline	38,553	218,716	555,610
Diesel Fuel	225	1,394	3,610
Automotive Maintenance / Repair	35,280	206,180	512,802
Transportation	145,603	845,132	2,104,957
<b>Total Health Care</b>	<b>\$75,331</b>	<b>\$477,415</b>	<b>\$1,267,802</b>
Medical Services	38,166	233,309	605,559
Prescription Drugs	34,264	225,699	614,679
Medical Supplies	2,901	18,406	47,564
<b>Total Education / Day Care</b>	<b>\$112,597</b>	<b>\$759,649</b>	<b>\$1,752,125</b>
Education	54,029	365,384	838,753
Room and Board	2,742	24,780	54,747
Tuition / School Supplies	51,288	340,604	784,006
Day Care, Nursery & Preschool	4,538	28,880	74,620

Source: CoStar Group

**Metrorail Ridership, FY 2005**  
**Average Weekday Passenger Trips by Station**  
**Arlington, Virginia**

<b>Metro Line</b>	<b>Station</b>	<b>Weekday Average Daily Trips</b>
<b>Blue / Yellow Line</b>		
	National Airport	10,088
	Crystal City	25,029
	Pentagon City	30,025
	Pentagon	28,750
	Arlington Cemetery	2,786
	Subtotal	96,678
<b>Orange Line</b>		
	East Falls Church	7,573
	Ballston	22,104
	Virginia Square	6,179
	Clarendon	6,793
	Courthouse	13,915
	Rosslyn	30,381
	Subtotal	86,945
<b>Total</b>		<b>183,623</b>

Source: Arlington Economic Development<sup>32</sup>

<sup>32</sup> Arlington Economic Development. <[http://www.arlingtonvirginiausa.com/statistics/\\_54.pdf](http://www.arlingtonvirginiausa.com/statistics/_54.pdf)>.

### Courthouse – Development Summary

	Existing	Under Construction	Approved Not Built	Build Out**	Development Remaining**
<b>Office (Square Feet)*</b>	3,841,143	41,814	555,009	4,743,928	860,971
<b>Housing Units</b>	6,098	255	306	9,004	2,651
<b>Hotel Rooms</b>	589	-	324	913	324
<b>Retail (Square Feet)</b>	162,448	19,393	46,566	197,664	15,823
*Excludes Federally owned space					
**Excludes potential bonus density					

Source: Arlington Economic Development<sup>33</sup>

### Clarendon – Development Summary

	Existing	Under Construction	Approved Not Built	Build Out**	Development Remaining**
<b>Office (Square Feet)*</b>	1,344,190	196,831	40,772	2,411,935	870,915
<b>Housing Units</b>	1,215	708	-	4,219	2,296
<b>Hotel Rooms</b>	-	-	-	-	-
<b>Retail (Square Feet)</b>	549,035	34,061	62,160	985,157	402,061
*Excludes Federally owned space					
**Excludes potential bonus density					

Source: Arlington Economic Development<sup>34</sup>

<sup>33</sup> Arlington Economic Development. <<http://www.arlingtonvirginiausa.com/index.cfm/6176>>.

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