

**OFFICE AND RETAIL FEASIBILITY ASSESSMENT
ON A SITE BOUNDED BY CLARENDON AND WILSON BOULEVARDS, AND
NORTH CLEVELAND AND NORTH DANVILLE STREETS,
ARLINGTON, VIRGINIA 22201**

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Executive Summary

This paper will be a development evaluation of a 1.86 acre site located in Arlington, VA (Rosslyn-Ballston corridor). The site is bounded by Clarendon Blvd., Wilson Blvd., N. Danville St., and N. Cleveland St., and is located directly east of the Whole Foods in Clarendon.

Despite being surrounding by retail, multi-family, condominium, and office development (much of which has occurred in the past 10 to 15 years), this site remains underdeveloped. The block currently is a variety of parcels with different ownerships. Current uses of the various parcels include a bank branch, used car dealership, parking lots.

The goal of this paper is to assess if an office building with first floor retail use, or a wholly retail property, would be feasible development projects on the site. If both are feasible, this paper will determine which of the two would be more financial advantageous for the developer. This paper addresses zoning, construction, financing, leasing, asset management, and disposition. Any constraints or extraordinary conditions will be addressed in the paper. The subject parcels are assumed to have common ownership. Assemblage will not be part of the analysis.

Based on the analysis herein, neither the office nor the retail development is feasible. Neither property reaches the return goals expected by the development community. High land costs and the inability to create a critical mass of development due to restrictive zoning hamper returns. These are likely the reasons why the site remains undeveloped.

Site Description

Overview

The site is located in Arlington County, Virginia. Arlington is an urban county of approximately 26 square miles in the Washington, DC metropolitan area (Arlington County Department of Community Planning, Housing, and Development a).

The above-referenced site is flat and rectangular in shape. The dimensions of the site are approximately 273' along Wilson and Clarendon Boulevards and 287' along North Danville and North Cleveland Streets. It has frontage on all four of the aforementioned streets.

The site to be analyzed is as follows. All parcels are zoned C-2.

Table 1
Site Parcels

Parcel	Address	Size (sf)	Size (acreage)	Zoning	Current use
18008008	2600 Wilson Blvd.	8,362	0.1920	C-2	Auto sales / paved
18008013	2614 Wilson Blvd.	2,702	0.0620	C-2	Paved
18008007	2618 Wilson Blvd.	3,565	0.0818	C-2	Paved
18008015	2622 Wilson Blvd.	2,357	0.0541	C-2	Paved
18008006	2636 Wilson Blvd.	13,979	0.3209	C-2	Paved
18008005	1415 N. Danville St.	9,811	0.2252	C-2	Paved
18007006	N. Cleveland St.	12,346	0.2834	C-2	Paved
18008004	N. Danville St.	4,440	0.1019	C-2	Paved
18008002	2615 Fairfax Dr.	4,179	0.0959	C-2	Paved
18008016	N. Danville St.	757	0.0174	C-2	Paved
18008017	N. Cleveland St.	856	0.0197	C-2	Paved
18008011	2601 Clarendon Blvd.	5,839	0.1340	C-2	Bank branch
18008009	N. Cleveland St.	6,010	0.1380	C-2	Bank branch
18008010	1410 N. Cleveland St.	6,000	0.1377	C-2	Bank branch
Total		81,203	1.864		

Table 1: Site Parcels (Arlington County Department of Real Estate Assessments 2011b, Arlington County Department of Real Estate Assessments 2011c, Arlington County Department of Real Estate Assessments 2011d, Arlington County Department of Real Estate Assessments 2011e, Arlington County Department of Real Estate Assessments 2011f, Arlington County Department of Real Estate Assessments 2011g, Arlington County Department of Real Estate Assessments 2011h, Arlington County Department of Real Estate Assessments 2011i, Arlington County Department of Real Estate Assessments 2011j, Arlington County Department of Real Estate Assessments 2011k, Arlington County Department of Real Estate Assessments 2011l, Arlington County Department of Real Estate Assessments 2011m, Arlington County Department of Real Estate Assessments 2011n)

The County's tax parcels are shown below, outlined in red.



Figure 1: Assemblage of subject tax parcels (Arlington County Department of Real Estate Assessments 2011a)

Current Use

The current uses on the site include:

- A PNC bank branch located on the southeast parcels of the assemblage on Parcels 18008009, 18008010, 18008010, and 18008011 (Arlington County Department of Real Estate Assessments 2011h, Arlington County Department of Real Estate Assessments 2011i, Arlington County Department of Real Estate Assessments 2011j, Arlington County Department of Real Estate Assessments 2011k).
- A used car sales office, Airport Motors, with paved lot on Parcel 18008008 (Arlington County Department of Real Estate Assessments 2011b).
- Paved lots in various states of disrepair (Arlington County Department of Real Estate Assessments 2011c, Arlington County Department of Real Estate Assessments 2011d, Arlington County Department of Real Estate Assessments 2011e, Arlington County Department of Real Estate Assessments 2011f, Arlington County Department of Real Estate Assessments 2011g, Arlington County Department of Real Estate Assessments 2011h, Arlington County Department of Real Estate Assessments 2011i, Arlington County Department of Real Estate Assessments 2011j, Arlington County Department of Real Estate Assessments 2011k, Arlington County Department of Real Estate Assessments 2011l, Arlington County Department of Real Estate Assessments 2011m, Arlington County Department of Real Estate Assessments 2011n).



Figure 2: Intersection of North Danville Street and Clarendon Boulevard, facing northeast (Google Maps, 2011a).



Figure 3: On North Danville Street facing east (Google Maps, 2011a).



Figure 4: Intersection of North Danville Street and Wilson Boulevard, facing southeast (Google Maps, 2011a).



Figure 5: On Wilson Boulevard, facing south (Google Maps, 2011a).



Figure 6: Intersection of North Cleveland and Wilson Boulevard, facing northwest with Airport Motors (Google Maps, 2011a).



Figure 7: Intersection of North Cleveland and Clarendon Boulevard, facing northwest with PNC bank branch (Google Maps, 2011a).



Figure 8: On Clarendon Boulevard, facing south with PNC bank branch drive-through (Google Maps, 2011a).

Neighborhood and Adjacent Parcel Characteristics

The subject is located in the Rosslyn-Ballston Corridor in northern Arlington County, Virginia (Arlington County Department of Community Planning, Housing, and Development, 2010). The Rosslyn-Ballston Corridor is approximately 0.75 miles wide and 3 miles long, extending along Wilson Boulevard between the Potomac River in the east and North Glebe Road in the west.

As part of its General Land Use Plan, Arlington County has decided to concentrate the highest density uses within walking distance of Metro stations; densities, heights, and uses are planned to taper down to existing single-family uses (Arlington County Department of Community Planning, Housing, and Development, 2010).

The site is located in the westernmost section of the Courthouse neighborhood and is adjacent to the easternmost portion of the Clarendon neighborhood. Although the site is technically within the Courthouse district, the site's proximity to Clarendon and its defining

features make a compelling case that the property is heavily influenced by the dynamics of the Clarendon submarket.

The lot is approximately 0.3 miles east from the Clarendon and approximately 0.3 miles west of the Courthouse Metro stations, both of which are on the Orange Line (Google Maps, 2011b; Google Maps, 2011c). The property is located adjacent to the Clarendon Special Coordinated Mixed-Use District, which eventually became the Market Common at Clarendon, a mixed-use development consisting of 300,000 square feet of retail, anchored by Crate & Barrel, Container Store, Barnes & Noble, Cheesecake Factory, the Apple Store, and Pottery Barn; 100,000 square feet of office; 300 multi-family units; a 1,200-space parking garage built in 2003 (Google Maps, 2011d; CBRE; Urban Land Institute, 2008; Arlington County Department of Community Planning, Housing, and Development b); and Whole Foods Market (Google Maps, 2011a). Whole Foods is directly west of the subject. To the south are townhouses and to the north, low-rise retail (Google Maps, 2011d). To the east is a mid-rise office building (Google Maps, 2011d).

Arlington's General Land Use Plan states determines that commercial activity in the Courthouse district should be centered around the Arlington County government complex, which is the nexus of "a balanced mix of high-density and residential and office uses" (Arlington County Department of Community Planning, Housing, and Development, 2010). The county has determined that development in Clarendon, in particular, should evoke an "Urban Village" concept characterized by a "high-quality public environment, accessible and connected spaces, and a rich mix of uses" (Arlington County Department of Community Planning, Housing, and Development, 2010). The surrounding parcels reflect the plans outlined by the county.

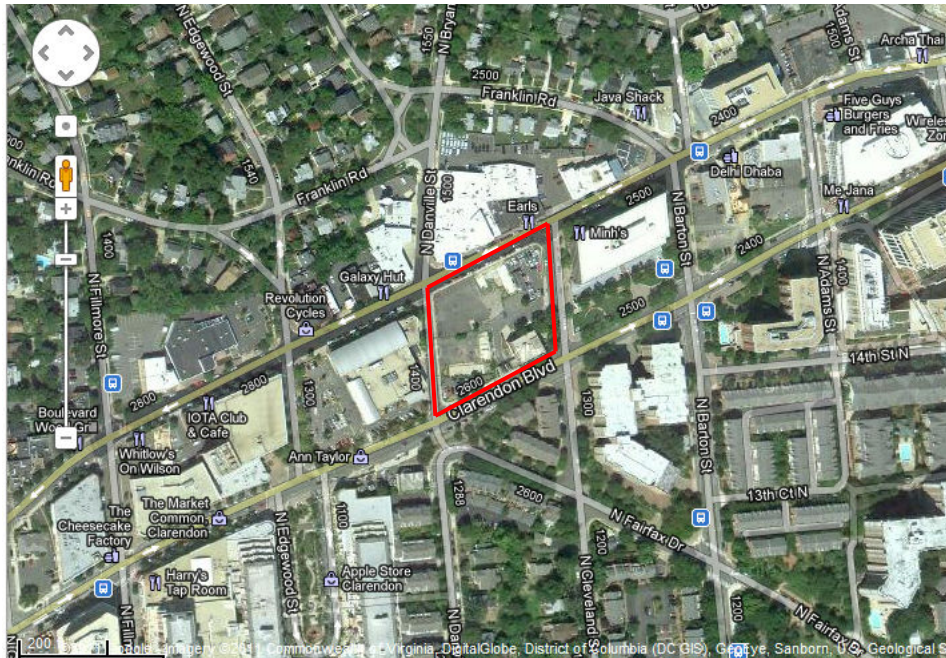


Figure 9: Aerial view of subject property and surrounding area (Google Maps, 2011d)

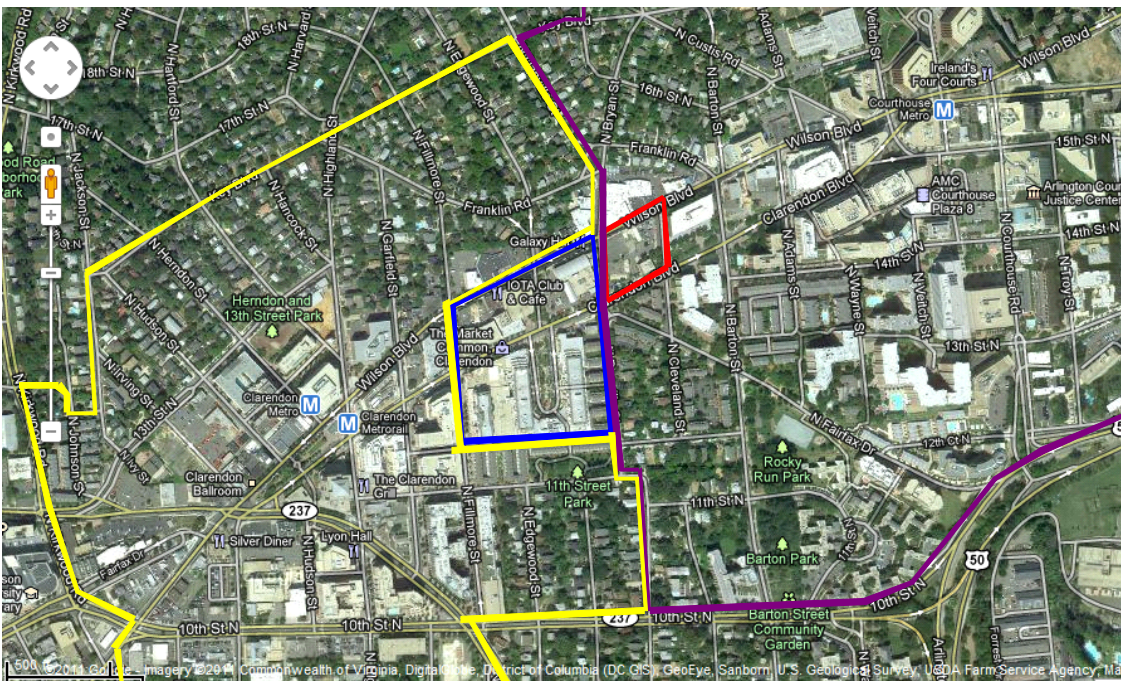


Figure 10: Aerial view of subject property (in red) with Clarendon area (in yellow), Market Common at Clarendon (in blue), and Courthouse area outlined (in purple) (Google Maps, 2011d, Arlington County Department of Community Planning, Housing, and Development b, Arlington County Department of Community Planning, Housing, and Development c, Arlington County Department of Community Planning, Housing, and Development d)

Site Analysis

Visibility.

The site has good visibility from all surrounding roads, although it is best from Wilson Boulevard and Clarendon Boulevard. There are no visual barriers.

Accessibility.

The site is within walking distance of the Clarendon Metro station. As previously mentioned, the lot is approximately 0.3 miles east from the Clarendon Metro station, on the Orange Line (Google Maps, 2011b). Average daily boardings at the Clarendon stop are over 4,400 (Washington Metropolitan Area Transit Authority, 2011). There is significant pedestrian traffic in the immediate vicinity, arising from its proximity to Metro as well as the surrounding retail, residential (both owner-occupied and renter-occupied), and office uses.

North Danville Street and North Cleveland Street are two lane (one in each direction), two-way, north-south streets. Wilson Boulevard and Clarendon Boulevard are both one-way streets, each with several lanes in each direction. The former heads southwest and the latter, northeast.

Wilson Boulevard and Clarendon Boulevard are high traffic thoroughfares, ensuring exposure to passersby. At North Danville Street, Wilson Boulevard has a daily traffic count of approximately 16,000 and Clarendon Boulevard has a daily traffic count of over 14,600 (Arlington County Department of Environmental Services, 2004).

Zoning.

The area is zoned C-2, or “Service Commercial--Community Business Districts.” Arlington County has determined the purpose of C-2 is to encourage “commercial development where the variety in retail, service and office uses is intended to serve a broad-based community” (Arlington County Planning Division).

Per the area's zoning, permissible uses include office and a wide variety of retail uses, including medical office, commercial development where the variety in retail, service and office uses (Arlington County Planning Division).

Although portions of the zoning code allow for discrete development of office and retail uses (Arlington County Planning Division a), other portions of the code indicate that the County may incorporate mixed commercial uses at the approval stage (Arlington County Planning Division b), such as retail on the first floor of an office building. The subject site is not located in an area where incorporation of retail on the first floor of other uses is mandated, such as in a county-designated Special Revitalization District (Arlington County Planning Division a), but the County has the discretion and the ability to incorporate such mixed uses (Arlington County Planning Division b) into projects. Such projects are called Unified Commercial/Mixed Use Developments. Adam Peters, Vice President of Development at Vornado Realty Trust, says that based on his experience, the County will likely require incorporation of first-floor retail into other commercial uses (November 10, 2011).

The chart below compares discrete office, retail, and mixed uses. Therefore, the author suggests anticipating incorporation retail into the first floor of an office building, if chosen. A summary of the chart is below. However, the addition of retail at the subject site does not afford the subject property, by right, any additional building height or FAR (Arlington County Planning Division b), as it would with certain county-defined areas such as the aforementioned Special Revitalization Districts (Arlington County Planning Division a). This lack of additional advantages has likely hindered development of the site.

Table 2
C-2 Zoning Requirements

	Office	Retail	Unified Commercial/Mixed Use Development
Height maximum	45 feet		Same as previous, with the first floor height of at least 12 feet clear.
Density maximum		1.5 FAR	
Landscaping minimum	<ul style="list-style-type: none"> 10% of total site area <ul style="list-style-type: none"> 1 deciduous tree for every 35 feet along the property line abutting public right of way No landscaped area will be less than 5 ft. by 8 ft. 25% of the landscaped area will be covered by mature shrubs 		<ul style="list-style-type: none"> If the site is 20,000 square feet or less, landscaping will be 10% of the total site area. If greater than 20,000 square feet, the landscaping will be a minimum area of 2,000 square feet plus 20% of the land area in excess of 20,000 square feet.
Setbacks	<ul style="list-style-type: none"> Front: The greater of 1) 50% the height of the building from the center of the street or 2) 40 feet Rear and side yards: none. 		<ul style="list-style-type: none"> Same as previous, with a minimum setback of 20 feet from any adjacent parcel zoned Residential.
Parking	<ul style="list-style-type: none"> 1 parking space for each 250 sf of floor area on the first floor, 1 space for each 300 sf of floor area located in the basement or on the second through fifth floors, and 1 space per 400 sf of floor area located above the fifth floor. 	<ul style="list-style-type: none"> 1 space for each 250 sf of floor area on the first floor in a building, plus 1 space for each 300 sf of floor area located elsewhere in the building. 	<ul style="list-style-type: none"> Same as previous.
Loading	<ul style="list-style-type: none"> 6,000 sf. 1 dedicated loading space for office use. 	<ul style="list-style-type: none"> 3,000 sf. Minimum 1 loading space; 1 additional space for more than 15,000 sf of floor area, 1 additional space for more than 50,000 sf of floor area, and one 1 additional space for each 100,000 sf of floor area. 	<ul style="list-style-type: none"> Same as previous, with a wall four feet high shielding surface parking and loading areas from residential areas.

Table 2: C-2 Zoning Requirements (Arlington County Planning Division a, Arlington County Planning Division c, Arlington County Planning Division d, Arlington County Planning Division e)

Office With First Floor Retail: Site Layout And Composition

As stated previously, this paper assumes that the County will require the first floor of this property will consist of retail. The dimensions of the site are 273 feet east to west and 287 feet north to south, with a square acreage of 1.86 and square footage of approximately 78,271 square feet. Because the square footage of the site exceeds 20,000 square feet, landscaping must be 2,000 square feet plus 20 percent times the size of the site over 20,000 square feet. The total landscaping necessary is 13,654 square feet, leaving an allowable site footprint of 64,617 square feet.

With a maximum FAR of 1.50, the largest building that can be constructed is approximately 117,407 square feet. Standard building codes require that ceilings have a minimum height of nine feet clear plus an additional one foot for concrete slab and two for plena (Rosenberg, July 25, 2010). Assuming the first floor is 12 feet clear and each of the subsequent floors are at least nine feet clear, and each floor has a combined three feet of slab and plena, the maximum height of 45 feet accommodates three floors with soaring ceilings with a floor plan of 39,136 square feet each. To utilize the maximum ceiling height of 45 feet, the first floor can have a ceiling height of 14 feet clear (plus the slab and plena), and the second and third floors can have ceiling heights of 11 feet clear plus (plus the slab and plena).

The building footprint outlined above is well within mandated setbacks. As stated in the chart, the property must have a setback the greater of 40 feet from the center of the surrounding streets, or 50 percent of the height of the building. The width of Danville and Cleveland Streets, are 20 and 30 feet, respectively, and Clarendon and Wilson Boulevards are both 40 feet wide. The setbacks are therefore as follows. Therefore, the boundaries of the maximum footprint are 257 feet along Danville Street, 262 feet along Cleveland Street, and 253 feet along both Clarendon and Wilson. The approximate area of the bounded area is approximately 65,580 square feet. The footprint is well within these boundaries.

Per the parking regulations outlined above, zoning mandates 380 parking spaces. Additionally, there must be 6,000 square feet for a loading area. The site can accommodate a limited number of surface parking spaces, with the remaining required spaces to be placed in an underground parking lot.

As discussed previously, the site is 78,271 square feet, from which the footprint of the site of 39,136 square feet and 6,000 square feet of loading space are deducted. This leaves 19,481 square feet for surface parking. Assuming that the parking rows run parallel with Wilson Boulevard and Clarendon Boulevard and run the length of the site (which creates longer parking rows than if parallel with N. Danville and N. Cleveland Streets), the length of each row is 273 feet. In accordance with architectural standards, each parking space is assumed to be 9 feet by 18 feet (162 square feet total) with an aisle of 24 feet between two rows of spaces (Rosenberg, July 25, 2010). Each set of a middle aisle flanked by two rows of spaces is 16,275 square feet total with 60 spaces (30 on each side). With 19,481 square feet remaining on the surface for parking and full set of an aisle and two rows of spaces comprising 16,275 square feet, the surface can accommodate one such set. That leaves 320 spaces which must be placed in underground parking.

Underground, the parking garage may extend further, to the borders of the site. With a site size of 78,271 square feet and 60 spaces for every 16,275 square feet, to meet the total amount of spaces required by zoning, there must be two levels of underground parking. As each level can have a maximum of 300 spaces, the garage can be one full level and one partial level. The first floor will hold 300 spaces, with the remaining 20 on the second level.

Retail: Site Layout And Composition

A similar analysis is now performed for a proposed building composed entirely of retail uses. Despite the fact that a developer may construct a retail building with the same height and FAR as an office building, a multi-story retail project is likely unfeasible. According to Marvin

Muldrew, an REO asset manager at special servicer CW Capital Asset Management and a former retail asset manager at The Mills Company (November 8, 2011), second-floor retailers are typically unappealing to consumers. Their limited visibility and access leads to lower foot traffic. Consequently, their viability is limited. As such, a development that consists entirely of retail will not maximize the allowable FAR or building height on the site.

Under the zoning regulations presented above, a retail site requires only 10 percent of landscaping, leading to a theoretical maximum footprint of 70,444 square feet. This is further reduced because of the 3,000 square feet needed for loading, resulting in a building size of 67,444 square feet. Because the subject retail property will only be one floor, the total building will be of that same square footage.

Assuming the same first floor height as with the office and retail building, the retail building will consist of one story of 14 feet clear with one foot of slab and two feet of plena (17 feet total).

Required parking will be 282 spaces. After deducting landscaping, the building itself, and the required extra 3,000 square feet for loading, there are only 10,827 square feet left. This is insufficient for any surface parking. Therefore, all 282 spaces must be located in an underground garage. Because each garage level can accommodate 300 spaces, the garage need only be one level.

Improvements Summary

Below is a chart of the proposed improvements for each asset class.

Table 3
Improvements Summary

	Office with First Floor Retail	Retail
Size (sf)	117,407	67,444
FAR	1.5	0.86
Building Height (feet)	45	17
Floors	Three. Floor-to-slab: First level: 17 feet, second and third levels: 14 feet	One
Parking Spaces	380. Surface: 60. Underground garage: 320.	270. Underground garage: 270.

Economic and Market Fundamentals Analysis

Washington, DC Metropolitan Area Economic Analysis

The subject site is located in the Washington, DC metropolitan area, which includes the District of Columbia; 15 counties and cities including northern Virginia, including Arlington County; three counties in Maryland; and Jefferson County, West Virginia (Bureau of Labor Statistics, 2010 May).

The Washington, DC metro area is the most affluent and one of the highly educated areas in the nation (Hughes, 2011). As the seat of the federal government, the area enjoys reduced exposure to economic downturns. Arlington County itself ranked as having the fifth-highest median household income according to the 2010 U.S. Census (Hughes, 2011). Six other Virginia and Maryland Counties were among in the top 20 wealthiest counties in the nation (Hughes, 2011). Although the federal government is the driving economic force, in the foreseeable future, the private sector, particularly in Professional Business Services industries, will be leading growth. Between January and August 2011, the private sector added 9,000 jobs (Cassidy Turley, 2011).

Table 4

2010 U.S. Census: Selected Demographic and Economic Data

	Arlington County	Washington, DC MSA	United States
Total population	207,627	5,582,170	308,745,538
Total households	92,982	2,074,730	114,596,927
Median household income	\$94,986	\$84,523	\$50,046
Per capita income	\$55,403	\$40,528	\$26,059
Unemployment rate	3.3%	5.6%	10.8%
Population aged 25+ with at least a college degree	70%	47%	28%

Table 4: 2010 U.S. Census: Selected Demographic and Economic Data (Census Bureau 2010)

Washington DC, MSA And Rosslyn-Ballston Corridor Office Market

The DC metro area is a prime office location given its high educational attainment and the presence of the federal government. With a total inventory of nearly 456 million square feet of space, it enjoys an average vacancy rate of 13% and average asking rental rate of \$34.05 per square foot. Over 5.2 million square feet of office is under construction (CoStar, 2011i). Below are office market statistics for each of the region's submarkets.

As outlined below, the Rosslyn-Ballston corridor has a total inventory of approximately 28.6 million square feet, 10% vacancy, and asking rents of \$40.87 per square foot, performing better than the market area as a whole (CoStar, 2011i). However, the submarket has experienced over (682,000) square feet in negative net absorption, meaning fewer tenants are taking occupancy than are leaving. Already 144,000 sf of new deliveries have been added to inventory this year, with another 1.3 million forthcoming (CoStar, 2011i).

Table 5
Washington, DC Total Office Market

Market	Jurisdiction	Total Inventory		Vacancy	YTD Net Absorption	YTD Deliveries	Under Construction SF	Quoted Rates
		# Buildings	Total RBA					
Alexandria / I-395	Virginia	878	39,425,932	11.2%	(317,446)	-	15,000	\$ 34.36
Bethesda / Chevy Chase	Maryland	258	11,937,622	11.4%	(223,503)	-	-	\$ 34.69
Capitol Hill	District of Columbia	458	33,938,332	14.5%	1,020,355	414,029	-	\$ 49.05
Downtown DC	District of Columbia	852	95,448,856	10.0%	(33,696)	432,900	1,133,807	\$ 50.62
Dulles Corridor	Virginia	745	54,812,107	16.1%	585,955	120,000	100,000	\$ 26.29
E Prince George's County	Maryland	108	2,378,715	12.0%	31,703	-	-	\$ 20.85
East Falls Church	Virginia	51	913,734	7.2%	(665)	-	-	\$ 31.70
Frederick	Maryland	616	8,256,955	16.7%	(171,996)	25,000	26,100	\$ 22.92
Georgetown / Uptown	District of Columbia	823	16,373,314	8.6%	60,204	140,000	161,107	\$ 38.56
Greater Fairfax County	Virginia	1,163	60,825,410	14.1%	687,649	-	720,873	\$ 30.40
I-270 Corridor	Maryland	766	42,471,496	15.0%	408,523	115,000	750,560	\$ 27.95
Leesburg / Route 7 Corridor	Virginia	368	7,404,681	16.4%	219,840	100,539	11,303	\$ 25.78
Manassas / Route 29 / I-66	Virginia	350	5,895,506	13.1%	47,784	-	45,000	\$ 21.77
N Prince George's County	Maryland	680	19,302,035	18.7%	(59,716)	-	268,762	\$ 20.33
Northeast / Southeast	District of Columbia	214	2,525,724	15.4%	(35,373)	-	-	\$ 23.29
R-B Corridor	Virginia	178	23,585,821	10.4%	(582,156)	144,000	1,329,086	\$ 40.67
S Prince George's County	Maryland	296	4,658,089	15.2%	(23,794)	-	-	\$ 22.43
SE Fairfax County	Virginia	270	7,548,956	10.8%	136,367	95,000	641,147	\$ 28.16
SE Montgomery County	Maryland	374	12,891,565	12.9%	(123,905)	-	-	\$ 26.18
Winchester City	Virginia	127	1,873,297	10.1%	35,623	4,800	-	\$ 17.38
Woodbridge / I-95 Corridor	Virginia	259	3,499,128	14.6%	76,536	50,032	-	\$ 21.28
Total		9,834	455,967,275	13.0%	1,738,289	1,641,300	5,202,745	\$ 34.05

Table 5: Washington, DC Total Office Market (CoStar, 2011i)

Because the property is new, it is considered a Class A property. Class A properties generally enjoy higher absorption, and higher rents than average, as demonstrated below. The Rosslyn-Ballston Corridor's Class A office inventory is 15.7 million square feet (two-thirds of total submarket inventory), and slightly negative net absorption of approximately (63,000) square feet (CoStar, 2011i).

Table 6
Washington, DC Class A Office Market

Market	Jurisdiction	Total Inventory		Vacancy	YTD Net Absorption	YTD Deliveries	Under Construction SF	Quoted Rates
		# Buildings	Total RBA					
Alexandria / I-395	Virginia	97	19,034,852	15.4%	(197,868)	-	-	\$ 36.28
Bethesda / Chevy Chase	Maryland	25	5,680,686	12.7%	(204,117)	-	-	\$ 37.76
Capitol Hill	District of Columbia	69	23,459,561	16.8%	1,127,583	414,029	-	\$ 50.91
Downtown DC	District of Columbia	224	57,389,315	11.6%	174,130	432,900	1,133,807	\$ 54.70
Dulles Corridor	Virginia	269	38,423,414	15.7%	794,671	120,000	100,000	\$ 28.43
E Prince George's County	Maryland	9	872,392	22.3%	23,000	-	-	\$ 22.19
East Falls Church	Virginia	1	300,000	0.8%	-	-	-	\$ 37.99
Frederick	Maryland	18	2,201,323	15.3%	8,634	-	-	\$ 25.75
Georgetown / Uptown	District of Columbia	22	4,117,244	15.4%	20,366	140,000	161,107	\$ 44.28
Greater Fairfax County	Virginia	179	33,030,947	13.4%	911,834	-	720,873	\$ 34.46
I-270 Corridor	Maryland	135	20,141,092	16.8%	392,503	115,000	750,560	\$ 31.57
Leesburg / Route 7 Corridor	Virginia	36	3,358,841	23.3%	149,684	93,539	-	\$ 27.19
Manassas / Route 29 / I-66	Virginia	13	893,125	20.8%	29,236	-	45,000	\$ 25.05
N Prince George's County	Maryland	49	6,900,568	20.4%	21,728	-	268,762	\$ 20.88
Northeast / Southeast	District of Columbia	1	63,000	2.2%	-	-	-	\$ -
R-B Corridor	Virginia	68	15,732,709	8.9%	(52,939)	144,000	1,329,086	\$ 41.78
S Prince George's County	Maryland	7	793,137	31.4%	20,447	-	-	\$ 24.50
SE Fairfax County	Virginia	15	1,729,418	10.2%	6,567	95,000	641,147	\$ 37.33
SE Montgomery County	Maryland	28	5,621,441	9.2%	(32,157)	-	-	\$ 30.96
Winchester City	Virginia	-	-	0.0%	-	-	-	\$ -
Woodbridge / I-95 Corridor	Virginia	5	323,172	8.2%	49,770	-	-	\$ 27.26
Total		1,270	240,066,237	14.2%	3,243,072	1,554,468	5,150,342	\$ 38.46

Table 6: Washington, DC Class A Office Market (CoStar, 2011i)

Within the Rosslyn-Ballston corridor, the picture for Class A properties in the Clarendon / Courthouse area is even better. Clarendon and Courthouse are the only submarkets with positive YTD net absorption and no upcoming competition (CoStar, 2011i).

Table 7
Rosslyn-Ballston Class A Office Submarkets

Submarket	Total Inventory		Vacancy	YTD Net Absorption	YTD Deliveries	Under Construction SF	Quoted Rates
	# Buildings	Total RBA					
Ballston	27	6,298,477	8.7%	(169,355)	144,000	653,315	\$ 43.47
Clarendon / Courthouse	20	3,565,950	8.9%	353,577	-	-	\$ 40.01
Rosslyn	15	4,869,911	9.8%	(204,588)	-	675,771	\$ 39.55
Virginia Square	6	998,371	6.0%	(32,573)	-	-	\$ 43.89
Total	68	15,732,709	8.9%	(52,939)	144,000	1,329,086	\$ 47.78

Table 7: Rosslyn-Ballston Class A Office Submarkets (CoStar, 2011i)

The above rate of \$40/sf gross is somewhat low for new space. According Peters (November 10, 2011) and Jennifer Ralph, a Team Lead at CBRE for tenant leasing (November 10, 2011), office rents for new leases in the Clarendon area are typically \$45 per square foot with a base stop expense reimbursement structure. The office comps below confirm that office rents for new and renovated properties in the Clarendon and Courthouse areas are indeed in the mid-\$40s per sf.

Office Lease Comps

The office rent comps outlined below are for recently constructed or renovated properties, Class A properties located in the Clarendon and Courthouse areas. The comps support rent rates of \$45/sf with base stop expense reimbursements.

Table 8

Comparable Property #1: Clarendon Center North


	
Location Data	
Property	Clarendon Center North
Address	3000 Wilson Boulevard
County	Arlington
State	VA
Zip	22201
Main Road	Wilson Boulevard
Physical Data	
Type	Office with ground-floor retail
Building Size (sf)	112,175
Year Built	2010
Parking	200 covered parking spaces (1.50 spaces / 1,000 sf)
Visibility	Excellent – corner lot
Access	Good
Condition	New
Lease Data	
Lease Type	Gross
Rent rate/SF per Year	\$45 - \$47
Source	CoStar
Adjustments	
Location	Superior to Subject
Year Built/Condition	Comparable to Subject (both new)
Lease Type	Comparable to Subject
Parking	Comparable to Subject
Visibility/Access	Superior to Subject
Comments:	LEED Certified – Silver; Metro/Subway.

Table 8: Clarendon Center North (CoStar 2011c), Saul Centers (2006).

Table 9

Comparable Property #2: Clarendon Center South


	
Location Data	
Property	Clarendon Center South
Address	3030 Clarendon Blvd
County	Arlington
State	VA
Zip	22201
Main Road	Clarendon Boulevard
Physical Data	
Type	Office with ground-floor retail
Building Size (sf)	105,361
Year Built	2010
Parking	250 covered parking spaces (1.50 spaces / 1,000 sf)
Visibility	Excellent – corner lot
Access	Good
Condition	New
Lease Data	
Lease Type	Gross
Rent rate/SF per Year	\$45 - \$17
Source	CoStar
Adjustments	
Location	Superior to Subject
Year Built/Condition	Comparable to Subject (both new)
Lease Type	Comparable to Subject
Parking	Comparable to Subject
Visibility/Access	Superior to Subject
Comments:	LEED Certified; Metro/Subway.

Table 9: Clarendon Center South (CoStar 2011d), Saul Centers (2006).

Table 10

Comparable Property #3: Arlington Plaza


	
Location Data	
Property	Arlington Plaza
Address	2000 N. 15 th St.
County	Arlington
State	VA
Zip	22201
Main Road	15 th and North Taft Sts.
Physical Data	
Type	Office with 2% retail
Building Size (sf)	193,657
Year Built	Built 1985, renovated 2007
Parking	329 covered parking spaces (1.70 spaces / 1,000 sf)
Visibility	Good. Corner location, but not on a main road or intersection.
Access	Good
Condition	Renovated
Lease Data	
Lease Type	Gross
Rent rate/SF per Year	\$39 - \$41
Source	CoStar
Adjustments	
Location	Comparable to Subject
Year Built/Condition	Inferior to Subject
Lease Type	Comparable to Subject
Parking	Comparable to Subject
Visibility/Access	Inferior to Subject
Comments:	Metro/Subway.

Table 10: Arlington Plaza (CoStar 2011b).

Table 11

Comparable Property #4: Courthouse Tower


	
Location Data	
Property	Courthouse Tower
Address	1515 N. Courthouse Rd.
County	Arlington
State	VA
Zip	22201
Main Road	North Courthouse Rd. and Clarendon Blvd.
Physical Data	
Type	Office
Building Size (sf)	249,709 SF
Year Built	Built 2000
Parking	400 covered parking spaces (1.90 spaces / 1,000 sf)
Visibility	Good.
Access	Good.
Condition	Good.
Lease Data	
Lease Type	Gross
Rent rate/SF per Year	\$43 - \$45
Source	CoStar
Adjustments	
Location	Comparable to Subject
Year Built/Condition	Inferior to Subject
Lease Type	Comparable to Subject
Parking	Comparable to Subject
Visibility/Access	Comparable to Subject
Comments:	LEED Certified.

Table 11: Courthouse Tower (CoStar 2011f).

Table 12

Comparable Property #5: Clarendon Square Building

	
Location Data	
Property	Clarendon Square Building
Address	3033 Wilson Blvd.
County	Arlington
State	VA
Zip	22201
Main Road	Wilson Blvd. and North Garfield St.
Physical Data	
Type	Office
Building Size (sf)	165,225 SF
Year Built	Built 1987, renovated 2011
Parking	250 covered parking spaces (3.0 spaces / 1,000 sf)
Visibility	Good.
Access	Good.
Condition	Good.
Lease Data	
Lease Type	Gross
Rent rate/SF per Year	\$44
Source	CoStar
Adjustments	
Location	Comparable to Subject
Year Built/Condition	Inferior to Subject
Lease Type	Comparable to Subject
Parking	Comparable to Subject
Visibility/Access	Comparable to Subject
Comments:	First floor retail

Table 12: Clarendon Square Building (CoStar 2011e).

Table 13

Comparable Property #6: Hartford Square Building


	
Location Data	
Property	Hartford Square Building
Address	3101 Wilson Blvd.
County	Arlington
State	VA
Zip	22201
Main Road	Wilson Blvd. and North Highland St.
Physical Data	
Type	Office
Building Size (sf)	212,443 SF
Year Built	Built 2004
Parking	410 covered parking spaces (2.0 spaces / 1,000 sf)
Visibility	Good.
Access	Good.
Condition	Good.
Lease Data	
Lease Type	Gross
Rent rate/SF per Year	\$36 - \$45
Source	CoStar
Adjustments	
Location	Superior to Subject
Year Built/Condition	Inferior to Subject
Lease Type	Comparable to Subject
Parking	Comparable to Subject
Visibility/Access	Superior to Subject
Comments:	First floor retail

Table 13: Hartford Square Building (CoStar 2011g).

Washington DC, MSA And Rosslyn-Ballston Corridor Retail Market

With its strong employment and average income levels, the Washington, DC metropolitan area is a prime retail market. Below are retail market statistics for all retail properties, including regional malls, community centers, neighborhood centers, strip centers, power centers, freestanding retail buildings, and specialty centers (CoStar, 2011j).

The market appears robust. Of over 223 million square feet of retail inventory in the DC metro area, only 4.8% is vacant. Absorption through the third quarter of 2011 was nearly 1.2 million square feet and deliveries have been 1.1 million square feet. Approximately 480,000 square feet are under construction and rent rates are approximately \$23.27 per square foot NNN.

Table 14
Washington, DC Total Retail Market

Market	Jurisdiction	Total Inventory		Vacancy	YTD Net Absorption	YTD Deliveries	Under Construction SF	Quoted Rates
		# Buildings	Total RBA					
Alexandria / I-395	Virginia	922	13,829,138	3.0%	(26,877)	2,427	2,425	\$ 30.94
Bethesda / Chevy Chase	Maryland	310	4,374,492	2.8%	21,321	-	22,737	\$ 31.63
Capitol Hill	District of Columbia	641	3,040,303	5.0%	(5,920)	3,000	-	\$ 29.69
Downtown DC	District of Columbia	287	1,955,680	4.6%	13,445	-	-	\$ 45.90
Dulles Corridor	Virginia	719	17,630,272	3.9%	30,602	68,256	-	\$ 26.36
E Prince George's County	Maryland	296	7,484,326	6.2%	55,601	137,149	57,582	\$ 19.40
East Falls Church	Virginia	132	1,325,621	1.5%	4,001	-	-	\$ 36.63
Frederick	Maryland	1,010	12,562,398	4.7%	580,888	518,679	3,117	\$ 17.12
Georgetown / Uptown	District of Columbia	1,964	10,793,792	4.4%	114,768	-	18,000	\$ 43.12
Greater Fairfax County	Virginia	1,156	23,964,339	3.2%	160,945	24,194	83,593	\$ 30.30
I-270 Corridor	Maryland	905	23,241,973	4.9%	148,736	121,185	3,867	\$ 23.86
Leesburg / Route 7 Corridor	Virginia	486	7,583,516	9.1%	(5,498)	101,436	30,607	\$ 26.03
Manassas / Route 29 / I-66	Virginia	646	11,595,845	6.9%	(12,642)	5,350	101,670	\$ 20.95
N Prince George's County	Maryland	1,573	20,697,327	5.5%	111,372	44,540	-	\$ 18.09
Northeast / Southeast	District of Columbia	837	4,714,246	5.0%	7,420	-	73,000	\$ 17.88
R-B Corridor	Virginia	151	2,733,830	2.0%	15,008	8,000	-	\$ 28.65
S Prince George's County	Maryland	884	12,437,710	5.9%	(36,048)	19,620	79,371	\$ 15.59
SE Fairfax County	Virginia	575	12,476,917	3.5%	(36,938)	6,500	4,321	\$ 25.16
SE Montgomery County	Maryland	838	13,408,845	3.8%	(42,900)	25,742	-	\$ 22.97
Winchester City	Virginia	320	4,933,807	6.8%	146,432	-	-	\$ 11.40
Woodbridge / I-95 Corridor	Virginia	562	12,630,521	6.7%	(43,860)	16,303	-	\$ 15.29
Total		15,214	223,414,898	4.8%	1,199,856	1,102,381	480,290	\$ 23.27

Table 14: Washington, DC Total Retail Market (CoStar, 2011j)

The freestanding, neighborhood, and strip retail markets mostly closely reflect the retail type contemplated in this proposal. Below are the market statistics for these retail types. There is a regional inventory of 164 million square feet (CoStar, 2011j). The market fundamentals are healthy; vacancy is 6.6%, net absorption is approximately 627,000 square feet through the third

quarter of 2011 despite year to date deliveries of nearly 352,000 square feet (CoStar, 2011j).

Another 377,000 square feet is under construction (CoStar, 2011j).

Table 15

Washington, DC Freestanding, Neighborhood, and Strip Retail Statistics

Market	Jurisdiction	Total Inventory		Vacancy	YTD Net Absorption	YTD Deliveries	Under Construction SF	Quoted Rates
		# Buildings	Total RBA					
Alexandria / I-395	Virginia	857	9,142,013	4.0%	(52,938)	2,427	2,426	\$ 30.94
Bethesda / Chevy Chase	Maryland	295	3,943,780	2.9%	20,243	-	22,737	\$ 31.68
Capitol Hill	District of Columbia	640	3,000,203	5.0%	(5,920)	3,000	-	\$ 31.25
Downtown DC	District of Columbia	287	1,955,680	4.6%	13,445	-	-	\$ 46.23
Dulles Corridor	Virginia	465	11,944,836	4.9%	54,106	68,256	-	\$ 26.76
E Prince George's County	Maryland	209	4,143,916	10.7%	(76,848)	-	57,582	\$ 18.15
East Falls Church	Virginia	129	1,325,621	1.5%	4,001	-	-	\$ 37.30
Frederick	Maryland	890	9,545,753	5.7%	71,124	6,711	3,117	\$ 14.96
Georgetown / Uptown	District of Columbia	1,940	9,288,694	4.0%	110,923	-	18,000	\$ 38.92
Greater Fairfax County	Virginia	964	15,984,336	4.4%	158,954	24,194	83,593	\$ 31.38
I-270 Corridor	Maryland	702	15,920,637	5.8%	242,084	121,185	3,867	\$ 24.35
Leesburg / Route 7 Corridor	Virginia	361	5,138,516	8.4%	(25,207)	-	30,607	\$ 25.78
Manassas / Route 29 / I-66	Virginia	486	7,693,953	6.6%	(15,318)	5,350	61,000	\$ 20.42
N Prince George's County	Maryland	1,371	15,458,602	5.8%	107,656	44,540	-	\$ 18.29
Northeast / Southeast	District of Columbia	813	4,714,246	5.0%	7,420	-	10,000	\$ 17.49
R-B Corridor	Virginia	145	1,785,100	2.3%	15,008	8,000	-	\$ 32.11
S Prince George's County	Maryland	752	9,913,507	6.6%	(38,925)	19,620	79,371	\$ 15.05
SE Fairfax County	Virginia	448	10,292,204	4.0%	(45,020)	6,500	4,321	\$ 24.60
SE Montgomery County	Maryland	735	10,152,211	5.0%	(39,403)	25,742	-	\$ 22.47
Winchester City	Virginia	285	4,070,236	8.0%	149,282	-	-	\$ 10.83
Woodbridge / I-95 Corridor	Virginia	424	8,703,604	8.2%	(28,018)	16,303	-	\$ 16.39
Total		13,198	164,117,648	5.5%	626,649	351,828	376,621	\$ 23.11

Table 15: Washington, DC Freestanding, Neighborhood, and Strip Retail Statistics (CoStar, 2011j)

Below are statistics for freestanding retail sites, and retail space in neighborhood centers and inline spaces in the Rosslyn Ballston corridor. The Clarendon / Courthouse area is the second largest submarket of properties of this type. Retail rents vary from the high \$20s per square foot to the mid-\$40s per square foot.

Table 16

Rosslyn-Ballston Freestanding, Neighborhood, and Strip Retail Submarket Statistics

Submarket	Total Inventory		Vacancy	YTD Net Absorption	YTD Deliveries	Under Construction SF	Quoted Rates
	# Buildings	Total RBA					
Ballston	37	961,448	0.2%	10,000	8,000	-	\$ 45.00
Clarendon / Courthouse	65	474,832	7.8%	5,008	-	-	\$28.52 - \$44.17
Rosslyn	8	108,429	0.0%	-	-	-	NA
Virginia Square	35	240,391	1.0%	-	-	-	\$ 39.98
Total	145	1,785,100	2.2%	15,008	8,000	-	\$ 47.78

Table 16: Rosslyn-Ballston Freestanding, Neighborhood, and Strip Retail Submarket Statistics (CoStar, 2011j)

Jarett Parker, Assistant Director of Real Estate at Kimco Realty Corporation, confirms that inline rent rates would be in the upper \$30s per square foot to the low \$40s per square foot (November 10, 2011). He adds that a variety of tenants ranging from small inline shop tenants up to 40,000 square feet would be interested in the site (Parker, November 10, 2011). Peters of Vornado states that in his experience, retail rates are typically \$35/sf NNN (November 10, 2011).

Retail Rent Comps

The retail rent comps outlined below are for retail properties located in the Clarendon / Courthouse and Ballston areas. The comps range from \$30/sf to \$42/sf with triple net expense reimbursements. These comps support a retail rent of \$35/sf NNN. This is slightly more conservative than Parker's estimate, but still within a reasonable margin.

Table 17

Comparable Property #1: K&M Properties Site

Location Data	
Property	K&M Properties Site
Address	3000 N 10th St.
County	Arlington
State	VA
Zip	22201
Main Road	10 th St. NW
Physical Data	
Type	Retail on first floor with self-storage above
Building Size (sf)	30,000
Year Built	1995
Parking	On street
Visibility	Excellent – corner lot
Access	Good
Condition	Good
Lease Data	
Lease Type	NNN
Rent rate/SF per Year	\$37.50
Source	CoStar
Adjustments	
Location	Comparable to Subject
Year Built/Condition	Inferior to Subject
Lease Type	Comparable to Subject
Parking	Inferior to Subject
Visibility/Access	Inferior to Subject
Comments:	Metro/Subway.

Table 17: K&M Properties Site (CoStar 2011h)

Table 18

Comparable Property #2: 2150 Clarendon Blvd.


	
Location Data	
Property	2150 Clarendon Blvd.
Address	2150 Clarendon Blvd.
County	Arlington
State	VA
Zip	22201
Main Road	15 th St. NW
Physical Data	
Type	Retail
Building Size (sf)	35,635
Year Built	NA
Parking	On street and surface lot.
Visibility	Good
Access	Good
Condition	Good
Lease Data	
Lease Type	NNN
Rent rate/SF per Year	\$30
Source	CoStar
Adjustments	
Location	Comparable to Subject
Year Built/Condition	Inferior to Subject
Lease Type	Comparable to Subject
Parking	Comparable to Subject
Visibility/Access	Inferior to Subject
Comments:	Metro/Subway.

Table 18: 2150 Clarendon Blvd. (CoStar 2011a)

Table 19

Comparable Property #3: The Phoenix Condominium at The Clarendon Metro


	
Location Data	
Property	The Phoenix Condominium at The Clarendon Metro
Address	3105 N. 10th Street
County	Arlington
State	VA
Zip	22201
Main Road	10 th St. NW
Physical Data	
Type	Retail with residential condominium above
Building Size (sf)	13,650
Year Built	2007
Parking	On street.
Visibility	Good
Access	Good
Condition	Good
Lease Data	
Lease Type	NNN
Rent rate/SF per Year	\$42
Source	LoopNet
Adjustments	
Location	Inferior to Subject
Year Built/Condition	Comparable to Subject
Lease Type	Comparable to Subject
Parking	Inferior to Subject
Visibility/Access	Inferior to Subject
Comments:	Metro/Subway.

Table 19: The Phoenix Condominium at The Clarendon Metro (LoopNet 2012)

Land Rent Comps

Because the proposed developer does not currently own the land, the value of the land must be determined to determine its price. As stated in the introduction of this paper, assemblage of the parcels from different owners is not part of this analysis. This analysis works from the assumption that the developer is purchasing all parcels at once. Nevertheless, land value analysis is helpful in determining the value, in aggregate, of the land on the block. Land value also figures prominently in the development costs of the project and financing.

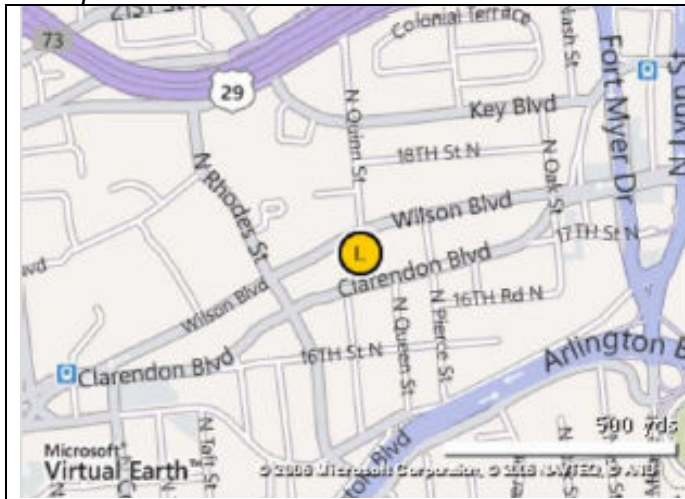
Based on the comps below, the cost of land per FAR sf is \$145 to \$252. These comps are in the Rosslyn-Ballston corridor with the same zoning as the subject, C-2. The sales comps that are most recent and have the least level of development (similar to the subject, which is undeveloped) are between \$145 and \$208 per FAR sf. The price per FAR sf is determined to be closer to the lower end of the range due to the above-mentioned reason. Therefore, the price per FAR sf is determined to be \$150. With a site size of 1.86 acres (81,203 land sf) and a FAR sf capacity of 1.50, the subject property's land price is \$18,270,000.

Because the office property has more square feet than the retail property, the retail property will have a higher per FAR sf land cost than the office project (\$271 versus \$156). A retail developer should be prepared to pay the same aggregate price as an office developer, as an office developer would presumably be prepared to pay \$18,270,000 based on the increased development capacity.

Comparable Land Sale #2: 3440 N. Fairfax Dr.

Table 21: 3440 N. Fairfax Dr. (CoStar, 2012b)

Table 22

Comparable Land Sale #3: 1716 Wilson Blvd.

Location Data	
Property	1716 Wilson Blvd.
Address	1716 Wilson Blvd.
County	Arlington
State	VA
Zip	22209
Main Road	Clarendon Blvd. and Wilson Blvd.
Physical Data	
Size acres / sf	1.05 / 45,738
Zoning	C-2
By Right FAR	1.5
Improvement	0%
Visibility	Good
Access	Good
Sale Data	
Date	5/20/10
Price (total)	\$10,000,000
Price / FAR sf	\$146
Source	CoStar
Adjustments	
Location	Inferior to Subject
Time of Sale	Inferior to Subject
Condition of Improvements	Comparable to Subject
Visibility/Access	Comparable to Subject
Comments:	NA

Table 22: 1716 Wilson Blvd. (CoStar, 2012a)

Pro forma Analysis And Valuation

Based on the above information, pro forma operating statements and values for both office and retail may be determined.

Office

Rent Roll.

Based on the office and retail rents determined above, the proposed rent roll is as follows. The property is assumed to be speculative and lease during construction, with all tenants in occupancy and paying rent upon delivery.

Table 23
Office Rent Roll

	Retail (First Floor)	Office (Second Floor)	Office (Third Floor)
Total size (sf)	39,136	39,136	39,136
Number of Suites	4	2	10
Size of Each Tenant (sf)	9,784	19,567	4,892
Rent	\$35	\$45	\$45
Reimbursement	NNN	Base Stop	Base Stop
Escalation	3% annually	3% annually	3% annually
Term	5	10	5

Expenses.

Total operating costs for new, Class A buildings in the District of Columbia are typically \$20 to \$24 per square foot; for new trophy buildings, they are \$26 to \$28 per square foot. (Ralph, November 10, 2011). These costs include real estate taxes for the District of Columbia. To arrive at comparable operating expenses for Northern Virginia office buildings, the District of Columbia taxes must be removed and the Northern Virginia taxes must be added in.

In the District of Columbia, commercial and industrial properties are assessed at \$1.65 per \$100 for the first \$3 million of value. If a property is assessed at more than \$3 million in

value, the portion greater than \$3 million is taxes at \$1.85 per \$100 of value (District of Columbia Office of Tax and Revenue).

In Arlington County, where the proposed property is located, the rate of tax on all of the parcels is \$1.083 per every \$100 of value (Arlington County Department of Real Estate Assessments 2011b, Arlington County Department of Real Estate Assessments 2011c, Arlington County Department of Real Estate Assessments 2011d, Arlington County Department of Real Estate Assessments 2011e, Arlington County Department of Real Estate Assessments 2011f, Arlington County Department of Real Estate Assessments 2011g, Arlington County Department of Real Estate Assessments 2011h, Arlington County Department of Real Estate Assessments 2011i, Arlington County Department of Real Estate Assessments 2011j, Arlington County Department of Real Estate Assessments 2011k, Arlington County Department of Real Estate Assessments 2011l, Arlington County Department of Real Estate Assessments 2011m, Arlington County Department of Real Estate Assessments 2011n). Therefore, in order to arrive at the expenses for office, the expense structure and value of the property is a circular calculation dependent on the value of the property.

Based on the first run of the pro forma, the initial value is approximately \$28,900,000. Taxes under the District of Columbia are charged at \$1.65 per \$100 for the first \$3 million of value (in this case, \$49,500) and \$1.85 per \$100 for any portion thereafter (or \$479,150), for a total of \$528,650 or \$4.50 per square foot (District of Columbia Office of Tax and Revenue). The total operating expenses of \$25 minus taxes of \$4.50 results in operating expenses net of taxes of \$20.50 per square foot. The per square foot equivalent of the Arlington County rate of \$1.083 per \$100 is input into the expense assumptions, and the value re-run until the tax per square foot accurately reflects the value. At the process' conclusion, the taxes per square foot are \$3.21 per square foot and total operating expenses are \$23.40 per square foot. The final value is discussed further in this document.

Tenant improvements.

Ralph states that the tenant improvements for office deals are approximately \$55 per square foot to \$65 per square foot from cold, dark shell (Ralph, November 10, 2011). Tenant improvements from vanilla shell for new tenants are assumed to be \$40 to \$45 per square foot.

Pro forma.

Below is the pro forma operating statement for the proposed office property. The analysis incorporates a conservative vacancy allowance of 10%, compared to actual Rosslyn-Ballston vacancy of 8.9% (CoStar, 2011i). The property is assumed to be speculative and lease during construction, with all tenants in occupancy and paying rent upon delivery. A summary of lease expirations is also below.

Table 24
Office Pro Forma

Operating Year	1	2	3	4	5	6	7	8	9	10	11	12
Potential Gross Revenue												
Base Rental Revenue	\$ 4,891,955	\$ 5,038,711	\$ 5,189,880	\$ 5,345,571	\$ 5,505,941	\$ 5,671,120	\$ 5,818,000	\$ 5,992,540	\$ 6,172,313	\$ 6,357,483	\$ 6,548,214	\$ 6,717,697
Absorption & Turnover Vacancy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (775,064)	\$ -	\$ -	\$ -	\$ -	\$ (898,493)	\$ -
Scheduled Base Rental Revenue	\$ 4,891,955	\$ 5,038,711	\$ 5,189,880	\$ 5,345,571	\$ 5,505,941	\$ 4,896,056	\$ 5,818,000	\$ 5,992,540	\$ 6,172,313	\$ 6,357,483	\$ 5,649,721	\$ 6,717,697
Expense Reimbursement Revenue	\$ 929,566	\$ 1,012,003	\$ 1,096,909	\$ 1,184,364	\$ 1,274,441	\$ 1,046,766	\$ 1,317,985	\$ 1,416,410	\$ 1,517,791	\$ 1,622,215	\$ 1,213,495	\$ 1,527,907
Total Potential Gross Revenue	\$ 5,821,521	\$ 6,050,714	\$ 6,286,789	\$ 6,529,935	\$ 6,780,382	\$ 5,942,822	\$ 7,135,985	\$ 7,408,950	\$ 7,690,104	\$ 7,979,698	\$ 6,863,216	\$ 8,245,604
General Vacancy	\$ (523,937)	\$ (544,564)	\$ (565,811)	\$ (587,694)	\$ (610,234)	\$ -	\$ (642,239)	\$ (666,806)	\$ (692,109)	\$ (718,173)	\$ -	\$ (742,104)
Effective Gross Revenue	\$ 5,297,584	\$ 5,506,150	\$ 5,720,978	\$ 5,942,241	\$ 6,170,148	\$ 5,942,822	\$ 6,493,746	\$ 6,742,144	\$ 6,997,995	\$ 7,261,525	\$ 6,863,216	\$ 7,503,500
Operating Expenses	\$ 2,747,324	\$ 2,829,744	\$ 2,914,636	\$ 3,002,075	\$ 3,092,137	\$ 3,184,901	\$ 3,280,448	\$ 3,378,862	\$ 3,480,228	\$ 3,584,634	\$ 3,692,173	\$ 3,802,939
Net Operating Income	\$ 2,550,260	\$ 2,676,406	\$ 2,806,342	\$ 2,940,166	\$ 3,078,011	\$ 2,757,921	\$ 3,213,298	\$ 3,363,282	\$ 3,517,767	\$ 3,676,891	\$ 3,171,043	\$ 3,700,561
Leasing & Capital Costs												
Tenant Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,515,336	\$ -	\$ -	\$ -	\$ -	\$ 1,756,651	\$ -
Leasing Commissions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,241,584	\$ -	\$ -	\$ -	\$ -	\$ 1,439,307	\$ -
Reserves	\$ 11,741	\$ 12,093	\$ 12,456	\$ 12,829	\$ 13,214	\$ 13,611	\$ 14,019	\$ 14,440	\$ 14,873	\$ 15,319	\$ 15,779	\$ 16,252
Total Leasing & Capital Costs	\$ 11,741	\$ 12,093	\$ 12,456	\$ 12,829	\$ 13,214	\$ 2,770,531	\$ 14,019	\$ 14,440	\$ 14,873	\$ 15,319	\$ 3,211,737	\$ 3,211,737
Cash Flow Before Debt Service	\$ 2,538,519	\$ 2,664,313	\$ 2,793,886	\$ 2,927,337	\$ 3,064,797	\$ (12,610)	\$ 3,199,279	\$ 3,348,842	\$ 3,502,894	\$ 3,661,572	\$ (40,694)	\$ 3,684,309

Table 25
Office Rollover

Operating Year	1	2	3	4	5	6	7	8	9	10	11	12
Square feet	-	-	-	-	78,272	-	-	-	-	39,135	39,136	-
Percent of total	-	-	-	-	67%	-	-	-	-	33%	33%	-

Retail

Rent roll.

Based on Parker's assessment of the potential tenant profile (November 10, 2011), the projected rent roll a mix of tenants ranging from small, inline tenants that are less than 5,000 square feet up to "junior anchor" tenants. The property is assumed to be speculative and lease during construction, with all tenants in occupancy and paying rent upon delivery.

Table 26
Retail Rent Roll

	Junior Anchor	Mid-Size Tenants	Inline
Total size (sf)	20,000	20,000	27,444
Number of Suites	1	2	6
Size of Each Tenant (sf)	20,000	10,000	4,574
Rent	\$35	\$35	\$35
Reimbursement	NNN	NNN	NNN
Escalation	3% annually	3% annually	3% annually
Term	10	7	5

Expenses.

Parker states that expenses including real estate taxes for retail properties in Arlington would be between \$8 per square foot and \$15 per square foot (November 10, 2011). Higher expenses, and therefore reimbursements, would arise if higher cost amenities such as structured parking are provided. Peters concurs, stating that retail expenses in Arlington can be as high as \$15 per square foot (Peters, November 10, 2011), including taxes.

Tenant improvements.

Parker states that tenant improvements for inline retail space are approximately \$10 per square foot to \$20 per square foot, with more complex uses such as restaurants commanding the higher end of the range (November 10, 2011). From cold, dark shell, tenant improvements are \$50 - \$60, with restaurants as high as \$150 per square foot (Peters, November 10, 2011).

Pro forma.

Using conservative vacancy allowance of 5%, compared to actual Rosslyn-Ballston vacancy of 2.2% (CoStar, 2011j), and operating expenses of \$15 per square foot (Parker, November 10, 2011), the pro forma is as follows.

Table 27
Retail Pro Forma

Operating Year	1	2	3	4	5	6	7	8	9	10	11	12
Potential Gross Revenue												
Base Rental Revenue	\$ 2,360,540	\$ 2,431,358	\$ 2,504,294	\$ 2,579,427	\$ 2,656,810	\$ 2,736,512	\$ 2,813,041	\$ 2,897,434	\$ 2,980,051	\$ 3,069,451	\$ 3,161,533	\$ 3,245,226
Absorption & Turnover Vacancy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (185,586)	\$ -	\$ (143,486)	\$ -	\$ -	\$ (371,939)	\$ -
Scheduled Base Rental Revenue	\$ 2,431,358	\$ 2,504,294	\$ 2,579,427	\$ 2,656,810	\$ 2,650,926	\$ 2,813,041	\$ 2,753,948	\$ 2,980,051	\$ 3,069,451	\$ 2,789,595	\$ 3,245,226	\$ 3,389,154
Expense Reimbursement Revenue	\$ 1,011,825	\$ 1,042,181	\$ 1,073,444	\$ 1,105,648	\$ 1,138,820	\$ 1,094,025	\$ 1,208,170	\$ 1,183,369	\$ 1,281,749	\$ 1,320,202	\$ 1,201,564	\$ 1,400,604
Total Potential Gross Revenue	\$ 3,372,365	\$ 3,473,539	\$ 3,577,738	\$ 3,685,075	\$ 3,795,630	\$ 3,944,951	\$ 4,021,211	\$ 3,937,517	\$ 4,261,800	\$ 4,389,653	\$ 3,991,159	\$ 4,645,830
General Vacancy	\$ (168,618)	\$ (173,677)	\$ (178,887)	\$ (184,254)	\$ (189,782)	\$ (5,941)	\$ (201,061)	\$ (60,554)	\$ (213,090)	\$ (219,483)	\$ -	\$ (232,292)
Effective Gross Revenue	\$ 3,203,747	\$ 3,299,862	\$ 3,398,851	\$ 3,500,821	\$ 3,605,848	\$ 3,639,010	\$ 3,820,150	\$ 3,876,763	\$ 4,048,710	\$ 4,170,170	\$ 3,991,159	\$ 4,413,538
Operating Expenses	\$ 1,011,660	\$ 1,042,010	\$ 1,073,270	\$ 1,105,468	\$ 1,138,632	\$ 1,172,791	\$ 1,207,975	\$ 1,244,214	\$ 1,281,541	\$ 1,319,987	\$ 1,359,586	\$ 1,400,374
Net Operating Income	\$ 2,192,087	\$ 2,257,852	\$ 2,325,581	\$ 2,395,353	\$ 2,467,216	\$ 2,466,219	\$ 2,612,175	\$ 2,632,549	\$ 2,767,169	\$ 2,850,183	\$ 2,631,573	\$ 3,013,164
Leasing & Capital Costs												
Tenant Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 187,710	\$ -	\$ 145,126	\$ -	\$ -	\$ 376,190	\$ -
Leasing Commissions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 230,562	\$ -	\$ 178,268	\$ -	\$ -	\$ 462,074	\$ -
Reserves	\$ 6,744	\$ 6,947	\$ 7,155	\$ 7,370	\$ 7,591	\$ 7,819	\$ 8,053	\$ 8,295	\$ 8,544	\$ 8,800	\$ 9,064	\$ 9,336
Total Leasing & Capital Costs	\$ 6,744	\$ 6,947	\$ 7,155	\$ 7,370	\$ 7,591	\$ 426,091	\$ 8,053	\$ 331,679	\$ 8,544	\$ 8,800	\$ 847,328	\$ 9,336
Cash Flow Before Debt Service & Taxes	\$ 2,185,343	\$ 2,250,905	\$ 2,318,426	\$ 2,387,983	\$ 2,459,625	\$ 2,040,128	\$ 2,604,122	\$ 2,300,870	\$ 2,758,625	\$ 2,841,383	\$ 1,784,245	\$ 3,003,828

Table 28
Retail Rollover

Operating Year	1	2	3	4	5	6	7	8	9	10	11	12
Square feet	-	-	-	-	27,444	-	20,000	-	-	20,000	27,444	-
Percent of total	-	-	-	-	41%	-	30%	-	-	30%	41%	-

Valuation

Valuation rates.

The discounted flow method was used to determine the value of both the office and the retail property. The property's cash flows over a holding period and a reversion value (in turn based on the following year's income divided by a capitalization rate to arrive at a projected value upon a sale at the end of the holding period) are discounted to arrive at a net present value for the property. Discount rates and terminal capitalization rates can differ according to property type and market.

Below are the rates suggested by PricewaterhouseCoopers' Real Estate Investor Survey, upon which the rates for the subject analysis are based (Second Quarter 2011). The discount rates for both Northern Virginia and for national strip retail centers are approximately 100 basis points above the terminal cap rate. The average discount rates and average terminal cap rates, rounded to the nearest 0.25% are selected, while maintaining the difference of 100 basis points between the two rates. For both property types, the discount rate is 9% and the terminal cap rate is 8%.

Table 29

Discount Rates and Terminal Cap Rates

	Northern Virginia Office			National Strip Shopping Centers		
	Selected	Average	Range	Selected	Average	Range
Discount Rate	9.00%	8.75%	7.50% - 10.00%	9.00%	8.85%	6.75% - 12.50%
Terminal Cap Rate	8.00%	7.90%	7.00% - 9.00%	8.00%	7.97%	6.50% - 12.00%

Table 29: PricewaterhouseCoopers (Second Quarter 2011)

Office.

In a standard discounted cash flow analysis, it is customary to discount ten years of operating performance and base a reversion, or sales, value on the net operating income of the eleventh year. However, the property will undergo significant tenant rollover in Year 11; leases on fully one-third of the premises will expire. This means that this year will not have an income reflective of normalized operations, rendering the reversion value less representative of a sale

value. Shortening the hold period exposes the owner (the seller) to a discount on the reversion price due to the then-upcoming rollover risk. Therefore, it is recommended that the hold period be extended to eleven years, with the reversion value based on the twelfth year.

The stabilized value of the office building is determined to be \$34,750,000 (\$296 per square foot).

Table 30

Office Valuation: Discounted Cash Flow

<u>Analysis Year</u>	<u>Cash Flow</u>	<u>Discounted at 9%</u>
1	\$ 2,538,519	\$ 2,328,917
2	\$ 2,664,313	\$ 2,242,498
3	\$ 2,793,886	\$ 2,157,393
4	\$ 2,927,337	\$ 2,073,799
5	\$ 3,064,797	\$ 1,991,908
6	\$ (12,610)	\$ (7,519)
7	\$ 3,199,279	\$ 1,750,115
8	\$ 3,348,842	\$ 1,680,671
9	\$ 3,502,894	\$ 1,612,830
10	\$ 3,661,572	\$ 1,546,688
11	\$ (40,694)	\$ (15,771)
Total Cash Flow	\$ 27,648,135	\$ 17,361,529
Property Retail at 8% Cap Rate	\$ 44,869,303	\$ 17,388,329
Total Property Present Value (Rounded)		\$ 34,750,000
Per Square Foot		\$ 296
<u>Percentage Value Distribution</u>		
Prospective Income	50%	
Prospective Property Resale	50%	
Total	100%	

Retail.

As with the office property, the retail project experiences significant rollover in Year 11. Here, too, it is recommended that the hold period be extended to eleven years, with the reversion value based on the twelfth year.

The stabilized value of the retail building is determined to be \$30,100,000 (\$446 per square foot).

Table 31

Retail Valuation: Discounted Cash Flow

<u>Analysis Year</u>	<u>Cash Flow</u>	<u>Discounted at 9%</u>
1	\$ 2,185,343	\$ 2,004,902
2	\$ 2,250,905	\$ 1,894,542
3	\$ 2,318,426	\$ 1,790,250
4	\$ 2,387,983	\$ 1,691,707
5	\$ 2,459,625	\$ 1,598,588
6	\$ 2,040,128	\$ 1,216,461
7	\$ 2,604,122	\$ 1,424,544
8	\$ 2,300,870	\$ 1,154,729
9	\$ 2,758,625	\$ 1,270,148
10	\$ 2,841,383	\$ 1,200,231
11	\$ 1,784,245	\$ 691,453
Total Cash Flow	\$ 25,931,655	\$ 15,937,555
Property Retail at 8% Cap Rate	\$ 36,534,613	\$ 14,158,363
Total Property Present Value (Rounded)		\$ 30,100,000
Per Square Foot		\$ 446
<u>Percentage Value Distribution</u>		
Prospective Income	53%	
Prospective Property Resale	47%	
Total	100%	

Financing Overview

Equity.

In order to determine if a developer is receiving a sufficient yield on a project, developers use a number of metrics to gauge performance. According to Peters, developers seek a 10% yield of net operating income over the total development cost of the property, including land (November 10, 2011). David Sislen, President of Bristol Capital Corporation, states that owners generally seek an unlevered internal rate of return (IRR) of at least 10% and a levered IRR of at least 20% (November 8, 2011).

Debt.

Developers must frequently supplement their equity investments with debt. Today, sources of financing are typically commercial banks and life insurance companies, rather than securitized conduits (Peters, November 10, 2011). Currently, active lenders prefer low-risk investments on good markets (Peters, November 10, 2011). Based on the economic and real estate fundamental data provided above, the Washington, DC metropolitan area and the Rosslyn – Ballston Corridor qualify.

Elizabeth Morrison, an Assistant Vice President in commercial real estate lending of Bank of America, adds that ideal underwriting constraints typically limit loan terms to 5 years or less to accommodate construction itself. Loan amounts are constrained by loan-to-cost, loan-to-value, and debt service coverage ratios. A loan must be no more than 70%-75% of the total cost of the project, no more than 70%-75% of the project's stabilized value, and must support a debt service coverage ratio of 1.25x on stabilized net operating income, based on an interest constant of 8% overall or 7% rate at a 30-year amortization (Morrison, November 8, 2011).

If the borrower already owns the site upon which the property is located, it may be counted as equity against the total cost of the project and reduce the borrower's out of pocket cash contributions to the project. Morrison states that if the land has been owned for more than three years, underwriters are willing to use the cost paid by the borrower as equity, on the presumption that a land purchase made in that time frame is reflective of market prices. If the land has been owned for more than three years, prevailing market values, based on comps, should be used. In this case, part of the loan proceeds will be used to finance acquisition of the land (Morrison, November 8, 2011).

Although it is typically construction lenders' preference to have the loans repaid upon maturity or completion of construction, the current low interest rate environment has encouraged developers to seek retain construction loans on their books for 5 to 7 years rather than seek higher-rate permanent financing, even if the project has been fully delivered (Morrison,

November 8, 2011). The aforementioned loan-to-cost, loan-to-value, and debt service coverage constraints still apply (Morrison, November 8, 2011). In his experience, Peters has seen combined construction and permanent financing for up to ten years (November 10, 2011).

Although the loan amount is sized based on the assumption that the completed project would be able to achieve permanent financing at a constant of 8% (Morrison, November 8, 2011), pay rates on construction loans are typically LIBOR plus 225 to 275 basis points. Based on the LIBOR rates below, the interest rate could be as low as 2.5% to 3%. To counteract such low interest rates, construction lenders typically set a floor interest rate of 5% (Peters, November 10, 2011).

For purposes of this analysis, it is assumed that a more conventional interest rate market has returned. Construction financing is for two years to allow for construction and delivery of the project at a minimum interest rate of 5%. The aforementioned loan to cost, loan to value, and debt service coverage ratio constraints of 75%, 75%, and 1.25x on a constant of 8%, respectively, apply.

Table 32
Fixed and Floating Interest Rates

LIBOR Rates (Floating)	Yield	US Treasury Rates (Fixed Rate)	Yield (%)
1 month	0.26	-	-
3 months	0.52	3 months	0.07
-	-	1 year	0.12
-	-	5 years	0.76
-	-	7 years	1.33
-	-	10 years	1.92

Table 32: Bloomberg (January 7, 2012a). Bloomberg (January 7, 2012b).

Construction costs

Below are the projected costs of construction for office and retail properties as determined by the construction cost database by RS Means. The database determines the hard costs (including tenant improvements), contractor's overhead and profit, and architectural fees for building projects based upon the asset class of project, the square footage of the project, and the location of the project. The database is recommended by Ben Krasnow of Buzzuto Construction Company as an effective tool to determine the feasibility of projects (November 10, 2011).

Table 33
Office and Retail Construction Costs

Office Project		Retail Project	
Land Value	\$ 18,270,000	Land Value	\$ 18,270,000
<u>Office Building</u>		<u>Retail Building</u>	
Hard costs	\$ 11,902,000	Hard costs	\$ 3,960,000
Contractor's Overhead and Profit	\$ 2,975,500	Contractor's Overhead and Profit	\$ 990,000
<u>Architectural Fees</u>	\$ 1,041,500	<u>Architectural Fees</u>	\$ 396,000
Subtotal	\$ 15,919,000	Subtotal	\$ 5,346,000
 Parking garage		 Parking garage	
Hard costs	\$ 4,445,000	Hard costs	\$ 4,097,500
Contractor's Overhead and Profit	\$ 1,111,500	Contractor's Overhead and Profit	\$ 1,024,500
<u>Architectural Fees</u>	\$ 444,500	<u>Architectural Fees</u>	\$ 410,000
Subtotal	\$ 6,001,000	Subtotal	\$ 5,532,000
 Total Construction Budget	 \$ 40,190,000	 Total Construction Budget	 \$ 29,148,000

Table 33: RS Means (2012).

Construction and Permanent Financing

Office.

As stated above, the loan will be underwritten to a 75% loan-to-cost ratio, a 75% loan-to-value ratio, and 1.25 times debt service coverage on stabilized net operating income assuming an 8% constant. Because no tenants will be in occupancy and generating no income during construction, the construction loan must include an interest reserve until paying tenants are in

place. This line item is added to the construction budget, again resulting in an iterative process until the budget, loan amount, and interest reserve are resolved. The loan amount is constrained by the debt service coverage ratio, resulting in a construction loan of \$25,500,000.

The tables below outline the rationale for the construction loan amount, the revised budget, and a sources and uses statement for the construction loan showing total sources of financing for the project. The draw schedule used to calculate interest during the projected 24 months of the construction is in the appendices.

Table 34
Construction Loan

Final Loan Amount		\$	25,500,000
<u>Constraint</u>	<u>Criteria</u>	<u>Loan Per Constraint</u>	
DSCR	1.25	\$	25,500,000
LTV	75%	\$	26,060,000
LTC	75%	\$	31,220,000

In order to achieve a debt service coverage of 1.25x, the resulting loan has a 61% loan-to-cost ratio and a 73% loan-to-value ratio.

Table 35
Construction Loan Source and Uses

<u>Sources</u>		<u>Uses</u>	
Loan	\$ 25,500,000	Land	\$ 18,270,000
Equity	\$ 16,121,093	Construction Costs	\$ 21,920,000
Total	\$ 41,621,093	Financing	\$ 1,431,093
		Total	\$ 41,621,093

The revised budget below includes interest reserve, for a total project cost of approximately \$41,600,000.

Table 36
Office Project Revised Budget

Office Project		
Land Value	\$	18,270,000
<u>Office Building</u>		
Hard costs	\$	11,902,000
Contractor's Overhead and Profit	\$	2,975,500
<u>Architectural Fees</u>	\$	1,041,500
Subtotal	\$	15,919,000
Parking garage		
Hard costs	\$	4,445,000
Contractor's Overhead and Profit	\$	1,111,500
<u>Architectural Fees</u>	\$	444,500
Subtotal	\$	6,001,000
Total Construction Budget	\$	40,190,000
<u>Financing costs</u>		
Interest reserve	\$	1,431,093
Total Project Budget	\$	41,621,093

A similar debt service coverage and loan-to-value analysis is performed to determine the permanent loan for which the property is eligible. Because the property is complete, there is no loan-to-cost constraint. In this case, the permanent loan amount is the same as the construction loan.

Table 37

Permanent Loan

Final Loan Amount		\$	25,500,000
Constant			8%
Debt Service		\$	2,040,000
<u>Constraint</u>	<u>Criteria</u>	<u>Loan Per Constraint</u>	
DSCR	1.25	\$	25,500,000
LTV	75%	\$	26,060,000

Because there is no change in loan amount, the developer cannot withdraw equity from the transaction upon refinancing.

Table 38

Permanent Loan Sources and Uses

<u>Sources</u>		<u>Uses</u>	
Loan	\$ 25,500,000	Refi Construction Loan	\$ 25,500,000
Equity	\$ -	Total	\$ 25,500,000
Total	\$ 25,500,000		

Below is the pro forma operating statement for the office property after delivery with the debt service coverage ratio of the permanent loan.

Table 38

Office Pro Forma with Debt Service

Operating Year	1	2	3	4	5	6	7	8	9	10	11	12
Potential Gross Revenue												
Base Rental Revenue	\$ 4,891,955	\$ 5,038,711	\$ 5,189,880	\$ 5,345,571	\$ 5,505,941	\$ 5,671,120	\$ 5,818,000	\$ 5,992,540	\$ 6,172,313	\$ 6,357,483	\$ 6,548,214	\$ 6,717,697
Absorption & Turnover Vacancy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (775,064)	\$ -	\$ -	\$ -	\$ -	\$ (898,493)	\$ -
Scheduled Base Rental Revenue	\$ 4,891,955	\$ 5,038,711	\$ 5,189,880	\$ 5,345,571	\$ 5,505,941	\$ 4,896,056	\$ 5,818,000	\$ 5,992,540	\$ 6,172,313	\$ 6,357,483	\$ 5,649,721	\$ 6,717,697
Expense Reimbursement Revenue	\$ 929,566	\$ 1,012,003	\$ 1,096,909	\$ 1,184,364	\$ 1,274,441	\$ 1,046,766	\$ 1,317,985	\$ 1,416,410	\$ 1,517,791	\$ 1,622,215	\$ 1,213,495	\$ 1,527,907
Total Potential Gross Revenue	\$ 5,821,521	\$ 6,050,714	\$ 6,286,789	\$ 6,529,935	\$ 6,780,382	\$ 5,942,822	\$ 7,135,985	\$ 7,408,950	\$ 7,690,104	\$ 7,979,698	\$ 6,863,216	\$ 8,245,604
General Vacancy	\$ (523,937)	\$ (544,564)	\$ (585,811)	\$ (587,694)	\$ (610,234)		\$ (642,239)	\$ (866,806)	\$ (692,109)	\$ (718,173)		\$ (742,104)
Effective Gross Revenue	\$ 5,297,584	\$ 5,506,150	\$ 5,720,978	\$ 5,942,241	\$ 6,170,148	\$ 5,942,822	\$ 6,493,746	\$ 6,742,144	\$ 6,997,995	\$ 7,261,525	\$ 6,863,216	\$ 7,503,500
Operating Expenses	\$ 2,747,324	\$ 2,829,744	\$ 2,914,636	\$ 3,002,075	\$ 3,092,137	\$ 3,184,901	\$ 3,280,448	\$ 3,378,862	\$ 3,480,228	\$ 3,584,634	\$ 3,692,173	\$ 3,802,939
Net Operating Income	\$ 2,550,260	\$ 2,676,406	\$ 2,806,342	\$ 2,940,166	\$ 3,078,011	\$ 2,757,921	\$ 3,213,298	\$ 3,363,282	\$ 3,517,767	\$ 3,676,891	\$ 3,171,043	\$ 3,700,561
Leasing & Capital Costs												
Tenant Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,515,336	\$ -	\$ -	\$ -	\$ -	\$ 1,756,651	\$ -
Leasing Commissions	\$ 11,741	\$ 12,093	\$ 12,456	\$ 12,829	\$ 13,214	\$ 1,241,584	\$ 14,019	\$ 14,440	\$ 14,873	\$ 15,319	\$ 1,439,307	\$ -
Reserves	\$ 11,741	\$ 12,093	\$ 12,456	\$ 12,829	\$ 13,214	\$ 13,611	\$ 14,019	\$ 14,440	\$ 14,873	\$ 15,319	\$ 15,779	\$ 16,252
Total Leasing & Capital Costs	\$ 23,482	\$ 24,186	\$ 24,912	\$ 25,658	\$ 26,428	\$ 1,560,531	\$ 28,038	\$ 28,884	\$ 29,746	\$ 30,638	\$ 32,117	\$ 32,211
Cash Flow Before Debt Service	\$ 2,538,519	\$ 2,664,313	\$ 2,793,886	\$ 2,927,337	\$ 3,064,797	\$ (12,610)	\$ 3,199,279	\$ 3,348,842	\$ 3,502,894	\$ 3,661,572	\$ (40,694)	\$ 3,664,309
Debt Service	\$ 2,040,000	\$ 2,040,000	\$ 2,040,000	\$ 2,040,000	\$ 2,040,000	\$ 2,040,000	\$ 2,040,000	\$ 2,040,000	\$ 2,040,000	\$ 2,040,000	\$ 2,040,000	\$ 2,040,000
Cash Flow After Debt Service	\$ 498,519	\$ 624,313	\$ 753,886	\$ 887,337	\$ 1,024,797	\$ (2,052,610)	\$ 1,159,279	\$ 1,308,842	\$ 1,462,894	\$ 1,621,572	\$ (2,080,694)	\$ 1,644,309
DSGR NOI	1.25	1.31	1.38	1.44	1.51	1.35	1.58	1.65	1.72	1.80	1.55	1.81
DSGR NCF	1.24	1.31	1.37	1.43	1.50	(0.01)	1.57	1.64	1.72	1.79	(0.02)	1.81

Retail.

As with the office project, the loan for the retail project will be underwritten to a 75% loan-to-cost ratio, a 75% loan-to-value ratio, and 1.25 times debt service coverage on stabilized net operating income assuming an 8% constant. Likewise, the construction loan must include an interest reserve until tenants are in occupancy and paying. The loan amount is constrained by the debt service coverage ratio, resulting in a construction loan of \$21,920,000. The revised budget, loan amount, and interest reserve are below. The draw schedule used to calculate interest during the projected 24 months of the construction is in the appendices.

Table 39
Construction Loan

Final Loan Amount		\$	21,920,000
<u>Constraint</u>	<u>Criteria</u>	<u>Loan Per Constraint</u>	
DSCR	1.25	\$	21,920,000
LTV	75%	\$	22,570,000
LTC	75%	\$	23,060,000

In order to achieve a 1.25x debt service coverage ratio, the resulting loan-to-cost ratio is 71% and the resulting loan-to-value ratio is 73%.

Table 40
Construction Loan Sources and Uses

<u>Sources</u>		<u>Uses</u>	
Loan	\$ 21,920,000	Land	\$ 18,270,000
Equity	\$ 8,822,366	Construction Costs	\$ 10,878,000
Total	\$ 30,742,366	<u>Financing</u>	<u>\$ 1,594,366</u>
		Total	\$ 30,742,366

The revised budget, which includes the interest reserve, indicates a total project cost of approximately \$30,700,000.

Table 41
Retail Project Revised Budget

Retail Project		
Land Value	\$	18,270,000
<u>Retail Building</u>		
Hard costs	\$	3,960,000
Contractor's Overhead and Profit	\$	990,000
<u>Architectural Fees</u>	\$	<u>396,000</u>
Subtotal	\$	5,346,000
 Parking garage		
Hard costs	\$	4,097,500
Contractor's Overhead and Profit	\$	1,024,500
<u>Architectural Fees</u>	\$	<u>410,000</u>
Subtotal	\$	5,532,000
 Total Construction Budget	 \$	 29,148,000
 <u>Financing costs</u>		
Interest reserve	\$	1,594,366
 Total Project Budget	 \$	 30,742,366

A debt service coverage and loan-to-value analysis is performed to determine the permanent loan for which the property is eligible. Because the property is complete, there is no loan-to-cost constraint. As with the office property, the permanent loan amount for the retail property is the same as the construction loan.

Table 42

Permanent Loan

Final Loan Amount		\$	21,920,000
Constant			8%
Debt Service		\$	1,753,600
<u>Constraint</u>	<u>Criteria</u>	<u>Loan Per Constraint</u>	
DSCR	1.25	\$	21,920,000
LTV	75%	\$	22,570,000

Likewise, the developer cannot withdraw any equity from the refinancing.

Table 43

Permanent Loan Sources and Uses

<u>Sources</u>		<u>Uses</u>	
<u>Loan</u>	\$ 21,920,000	Refi Construction Loan	\$ 21,920,000
Total	\$ 21,920,000	Total	\$ 21,920,000

Below is the pro forma operating statement for the retail property after delivery with the debt service coverage ratio of the permanent loan.

Table 44
Retail Pro Forma with Debt Service

Operating Year	1	2	3	4	5	6	7	8	9	10	11	12
Potential Gross Revenue												
Base Rental Revenue	\$ 2,360,540	\$ 2,431,358	\$ 2,504,294	\$ 2,579,427	\$ 2,656,810	\$ 2,736,512	\$ 2,813,041	\$ 2,897,434	\$ 2,980,051	\$ 3,069,451	\$ 3,161,533	\$ 3,245,226
Absorption & Turnover/Vacancy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (185,586)	\$ -	\$ (143,486)	\$ -	\$ -	\$ (371,938)	\$ -
Scheduled Base Rental Revenue	\$ 2,431,358	\$ 2,504,294	\$ 2,579,427	\$ 2,656,810	\$ 2,656,810	\$ 2,550,926	\$ 2,813,041	\$ 2,753,948	\$ 3,069,451	\$ 2,769,595	\$ 3,245,226	\$ 3,369,154
Expense Reimbursement Revenue	\$ 1,011,825	\$ 1,042,181	\$ 1,073,444	\$ 1,105,648	\$ 1,138,820	\$ 1,094,025	\$ 1,208,170	\$ 1,183,369	\$ 1,281,749	\$ 1,320,202	\$ 1,201,564	\$ 1,400,604
Total Potential Gross Revenue	\$ 3,372,365	\$ 3,473,539	\$ 3,577,738	\$ 3,685,075	\$ 3,795,630	\$ 3,644,951	\$ 4,021,211	\$ 3,937,317	\$ 4,281,800	\$ 4,389,653	\$ 3,991,159	\$ 4,645,630
General Vacancy	\$ (168,618)	\$ (173,677)	\$ (178,887)	\$ (184,254)	\$ (189,782)	\$ (5,941)	\$ (201,061)	\$ (60,554)	\$ (213,090)	\$ (219,483)	\$ -	\$ (232,292)
Effective Gross Revenue	\$ 3,203,747	\$ 3,299,862	\$ 3,398,851	\$ 3,500,821	\$ 3,605,848	\$ 3,639,010	\$ 3,820,150	\$ 3,876,763	\$ 4,048,710	\$ 4,170,170	\$ 3,991,159	\$ 4,413,638
Operating Expenses	\$ 1,011,660	\$ 1,042,010	\$ 1,073,270	\$ 1,105,468	\$ 1,138,632	\$ 1,172,791	\$ 1,207,975	\$ 1,244,214	\$ 1,281,541	\$ 1,319,987	\$ 1,359,586	\$ 1,400,374
Net Operating Income	\$ 2,192,087	\$ 2,257,852	\$ 2,325,581	\$ 2,395,353	\$ 2,467,216	\$ 2,466,219	\$ 2,612,175	\$ 2,632,549	\$ 2,767,169	\$ 2,850,183	\$ 2,631,573	\$ 3,013,164
Leasing & Capital Costs												
Tenant Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 187,710	\$ -	\$ 145,126	\$ -	\$ -	\$ 376,190	\$ -
Leasing Commissions	\$ 6,744	\$ 6,947	\$ 7,155	\$ 7,370	\$ 7,591	\$ 7,819	\$ 8,053	\$ 8,295	\$ 8,544	\$ 8,800	\$ 9,064	\$ 9,336
Reserves	\$ 6,744	\$ 6,947	\$ 7,155	\$ 7,370	\$ 7,591	\$ 7,819	\$ 8,053	\$ 8,295	\$ 8,544	\$ 8,800	\$ 9,064	\$ 9,336
Total Leasing & Capital Costs	\$ 13,488	\$ 13,894	\$ 14,310	\$ 14,740	\$ 15,182	\$ 15,639	\$ 16,106	\$ 16,590	\$ 17,088	\$ 17,600	\$ 18,128	\$ 18,672
Cash Flow Before Debt Service & Taxes	\$ 2,185,343	\$ 2,250,905	\$ 2,318,426	\$ 2,387,983	\$ 2,459,625	\$ 2,040,128	\$ 2,604,122	\$ 2,300,870	\$ 2,759,625	\$ 2,841,383	\$ 1,784,245	\$ 3,003,828
Debt Service	\$ 1,753,600	\$ 1,753,600	\$ 1,753,600	\$ 1,753,600	\$ 1,753,600	\$ 1,753,600	\$ 1,753,600	\$ 1,753,600	\$ 1,753,600	\$ 1,753,600	\$ 1,753,600	\$ 1,753,600
Cash Flow After Debt Service	\$ 431,743	\$ 497,305	\$ 564,826	\$ 634,383	\$ 706,025	\$ 286,528	\$ 850,522	\$ 547,270	\$ 1,005,025	\$ 1,087,783	\$ 30,645	\$ 1,250,228
DSCR NOI	1.25	1.29	1.33	1.37	1.41	1.41	1.49	1.50	1.58	1.63	1.50	1.72
DSCR NCF	1.25	1.28	1.32	1.36	1.40	1.16	1.49	1.31	1.57	1.62	1.02	1.71

Project evaluation

Office

Below are the leverage and unleveraged IRRs for the office project. Although it is typical for the leveraged IRR to be higher than the unleveraged IRR, due to a high expenditure in leasing costs near the end of the investment horizon, the leveraged IRR is lower (4.2% compared to 5.5%). Both metrics are insufficient to meet typical developer goals of 10% unleveraged and 20% leveraged (Sislen, November 8, 2011).

Table 45
Office Project IRR

Unlevered IRR															
Project Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Costs	\$ (41,621,093)														
Net Cash Flow															
Equity Return (Payout)	\$	-	\$ -	\$ 2,538,519	\$ 2,664,313	\$ 2,793,886	\$ 2,927,337	\$ 3,064,797	\$ (12,610)	\$ 3,199,279	\$ 3,348,842	\$ 3,502,894	\$ 3,661,572	\$ (40,694)	\$ 3,684,309
Reversion	\$	-	\$ -	-	-	-	-	-	-	-	-	-	-	-	-
Total Inflows (Outflows)	\$	-	\$ -	\$ 2,538,519	\$ 2,664,313	\$ 2,793,886	\$ 2,927,337	\$ 3,064,797	\$ (12,610)	\$ 3,199,279	\$ 3,348,842	\$ 3,502,894	\$ 3,661,572	\$ 46,257,013	\$ 46,216,319
IRR															5.5%

Levered IRR															
Project Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Costs	\$ (16,121,093)														
Net Cash Flow															
Equity Return (Payout)	\$	-	\$ -	\$ 498,519	\$ 624,313	\$ 753,886	\$ 887,337	\$ 1,024,797	\$ (2,052,610)	\$ 1,159,279	\$ 1,308,842	\$ 1,462,894	\$ 1,621,572	\$ (2,080,694)	\$ 1,644,309
Reversion	\$	-	\$ -	-	-	-	-	-	-	-	-	-	-	-	-
Total Inflows (Outflows)	\$	-	\$ -	\$ 498,519	\$ 624,313	\$ 753,886	\$ 887,337	\$ 1,024,797	\$ (2,052,610)	\$ 1,159,279	\$ 1,308,842	\$ 1,462,894	\$ 1,621,572	\$ 20,757,013	\$ 18,676,319
IRR															4.2%

Moreover, the project falls short of the 10% yield on cost metric. The yield is less than 9% even in the best performing years.

Table 46
Office Project Yield on Cost

Operating Year	1	2	3	4	5	6	7	8	9	10	11	12
Net Operating Income	\$2,550,260	\$2,676,406	\$2,806,342	\$2,940,166	\$3,078,011	\$2,757,921	\$3,213,298	\$3,363,282	\$3,517,767	\$3,676,891	\$3,171,043	\$3,700,561
Yield on Cost	6.1%	6.4%	6.7%	7.1%	7.4%	6.6%	7.7%	8.1%	8.5%	8.8%	7.6%	8.9%

Based on the above valuation, the office project is not feasible.

Retail

Below are the leverage and unleveraged IRRs for the retail project. Here, the leveraged IRR is higher than the unleveraged. However, both are still insufficient, failing to meet the guidelines of 10% unleveraged and 20% leveraged (Sislen, November 8, 2011).

Table 47
Retail Project IRR

Unlevered IRR															
Project Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Costs	\$ (30,742,366)														
Net Cash Flow	\$ -	\$ -	\$ -	\$ 2,185,343	\$ 2,250,905	\$ 2,318,426	\$ 2,387,983	\$ 2,459,625	\$ 2,040,128	\$ 2,604,122	\$ 2,300,870	\$ 2,758,625	\$ 2,841,383	\$ 1,784,245	\$ 3,003,828
Equity Return (Payout)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reversion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,547,850	\$ -
Total Inflows (Outflows)	\$ (30,742,366)	\$ -	\$ -	\$ 2,185,343	\$ 2,250,905	\$ 2,318,426	\$ 2,387,983	\$ 2,459,625	\$ 2,040,128	\$ 2,604,122	\$ 2,300,870	\$ 2,758,625	\$ 2,841,383	\$ 39,332,095	\$ -
IRR															7.1%

Levered IRR															
Project Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Costs	\$ (8,822,366)														
Net Cash Flow	\$ -	\$ -	\$ -	\$ 431,743	\$ 497,305	\$ 564,826	\$ 634,383	\$ 706,025	\$ 286,528	\$ 850,522	\$ 547,270	\$ 1,005,025	\$ 1,087,783	\$ 30,645	\$ 1,250,228
Equity Return (Payout)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reversion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,627,850	\$ -
Total Inflows (Outflows)	\$ (8,822,366)	\$ -	\$ -	\$ 431,743	\$ 497,305	\$ 564,826	\$ 634,383	\$ 706,025	\$ 286,528	\$ 850,522	\$ 547,270	\$ 1,005,025	\$ 1,087,783	\$ 15,658,495	\$ -
IRR															8.6%

Here, too, the project falls short of the 10% yield on cost metric.

Table 48
Retail Project Yield on Cost

Operating Year	1	2	3	4	5	6	7	8	9	10	11	12
Net Operating Income	\$ 2,192,087	\$ 2,257,852	\$ 2,325,581	\$ 2,395,353	\$ 2,467,216	\$ 2,466,219	\$ 2,612,175	\$ 2,632,549	\$ 2,767,169	\$ 2,850,183	\$ 2,631,573	\$ 3,013,164
Yield on Cost	7.1%	7.3%	7.6%	7.8%	8.0%	8.0%	8.5%	8.6%	9.0%	9.3%	8.6%	9.8%

Based on the above valuation, the retail project is not feasible either.

Conclusion

Due insufficient return expectations, neither the office nor the retail projects are feasible. Higher IRRs and yields may be achievable if land prices decrease, resulting in a lower total cost. Additionally, a developer could perhaps seek additional development capacity with Arlington County at the approval stage, thereby increasing cash flows from the property.

Appendix A: Office Pro Forma



Office w 1st Fl. Retail - Spec
Wilson & Clarendon Bldgs.
N. Danville & N. Cleveland Sts
VA 22201

Software : ARGUS Ver. 15.0.0.54
File : Office - Spec
Property Type : Office & Retail
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Prospective Present Value
Cash Flow Before Debt Service plus Property Resale
Discounted Annually (Endpoint on Cash Flow & Resale) over a 11-Year Period

Analysis Period	For the Year Ending	Annual Cash Flow	P.V. of Cash Flow @ 9.00%
Year 1	Mar-2013	\$2,538,519	\$2,328,917
Year 2	Mar-2014	2,664,313	2,242,498
Year 3	Mar-2015	2,793,886	2,157,393
Year 4	Mar-2016	2,927,337	2,073,799
Year 5	Mar-2017	3,064,797	1,991,908
Year 6	Mar-2018	(12,510)	(7,519)
Year 7	Mar-2019	3,199,279	1,750,115
Year 8	Mar-2020	3,348,842	1,680,671
Year 9	Mar-2021	3,502,884	1,612,830
Year 10	Mar-2022	3,661,572	1,545,688
Year 11	Mar-2023	(40,684)	(15,771)
Total Cash Flow		27,648,135	17,361,529
Property Resale @ 8% Cap Rate		44,869,303	17,388,329
Total Property Present Value			\$34,749,858

Rounded to Thousands			

Per SqFt			

Percentage Value Distribution			
Assured Income			
Prospective Income			
Prospective Property Resale			

49.96%			
50.04%			

100.00%			



Office w 1st Fl. Retail - Spec.
Wilson & Clarendon Blvds.
N. Danville & N. Cleveland Sts
VA 22201

Software : ARGUS Ver. 15.0.0.54
File : office - spec
Property Type : Office & Retail
Portfolio :
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Property Summary Report

Timing & Inflation	Reporting Period:	April 1, 2012 to March 31, 2023: 11 years
	Inflation Month:	Analysis Start
General Inflation Rate:	General Inflation Rate:	3.00%
	Property Size & Occupancy	117,407 Square Feet
Alternate Size:	Alternate Size:	1 Square Foot
	Number of rent roll tenants:	0
Total Occupied Area:	Total Occupied Area:	117,407 Square Feet, 100.00%, during first month of analysis
	Space Absorption	
Retail - 1st Fl. - Tenant 1		9,784 Square Feet, leasing from 4/12 to 4/12
		1 lease per month, 9,784 SqFt per lease
Retail - 1st Fl. - Tenant 2		9,784 Square Feet, leasing from 4/12 to 4/12
		1 lease per month, 9,784 SqFt per lease
Retail - 1st Fl. - Tenant 3		9,784 Square Feet, leasing from 4/12 to 4/12
		1 lease per month, 9,784 SqFt per lease
Retail - 1st Fl. - Tenant 4		9,784 Square Feet, leasing from 4/12 to 4/12
		1 lease per month, 9,784 SqFt per lease
Office - 2nd Fl. - Tenant 1		19,567 Square Feet, leasing from 4/12 to 4/12
		1 lease per month, 19,567 SqFt per lease
Office - 2nd Fl. - Tenant 2		19,568 Square Feet, leasing from 4/12 to 4/12
		1 lease per month, 19,568 SqFt per lease
Office - 3rd Fl. - Tenant 3		4,892 Square Feet, leasing from 4/12 to 4/12
		1 lease per month, 4,892 SqFt per lease
Office - 3rd Fl. - Tenant 4		4,892 Square Feet, leasing from 4/12 to 4/12
		1 lease per month, 4,892 SqFt per lease
Office - 3rd Fl. - Tenant 5		4,892 Square Feet, leasing from 4/12 to 4/12
		1 lease per month, 4,892 SqFt per lease
Office - 3rd Fl. - Tenant 6		4,892 Square Feet, leasing from 4/12 to 4/12
		1 lease per month, 4,892 SqFt per lease
Office - 3rd Fl. - Tenant 7		4,892 Square Feet, leasing from 4/12 to 4/12
		1 lease per month, 4,892 SqFt per lease
Office - 3rd Fl. - Tenant 8		4,892 Square Feet, leasing from 4/12 to 4/12
		1 lease per month, 4,892 SqFt per lease
Office - 3rd Fl. - Tenant 9		4,892 Square Feet, leasing from 4/12 to 4/12
		1 lease per month, 4,892 SqFt per lease
Office - 3rd Fl. - Tenant 10		4,892 Square Feet, leasing from 4/12 to 4/12
		1 lease per month, 4,892 SqFt per lease
General Vacancy	Method:	Percent of Potential Gross Revenue
	Rate:	9.00%
Property Purchase & Resale	Purchase Price:	-
	Resale Method:	Capitalize Net Operating Income
	Cap Rate:	8.00%
	Cap Year:	Year 12
	Commission/Closing Cost:	\$1,387,710
	Net Cash Flow from Sale:	\$44,869,303

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File : office - spec
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Office w/ 1st Fl. Retail - Spec
Wilson & Clarendon Bldgs.
N. Danville & N. Cleveland Sts
VA 22201

Property Summary Report
(continued from previous page)



Present Value Discounting
Discount Method:
Unleveraged Discount Rate:
Unleveraged Present Value:

Annually (Endpoint on Cash Flow & Resale)
9.00%
\$34,774,859 at 9.00%





Office w/ 1st Fl. Retail - Spec
Wilson & Clarendon Bldgs.
N. Danville & N. Cleveland Sts
VA 22201

Software: ARGUS Ver. 15.0.0.54
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Presentation Rent Roll & Current Term Tenant Summary
As of Apr-2012 for 117,407 Square Feet

Tenant Name Type & Suite Number Lease Dates & Term	Floor Sq Ft Bldg Share	Rate & Amount per Year per Month	Changes on	Changes to	CPI & Current Porters' Wage Miscellaneous	Months to Appts	Port to Appts	Description of Operating Expense Reimbursements	Imprints Rate Amount	Comments Rate Amount	Assumption about subsequent terms for this tenant
81 Retail - 1st Fl. - Te Retail, Suite Mo 1 Apr-2012 to Mar-2017 60 Months	9.784 8.33%	\$35.00 \$342,440 \$37.13 \$2.92 \$38.25 \$39.39	Apr-2013 Apr-2014 Apr-2015 Apr-2016	\$36.05 \$37.13 \$38.25 \$39.39	-	-	-	Net: Pays a full pro-rata share of all reimbursable expenses.	-	-	Market See assumption: Retail
82 Retail - 1st Fl. - Te Retail, Suite Mo 1 Apr-2012 to Mar-2017 60 Months	9.784 8.33%	\$35.00 \$342,440 \$37.13 \$2.92 \$38.25 \$39.39	Apr-2013 Apr-2014 Apr-2015 Apr-2016	\$36.05 \$37.13 \$38.25 \$39.39	-	-	-	Net: Pays a full pro-rata share of all reimbursable expenses.	-	-	Market See assumption: Retail
83 Retail - 1st Fl. - Te Retail, Suite Mo 1 Apr-2012 to Mar-2017 60 Months	9.784 8.33%	\$35.00 \$342,440 \$37.13 \$2.92 \$38.25 \$39.39	Apr-2013 Apr-2014 Apr-2015 Apr-2016	\$36.05 \$37.13 \$38.25 \$39.39	-	-	-	Net: Pays a full pro-rata share of all reimbursable expenses.	-	-	Market See assumption: Retail
84 Retail - 1st Fl. - Te Retail, Suite Mo 1 Apr-2012 to Mar-2017 60 Months	9.784 8.33%	\$35.00 \$342,440 \$37.13 \$2.92 \$38.25 \$39.39	Apr-2013 Apr-2014 Apr-2015 Apr-2016	\$36.05 \$37.13 \$38.25 \$39.39	-	-	-	Net: Pays a full pro-rata share of all reimbursable expenses.	-	-	Market See assumption: Retail
85 Office - 2nd Fl. - Te Office, Suite Mo 1 Apr-2012 to Mar-2022 120 Months	19.557 16.67%	\$45.00 \$880,515 \$37.75 \$73,376	Apr-2013 Apr-2014 Apr-2015 Apr-2016 Apr-2017 Apr-2018 Apr-2019 Apr-2020 Apr-2021	\$46.35 \$47.74 \$49.17 \$50.65 \$52.17 \$53.71 \$55.24 \$56.77 \$58.31	-	-	-	Gross: Pays the increases over a base year ending Dec-2012: \$23.23.	-	-	Market See assumption: Office
86 Office - 2nd Fl. - Te Office, Suite Mo 1 Apr-2012 to Mar-2022 120 Months	19.558 16.67%	\$45.00 \$880,560 \$37.75 \$73,380	Apr-2013 Apr-2014 Apr-2015 Apr-2016 Apr-2017 Apr-2018 Apr-2019 Apr-2020 Apr-2021	\$46.35 \$47.74 \$49.17 \$50.65 \$52.17 \$53.71 \$55.24 \$56.77 \$58.31	-	-	-	Gross: Pays the increases over a base year ending Dec-2012: \$23.23.	-	-	Market See assumption: Office
87 Office - 3rd Fl. - Te Office, Suite Mo 1 Apr-2012 to Mar-2017 60 Months	4.892 4.17%	\$45.00 \$220,140 \$37.75 \$18,345	Apr-2013 Apr-2014 Apr-2015 Apr-2016	\$46.35 \$47.74 \$49.17 \$50.65	-	-	-	Gross: Pays the increases over a base year ending Dec-2012: \$23.23.	-	-	Market See assumption: Office
88 Office - 3rd Fl. - Te Office, Suite Mo 1 Apr-2012 to Mar-2017 60 Months	4.892 4.17%	\$45.00 \$220,140 \$37.75 \$18,345	Apr-2013 Apr-2014 Apr-2015 Apr-2016	\$46.35 \$47.74 \$49.17 \$50.65	-	-	-	Gross: Pays the increases over a base year ending Dec-2012: \$23.23.	-	-	Market See assumption: Office
89 Office - 3rd Fl. - Te Office, Suite Mo 1 Apr-2012 to Mar-2017 60 Months	4.892 4.17%	\$45.00 \$220,140 \$37.75 \$18,345	Apr-2013 Apr-2014 Apr-2015 Apr-2016	\$46.35 \$47.74 \$49.17 \$50.65	-	-	-	Gross: Pays the increases over a base year ending Dec-2012: \$23.23.	-	-	Market See assumption: Office
90 Office - 3rd Fl. - Te Office, Suite Mo 1 Apr-2012 to Mar-2017 60 Months	4.892 4.17%	\$45.00 \$220,140 \$37.75 \$18,345	Apr-2013 Apr-2014 Apr-2015 Apr-2016	\$46.35 \$47.74 \$49.17 \$50.65	-	-	-	Gross: Pays the increases over a base year ending Dec-2012: \$23.23.	-	-	Market See assumption: Office

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Office w/ 1st Fl. Retail - Spec.
Wilson & Clandon Svcs.
N. Danville & N. Cleveland Sts.
VA 22201

Software: ARGUS Ver. 15.0.0.54
File: office - spec
Property Type: Office & Retail
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Presentation Rent Roll & Current Term Tenant Summary
As of Apr-2012 for 117,407 Square Feet
(continued from previous page)

Tenant Name Type & Suite Number Lease Dates & Term	Floor SqFt Bldg Share	Rate & Amount per Year per Month	Changes On	Changes To	CP & Current Porters Wage Miscellaneous	Months to Close	Description of Operating Expense Reimbursements	Imprints Rate Amount	Commissions Rate Amount	Assumption about subsequent terms for this tenant
S11 Office - 3rd Fl. - 7e Office, Suite: Mo 1 Apr-2012 to Mar-2017 60 Months	4.892 4.17%	\$45.00 \$203,140 \$3.75 \$18,345	Apr-2013 Apr-2014 Apr-2015 Apr-2016	\$45.35 \$47.74 \$45.17 \$50.65	-	-	Gross: Pays the increases over a base year ending Dec-2012: \$23.23.	-	-	Market See assumption: Office
S12 Office - 3rd Fl. - 7e Office, Suite: Mo 1 Apr-2012 to Mar-2017 60 Months	4.892 4.17%	\$45.00 \$203,140 \$3.75 \$18,345	Apr-2013 Apr-2014 Apr-2015 Apr-2016	\$45.35 \$47.74 \$45.17 \$50.65	-	-	Gross: Pays the increases over a base year ending Dec-2012: \$23.23.	-	-	Market See assumption: Office
S13 Office - 3rd Fl. - 7e Office, Suite: Mo 1 Apr-2012 to Mar-2017 60 Months	4.892 4.17%	\$45.00 \$203,140 \$3.75 \$18,345	Apr-2013 Apr-2014 Apr-2015 Apr-2016	\$45.35 \$47.74 \$45.17 \$50.65	-	-	Gross: Pays the increases over a base year ending Dec-2012: \$23.23.	-	-	Market See assumption: Office
S14 Office - 3rd Fl. - 7e Office, Suite: Mo 1 Apr-2012 to Mar-2017 60 Months	4.892 4.17%	\$45.00 \$203,140 \$3.75 \$18,345	Apr-2013 Apr-2014 Apr-2015 Apr-2016	\$45.35 \$47.74 \$45.17 \$50.65	-	-	Gross: Pays the increases over a base year ending Dec-2012: \$23.23.	-	-	Market See assumption: Office
Total Occupied SqFt Total Available SqFt	117,407 0									

ARGUSSM
SOFTWARE

Office w/ 1st Fl. Retail - Spec
Wilson & Clarendon Bldgs.
N. Danville & N. Cleveland Sts
VA 22201

Software : ARGUS Ver. 15.0.0.54
File : office - spec
Property Type : Office & Retail
Portfolio :
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For the Year Ending 3/31/13
Market Leasing Assumption Results
In Inflated Dollars for the Fiscal Year Beginning 4/01/12

MLA Categories	Retail	Office
Renewal Probability	70.00%	70.00%
Market Rent	\$/SqFtYr	\$/SqFtYr
	New: 35.00	45.00
Renewal:	35.00	45.00
Result:	35.00	45.00
Months Vacant	New: 6.00	9.00
Renewal:	0	0
Rounded:	2	3
Tenant Improvements	\$/SqFt	\$/SqFt
	New: 15.00	45.00
Renewal:	2.00	20.00
Result:	5.50	27.50
Leasing Commissions	Percent	Percent
	New: 6.00%	6.00%
Renewal:	3.00%	3.00%
Result:	3.50%	3.50%
Rent Abatements	New: 0.00	0.00
Renewal:	0.00	0.00
Result:	0.00	0.00
Non-Weighted Items	Yes	Yes
Rent Changes	Net	Base Yr
Retail Rent Changes	5	10
Reimbursements	Years	Years
Term Lengths	No	No
Term Overrides	No	No

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Office w 1st Fl. Retail - Spec
Wilson & Clarendon Bldgs.
N. Danville & N. Cleveland Sts
VA 22201

Software : ARGUS Ver. 15.0.0.54
File : office - spec
Property Type : Office & Retail
Portfolio :
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For the Years Ending		Supporting Schedule -- Square Feet Expiring -- (All Terms)											
Tenant		Month One Occupied Area	Lease Start	First Expiration	Year 1 Mar-2013	Year 2 Mar-2014	Year 3 Mar-2015	Year 4 Mar-2016	Year 5 Mar-2017	Year 6 Mar-2018	Year 7 Mar-2019	Year 8 Mar-2020	Year 9 Mar-2021
Suite													
Retail - 1st Fl. - Tena	Mo 1	9,754	4/12	3/17					9,754				
Retail - 1st Fl. - Tena	Mo 1	9,754	4/12	3/17					9,754				
Retail - 1st Fl. - Tena	Mo 1	9,754	4/12	3/17					9,754				
Office - 3rd Fl. - Tena	Mo 1	4,852	4/12	3/17					4,852				
Office - 3rd Fl. - Tena	Mo 1	4,852	4/12	3/17					4,852				
Office - 3rd Fl. - Tena	Mo 1	4,852	4/12	3/17					4,852				
Office - 3rd Fl. - Tena	Mo 1	4,852	4/12	3/17					4,852				
Office - 3rd Fl. - Tena	Mo 1	4,852	4/12	3/17					4,852				
Office - 3rd Fl. - Tena	Mo 1	4,852	4/12	3/17					4,852				
Office - 3rd Fl. - Tena	Mo 1	4,852	4/12	3/17					4,852				
Office - 2nd Fl. - Tena	Mo 1	19,558	4/12	3/22					4,852				
Office - 2nd Fl. - Tena	Mo 1	19,558	4/12	3/22					4,852				
Total SqFt Expiring		117,407							78,272				
Percent Of Total Expiring									66.7%				



Office w 1st Fl. Retail - Spec
Wilson & Clarendon Bldgs.
N. Danville & N. Cleveland Sts
VA 22201

Software : ARGUS Ver. 15.0.0.54
File : office - spec
Property Type : Office & Retail
Portfolio :
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Supporting Schedule -- Square Feet Expiring -- (All Terms)

For the Years Ending		Lease Start	First Expiration	Year 10 Mar-2022		Year 11 Mar-2023		Year 12 Mar-2024	
Tenant	Suite			Month One Occupied Area					
Retail - 1st Fl. - Tena	Mo 1	4/12	3/17	9,784		9,784		9,784	
Retail - 1st Fl. - Tena	Mo 1	4/12	3/17	9,784		9,784		9,784	
Retail - 1st Fl. - Tena	Mo 1	4/12	3/17	9,784		9,784		9,784	
Office - 3rd Fl. - Tena	Mo 1	4/12	3/17	4,852		4,852		4,852	
Office - 3rd Fl. - Tena	Mo 1	4/12	3/17	4,852		4,852		4,852	
Office - 3rd Fl. - Tena	Mo 1	4/12	3/17	4,852		4,852		4,852	
Office - 3rd Fl. - Tena	Mo 1	4/12	3/17	4,852		4,852		4,852	
Office - 3rd Fl. - Tena	Mo 1	4/12	3/17	4,852		4,852		4,852	
Office - 3rd Fl. - Tena	Mo 1	4/12	3/17	4,852		4,852		4,852	
Office - 3rd Fl. - Tena	Mo 1	4/12	3/17	4,852		4,852		4,852	
Office - 2nd Fl. - Tena	Mo 1	4/12	3/22	19,567		19,567		19,567	
Office - 2nd Fl. - Tena	Mo 1	4/12	3/22	19,568		19,568		19,568	
Total SqFt Expiring				117,407		39,135	39,135		
Percent Of Total Expiring						33.3%	33.3%		





Office w/ 1st Fl. Retail - Spec
Wilson & Clarendon Bldgs.
N. Danville & N. Cleveland Sts
VA 22201

Software : ARGUS Ver. 15.0.0.54
File : office - spec
Property Type : Office & Retail
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Supporting Schedule - Occupancy & Absorption Rates
Physical Occupancy Based on Absorption & Turnover/Vacancy Assumptions

For the Years Ending	Year 1 Mar-2013	Year 2 Mar-2014	Year 3 Mar-2015	Year 4 Mar-2016	Year 5 Mar-2017	Year 6 Mar-2018	Year 7 Mar-2019	Year 8 Mar-2020	Year 9 Mar-2021	Year 10 Mar-2022	Year 11 Mar-2023	Year 12 Mar-2024
SqFt Occupied	117,407	117,407	117,407	117,407	117,407	39,135	117,407	117,407	117,407	117,407	78,272	117,407
April	117,407	117,407	117,407	117,407	117,407	39,135	117,407	117,407	117,407	117,407	78,272	117,407
May	117,407	117,407	117,407	117,407	117,407	39,135	117,407	117,407	117,407	117,407	78,272	117,407
June	117,407	117,407	117,407	117,407	117,407	78,271	117,407	117,407	117,407	117,407	39,136	117,407
July	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	78,271	117,407
August	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407
September	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407
October	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407
November	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407
December	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407
January	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407
February	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407
March	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407	117,407
Average Occupied For The Year	117,407	117,407	117,407	117,407	117,407	101,100	117,407	117,407	117,407	117,407	101,101	117,407

Net Absorption

Annual Square Feet Absorbed

Average Monthly Absorption

For the Years Ending

Percentage Occupancy

April

May

June

July

August

September

October

November

December

January

February

March

Average Occupancy For The Year

Net Absorption

Annual Percentage Absorbed

Average Monthly Percentage



Office w 1st Fl. Retail - Spec
Wilson & Clarendon Blvds.
N. Danville & N. Cleveland Sts
VA 22201

Software : ARGUS Ver. 15.0.0.54
File : office - spec
Property Type : Office & Retail
Portfolio :
Date : 2/14/12
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Input Assumptions

Property Description
Name: Office w 1st Fl. Retail - Spec
Address: Wilson & Clarendon Blvds.
Address2: N. Danville & N. Cleveland Sts
City: VA
State: 22201
Zip: 22201
Country:
Portfolio:
Property Type: Office & Retail
Property Reference:
Property Version:

Property Timing
Analysis Start Date: 4/12
Reporting Start Date: 4/12
Years to Report or End Date: 11

Area Measures		Constants	
Label	Area	Label	
Property Size	117,407 SqFt	Total Purchase Price	0
At. Prop. Size	1 SqFt		

General Inflation
Inflation Month: Analysis Start
Reimbursement Method: Calendar reimbursement using fiscal inflation
Inflation Rate: 3

Reimbursable Expenses		Budgeted		Actuals		Area/Constant		Frequency		% Fixed		Inflation		Ref Acct		Notes	
Name		Units		Units		Property Size		/Year		100							
Operating expenses		23.4	\$/Area														
Gross Up for Reimbursement: No																	

Capital Expenditures		Budgeted		Actuals		Area/Constant		Frequency		% Fixed		Inflation		Ref Acct		Notes	
Name		Units		Units		Property Size		/Year		100							
Reserves		0.1	\$/Area														

General Vacancy
Method: Percent of Potential Gross Revenue
Primary Rate: 9
Percent Based on Revenue Minus Absorption and Turnover Vacancy: No
Reduce General Vacancy Result by Absorption & Turnover Vacancy: Yes

(continued on next page)





Office w 1st Fl. Retail - Spec
Wilson & Clarendon Blvds.
N. Danville & N. Cleveland Sts
VA 22201

Software : ARGUS Ver. 15.0.0.54
File : office - spec
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Input Assumptions
(continued from previous page)

Space Absorption

No.	Space Description	Lease Type	Lease Status	Total Area	Date Avail	Begin	#/Size	Cost	Term/	Base/Min	Unit of	Rent	Rtl	Reimbur-	Unit of
							Leases		Expir	Rent	Measure	Chng	Chng	sements	Measure
1	Retail - 1st Fl. - Tenant 1	Retail	Speculative	9,784	1	1	1	Mon	5	Detail	Detail			Net	Net
2	Retail - 1st Fl. - Tenant 2	Retail	Speculative	9,784	1	1	1	Mon	5	Detail	Detail			Net	Net
3	Retail - 1st Fl. - Tenant 3	Retail	Speculative	9,784	1	1	1	Mon	5	Detail	Detail			Net	Net
4	Retail - 1st Fl. - Tenant 4	Retail	Speculative	9,784	1	1	1	Mon	5	Detail	Detail			Net	Net
5	Office - 2nd Fl. - Tenant 1	Office	Speculative	13,567	1	1	1	Mon	10	Detail	Detail			Base Stop	Base Stop
6	Office - 2nd Fl. - Tenant 2	Office	Speculative	13,568	1	1	1	Mon	5	Detail	Detail			Base Stop	Base Stop
7	Office - 2nd Fl. - Tenant 3	Office	Speculative	4,892	1	1	1	Mon	5	Detail	Detail			Base Stop	Base Stop
8	Office - 3rd Fl. - Tenant 4	Office	Speculative	4,892	1	1	1	Mon	5	Detail	Detail			Base Stop	Base Stop
9	Office - 3rd Fl. - Tenant 5	Office	Speculative	4,892	1	1	1	Mon	5	Detail	Detail			Base Stop	Base Stop
10	Office - 3rd Fl. - Tenant 6	Office	Speculative	4,892	1	1	1	Mon	5	Detail	Detail			Base Stop	Base Stop
11	Office - 3rd Fl. - Tenant 7	Office	Speculative	4,892	1	1	1	Mon	5	Detail	Detail			Base Stop	Base Stop
12	Office - 3rd Fl. - Tenant 8	Office	Speculative	4,892	1	1	1	Mon	5	Detail	Detail			Base Stop	Base Stop
13	Office - 3rd Fl. - Tenant 9	Office	Speculative	4,892	1	1	1	Mon	5	Detail	Detail			Base Stop	Base Stop
14	Office - 3rd Fl. - Tenant 1	Office	Speculative	4,892	1	1	1	Mon	5	Detail	Detail			Base Stop	Base Stop

No.	Space Description	Rent Abatement	Log	Security	Upon	Retail	Prob.	Exp.	Unit
					Expiration				
1	Retail - 1st Fl. - Tenant 1				Market				
2	Retail - 1st Fl. - Tenant 2				Market				
3	Retail - 1st Fl. - Tenant 3				Market				
4	Retail - 1st Fl. - Tenant 4				Market				
5	Office - 2nd Fl. - Tenant 1				Office				
6	Office - 2nd Fl. - Tenant 2				Office				
7	Office - 3rd Fl. - Tenant 3				Office				
8	Office - 3rd Fl. - Tenant 4				Office				
9	Office - 3rd Fl. - Tenant 5				Office				
10	Office - 3rd Fl. - Tenant 6				Office				
11	Office - 3rd Fl. - Tenant 7				Office				
12	Office - 3rd Fl. - Tenant 8				Office				
13	Office - 3rd Fl. - Tenant 9				Office				
14	Office - 3rd Fl. - Tenant 1				Office				

Detail Base Rent

Retail - 1st Fl. - Tenant 1

Date	Amount	Units
1	35	\$/SqFt/Yr
13	3	% Inc. Annual

Detail Base Rent

Retail - 1st Fl. - Tenant 2

Date	Amount	Units
1	35	\$/SqFt/Yr
13	3	% Inc. Annual

Detail Base Rent

Retail - 1st Fl. - Tenant 3

Date	Amount	Units
1	35	\$/SqFt/Yr
13	3	% Inc. Annual

Detail Base Rent

Retail - 1st Fl. - Tenant 4

Date	Amount	Units
1	35	\$/SqFt/Yr
13	3	% Inc. Annual

Detail Base Rent

Office - 2nd Fl. - Tenant 1

Date	Amount	Units
1	45	\$/SqFt/Yr
13	3	% Inc. Annual


Detail Base Rent

Office - 2nd Fl. - Tenant 2

Date	Amount	Units
1	45	\$/SqFt/Yr
13	3	% Inc. Annual

(continued on next page)

<div> <div>ARGUSSM SOFTWARE</div> <div> <div>Office w/ 1st Fl. Retail - Spec</div> <div>Wilson & Clarendon Bldgs.</div> <div>N. Danville & N. Cleveland Sts</div> <div>VA 22201</div> </div> </div> <div> <div>Software : ARGUS Ver. 15.0.0.54</div> <div>File : Office - Spec</div> <div>Property Type : Office & Retail</div> <div>Portfolio :</div> <div>Date : 2/14/12</div> <div>Time : 14:29</div> <div>Rate : AHG</div> <div>Page : 3</div> </div>												
			Input Assumptions (continued from previous page)									
Detail Base Rent Office - 3rd Fl. - Tenant 3			Detail Base Rent Office - 3rd Fl. - Tenant 4			Detail Base Rent Office - 3rd Fl. - Tenant 5						
Date	Amount	Units	Date	Amount	Units	Date	Amount	Units				
1	45 \$/SqFtYr		1	45 \$/SqFtYr		1	45 \$/SqFtYr					
13	3 % Inc, Annual		13	3 % Inc, Annual		13	3 % Inc, Annual					
Detail Base Rent Office - 3rd Fl. - Tenant 6			Detail Base Rent Office - 3rd Fl. - Tenant 7			Detail Base Rent Office - 3rd Fl. - Tenant 8						
Date	Amount	Units	Date	Amount	Units	Date	Amount	Units				
1	45 \$/SqFtYr		1	45 \$/SqFtYr		1	45 \$/SqFtYr					
13	3 % Inc, Annual		13	3 % Inc, Annual		13	3 % Inc, Annual					
Detail Base Rent Office - 3rd Fl. - Tenant 9			Detail Base Rent Office - 3rd Fl. - Tenant 1									
Date	Amount	Units	Date	Amount	Units							
1	45 \$/SqFtYr		1	45 \$/SqFtYr								
13	3 % Inc, Annual		13	3 % Inc, Annual								
Market Leasing Assumptions												
Leasing Assumptions Category: Retail												
Lease Status: Speculative												
Renewal Probability			New Market			Renewal Mkt			Unit of Measure			
Market Rent			Retail			Renewal						
Months Vacant			6 months			0						
Tenant Improvements			Retail									
Leasing Commissions			LC									
Rent Abatements			0									
Security Deposit			None			None						
Non-Weighted Items												
Rent Changes			Yes									
Retail Sales			No									
Reimbursements			Net									
Term Lengths			5			Years						
Rent Changes: Retail, current term												
Changing Base:			3% annually									
Step:												
Porters' Wage:												
Miscellaneous:												
CPI Rent												
Category:												
Painting												
Spaces:												
Amount:												



Leasing Assumptions Category: Office
Lease Status: Speculative

Renewal Probability
Market Rent
Months Vacant
Tenant Improvements
Leasing Commissions
Rent Abatements
Security Deposit

Non-Weighted Items
Rent Changes
Rebail Sales
Reimbursements
Term Lengths

Rent Changes: Office current term
Changing Base: 3% annually
Step:
Pioneer's Wage:
Miscellaneous:
CPI Rent
Category:
Parking
Spaces:
Amount:

Office w/ 1st Fl. Retail - Spec
Wilson & Clarendon Bldgs.
N. Danville & N. Cleveland Sts
VA 22201

Software: ARGUS Ver. 15.0.0.54
File: Office - Spec
Property Type: Office & Retail
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Date: 2/14/12
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Input Assumptions
(continued from previous page)

New Market
Office
9 months
Office
LC
0
None

Renewal Mit
Renewal
0
None

Unit of Measure
Months
Years

Continue Prior

Renewal Probability

Renewal Probability Category: Renewal

% to Renew	Mar-2013	Mar-2014	Mar-2015	Mar-2016	Mar-2017	Mar-2018	Mar-2019	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Mar-2025
	70	70	70	70	70	70	70	70	70	70	70	70	70

Market Rent


Market Rent Category: Retail


Unit of Measure: \$/SqFtYr

Mar-2013	Mar-2014	Mar-2015	Mar-2016	Mar-2017	Mar-2018	Mar-2019	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Mar-2025
35	35	35	35	35	35	35	35	35	35	35	35	35

New
Renewal
Inflation

(continued on next page)





Leasing Commissions

Leasing Commissions Category: LC

Payment Made: First Month

Unit of Measure: Percent

	Mar-2013	Mar-2014	Mar-2015	Mar-2016	Mar-2017	Mar-2018	Mar-2019	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Mar-2025
New	6	6	6	6	6	6	6	6	6	6	6	6	6
Renewal	3	3	3	3	3	3	3	3	3	3	3	3	3
Inflation													

Calculation Includes:

Base Rent: Yes

Free Rent: Yes

Step Rent: Yes

Reimbursements: No

Retail Sales: No

CPI Rent: No

Office w/ 1st Fl. Retail - Spec
Wilson & Clarendon Bldgs.
N. Danville & N. Cleveland Sts
VA 22201

Software: ARGUS Ver. 15.0.0.54
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Input Assumptions
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Property Resale
Option: 9
Cap Rate: 9
Resale Adjustment(s): 9
Apply Rate to following year income: Yes
Calculate Resale for All Years: Yes

Capitalize Net Operating Income
8
3

Present Value Discounting
Primary Discount Rate: 9
Discount Method: Annually (Endpoint on Cash Flow & Resale)
Advanced
Unleveraged Discount Range
Cash Flow Rate: 9
Resale Rate: 9
Leveraged Discount Range
Cash Flow Rate: 9
Resale Rate: 9

Appendix B: Retail Pro Forma




Retail - Spec
Wilson & Clarendon Bldgs.
N. Danville & N. Cleveland Sts.
Arlington, VA 22201

Software : ARGUS Ver. 15.0.0.54
File : retail - spec
Property Type : Retail
Portfolio :
Date : 2/14/12
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Prospective Present Value
Cash Flow Before Debt Service plus Property Resale
Discounted Annually (Endpoint on Cash Flow & Resale) over a 11-Year Period

Analysis Period	For the Year Ending	Annual Cash Flow	P.V. of Cash Flow @ 9.00%
Year 1	Mar-2013	\$2,185,343	\$2,004,902
Year 2	Mar-2014	2,250,965	1,894,542
Year 3	Mar-2015	2,318,465	1,750,250
Year 4	Mar-2016	2,381,593	1,651,707
Year 5	Mar-2017	2,455,625	1,589,588
Year 6	Mar-2018	2,040,128	1,216,461
Year 7	Mar-2019	2,604,122	1,424,544
Year 8	Mar-2020	2,300,870	1,154,725
Year 9	Mar-2021	2,758,625	1,270,148
Year 10	Mar-2022	2,841,383	1,200,231
Year 11	Mar-2023	1,784,245	691,452
Total Cash Flow		25,931,655	15,937,555
Property Resale @ 8% Cap Rate		36,534,613	14,159,363
Total Property Present Value			\$30,095,918
Rounded to Thousands			
Per SqFt			
Percentage Value Distribution			
Assured Income			
Prospective Income			
Prospective Property Resale			
			52.96%
			47.04%
			100.00%

		Retail - Spec Wilson & Clarendon Blvd. N. Danville & N. Cleveland Sts. Arlington, VA 22201		Software: ARGUS Ver. 15.0.0.54 File: Retail - Spec Property Type: Retail Portfolio: Date: 2/14/12 Time: 14:22 Ref: AEB Page: 3
Property Summary Report				
Timing & Inflation Reporting Period: Inflation Month: General Inflation Rate:				
April 1, 2012 to March 31, 2023, 11 years Analysis Start 3.00%				
Property Size & Occupancy Property Size: Alternate Size: Number of rent roll tenants: Total Occupied Area:				
67,444 Square Feet 1 Square Foot 0 67,444 Square Feet, 100.00%, during first month of analysis				
Space Absorption Retail - Junior Anchor				
20,000 Square Feet, leasing from 4/12 to 4/12 1 lease per month, 20,000 SqFt per lease				
Retail - Mid-Size 1 10,000 Square Feet, leasing from 4/12 to 4/12 1 lease per month, 10,000 SqFt per lease				
Retail - Mid-Size 2 10,000 Square Feet, leasing from 4/12 to 4/12 1 lease per month, 10,000 SqFt per lease				
Retail - Inline 1 4,574 Square Feet, leasing from 4/12 to 4/12 1 lease per month, 4,574 SqFt per lease				
Retail - Inline 2 4,574 Square Feet, leasing from 4/12 to 4/12 1 lease per month, 4,574 SqFt per lease				
Retail - Inline 3 4,574 Square Feet, leasing from 4/12 to 4/12 1 lease per month, 4,574 SqFt per lease				
Retail - Inline 4 4,574 Square Feet, leasing from 4/12 to 4/12 1 lease per month, 4,574 SqFt per lease				
Retail - Inline 5 4,574 Square Feet, leasing from 4/12 to 4/12 1 lease per month, 4,574 SqFt per lease				
Retail - Inline 6 4,574 Square Feet, leasing from 4/12 to 4/12 1 lease per month, 4,574 SqFt per lease				
General Vacancy Method: Rate:				
Percent of Potential Gross Revenue 5.00%				
Property Purchase & Resale Purchase Price: Resale Method: Cap Rate: Cap Year: Commission/Closing Cost: Net Cash Flow from Sale:				
- Capitalize Net Operating Income 8.00% Year 12 \$1,129,937 \$36,534,613				
Present Value Discounting Discount Method: Unleveraged Discount Rate: Unleveraged Present Value:				
Annually (Endpoint on Cash Flow & Resale) 9.00% \$30,095,918 at 9.00%				




Retail - Spec
Wilson & Clarendon Bldg.
N. Danville & N. Cleveland Sts.
Arlington, VA 22201

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Presentation Rent Roll & Current Term Tenant Summary
As of Apr-2012 for 57,444 Square Feet

Tenant Name Type & Suite Number Lease Dates & Term	Floor SqFt % of Total	Rate & Amount per Year per Month	Changes on	Changes to	CPN & Current Porters' Wage Miscellaneous	Months to Operating Expense Reimbursements	Port Alone	Description of Operating Expense Reimbursements	Imprints Rate Amount	Commissions Rate Amount	Assumption about subsequent terms for this tenant
81 Retail - Junior Ancho Retail, Suite: Mo 1 Apr-2012 to Mar-2022 120 Months	20,000 29.65%	\$35.00 \$700,000 \$2.92 \$58,333	Apr-2013 Apr-2014 Apr-2015 Apr-2016 Apr-2017 Apr-2018 Apr-2019 Apr-2020 Apr-2021	\$36.05 \$37.13 \$38.25 \$39.39 \$40.57 \$41.79 \$42.92 \$44.04 \$45.17	-	-	-	Net: Pays a full pro-rata share of all reimbursable expenses.	-	-	Market See assumption: Retail
82 Retail - Mid-Size 1 Retail, Suite: Mo 1 Apr-2012 to Mar-2019 84 Months	10,000 14.83%	\$35.00 \$350,000 \$2.92 \$29,167	Apr-2013 Apr-2014 Apr-2015 Apr-2016 Apr-2017 Apr-2018	\$36.05 \$37.13 \$38.25 \$39.39 \$40.57 \$41.79	-	-	-	Net: Pays a full pro-rata share of all reimbursable expenses.	-	-	Market See assumption: Retail
83 Retail - Mid-Size 2 Retail, Suite: Mo 1 Apr-2012 to Mar-2019 84 Months	10,000 14.83%	\$35.00 \$350,000 \$2.92 \$29,167	Apr-2013 Apr-2014 Apr-2015 Apr-2016 Apr-2017 Apr-2018	\$36.05 \$37.13 \$38.25 \$39.39 \$40.57 \$41.79	-	-	-	Net: Pays a full pro-rata share of all reimbursable expenses.	-	-	Market See assumption: Retail
84 Retail - Inline 1 Retail, Suite: Mo 1 Apr-2012 to Mar-2017 60 Months	4,574 6.78%	\$35.00 \$160,090 \$2.92 \$13,341	Apr-2013 Apr-2014 Apr-2015 Apr-2016	\$36.05 \$37.13 \$38.25 \$39.39	-	-	-	Net: Pays a full pro-rata share of all reimbursable expenses.	-	-	Market See assumption: Retail
85 Retail - Inline 2 Retail, Suite: Mo 1 Apr-2012 to Mar-2017 60 Months	4,574 6.78%	\$35.00 \$160,090 \$2.92 \$13,341	Apr-2013 Apr-2014 Apr-2015 Apr-2016	\$36.05 \$37.13 \$38.25 \$39.39	-	-	-	Net: Pays a full pro-rata share of all reimbursable expenses.	-	-	Market See assumption: Retail
86 Retail - Inline 3 Retail, Suite: Mo 1 Apr-2012 to Mar-2017 60 Months	4,574 6.78%	\$35.00 \$160,090 \$2.92 \$13,341	Apr-2013 Apr-2014 Apr-2015 Apr-2016	\$36.05 \$37.13 \$38.25 \$39.39	-	-	-	Net: Pays a full pro-rata share of all reimbursable expenses.	-	-	Market See assumption: Retail
87 Retail - Inline 4 Retail, Suite: Mo 1 Apr-2012 to Mar-2017 60 Months	4,574 6.78%	\$35.00 \$160,090 \$2.92 \$13,341	Apr-2013 Apr-2014 Apr-2015 Apr-2016	\$36.05 \$37.13 \$38.25 \$39.39	-	-	-	Net: Pays a full pro-rata share of all reimbursable expenses.	-	-	Market See assumption: Retail
88 Retail - Inline 5 Retail, Suite: Mo 1 Apr-2012 to Mar-2017 60 Months	4,574 6.78%	\$35.00 \$160,090 \$2.92 \$13,341	Apr-2013 Apr-2014 Apr-2015 Apr-2016	\$36.05 \$37.13 \$38.25 \$39.39	-	-	-	Net: Pays a full pro-rata share of all reimbursable expenses.	-	-	Market See assumption: Retail
89 Retail - Inline 6 Retail, Suite: Mo 1 Apr-2012 to Mar-2017 60 Months	4,574 6.78%	\$35.00 \$160,090 \$2.92 \$13,341	Apr-2013 Apr-2014 Apr-2015 Apr-2016	\$36.05 \$37.13 \$38.25 \$39.39	-	-	-	Net: Pays a full pro-rata share of all reimbursable expenses.	-	-	Market See assumption: Retail
Total Occupied SqFt Total Available SqFt	57,444 0										

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		Retail - Spec	
		Wilson & Clarendon Bldgs.	
		N. Dumville & N. Cleveland Sts.	
		Arlington, VA 22201	
		For the Year Ending 3/31/13	
		Market Leasing Assumption Results	
		In inflated Dollars for the Fiscal Year Beginning 4/01/12	
M/LA Categories		Retail	
Renewal Probability		70.00%	
Market Rent		\$/SqFtYr	
	New:	35.00	
	Renewal:	35.00	
	Result:	35.00	
Months Vacant			
	New:	6.00	
	Renewal:	0	
	Rounded:	2	
Tenant Improvements		\$/SqFt	
	New:	15.00	
	Renewal:	2.00	
	Result:	5.90	
Leasing Commissions		Percent	
	New:	6.00%	
	Renewal:	3.00%	
	Result:	3.90%	
Rent Abatements			
	New:	0.00	
	Renewal:	0.00	
	Result:	0.00	
Non-Weighted Items			
Rent Changes		Yes	
Retail Rent Changes		Net	
Reimbursements			
Term Lengths		5	
		Years	
Term Overrides		No	



Retail - Spec
Wilson & Clarendon Bldgs.
N. Danville & N. Cleveland Sts.
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Supporting Schedule -- Square Feet Expiring -- (All Terms)														
For the Years Ending		Month One Occupied Area	Lease Start	First Expiration	Year 1 Mar-2013	Year 2 Mar-2014	Year 3 Mar-2015	Year 4 Mar-2016	Year 5 Mar-2017	Year 6 Mar-2018	Year 7 Mar-2019	Year 8 Mar-2020	Year 9 Mar-2021	
Tenant	Suite													
Retail - Inline 1	Mo 1	4,574	4/12	3/17					4,574					
Retail - Inline 2	Mo 1	4,574	4/12	3/17					4,574					
Retail - Inline 3	Mo 1	4,574	4/12	3/17					4,574					
Retail - Inline 4	Mo 1	4,574	4/12	3/17					4,574					
Retail - Inline 5	Mo 1	4,574	4/12	3/17					4,574					
Retail - Inline 6	Mo 1	4,574	4/12	3/17					4,574					
Retail - Mid-Size 1	Mo 1	10,000	4/12	3/19							10,000			
Retail - Mid-Size 2	Mo 1	10,000	4/12	3/19							10,000			
Retail - Junior Anchor	Mo 1	20,000	4/12	3/22										
Total SqFt Expiring		67,444							27,444			20,000		
Percent Of Total Expiring									40.7%			29.7%		



Retail - Spec
Wilson & Clarendon Bldgs.
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Supporting Schedule -- Square Feet Expiring -- (All Terms)

For the Years Ending	Month One Occupied Area	Lease Start	First Expiration	Year 10 Mar-2022	Year 11 Mar-2023	Year 12 Mar-2024
Tenant	Suite					
Retail - Inline 1	Mo 1	4/12	3/17	4,574	4,574	
Retail - Inline 2	Mo 1	4/12	3/17	4,574	4,574	
Retail - Inline 3	Mo 1	4/12	3/17	4,574	4,574	
Retail - Inline 4	Mo 1	4/12	3/17	4,574	4,574	
Retail - Inline 5	Mo 1	4/12	3/17	4,574	4,574	
Retail - Inline 6	Mo 1	4/12	3/17	4,574	4,574	
Retail - Mid-Size 1	Mo 1	4/12	3/19	10,000	10,000	
Retail - Mid-Size 2	Mo 1	4/12	3/19	10,000	10,000	
Retail - Junior Anchor	Mo 1	4/12	3/22	20,000	20,000	
Total SqFt Expiring				67,444	37,444	
Percent Of Total Expiring				29.7%	43.7%	



Retail - Spec
Wilson & Clarendon Bldgs.
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Supporting Schedule - Occupancy & Absorption Rates
Physical Occupancy Based on Absorption & Turnover Vacancy Assumptions

For the Years Ending	Year 1 Mar-2013	Year 2 Mar-2014	Year 3 Mar-2015	Year 4 Mar-2016	Year 5 Mar-2017	Year 6 Mar-2018	Year 7 Mar-2019	Year 8 Mar-2020	Year 9 Mar-2021	Year 10 Mar-2022	Year 11 Mar-2023	Year 12 Mar-2024
SqFt Occupied												
April	67,444	67,444	67,444	67,444	67,444	40,000	67,444	47,444	67,444	67,444	47,444	67,444
May	67,444	67,444	67,444	67,444	67,444	40,000	67,444	47,444	67,444	67,444	47,444	67,444
June	67,444	67,444	67,444	67,444	67,444	40,000	67,444	47,444	67,444	67,444	40,000	67,444
July	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	40,000	67,444
August	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444
September	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444
October	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444
November	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444
December	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444
January	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444
February	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444
March	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444	67,444
Average Occupied For The Year	67,444	67,444	67,444	67,444	67,444	52,870	67,444	54,111	67,444	67,444	59,537	67,444
Net Absorption												
Annual Square Feet Absorbed												
Average Monthly Absorption												

For the Years Ending	Year 1 Mar-2013	Year 2 Mar-2014	Year 3 Mar-2015	Year 4 Mar-2016	Year 5 Mar-2017	Year 6 Mar-2018	Year 7 Mar-2019	Year 8 Mar-2020	Year 9 Mar-2021	Year 10 Mar-2022	Year 11 Mar-2023	Year 12 Mar-2024
Percentage Occupancy												
April	100.00%	100.00%	100.00%	100.00%	100.00%	59.31%	100.00%	70.35%	100.00%	100.00%	70.35%	100.00%
May	100.00%	100.00%	100.00%	100.00%	100.00%	59.31%	100.00%	70.35%	100.00%	100.00%	70.35%	100.00%
June	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	59.31%	100.00%
July	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
August	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
September	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
October	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
November	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
December	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
January	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
February	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
March	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Average Occupancy For The Year	100.00%	100.00%	100.00%	100.00%	100.00%	93.22%	100.00%	95.05%	100.00%	100.00%	88.28%	100.00%
Net Absorption												
Annual Percentage Absorbed												
Average Monthly Percentage												



Retail - Spec
Wilson & Clarendon Bldgs.
N. Danville & N. Cleveland Sts.
Arlington, VA 22201

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Input Assumptions

Property Description

Name: Retail - Spec
Address: Wilson & Clarendon Bldgs.
Address2: N. Danville & N. Cleveland Sts.
City: Arlington
State: VA
Zip: 22201
Country:
Portfolio:
Property Type: Retail
Property Reference:
Property Version:

Property Timing
Analysis Start Date: 4/12
Reporting Start Date: 4/12
Years to Report or End Date: 11

Area Measures

Area Measures		Constants	
Label	Area	Label	
Property Size	67,444 SqFt	Total Purchase Price	0
Alt. Prop. Size	1 SqFt		

General Inflation
Inflation Month: Analysis Start
Reimbursement Method: Calendar reimbursement using fiscal inflation
Inflation Rate: 3

Reimbursable Expenses

Name	Acct Code	Actuals	Budgeted	Units	Area/Constant	Frequency	% Fixed	Inflation	Ref Acct	Notes
Operating expenses			15	\$/Area	Property Size	/Year	100			
Gross Up for Reimbursement: No										

Capital Expenditures

Name	Acct Code	Actuals	Budgeted	Units	Area/Constant	Frequency	% Fixed	Inflation	Ref Acct	Notes
Reserves			0.1	\$/Area	Property Size	/Year	100			

General Vacancy
Method: Percent of Potential Gross Revenue
Primary Rate: 5

Percent Based on Revenue Minus Absorption and Turnover Vacancy: No
Reduce General Vacancy Result by Absorption & Turnover Vacancy: Yes

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Retail - Spec
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Input Assumptions
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Space Absorption														
No.	Space Description	Lease Type	Lease Status	Total Area	Date Avail	Begin Lng	#Size Leases	Crite	Term/ Expir	Base/Min Rent	Unit of Measure	Rent Chng	Rtr Ctg	Reimbur- sements
1	Retail - Junior Anchor	Retail	Speculative	20,000	1	1	1 Mon	10	Detail					Net
2	Retail - Mid-Size 1	Retail	Speculative	10,000	1	1	1 Mon	7	Detail					Net
3	Retail - Mid-Size 2	Retail	Speculative	10,000	1	1	1 Mon	7	Detail					Net
4	Retail - Inline 1	Retail	Speculative	4,574	1	1	1 Mon	5	Detail					Net
5	Retail - Inline 2	Retail	Speculative	4,574	1	1	1 Mon	5	Detail					Net
6	Retail - Inline 3	Retail	Speculative	4,574	1	1	1 Mon	5	Detail					Net
7	Retail - Inline 4	Retail	Speculative	4,574	1	1	1 Mon	5	Detail					Net
8	Retail - Inline 5	Retail	Speculative	4,574	1	1	1 Mon	5	Detail					Net
9	Retail - Inline 6	Retail	Speculative	4,574	1	1	1 Mon	5	Detail					Net
Log														
No.	Space Description	Rent Abatement		Log Cst	Security Deposit	Market Leasing	Upn Expiration	Rentl Prob	Rate	Rate	Unit of Measure	Rent Chng	Rtr Ctg	Reimbur- sements
1	Retail - Junior Anchor					Retail	Market							
2	Retail - Mid-Size 1					Retail	Market							
3	Retail - Mid-Size 2					Retail	Market							
4	Retail - Inline 1					Retail	Market							
5	Retail - Inline 2					Retail	Market							
6	Retail - Inline 3					Retail	Market							
7	Retail - Inline 4					Retail	Market							
8	Retail - Inline 5					Retail	Market							
9	Retail - Inline 6					Retail	Market							
Detail Base Rent														
Retail - Junior Anchor														
Date	Amount	Units		Date	Amount	Units		Date	Amount	Units				
1	35	\$/SqFtYr		1	35	\$/SqFtYr		1	35	\$/SqFtYr				
13	3 % Inc, Annual			13	3 % Inc, Annual			13	3 % Inc, Annual					
Detail Base Rent														
Retail - Inline 1														
Date	Amount	Units		Date	Amount	Units		Date	Amount	Units				
1	35	\$/SqFtYr		1	35	\$/SqFtYr		1	35	\$/SqFtYr				
13	3 % Inc, Annual			13	3 % Inc, Annual			13	3 % Inc, Annual					
Detail Base Rent														
Retail - Inline 2														
Date	Amount	Units		Date	Amount	Units		Date	Amount	Units				
1	35	\$/SqFtYr		1	35	\$/SqFtYr		1	35	\$/SqFtYr				
13	3 % Inc, Annual			13	3 % Inc, Annual			13	3 % Inc, Annual					
Detail Base Rent														
Retail - Inline 3														
Date	Amount	Units		Date	Amount	Units		Date	Amount	Units				
1	35	\$/SqFtYr		1	35	\$/SqFtYr		1	35	\$/SqFtYr				
13	3 % Inc, Annual			13	3 % Inc, Annual			13	3 % Inc, Annual					
Detail Base Rent														
Retail - Inline 4														
Date	Amount	Units		Date	Amount	Units		Date	Amount	Units				
1	35	\$/SqFtYr		1	35	\$/SqFtYr		1	35	\$/SqFtYr				
13	3 % Inc, Annual			13	3 % Inc, Annual			13	3 % Inc, Annual					
Detail Base Rent														
Retail - Inline 5														
Date	Amount	Units		Date	Amount	Units		Date	Amount	Units				
1	35	\$/SqFtYr		1	35	\$/SqFtYr		1	35	\$/SqFtYr				
13	3 % Inc, Annual			13	3 % Inc, Annual			13	3 % Inc, Annual					
Detail Base Rent														
Retail - Inline 6														
Date	Amount	Units		Date	Amount	Units		Date	Amount	Units				
1	35	\$/SqFtYr		1	35	\$/SqFtYr		1	35	\$/SqFtYr				
13	3 % Inc, Annual			13	3 % Inc, Annual			13	3 % Inc, Annual					

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Input Assumptions
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Market Leasing Assumptions

Leasing Assumptions Category: Retail

Lease Status: Speculative

	New Market	Renewal Mkt Renewal	Unit of Measure
Renewal Probability			
Market Rent	Retail	0	
Months Vacant	6 mos.		
Tenant Improvements	TI		
Leasing Commissions	LC		
Rent Abatements	0		
Security Deposit	None	None	Months
Non-Weighted Items			
Rent Changes	Yes		
Retail Sales	No		
Reimbursements	Net		
Term Lengths	5	Years	

Rent Changes: Retail, current term
Changing Base: 3% annually

Step:

Porters' Wage:

Miscellaneous:

CPI Rent:

Category:

Parking

Spaces:

Amount:

Continue Prior

Renewal Probability

Renewal Probability Category: Renewal

% to Renew	Mar-2013	Mar-2014	Mar-2015	Mar-2016	Mar-2017	Mar-2018	Mar-2019	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Mar-2025
	70	70	70	70	70	70	70	70	70	70	70	70	70

Market Rent

Market Rent Category: Retail

Unit of Measure: \$/SqFtYr

	Mar-2013	Mar-2014	Mar-2015	Mar-2016	Mar-2017	Mar-2018	Mar-2019	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Mar-2025
New	35	35	35	35	35	35	35	35	35	35	35	35	35
Renewal													
Inflation													

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Changing Base Rent

Changing Base:
3% annually

Date	Amount	Units
1	100	% Market
13	3	% Inc. Annual

Months Vacant

Months Vacant Category: 6 mos.

# of Months	Mar-2013	Mar-2014	Mar-2015	Mar-2016	Mar-2017	Mar-2018	Mar-2019	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Mar-2025
	6	6	6	6	6	6	6	6	6	6	6	6	6

Tenant Improvements

Tenant Improvements Category: TI

Payment Made: First Month

Unit of Measure: \$/SqFt

	Mar-2013	Mar-2014	Mar-2015	Mar-2016	Mar-2017	Mar-2018	Mar-2019	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Mar-2025
New	15	15	15	15	15	15	15	15	15	15	15	15	15
Renewal	2	2	2	2	2	2	2	2	2	2	2	2	2
Inflation													

Leasing Commissions

Leasing Commissions Category: LC

Payment Made: First Month



Unit of Measure: Percent

	Mar-2013	Mar-2014	Mar-2015	Mar-2016	Mar-2017	Mar-2018	Mar-2019	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Mar-2025
New	6	6	6	6	6	6	6	6	6	6	6	6	6
Renewal	3	3	3	3	3	3	3	3	3	3	3	3	3
Inflation													

Calculation Includes:

Base Rent:	Yes
Free Rent:	Yes
Step Rent:	Yes
Reimbursements:	No
Retail Sales:	No
CPI Rent:	No

(continued on next page)

			
Retail - Spec Wilson & Clarendon Blvds. N. Danville & N. Cleveland Sts. Arlington, VA 22201		Software : ARGUS Ver. 15.0.0.54 File : retail - spec Property Type : Retail Portfolio : Date : 2/14/12 Time : 14:24 Revised : AEB Page : 5	
Input Assumptions (continued from previous page)			
Property Resale Option: Cap Rate: Resale Adjustment(s): Apply Rate to following year income: Yes Calculate Resale for All Years: Yes	Capitalize Net Operating Income 8 3	Present Value Discounting Primary Discount Rate: Discount Method: Annually (Endpoint on Cash Flow & Resale) Advanced Unleveraged Discount Range Cash Flow Rate: Resale Rate: Leveraged Discount Range Cash Flow Rate: Resale Rate:	9 9 9 9 9 9 9

Appendix C: Draw Schedules and Interest Reserve**Office****Interest Rate** 5.00%

Loan Amount \$ 25,500,000

Equity \$ 16,121,093**Total** \$ 41,621,093

Month	Equity Funding (Inc. Land)	Land Loan Funding	Construction Draw	Total Disbursed	Outstanding Balance	Interest
1	\$ 16,121,093	\$ 2,148,907	\$ 972,962	\$ 3,121,869	\$ 3,121,869	\$ 13,008
2	\$ -	\$ -	\$ 972,962	\$ 972,962	\$ 4,094,831	\$ 17,062
3	\$ -	\$ -	\$ 972,962	\$ 972,962	\$ 5,067,793	\$ 21,116
4	\$ -	\$ -	\$ 972,962	\$ 972,962	\$ 6,040,755	\$ 25,170
5	\$ -	\$ -	\$ 972,962	\$ 972,962	\$ 7,013,718	\$ 29,224
6	\$ -	\$ -	\$ 972,962	\$ 972,962	\$ 7,986,680	\$ 33,278
7	\$ -	\$ -	\$ 972,962	\$ 972,962	\$ 8,959,642	\$ 37,332
8	\$ -	\$ -	\$ 972,962	\$ 972,962	\$ 9,932,604	\$ 41,386
9	\$ -	\$ -	\$ 972,962	\$ 972,962	\$ 10,905,567	\$ 45,440
10	\$ -	\$ -	\$ 972,962	\$ 972,962	\$ 11,878,529	\$ 49,494
11	\$ -	\$ -	\$ 972,962	\$ 972,962	\$ 12,851,491	\$ 53,548
12	\$ -	\$ -	\$ 972,962	\$ 972,962	\$ 13,824,453	\$ 57,602
13	\$ -	\$ -	\$ 972,962	\$ 972,962	\$ 14,797,416	\$ 61,656
14	\$ -	\$ -	\$ 972,962	\$ 972,962	\$ 15,770,378	\$ 65,710
15	\$ -	\$ -	\$ 972,962	\$ 972,962	\$ 16,743,340	\$ 69,764
16	\$ -	\$ -	\$ 972,962	\$ 972,962	\$ 17,716,302	\$ 73,818
17	\$ -	\$ -	\$ 972,962	\$ 972,962	\$ 18,689,264	\$ 77,872
18	\$ -	\$ -	\$ 972,962	\$ 972,962	\$ 19,662,227	\$ 81,926
19	\$ -	\$ -	\$ 972,962	\$ 972,962	\$ 20,635,189	\$ 85,980
20	\$ -	\$ -	\$ 972,962	\$ 972,962	\$ 21,608,151	\$ 90,034
21	\$ -	\$ -	\$ 972,962	\$ 972,962	\$ 22,581,113	\$ 94,088
22	\$ -	\$ -	\$ 972,962	\$ 972,962	\$ 23,554,076	\$ 98,142
23	\$ -	\$ -	\$ 972,962	\$ 972,962	\$ 24,527,038	\$ 102,196
24	\$ -	\$ -	\$ 972,962	\$ 972,962	\$ 25,500,000	\$ 106,250
					Total	\$ 1,431,093

Retail**Interest Rate** **5.00%**

Loan Amount \$ 21,920,000

Equity \$ 8,822,366**Total** \$ 30,742,366

Month	Equity Funding (Inc. Land)	Land Loan Funding	Construction Draw	Total Disbursed	Outstanding Balance	Interest
1	\$ 8,822,366	\$ 9,447,634	\$ 519,682	\$ 9,967,316	\$ 9,967,316	\$ 41,530
2	\$ -	\$ -	\$ 519,682	\$ 519,682	\$ 10,486,998	\$ 43,696
3	\$ -	\$ -	\$ 519,682	\$ 519,682	\$ 11,006,680	\$ 45,861
4	\$ -	\$ -	\$ 519,682	\$ 519,682	\$ 11,526,362	\$ 48,027
5	\$ -	\$ -	\$ 519,682	\$ 519,682	\$ 12,046,044	\$ 50,192
6	\$ -	\$ -	\$ 519,682	\$ 519,682	\$ 12,565,726	\$ 52,357
7	\$ -	\$ -	\$ 519,682	\$ 519,682	\$ 13,085,408	\$ 54,523
8	\$ -	\$ -	\$ 519,682	\$ 519,682	\$ 13,605,089	\$ 56,688
9	\$ -	\$ -	\$ 519,682	\$ 519,682	\$ 14,124,771	\$ 58,853
10	\$ -	\$ -	\$ 519,682	\$ 519,682	\$ 14,644,453	\$ 61,019
11	\$ -	\$ -	\$ 519,682	\$ 519,682	\$ 15,164,135	\$ 63,184
12	\$ -	\$ -	\$ 519,682	\$ 519,682	\$ 15,683,817	\$ 65,349
13	\$ -	\$ -	\$ 519,682	\$ 519,682	\$ 16,203,499	\$ 67,515
14	\$ -	\$ -	\$ 519,682	\$ 519,682	\$ 16,723,181	\$ 69,680
15	\$ -	\$ -	\$ 519,682	\$ 519,682	\$ 17,242,863	\$ 71,845
16	\$ -	\$ -	\$ 519,682	\$ 519,682	\$ 17,762,545	\$ 74,011
17	\$ -	\$ -	\$ 519,682	\$ 519,682	\$ 18,282,227	\$ 76,176
18	\$ -	\$ -	\$ 519,682	\$ 519,682	\$ 18,801,909	\$ 78,341
19	\$ -	\$ -	\$ 519,682	\$ 519,682	\$ 19,321,590	\$ 80,507
20	\$ -	\$ -	\$ 519,682	\$ 519,682	\$ 19,841,272	\$ 82,672
21	\$ -	\$ -	\$ 519,682	\$ 519,682	\$ 20,360,954	\$ 84,837
22	\$ -	\$ -	\$ 519,682	\$ 519,682	\$ 20,880,636	\$ 87,003
23	\$ -	\$ -	\$ 519,682	\$ 519,682	\$ 21,400,318	\$ 89,168
24	\$ -	\$ -	\$ 519,682	\$ 519,682	\$ 21,920,000	\$ 91,333
					Total	\$ 1,594,366

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