

BRINDGER | DEVELOPMENT

250 M STREET at Canal Park SE WASHINGTON, DC

by
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EXECUTIVE SUMMARY:

This practicum will explore whether 250 M Street on Canal Park could be developed through creation of a Joint Venture relationship between the William C. Smith Company and Brindger Development. The site is located in the Capitol Riverfront. The deal structure that currently exists is that William C. Smith owns a 30% stake and the city of DC owns a 70% stake in the site. When the building is fully assessed, a percentage of the taxes will go back to the city of DC to help pay back funds that were needed for use in the demo of the Capper/Carrollsborg projects. In addition, the owners of the site will be required to contribute to the Canal Park funding.



The deal structure proposed in this practicum is purchase of the City of Washington, DC's share of the property, and buying Williams C. Smith out of there piece of the deal. This will allow for 100% ownership by Brindger Development. A fee will still be paid of \$50,000 to the Canal Park Development fund and the taxes on the property will help with the demolition costs and infrastructure for the Capper/Carrollsborg projects.

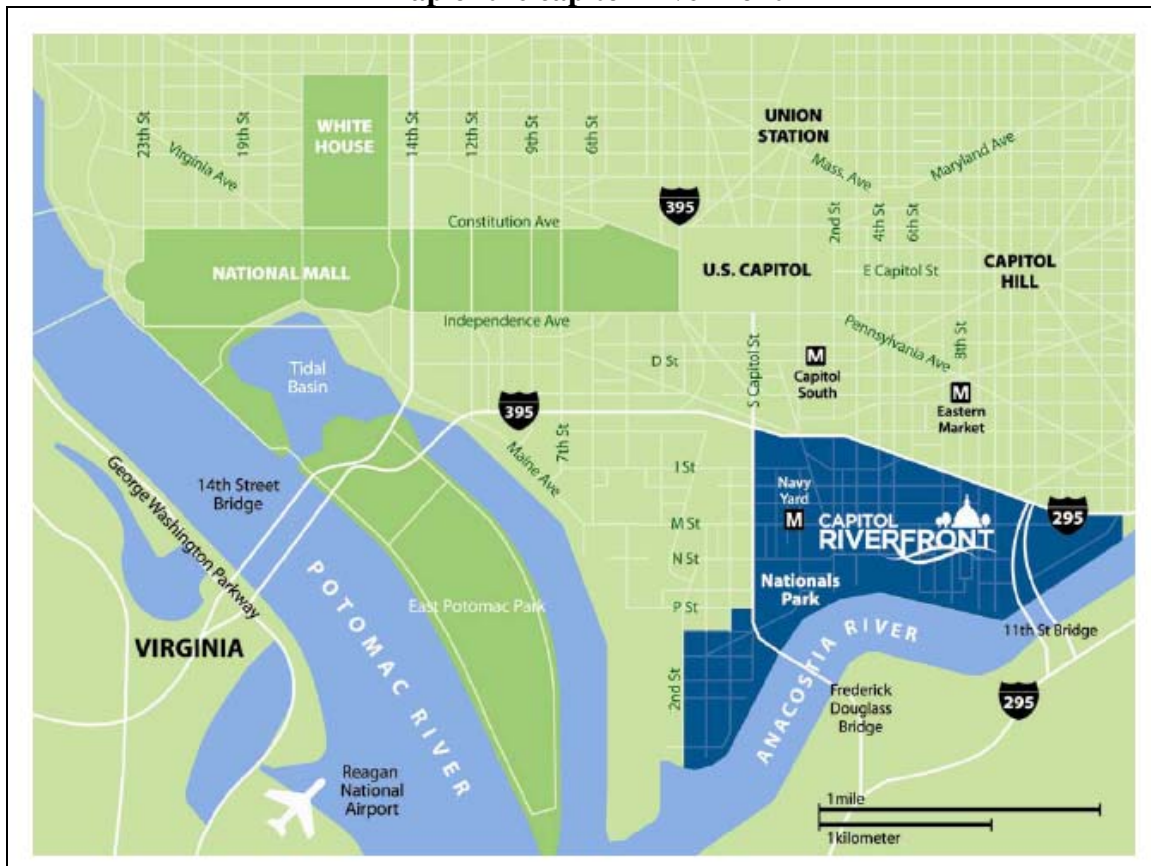
The sections of the practicum are Executive Summary, Development Overview, Site and Property Description, Market Analysis, Development and Construction Costs, Financials, Development Schedule, Development Logistics Project Management Plan and Conclusion and Recommendation. When viewed together, the research from each section of the paper will result in a determination of whether buying and building 250 M Street at Canal can translate to meeting the return criteria of a 20% return on cash invested with Rental Rates of \$54.00 gross for office space and \$58.00 gross for retail. The goal for this site would be to start construction at the beginning of 2013 with a completion date of year end 2014. First, second and third year percentage leased of the building would be anticipated to be 85%, 95% and 100% . A backend promote of \$500,000 for consulting services rendered during the development process will be will be paid to William C. Smith Company. A prospective cap rate of 6.25% will be used.

In the practicum deal factors of rental rate, cap rate, operating costs, timing, and construction costs will be looked at to gauge what the competitive range would be to create a positive cash flow on the property. With the Capitol Riverfront expanding, what follows is the current state of the market. For the purpose of the study, it needs to be understood if what the markets are predicting as a rebound will actually translate into market movement in the Capitol Riverfront. To date, there has been a lot of talk about a new wave of development taking place and the potential for the market to compete for deals with the rest of the city. Unfortunately right now that is simply not the case and deals have been few and far between.



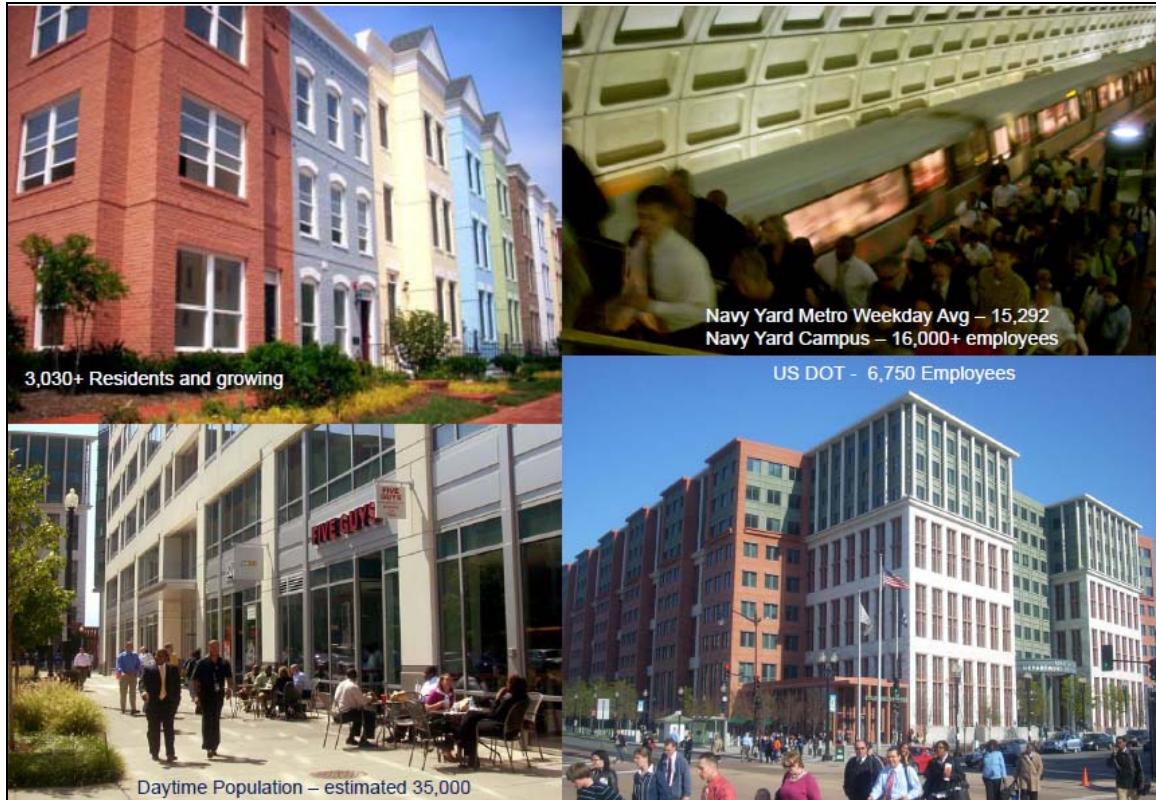
Estimated Delivery	Office Sq. Ft.	Retail Sq. Ft.	Res. Units	Hotel Rooms	Total Sq. Ft.	Est. Total Cost
Existing/ Completed	6,522,967	150,280	2,387	204	10,205,493	\$2.3 billion
Under Construction	379,000	31,000	210	0	713,000	\$562 million
Planned	9,054,780	838,490	5,612	921	23,999,945*	\$6.0 billion
Totals	15,956,747	1,019,770	8,209	1,125	34,918,438*	\$8.8 billion

Map of the capitol Riverfront



Within the neighborhood, the amenities could be the differentiators on the site that sets it apart from other areas in the city. The Capitol Riverfront, with the Nationals ballpark and multiple parks going in, is an area that requires careful analysis before reaching a full understanding of how these amenities will help the neighborhood appreciate in value compared to other areas in the city, and this directly affects the deal factors that will go into a go or no go on buying the site.





Based on the analysis of each of the sections, a determination will be made if the project is a go or no go. With the information that is included in the report, a clear understanding of where the market is now and where it would be when the building would be delivered will be laid out. In the conclusion section of the practicum, a decision will be made if the assumptions that have been laid out in this section are reasonable or not and if the project would earn or lose money. Therefore, a decision to move forward with the transaction will need to be set forth.

Part I DEVELOPMENT PROJECT OVERVIEW:

Overview

During the course of my practicum I will be evaluating whether Brindger Development should facilitate a joint venture with the William C. Smith Company to develop 250 M Street. 250 M Street is situated in the Capitol Riverfront District, 2 blocks from the Nationals Ballpark and many other amenities. The goal will be to complete a joint venture and to buy out the City of Washington, DC from their interest in the site. The City's interest in the site originated as part of the Capper/Carrollsborg redevelopment Planned Unit Development (PUD) project, which was a part of the redevelopment of the Capitol Riverfront. I will get into the complexity of this transaction later in this study. 250 M at Canal Park is located at 250 M Street, SE, Washington, DC and will be 215,000 sq. ft. of office space and 12,200 sq. ft. of ground floor retail.





250 M at Canal Park is anticipated to receive a LEED Gold certification and will offer fabulous views overlooking Canal Park, which is scheduled to open to the public in the 4th Quarter of 2011.



Deal Structure

As currently structured, the Williams C. Smith Company has embarked on a joint venture with the City of Washington, DC. Square 769, LLC, is a subsidiary of the William C. Smith Company. 250 M is part of the Capper/Carrollsborg redevelopment PUD. So while William C. Smith does the actual building, some of the proceeds from the payments-in-lieu-of-taxes for that land go back to Capper to help pay off the financing for the rest of the project (including the public housing component). Currently, the city

owns 70% of the property and William C. Smith owns 30%. Brindger Development proposes to come in and buy out the City's 70% stake, leaving a 70%/30% ownership split with William C. Smith. On the back end of the deal, if a 50% leasing goal is met within the first two years of the project completion, William C. Smith will get a \$500,000 dollar promote. Brindger Development will receive a development of \$1,000,000.

Brindger Development's goal would be to hold the property for 5-10 years, during which time period we would evaluate opportunities to sell the property at the peak of the market. Brindger Development is not a merchant builder, but rather a builder that looks to take advantage of the cycle of real estate - as opposed to just holding long term through the ebb and flow of each cycle. Brindger Development seeks at least a 20% return on their cash investment. To achieve this goal will require an efficient leasing of the building as well as a tightly controlled construction budget. The projection of higher rental rates in the Capitol Riverfront will also contribute to the potential for profitability at 250 M Street. Below you will find the specifics of the building to be constructed on the property:

Building Specifics

Design Approach

This state of the art Class A office building is ten (10) levels in height above grade. An additional three (3) levels are located below grade and are mainly used for parking, with some additional storage space. The building footprint is derived from site conditions and property lines. The building has been designed from the 'inside-out' approach, giving consideration to prototypical planning and workstation standards. This approach yields a space which provides the occupants with the most usable and flexible space. The core layout has been developed to provide the most efficient solution with respect to the following: vertical circulation (stairs and elevators), mechanical (HVAC, electrical, voice/data) distribution and structural bays.

Exterior

This high-performance building is currently targeted as a LEED gold building with the ability to achieve LEED platinum. The building has been designed to maximize energy cost savings and converse natural resources. The building will have a contemporary and classy exterior façade which will be constructed of a mixture of stone, precast concrete panels, and metal with a glass curtain wall. The window system is comprised of double-pane insulated glass with energy efficient low-E coating with aluminum frames. All windows are equipped with operable windows. Day-lighting will be used to help create a visually

stimulating and productive environment for building occupants, while reducing as much as one-third of total building energy costs. The building will feature a light lantern on the front facing the M Street side. The light lantern will go up the entire facade of the building and blend into a blue top hat as you reach the roof. The building will be distinguishable at night and will add the luminescence to the appeal. The main building entry is prominently featured, and designated with scaled vertical elements.

Roof

There will be a green roof on the building that will not only help with stormwater run off but also will help reduce the heat island effect. The roof will house the mechanical equipment in the penthouse as well as a roof top deck that will allow patrons to have tremendous views of the waterfront, the Capitol, and Canal Park. The roof system will be comprised of a hot fluid applied to the inverted roof membrane assembly (“IRMA”) with rigid insulation, filter fabric, and ballast above the membrane. The roof warranty is for eight years and is transferable.

Interior Finishes

The lobby of 250 M Street provides an important first impression of the contemporary, high tech, and modern nature of the building. This impression is reinforced by design composition, and with the use of quality material, spatial excitement, multi-level height, pleasing proportions, and visual comprehension. Finishes for the lobby include white marble floors and walls, with wood panel accents. The lobby is sized and finished to a level commensurate with other newly completed Class A office buildings in the area. The layout and location of spaces within the lobby and vestibule balance aesthetics, security, and operational considerations of the building and provide a smooth and secure progression for building occupants, visitors, and guests. Lighting, flooring, seating, wall coverings, and graphics provide an attractive and user-friendly environment. The building lobby will feature a dedicated HVAC system and 24 x 7 monitoring. This lobby provides adequate space for security screening and monitoring. The walls are composed of Polomix painted gypsum board panels with reveals. The drywall ceiling has perimeter light covers. Tenant areas are predominately finished with painted gypsum board walls, carpet flooring, vinyl base, acoustical tile ceilings, and recessed 2 x 4 florescent light fixtures. All tenant and core area doors are 9’-0” stained FSC certified red oak. All tenant door frames are anodized aluminum. The typical tenant build out is approximately 60 percent open space with systems furniture. The typical perimeter office is constructed with ceiling high gypsum board partitions.

Floor Loading Capacity

The office floors have been designed to accommodate 110 lbs., live-load. As the building is in the earlier stages of design, additional modifications can be made to upgrade portions of the building for higher floor loading capabilities. Dedicated bays can handle 180 lbs., live load.

Ceiling Heights

The finished ceiling heights are 8’6” to 9’6” on the office floors and 18’-0” on the retail floors.

Column Spacing

The column spacing is 30’ x 30’, which provides easy architectural layouts and long-term flexibility without having to plan around columns. High ceilings and absence of columns provides for an open floor plan that encourages a collaborative work environment.

Electrical Service

Electricity to the site is provided by PEPCO via a 4,000Amp vault located outside the building and will be feed to the switchgear in the main electric room on the Ground Floor. The service is then distributed to two electrical closets on each floor that contain high voltage panels, a transformer, and low voltage panels. The electrical panels on the tenant floors provide a capacity for tenant loads exclusive of base building HVAC system of 2 watts of lighting load and six watts of power load. The transformers provide 3 VA per rentable square foot.

A diesel driven stand-by emergency generator rated at 277/480V–3 phase–4 wire is provided to serve all life safety requirements: one elevator at each bank of elevators, the fire pump, the stairwell pressurization fans, the emergency lighting, the exit lighting, the sump and sewage pumps

and the fire alarm system via panels and dry type transformers. The roof penthouse area contains a space capable of accommodating a natural gas backup generator to provide standby power to Government equipment and operations if necessary.

HVAC

Currently the planned mechanical system consists of a high efficiency chilled water plant serving floor (2 per floor) chilled water, VAV air handling units with low temperature supply to fan powered VAV boxes with electric heat. All components of the system are designed for maximum efficiency and performance over all ranges of building occupancy.

The chiller plant is a variable, primary flow system with series, counter flow chillers. Cooling towers and pumps are variable speed to allow maximum efficiency at all load levels.

Floor air distribution is low temperature (48°F), VAV primary air to interior and perimeter fan powered VAV boxes. Zone sizes are about 450 SF at perimeter areas and about 1200 SF for interior areas. Filtered outside air is supplied to each air handling unit and precisely controlled to amounts meeting the latest ASHRAE recommendations, regardless of floor load.

EMS

The property has a Siemens Epogee Insight energy management system.

Fire / Life Safety

A fully addressable Simplex fire alarm system has been installed in the building in accordance with the District of Columbia code requirements. The fire alarm system has an annunciator panel located in the first floor lobby. A central station security company also monitors the fire alarm system. The building is protected by an automatic standpipe/sprinkler system in all areas. Fire department connections are included and interconnected for auxiliary supply to all standpipe/sprinkler risers for the building.

Security

The M Street and Ground Floor lobby entrances are secured with electronic locks that are activated by a card reader control system. All other building perimeter doors have alarms. All the elevators have card key access. An off-site central station monitors the access management systems at all times. A CCTV system monitors all building entrances as well as the surface parking lot. A guard desk is located in the ground floor lobby that allows the guards to monitor the CCTV cameras. The parking lot also has panic buttons installed on the light poles that sound an alarm at the guard desk when activated. Entries into the parking garage will be controlled and monitored. The service areas on the south side of the building are accessed through a single point on the northeast side of the site. The service access lane can be monitored and controlled with gates and vehicle barriers. The loading dock features rolling doors which are closed until required use. Access to the service corridors is controlled by card access controlled doors. The security will provide the building flexibility to house private or public sector tenants.

Access and control of the building parking will be maintained at the entrance to the parking garage through gates, and operated by proximity card reader technology. Access to the various levels of the parking garage can also be achieved/controlled with a series of gates and access points. Two (2) shuttle elevators connect the various levels of the parking garage to the main building entry. Elevators that service the building do not access the parking levels.

The building has a separate lobby air conditioning system. This is a constant volume, water cooled AC unit located on the first floor. The lobby is vented, and can be pressurized to minimize transmission of contaminants to the remainder of the building.

Restrooms

There are two sets of men's and women's restrooms located on floors 2 through 10. The ground floor has one set of men's and women's restrooms. The restrooms contain ceramic tile floors, vinyl wall coverings, painted gypsum board ceilings, and green marble vanities. All restrooms are ADA complaint.

Elevators

The building is well serviced with the latest high speed digital control elevators. All elevator cabs are 3,500 lb., 350 fpm speed. The parking levels are accessed with two (2) shuttle elevators. The office building has two cores. Each core has six (6) cabs which service all 12 levels (13 stops). All elevator cabs are electric overhead traction, and have a capacity for 4,000 lbs., 350 fpm speed.

Parking Garage

A total of 284 car spaces are available in two levels of an underground parking garage. The parking garage is accessed from the North West quadrant of the site directly off of M Street. Parking garage slab to slab heights are 12'-0" on basement level 2 and 10'-0" on basement level 3 and level 4.

Retail Space

The M Street 2nd Street and 3rd Street facades on the ground level are slated for 12,200 SF. This area provides excellent street access to the DOT headquarters and also is in walking distance to the Nationals ballpark. Each of the spaces provides flexibility due to the design of the shape and configuration. It is anticipated that any number of retail types would be successful in the spaces.

Sustainability

In an effort to meet Brindger Development's goal to design the building as a living building, 250 M Street incorporates numerous sustainable initiatives. As mentioned previously, the building has design features sufficient to qualify for a LEED Gold designation by the US Green Building Council (USGBC), but with some minor tweaking could reach the highly sought after and rarely achieved LEED Platinum designation.

The design currently includes low-flow bathroom fixtures, building orientation and use of day-lighting. The building energy strategy will include a high efficiency building envelope and lighting systems which are expected to result in 20% energy reduction, with 35% demand met by renewable sources. REC's will also be used to help integrate more renewable energy sources into the project. Building design maximizes daylight penetration. Recycled and salvaged building materials will be used to help lower project costs. FSC (Forest Stewardship Council) timber, which is more environmentally friendly than non-renewable timber, will be used in the entire building. Radiant slab heating and cooling are incorporated in the lobby. Also, as mentioned previously, a green roof will be used to help with storm-water run off and the heat island effect, while simultaneously providing additional amenity for building tenants.

Some areas are still being researched for cost effectiveness, including use of reclaimed gray-water in flushing toilets and in cooling of the building. Under Floor ventilation is also possible and being examined. Alternate HVAC systems are being discussed, such as geo thermal and a supplemental photo voltaic system on the roof.

Part II SITE and PROPERTY DESCRIPTION:

Physical Characteristics and Project Background

In 2001, DC received a \$34.9 million Hope VI grant to redevelop the 23-acre Capper/Carrollsborg public housing project as a mixed-income community. The 700 public housing units were to be replaced one-for-one, along with the development of 1,200 market-rate and workforce-rate rental and ownership units and 50 Section 8 ownership units. There will be 215,000 sq ft of office space at 250 M Street and 600 M Street, as well as 12,200 sq ft of retail space. Construction started on the first phase of townhouses in June 2008 and was completed in the summer of 2010. Reservations began to be accepted for the second phase units in June, 2010.

Located at the corner of 2nd and M Streets, SE, directly across the street from the new United States Department of Transportation building, 250 M Street is positioned in the middle of the emerging Capitol Riverfront neighborhood, which includes the new Nationals Ballpark. Convenient access to the Navy Yard and Capitol South Metro stations, I-295 and I-395, and the DC Circulator bus will enable future tenants of 250 M Street with direct access for their daily commute. 250 M Street is located in the heart of this thriving new business center that is rapidly becoming a 24 hour 7 day a week destination, much like what has occurred in the area surrounding the Verizon Center. The Capitol Riverfront, however, also boasts a fresh emphasis on sustainability and a genuine interest in creating a truly mixed-use neighborhood.

Site Photos



The northeast corner of 2nd and M in August 2003



The same location, with the billboard announcing the project, in May 2007.



The northwest corner of 3rd and M, in September 2000.



A wider view of the same location, 4 1/2 years later

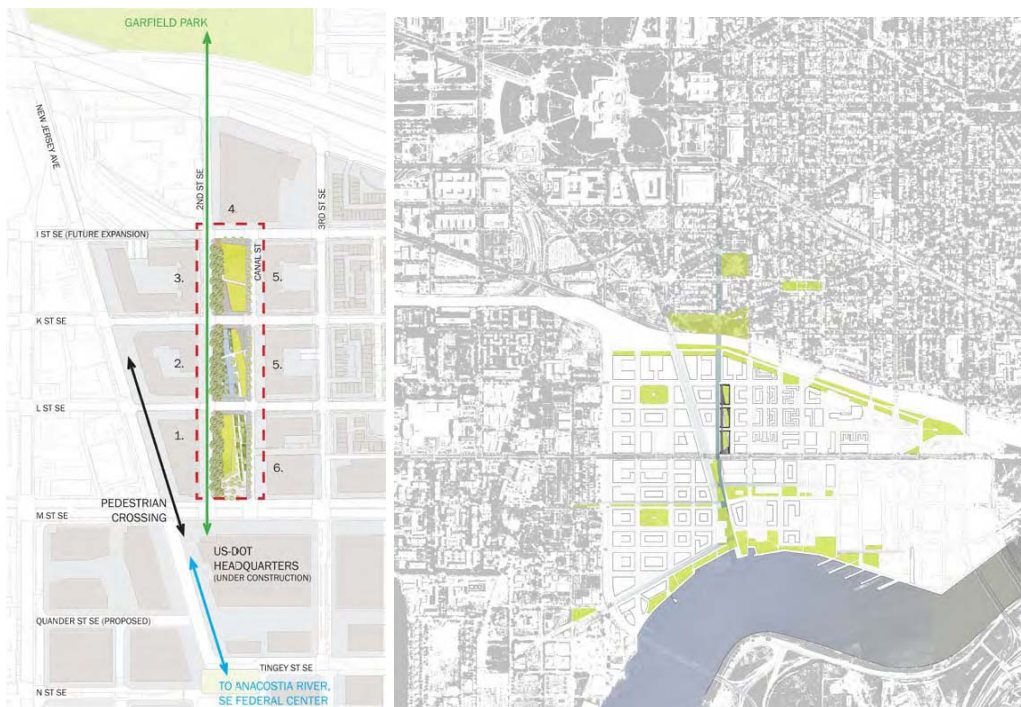


250 M Street will be an 11-story Class A LEED Gold office building with four levels of underground parking accommodating 237 spaces, 12,200 square feet of ground floor retail, and 215,000 square feet of office space, including a conference center on the 11th floor with a terrace overlooking the future Canal Park.

The addition of Canal Park will not only add a park to Washington, DC. but will act as a foundation. The construction will add cultural space that has an effective understanding of and connection to local and natural forces. Its design will integrate the larger needs of waterfront access and environmental quality with the local concerns of neighborhood open space and stormwater management. The park will establish vital pedestrian links between the Anacostia River waterfront and the larger park and trail networks associated with it. The park will also offer a meaningful cultural space to the neighborhood.



This space will help connect the emergent communities of the Southeast both to their local roots and to the story of their larger urban setting. The identities of these communities will be additionally defined by new forms of infrastructure that highlight and improve the connection between local land use and the larger environmental quality of the Anacostia River Basin. Washington Canal Park will be a central piece in the larger efforts of the Anacostia Waterfront Initiative to redefine the identity of neighborhoods surrounding the Anacostia River and their relation to the rest of the city. It will found larger visions of the city's past and future in the hidden narratives of its site, both manmade and natural.



Neighborhood

The Capitol Riverfront is a mixed-use neighborhood and riverfront destination. The district has already established itself as a forward-thinking business center and growing residential neighborhood. Renovated brick warehouses and newly completed buildings create the district's new retail district for dining, shopping and outdoor cafes. Plus, the

district has already established itself as a growing residential neighborhood with wide appeal. The district is home to lively entertainment with lunchtime concerts, outdoor movies and farmers' markets, rooftop happy hours, and National's Park. The district is conveniently and centrally located. Sharing its northern border with Capitol Hill, the Front is five blocks south of the US Capitol Building and located to the west of the Barracks Row entertainment district.

250 M at Canal Park – Proximity to Area Amenities

<u>Amenity</u>	<u>Proximity</u>
<u>Parks</u>	
Canal Park	Across Street
Yards Park	2 blocks
Garfield Park	5 blocks
<u>Food</u>	
Starbucks	1 block
5 Guys	1 block
Subway	1 block
Aroma Espresso Bar	2 blocks
Courtyard Café	2 blocks
Corneropia	2 blocks
Sizzling Express	2 blocks
Justin's Café	3 blocks
Quiznos	4 blocks
Barracks Row	6 blocks
<u>Hotel</u>	
Courtyard Marriott	2 blocks
<u>Retail and Services</u>	
CVS	1 block
Congressional Cleaners	1 block
SunTrust Bank	2 blocks
Capital One Bank	1 block
Wachovia Bank	4 blocks
<u>Fitness</u>	
Results, The Gym	5 blocks
Washington Sports Club	8 blocks
<u>Wine & Gourmet</u>	
Carrie's Fine Wines	5 blocks
<u>Entertainment</u>	
Nationals Ballpark	3 blocks
Trapeze School	1 block



UNITED STATES
CAPITOL COMPLEX

8 blocks to **US Capitol Complex**

250M

AT CANAL PARK



M Capitol South

M Eastern Market



11TH ST
BRIDGE



2.9 miles / 6 minutes to **Department of Homeland Security HQ at St. Elizabeth's**

MAP

As mentioned, a new stadium for the Washington Nationals, delivered for the 2008 season at the corner of South Capitol Street, SE and N Street, SE. The baseball stadium, hosting more than 80 home games a season, is expected to generate pedestrian traffic in a neighborhood that has been an industrial area for decades. The stadium is anticipated to be a catalyst for revitalization, much like the Verizon Center was for the Chinatown/7th Street corridor. Monument Realty and Akridge won the development rights to Half Street, SE, which will serve as the main corridor from the Navy Yard Metro station to the ballpark. The following developments kicked off the building.

Southeast Federal Center, "The Yards" – This 42 acre plot of Government-owned land is being developed by Forest City Enterprises and will contain 3.2 million square feet of residential space, 1.8 million square feet of office space, and 300,000 square feet of retail. In addition, there will be a 5-acre waterfront park with a promenade along the Anacostia River. In the end, the area will be a world class waterfront destination for residents and tourists alike.

Waterfront Mall – Vornado/Charles E Smith and Forest City Enterprises are redeveloping the former Waterside Mall site at 4th and M Street, SW into a 2 million square foot mixed-use project. Waterfront will also include 75,000 square feet of retail and 400,000 square feet of residential units. The District of Columbia government recently signed a 500,000 square foot prelease here and became one of the first significant non-federal users in the area. Construction began in the second quarter of 2007 and the first phase is expected to deliver in the summer of 2009.

Department of Transportation ("DOT ") Headquarters-The US Department of Transportation's new 10-story, 1.35 million square foot headquarters at the Southeast Federal Center is located on M Street and New Jersey Avenue, SE. Completed in 2006 and developed by The JBG Companies, the relocation of the DOT brought another 6,500 employees to the area and increased the need for private sector tenants. With new government funds being allocated to DOT projects, oversight, administration, finance, and other areas, integrated users will need space near DOT. DOT and affiliated entities are expected to have an expanding presence and role in the submarket.

The river and its renewal are at the heart of the Capitol Riverfront, offering impressive vistas and unique opportunities for recreation and waterfront living. Rising from the foundations of its 19th-century heritage as a shipbuilding and maritime powerhouse, the Front today is leading the way in riverfront renewal and green innovation. Here green is more than a color—it is a commitment evident in sustainable development, environmentally conscious businesses, mass transit access, walkability, and active public parks.



The Capitol Riverfront Business Improvement District (BID) is dedicated to making the Capitol Riverfront clean, safe, friendly and vibrant. The BID supports and enhances the Capitol Riverfront through the following activities:

- Clean Teams and Hospitality/Safety Ambassadors
- Marketing, Branding and Special Events
- Economic Development and Office, Retail & Residential Attraction
- Coordination with decision makers and advocating on behalf of ongoing public realm, transportation access, infrastructure and neighborhood improvements

The Capitol Riverfront has 30+ LEED certified existing or planned buildings, the largest green roof in DC on the U.S. DOT building, the first LEED certified ballpark, a LEED Neighborhood Development Pilot project at The Yards, the largest LEED for homes project in the country at Capitol Quarter, four new parks (including Canal Park) designed to be models of sustainability, and streetscape built with larger tree boxes and permeable pavers to collect storm water run-off and increase the green canopy. The parks are one of the most unique features of the Capitol Riverfront with Diamond Teague Park opening summer 2009, The Yards Park opening in 2010, and Canal Park opening in 2011.

Unwind or recharge with nature in the Capitol Riverfront, a place for an active and healthy lifestyle. The 20-mile riverwalk trail will be a pedestrian/bicycle promenade with spectacular views of the river and the city's skyline. With four new public parks and piers for boat docking, the Front will provide a variety of river access, open space, and recreational amenities.

The Capitol Riverfront Office: Approximately 5 million sf completed; 500,000 sf currently under construction; and 3.8+ million sf planned.

Residential: Approximately 950 residential units completed; 2,000 units currently under construction; and 2,700+ units planned.

Hospitality & Tourism: The U.S. Navy Museum, the Walking Museum of Transportation and a 200-room Marriott Courtyard completed; 196-room boutique hotel currently under construction; and approximately 800 rooms planned.

Retail & Entertainment: Eight restaurants; Courtyard by Marriott Lounge/Bar; Starbucks; CVS; Congressional Cleaners dry cleaner; Chevy Chase Bank; Lower Barracks Row; plus the 41,000 seat Nationals' Ballpark with over 100 concessions including Ben's Chili Bowl, Cantina Marina,

DEVELOPMENT MAP

1. THE JEFFERSON

JPI
Residential: 448 apt. units

2. THE AXIOM

JPI
Residential: 246 apt. units

3. 231 STREET

Ruben Companies
Mixed Use: TBD

4. THE 909

JPI
Residential: 237 units
Retail: 6,000 SF

5. 1000 SOUTH CAPITOL

Lerner
Office: 320,000 SF
Retail: TBD

6. 45 M STREET

Office: 275,000 SF
Retail: 15,000 SF

7. W ALOFT HOTEL

196 Rooms
Retail: 5,000 SF

8. MONUMENT RESIDENTIAL

Residential: 340 units
Retail: 30,000 SF

9. SQUARE 740

Akridge
Mixed Use: TBD

10. 1111 NEW JERSEY

Office: 293,000 SF
Retail: 18,000 SF

11. 1100 SOUTH CAPITOL

Ruben Companies
Office: 350,000 SF
Retail: TBD

12. RIVERFRONT ON THE ANACOSTIA

FRP Development
Office: 545,000 SF
Retail: 80,000 SF
Residential: 275 units
Hotel: 325 rooms

13. 1900 HALF ST SW

Douglas Development
Office: 477,562 SF

14. 100 V ST SW

Akridge
Mixed Use: 2.7 million SF

15. COAST GUARD HQ

Monday Properties
Office: 592,000 SF

16. PLAZA ON K

DRJ Development
Office: 795,000 SF
Retail: 30,000 SF

17. VELOCITY CONDOS

Cohen Companies
Residential: 200 units
Additional phases of mixed use TBD

18. 1015 HALF STREET

Douglas Wilson Co.
Office: 379,000 SF
Retail: 21,000 SF

19. ONYX ON FIRST
Faison/Canyon-Johnson
Residential: 266 apt. units

20. 50 M STREET

Monument Realty
Office: 135,000 SF
Retail: 5,000 SF

21. 100 M STREET

Office: 225,000 SF
Retail: 15,000 SF

22. 80 M STREET

Wells-BET
Office: 275,352 SF

23. 20 M STREET

Lerner
Office: 180,633 SF
Retail: 10,000 SF

24. 800 NEW JERSEY

William C. Smith & Co.
Mixed Use: 1.5 million SF

25. CAPITOL HILL TOWER CO-OP

Valhal Corp.
Residential: 344 co-op units
Retail: 9,500 SF

26. COURTYARD BY MARRIOTT

204 rooms
Retail: 4,000 SF

27. FEDERAL GATEWAY 1

William C. Smith & Co.
Office: 293,000 SF
Retail: 18,000 SF

28. 225 VIRGINIA AVE

DC Government
Office: 350,000 SF

36. 600 M STREET

DCHA/Forest City
Office: 484,780 SF
Retail: 15,000 SF

37. MARINE BACHELOR ENLISTED QUARTERS

Dept. of Navy
Residential: 166 dorms, sports field, rehearsal hall & parking garage

45. 401 M STREET

Forest City Washington
Residential: 200 units
Retail: 56,000 SF (planned grocery store)

46. 400 TINGEV STREET

Forest City Washington
Residential: 190 apt. units

47. BOILERMAKER SHOPS

Forest City Washington
Retail: 33,540 SF
Office: 12,000 SF

56. THE CAR BARN

Madison Marquette
Existing: Charter Schools
Planned Retail: 94,400 SF

57. 1099 8TH STREET

G Properties
Retail: 10,000 SF

58. ACC MULTI-FAMILY SQ 882

DCHA/Urban Atlantic
Residential: 189 units

59. VAN NESS ELEMENTARY SCHOOL

DC Government
Existing: Office Use

60. ACC COMMUNITY CENTER

DCHA/Urban Atlantic
Community: 18,000 SF

61. CARROLL APARTMENTS

DCHA
Residential: 60 units

62. 411 STREET

WMATA/Donatelli Development
Residential: 84 Units
Retail: 5,300 SF

63. 1 M STREET

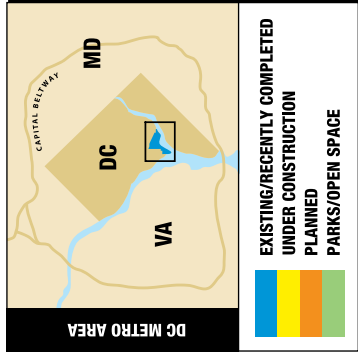
Monument Realty
Office: 310,000 SF
Retail: 15,000 SF

64. MARINA PLACE

Buzzards Point LLC
Residential: 99 units
Retail: 2,047

65. BUILDING 170

JBG
Retail: 7,000-11,000 SF

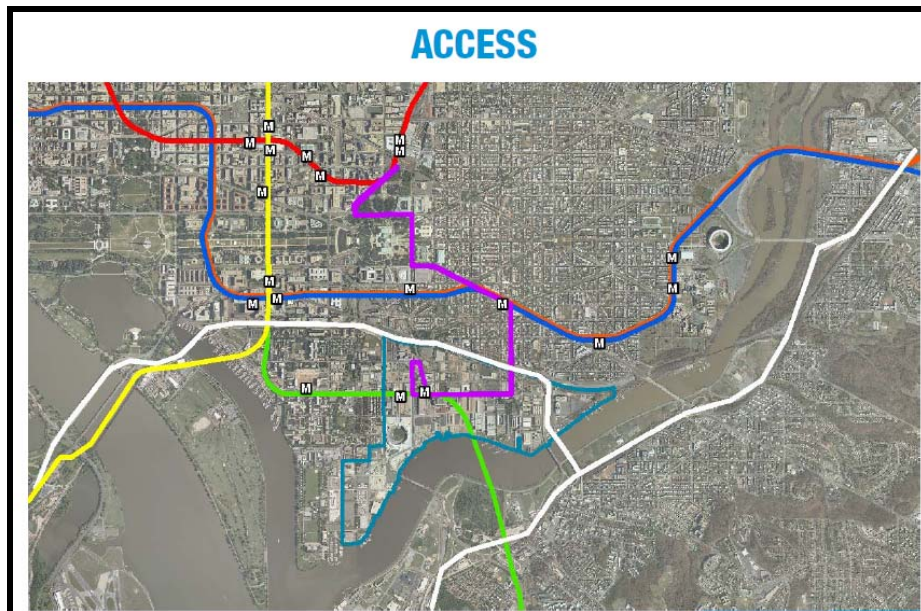


EXISTING/RECENTLY COMPLETED
UNDER CONSTRUCTION
PLANNED
PARKS/OPEN SPACE

Red Hot & Blue, Giffords Ice Cream and more; 128,000 sq ft of retail space currently under construction; and 250,000+ sq ft retail planned.

Public Transportation and Ingress and Egress

Tenants who drive to work can easily get to 1015 Half Street from Northern Virginia, suburban Maryland, or elsewhere in the District. I-295 and I-395 directly link the Capitol Riverfront to suburbs in Springfield, Arlington, Fairfax County, and Prince George's County. The tunnels running under the National Mall also link these major thoroughfares to business centers in the CBD and East End. The drive time to the South Building via I-395 is 4.5 minutes, covering a distance of 1.7 miles.



250 M Street is located a short 1 block walk from the Navy Yard Metro Station, which is serviced by the Green line. In 2 stops on the Green line, a rider can be at L'Enfant Plaza, a major transfer point where riders can switch to the Orange, Blue, or Yellow lines. One

can also easily access the Metrobus system (routes A9, A42, A46, A48, N22, P1, P2, P6, P17, P19, V7, V8, V9, W13), which makes stops right in front of the station.



A commuter bus service runs daily that transports employees from areas as far as Woodbridge, Manassas, and Loudoun County and makes a stop at the corner of New Jersey Avenue and M Streets, SE. A circulator bus running along M Street connects the Capitol Riverfront to Union Station, giving employees access to Metro’s Red line, as well as trains in and out of the city. Reagan National Airport is only 2 miles away and the Front is linked to several regional bicycle routes and trails.

ACCESS – ESTIMATED DRIVE TIME COMPARISON IN MINUTES

Point of Origin	Capitol Riverfront (1100 NJ Avenue, SE)	Downtown (9th & F Street, NW)
Reston, VA	34 - 50	30 - 50
McLean, VA	20 - 25	18 - 28
Alexandria, VA	12 - 20	12 - 22
Springfield, VA	17 - 30	17 - 30
Manassas, VA	48 - 90	45 - 80
Woodbridge, VA	32 - 45	32 - 45
Upper Marlboro, MD	27 - 37	31 - 41
Bowie, MD	24 - 55	24 - 30
Greenbelt, MD	22 - 55	22 - 30
Rockville, MD	35 - 45	31 - 40
Bethesda, MD	31 - 41	23 - 33
Frederick, MD	60 - 90	59 - 80
Potomac, MD	34 - 45	31 - 41

Zoning Details

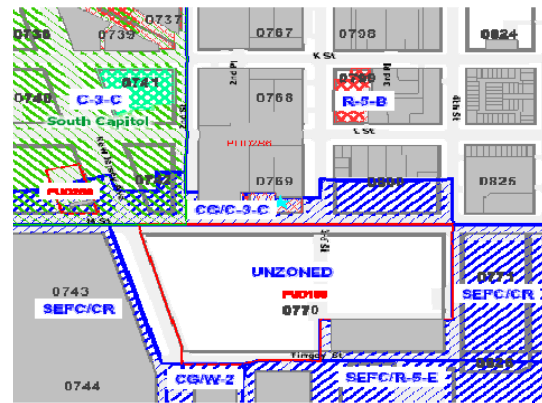
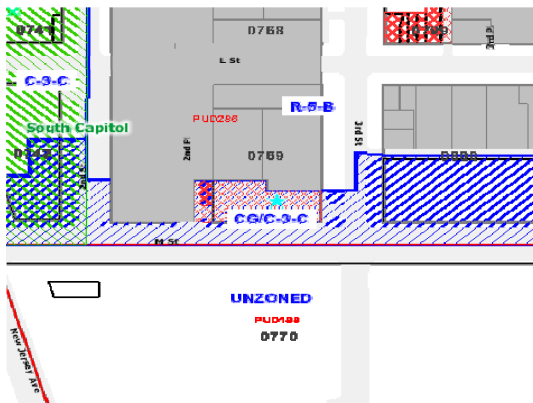
Zoning Commission voted 5-0 to extend the allowed building height and expand the total square footage of the proposed office building at 250 M Street, in what is technically a modification to the Capper/Carrollsborg second-stage PUD that incorporates this office building. The building, which will be attempting to achieve LEED silver certification and which will have ground-floor retail, will now be 130 feet high and have 233,405 square feet of space. The discussions at the hearing centered mainly on the penthouse structure, the "next generation" elevator technology that allows for less overhead space, and how exactly the agreement with ANC 6D should be viewed.

William C. Smith's Brad Fennell testified that the developer has agreed to additional amenities beyond those in the original PUD (which included \$325,000 toward the funding of Canal Park). He described the new amenities as "recruiting construction workers from ANC 6D by purchasing quarterly ads in the Southwester, creating an overall goal of 20% first-source employment for qualified ANC 6D residents, and providing contracting and new hiring opportunities for local residents and subcontractors by giving tiebreaking preferences to subcontractors headquartered in ANC 6D and for qualified construction workers living in that area." On May 12 the ANC tied 3-3 on the project, but apparently some subsequent tweaking of the proffer into this final form resulted in a letter from the ANC indicating that four commissioners would support the project with these additional amenities.

The Zoning Commissioners felt that, since this was not an official vote of the ANC, it couldn't be given the required "great weight," but could be looked at the same as would

be any feedback from a neighborhood association. The fact that no ANC members appeared at the hearing to testify in opposition also was noted. This office building is technically a joint venture between WC Smith and the DC Housing Authority, with the monies from it helping to "financially leverage" the rest of the redevelopment.

Record Details			
Neighborhood:	OLD CITY I	Sub-Neighborhood:	E
Use Code:	64 - Parking Lot-Special Purpose	Class 3 Exception:	No
Tax Type:	TX - Taxable	Tax Class:	002 - Commercial
Homestead Status:	** Not receiving the Homestead Deduction		
Assessor:	QUINTON HARVELL		
Gross Building Area:		Ward:	6
Land Area:	13,345	Triennial Group:	2
Owner and Sales Information		Tax Year 2011 Preliminary Assessment Roll	
Owner Name:	SQUARE 769 LLC WILLIAM C SMITH & CO		
Mailing Address:	1100 NEW JERSEY AVE SE #1000; WASHINGTON DC20003-3302	Current Value	Proposed New Value (2011)
Sale Price:	Not Available	Land:	\$7,473,200
Sale Date:	Not Available	Improvements:	\$100
Instrument No.:		Total Value:	\$7,473,300
		Taxable Assessment: *	\$7,473,300



Zone	Description	Min Lot Width	Min Lot Area	Max % Lot Occupancy	FAR Residential	FAR Other Uses	Max FAR	Max Stories	Max Height	Remarks
C-3-C	Permits matter-of-right development for major business and employment centers of medium-high density development, including office, retail, housing, and mixed uses	0.00	0.00	100.00	6.50	6.50	6.50	No Limit	90.00	
Overlay	Description	Min Lot Width	Min Lot Area	Max % Lot Occupancy	FAR Residential	FAR Other Uses	Max Stories	Max Height	Remarks	
CG	Capital Gateway Overlay District	0.00000000	0.00000000	0.00000000	0.00000000	0.00000000	0.00000000	0.00000000	Assure mixture of residential and commercial uses, encourage support and visitor related issues, continuation of existing industrial uses, reduced height and bulk along Anacostia River, require suitable ground level retail and service uses	

Part III MARKET ANALYSIS

PURPOSE:

The purpose of this market study is to determine whether there is appropriate support for 250 M Street to be acquired and constructed, and, if so, will the market support the leasing requirements. The Analysis will show if the conditions that currently exist and are forecasted will allow the building to be leased and therefore allow for collection of all the predicted cash flow.

LIMITING CONDITIONS:

This analysis contains both primary and secondary data, most of which is specific to the primary and secondary market. Secondary data provided for the demand analysis is specific to the class A office market while growth trends and demand calculations rely on more general sources, proprietary firms, and public agencies that limit their analysis to the overall office market. Primary data was utilized in deriving the market rents through comparable properties and the results are therefore inferred to reflect the market trends. As a result, future trends also will rely heavily on historic data. If general growth trends are deemed positive, future demand is also inferred to exist, and the reader is to decide on the level of demand that exists for property.

PRODUCT DESCRIPTION:

The subject property is conceptually planned for a Class A office building consisting of 215,000 sq. ft of office space and 12,200 sq. ft. of ground floor retail. The site will be supported by 232 parking spaces. The proposed site is located just south of Capitol Hill, with access to interstates 395 and 295. There is also access to Pennsylvania Avenue, South Capitol Street and M Street in the immediate vicinity. Metrorail access is available

via the Navy Yard (Green), Eastern Market (Orange/Blue), and L'Enfant Plaza (Orange/Blue/Yellow/Green) Metrorail stations. All of the region's airports are also easily accessible: Reagan National Airport (6 miles), Washington-Dulles International Airport (30 miles), and Baltimore-Washington International Airport (31 miles).

PRIMARY & SECONDARY MARKET:

- **Capitol Riverfront Primary Market**

Overview

The primary market where the site is located is the 500 acre neighborhood, which features one and a half miles of river frontage stretching north to the U.S. Capitol. The Capitol Riverfront is conveniently located around the Navy Yard Metro and within walking distance to the Capitol South Metro and Eastern Market Metro. Some of the prominent landmarks in the ballpark neighborhood include the U.S. Navy Yard, the U.S. Department of Transportation Headquarters, Nationals Park, Diamond Teague Park, Half Street entertainment district, and The Yards.

Historically the Capitol Riverfront was anchored by the Washington Navy Yard, the longest continually operating naval facility in the country. From the 19th Century until the end of World War II, the Capitol Riverfront was a lively wharf with vibrant commercial districts, streetcars, and a riverfront residential community. After WWII, the Washington Navy Yard reduced its operations, which slowed the economic activity of the area and around this same time the elevated portion of the Southeast-Southwest Freeway was completed, creating a physical barrier between Capitol Hill and the River.



Source:JD Land

Once deemed one of the most dangerous neighborhoods in the city, the Capitol Riverfront has rebounded with new development leading the way. This market is quickly becoming a dynamic mixed-use infill area where parking lot after parking lot are being developed. For decades, activity relating to the waterfront along the Potomac River was limited to a few restaurants, the Fish Market, and a neighborhood park. Along the Anacostia River in Southeast DC, industrial uses predominated along Buzzard Point, Southeast Federal Center, and the Washington Navy Yard. This, however, is due to change, as plans are in place to clean the Anacostia River and to redevelop the adjoining areas on both banks of the river to create access and activity along this long-ignored amenity. Rather than providing river access at the neighborhood scale, the plan calls for the development of a regional destination and gathering place along the river. Much of the land on both sides of the Anacostia River is owned by the federal government or the

District of Columbia. The plan calls for cleaning the river and monitoring and ensuring environmental quality. It also outlines the elimination of barriers and provision of connectivity to the river by way of transportation improvements, such as pedestrian and bike friendly bridges. A great example of this is the creation of two parks that are currently under construction. 250 M Street is located right on top of Canal Park, which broke ground in September 2010, and is also within a block of the Yards Park.

The Yards Park



Source:Forrest City

Canal Park

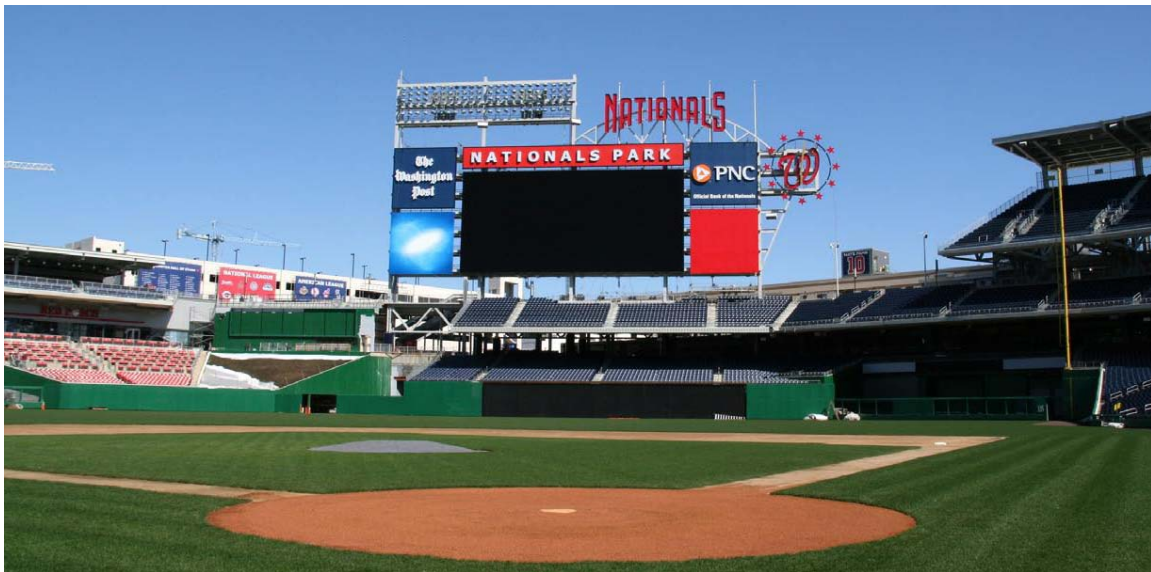


Source: Studios Architectures

NAVSEA's move to the Washington Navy Yard originally brought 4,100 jobs to the submarket. That number is projected to grow over the next five years. DOT headquarters accounts for 6,500 jobs. Approximately 2,300 residential units will have been delivered by the beginning of 2012, which will further support and promote demand among contractors in the area.

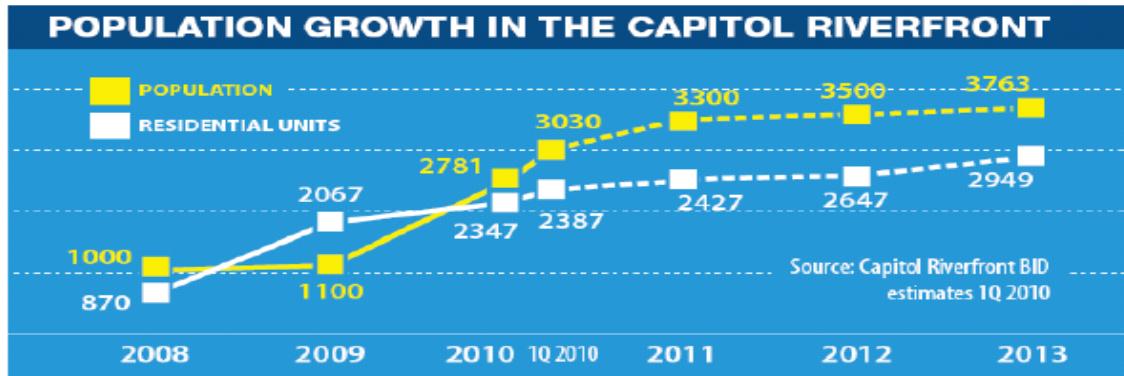
The Washington Nationals Ballpark, built for the 2008 season, has been a catalyst for revitalization and has effectively branded the immediate area, bringing with it a new identity. The Ballpark, serving as the anchor to this market, has prompted the local development community to set in motion the creation of a new entertainment draw that is slowly becoming one of the places to be seen in DC. With substantial residential development already underway to accommodate the large influx of residents and the expected migration into this neighborhood, the neighborhood is fast on its way to becoming a "twenty-four seven" neighborhood. The \$600 million baseball stadium, which increased activity, has also helped by adding much needed new infrastructure,

making the Capitol Riverfront potentially one of the most exciting places to live and work in Washington, DC.



Source: Washington Nationals

The combination of the new Ballpark and the waterfront initiative has caught the eye of local developers such as JBG, Lerner, the Cohen Companies, the former Opus, and William C. Smith, as well as many national developers such as Forest City and the former JPI. Those groups were the pioneers who began creation of one of the most concentrated areas of development in the region. With the credit markets beginning to loosen up, the next potential wave of development in the district is lining up. With the combination of parks being built there, the Capitol Riverfront is being targeted as one of the places with potential up side.

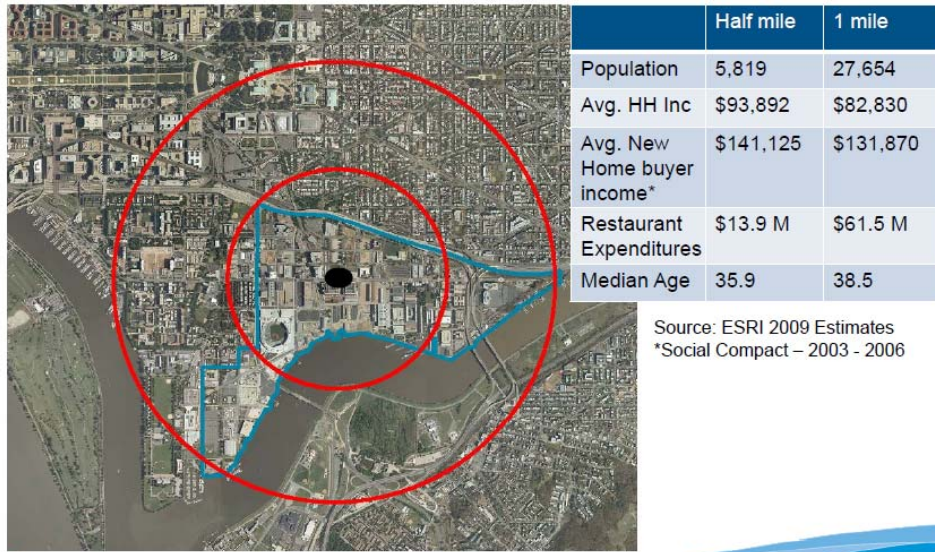


Source Capitol Riverfront BID

A lot of the sites that were originally entitled are now being given serious consideration as build to suits or looked to for potential for speculative development. Currently there are no office buildings scheduled to come out of the ground in the next 2 years, though several apartment projects are looking to begin construction before the end of 2011.

These projects, along with the planned mix of retail offerings, will help redefine the area and establish a year-round destination location on the river. Commercial uses have already begun with the additions of Courtyard by Marriott, Starbucks, Subway, Wachovia, Five Guys, Chipotle and CVS.

DEMOGRAPHICS



Source Capitol Riverfront BID

Market Dynamics

Office Vacancy & Rental Rates

The area currently consists of 11 prime office buildings (9 Class A and 2 Class B) making up 4,380,998 square feet of existing space, with an additional 379,000 square feet of Class A office space (1015 Half Street) expected to deliver sometime in 2011.

Between 100 and 300 M Street, there is approximately 250,000 square feet of vacant Class A office space.

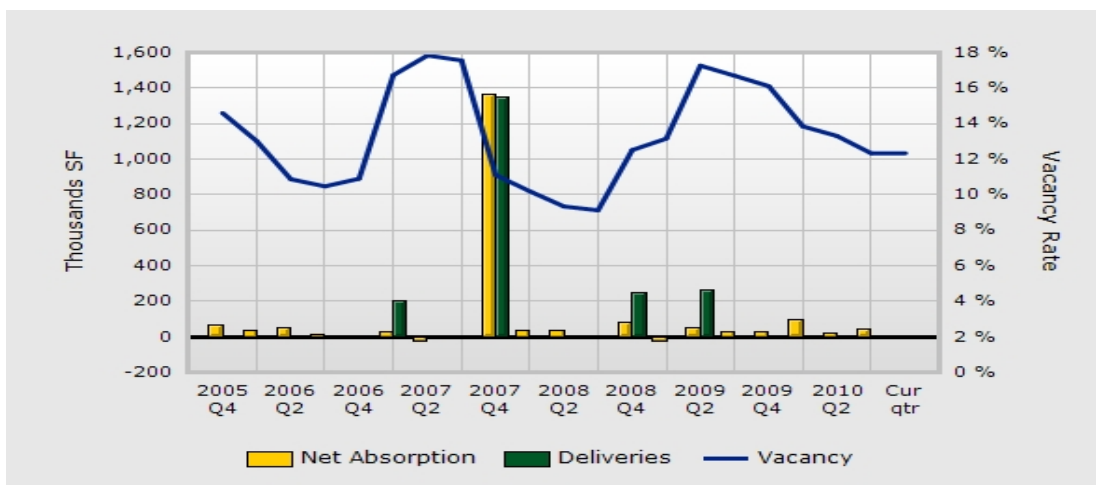
Overall, the Ballpark has a 13% vacancy rate with 575,216 square feet of Class A office space on the market. With no deliveries year-to-date, the market has absorbed 180,685 square feet. The Department of Transportation is the largest Government tenant with its Headquarters located at 1200 New Jersey Ave, and has leased an additional 150,000 square feet of office space at Monument's 55 M Street.



Source Capitol Riverfront BID

Formerly an Opus East development project, 100 M was put on the auction block on October 28, 2010 and was reportedly bought for \$57 million by Northwood Investors, a New York private real estate investment management firm. The deal only includes the 60-year leasehold interest, as Opus never bought the land. The building is approximately 43 percent leased and with the new ownership, retail and office deals could be on the horizon.

The graph below (Costar) illustrates the relationship between net absorption, net deliveries, and vacancy rates for the Ballpark dating back to fourth Quarter 2005.



Source Costar

As planned projects continue their current holding patterns, supply is constrained. In time, vacancy rates will begin to decrease as demand continues to grow. According to a spokesman for Naval District Washington, the Navy intends to hire an estimated 1,100 workers at the Washington Navy Yard and as many as 2,500 more by 2015. These transfers and new programs would require 700,000 square feet and it's not clear how much the Navy Yard can absorb.

Current average asking rental rates for full service Class A office space are approximately \$44.45 per square foot. This represents a slight discount from other downtown DC locations which are typically \$10.00 - \$15.00 per square foot higher. Historically the Capitol Riverfront relied on the Navy Yard and its subcontractors for leasing. However, with 3.5 million square feet of office space in the pipeline and a commitment to revitalize the area, private sector tenants have been slowly seeing the Capitol Riverfront as a new alternative to the East End. At the end of the third quarter, the vacancy rate for the submarket was 7.2%, following a 70 basis point decline due to nearly 80,000 square feet of positive net absorption. Several of the main economic factors contributing to the strength of this market are the limited exposure to the financial sector and increased federal spending. Class A rents for new product in SE/ SW are approaching the \$50.00 psf FS threshold, and for existing product Class A rents range in the low to mid \$40.00's psf FS. This represents a discount to downtown locations where rates for existing Class A product typically are in the high \$50.00's to low \$60.00's psf FS.

The District of Columbia offers one of the strongest retail markets in the nation. Many retailers are successfully investing in emerging corridors and bringing new retail energy

to neighborhoods. DC's neighborhoods offer a wide variety of retail experiences, from quiet neighborhoods to vibrant entertainment districts. The District's commercial centers include community-serving shopping streets, regional retail attractions, long established retail destinations, one-of-a kind locally owned businesses, international brands, and much more.



Source Capitol Riverfront BID

As mentioned previously, the Capitol Riverfront is one of the major redevelopment areas in the city. Nicknamed by some the District's “baseball district,” the area is undergoing perhaps one of the most dramatic transformations of all neighborhoods in the city, replacing heavy industry. With half a million square feet of retail space for the neighborhood planned, some of which is already under development, the neighborhood has the potential to become a retail hub.



Source Capitol Riverfront BID

M Street is the submarket's primary road and acts as a multi-modal corridor for cars, buses, and the Metro. Although it is auto-dominant, the streetscape is in good condition and is not hostile to pedestrians. More ground-floor retail will help maintain a balance between cars and people. South Capitol Street is another defining road, but is not where retail efforts should be concentrated because of its overwhelming traffic and multi-grade lanes. N Street will become a major internal street; it should be redeveloped with enhancement of the pedestrian experience as a priority. The river's edge will be similarly important. It should be designed with a strong pedestrian-only promenade that links the multiple waterfront properties together in order to create a more cohesive retail environment.

Estimated Supportable Square Feet 2012

Area	Low Range	Site Supportable	High Range
Apparel & Apparel Services	9,900	11,000	13,200
Entertainment & Recreation	16,900	18,800	22,600
Personal Care	12,100	13,400	16,100
Household Furnishings and Equipment	4,600	5,100	6,100
Grocery	41,300	45,900	55,100
Food and Drink Away From Home	36,400	40,400	48,500
Subtotal 2012 Supportable	121,200	134,600	161,600
Less Existing Retail 1/	(39,273)	(39,273)	(39,273)
Less Planned/Under Construction 2/	(125,216)	(125,216)	(125,216)
Total 2012 Supportable	(43,289)	(29,889)	(2,889)

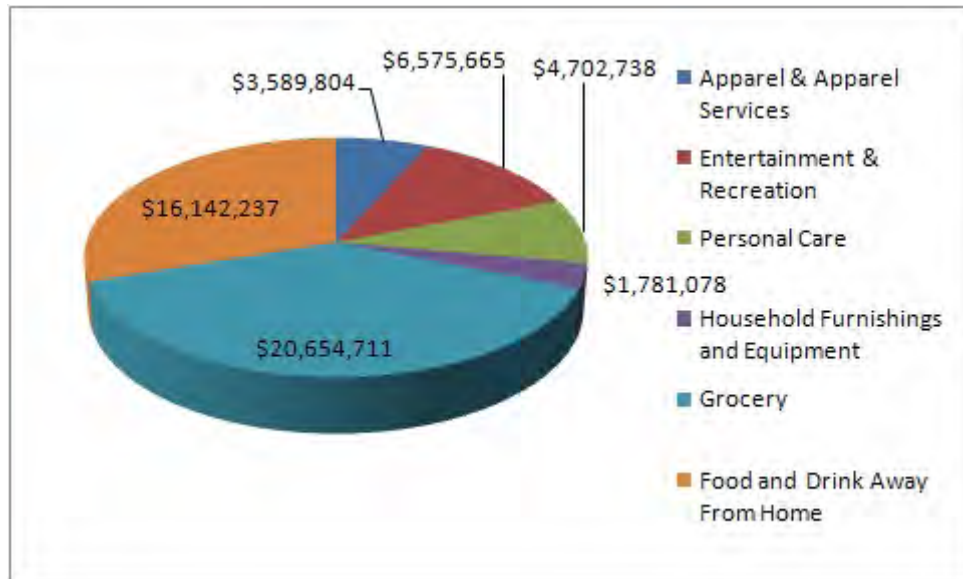
1/ Includes adjusted inventory

2/ Includes retail at Half Street, The Admiral, Federal Gateway, 100 M St., Jefferson's, Velocity and Onyx

Source: ESRI Business Analyst; Economics Research Associates, 2007

Currently, the most significant intersection occurs at M Street and New Jersey Avenue, near the entrance to the Navy Yard Metro station. Like other intersections along M Street, it is marked by a change in paving material that helps define it as a pedestrian zone. On the other hand, intersections along South Capitol Street are auto-dominant and do not function well for pedestrians because they are overwhelmed by infrastructure. As construction continues, however, new major intersections will evolve. For example, M Street and Half Street will become a key intersection for stadium-goers (while South Capitol Street will remain auto-dominant). Similarly, as internal streets redevelop and the waterfront promenade forms, new pedestrian plazas will become community gathering spaces.

Estimated Captured Retail Trade Area Spending, 2012 \$53.4 Million



Source Economic Research Associates

Strengths

- Redevelopment is already well underway, with major investment in the area; projects in the pipeline propose: 465,000-785,000sf of retail/restaurant space, 350,000-1.6 million sf of office, 1.9-3.6 million sf of residential (1,570 to 2,980 units), and 7,000-8,000 parking spaces
- Large swaths of undeveloped waterfront land are a rarity in DC and represent prime redevelopment and revitalization opportunities
- The Nationals baseball stadium will be a super-regional draw and entertainment anchor, bringing tens of thousands of people to the area on days/nights when it is active
- Significant new office construction provides a steady daytime population and increases the demand for goods and services; the Department of Transportation headquarters anchors M Street's office population with 7,000 employees
- The submarket has an excellent location close to downtown, with easy access to the Southeast and Anacostia Freeways
- M Street is a multi-modal corridor for cars, buses, and the Metro; the submarket has easy access to the Navy Yard Metro station
- The existing streetscape along M Street is in good condition; there has clearly been investment in brick paving, intersections, and globe lampposts

Weaknesses

- South Capitol Street is an auto-dominant corridor used to get in and out of the city; its traffic and multi-grade lanes make it unsuitable for retail and hostile to pedestrians

- There is little ground-floor retail throughout the submarket, especially along M Street, which has many large-scale offices; however, this will likely change as the area continues to develop
- There are several gaps along M Street with buildings in poor condition; however, these parcels are slated for redevelopment
- There are several gaps along M Street with buildings in poor condition; however, these parcels are slated for redevelopment



Source Economic Research Associates

With the market on upward trend, the retail rates have been on the rise as well.

Unfortunately, like NOMA and the East End, retailers are still hesitant to commit to the Capitol Riverfront. Currently, rental rates are \$53.00 to \$55.00 Full Service in the Capitol Riverfront. They are predicted to rise to \$55.00 to \$60.00 by 2012. With the Nationals Ballpark and demand for office space picking up, there is potential for retail leasing to

pick up as well. There are potentially some large Government tenants that could take space in the Capitol Riverfront during the next few years, and this should help increase the foot traffic. The addition of more multi-family units in the Capitol Riverfront should also help with the 24 hour need for retail.

Tenants in the area

SE inventory is small compared with its neighbor to the west. Only 3 million square feet of office space currently exists in Southeast, about half of which is occupied by the Department of Transportation at their new headquarters at 1200 New Jersey Avenue, SE. Aside from the DOT, major tenants include Anteon/Alion (155,000 sf), BAE Systems (95K), L3 Communications (39K), Raytheon (30K), and Stanley Associates (17K). Both SE & SW are slated to be the largest beneficiaries of federal spending, as 12 of the 27 agencies most likely to be impacted by the stimulus package are located in this market. L'Enfant Plaza, Washington, DC's largest federal enclave, is located in Southwest DC.

L'Enfant Plaza is found between Independence Avenue and Interstate 395 (Southwest Freeway) and is characterized by very large buildings built in the 1960s and 1970s. Footprints typically exceed 30,000 square feet and total building area ranges between 250,000 and 400,000 square feet.

Major tenants in both public and private buildings include federal departments and agencies such as Housing and Urban Development, Agriculture, Education, Small Business Administration, Federal Aviation Administration, and the Government Services Administration (GSA), the major real estate arm of the Federal government. Notable

private sector tenants include Carefirst, Biotechnology Industry Organization, and Northrop Grumman. Some of the prominent office tenants in the Front include: U.S. Navy Yard, NCIS, U.S. Department of Transportation, U.S. Coast Guard, William C. Smith & Company, Alion, General Dynamics, BAE Systems, Computer Science Corporation, Unity Health Care, Washington Nationals, Living Classrooms, Earth Conservation Corps, AT&T, Lockheed Martin, Booz | Allen | Hamilton, Northrop Grumman, Parsons Engineering, Bureau of Land Management, and Sayres and Associates, among others.

- **Greater Washington DC Secondary Market:**

- **Overview**

The city of Washington, DC is located on the north bank of the Potomac River and is bordered by Northern Virginia to the southwest and Maryland to the other sides. This cosmopolitan city was the first American city to be planned, with its wide, tree-lined streets. As the nation's capital, Washington, DC, has earned its spotlight as more than just a center of political power. It ranks as a world-class city for its many attributes: thriving, diverse economy, outstanding educational institutions, abundant cultural attractions, magnificent museums, efficient mass transit systems, sustainability, leadership, and more.

The DC Region has a solid employment base, with the federal government supporting nearly 3 out of 10 jobs in DC. Additionally, many organizations such as law firms, civilian and defense contractors, non-profit organizations, lobbying firms, trade unions, industry trade groups, and professional associations base their headquarters in the region to keep ties with the federal government. This provides a stable economic foundation,

allowing the DC area to post the lowest unemployment rates among major metropolitan areas.

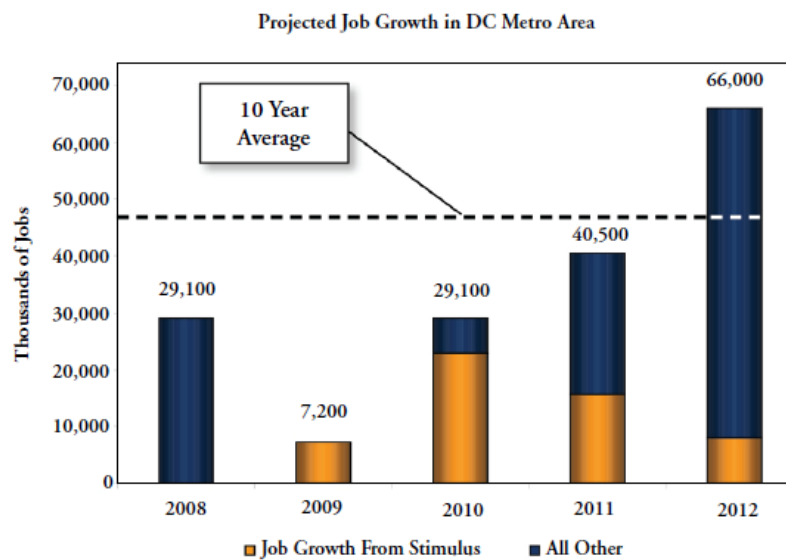
The Washington Metropolitan Area, of which the District is a part, has a population of 5.3 million, the ninth-largest metropolitan area in the country. The region does not solely depend on the government for its economic vitality. The Greater Washington, DC region boasts growing industries in education, finance, public policy, and scientific research. DC is home to leading universities: American University, George Washington University, Georgetown University, and Howard University.

The region also serves as the headquarters for dozens of Fortune 1000 firms in a wide variety of industries: finance, media, defense, healthcare, science, professional services, hospitality, energy, and consumer products. Fannie Mae, Capital One Financial, Washington Post, Gannett, General Dynamics, Lockheed Martin, Pepco Holdings, AES Corp., Marriott International, and Coventry Health Care are just a few companies that have been based in the region for some time. Additionally, several companies have recently moved their headquarters to the region, including Hilton Worldwide, Volkswagen, Northrop Grumman and SAIC, Inc.

Long-term stability and a diversified economy make Washington, DC one of the top cities for commercial real estate investment. The Association of Foreign Investors in Real Estate (AFIRE) ranked Washington, DC, as the top city for real estate investment in 2009 and as the No. 2 city for investors' real estate dollars in 2010.

Employment

According to the Bureau of Labor Statistics, the Washington, DC MSA added 35,800 jobs (seasonally adjusted) since December of 2009, ranking second behind New York, NY, which added 56,100 over the same period. Typically, 40 to 50 percent of all jobs created in the DC region are office-using, which helps to explain the general pickup in demand for office space. Though DC's unemployment rate was the lowest in the country among major metropolitan areas, it still remains relatively high at 9.8 percent.



Source Economic Research Associates

The Federal Government generated a significant number of jobs since the beginning of 2010. Temporary US Census jobs accounted for a majority of gains earlier in the year, although most of those positions have ended with the culmination of Census data collection. The private sector continues to recover and has added over twice the number of jobs compared to the Federal Government.

DC'S CENTER CITY GROWTH AREAS



Source Economic Capitol Riverfront ID

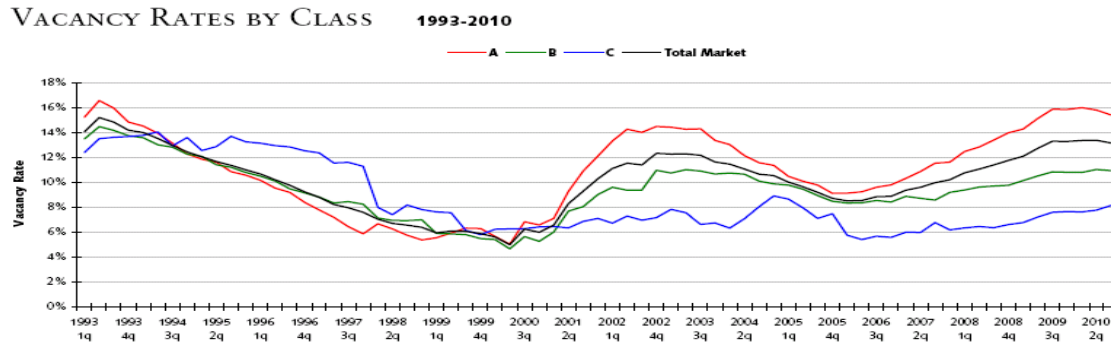
Market Dynamics

Leasing activity was extremely robust during the third quarter. The DC Metro area absorbed more than 2.1 million square feet (net), again second only to New York City, which absorbed 2.9 million square feet. Metro-wide vacancy dropped 0.6 percentage points during the third quarter to 13.0 percent.

The District of Columbia office market registered its highest demand in 10 years. Over 1.3 million square feet of net absorption helped drive vacancy rates down almost a full percentage point from the previous quarter to 10.8 percent. The Securities and Exchange Commission (SEC) accounted for 70 percent of absorption this quarter, having signed a 900,000 square foot lease. Coupled with strong demand, delivery of new supply

continued to diminish, thus contributing to the decrease in vacancy rates metro-wide.

The District delivered only 363,000 square feet of new space.

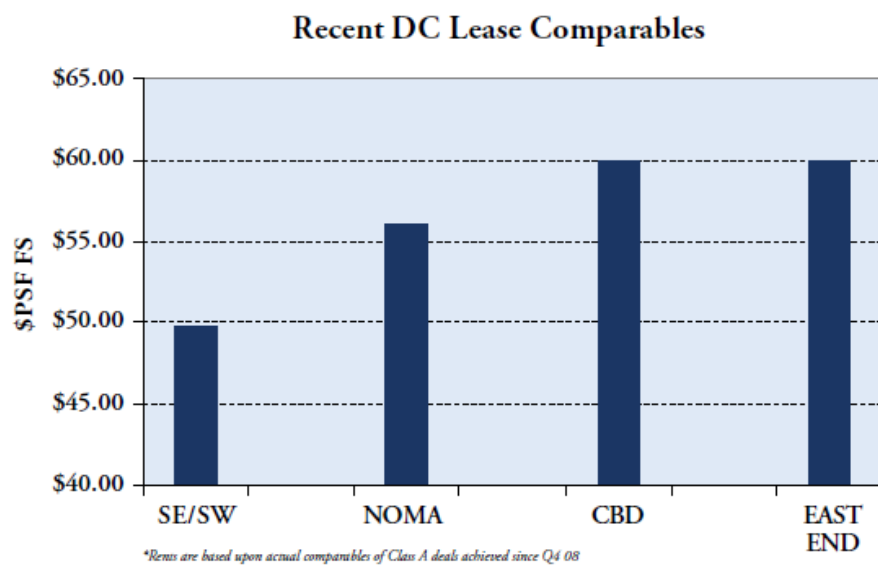


Source Economic CoStar

Metro-wide asking rents increased another ten cents during the quarter to end at \$34.97.

Average asking rent in the District was \$48.96 during the quarter, surpassing New York City for the highest asking rents in the US.

With less prime, class A space available, tenant incentive packages have begun to flatten and remain at \$60 to \$80 per square foot with six to nine months of rental abatement.



NOMA vs. Capitol Riverfront

In comparing the competition for Government deals within the city, there are two markets that are competing with NOMA: the Capitol Riverfront and the East End. Currently, the East End of Washington, DC has had rental rates rise to \$45.00 - \$50.00 per square foot. The demand in the East End has priced out almost all new requirements for Government space, resulting in tenants deciding between NOMA and the ballpark. As of now, the Ballpark still lacks substantial amenities and has a limited supply of buildings to choose from, causing Government agencies to select NOMA as their home. What this means is that not only is the Government making NOMA home at a more frequent pace, but there could be some additional contractor tail to follow in the coming years.

As for the third quarter, the NOMA submarket has once again proved to be a strong option for the Federal Government, posting its third straight quarter of positive absorption in 2010. Although 28,200 square feet of net absorption for this quarter was small compared to previous quarters, NOMA has absorbed over one million square feet year to date. This is further evidence of both the local and Federal Governments' influential role in the DC market, in particular its commitment to emerging markets. Government asking rents remained in the low to mid \$40.00 per square foot range .

Outlook

After a year during which Washington, DC's office market saw the lowest absorption in 10 years, it is now on pace to rebound in 2010 with one its highest absorption levels ever recorded. As one of the nation's tightest markets, Washington, DC's new absorption is 1.4 million square feet for the third quarter of 2010 alone, bringing the year-to-date net

absorption to 3.3 million square feet. The market reaffirmed its resiliency as only one building delivered in the beginning of the quarter, thus allowing vacancy to plummet with the large spread between demand and deliveries.

New supply was limited to the delivery of PNC Place, 800 17th Street, NW, and 425 Eye Street in the third quarter (where the Department of Veteran Affairs is moving its headquarters and took close to 285,000 square feet). Contributing to a much needed drop in vacancy in the Southeast/Southwest submarket was the major lease signed during the quarter by the US Securities and Exchange Commission, taking 900,000 square feet of Constitution Center.

Asking rental rates have flattened and in some core markets have begun to increase, suggesting rent growth for the future. Overall, the District's economy will continue to benefit from the Federal Government's expanded role in the economy. Ultimately, job growth in DC suggests resilient economic fundamentals, which bodes well for future demand of office space.

Government Market Influence

In 2008, while the nation cut nearly 2.6 million jobs, the DC metro added 31,400 new employment opportunities. The Federal Government continues to be the key economic driver keeping the DC region in expansion mode. In 2009, the Federal Government pledged nearly \$8.6 trillion to address the current financial crisis and other budgetary priorities. The District's economy should continue to benefit from the Federal Government's involvement in the financial crisis as well as the recent arrival of a new

administration; a combination that is estimated to generate at least 2 million square feet of demand in the DC region by 2011.



Source GSA

Currently, \$145 billion appropriated for discretionary spending projects is slated to be spent by the end of 2010. Historically, the DC region has received 4-5% of total government outlays, and it is estimated that for every \$1 billion in Federal procurement spending, 7,000 new contractor jobs are created. This could translate into as many as 30,000 new stimulus related jobs by the end of 2010. Of the 27 Federal Agencies most likely to be impacted by the stimulus package, 12 are located in the Southeast/Southwest Washington, DC submarkets, including the top 5 recipients, led by the neighboring Department of Transportation who is slated to receive greater than \$48 billion.

AGENCY	SUBMARKET	\$BILLIONS
TOP 5 LOCAL AGENCIES IMPACTED BY STIMULUS BILL		
Department of Transportation	SE/SW	\$48.12
Department of Energy	SE/SW	\$45.23
Department of Education	SE/SW	\$44.63
Department of Housing and Urban Development	SE/SW	\$13.68
Department of Health and Human Services	SE/SW	\$10.42

Source Economic GSA

The expanded role of the Federal Government continued to translate into increased demand for office space and has helped push the vacancy rate to one of the lowest rates in the country, while most of the country still feels the effects of the financial recession. Within the greater Washington, DC area over the next 5 years, major headquarter deals for the FAA, FBI, Coast Guard and DHS will have been completed. Recently, the SEC leased an additional 900,000 SF to accommodate employees to be hired to monitor banks under the new guidelines resulting from the Finance Reform Bill. More 5 to 10 year swing space deals are also expected as older buildings in the Washington, DC area will be renovated.

As a follow up to the memo that President Barack Obama released in June, the Government has advised federal agencies via Vivek Kundra ,the first federal CIO appointed by Barack Obama, that they need to reevaluate their headquarter facilities and make them more efficient. Part of this reevaluation will require consolidation of their data centers into these new headquarters. A rash of data center expansion in the Federal Government has spread out data centers in an uncoordinated manner, with unnecessary costs being spent. The goal is to get everything under one roof, lowering energy consumption and enabling more efficient IT spending through better IT infrastructure. US federal agencies have five months to create a detailed plan of action.

In addition to the major deal by the SEC described above, the Department of Veterans Affairs signed a lease for 280,000 square feet in the East End submarket of Washington, DC. The National Oceanic and Atmospheric Administration continues to look for new space for 986,000 SF and are soon to finish a build to suit for 250,000 SF. The Department of Homeland Security is in the later stages of pursuit of 1,136,000 SF, which could also expand to upwards of 2,000,000. The GSA also just awarded a 523,482 square foot, 20-year lease for the Defense Intelligence Agency (DIA) to occupy the Patriots Park complex just outside Washington, DC in Reston, VA. All in all, the Government in the Greater DC area has leased over 5.5 million SF since 2008. If you combine the total leasing of commercial office space in the rest of the United States, you would not reach the amount that just the Government has leased in the Greater DC area during that time.

Leasing Risk

The process to secure a Government tenant in a building is much more drawn out than a private sector deal. Once a tenant is in your building, there is a very good likelihood that they will stay in your building past the term of the lease. With the focus on projecting this space as a build to suit lease for a Government agency, once the deal is signed you would have the Government in your building for 10-20 years. Risk that has been seen in the market is that the Government has added scope to the project after award, thus driving up the TI amount that is needed to complete the project. Where most developers have had to go to banks, Brindger Development would not be in the same position. Ultimately we are a very attractive group that the agencies would consider due to our financial structure.

When acquiring leased space, the Government must utilize a prescribed competitive process as a means of satisfying the competitive requirements of the Competition in Contracting Act. Unless certain well-defined exceptions apply, the applicable regulations require the Government to ensure that there is full and open competition for the acquisition of leased premises. Thus, all aspects of the process must abide by a specific step by step process. When the GSA represents another agency the rental rate is capped at a \$49.00 gross rental rate with no possible bumps. In order to alleviate this issue independent agencies would be targeted that have their own leasing authority from congress and are allowed to get yearly bumps and a rent step.

Also, the expense reimbursement method utilized by the Government is not based upon actual pass-through but adjusted with Consumer Price Index yearly. We strive to be partly compensated with additional rent indexation, though not common in Governmental leases. The standard Government lease language does not contain very strong protections against delay in rent commencement, so solutions will need to be considered for any deal that would be evaluated.

Governmental leases can be very onerous if not properly negotiated by the Landlord. Brindger Development is taking the precautions necessary to eliminate as much risk as possible. In terms of non-economic items, the biggest issues for lenders are probably the self-help provisions, the lack of any holdover penalty, and the condemnation right.

Product Risk

Additional security aspects are needed to secure the building during the design process to meet the Government tenant's security concerns; there will be added cost to the core and

shell. The extent to which we take the increased security measure is something that will need to be evaluated. The goal is to ensure that, while adding to the core and shell, you can obtain normal Government TI building costs. which are lower than the private sector.

Development Budget DC Buildings		
	Public Sector	Private Sector
Core and Shell Costs	Higher	Lower
TI Costs	Lower	Higher

- Bollards around the building
- Blast resistant windows
- Energy Star Certified
- Gold Certified
- Dedicated HVAC for lobby, loading dock, mail room
- Progressive collapse
- Secured access and control of the building parking
- Secured Lobby where no access can be gain to elevators without passing through security.

DEMAND ANALYSIS PRIMARY SITE AREA

Below you will find a demand analysis of the primary area. The analysis includes land, lease and sale comps of comparable properties and tenants. Also in the analysis is a trending section that shows where rental rates, incentive packages for tenants, and market timing are heading.

Capitol Riverfront Demand Analysis										
Period	# Deliveries	2-yr Del Avg	Deliveries SF	Demolished SF	Net Deliveries	2-yr Net Abs Avg	RBA	Vacant SF	Vac Rate	Net Absorption
2015 3Q	0	100,625	0	0	0	82,446	5,564,998	317,088	5.7%	84,946
2015 2Q	0	100,625	0	0	0	79,946	5,564,998	402,034	7.2%	84,946
2015 1Q	1	100,625	375,000	0	375,000	77,446	5,564,998	486,980	8.8%	84,946
2014 4Q	0	53,750	0	0	0	74,946	5,189,998	196,926	3.8%	84,946
2014 3Q	1	53,750	200,000	0	200,000	72,446	5,189,998	281,872	5.4%	84,946
2014 2Q	0	28,750	0	0	0	69,946	4,989,998	166,818	3.3%	84,946
2014 1Q	0	28,750	0	0	0	67,446	4,989,998	251,764	5.0%	74,946
2013 4Q	1	28,750	230,000	0	230,000	66,196	4,989,998	326,710	6.5%	74,946
2013 3Q	0	47,375	0	0	0	64,946	4,759,998	171,656	3.6%	64,946
2013 2Q	0	47,375	0	0	0	64,946	4,759,998	236,602	5.0%	64,946
2013 1Q	0	47,375	0	0	0	64,946	4,759,998	301,548	6.3%	64,946
2012 4Q	0	47,375	0	0	0	64,946	4,759,998	366,494	7.7%	64,946
2012 3Q	0	47,375	0	0	0	64,946	4,759,998	431,440	9.1%	64,946
2012 2Q	0	47,375	0	0	0	58,424	4,759,998	496,386	10.4%	64,946
2012 1Q	0	47,375	0	0	0	53,260	4,759,998	561,332	11.8%	64,946
2011 4Q	0	47,375	379,000	0	379,000	57,584	4,759,998	626,278	13.2%	64,946
2011 3Q	0	0	0	0	0	52,685	4,380,998	312,224	7.1%	64,946
2011 2Q	0	0	0	0	0	47,683	4,380,998	377,170	8.6%	64,946
2011 1Q	0	33,321	0	0	0	45,952	4,380,998	442,116	10.1%	64,946
2010 4Q	0	33,321	0	0	0	34,509	4,380,998	507,062	11.6%	64,946
Current Qtr	0	63,887	0	0	0	36,671	4,380,998	572,008	13.1%	12,771
2010 2Q	0	63,886	0	0	0	36,117	4,380,998	584,779	13.3%	23,633
2010 1Q	0	63,886	0	0	0	37,318	4,380,998	608,412	13.9%	99,539
2009 4Q	0	63,886	0	0	0	29,300	4,380,998	707,951	16.2%	25,753
2009 3Q	0	232,636	0	0	0	27,793	4,380,998	733,704	16.7%	24,933
2009 2Q	1	232,636	266,566	0	266,566	25,565	4,380,998	758,637	17.3%	51,098
2009 1Q	0	199,316	0	0	0	107,705	4,114,432	543,169	13.2%	(26,601)
2008 4Q	1	224,276	244,526	0	244,526	191,527	4,114,432	516,568	12.6%	82,243
2008 3Q	0	193,710	0	0	0	179,987	3,869,906	354,285	9.2%	8,336
2008 2Q	0	193,710	0	0	0	180,111	3,869,906	362,621	9.4%	33,242
2008 1Q	0	193,710	0	0	0	182,224	3,869,906	395,863	10.2%	35,400
2007 4Q	1	193,710	1,350,000	0	1,350,000	182,406	3,869,906	431,263	11.1%	13,692
2007 3Q	0	24,960	0	0	0	189,361	3,869,906	444,955	11.5%	7,111
2007 2Q	0	24,960	0	0	0	190,543	3,869,906	452,066	11.7%	708,220
2007 1Q	1	24,960	199,682	0	199,682	102,903	3,869,906	1,160,286	30.0%	643,971
2006 4Q	0	0	0	0	0	29,040	3,670,224	1,604,575	43.7%	(10,078)
2006 3Q	0	0	0	0	0	34,328	2,320,224	244,497	10.5%	9,329
2006 2Q	0	0	0	0	0	37,987	2,320,224	253,826	10.9%	50,151
2006 1Q	0	0	0	0	0	41,774	2,320,224	303,977	13.1%	36,848
2005 4Q	0	0	0	0	0	45,295	2,320,224	340,825	14.7%	69,336

TRENDING OF THE MARKET

- **Rental Rates**

Private sector gross rental rates in the target market are currently trending higher.

They are presently in the range of \$42.00 to \$46.00, which is a notch below the NOMA market area. The market for NOMA is currently \$51.00 to \$53.00. When the projections and analysis on the Capitol Riverfront are compared to other up and coming neighborhoods in the city, it can be expected that over the next 3-5 years the rental rate in the Capitol Riverfront should reach \$48.00 to \$51.00 (where NOMA is today

For public sector leases, the current high rental rate is \$49.00 Gross - a good number for the Capitol Riverfront, but the deals that are getting done are not close. Incentive packages as I will mention below are very generous. As more space comes off the market in NOMA and the Capitol Riverfront and the market reaches close to equilibrium there will be lessening of these packages and more market deals will be done with the Government. Some Government deals that are done outside of the GSA are actually going for market and above; they are just few and far between.

From a retail perspective, the market at the Capitol Riverfront is very soft at the moment, with a lot of space available. Current asking rental rates are \$53.00 to \$55.00. Over the next 3-5 years, as the market leases more office space and some of the residential product delivers, the market will see a need for more retail.

There should be an upward tick in the rental rates to \$55.00 to \$60.00.

Land Sales

Site Name Site Address SubMarket	Buyer	Seller	Lot Size (acres) Lot Size (SF) Zoning Code	Total Price Max Allowable SF Max Allowable FAR	Price / SF Price / FAR Price / Unit	Parcel # Square Lot	Closing Date Land Use
Comments							
318 Eye Street, NE Capitol Hill/NoMa Property has environment contamination.			0.650 28,310 C-2-B	\$2,290,000	\$81.00 \$14.42		7/31/2009
1111 North Capitol Street, NE Capitol Hill/NoMa Assumes allowable FAR is 500,000 sf. Sale included TDRs.	NPR	J Street Development	1.557 67,811 Commercial	\$41,250,000 500,000	\$608.00 \$82.50		7/28/2008
20 F Street, NW* Capitol Hill/NoMa Boston Properties will build office building for buyer.	College of Surgeons	Boston Properties	0.385 16,750 Office	\$33,682,800 167,177 10	\$1,671.77 \$200.00		4/1/2008 Office
150, 151, 200, 201 Street, NE & 150 Harry Thomas Way, NE Capitol Hill/NoMa PUD approved for 3.3 FAR. Alexan NOMA West: 600 rental units in three buildings, five-story stick-built, one level below grade parking. Developer will extend Q Street through site.	NOMA West Residential I LLC / Trammell Crow Residential	CSX Realty Development, LLC	4.315 187,959 C-3-A	\$37,000,000 620,264	\$197.00 \$59.65	Square 357 Lots 816-82	12/20/2007
3rd and G Street, NW Capitol Hill/NoMa Hanover plans on building a luxury apartment building that breaks ground in 2Q08 and delivers in 4Q09.	Hanover	Abdo	0.245 10,664 C-2-C	\$12,000,000 100,000 9.38	\$1,125.00 \$120.00	529	9/1/2007 Apartment

Land Sales

Site Name Site Address SubMarket	Buyer	Seller	Lot Size (acres) Lot Size (SF) Zoning Code	Total Price Max Allowable SF Max Allowable FAR	Price / SF Price / FAR Price / Unit	Parcel # Square Lot	Closing Date Land Use
Comments							
100 K Street, NE Capitol Hill/NoMa Assumes TDRs purchased at \$10 to allow 10 FAR	J Street Development	Laidlaw	0.459 20,000 Commercial	\$14,500,000	\$725.00 \$72.50		7/11/2007
55 M Street, NE Capitol Hill/NoMa	The Polinger Company / Apollo Real Estate Advisors	Prudential / Stephen A Goldberg	1.464 63,790	\$44,842,970 625,142 9.8	\$702.00 \$70.00		5/1/2007 Office
3rd and K Streets, NE Capitol Hill/NoMa	TIAA CREF	Ronald Cohen	1.013 44,117	\$17,000,000	\$385.33 \$71.75		2/1/2007 Residential
60 L Street, NE* Capitol Hill/NoMa Owner plans two rental multifamily units. Phase I will be 300,000 square feet. Tishman is retaining a neighboring piece of land to develop an office project.	Camden Living	Tishman Speyer	1.630 71,000	\$43,848,000 682,000 9.5	\$617.58 \$64.00		1/16/2007 Apartment
90 K Street, NE Capitol Hill/NoMa	Trammell Crow Development	Greenbaum & Rose	2.385 103,878 Office	\$46,036,528 667,196 6.42	\$443.18 \$69.00	0674 0432	1/12/2007 Office

Land Sales

Site Name Site Address SubMarket	Buyer	Seller	Lot Size (acres) Lot Size (SF) Zoning Code	Total Price Max Allwble SF Max Allwble FAR	Price / SF Price / FAR Price/ Unit	Parcel # Square Lot	Closing Date Land Use
Comments							
3rd & H Street, NW* Capitol Hill/NoMa Quadrangle to build AIP AC a 90,000 square foot build-to-suit to deliver in 2008.	American Israeli Political Affairs Committee	Quadrangle	0.230 10,000 Office	\$7,000,000 90,000 9	\$700.00 \$78.00		10/1/2006 Office
60 L Street, NE Capitol Hill/NoMa	Tishman Speyer	J Street Development Co. LLC and Fidelity Invest.	2.500 108,887 Mixed Use	\$76,220,900 1,088,870 10	\$700.00 \$70.00		10/1/2006 Mixed-use
Square 673 Square 673 - Pierce and 1st Streets, NE Capitol Hill/NoMa Buyer plans two-phase apartment building project to start in September 2007. Capitol Plaza IV and V.	Archstone Smith Co	Stephen A Goldberg Co	2.454 106,885 Residential	\$55,000,000 993,000 9.29	\$515.00 \$55.38	673	9/14/2006 Apartment
Washington Gateway Washington Gateway Site Capitol Hill/NoMa Developer plans two office buildings (350K & 200K sf) and a 340K sf residential building. Developer will purchase gas station to complete the block.	Mid-Atlantic Realty Partners	Greenebaum & Rose	2.355 102,569 Mixed Use	\$43,000,000 661,538 6.45	\$419.00 \$65.00		9/1/2006 Mixed-use
Capitol City Plaza 77 K Street, NE Capitol Hill/NoMa Office building fully designed to begin 3rd Quarter 2006. Site sold with all necessary TDR's	ING	Cafritz	0.791 34,466 Office	\$30,000,000 344,669 10	\$870.00 \$87.04		7/1/2006 Office

Land Sales

Site Name Site Address SubMarket	Buyer	Seller	Lot Size (acres) Lot Size (\$F) Zoning Code	Total Price Max Allwble SF Max Allwble FAR	Price / SF Price / FAR Price/ Unit	Parcel # Square Lot	Closing Date Land Use
1st and I Street, NE Capitol Hill/NoMa	Tishman Speyer	J Street Development	3.351 145,962 C-3-C	\$91,977,669 1,459,620 10	\$630.15 \$63.01	673	6/1/2006 Mixed-use
Office and Residential planned for the site. Price includes the purchase of an additional 3.5 FAR in TDRs for approx. \$3.6 million.							
Constitution Square 100 M Street, NE* Capitol Hill/NoMa	Stonebridge Associates, LP	Square 711 Developer	6.920 301,429	\$131,885,000 1,900,000 6.5	\$437.50 \$69.00		2/15/2006 Mixed-use
C-3-C Zoning. Qualified. 11,538 TDRs with 10 FAR. Buyer plans a mix of office and residential buildings.							
Square 776 H and 4th St NE Capitol Hill/NoMa	Steuart H Street LLC	BP Products North America	0.341 14,866 Residential	\$1,500,000 2.5	\$101.00 \$40.36	776	12/14/2005 Apartment
C-2-A Zoning. Buyer plans apartment building with grocery store							
443 - 455 Eye Street and 459 Eye Street Capitol Hill/NoMa	Walnut Street Development	Eye Street Associates LLC (443-455 Eye) and Alvin Bernard Bean (459 Eye)	0.471 20,500 R	\$14,610,000 150,720 7.25	\$712.00 \$97.00		10/31/2005 Condominium
Developer plans 140 condominium units							
1111 North Capital Street Capitol Hill/NoMa	WB/BFP North Capitol Street, LLC (J Street)	Stern & Moran	1.991 86,725 C-3-C	\$25,597,270 563,692 6.5	\$295.15 \$45.41		10/1/2005 Office
Smithsonian warehouse with four to six years remaining on lease. Existing building will be retained and new development will be added to total 10 FAR.							

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36-54 L Street, NE Capitol Hill/NoMa	JF NoMa, LLC	52 L Street Data Center, LLC	0.463 20,163 Mixed Use	\$4,800,000	\$238.06 \$36.62		6/1/2005 Mixed-use
This vacant, almost square-sized lot is located mid-block of L Street b/w N. Capitol and 1st Streets, NE. This is one of 3 acquired sites of the buyer that comprise the entire block. Plans are for a mixed-use office/multi-family/retail development to be known as First Place. Could combine with other site to accommodate 1.3 million sf of development							
Square 775 Capitol Hill/NoMa	Broadway Management	Uptown Bakers	0.650 28,310 Residential	\$7,624,970 5.8	\$269.00 \$46.38	775	4/15/2005 Condominium
C-2-B Zoning. Buyer plans condominium project. Buyer filed PUD for increased zoning. 3/06							
60 L Street, NE Capitol Hill/NoMa	J Street Development Co. LLC and Fidelity Invest.	Penrose	2.454 106,887 C-3-C	\$30,769,703	\$287.87 \$44.29		1/1/2005 Mixed-use
C-3-C zoning (6.5 FAR). Developer is planning mixed use project on site. Site is eligible to receive up to 3.5 FAR in TDR's, which would reduce average price to about \$30/FAR.							

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Capitol City Plaza 77 K Street, NE Capitol Hill/NoMa Office building fully designed to begin 3rd Quarter 2006. Site sold with all necessary TDR's	ING	Cafritz	0.791 34,466 Office	\$30,000,000 344,669 10	\$870.00 \$87.04		7/1/2006 Office

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1st and I Street, NE Capitol Hill/NoMa	Tishman Speyer	J Street Development	3.351 145,962 C-3-C	\$91,977,669 1,459,620 10	\$630.15 \$63.01	673	6/1/2006 Mixed-use
Office and Residential planned for the site. Price includes the purchase of an additional 3.5 FAR in TDRs for approx. \$3.6 million.							
Constitution Square 100 M Street, NE* Capitol Hill/NoMa	Stonebridge Associates, LP	Square 711 Developer	6.920 301,429	\$131,885,000 1,900,000 6.5	\$437.50 \$69.00		2/15/2006 Mixed-use
C-3-C Zoning. Qualified. 11,538 TDRs with 10 FAR. Buyer plans a mix of office and residential buildings.							
Square 776 H and 4th St NE Capitol Hill/NoMa	Steuart H Street LLC	BP Products North America	0.341 14,866 Residential	\$1,500,000 2.5	\$101.00 \$40.36	776	12/14/2005 Apartment
C-2-A Zoning. Buyer plans apartment building with grocery store							
443 - 455 Eye Street and 459 Eye Street Capitol Hill/NoMa	Walnut Street Development	Eye Street Associates LLC (443-455 Eye) and Alvin Bernard Bean (459 Eye)	0.471 20,500 R	\$14,610,000 150,720 7.25	\$712.00 \$97.00		10/31/2005 Condominium
Developer plans 140 condominium units							
1111 North Capital Street Capitol Hill/NoMa	WB/BFP North Capitol Street, LLC (J Street)	Stern & Moran	1.991 86,725 C-3-C	\$25,597,270 563,692 6.5	\$295.15 \$45.41		10/1/2005 Office
Smithsonian warehouse with four to six years remaining on lease. Existing building will be retained and new development will be added to total 10 FAR.							

Land Sales

Site Name Site Address SubMarket	Buyer	Seller	Lot Size (acres) Lot Size (SF) Zoning Code	Total Price Max Allwble SF Max Allwble FAR	Price / SF Price / FAR Price / Unit	Parcel # Square Lot	Closing Date Land Use
36-54 L Street, NE Capitol Hill/NoMa	JF NoMa, LLC	52 L Street Data Center, LLC	0.463 20,163 Mixed Use	\$4,800,000	\$238.06 \$36.62		6/1/2005 Mixed-use
This vacant, almost square-sized lot is located mid-block of L Street b/w N. Capitol and 1st Streets, NE. This is one of 3 acquired sites of the buyer that comprise the entire block. Plans are for a mixed-use office/multi-family/retail development to be known as First Place. Could combine with other site to accommodate 1.3 million sf of development							
Square 775 Capitol Hill/NoMa	Broadway Management	Uptown Bakers	0.650 28,310 Residential	\$7,624,970 5.8	\$269.00 \$46.38	775	4/15/2005 Condominium
C-2-B Zoning. Buyer plans condominium project. Buyer filed PUD for increased zoning. 3/06							
60 L Street, NE Capitol Hill/NoMa	J Street Development Co. LLC and Fidelity Invest.	Penrose	2.454 106,887 C-3-C	\$30,769,703	\$287.87 \$44.29		1/1/2005 Mixed-use
C-3-C zoning (6.5 FAR). Developer is planning mixed use project on site. Site is eligible to receive up to 3.5 FAR in TDR's, which would reduce average price to about \$30/FAR.							

- **Incentives**

Incentive packages are still very high due to financial demands burdening landlords across the city, and especially in the NOMA and the Capitol Riverfront. 6 months to 12 months has been standard on leases. Some deals have seen as high as 2 years rent but those were cases where they had to get a tenant in the building or the bank would take over the property. Over the next 3-5 years, free rent packages should come down to a few months, if not to nothing at all.

TI packages have ranged from \$70.00 to \$90.00. On GSA deals, the TI packages are lower, ranging from \$40.00 to \$60.00. The shell package is greater with Government deals - building off of a warm lit shell as opposed to a cold dark shell of a private sector deal. As the market begins to firm up, the incentive packages that are currently being thrown around should disappear. Washington, DC has historically been known only to give these types of packages in the absolute worst case scenario markets. The packages that are in the market right now are relatively low compared with those in the rest of the country. At the moment, Washington, DC is and has been one of the least effected markets overall, due to the Government's presence propping up the local economy.

In regard to leasing commissions, the fees are continuing to escalate. As the markets firm up, though, these fees should be more negotiable, as there should be more tenants that begin to come online looking for space as the economy recovers.

Retail market Comps						
Number	Tenant	Use	Address	Size	Rent	TI/SF
1	Cuba Libre	Restaurant	801 9th Street NW	8,100	\$ 47.50	None
2	Ping Pong	Restaurant	900 7th Street NW	6,074	\$ 42.00	\$ 50.00
3	Bibiana	Restaurant	1100 New York Ave NW	4,186	\$ 28.75	\$ 100.00
4	Brasserie Beck	Restaurant	1101 K Street	8,300	\$ 40.00	\$ 175.00
5	Goldoni	Restaurant	International Square	8,200	\$ 38.00	
6	Vapiano	Restaurant	623 H Street NW	5,500	\$ 45.00	
7	Proof	Restaurant	701 8th Street NW	4,315	\$ 52.00	\$ 60.00
8	West Wing	Deli	1120 20th Street NW	1,752	\$ 38.50	\$ 55.00
9	Pret A Manger	Deli	International Square	600	\$ 150.00	
10	Devon & Blakely	Deli	1331 F Street NW	2,190	\$ 60.00	\$ 20.00
11	Café Phillips	Deli	77 K Street NE	2,200	\$ 38.00	\$ 40.00
12	Yogen Fruz	Yogurt	1350 Eye Street NW	851	\$ 55.00	\$ 35.00
13	Tangy & Sweet	Yogurt	675 E Street NW	2,100	\$ 110.00	
14	Citibank	Bank	Victor Buidling	4,000	\$ 52.00	
15	Capitol One Bank	Bank	1730 Rhode Island Ave NW	2,000	\$ 55.00	

- **Timing**

For an office building coming out of the ground in Washington, DC right now, it would be best timed to complete in 2011, towards the end of the year. If you look at the demand analysis, there is a window for buildings between the end of 2011 and the end of 2013. During that period you will still have few office buildings owners willing to take the risk to go spec, and there will still not be a lot of significant tenants in the market so completed or under construction Class A LEED buildings will have a clear advantage. Based on the timeline and statistics though it does not seem that this build could be online by then. Thus the next window looks to be if construction could take place during 2013 and 2014.

REPORT CONCLUSIONS

The conclusion of this report is that there is a clear window to start a building on speculative basis. As 250 M Street is completely entitled and will only need tweaking to get the construction process underway, it is seen as a potentially good decision from a market dynamics perspective. The part that is going to be the trickiest is the fact that the rental rates at the ballpark need to improve to underwrite the project properly. Currently, it is the opinion of the report to underwrite \$52.00 to \$56.00 full service rental rates with \$54.00 to \$58.00 full service for retail space. It is also recommended to be conservative in the estimates for free rent and TI packages, as by the time the building is being delivered or in the ground this deal specific will have stabilized in favor of the landlord market.

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Part IV DEVELOPMENT and CONSTRUCTION COSTS:

Project Funding

The project will be funded through a modified joint venture set up. The structure if the deal works financially will be that Brindger Development and Property Management will buy out the remaining 70% interest the city of Washington DC owns. It will also buy out the With the William C. Smith Companies interest in the property currently 30%. The total construction and development costs are listed below.

An LLC will be created for the site called 250 M Street LLC. The the project costs will come from the banking institution of Wells Fargo as Brindger Development has had a great relationship over the years with Wells Fargo. Below you will find the breakdown of the hard and soft costs that are currently estimated for the project. The costs have been approved by Wells Fargo.

250 M Street Construction Budget							
	Level	Use	RSF	Unit	Gross Buildable SF For Construction	Unit	
	Ground Floor		0	RSF	0	GBSF	
	Ground Floor		0	RSF	0	GBSF	
	Ground Floor		12,200	RSF	14,030	GBSF	
	2nd Floor		22,848	RSF	26,275	GBSF	
	3rd Floor		22,848	RSF	26,275	GBSF	
	4th Floor		22,848	RSF	26,275	GBSF	
	5th Floor		22,848	RSF	26,275	GBSF	
	6th Floor		22,848	RSF	26,275	GBSF	
	7th Floor		22,848	RSF	26,275	GBSF	
	8th Floor		22,848	RSF	26,275	GBSF	
	9th Floor		22,848	RSF	26,275	GBSF	
	10th Floor		22,848	RSF	26,275	GBSF	
	11th Floor		0	RSF	-	GBSF	
	Total Above Ground SF		217,832		250,507		
	1st Basement (B1)		20,000	RSF	23,000	GSF	
	2nd Basement (B2)		20,000	RSF	23,000	GSF	
	3rd Basement (B3)		20,000	RSF	23,000	GSF	
	4th Basement (B4)		20,000	RSF	23,000	GSF	
	Total Below Ground SF		80,000				
			Quantity	Unit	Unit Cost	Total Cost	
Core & Shell							
			250,507	gsf	\$ 8.00	\$ 2,004,054	
			250,507	gsf	\$ 5.00	\$ 1,252,534	
			250,507	gsf	\$ 13.00	\$ 3,256,588	
			250,507	gsf	\$ 14.00	\$ 3,507,095	
			250,507	gsf	\$ 3.00	\$ 751,520	
			250,507	gsf	\$ 9.00	\$ 2,254,561	
			250,507	gsf	\$ 5.00	\$ 1,252,534	
			250,507	gsf	\$ 16.00	\$ 4,008,109	
			250,507	gsf	\$ 14.00	\$ 3,507,095	
			250,507	gsf	\$ 13.00	\$ 3,256,588	
			250,507	gsf	\$ 9.00	\$ 2,254,561	
			Core & Shell	TOTAL	250,507	gsf	\$ 109.00
L	Parking Structure	TOTAL	80,000	gsf	\$ 116.00	\$ 9,280,000	
Fit-Up							
			Lead Tenant Floors 5-10 (10 Year Deal)	114,240	RSF	\$ 75.00	\$ 8,568,000
			Second Tenant 2-4 (10 Year Deal)	80,744	RSF	\$ 75.00	\$ 6,055,800
			Retail 1	6,900	RSF	\$ 75.00	\$ 517,500
Retail 2	5,300	RSF	\$ 75.00	\$ 397,500			
Fit-Up	TOTAL	250,507	GSF		\$ 15,538,800		
Total Construction without GC fees						\$36,585,241.20	
Subguard			1.00%			\$ 365,852	
			3.00%			\$ 1,326,697	
			2.00%			\$ 731,705	
General Conditions			0.44%			\$ 181,447	
			1.00%			\$ 365,852	
						\$ 3,742,645	
Construction Contingency			2.50%			\$ 923,777	
G C Fee			3.00%			\$ 1,097,557	
Total GC Fees						\$4,834,202.18	

250 M Street Construction Budget

Total Construction Cost without Architect Fees		250,507	gsf	\$	165.34	\$	41,419,443
AE Contract							
0.7	Architecture (Base Building)	250,507	gsf		\$6.00	\$	1,503,041
	Architecture (Parking Structure)	250,507	gsf		\$1.25	\$	313,134
	Architecture Additional Services	250,507	gsf		\$0.50	\$	125,253
	Architecture (Landscape)	250,507	gsf		\$0.20	\$	50,101
	Structural (Base Building)	250,507	gsf		\$0.25	\$	62,627
	Structural (Parking Structure)	250,507	gsf		\$0.60	\$	150,304
	Structural Additional Services	250,507	gsf		\$0.75	\$	187,880
	MEP (Base Building)	250,507	gsf		\$0.95	\$	237,981
	MEP (Parking Structure)	250,507	gsf		\$0.60	\$	150,304
	MEP Additional Services	250,507	gsf		\$0.10	\$	25,051
	LEED Commissioning Agent	250,507	gsf		\$0.85	\$	212,931
	Acoustical	250,507	gsf		\$0.05	\$	12,525
	Elevator - Vertical Transportation	250,507	gsf		\$0.02	\$	5,010
	Interior Design	250,507	gsf		\$0.01	\$	2,505
	Lighting	250,507	gsf		\$0.01	\$	2,505
	LEED professional (Third Party)	250,507	gsf		\$0.09	\$	22,546
	Parking	250,507	gsf		\$0.02	\$	5,010
	Signage	250,507	gsf		\$0.02	\$	5,010
Total Architect Contract		116	gsf		\$12.27	\$	3,068,708
Specialty Consultants							
	Civil Engineering	250,507	gsf		\$0.75	\$	187,880
	Civil Engineering Additional Services	250,507	gsf		\$0.10	\$	25,051
	Space Programming	250,507	gsf		\$0.15	\$	37,576
	Environmental	250,507	gsf		\$0.17	\$	42,586
	Geotechnical	250,507	gsf		\$0.08	\$	20,041
	Fire/Life Safety Consultant	250,507	gsf		\$0.02	\$	5,010
	Waterproofing Consultant	250,507	gsf		\$0.01	\$	2,505
	Mold & Air Quality Consultant	250,507	gsf		\$0.02	\$	5,010
	Utility Coordination Consultant	250,507	gsf		\$0.08	\$	20,041
Design Rembursables							
	Civil	250,507	gsf		\$0.02	\$	5,010
	Architectural/Structural/MEP	250,507	gsf		\$0.20	\$	50,101
	Space Planning	250,507	gsf		\$0.04	\$	10,020
	Renderings	250,507	gsf		\$0.04	\$	10,020
Total Engineering Fees		250,507	gsf		\$1.68	\$	420,851
Total Architect and Engineering Fees		250,507	gsf		\$13.95	\$	3,489,560
Total Construction Cost with Architect Fees		250,507	gsf	\$	179.27	\$	44,909,003

Permits, Fees & Proffers					
Description		Quantity	Units	Unit Price	Total
Building Permits					
Demolition Permit					\$10,000
Sheeting & Shoring Permit		80,000	SF	\$0.54	\$54,864
Garage Permits and Fees		0	GSF	\$0.75	\$0
Base Building Permits and Fees		250,507	GSF	\$0.75	\$238,608
Water Hook-up Fee		250	DFU	\$69.00	\$17,250
Sewer Hook-up Fees		250	DFU	\$95.00	\$23,750
Water Service Connection Charge			L.S.		\$25,000
Dominion Power Connection Fee			L.S.		\$0
Permit Expeditor			L.S.		\$20,000
Misc. Permits and Fees			L.S.		\$5,000
Subtotal					\$394,500

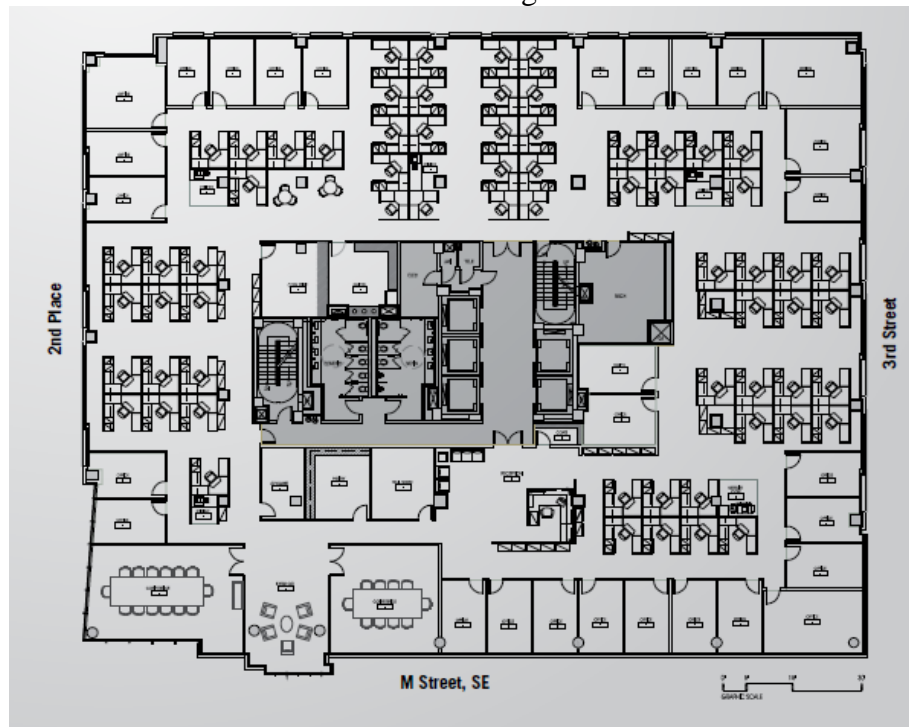
250 M Street Construction Budget						
Sitework Bond						\$30,000
						\$424,500
Total Construction Cost with Architect Fees and Permits and Proffers	250,507	gsf	\$	180.97	\$	45,333,503
Total Construction for Tax Purposes	250,507	gsf	\$	146.04	\$	36,585,241
Misc Expenses						
Description	Quantity		Units		Unit Cost	
Owner's Liability Insurance					\$100,000	
Start-up, FF&E and Art Work					Allowance	
Health Club Equipment					\$200,000	
Construction Testing	250,507		GSF		\$0.50	
Subtotal Soft Costs					\$625,253	
Total Construction Cost Includeing Misc, A/E, Permits/Proffers and Misc	250,507	gsf	\$	183.46	\$	45,958,757

Floor Plans

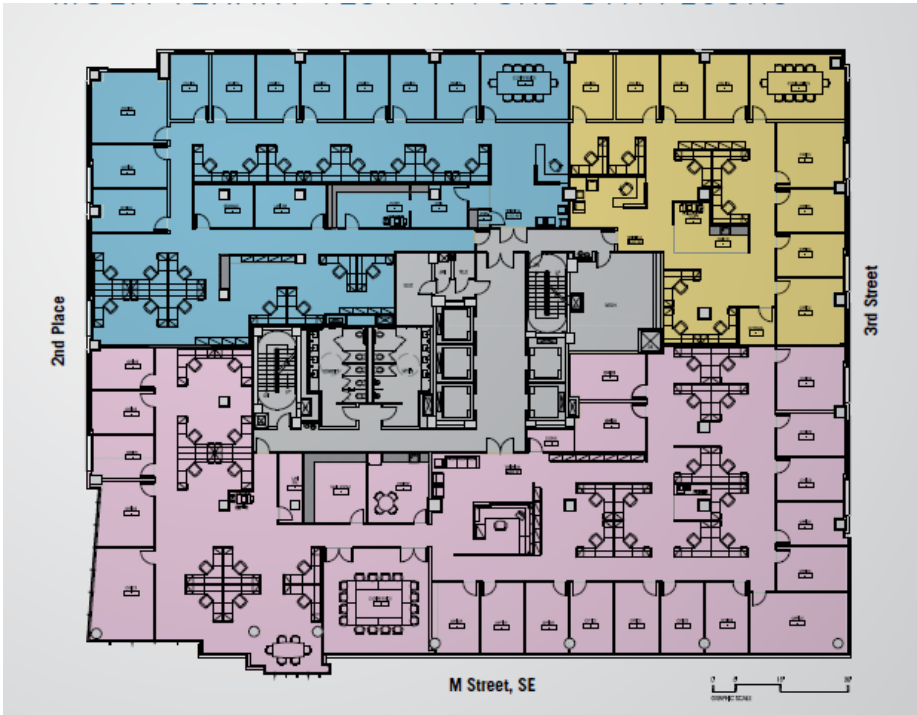
Ground Floor



Floors 2-10 Single Tenant



Floors 2-10 Multi Tenant



Part V FINANCIALS:

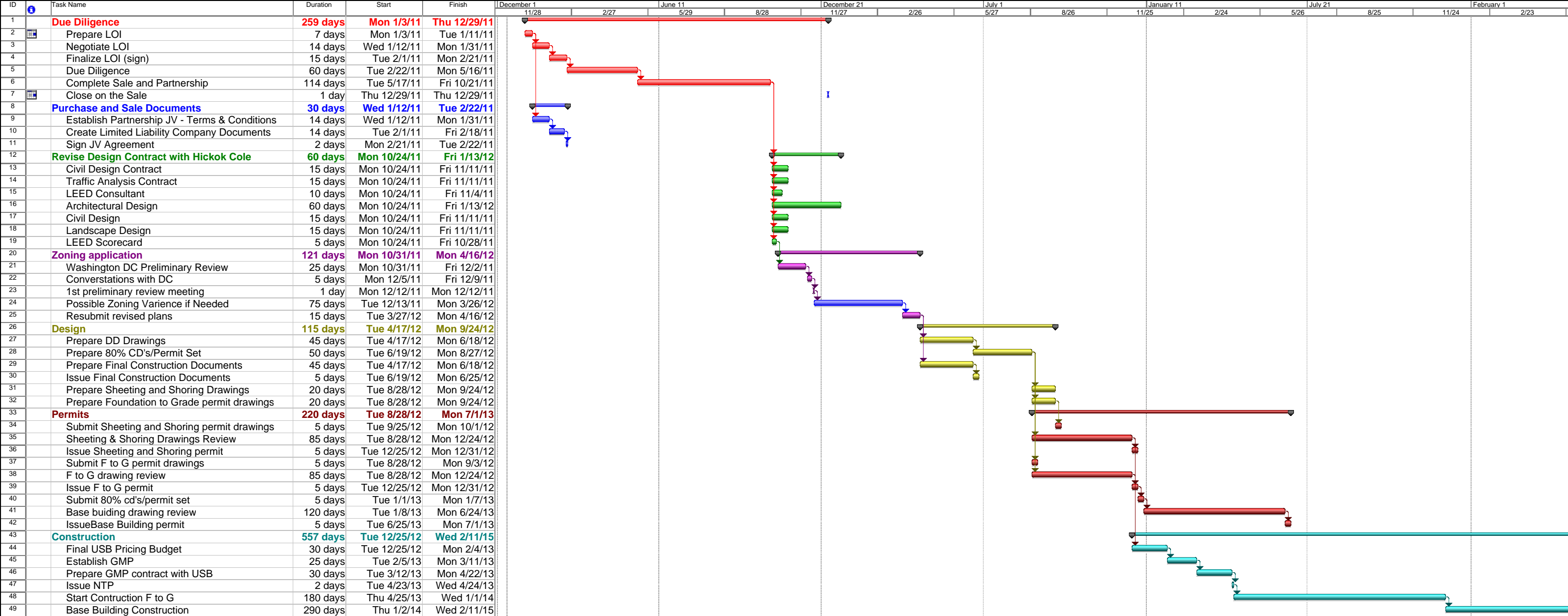
The way this deal is structured as mentioned previously is that Brindger Development will buy out the equity positions for the City of Washington, DC and also from the William C. Smith Company. The deal will be executed at the beginning of 2012 as it will take a longer time to have the Washington, DC aspect negotiated. So at the beginning of 2012 a cash amount of \$8,330,000.09 will be paid. During the year of 2012 all of the logistics of the project will be made. Up until that point it does not seem that the market could hold another speculative development. But a start at the beginning of 2013 could be a smart move. A deliver in the beginning of 2105 would mean that Brindger Development could catch this project in the middle of the upward swing of the market with NOMA more mature, and the retail market on the Capitol Riverfront filled it could be a perfect time start another speculative office development. Canal Park will be completed adding another amenity to an area that already has a number of very nice parks.

Below you will see the development pro forma and the sensitivity analysis that has been run on the property. To achieve the ideal return of 20% of Brindger Development's return on the capitol invest the rental rate used should be \$54.00 with a construction cost of a little of \$61,000,000. You will also see the waterfall and how it was structured. By giving up complete ownership William C. Smith will get a backend piece and a repayment of the cash that already was invested in the property.

Part VI SCHEDULE:

Below you will find the potential project schedule for construction of 250 M Street at Canal Park. The property will be acquired at the beginning of 2012 with construction starting at the beginning of 2013 and competing at the end of 2014.

250 M Street at Canal Park Development Schedule



Assumptions on 250 M Street

Land Square Footage	36,615
FAR	6.50
Total FAR	238,000
LEED Silver Bonus	0
Total FAR	238,000
FAR Increase With TDR's	0.00
FAR Increase in SF	-
Total Office FAR	238,000

Cost Per FAR	\$65.00
Total Land Cost	\$ 15,470,000.16
William C Smith Fee	\$ 500,000.00
Project Contingency 3% of	
Construction Costs	\$ 1,360,005.09
Brindger Development and Manage	\$ 1,000,000.00
Total Gross Building Area	238,000
Total Rentable Area	227,950

Level	Use	FAR	Mechanical Factor Less 2%	Core Factor Less 2%	RSF
Ground Floor	Loading and Core	4,092			
Ground Floor	Office lobby	3,000			
Ground Floor	Retail	12,708	(254)	(254)	12,200
2nd Floor	Office	23,800	(476)	(476)	22,848
3rd Floor	Office	23,800	(476)	(476)	22,848
4th Floor	Office	23,800	(476)	(476)	22,848
5th Floor	Office	23,800	(476)	(476)	22,848
6th Floor	Office	23,800	(476)	(476)	22,848
7th Floor	Office	23,800	(476)	(476)	22,848
8th Floor	Office	23,800	(476)	(476)	22,848
9th Floor	Office	23,800	(476)	(476)	22,848
10th Floor	Office	23,800	(476)	(476)	22,848
11th Floor/Penthouse	Penthouse and Roof	4,000			
Total Above Grade		238,000	(4,538)	(4,538)	217,832
Level	Use	S.F.	No. of Cars	Efficiency	
1st Basement (B1)	Garage	22,900	58	395	s.f. per space
2nd Basement (B2)	Garage	22,900	58	395	s.f. per space
3rd Basement (B3)	Garage	22,900	58	395	s.f. per space
4th Basement (B4)	Garage	22,900	58	395	s.f. per space
Total Garage		91,600	232		
	Average Garage Efficiency:		395	s.f. per space	
	Parking Ratio:		1.07	per 1,000 RSF	
Closing Costs					
Legal Zoning				\$0	
Legal P&S				\$100,000	
Civil -				\$10,000	
Survey				\$25,000	
Geotech				\$35,000	
Architectural -				\$20,000	
Environmental				\$10,000	
Title Work				\$10,000	
Title Insurance	s.f. per space		\$0.00070	\$10,000	
Recordation	s.f. per space		1.45%	\$0	
Subtotal Closing Costs				\$220,000	

Leasing and Marketing Assumptions on 250 M Street

Property Taxes	
Construction Commencement	7/1/2011
Building Demolition	
Assumes Land Assessment is 100% of Market Value & Escalation of 3%	
Assumes Building Assessment is 100% of Construction Costs without TI	

Tax Period	Assess Date		Value	per \$100	Taxes
Tax Period Assessment - 2011	1/1/2011	Land Only	\$15,470,000	\$1.85	\$286,195
Tax Period Assessment - 2012	1/1/2012	Land Only	\$15,470,000	\$1.85	\$286,195
Tax Period Assessment - 2013	1/1/2013	Land & 50% Bldg.	\$36,179,722	\$1.85	\$669,325
Tax Period Assessment - 2014	1/1/2014	Land & 90% Bldg	\$52,747,499	\$1.85	\$975,829
Tax Period Assessment - 2015	1/1/2015	Land & 100% Bldg	\$56,889,444	\$1.85	\$1,052,455

Note: Real Estate Taxes are paid in June and October

Marketing

Description	Quantity	Unit	Unit Price	Total	Comments
Marketing/Advertising/PR	217,832	RSF	\$1.50	\$326,748	

LEGAL AND FINANCIAL

Description	Quantity	Unit	Unit Price	Total	
Legal: General				\$100,000	
Legal: Zoning				\$200,000	
Legal: Leasing	217,832	RSF	\$3.00	\$653,496	
Accounting				\$75,000	
Total Legal and Financial				\$1,028,496	

Tenant Improvements

Description	Quantity	Unit	Unit Price	Total
Lead Tenant Floors 5-10 (10 Year Deal)	114,240	RSF	\$75.00	\$8,568,000
Second Tenant 2-4 (10 Year Deal)	80,744	RSF	\$75.00	\$6,055,800
Retail 1	6,900	RSF	\$75.00	\$517,500
Retail 2	5,300	RSF	\$75.00	\$397,500
		207,184	RSF	\$15,538,800

Tenants	Rentable SF	Base rate	OpEx	Full Service	Escalation
Lead Tenant Floors 5-10 (10 Year Deal)	114,240	\$30.00	\$19.00	\$49.00	2.00%
Second Tenant 2-4 (10 Year Deal)	80,744	\$30.00	\$19.00	\$49.00	2.50%
Retail 1	6,900	\$40.00	\$18.00	\$58.00	2.00%
Retail 2	5,300	\$40.00	\$18.00	\$58.00	2.50%
Parking	232	\$250.00	\$18.00		2.50%

Lead Tenant Floors 5-10 (10 Year Deal)	Total Rent	Bump Year Total Rent	
Lead Tenant Floors 5-10 (10 Year Deal)	\$5,597,760.00	\$6,054,720.00	
Second Tenant 2-4 (10 Year Deal)	\$3,956,456.00	\$4,279,432.00	
Retail 1	\$400,200.00		
Retail 2	\$307,400.00		

CPI	2%
Vacancy Rate	3%
Collection Rate	2%
Ground Rent	\$ -

Commission Calculations		
Broker Commission		
Lead Tenant (10 Year Deal)	5.0%	\$2,015,052
Second Tenant (10 year Deal)	5.0%	\$1,424,224
Retail Tenant 1 (10 Year Deal0	5.0%	\$155,783
Retail Tenant 2 (5 year Deal)	5.0%	\$115,929
Total Commissions		\$3,710,988

Commissions

Escalation (Lead tenant)	2.50%
Bump in Year 6 (Lead tenant)	\$4.00
Escalation (other tenants)	3.00%
Bump in Year 6	\$4.00
Parking Escalation	2.50%

Description	RSF	Rate Yr 1	1	2	3	4	5	6	7	8	9	10
Lead Tenant (10 Year Deal)	114,240	\$30.00	\$3,427,200	\$3,512,880	\$3,600,702	\$3,690,720	\$3,782,988	\$4,239,948	\$4,345,946	\$4,454,595	\$4,565,960	\$4,680,109
Second Tenant (10 year Deal)	80,744	\$30.00	\$2,422,320	\$2,482,878	\$2,544,950	\$2,608,574	\$2,673,788	\$2,996,764	\$3,071,683	\$3,148,475	\$3,227,187	\$3,307,867
Retail Tenant 1 (10 Year Deal0	6,900	\$40.00	\$276,000	\$284,280	\$292,808	\$301,593	\$310,640	\$310,847	\$320,173	\$329,778	\$339,671	\$349,862
Retail Tenant 2 (10 year Deal)	5,300	\$40.00	\$212,000	\$218,360	\$224,911	\$231,658	\$238,608	\$238,608	\$238,608	\$238,608	\$238,608	\$238,608

250 M Street Development Budget

[illegible]

250 M Street Debt Analysis

Rentable Area	238,000
Total Construction Cost	0

Construction Financing Terms

Loan to Cost	70%
LIBOR Rate	0.26%
Spread	3.00%
Floor	4.00%
Interest Rate	4.00%
Amortization (Years)	0
Origination Fee	1.00%
Brokerage Fee	0.50%

Construction Capital Structure

Construction Cost	0
Equity	20,000,000
Original Loan Proceeds ¹	63,971,532

Lease Period			
Model Period	0	1	2
Fiscal Year Ending October 31	2010	2012	2013

Construction Cost	17,930,741	43,882,301
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Construction Loan

Equity Draw	4,530,000	4,530,000	0
Available Equity to Draw On	4,530,000	0	0
Loan Draw		13,400,741	43,882,301
Cumulative Balance Drawn		13,400,741	57,551,056
Capitalized Interest	4.00%	Mid Year	268,015
Principal Payments			1,424,396
Loan Balance Pre Take- Out	I/O	13,668,756	58,975,452
Perm Financing - Take Out		0	58,975,452
End of Period Constr. Loan Bal		13,668,756	0

Total Capitalized Interest	1,692,411	\$ (20,994,892.74)
NPV of Debt in Year 1-2 for debt service	\$ (20,994,892.74)	

Permanent Loan

Take - Out: Original Balance	2	0	0	58,975,452
True Take out Balance				\$ 79,970,345.23

Pro Forma 250 M Street

Potential Gross Income												
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Construction Costs Spent												
Percentage Leased												
Lead Tenant (10 Year Deal)			80%	85%	97%	100%	100%	100%	100%	100%	100%	100%
Second Tenant (10 year Deal)			\$ 5,597,760	\$ 5,737,704	\$ 5,881,147	\$ 6,028,175	\$ 6,407,360	\$ 6,567,544	\$ 6,731,732	\$ 6,900,026	\$ 7,072,526	\$ 7,249,339
Retail Tenant 1 (10 Year Deal)			\$ 3,956,456	\$ 4,055,367	\$ 4,156,752	\$ 4,260,670	\$ 4,528,675	\$ 4,641,892	\$ 4,757,939	\$ 4,876,888	\$ 4,998,810	\$ 5,123,780
Retail Tenant 2 (5 year Deal)			\$ 400,200	\$ 410,205	\$ 420,460	\$ 430,972	\$ 441,746	\$ 452,790	\$ 464,109	\$ 475,712	\$ 487,605	\$ 499,795
Parking Income			\$ 307,400	\$ 315,085	\$ 322,962	\$ 331,036	\$ 339,312	\$ 347,795	\$ 356,490	\$ 365,402	\$ 374,537	\$ 383,900
			\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000
Total Gross Income			\$ 8,255,853	\$ 8,989,907	\$ 10,514,141	\$ 11,108,853	\$ 11,775,093	\$ 12,068,020	\$ 12,368,271	\$ 12,676,027	\$ 12,991,478	\$ 13,314,815
Fees												
Vacancy			\$ 247,676	\$ 269,697	\$ 315,424	\$ 333,266	\$ 353,253	\$ 362,041	\$ 371,048	\$ 380,281	\$ 389,744	\$ 399,444
Collection Loss			\$ 165,117	\$ 179,798	\$ 210,283	\$ 222,177	\$ 235,502	\$ 241,360	\$ 247,365	\$ 253,521	\$ 259,830	\$ 266,296
Free Rent			\$ 8,255,853	\$ 8,989,907								
Total Other Fees			\$ 8,668,645	\$ 9,439,403	\$ 525,707	\$ 555,443	\$ 588,755	\$ 603,401	\$ 618,414	\$ 633,801	\$ 649,574	\$ 665,741
Leasing & Capital Costs												
Tenant Improvements												
Leasing Commissions			\$ 1,855,494	\$ 1,855,494								
Total Leasing & Capital Costs			\$ 1,855,494	\$ 1,855,494	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Fees and Leasing Costs			\$ 10,524,139	\$ 11,294,897	\$ 525,707	\$ 555,443	\$ 588,755	\$ 603,401	\$ 618,414	\$ 633,801	\$ 649,574	\$ 665,741
Effective Gross Income			\$ (2,268,287)	\$ (2,304,989)	\$ 9,988,434	\$ 10,553,411	\$ 11,186,338	\$ 11,464,619	\$ 11,749,857	\$ 12,042,226	\$ 12,341,904	\$ 12,649,074
Operating Costs												
Operating Costs			\$ 3,924,296	\$ 4,002,782	\$ 4,082,838	\$ 4,164,494	\$ 4,247,784	\$ 4,332,740	\$ 4,419,395	\$ 4,507,783	\$ 4,597,938	\$ 4,689,897
Parking Garage Operating Costs			\$ 4,176	\$ 4,260	\$ 4,345	\$ 4,432	\$ 4,520	\$ 4,611	\$ 4,703	\$ 4,797	\$ 4,893	\$ 4,991
Total Operating Costs			\$ 3,928,472	\$ 4,007,041	\$ 4,087,182	\$ 4,168,926	\$ 4,252,304	\$ 4,337,351	\$ 4,424,098	\$ 4,512,579	\$ 4,602,831	\$ 4,694,888
Net Operating Income			(17,930,741)	(43,882,301)	\$ (6,196,759)	\$ (6,312,031)	\$ 5,901,252	\$ 6,384,485	\$ 6,934,034	\$ 7,127,269	\$ 7,325,760	\$ 7,529,647
Debt Service and Purchase Cost												
Cash Flow Before Debt Service			\$ (6,196,759)	\$ (6,312,031)	\$ 5,901,252	\$ 6,384,485	\$ 6,934,034	\$ 7,127,269	\$ 7,325,760	\$ 7,529,647	\$ 7,739,073	\$ 7,954,187
Debt Service			\$ 4,243,052	\$ 4,243,052	\$ 4,243,052	\$ 4,243,052	\$ 4,243,052	\$ 4,243,052	\$ 4,243,052	\$ 4,243,052	\$ 4,243,052	\$ 4,243,052
Cash Flow After Debt Service			\$ (10,439,810)	\$ (10,555,082)	\$ 1,658,200	\$ 2,141,433	\$ 2,690,982	\$ 2,884,217	\$ 3,082,708	\$ 3,286,595	\$ 3,496,021	\$ 3,711,135
Building Value if Sold at the beginnign of year 6	\$ 105,589,164											
Sales Expense	\$ 1,583,837											
Net Sales Proceeds	\$ 104,005,327											

			2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
Cash on Cash Return			-6%	-6%	6%	6%	7%	7%	7%	8%	8%	8%	
IRR Study													

Financial Assumptions on 250 M Street

Working Capital	100,000
Discount Rate	10.0%
Cap Rate	6.75%
Terminal Cap Rate	7.00%
Cost of Sale for Reversion	2.00%
Project Cost	99,970,345
Loan	79,970,345
Interest Rate - Annual	6.00%
Amortization	30 years
Closing Costs	1.50%
Partnership Backend Splits	
Partner 1	10%
Partner 2	90%
Preferred Return on Equity	
Partner 1	10%
Partner 2	10%
Development Fees	
Partner 1	2,000,000
Partner 2	2,000,000

PROJECT CASH FLOWS		
Market Value		\$104,005,327
Repayment of Principal Debt		\$54,879,228
PV of After Debt Flow Debt Service 2015-2019		\$(22,280,760.47)
Net Sales Proceeds		\$26,845,338
PARTNERSHIP CASH FLOWS		
Contributed Project Equity		
Partner 1	10%	2,000,000
Partner 2	90%	18,000,000
Total Equity Repaid		20,000,000
Remaining after repaying equity		\$6,845,338
Preferred Return		
Partner 1	10%	\$200,000
Partner 2	10%	\$1,800,000
Total Preferred Paid		\$2,000,000
Remaining after repaying Pref		\$4,845,338
Split of Remaining Proceeds		
Partner 1	10%	\$484,534
Partner 2	90%	\$4,360,804
Total Proceeds Paid		\$4,845,338
Remaining Cash after Proceeds		\$0
Total Cash Repaid to Each Party		
Partner 1		\$2,684,534
Partner 2		\$24,160,804
Total All		\$26,845,338

Project Financing Requirements			
Total Project Costs			99,970,345
Equity Partner 1			2,000,000
Equity Partner 2			18,000,000
Total Equity			20,000,000
Total Debt Needed			79,970,345
Project Cash Requirements			
Equity	20%	\$	20,000,000
Debt	80%	\$	79,970,345
Total Project Cash Requirements		\$	99,970,345
Equity Partnership Splits			
Partner 1 Share of Total Equity			10%
Partner 2 Share of Total Equity			90%
Brindger Development Return on Cash Invested			
			34.23%

Sensativity 250 M Street

Office Rental Rate	\$ 30.00
Construction Costs	61,813,041

	\$ 23.00	\$ 24.00	\$ 25.00	\$ 26.00	\$ 27.00	\$ 28.00	\$ 29.00	\$ 30.00	\$ 31.00	\$ 32.00	\$ 33.00	\$ 34.00	\$ 35.00	\$ 36.00	\$ 37.00	\$ 38.00	\$ 39.00	\$ 40.00	\$ 41.00	\$ 42.00	\$ 43.00	\$ 44.00	\$ 45.00
58,000,000	-62.94%	-45.25%	-27.57%	-9.88%	7.81%	25.49%	43.18%	60.86%	78.55%	96.24%	113.92%	131.61%	149.29%	166.98%	185%	202%	220%	238%	255%	273%	291%	308%	326%
59,000,000	-69.92%	-52.24%	-34.55%	-16.87%	0.82%	18.51%	36.19%	53.88%	71.56%	89.25%	106.94%	124.62%	142.31%	159.99%	178%	195%	213%	231%	248%	266%	284%	301%	319%
60,000,000	-76.91%	-59.22%	-41.54%	-23.85%	-6.17%	11.52%	29.21%	46.89%	64.58%	82.26%	99.95%	117.64%	135.32%	153.01%	171%	188%	206%	224%	241%	259%	277%	294%	312%
61,000,000	-83.89%	-66.21%	-48.52%	-30.84%	-13.15%	4.53%	22.22%	39.91%	57.59%	75.28%	92.96%	110.65%	128.34%	146.02%	164%	181%	199%	217%	234%	252%	270%	288%	305%
62,000,000	-90.88%	-73.19%	-55.51%	-37.82%	-20.14%	-2.45%	15.23%	32.92%	50.61%	68.29%	85.98%	103.66%	121.35%	139.04%	157%	174%	192%	210%	227%	245%	263%	281%	298%
63,000,000	-97.87%	-80.18%	-62.49%	-44.81%	-27.12%	-9.44%	8.25%	25.93%	43.62%	61.31%	78.99%	96.68%	114.36%	132.05%	150%	167%	185%	203%	220%	238%	256%	274%	291%
64,000,000	-104.85%	-87.17%	-69.48%	-51.79%	-34.11%	-16.42%	1.26%	18.95%	36.63%	54.32%	72.01%	89.69%	107.38%	125.06%	143%	160%	178%	196%	213%	231%	249%	267%	284%
65,000,000	-111.84%	-94.15%	-76.47%	-58.78%	-41.09%	-23.41%	-5.72%	11.96%	29.65%	47.33%	65.02%	82.71%	100.39%	118.08%	136%	153%	171%	189%	207%	224%	242%	260%	277%
66,000,000	-118.82%	-101.14%	-83.45%	-65.77%	-48.08%	-30.39%	-12.71%	4.98%	22.66%	40.35%	58.03%	75.72%	93.41%	111.09%	129%	146%	164%	182%	200%	217%	235%	253%	270%
67,000,000	-125.81%	-108.12%	-90.44%	-72.75%	-55.07%	-37.38%	-19.69%	-2.01%	15.68%	33.36%	51.05%	68.73%	86.42%	104.11%	122%	139%	157%	175%	193%	210%	228%	246%	263%
68,000,000	-132.80%	-115.11%	-97.42%	-79.74%	-62.05%	-44.37%	-26.68%	-8.99%	8.69%	26.38%	44.06%	61.75%	79.43%	97.12%	115%	132%	150%	168%	186%	203%	221%	239%	256%
69,000,000	-139.78%	-122.10%	-104.41%	-86.72%	-69.04%	-51.35%	-33.67%	-15.98%	1.71%	19.39%	37.08%	54.76%	72.45%	90.13%	108%	126%	143%	161%	179%	196%	214%	232%	249%
70,000,000	-146.77%	-129.08%	-111.40%	-93.71%	-76.02%	-58.34%	-40.65%	-22.97%	-5.28%	12.41%	30.09%	47.78%	65.46%	83.15%	101%	119%	136%	154%	172%	189%	207%	225%	242%
71,000,000	-153.75%	-136.07%	-118.38%	-100.70%	-83.01%	-65.32%	-47.64%	-29.95%	-12.27%	5.42%	23.11%	40.79%	58.48%	76.16%	94%	112%	129%	147%	165%	182%	200%	218%	235%
72,000,000	-160.74%	-143.05%	-125.37%	-107.68%	-90.00%	-72.31%	-54.62%	-36.94%	-19.25%	-1.57%	16.12%	33.81%	51.49%	69.18%	87%	105%	122%	140%	158%	175%	193%	211%	228%
73,000,000	-167.73%	-150.04%	-132.35%	-114.67%	-96.98%	-79.30%	-61.61%	-43.92%	-26.24%	-8.55%	9.13%	26.82%	44.51%	62.19%	80%	98%	115%	133%	151%	168%	186%	204%	221%
74,000,000	-174.71%	-157.03%	-139.34%	-121.65%	-103.97%	-86.28%	-68.60%	-50.91%	-33.22%	-15.54%	2.15%	19.83%	37.52%	55.21%	73%	91%	108%	126%	144%	161%	179%	197%	214%
75,000,000	-181.70%	-164.01%	-146.33%	-128.64%	-110.95%	-93.27%	-75.58%	-57.90%	-40.21%	-22.52%	-4.84%	12.85%	30.53%	48.22%	66%	84%	101%	119%	137%	154%	172%	190%	207%
76,000,000	-188.68%	-171.00%	-153.31%	-135.63%	-117.94%	-100.25%	-82.57%	-64.88%	-47.20%	-29.51%	-11.82%	5.86%	23.55%	41.23%	59%	77%	94%	112%	130%	147%	165%	183%	200%
77,000,000	-195.67%	-177.98%	-160.30%	-142.61%	-124.93%	-107.24%	-89.55%	-71.87%	-54.18%	-36.50%	-18.81%	-1.12%	16.56%	34.25%	52%	70%	87%	105%	123%	140%	158%	176%	193%
78,000,000	-202.65%	-184.97%	-167.28%	-149.60%	-131.91%	-114.23%	-96.54%	-78.85%	-61.17%	-43.48%	-25.80%	-8.11%	9.58%	27.26%	45%	63%	80%	98%	116%	133%	151%	169%	186%

Part VII DEVELOPMENT LOGISTICS:

Overview

William C. Smith performed extensive due diligence prior to purchasing the property.

Brindger Development will be doing the same, serving as a second set of eyes on the due diligence material. This second review can significantly aid in detecting any possible issues that may come up during the construction process and the occupancy period of the building.

Due Diligence

- **Design Review**-We will review each of the aspects of the Hickock Cole design to ensure that it has been done in a correct, efficient and cost effective manner. During this review, the BOMA calculations will be reviewed to ensure the correct amount of SF will be built to per the FAR and the city of Washington, DC code.
- **Operating Costs and Taxes**-The operating costs will be looked at to ensure accuracy in the Pro Forma. The taxes will be evaluated to make sure that they are calculated correctly during construction and then at occupancy.
- **Zoning Issues**-We will confirm that the by right zoning is correct and that there are no discrepancies. All TDR's have been purchased and are included in the purchase price, and therefore are vested. The certificate of transfer of the TDR's will be reviewed as well. A zoning height letter will be reviewed to make sure the building height is correct. Holland & Knight will include a zoning letter of opinion in the file for confirmation.
- **REA Agreement**-The Reciprocal easement agreement will be reviewed to ensure that all terms were negotiated to where they need to be. A second look will be given to crane swings and how they could possibly affect neighboring properties.
- **Geotech and Environmental**-We will take a full look at all Geotech and environmental surveys. A phase 1, and Phase 2 if necessary, will be done on the property. One main area we will be looking at is whether the bearing capacity of the soil conditions is sufficient to hold the building.
- **Title and Survey**-During this aspect of due diligence we will be searching for any easements on the property. One of the concerns stemming from

being so close to the Department of Transportation Headquarters and the Geospatial facility up the street is that there could be some unmarked security lines that need to be identified. We will also confirm legal ownership and make sure there are no discrepancies. A new Alta survey will need to be ordered.

Water & Sewer and Storm Water Management

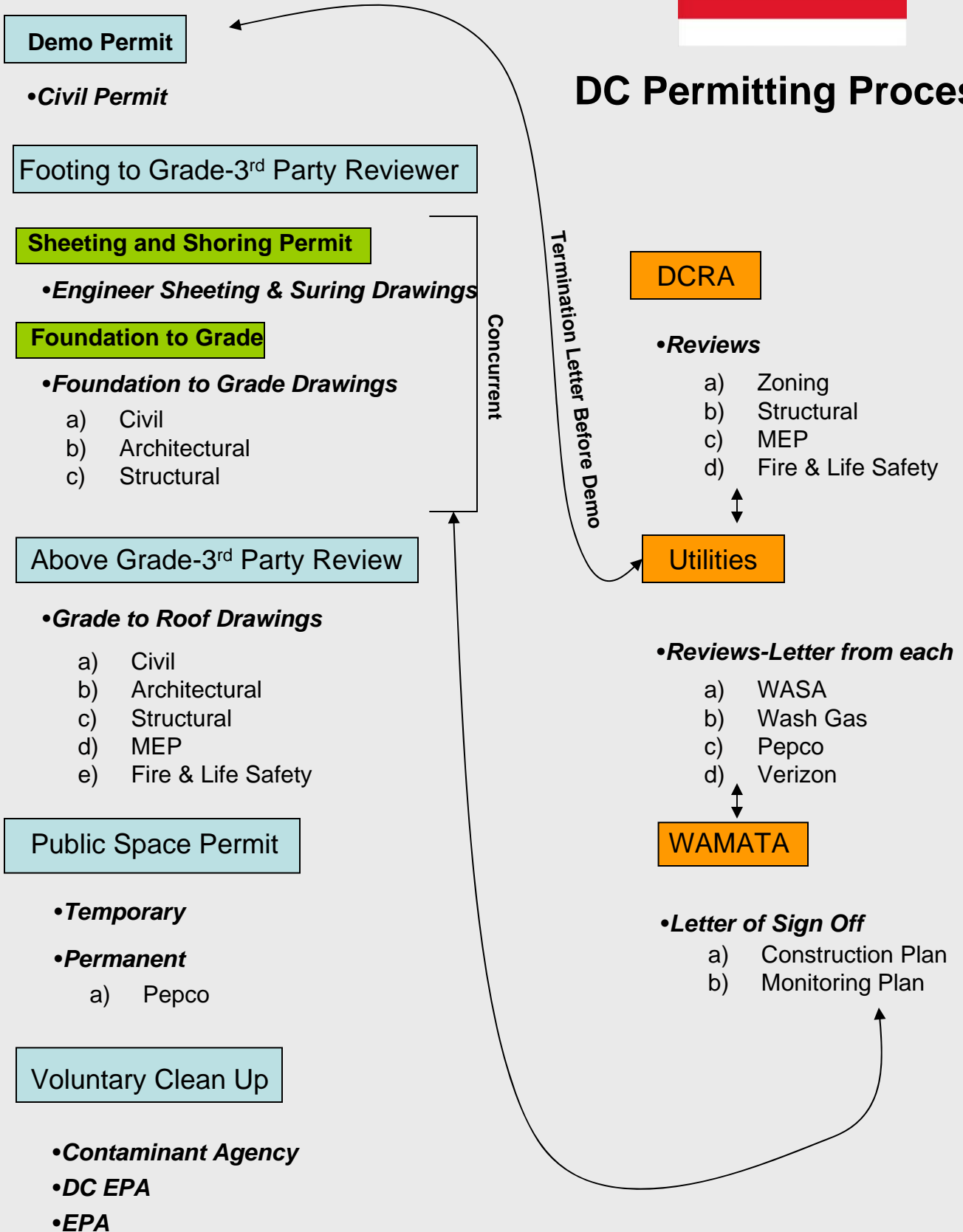
A service availability letter should have been gained during William C. Smith and Hickok Cole architects' design process for the property. This letter ensures that the water used in the building for such things as faucets, drinking, irrigation and fire hydrants would be sufficiently handled. If during this process it was determined that there would not be enough capacity from the city, an extra pump would have to be put in to help with the flow of water by adding additional pressure. A second look at this aspect will be taken while going through the design review. The sewer capacity and stormwater management are not an issue in this part of the city.

Permitting

The permitting process for the city of Washington, DC can be long and complicated. Below you can see a chart that runs through the process. As you can see on the diagram, your first need is your demo permit. Following that, the two main categories of permit are foundation to grade and Grade to Building. The city of Washington, DC is intimately involved in each step of the process.



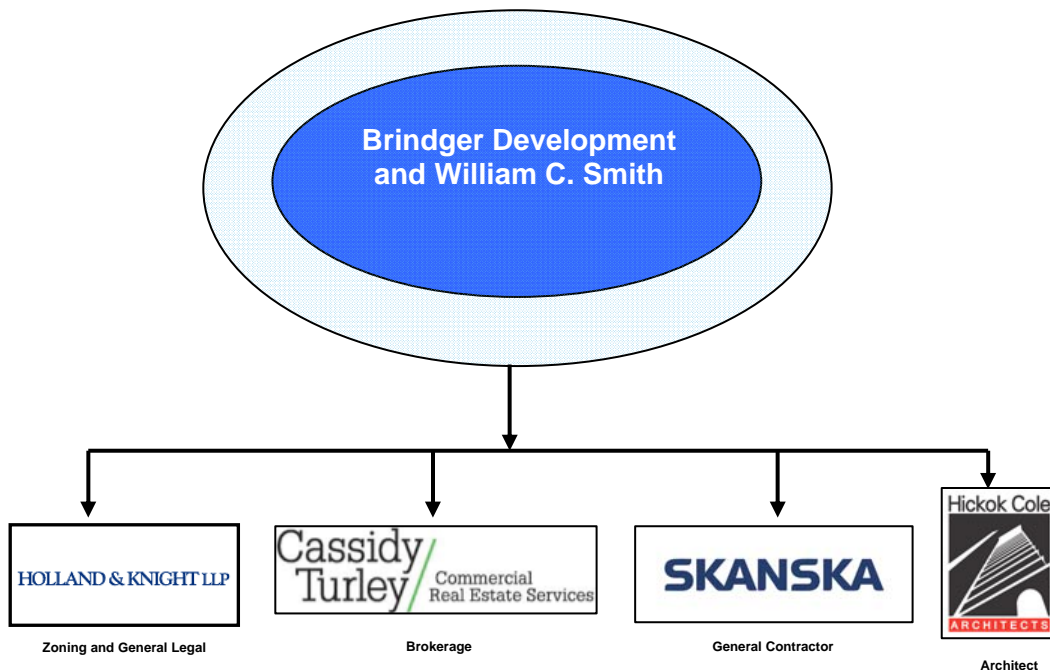
DC Permitting Process



Part VII PROJECT MANAGEMENT PLAN:

Overview

Listed in the below organizational chart are the key members of the project team. The project will be a CM at risk management job where the architect, Hickok Cole, and the general contractor, Skanska US Building, will be reporting to Brindger Development and William C. Smith. Holland & Knight will advise on any legal issues arising from the project, including land use logistics with the city of Washington, DC. As mentioned previously, all of the management will be done in house by Brindger Development. The leasing, both commercial and retail, will be handled by Cassidy & Turley. Below you will find descriptions of each group and their contributions to the team.



Team Structure

Architect-Hickok Cole



William C. Smith, following an extensive search process, selected Hickok Cole to be the architect on 250 M. Street. To date, the project team had had an excellent working relationship. HICKOK COLE ARCHITECTS, Inc. is a sixty-five person, award-winning Architecture, Housing, Interior Design and Master Planning firm located in Washington, DC. It is also one of the most successful architectural firms in the region, having experienced steady growth over a period of twenty years.

Hickok Cole Architects has designed over 60 million square feet of corporate office buildings, multi-family housing and interiors in the years since its founding. The firm is committed to the satisfaction of its clients through Great Design, Great Management and a Great Place to Work. The highly talented and experienced professionals comprising their staff affords them the capacity to design and document projects ranging from small scale, highly detailed interiors to large scale, mixed-use projects.

With more than 9 million sf of LEED projects either in design or under construction, Hickok Cole Architects has a strong commitment to sustainable design principles. Hickok Cole holds a membership with the U.S. Green Building Council (USGBC) and includes 32 architects and interior designers—which represent 75% of Hickok Cole's professional staff—who are LEED (Leadership in Energy and Environmental Design) accredited by the Council.

Hickok Cole Architects are passionate about design and the creative process. They believe that great design can come from anywhere; whether it be an enthusiastic young designer or a seasoned professional. Inspiration may come from an ordinary object, an abstract thought or historic precedent. In every case, design is filtered through an organized and consistent process that ensures that the design meets the client's goals.

- They listen to their clients-A successful project reflects the client's goals and vision.
- They aspire to great design-No matter the scale of the project or the size of the budget, Hickok Cole seeks the best design solution.
- They collaborate with the team.
- They work closely with the entire project team, including the client, consultants and staff.
- They create big ideas-Every great design starts with a strong, clear, and thoughtful concept.
- They stretch the client's imagination
- They believe that their clients hire them to bring creative solutions to their problems.
- They have a responsibility to provide strong design leadership for every project.

Hickok Cole Architects has consistently won awards for design excellence over the course of its history. These awards are the affirmation and natural result of the firm's commitment to great design. Over the years Hickok Cole has been widely recognized, locally and nationally, for design excellence, earning numerous AIA, IIDA and real estate industry awards for office buildings, multi-family housing projects, interior design and graphic design projects

Recent Awards



1050 K Street

Washington, DC
2010 NAIOP MD/DC Award of Excellence
Best Urban Office, up to 150,000 SF
2009 AIA Potomac Valley Chapter, Honor Award
Large Commercial



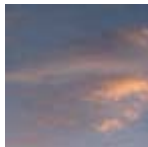
Blackboard, Inc.

Washington, DC
2010 International Interior Design Association
(IIDA) Mid-Atlantic Chapter Awards, Pinnacle Award,
Commercial, Over 100,000 SF
2010 International Interior Design Association
(IIDA) Mid-Atlantic Chapter Awards, Gold Award,
Commercial, Over 100,000 SF
2010 *Floor Focus Magazine*, Vision Award, Large New Construction
2009 *Interior Design Magazine*, Best of Year Awards,
Merit Award, Large Office
2009 Ultron Doc Award, Project Design Category
2009 Mid-Atlantic Construction: Best of 2009 Awards,
Award of Merit, Interior Design
2009 Associated Builders and Contractors, Metropolitan Washington &
Virginia Chapters Excellence in Construction Award



16th & Constitution Avenue, NE

Washington, DC
2009 AIA/DC Washington Unbuilt Awards
Honor Award



NPR

Washington, DC
2008 *Washington Business Journal*
"Best Real Estate Deals" Award, Deal of the Year
2008 *Washington Business Journal*
"Best Real Estate Deals" Award, Best Land Deal



2021 L Street, NW

Washington, DC
2008 *Washington Business Journal*
"Best Real Estate Deals" Award, Best Rehabilitation/Reuse



Columbia Center

Washington, DC
2008 *Interior Design Magazine*, Best of Year Awards,
Merit Award, Public Space
2008 AIA Potomac Valley Chapter Honor Award,
Commercial Architecture
2008 AIA/DC Award of Merit, Architecture
2008 AIA Northern Virginia Chapter Award of Merit,
Commercial Architecture
2008 NAIOP MD/DC Award of Merit,
Best Urban Office over 150,000 SF
2008 Mid-Atlantic Construction Best of 2008 Awards,
Award of Merit, Office



I.Gorman Jewelers

Washington, DC
2008 Virginia Society AIA Award of Excellence, Interiors
2008 AIA Potomac Valley Chapter Award of Merit, Interiors
2008 NAIOP MD/DC Award of Excellence,
Best First Floor Use
2008 Mid-Atlantic Construction Best of 2008 Awards,
Award of Merit, Interior Fit-Out
2008 Instore Magazine, America's Coolest Stores, Second Place,

Small Store Category



777 6th Street

Washington, DC
2008 NAIOF MD/DC Award of Merit,
Best Real Estate Transaction



Kenyon Square

Washington, DC
2009 NAIOF MD/DC Award of Merit
Best First Floor Use
2008 AIA|DC
Award of Merit, Interior Architecture
2008 *Washington Business Journal*
"Best Real Estate Deals" Award, Best Interior Design



1250 Eye Street, NW

Washington, DC
2008 Associated Builders and Contractors, Metropolitan Washington &
Virginia Chapters Certificate of Merit for Excellence

General Contractor-Skanska US Building

The Skanska logo, consisting of the word "SKANSKA" in a bold, blue, sans-serif font, is enclosed within a thin black rectangular border.

Skanska USA Building is a leading provider of world-class construction services within the building construction sector in the United States. Skanska USA Building is based in New Jersey, with an extensive network of local offices enabling a broad geographic reach. Skanska US Building has in-depth expertise in all aspects of construction, management, architecture and engineering. They apply cutting-edge construction methods and technologies to insure that their clients' projects, large or small, are built to meet their expectations.

Skanska is committed to being more than the leading green builder. They strive to be at the cutting edge of sustainable building methods and technology and foster a business culture that is committed to environmental stewardship. Skanska works as a member of the project team from the earliest phases of pre-construction to explore energy-efficient options and environmentally responsible solutions that provide the best initial and lifecycle values. On the construction site, safety, recycling and procurement initiatives reflect Skanska's commitment to the triple bottom line of sustainability. For their clients, this commitment translates to the delivery of customized, innovative and affordable green building solutions that meet their functionality and business goals. Skanska has the philosophy that they know that building today really means building to support tomorrow.

Skanska has been building green for nearly two decades and has constructed some of the landmark LEED® (Leadership in Energy and Environmental Design) projects in the U.S. Backing up Skanska's extensive project portfolio are more than 425 LEED Accredited

Professionals representing nearly every corner of its workforce. In fact, nearly half of Skanska's progressive pre-construction department is composed of LEED AP's. Well-versed in high-performance, energy-efficient solutions, Skanska is dedicated to reducing energy and environmental impacts in support of its clients' bottom lines.

What gets measured, gets done. Environmental stewardship is a core value at Skanska, which has developed several Key Performance Indicators that guide the company's daily activities. Skanska promotes and measures energy efficiency, actively seeks vendors that work with a sustainable mindset, and promotes a zero-waste strategy that encourages waste reduction, reuse and recycling.

Addressing the Triple Bottom Line

Skanska's clients build green for more than just the environmental benefits. From the start, Skanska works with every client to focus on the triple bottom line of sustainability, striving to meet the needs of the world today without jeopardizing the needs of society tomorrow.

- **Economic Responsibility.** Skanska is dedicated to supporting client success—and it starts by working on-time and on-budget. Skanska balances initial green costs with the overall lifecycle value, helping its clients make informed decisions based on tangible factors.
- **Environmental Responsibility.** Skanska excels in project execution and serves as a strategic partner to its clients, delivering environmentally responsible solutions throughout the project lifecycle.
- **Social Equity.** Skanska operates its business in accordance with the highest ethical and diversity standards—it's in its code of conduct. Additionally, safety is an integral part of Skanska culture. The company's Injury-Free Environment (IFE) program and Choose to Save a Life initiative underscore Skanska's commitment to making sure its employees and subcontractors go home safely every day.

The qualitative targets, as expressed in the five zeros, reflect the company's core values.

The five zeros, as well as the outperform financial targets, also provide the basis for incentive systems at various levels within Skanska.



The integrated building teams understand the mission-critical aspect of delivering specialized government facilities on time while balancing project security, safety, quality, budget control and diversity. From preconstruction through construction administration and post-construction support, Skanska exceeds the government's requirements. As a qualified contractor partners, Brindger Development will have access to Skanska's secure Partner Portal. From there, Brindger Development can also access the following aspects that set Skanska apart from some of its competition in the construction services industry.

- Online Planroom - DFS Online Planroom offers access to all available project plans and documents.
- Preconstruction Calendar - This calendar lists all preconstruction activities expected or currently underway in Skanska's construction departments.
- IFE Information - Injury Free Environment (IFE) overview and updates.
- Office Updates - Office updates regarding news, events that have happened in or near local Skanska offices.
- Office Contacts - Provides a listing of key office contracts in the event Brindger Development need further information or have information to share.

Construction Management-Skanska will provide world-class construction management services to a broad range of clients across the U.S. and Puerto Rico. Because Skanska is committed to client satisfaction, Skanska's focus is on building strategic partnerships and collaborative solutions that last throughout the

construction of each of its projects. Skanska's people are experts in managing everything from small renovations to billion-dollar programs in a variety of sectors, including life sciences, healthcare, education, commercial/corporate office, aviation, government, retail, hospitality and more.

Pre-construction-The pre-construction phase defines the project's character and is one of the most critical stages in the life of a project. To be an effective component of the overall project delivery plan, the pre-construction process must expand beyond the traditional estimating exercise. Skanska's pre-construction teams collaborate to define the overall construction approach, schedule and purchasing methodology, all of which directly impact cost.

Self-Performance

Skanska's self-performance capabilities position the company to deliver complex, quality projects on time and within budget. Extensive knowledge of local labor forces and individual clients' policies and procedures give Skanska the ability to control varying aspects of the project, including areas that are sub-contracted. Skanska's hands-on, proven management processes and experienced superintendents have led to the successful completion of numerous high-profile projects nationwide.

Expert in Building Information Modeling (BIM)

Building Information Modeling (BIM) is revolutionizing the design and construction industry by delivering significant value to project owners and the overall construction process. The GSA, USACE and NAVFAC have all adopted BIM as their preferred project delivery approach to improve the design, construction and record documentation of capital facilities. Skanska supports this effort with professionals nationwide who have strong BIM experience and capabilities on a wide variety of projects, and whose efforts have resulted in significant benefits to clients during project execution and beyond.

Leasing Management



Through an extensive RFP process, Cassidy & Turley was selected as the leasing broker on the property. Cassidy Turley is a leading commercial real estate services provider in the U.S., with 420 million square feet of managed space, 60 offices, 21 national markets, and more than \$13 billion in completed transactions for 2009. Outside of North America, Cassidy Turley partners with GVA Grimley, the founder and majority shareholder of GVA Worldwide.

Cassidy Turley serves owners, investors and occupiers by offering integrated, tailored solutions across a full spectrum of commercial real estate services. The professionals at Cassidy Turley are dedicated to consistently delivering solutions that produce superior results and champion the client's business goals. The firm believes in face-to-face relationships and that hands-on problem solving is fundamental. Cassidy Turley becomes the client's partner and advocate, and is passionate about achieving long-term success for the client by:

- Attracting and retaining the best people.
- Leveraging Cassidy Turley's private ownership structure to provide the client with the highest quality service.
- Delivering the local and industry knowledge the client needs through the firm's comprehensive market research capabilities.

The brokerage team was picked because of their extensive knowledge of the Capitol Riverfront and the impressive quantity of transactions that have been completed there as well as in other parts of the Washington, DC area. The plan presented in their interview, along with the budget for the marketing campaign that will be put into place, can be found below. The plan is focused around a successfully executed marketing and leasing

effort for 250 M Street at Canal Park.

Each Leasing Team member will market 250 M Street at Canal Park to a targeted list of Tenant Brokers in the market. Particular focus will be paid to those Tenant Brokers who represent qualified tenants interested in relocating to a high quality asset.

- Armed with current *Tenants in the Market* lists, updated monthly by Cassidy & Pinkard Colliers Research Team, each Broker will contact his list on a regular basis, reporting every week to Liberty Property Trust on calls made and activity generated.
- The entire leasing team will meet bi-weekly to discuss leasing coordination, review outstanding proposals or leases and prepare leasing activity narratives to distribute to Liberty Property Trust prior to regularly scheduled leasing meetings.
- Each Leasing Team member will be expected to know every prospect and the actions that need to be taken to secure the deal with the Tenant Broker and their prospect.
- This will be a Cassidy & Pinkard Colliers team effort with the goal of making 1129 20th Street, NW a “must see” opportunity for every qualified deal in the marketplace that has a suitable tenant requirement.

First Three Month of Construction Plan

250 M at Canal Park Marketing Budget

Month	January	February	March	April	May	June	July	August	September	October	November	December	Total
Advertising													
Ground Breaking Press Release	\$500												\$500
Bisnow Featured Article - Ground Breaking - Milestone	\$2,000												\$2,000
CoStar Advertising -Building Introduction to Market Campaign	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$8,400
Industry Sponsorships - NAIOP Bus Tour/Arlington Real Estate Showcase					\$3,000					\$5,000			\$8,000
Pre-Lease Deal Announcement Press Release				\$500						\$0			\$500
Pre-Lease Deal Announcement in Washington Business Journal				\$3,000						\$3,000			\$6,000
Materials for Distribution													
Ground Breaking Email Blast (in-house)	\$500												\$500
Topped-Out Postcard - mailed to DC and VA brokers									\$1,500				\$1,500
Topped-Out Email Blast - mailed to DC and VA brokers									\$200				\$200
Weatheright Postcard - mailed to DC & VA brokers												\$1,500	\$1,500
Weatheright Email Blast - mailed to DC and VA brokers												\$500	\$500
Permanent Comprehensive Signage Package (Construction Wall)	\$7,000												\$7,000
Update Leasing Signage w/ New Retailers/Office Tenants Coming Soon									\$2,000				\$2,000
DVD Virtual Tour with Fly-overs		\$10,000											\$10,000
Finish Board (Qty. 1)						\$350							\$350
Monthly Email Blast Campaign - Building Introduction to Market (in-house)		\$200	\$200	\$200		\$200	\$200	\$200		\$200			\$1,400
Website Completion & Maintenance		\$4,000						\$500					\$4,500
Update Marketing Flyer (in-house)	\$200												\$200
Create Tour Book		\$200											\$200
Pre-Lease Deal Announcement Postcard					\$1,500						\$1,500		\$3,000
Pre-Lease Deal Announcement Email Blast					\$200						\$200		\$400
Events													
Individual lunches w/ Tenant Rep Brokers (Qty. 15), \$100 per lunch		\$100	\$200	\$200	\$200	\$200		\$200	\$200	\$200			\$1,500
Other Marketing													
Misc.			\$2,500				\$2,500						\$5,000
Total Cost	\$10,900	\$15,200	\$3,600	\$4,600	\$5,600	\$1,450	\$3,400	\$1,100	\$5,100	\$9,100	\$2,400	\$2,700	\$65,150

*Costs are estimates and include design fees, printing, third party fees, etc.

DECEMBER 2013

- Kick-off meeting with team
- Develop and distribute Cassidy & Pinkard Colliers press release
- Develop and run Washington Business Journal Ad
- Design marketing floor
- Approve scope, schedule and pricing for marketing materials/events
- Update CoStar with new leasing contacts
- Design in-house e-flyer
- Install new leasing signage
- Schedule one on one broker lunches with those identified and targeted Tenant Representation professionals. Brokers' lunches would be held in early January, immediately following the holidays.

JANUARY 2014

- Small group Broker lunches to be held at a nearby restaurant or at the building
- Implement marketing floor
- Marketing pieces complete and ready for tours, mailings
- E-mail blast to brokers with building announcement and flyer
- E-mail blast to brokers with available space

FEBRUARY 2014

- Letters & brochure/flyer mailer to brokers and tenants
- E-mail blast to brokers
- Begin CoStar advertisements
- Begin direct mail campaign
- Host on-site broker lunches and/or broker party

Cassidy & Pinkard Colliers is pleased to submit the following Marketing Plan for the Liberty Building at 250 M Street at Canal Park located in the highly sought-after CBD submarket. The plan brand the building to create increased activity and transaction flow with an overall goal of achieving 100% occupancy level. The Marketing Plan seeks to actively attract and retain organizations who desire to office in a high quality building with a stable long-term owner within the CBD. The Marketing Plan addresses market economics, the competitive supply set, demand factors in the CBD submarket for Class A office buildings and specific marketing actions that reflect Brindger Development's goals for the lease up of 250 M Street at Canal Park.

Marketing Plan

1. Schedule meetings with pre-lease tenant prospects.
2. Set individual lunches with targets DC & VA tenant rep brokers
3. Increase building awareness by promoting the building through pres releases.
4. Cold call tenants in the market list
5. Initiate direct mail and email blasts to real estate community
6. Launch property website 215 M Street.com
7. Work with third party vendor to create a fly through 3D model of the property.
8. Create a Tour Book and & Tour Boards that could be given out and displayed on tours of the site and or building as it is constructed.
9. Add to Costar data base and track the searches of the property.
10. Place advertisements in Bisnow, ULI and other publications.

Land Use and Other Legal-Holland & Knight-

The logo for Holland & Knight LLP, featuring the firm's name in a blue, sans-serif font within a rectangular border.

Holland & Knight is a nationally recognized and respected law firm boasting a specialty in real estate. Holland & Knight will represent 250 M Street in dealing with the city of Washington, DC to ensure that the development process goes smoothly. Holland & Knight will also assist in the leasing of the building, and in drafting the joint venture documents between Brindger Development and William C. Smith. The hallmark of Holland & Knight's success has always been and continues to be legal work of the highest quality, performed by well prepared lawyers who revere their profession and are devoted to their clients. Holland & Knight remains dedicated to developing and maintaining long-term relationships. The firm's growth is due in large part to the success of its clients.

As governmental regulation increases in the areas of planning, zoning and land development, so does the need for public and private sector entities to employ sound legal counsel in achieving their land use objectives. Many landowners, developers, financial institutions, and local and municipal governments rely on Holland & Knight's Land Use Practice for its commitment to extending creative solutions within a changing environment.

Broad Resources

Holland & Knight offers access to resources of both land use attorneys and those in related practice areas, such as: eminent domain and condemnation, environment, taxation, real estate, litigation, telecommunications, and more.

Multisector Representation

With extensive experience representing both public and private sector clients, Holland & Knight's land use attorneys apply their understanding of entities on each side of a land use matter to increase the likelihood of success. On the public side, the firm represents local and municipal governments, with a particular emphasis on land use, zoning, environmental and redevelopment matters from planning, regulatory and financing perspectives. Firm attorneys also provide support to governmental entities on matters such as public contracting, "sunshine" laws, eminent domain and public finance.

In the private sector, Holland & Knight's representation involves residential, commercial, and institutional landowners, real estate developers, and financial institutions on a variety of issues before federal, state, regional, and local administrative agencies. These include obtaining land use and real estate development approvals, drafting zoning relief ordinances, and negotiating agreements for, and structuring the financing of, improvements needed for development projects and public/private partnerships.

Strategic Services

Strategic planning is critical to the handling of land use issues. Holland and Knight's team is dedicated to providing a full range of services in this area, from guiding long-term plans to negotiating agreements to structuring finance transactions. The firm merges its knowledge in all levels of government law, real estate law, land use law, zoning law and procurement law from both the public as well as the private sector perspectives to offer its clients thorough and insightful counsel.

The firm's services include:

- annexation and disconnection of property
- building and construction codes
- condemnation, regulatory takings, and inverse condemnation
- condominium, cooperatives, and homeowners associations
- contracting for and financing of major capital and public improvements
- environmental regulation, sustainable development, and L.E.E.D certification
- federal and state procurement
- historic preservation
- land use entitlements
- military base redevelopment and closure
- public-private ventures and partnerships
- servitudes, easements, licenses and covenants
- subdivisions and record platting
- tax incentives and credits, including tax increment financing
- telecommunications and right-of-way issues
- transportation management
- urban redevelopment
- zoning codes and comprehensive plans

Professional Relationships

Holland & Knight lawyers and professionals have working relationships with government officials and staff at local, regional, state, and federal levels that prove crucial to moving land use projects forward. These associations with decision makers often serve as a competitive edge in meeting a client's land use objectives.

Industry Involvement

The firm participates as members and leaders of multiple industry associations, business organizations and political committees to further enhance its services, as well as expand its support network available to its clients. In addition, Holland & Knight's team is supplemented by former industry professionals – including elected officials and city and county attorneys – lending depth and experience of counsel.

PROPOSED OPERATIONS AND MAINTENANCE PLAN



Overview

Brindger Development will be the management company responsible for running the building throughout the life of the 250 M Street project from design, construction, commissioning, occupancy and revitalization. The following sections describe key components of the Operations and Maintenance Plan that will be implemented.

Normal building operating hours are 7:00 AM to 6:00 PM, Monday through Friday, with the exception of federal holidays. Depending upon the season, the HVAC System will begin operating three to four hours before the building is occupied, to ensure that proper temperature settings are reached. The system will begin to roll back at 5:30 PM and will be on night set back (during the winter months) or off (during the summer months) by 6:00 PM. Plumbing and electrical systems are operational around the clock.

Design

Brindger Development will perform routine drawing reviews throughout the design phase to ensure operational functionality. An operational review at this phase of design identifies the best building solutions for the long-term occupancy and maintenance of the facility. During the construction process, Brindger Development will attend regular construction meetings to provide additional operational input. Weekly building inspections to review the installation will be performed in order to familiarize the property management team with the wall and ceiling equipment/wiring that will be hidden upon completion.

Commissioning

During the commissioning process, Brindger Development engineering staff will be on-site working alongside the sub-contractors to ensure complete functionality of all systems. All wiring is inspected for proper connections, all HVAC equipment is labeled and programmed in the Energy Management System, and additional testing and training of all systems is conducted to ensure a smooth transition of responsibilities. A final flush out using 100% fresh air will be performed on the HVAC system for a period of 7 days, and new filters will then be installed prior to occupancy. Computer-Aided Design (CAD) and Adobe Acrobat files of as-built drawings will be provided to the Department of Agriculture by Brindger Development Construction upon the building completion.

Tenant Move-In

As the tenant move-in process commences, the property management staff will perform the coordination efforts for dock and elevator access, keying of tenant suite doors, installation of directory signage, etc. All necessary documentation flows through the property management department to protect the integrity of the building and its tenants by ensuring proper insurance coverage and adherence to building rules and regulations, . Upon occupancy, each tenant in the building will benefit from our standardized preventive maintenance and warranty programs, which are provided by the on-site building engineers to ensure that the manufacturers' recommendations are followed and that techniques and technologies are fully utilized. At Brindger Development, we pride ourselves on the ability to hire and retain some of the best and brightest building engineers in the industry. Property Management is committed to the use of new technology throughout all aspects of our business. We have a broad range of experience with the new technologies employed in today's office properties. Our building engineers

are trained on the specific equipment at each building and are routinely provided additional training as equipment enhancements or upgrades are incorporated. This experience will be a significant advantage in managing the specialized needs that arise from each tenant, as each has different and specific needs.

Budget Development and Annual Inspections

Brindger Development will develop a comprehensive annual budget to include a 5-year capital improvement plan. Prior to the budget season, an inspection team will comb the entire building to ensure that all major expenses are allocated within the proper timeframes.

Budget Detail

Extensive line item detail will be provided during the budgetary process, which describes the specific tasks to be completed on a month-to-month basis. The building engineering staff is intricately involved in the determination of necessary enhancements and/or retrofits to the critical systems. Monthly operations reports and budget variance reports are reviewed by the property management team to ensure the facility is being maintained in a Class A condition at all times. All contracts are bid on an annual basis to ensure the best value for the best service. On-going maintenance items such as janitorial and landscaping are bid with an extensive scope of services and a specific pricing sheet to enable fair and equitable comparisons between bidders.

CLEANING

Janitorial

Prior to lease execution, the tenant's needs and the lease language will be assessed and specific cleaning requirements developed. Depending on the tenant that takes the space, cleaning may be performed in one of two ways. If a Government tenant takes the space, cleaning services will be performed during the day and will include one to two day porters to handle necessary replenishing of supplies. If a private sector tenant takes the space, all space cleaning will be conducted after 6:00 PM in order not to disturb the main tenant work hours.

Trash removal will occur during regular business hours, followed by the cleaning of floors and restrooms between 7:00 AM – 6:00 PM. The day time schedule provides several benefits, including stability of cleaning staff, due to a full 8 hour day; tenant familiarity with staff, which enables increased accountability and lowers tenant complaints; the ability to immediately address issues as they arise owing to the staff's full day presence; and improved communication for special requests.

A comprehensive scope of services will be put out to bid to a minimum of three vendors. Our goal is to provide the best services for the best price. The janitorial service will incorporate proper manpower, specific task training, recycled or environmentally friendly paper and cleaning products, proper supervision and quality services. Day porters will have staggered work hours to cover 7:00 AM – 6:00 PM operations. Routine inspections will be performed with the cleaning supervisors and the property management staff to ensure a quality performance.

Windows

Brindger Development will clean the interior and exterior perimeter windows twice a year. Store front glass will be cleaned on an as needed basis.

Recycling

To help protect the environment and reduce the amount of landfill, a recycling program will be instituted at the building to include: cardboard, white paper, aluminum, glass and plastic. Brindger Development will provide the recycling containers that will be placed throughout the facility to encourage tenant participation. Comingled recycling bins will be used to encourage more tenants to use the bins which will ultimately result in consumers using less virgin materials. Periodic communication plus convenient locations for receptacles greatly increase the amount of recyclable materials actually collected. The Building Engineering Department ensures hazardous materials such as paint, gas, oil, and various cleaning solutions are labeled, tracked in an MSDS logbook and disposed of in accordance with EPA standards. Trash compactors are typically utilized in a Brindger Development office building, thereby reducing the number of pickups, the amount of landfill, and the cost of service. An on-site crusher for light bulbs and tubes may also be utilized to reduce potentially hazardous waste. The crushed material, along with disposed computers, batteries, etc. will then be picked up by an outside recycling contractor.

Building Systems

An extensive Quality Services Program will be implemented, to commence at the design phase and continue through construction, commissioning of the building systems, routine repair and maintenance of the project, and during refurbishment of critical systems throughout the life of the project. The on-site staff is enhanced by regularly scheduled visits/inspections by Brindger Development Property Management's senior personnel.

Thoroughly documented building inspections will be conducted on an annual basis prior to the budget season to enable proper long range planning. At a Brindger Development managed facility, it is standard practice to provide a high level of preventive maintenance items on a predetermined regimen. Brindger Development utilizes Corrigo Maintenance Software to track work tickets and preventive maintenance. All building components, serial numbers and spare parts are entered into a database. Routine maintenance items will then be prompted on a predetermined schedule of daily, weekly, monthly, quarterly and annually to fit the predetermined best practices and manufacturer's suggested requirements for the proper maintenance, dictated by the amount of usage and the existing wear and tear.

Elevators

The original elevator installer will be kept under contract to provide monthly inspections and preventive maintenance on all building and parking garage elevators. Each elevator is equipped with an outside phone line for emergency calls to a security monitoring firm and Remote Equipment Monitoring (REM) capability to notify the elevator maintenance firm of any trouble or faults within the system.

HVAC

Quarterly filter changes, worn belt replacements and greasing of the HVAC equipment will be performed as per the manufacturer's specifications by the on-site building engineer. The maintenance schedule may be increased, depending upon the overall hours of operation. If the facility is to be open during strictly business hours, Monday – Friday, then the manufacturer's specifications are sufficient. If the facility runs extended hours, the maintenance frequency may be increased. Brindger Development always takes a

proactive stance on all maintenance issues in order to prevent any possible inconvenience to the tenants. An outside water treatment specialist performs the monthly testing and maintenance to prevent scale buildup or corrosion of the cooling tower and the associated water pipes. Coupon racks are typically installed on the water treatment system to monitor the corrosion level within the pipes, and the building engineer will perform lower level testing on a weekly basis.

Routine Cleaning of Systems

A strict scope of services must be adhered to in order to minimize any potential damage to the equipment and inconvenience to the tenants. Current versions of building automation and energy management systems (EMS) that utilize non-proprietary, user-friendly software and intelligent data-gathering panels are standard in any Brindger Development facility. The EMS system enables the engineering staff to identify an electrical/mechanical issue, troubleshoot the root cause and provide corrective action, thereby minimizing the discomfort or inconvenience to the tenants. The ability for EMS remote dial-in and the staggering of normal working hours for the building engineering staff allows for an early morning review of the entire system. This procedure helps to assure that a comfortable temperature setting is attained prior to the start of a normal business day.

The EMS System

Electrical Infrared scans of the electrical circuitry will be performed on an annual basis, and any noted deficiencies repaired immediately. If a total power shut down is required to perform the repair, the entire process is coordinated and scheduled to avoid

inconvenience to the tenant. The repairs are typically performed during non-business hours.

Energy Efficient Lighting

Brindger Development will go out of its way to use energy efficient lighting wherever possible in the building. Photocells, timers and motion sensors will also be utilized in numerous locations to reduce energy consumption.

Plumbing

Routine preventive maintenance is essential to reducing tenant disruption. Periodic jetting of the sewer lines is performed as a preventive measure. Ultra low-flow toilets and motion sensors on the urinal flush mechanisms and faucets will be provided. When feasible, the latest state-of-the-art technology will be utilized to reduce water consumption.

Fire Life Safety

Weekly churn testing by Brindger Development personnel, plus quarterly & annual testing by an outside Fire and Life Safety Consultant, will be performed on the entire fire sprinkler system. Any deficiencies noted during inspections are immediately repaired. A log book of inspections is retained in the fire sprinkler closet for review by the Fire Marshall and any other supervisory personnel. An outside monitoring firm provides around the clock monitoring of the system and will dispatch emergency personnel should the need arise. A Brindger Development hierarchy of personnel of 3-4 people is also on call 24/7 for emergency situations.

REPAIR AND MAINTENANCE

Pest Control

Brindger Development will endeavor to provide pest control through non-chemical means, such as trapping and sticky tapes. The first means of pest control is to reduce or eliminate the food source of the pests. Cleanliness and proper removal of rubbish greatly improve overall effectiveness.

Roof Maintenance

The roof will be a green roof made up of a two-fold system incorporating a watertight membrane and a variety of sedum plants in order to help keep the roof cool during the summer's heat (urban heat island effect) and to reduce heating cost by adding mass and thermal resistance. Additional benefits include the system's abilities to filter pollutants and heavy metals out of rainwater, insulate the building for sound, and reduce storm water runoff.

Weekly building inspections will include a review of the condition of the roof. During and after snow and ice storms, the roof is inspected for load tolerance, clear drains and damage. In order to maintain the original roof warranty, routine repairs and the sealing of all penetrations are performed by the original roof contractor or a contractor from the manufacturer's approved vendor list. Caulking, coping and flashing will be repaired or replaced on an as needed basis.

Environmentally Friendly Materials and Adhesives

With care and proper maintenance, a typical roof will last approximately 20 years.

ProBel typically designs and installs the roof anchor system, then provides the necessary maintenance and required annual inspection. The Annual Certificate of Inspection will be kept onsite for ease of access to any and all vendors that have a need to utilize the system.

Painting, Wall Coverings and Wood Veneer

Brindger Development typically repaints common areas on an as needed basis, alternating between corridors/lobbies and stairwells. Common area wallcoverings will be repaired on an as needed basis, depending upon wear and tear. Digs and scratches on wood veneer paneling in the lobby, the elevators, or other common areas will be repaired yearly by an outside contractor. Major damage will be repaired on an as needed basis. Due care will be given to the choice of paint and adhesives used for the wall coverings in order to reduce the smell and the chemical makeup of certain components. If a Government tenant occupies the space, all SFO standards of maintenance and repair will be adhered to.

Doors and Hardware

Once construction is complete, Brindger Development Property Management typically keys all doors to a Master Key System. Routine maintenance will be provided to all doors and hardware on an as needed basis. Digs and scratches on natural wood finish doors are repaired yearly by an outside contractor. Repainting of doors and casings are generally performed according to the same schedule as the location dictates, i.e. in the common areas verses the tenant spaces. Perimeter security will be mandated by the Department of Agriculture's needs, their requirements and the lease agreement. The specific type of lock set on office doors, suite doors and perimeter doors will be coordinated with the tenant during the design phase and on an on-going basis for tenant improvements and use changes. Card key access is a Brindger Development standard and is programmed by the Brindger Development building engineering staff on an as needed basis, thereby reducing the overall maintenance expense. Air pressure conditions will be monitored and adjusted to enable the proper closure of all doors.

Carpet and Flooring

Repairs to common area carpets and flooring will be performed on an as needed basis.

Carpet tiles may be utilized to provide an easier, more cost effective replacement strategy. Rotating the tiles from the traffic pattern to the perimeter may also reduce the noticeable wear patterns and lengthen the overall life of the carpet. Quality carpets require only hot water for cleaning, reducing the need for additional soaps and stain removers that are environmentally unfriendly. Adhesives and sealants will not contain formaldehyde or heavy metals. The normal life span for ceramic tile is approximately 20 years. Thorough cleaning by the janitorial crew and routine repairs of caulking or cracked tile will maintain the overall appearance over a longer lifespan.

UTILITIES**Electricity and Gas**

Brindger Development Property Management will work with the Design Team to assist in the choice of energy efficient equipment during the initial construction, thereby reducing energy consumption from the very beginning. We will also assist in the development of base building standards for future upgrades and retrofits to reduce consumptions as technology changes and products improve. The Energy Management System for the mechanical/electrical equipment enables the engineering staff to track and economize energy consumption whenever possible due to low occupancy or favorable weather conditions. Where possible, we will negotiate energy rates with local providers to obtain the most competitive energy rates available. We will endeavor to obtain an Energy Star rating within 14 months of 95% occupancy.

Water/Sewer

Brindger Development Property Management will work with the Design Team to assist in the choice of water efficient equipment during the initial construction, thereby reducing consumption from the very beginning. Watersense products will be used in the building to help meet all LEED criteria set forth during the commissioning process.

Exterior Snow and Ice Removal

An outside contractor will be hired to perform snow and ice removal on a time and materials basis. They will automatically mobilize at 2" or more and will be dispatched by the property management staff on an as needed basis for less than 2". They are mandated to have the sidewalks clear no later than 7:00 AM on regular business days and again at 4:00 PM if snow fall occurs throughout the day. The business hours can be altered to match the tenant's hours of operation; therefore, if the tenant is a 24/7 operation, snow and ice removal will occur on a continual basis. Efforts will be made to use environmentally safe de-ice materials. Emergency evacuation planning and tenant participation drills are common practice on a Brindger Development managed property. Knox boxes are provided to the Fire Department to allow entrance into the facility in the case of an emergency. A current handicap/disadvantaged tenant list will be kept at the fire panel to notify the emergency personnel of any occupant that may require special assistance during an evacuation. "Room Clear" door tags are provided to the single office occupants to speed up the search and rescue process after an evacuation.

Each on-site Brindger Development staff member is trained and certified in CPR, First Aid, fire extinguisher use and OSHA standards. Most all of the above training is provided by our in-house Safety Director and is routinely available to our tenants, given specific class space availability. Full sets of as-built drawings and Operation & Maintenance

Manuals will be retained on-site and offsite should the need arise to review. All hazardous material data sheets will be logged in a MSDS Log Book for easy access. Emergency contacts will be retained for each tenant to enable notification of a building emergency during non-business hours. Off-site locations will also be predetermined for emergency team meetings and briefings should the building be un-inhabitable. Employee, tenant and vendor safety is the primary goal throughout the various divisions of Brindger Development.

Accessibility and ADA Compliance

Brindger Development Property Management will provide routine maintenance and repair to maintain the integrity of the current ADA components of the building and the grounds. Monitoring of new regulations will be a priority, and as regulations are enacted necessary accommodations will be made in a timely manner. All new tenant improvement work or refurbishments will adhere to the then approved ADA regulations.

Environmentally Conscious

Brindger Development will strive to provide an environmentally safe and friendly facility in various ways. Each staffed position onsite at 250 M Street will have a minimum of U.S.Green Building Council LEED Green Associate designation or higher. All recycled materials to be utilized in the facility will be biobased or have other positive environmental attributes where feasible; minimize the consumption of resources and energy; work to minimize solid wastes, air pollution, water pollution and noise pollution; and promote the use of non-toxic materials or processes. Best In Class Brindger Development Property Management is an Accredited Management Organization; a certification conferred by the Institute of Real Estate Management to property

management firms that meet strict standards of expertise, integrity, and fiscal responsibility. Brindger Development is an active member in both the local and national chapters of a variety of real estate organizations. These include:

- Building Owners and Managers Association (BOMA)
- Institute of Real Estate Management (IREM)
- National Association of Industrial and Office Parks (NAIOP)
- National Association of Corp. Real Estate Executives (NACORE)
- Society of Industrial and Office Realtors (SIOR)
- U.S. Green Building Council (USGBC)

Brindger Development and its employees are active in a variety of community-based charitable organizations across the nation. Brindger Development encourages employee participation as individuals, as part of company sponsored charity events, and donation/collection drives by being active contributors themselves. Each year Brindger Development donates 10% of their profit to worthy charities. Brindger Development Property Management provides the full service property management functions of the vertically integrated real estate design-build development company. We are committed to leveraging the newest technologies in financial and building management that provide for timely, accurate and sophisticated management of the properties under our care.

We strive to hire the best in the industry and provide continual training to all our employees at every level of responsibility. Each year during the annual review process, every employee sets “stretch” goals to include performance standards, on-going training and premier customer service. Incentive bonuses are allocated according to the attainment of these goals. We are continually striving to improve our processes and procedures to remain at the top of our game. Brindger Development Property Management has

recruited an experienced and seasoned team of local professionals to manage its portfolio. Together, these individuals possess over 150 years of experience in commercial property management, averaging over 10 years per person.

Brindger Development is committed to providing the right staff at the right time to prospective tenants with a friendly culture with the services it requires and deserves.

Within the Washington Metropolitan Area, the Brindger Development Property Management Team has worked with numerous government type tenants such as Boeing, Northrop Grumman, General Dynamics, MSD, BAE, and Department of Homeland Security. When needed TS-SCI cleared individuals have been provided for janitorial services for high level SCIF spaces, coordinated the routine maintenance and repair items with the tenant's available escorts for secured areas, as well as coordinated specialty services such as all US citizen crews.

We consider 250 M Street a special Class A office building and the Brindger Development Property Management Team is committed to providing top level quality and responsive services to meet and exceed the designated mission goals

SUMMARY

The Brindger Development team will concentrate on providing a high quality, cost competitive and safe work environment for its tenants. Particular attention is given to preventive maintenance of the physical plant, strict supervision of service vendors, careful scrutiny of real estate tax assessments and risk management issues and implementation of the Brindger Development Tenant Retention Program. Cost

containment while providing a high quality-building environment is a real strength of the
Brindger Development Property

CONCLUSIONS AND RECOMMENDATIONS:

CONCLUSION

While the Washington, DC MSA market has not seen the financial downturn that other parts of the country have seen, it has still seen a downward trend. To achieve the NOI that would make the deal work these numbers would need to be \$54.00 in 2015 when the building would deliver. This would be higher than the typical Government rates given by the GSA so an agency with independent leasing authority and that was self funding would be necessary to get a government tenant. Realistically a private sector tenant roster is probably more desirable as the returns on the property would be greater.

Which industries dominate the metropolitan economy?-The metropolitan market is dominated by the Federal Government and related contractors. During the course of the financial downturn, the Federal Government machine has kept the engine going in the DC MSA market area. Projections are that the Federal Government will continue to grow in the coming years while the private sector will remain stagnate, but with hope of an economic recovery on the horizon this prediction could change. Between 2000 and 2009, the DC MSA experienced a job growth in Professional & Business Services of 5,000, Federal Government 13,000, Education, Health Services 4,000 and State and Local Government 3,000 (BLS, GMU Center for Regional Analysis).

Are they expanding, and if so what are their needs? The Federal Government, as mentioned above, is expanding and the less defense minded agencies (such as NIH, OCC, IRS, and NOAA) who do not require 100 foot setbacks could be ideal tenants if the rental rates work. The pipeline for new projects in the region continues to grow as recovery act money has been pumped into the MSA and new jobs have been created at the SEC and other financial agencies, due to the

increased oversight on the banking industry. There seems to be no end in site for the Federal Government expansion in the MSA.

Are new types of business entering the market, and if so, what is attracting them?

Before the economic downturn, new businesses were moving to the area such as Volkswagen/Audi. Volkswagen/Audi specifically found the Washington, MSA an attractive place to move their headquarters owing to the shift in power in the auto industry from Detroit to D.C., as Capitol Hill debates daily bills that will keep the industry producing for the next 100 years. Other major companies have also recently announced headquarters moves into the region, which could be a sign that economic recovery is ramping up. Those companies include Fortune 500 members Hilton, SAIC, and Northrop Grumman. There is potential for more headquarters moves to happen during the next wave of the real estate cycle as Washington, DC becomes a stronger financial player and begins to rival New York City as the epicenter of the financial industry. Technology has made obsolete the former necessity for traders to be on massive trading floors, and those companies are a perfect target for moves south. Economic development authorities have been targeting these companies and their supporting subcontractors for transition from New York City to Washington, DC.

What characteristics will appeal to businesses? The characteristics that are going to be a driver for the next wave of tenants into the market will be dependant on Generations X, Y and Z. These are the employment pools where Fortune 500 companies will be placing their bets. The challenge with these new generations is that they are completely different from the generations preceding them, as they grew up with technology prevalent in their lives. With each generation, increasing emphasis is being placed upon flexible work life

balance. Living close to where you work and play, while cutting down on commute time, is important. These generations are willing to take lower wages to achieve this balance. Additionally, they are plugged in all the time via blackberries, iphones, laptops and other electronic devices, allowing them accomplish more in a shorter period of time than preceding generations. For businesses this means the need to be close to metro stops, proximity to the city rather than the suburbs, and amenities for their employees such as gyms, bars, restaurants and retail. Thus, the Capitol Riverfront could be a very desirable place to work and live.

RECCOMENDATION

Decision: Based on current market conditions and comparables predicting out in the future to 2015 when the building would deliver is not an exact science. Given the information in this report and the sensitivity analysis of the pro forma I set forth to answer the following questions and I believe each has been accomplished; thus, giving a clear picture that this project should not be pursued further.

- Does the rental rate support the debt service on the property?
- Will the leasing demand support the leasing of the building?
- Will there be appeal to locate in the Capitol Riverfront
- Will the construction costs be on market?
- Will a cap rate be achieved that can make this project profitable?

Based on the information that has been presented in this practicum for 250 M Street at Canal Park it has been determined you could make a deal work for the following reasons. First and foremost, the rental rate needed to produce enough NOI to cover the debt service on the deal does project out to work in 2015 when the building would deliver.. Within the demand analysis contained in this report, there does not appear to be enough

demand in the pipeline to provide tenants for the Capitol Riverfront and to create sufficient competition for the site in the short term by 2015 the market should have stabilized and there should be an upward tick on leasing in the Capitol Riverfront with the added amenities. There is sufficient appeal in the Capitol Riverfront based on the presence of parks and the upward tick in the 24 hour community. The construction costs are on market and appear to still be in the developers favor. The cap rate at the Capitol Riverfront is lagging slightly behind other submarkets in Washington, DC proper, but is still situated in the strongest real estate market in the country and by 2015 cap rate compression will continue and a projected out rate 6.25% in 2021 seems like it could be achievable.

With all that said, my decision, after extensive review is to move forward with buying the property from the City of Washington, DC and William C. Smith based on the following deal terms. Each has been property vetted based on where the market is currently and where the market is going to be heading

250 M Street at Canal Park Deal Points	
Rental Rate for Office	\$ 54.00
Rental Rate for Retail	\$ 58.00
Construction Costs	\$ 61,000,000.00
Cost of Land	\$ 8,330,000.09
Cap Rate	6.25%

If Brindger development cannot get to a 20% return on the cash invested in the deal it will not move forward. Based on the sensitivity analysis it has been determined that we cannot go higher than \$35.00 per FAR on the offer and still be able to keep a rental rate that is on market for 2015 thus a hard line has been drawn and if the deal terms above.

We feel that based on where the market is that these numbers are achievable in a deal.