RE PRACTICUM

Project Development Feasibility Analysis for EDINBORO ROAD PROPERTY - ERIE, PA

Johns Hopkins University
Carey Business School

Submitted by: Scott Glass
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Executive Summary

The Edinboro Road property is a family owned investment property comprised of 4.77 acres zoned for industrial use. It is located in the suburb of Summit Township, on the outskirts of Erie, PA within a 10 minute drive of 85% of the 250,000+ metropolitan population. The industrial zoning permits various manufacturing, warehousing and storage types of uses, however, the current use is single family residential, generating a net cash flow of $6,000 annually. The scope of this practicum is to evaluate the subject property and viable uses, considering the market conditions, what is allowed to be built and what size the project could be, and finally, derive a development plan for a recommended use, with a complete financial analysis and pro forma.

This investigation presents a plan to achieve the highest rate of return for the property owner and a select group of investors by purchasing an additional five acres and re-zoning the combined properties to a transitional (T-1) zoning use. Using the permissible uses of the T-1 zone, the property will be able to be marketed to the most economically attractive business model for the investment entity. A thorough examination of the market demographics suggest the most favorable development will be a mixed-use development plan to deliver multi-family residential, medical office and commercial office space. Formation of a limited liability corporation to raise $2million in equity is required to fund acquisition, entitlement and development. The financial analysis results in an 18% IRR to the equity partners and a 20% IRR to the landowner. Currently the land is valued at $200,000 for four finished industrial lots, but an unfavorable IRR results from such an approach due to the high cost for design and sitework construction.

The mixed-use recommendation requires approximately $1.5million in soft costs associated with acquisition, design, entitlement and financing. Hard costs associated with the construction are estimated to be $1.5mm for sitework, $5mm for office building construction and $2mm for interior tenant space fit-out. It will take two years to achieve rezoning and development plan approval, with sitework and construction on the first 70,500sf building to take another year. The plan presented suggest using investors as end-users of the leased space to minimize the vacancy and down-time associated with rolling tenants. The target investor/end-user is currently paying rent on medical office space of $15.00 psf and commercial office space of $12.00 psf. With vested tenants, stabilization should be reached by year three for the first building and year five for the second building.

The formation of a limited liability corporation to commit investors to the development will enable any investor, or the land-owner, to get out of the investment, without any penalties, after year ten. Detailed cost and operation expense estimates based on current market pricing are the basis for presenting a discounted cash flow model to estimate the Net Operating Income (NOI) of the stabilized property, achieved in year five. The net present value, after ten years from rent for 140,000 sf of medial office and commercial office space, and the sale of a multi-family lot permitted for 76 multi-family units, is $9,000,000. Based on addressing current market demand, location, potential investing partners, and the resulting IRR of more than 18% this is believed to be the highest and best use for this site delivering the most favorable rate of return on investment for the least amount of risk to the land-owner.

1.0 Subject Property

1.1 Location, Use

The site is comprised of 4.77 acres situated on Edinboro Road/Rte 99 one half mile south of interchange road. It is currently used as a rental property. Conveniently located in Summit Township, Erie County, its very close in proximity to the Millcreek Mall and I-79. The location presents not only physical location benefits, but also entitlement and tax opportunities as well. An adjacent manufacturing corporation, the Springhill Continuing Care Retirement Community (CCRC), as well as, commuters passing daily for jobs at the abundant retail 1/2mile to the north, present a highly exposed location for a variety of potential developments.

Figure 1.1. Location map

1.1.1 Zoning/Use/Potential Uses

The current zoning of the site is industrial, I-1. Table 1.1 presents permissible uses in the industrial zone. The industrial use is most advantageous for the type of operation conducted on the adjacent property at the plastics manufacturing company, but is also suitable for warehousing, flex-space and industrial manufacturing uses. With over 450 feet of frontage on Edinboro Road, there is plenty of accessibility form the major arterial roadway. The properties to the north are all individual residential lots with existing single-family residential homes occupying them. Across Rte 99/Edinboro Road there is a Mazda car dealership, situated on property zoned B-1, the most versatile commercial zoning in the Summit Zoning ordinance. To the rear (west) there is an additional 5 acres of un-wooded field that is a part of the property owned by the adjacent plastics corporation. The subject site could potentially benefit from acquisition of the additional land, however, the natural grade of the area does not allow for sewage to gravity fall to the public sewer system tie-in on Edinboro Road. This condition can be overcome by incorporating an on-site sewer booster station to serve any proposed commercial building on the additional property.

I-1 INDUSTRIAL DISTRICT

PERMITTED PRINCIPAL USE	USES ON SPECIAL EXCEPTION
Accessory Structures	Bulk Fuel Storage (400.19)
Antennae – **(on pre-existing structures)** (Added 10/05/98)	Antennae & Structures (400.26) **(on NEW Structures)** (Added 10/05/98)
Antennae & Structures – **(FOR DISTRICTS LOCATED ADJACENT TO I-90 or I-79 ONLY)** (Added 10/05/98)	
Essential Services	Heavy Manufacturing (400.14)
Fire Stations	Injection Wells (400.20)
Laundry & Dry Cleaning Products	
Light Manufacturing	Public Utility Bldgs. (400.02)
Office Buildings	Truck Terminal (400.16)
Printing & Publishing	All other uses of land and buildings not permitted in other zoning restrictions as long as the highest attainable standards of health, safety, morals and general welfare are observed; and furthermore, all activities are carried out in strict compliance with any laws of the Township, County, or State.
Railroad Freight Facilities	
Research & Testing Labs	
Warehousing Establishments	
Wholesale food processing	

Table 1.1. Industrial Zone permissible Uses.

The timing of this development analysis is convenient for investment purposes. The Township will hold its election for its Board of Supervisors in the Fall of 2009 and a comprehensive plan update is scheduled for 2010. The comprehensive plan update is an opportunity for the property investors to pursue a zoning reclassification that will suit the investment plan. A comprehensive zoning map amendment is the subsequent step following the comprehensive plan update, and is scheduled to occur in the six months following the adoption of the updated plan.

1.1.2 Physical Site Assessment

The property is in the shape of a trapezoid, 457 feet across the frontage along Rte 99, 678 feet along the north edge and Millcreek township line, 322 feet across the rear (west), and 430 feet along the border shared with the plastics corporation on the south. There is about a 3% grade from the high point at the northeast corner falling to the south property line. The site is only partially wooded, with a majority of the area level, graded, and well drained. Public water and sewer service is available at the front of the site and a majority of the site falls via gravity to the sewer tie-in location. The frontage across Rte 99 is 457 feet, providing ample space for acceleration/deceleration lanes. A 12" water main runs along the frontage of the site.

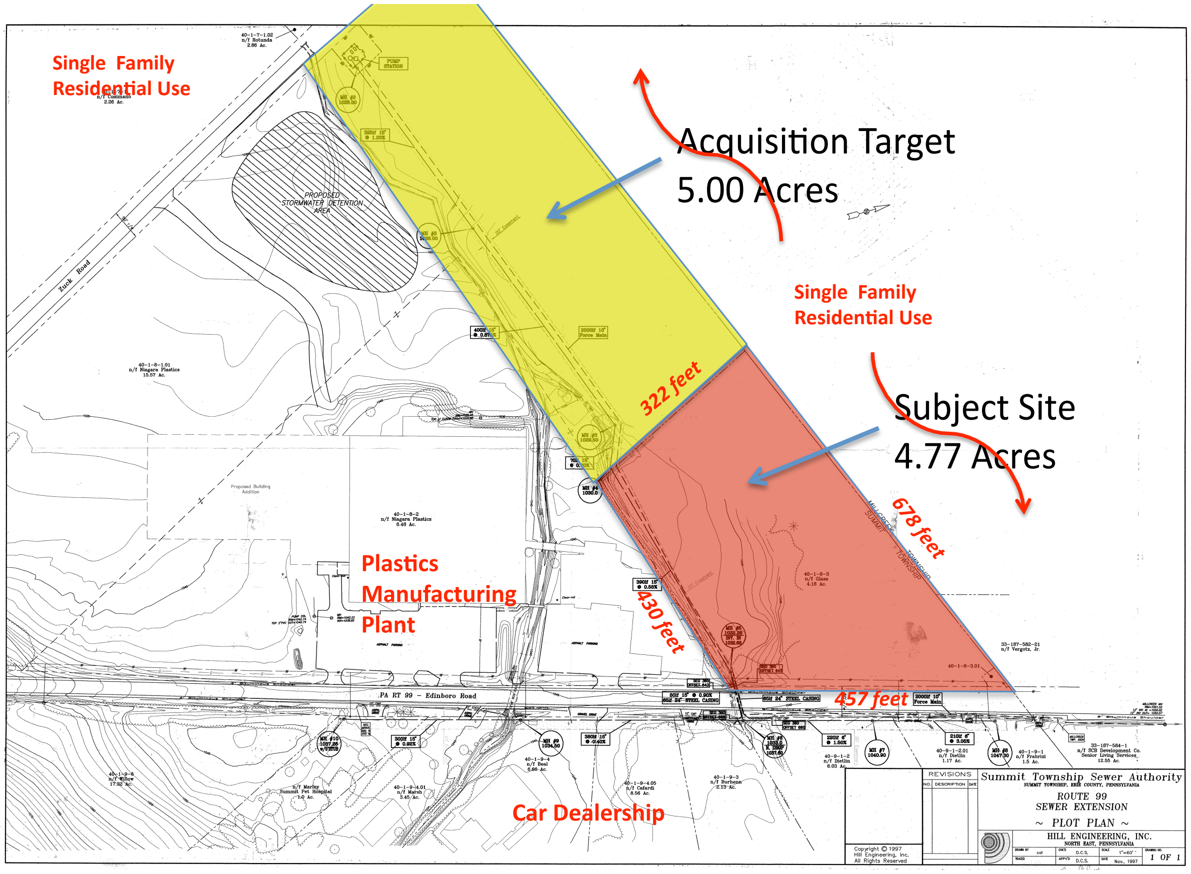


Figure 1.2. Property Survey and Surrounding Uses

In 1998 a phase I environmental assessment and preliminary wetlands investigation were conducted by a local environmental consultant on the property. The investigation concluded there are no existing physical signs of hazardous contaminants on the site, nor were any discovered from historical aerial photos of the site, or other public records. The only structure on the site is a single family home being used as a rental property. The home is currently leased on a yearly basis and could be terminated when sitework starts.

Easements exist across the front of the property to accommodate the waterline and a gas main. There are no other easements or right-of-way encumbrances on the remainder of the property. The south property line lies along an existing creek bed that accommodates the surrounding property storm water run-off and feeds into Walnut Creek.

1.1.3 Adjacent Uses

The 4.77 acre site lies on the border of Summit Township and Millcreek Township to the North. As depicted in Figure 1.2, directly adjacent to the south lies another 15 acres of Industrial zoned property hosting the Erie Cap and Plug manufacturing plant, formerly Niagara Plastics. On the opposite side of the property single-family residential neighbors comprise the fifteen adjacent lots to the north.

These single-family residences lie in Millcreek Township. This would be a favorable situation if re-zoning is pursued, since potential objections from Millcreek Township residents at a public hearing would carry less weight with Township Board of Supervisors.

Across Rte 99/Edinboro Road there is currently an animal clinic, a Mazda auto dealership, a Cell tower site, and a quarter mile to the North a 200+ unit Continuing Care Retirement Community (CCRC). In recent years several residential family neighborhoods have been developed to the north. The several hundred homes in the immediate vicinity, combined with those working at the adjacent plant, and the CCRC present a marketing benefit to future potential professional services or businesses.

Figure 1.3. Site Location Aerial

1.1.4 Proximity Economic Analysis/Uses

The subject site is located within a one-mile radius of the two largest commerce centers in Erie County and Northwest Pennsylvania. The Millcreek Mall is a major retail anchor to dozens of satellite big box retail, restaurant and hotel commercial properties that attract consumers from the entire city, as well as, Cleveland, Buffalo, and Toronto due to the appeal of no sales tax in the state of Pennsylvania. Daily trips from any location in the city of Erie and the surrounding suburbs are common, not only for those coming to spend, but also those coming to work.

The Millcreek Mall has long been a major source of income to the Township that bears its name, giving rise to opportunity for expansion up the Peach Street/Rte 19 commercial corridor to the Interstate 90 exit. Along this short stretch is the Summit Township line. In the mid 1990's a second stage retail explosion occurred at the I-90 exit to accommodate the "Big-Box" boom yielding the second major commerce center in Erie, the Summit Town Center (east and west). **Figure 1.4** depicts the national retail names that are currently present in the Summit Town Center to the south east of the site, and, at the Millcreek Mall to the north of the site. In the last three years a new prime retail center has been developed just ½ mile to the north named the Springhill Shopping Center. The Springhill Shopping center hosts over 250,000 sf of retail stores, restaurants and businesses, as well as, one new hotel and another planned for future development.

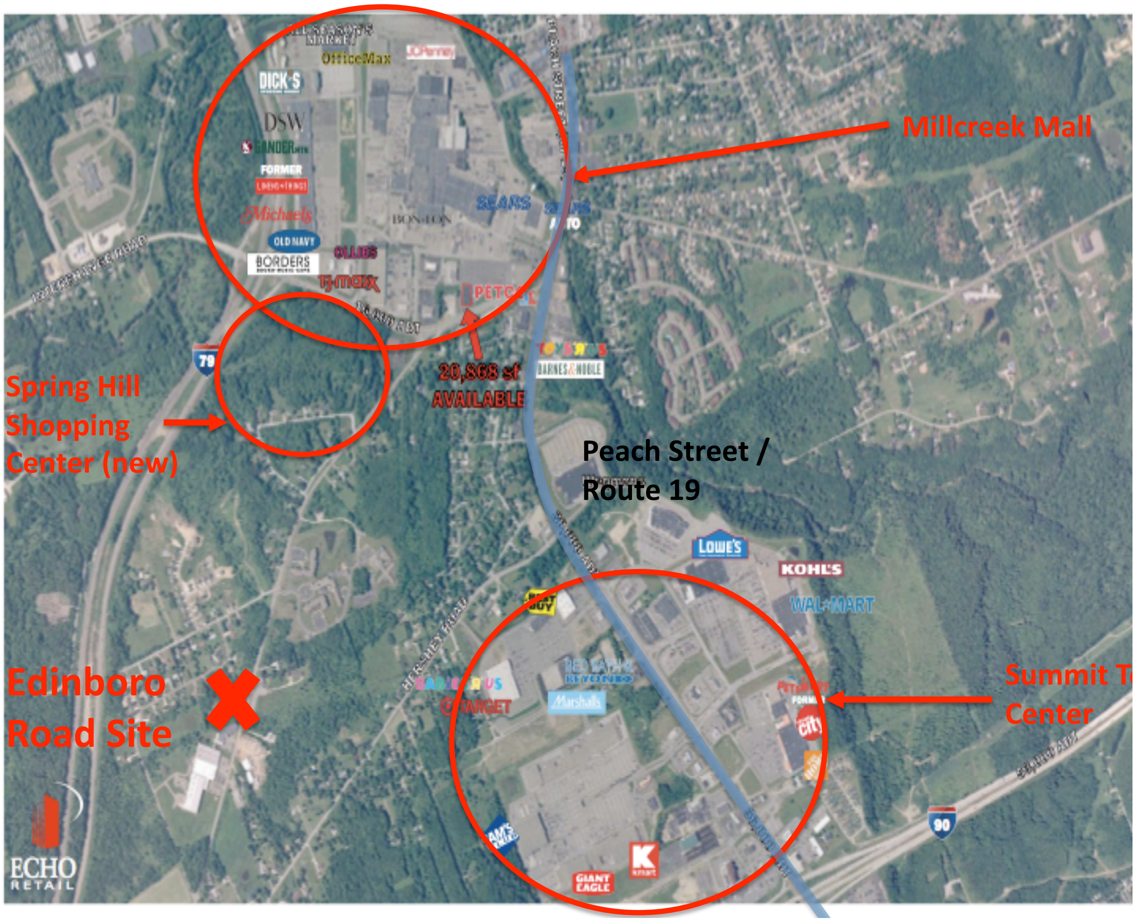


Figure 1.4. Major retail commerce centers within a one-mile radius

Scattered all throughout the two commerce centers are various retail, restaurant, gas station and hotel properties. Grocery chains like Wegman's, Giant Eagle and Sam's are all present as well. Walmart has plans to build a new Super Walmart center adjacent to its existing location at the I-90 exit, leaving space behind that is already spoken for by the expansion plans of Kohl's department store.

The I-90 and Oliver Road corridor is host to nearly half of the industrial zoned land in Summit Township as seen in **Appendix B – Summit Township Zoning Map.** Other industrial tracts are taken by the County Landfill along Robison Road, Route 97, and along the North side of I-90 at the Rte 97 interchange. Challenging topography at the Rte 97 interchange makes development of the industrial zoned land in this area unrealistic. The only existing Industrial park is located on Oliver Road, adjacent to a major vacant trucking transfer and warehousing facility, and is partially built-out, hosting a few buildings currently vacant for lease/sale.

The Local Economic Revitalization Tax Assistance (LERTA) program was designed in 2002. The city, school district, and county adopted ordinances to provide for a beneficial investment incentive for commercial and residential properties throughout the city of Erie. The ordinances provide for a 10-year period of 100 percent eligible tax exemption.[1] Eligibility requires a minimum parcel tract size of ten acres. The LERTA program creates a substantial discount for eligible properties in lease rents, which is a very large disadvantage for industrial tracts that cannot participate in the program, such as the Edinboro Road property.

1.1.5 Transportation Corridors

One of the clear disadvantages of the subject property in contrast with other various industrial sites throughout the Rte 20 corridor across the city of Erie is the distance form the major east-west rail corridor and the Erie International airport. From 1995-2007 the Erie Bayfront highway was constructed to create a "beltway" that would deliver accessibility to the downtown and port areas, as well as the industrial corridor along Rte 20, adjacent to the major east-west rail corridor.

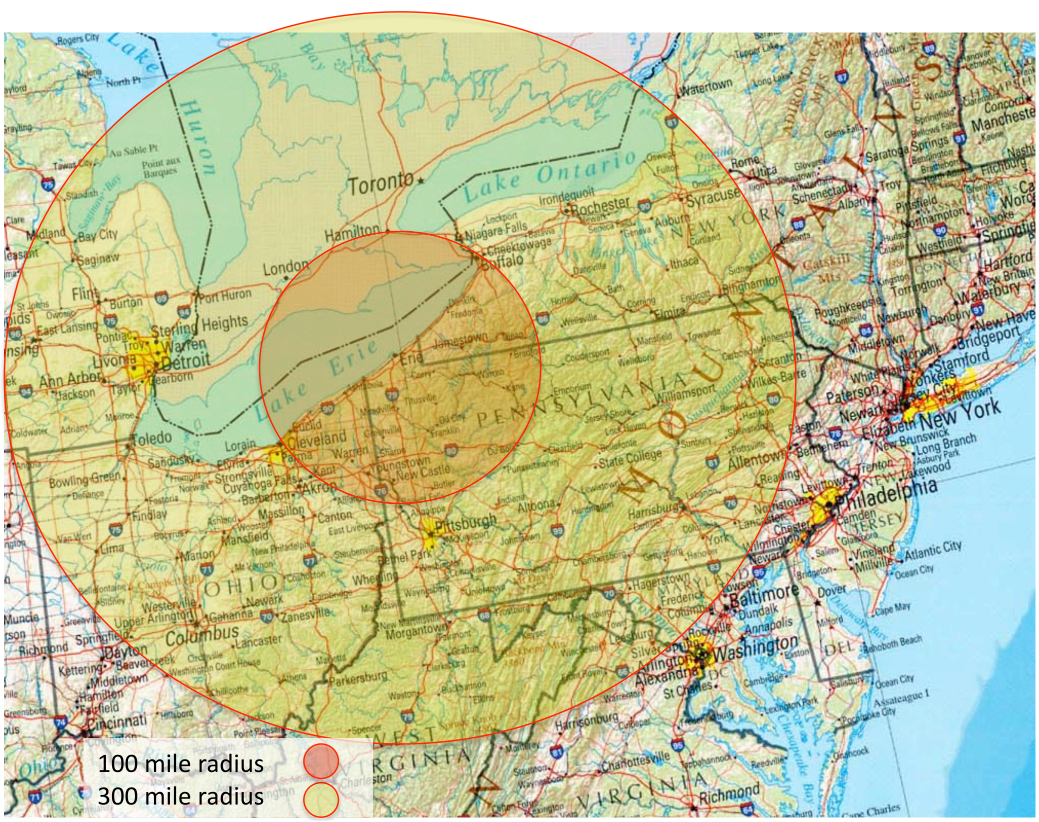


Figure 1.5. 300-mile radius of Erie, PA

This site is however, within 1-2mile of two major Interstate Exits at I-90 and Rte 19/Peach Street and I-70 and Interchange Road. The I-79 access opens a direct route to Rte 5/12th Street exit, which historically has been the East-West transportation corridor linking the Erie International Airport on the West side of the city to various rail access points for manufacturing properties along the corridor toward the East side of the city.

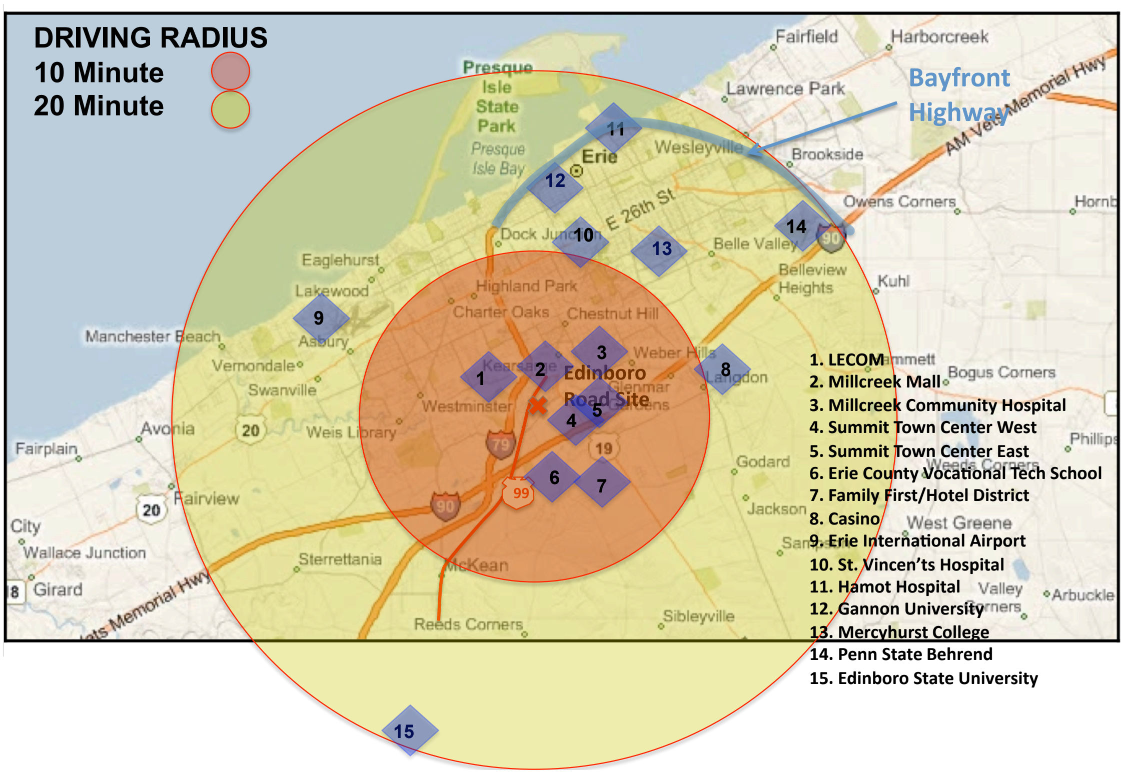


Figure 1.5. 20-Minute Driving Radius

Edinboro Road/Rte 99 is the frontage arterial roadway that provides the primary access and exposure to the site. Prior to the construction of Interstate 79 in the 1970's it was the primary roadway for travel to Edinboro, PA, home of the Edinboro State University. While I-79 is now the more common travel path for commuters from Edinboro to Erie, the Rte 99 corridor is still an alternate route for navigating the retail corridor of upper Peach Street in Summit Township. With over 450 feet of frontage on Edinboro Road, the site possesses a strong visibility characteristic that exposes it to average daily traffic counts of greater than 1,500 vehicles per day.

The Edinboro Road corridor provides a commuter route to the employment centers of the Millcreek and Summit Town centers and to the Edinboro State University. Edinboro State University is located approximately 15 miles south of the project location. Increasing enrollments and proposed retirement communities are expected to attract additional residents and commuters that will increase traffic volumes on Rte 99.

1.2 Potential Development Options

The site itself has several potential investment options. A few of the options to explore involve the following:

1. Design/develop a site plan of building(s) and infrastructure that conform to the existing zoning of the property. Estimate proceeds from a long-term lease hold strategy. Additionally explore expansion of the same program onto an adjacent parcel to the West owned by the plastics corporation and estimate a maximum acquisition price.
2. Design/develop a mixed-use plan that incorporates uses allowable in a different zoning classification. Investigate the procedure for re-zoning the property and projected costs associated. Estimate proceeds from a long-term lease hold strategy. Explore expanding the same program onto the adjacent parcel to the West and estimate a maximum acquisition price.
3. Identify a single-source potential buyer with a need for a facility in this location. Design concept plans and develop building(s) design for a build-to-suit option. Potential investors: Medical Office(s), Business Park, Manufacturing facility, Warehousing, Mini-Storage, etc. Explore expanding the same program onto the adjacent parcel to the West and estimate a maximum acquisition price.

To identify which of any of the above investment plans would be the most profitable, most risk adverse option, a back of the envelope assessment will be presented in Section 3. Before reviewing the various uses, a feasibility assessment of the local market and comparable properties will be discussed in Section 2. Using the market metrics from Section 2, a recommended development will be presented.

2.0 Erie, PA: Market Overview

2.1 Location/Geography/Infrastructure

2.1.1 Location & Jurisdictions

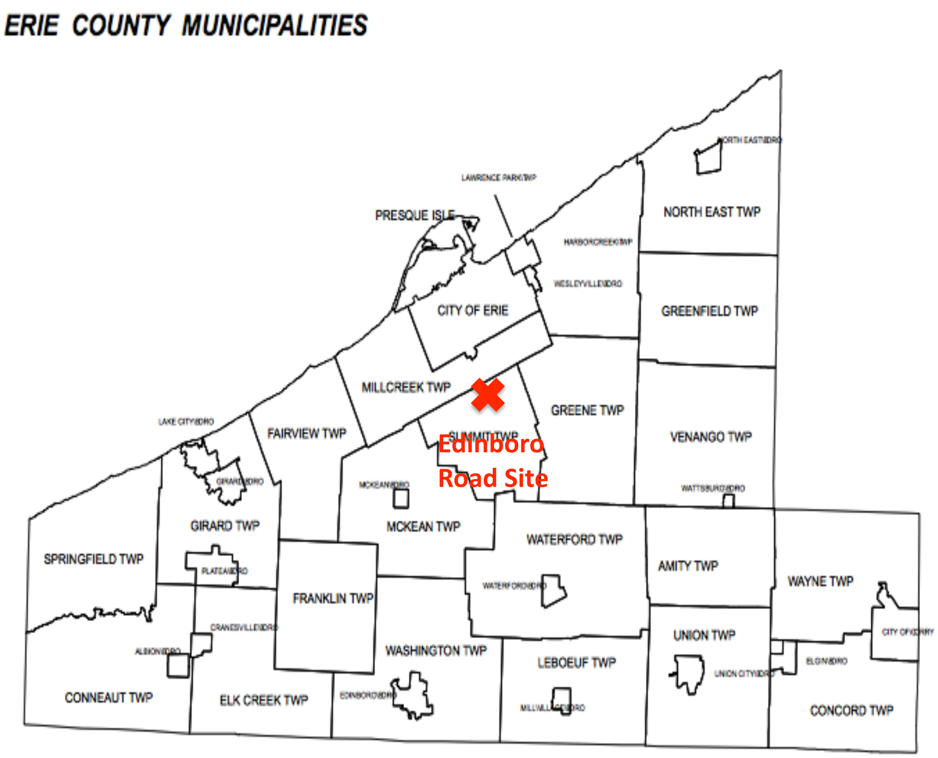


Figure 2.1. Erie County Municipalities, Erie County Department of Planning 2003

The city of Erie is located in the Northwestern corner of Pennsylvania halfway between Cleveland and Buffalo on the shore of Lake Erie (Figure 1.5). Erie County is comprised of 37 local jurisdictions, a majority of which are townships. The map in Figure 2.1 depicts Erie County and its component jurisdictions. The subject property is situated on the border of Millcreek and Summit Townships just south of the City of Erie, in the proximity of the McKean Millcreek Summit confluence.

2.1.2 Infrastructure

Transportation

The Port of Erie, Pennsylvania's only lake port, has industrial marine terminals scattered along the north shore of the city within the natural harbor created by Presque Isle, aka the Peninsula. The industrial marine district is served by Conrail, some 60 truck and motor freight companies, and several air cargo companies, providing convenient access to large metropolitan centers throughout the United

States and Ontario, Canada. Interstates 79 and 90, intersecting just south of the city, provide easy access to all points in the country.[2] Four major north-south arterial roadways connect the rural areas of Erie County and once functioned as the key transportation corridors before the interstate system was constructed. These arteries in order from west to east include Rte 99/Edinboro Road, Rte 19/Peach Street, Rte 97/State Street, Rte 8/Wattsburg Road, and Rte 430/Station Road.

Summit Township - Water System

The Summit Township Water Authority owns and operates its own water system. This system has been assured of 0.635 mgd of water as a bulk sale from the Erie City Water Authority from the take point on Kuntz Road in Millcreek Township, located on the east side of the Millcreek Mall. Water is transported by the Millcreek Water Authority to the Township line where a meter pit measures its volume. The service area in Summit follows Route 19 and includes large commercial developments, such as the Summit Town Center and Keystone Plaza. The subject property is serviced by the Millcreek Township public water system branch line extension running along Rte 99/Edinboro Road.

Summit Township - Sewer System

The Summit Township Sewer Authority owns and operates this system. Generally, the sewer service area for Summit follows three major transportation corridors, Route 99, Route 97 and Route 19. Another line from the Route 19, I-90 Interchange area follows Oliver Road south, near to the McKean Township line. From the "Five Points" intersection, other lines travel up Hamot and Flower Roads for short distances. Since the 1997 report, service has been extended along Flower Road, Dorn Road, off Edinboro Road, Johnson Road, and Langdon Road. The township added a pump station in 2003 to extend the Millcreek Township branch line running up Rte 99/Edinboro Road. An addition to the plastics manufacturing plant adjacent to the subject property necessitated this infrastructure improvement. The elevation of the service location provides positive gravity fall from a majority of the property. The five acres adjacent and to the rear (west) of the subject property sit mostly beneath a base gravity service elevation necessitating an on-site sewer ejection pump to service any proposed building.[3]

2.2 Market Vitals/Demographics

Erie has many attributes that make it an attractive location for real estate investment. A relatively low cost of living combined with professional career opportunities in health care, education and manufacturing create a unique and prosperous environment for self-employment, servicing the consumption needs of the large population base. Figure 2.2 represents a snapshot of some key socio-economic statistics existing, before the effects of the recent global economic crisis. Due to the nature of the local and regional economy these indicators have historically not deviated drastically relevant to national averages, regardless of the economic climate, revealing a stable and less volatile investment opportunity for commercial real estate.

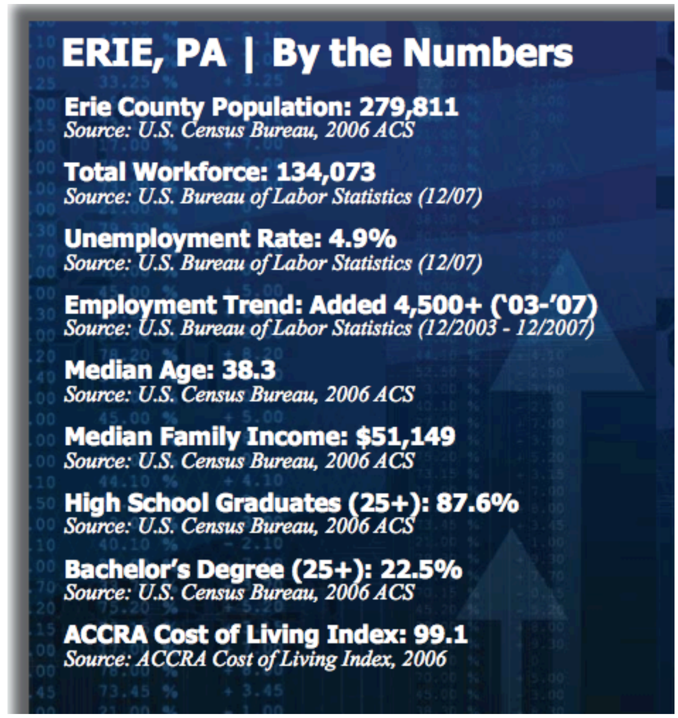


Figure 2.2. Erie Fact Sheet, "Erie in the News and By The Numbers", Erie Regional Chamber and Growth Partnership

2.2.1 Demographic Indicators

Annual Data			Erie MSA	Percentage Change		
2007	2008f	2009f		2007	2008f	2009f
133.8	134.5	133.8	Payroll Employment (000)	0.4	0.6	-0.5
24.3	23.8	23.5	Manufacturing Employment (000)	-1.9	-1.9	-1.4
20.5	20.3	20.0	Office-Using Employment (000)	-1.8	-1.3	-1.2
139.6	142.1	142.5	Civilian Labor Force (000)	-0.4	1.9	0.3
132.9	134.5	133.3	Resident Employment (000)	-0.1	1.2	-0.9
4.8	5.4	6.5	Unemployment Rate (percent)	--	--	--
$7,712.4	$7,753.7	$7,814.7	Real Total Personal Income ($2000 mil)	3.6	0.5	0.8
810.0	522.8	559.5	Housing Permits (total units)	15.7	-35.5	7.0
583.0	442.8	476.2	Single-Family Permits (total units)	-3.5	-24.1	7.5
148.4	144.2	142.9	House Price Index[1] (1995 Q1 = 100)	3.5	-2.8	-0.9
820.0	975.1	1,121.3	Personal Bankruptcies	-37.7	18.9	15.0

f = Forecast

Notes: 1 OFHEO estimate for the Erie Metro Area

The Erie PA MSA consists of Erie County, PA

Table 2.1. Erie Economic Snapshot, January 2009. Economics Division, PNC Financial Services Group.

2.2.2 Population

The Erie region has continued a slight growth in population from 1990 to 2000. Table 2.2 reveals that the growth has been targeted in the suburb regions and away from the center city. This follows urban land migration patterns throughout the US where manufacturing in the city center has repositioned toward the more sparsely populated areas of the suburbs pursuing lower land costs and proximity to major interstate transportation corridors over rail and marine facilities. Millcreek Township has led those jurisdictions growing in population, followed by Harborcreek and Summit townships. Decreases have occurred in the City of Erie and Wesleyville.

ERIE METRO AREA
MUNICIPAL POPULATION CHANGES
1900 - 2000

Erie Metro Area	1990	2000	Change	Percent
Population Change 1990 to 2000				
Erie County	275,572	280,843	5,271	1.9%
Erie Metro Area	198,225	200,066	1,841	0.9%
(% of Total Area)	71.9%	71.2%		
Erie City	108,718	103,717	-5,001	-4.6%
Fairview Township*	9,827	10,140	313	3.2%
Harborcreek Township	15,108	16,267	1,159	7.7%
Lawrence Park Township	4,310	4,048	-262	-6.1%
McKean Township	4,503	4,619	116	2.6%
Millcreek Township	46,820	52,129	5,309	11.3%
Summit Township	5,284	5,529	245	4.6%
Wesleyville Borough	3,655	3,617	-38	-1.0%
Total	198,225	200,066	1,841	0.9%

*1990 population is Fairview Township and Borough combined
Source: Census data 1990 and 2000

Table 2.2. Population changes in the Erie County Region from 1990-2000.

Population Projections

Population projections in the region have been taken from demographic surveys conducted for major retail centers in the 1/2mile vicinity of the project site. Table 2.3 below reveals year-to-year changes form 1990-2000 and from 2000-2008, also projecting growth rates for 2013. It is clear that the surrounding metropolitan region, the 10-mile radius, will not benefit from a growing population, rather decrease by a small margin. The anticipated decrease is consistent in all of the radius projections, however, projections for the immediate vicinity of the Millcreek Mall, the 1-mile radius, continue to grow while decreasing on an annual basis.

6890 Edinboro Road Erie, PA	1.00 mi radius		3.00 mi radius		5.00 mi radius		10.00 mi radius	
Population								
Estimated Population (2008)	5,743		54,188		138,452		202,276	
Census Population (1990)	4,978		52,633		138,895		203,069	
Census Population (2000)	5,593		54,237		140,258		204,127	
Projected Population (2013)	5,757		53,472		136,972		200,163	
Forecasted Population (2018)	5,847		53,027		135,091		197,881	
Historical Annual Change (1990-2000)	615	1.2%	1,604	0.3%	1,363	0.1%	1,058	0.1%
Historical Annual Change (2000-2008)	151	0.3%	-48	0.0%	-1,806	-0.2%	-1,851	-0.1%
Projected Annual Change (2008-2013)	14	0.0%	-716	-0.3%	-1,480	-0.2%	-2,113	-0.2%
Est. Population Density (2008)	1,832.61	*psm*	1,920.41	*psm*	1,854.46	*psm*	854.56	*psm*
Trade Area Size	3.13	*sq mi*	28.22	*sq mi*	74.66	*sq mi*	236.70	*sq mi*
Households								
Estimated Households (2008)	2,714		22,843		56,472		80,286	
Census Households (1990)	2,246		20,552		54,464		76,732	
Census Households (2000)	2,578		22,341		56,272		79,648	
Projected Households (2013)	2,752		22,797		56,299		80,091	
Forecasted Households (2018)	2,845		23,024		56,252		80,254	
Historical Annual Change (1990-2000)	333	1.5%	1,789	0.9%	1,808	0.3%	2,916	0.4%
Projected Annual Change (2000-2013)	173	0.5%	456	0.2%	27	0.0%	443	0.0%

Table 2.3. Population Projection Estimates.

ERIE COUNTY POPULATION, 1980 - 2000 (PERCENT CHANGE)

	1980	1990	2000	% Change, 1980-2000	% Change, 1990-2000
Pennsylvania	11,863,895	11,881,646	12,281,054	3.5%	3.4%
Erie County	279,780	275,572	280,843	0.4%	1.9%

Table 2.4. Erie County Demographic Study, Erie County Department of Planning, January 2003.

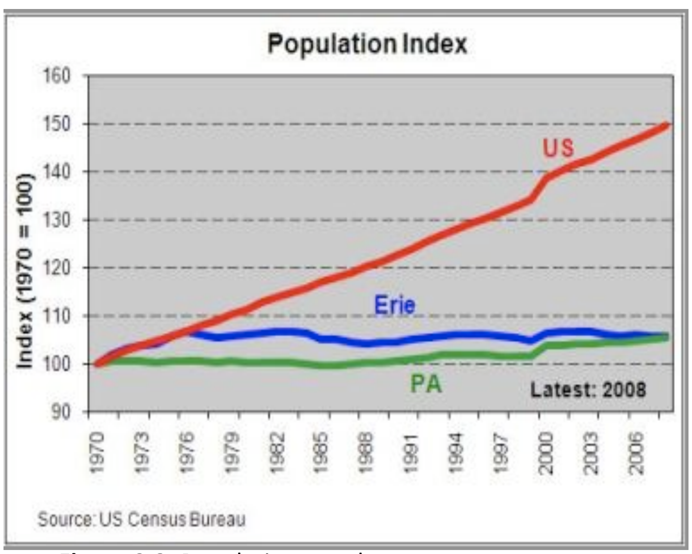


Figure 2.3. Population trend.

Another relative statistic tracking the population index is adapted from the US census Bureau is depicted in Figure 2.3. This graph reveals an Erie population that is declining relative to the state of Pennsylvania over the last 20-year period. While the US population has continued on a steadfast proportion growth incline, migration of residents from Erie, and Pennsylvania, in pursuit of higher paying jobs in the more updated production and manufacturing centers of the South leave Erie scrambling for to identify and attract manufacturing industries of the future.

Aging Projections

Table 2.5 below is a tabular representation of the changing age of Erie over the past thirty years. It's clear that youth groups between ages 0-4 and ages 5-19 have dropped progressively, reflecting the decrease in population over the same time period. Additionally, the increase in the 35-65 and the 65+ age groups reflects the lack of migration from these ages for the previous thirty years. The rise in the 35-64 year old age group from 1990-2000 is an indication of returning migrating residents, as well as those migrating for employment opportunities. The stabilization of the 5-19 year old age group supports the rationale that incoming residents have been of parenting age and bring with them one, or several, school-age children.

AGE GROUP PERCENTAGES, 1970 TO 2000

Age	1970 Pennsylvania	**1970 Erie County**	1980 Pennsylvania	**1980 Erie County**	1990 Pennsylvania	**1990 Erie County**	2000 Pennsylvania	**2000 Erie County**
0-4 years	7.1%	**8.9%**	6.3%	**7.4%**	6.7%	**7.2%**	5.9%	**6.2%**
5-19 years	28.4%	**30.8%**	23.8%	**25.8%**	19.9%	**22.6%**	20.7%	**22.3%**
20-34 years	18.5%	**18.2%**	24.1%	**25.1%**	23.3%	**23.5%**	18.8%	**19.8%**
35-64 years	35.1%	**32.7%**	33.0%	**30.8%**	34.7%	**32.8%**	39.0%	**37.3%**
65+ years	10.9%	**9.4%**	12.9%	**10.9%**	15.4%	**13.8%**	15.6%	**14.3%**
	100.0%	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**

Source: U. S. Census Data

Table 2.5. Age Group Percentages, US Census Bureau 2003.

Population projections are favorable for the subject property location for appeal to attract and market to various age groups of the regional population. Table 2.6 below shows that 202,000 residents are within the 10-mile radius, which accounts for almost all of Erie County as well as parts of neighboring counties including the city of Meadville, PA. Figure 1.5 depicts the geographic area captured within the 10 and 30 minute drive time distance, accounting for nearly 100% of the metropolitan population of 200,000 identified in Table 2.2. A fairly even distribution of male to female residents are located within 3-miles of the project site with respective proportions of 51% and 49%. The median age jumps from 37.8 within the 5-mile radius, to 42.7 within the 1-mile radius. This increase in age could be due to the capture of more of Millcreek township, desired more strongly by young families for its favorable school system. Overall, businesses located at the subject site may benefit more if they appeal to a more mature, and female, age group.

6890 Edinboro Road Erie, PA	1.00 mi radius		3.00 mi radius		5.00 mi radius		10.00 mi radius	
Age Distribution (2008)								
Total Population	5,743		54,188		138,452		202,276	
Median Age	42.7	*yrs*	40.7	*yrs*	37.8	*yrs*	38.2	*yrs*
Age 19 yrs or less	1,074	18.7%	12,594	23.2%	34,553	25.0%	51,516	25.5%
Age 20 to 64 years	3,472	60.5%	31,990	59.0%	81,730	59.0%	119,482	59.1%
Age 65 years Plus	1,197	20.8%	9,604	17.7%	22,169	16.0%	31,278	15.5%
Female Age Distribution (2008)								
Female Population	2,953	51.4%	28,079	51.8%	71,555	51.7%	103,924	51.4%
Female Median Age	*46.0*	*yrs*	*42.5*	*yrs*	*39.7*	*yrs*	*39.9*	*yrs*
Age 19 yrs or less	*495*	*16.8%*	*6,044*	*21.5%*	*16,763*	*23.4%*	*24,896*	*24.0%*
Age 20 to 64 years	*1,748*	*59.2%*	*16,486*	*58.7%*	*41,646*	*58.2%*	*60,713*	*58.4%*
Age 65 years Plus	*710*	*24.0%*	*5,549*	*19.8%*	*13,146*	*18.4%*	*18,315*	*17.6%*
Male Age Distribution (2008)								
Male Population	2,791	48.6%	26,109	48.2%	66,897	48.3%	98,352	48.6%
Male Median Age	*39.2*	*yrs*	*38.7*	*yrs*	*36.0*	*yrs*	*36.5*	*yrs*
Age 19 yrs or less	*579*	*20.8%*	*6,550*	*25.1%*	*17,790*	*26.6%*	*26,620*	*27.1%*
Age 20 to 64 years	*1,724*	*61.8%*	*15,505*	*59.4%*	*40,084*	*59.9%*	*58,769*	*59.8%*
Age 65 years Plus	*487*	*17.5%*	*4,055*	*15.5%*	*9,023*	*13.5%*	*12,963*	*13.2%*

Table 2.6. Age Distributions.

Livability

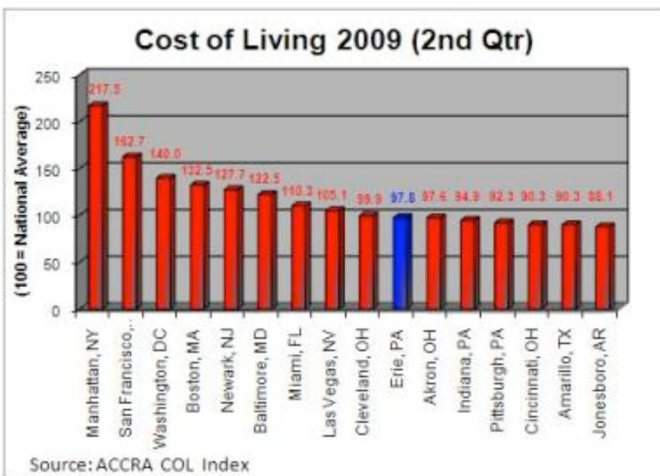


Figure 2.4. Cost of Living Index Comparison

Figure 2.4 depicts the cost of living index for 16 major manufacturing cities across the country. While not identified as the most inexpensive place to live and conduct business, Erie does fall in a more favorable light than most of the New England, West Coast, Mid-Atlantic and Southern major city centers. This is an attractive metric to employers considering expanding operations to the region as it affects salary and wage levels.

2.2.3 Employment Growth

Employment

Since December 2003, employment in the Erie MSA has grown by more than 4,500 jobs from 129,489 (12/03) to 134,073 (12/07).[4] The economic downturn earned another dubious distinction in February, as Erie County's unemployment rate reached 8.8 percent -- its highest level in 11 years. The last time the county had a jobless rate higher than 8.8 percent was February 1992, when the rate hit 9.2 percent. At that time, Erie County's economic fate was tied closely to national conditions, as the U.S. jobless rate was 8.2 percent.

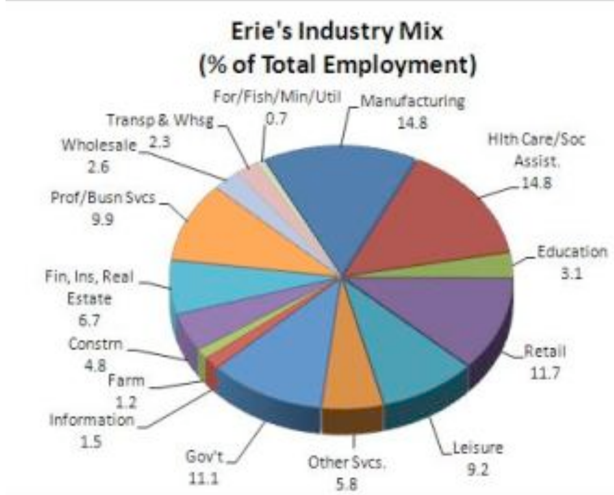


Figure 2.5. Erie's Employment Industry Mix. *Economic Research Institute of Erie, School of Business, Penn State-Erie.*

This time, however, Erie County workers are much worse off than others nationally. The national unadjusted unemployment rate was 6.4 percent in February, while Pennsylvania's rate was 7.0 percent. Erie has been hard hit largely because the recession has been particularly severe for manufacturers. While other sectors of the U.S. economy have seen some growth during the downturn, manufacturers continue to cut back -- a trend that has made Erie's manufacturing-heavy economy especially vulnerable. Erie County manufacturers employed 33,700 people in February 2000, according to figures by the state Department of Labor and Industry. Today, that number has been slashed to 26,600, a decrease of 7,100 jobs -- or 21%.[5]

In the near term, expectations are that the education centers of Erie will support the job levels while industry leaders will adopt plans that create jobs for future community leaders. Those currently being trained in engineering and health industry education at Gannon University, Penn State Berhend College of Engineering, and the Lake Erie College of Osteopathic Medicine (LECOM) will provide a well-educated employment pool to attract business in the science and technology industries. Business success in the biomedical device and plastics manufacturing industries, as well as, the growth in Hamot and St. Vincent's Medical Centers, have proved over the last decade the real existence of an educated labor pool. Identifying businesses that focus on the services and products of the changed new Erie economy, and avoiding end-users involved in manufacturing, would generally target the more prominent, educated, and motivated end-user tenants for subject site location. A clear prospective market would be professional and healthcare services dealing with issues of the mature adult population.

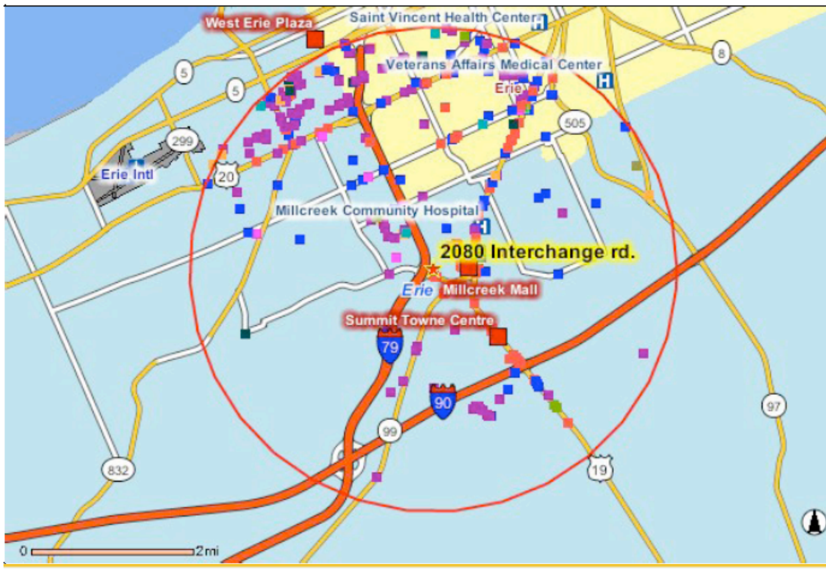
Labor Force and Employment Outlook[6]

Erie ranks high in the United States in the diversity of its industry and has a history of good labor-management relations. More than 1,000 new jobs were created in 2003, as well as more than 30 business startups. The following is a summary of data regarding the Erie metropolitan labor force, 2004 annual averages:

- Size of nonagricultural labor force: 131,100
- Number of workers employed in …
    - construction and mining: 4,800
    - manufacturing: 24,400
    - trade, transportation, and utilities: 22,700
    - information: 2,700
    - financial activities: 6,800
    - professional and business services: 11,200
    - educational and health services: 23,600
    - leisure and hospitality: 12,600
    - other services: 6,200
    - government: 16,200
- Average hourly wage of production workers employed in manufacturing: $14.72
- Unemployment rate: 4.9% (April 2005)

Figure 2.6 below depicts a map identifying a sample of the major businesses in the 3-mile radius of the subject site. Of the 349 businesses counted in the analysis, 26% are represented by retail, 37.5% by manufacturing, and 22.6% by the service businesses. The majority of the businesses mapped are concentrated along the Peach Street/Rte 19 corridor approaching the city of Erie in Millcreek Township, and along the 26th Street/Rte 20 corridor on the west side of the City of Erie limits in Millcreek Township. These locations fall to the north of the subject site, closer to the city limits. The I-90 and I-79 corridors are the remaining regions of the 3-mile radius that indicate the presence of businesses.

The relevance of the location of businesses to the development of the subject site lies in the proximity of a potential development or new space to the work locations of residents. This is very beneficial for consideration of professional offices such as medical office space. With such a high concentration of retail businesses in the immediate vicinity, the location of the subject site has the benefit of convenience to those working at retail businesses, as well as those shopping.



3 Mile Business Counts

Business Counts Click on business type for business list		
Center: **2080 Interchange rd.**		
Distance: **3 miles**		
Business Type	**Total**	**%**
COMMUNICATIONS	7	2.0%
RETAIL TRADE	92	26.4%
CONSTRUCTION	7	2.0%
UTILITIES	1	0.3%
TRANSPORTATION	7	2.0%
MANUFACTURING	131	37.5%
FINANCE, INSURANCE AND REAL ESTATE	7	2.0%
AGRICULTURE	2	0.6%
SERVICES	79	22.6%
WHOLESALE TRADE	16	4.6%
Source: Northwest Commission		

Figure 2.6. 3-Mile Business Counts. Pennsylvania Great Lakes Partnership. Great Lakes Prospector.

Employment/Unemployment Projections

Employment in Erie County has historically been supported by the industrial and manufacturing industries creating a largely blue-collar population. The trend of decreasing employment in the manufacturing and industrial sectors indicated on Table 2.7 present the stabilization of the service sector over the four year period as employment positions are filled by those lost in the manufacturing industry due to layoffs and closings. The retail and wholesale industries represent one category of the services sector which show signs of employment level stabilization and employment growth over the four year period. The location of the subject property very near to two major retail commerce centers exposes it to a lion's share of the commuting work force.

Education and Health care employment has provided many new jobs over the past several years and are projected to continue that trend in 2010. The new expansion of LECOM at the Millcreek Community Hospital only one mile north of the subject site will attract hundreds of professionals and provide jobs in various associated services.

Erie County Employment*				
(Thousands of Jobs; Annual Average)				
	2007 (Act.)	2008 (Act.)	2009 (Fcst.)	2010 (Fcst.)
Goods Producing	29.0	28.1	24.9	23.3
Services	104.6	105.0	104.7	106.8
Wholesale & Retail	19.5	18.9	19.1	19.1
Education & Health	26.2	26.8	27.1	27.7
Leisure & Hospitality	13.1	13.4	13.4	13.6
Other Services	45.9	45.9	45.0	46.4
Total	133.6	133.0 -0.45%	129.6 -2.56%	130.0 +0.31%

Table 2.7. Erie County Employment Projections, *Economic Research Institute of Erie, School of Business, Penn State-Erie. * Percentages based on most recently available data (June 2009).*

Unemployment rates are a major indicator of regional economic vitality. All regions of the US have been impacted heavily by the current Recession. Figure 2.7 presents a historical look at the unemployment trend as it compares to the nation's unemployment levels. In recent years unemployment in Erie has matched that of the nation, perhaps the result of local residential and commercial construction, as well as expanding education and healthcare employment opportunities. Unemployment rates in Erie appear to have been much higher that the national rate from 1994-2004.

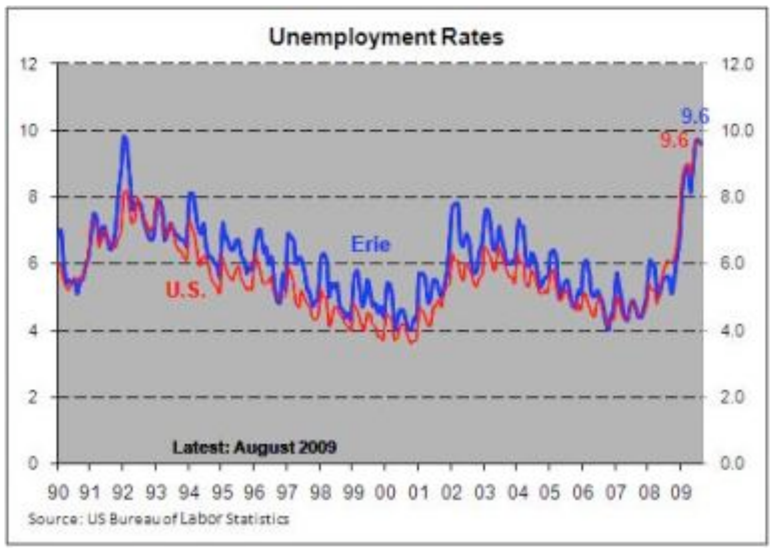


Figure 2.7. Historical Unemployment Rates

The explosion of jobs throughout other regions of the US in technology during this decade is a likely force that affected this result. As technology is incorporated into the education of younger generations and the workforce is retrained through State funded initiatives, Erie will likely maintain its historical trend of outpacing the national unemployment average. This could also be impacted by other regions of the nation rebounding from the recession quicker than the Erie area.

2.2.4 Consumer Activity/Spending

Income in Erie is a relative word. Comparison of per capita income in Erie to the national average over the past 30 years is represented in Figure 2.8 below. It's apparent that the rate of income growth in Erie over the study period has been slower than that of the overall US. In many ways this affects the amount the resident consumer might spend. The lower per capita income also suggests a potentially higher poverty level. In either case, retail sales are less likely to achieve volumes generated in areas of the country with higher average incomes.

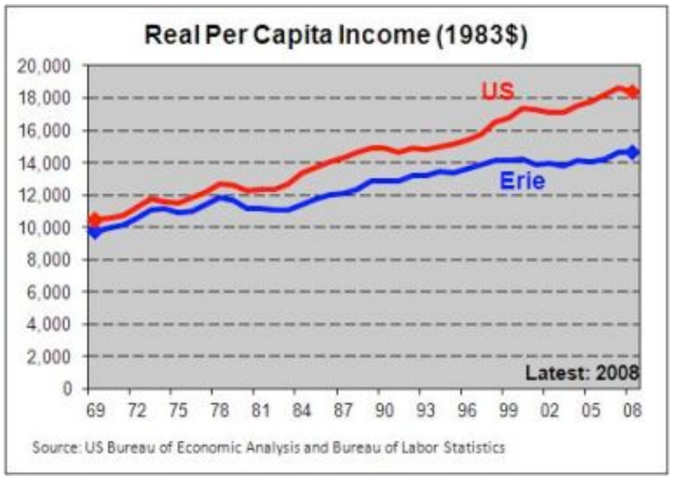


Figure 2.8. Real per capita Income, US Bureau of Economic Analysis.

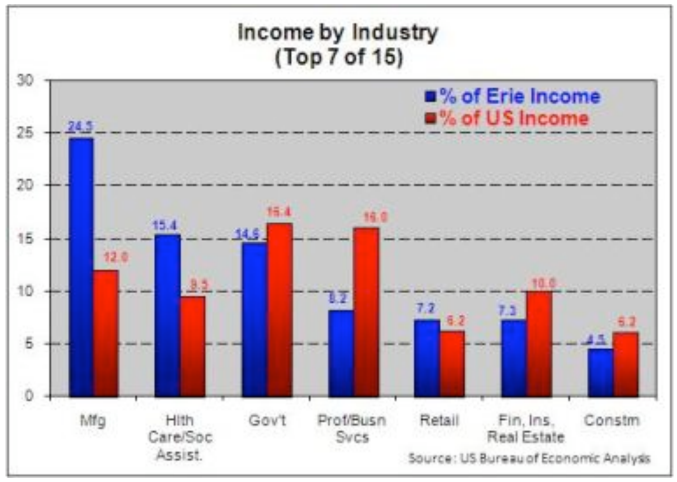


Figure 2.9. Income by Industry, US Bureau of Economic Analysis.

Figure 2.8 reveals the low proportion of the local work force that generates its income in the higher paying industries of professional businesses and service and Finance, Insurance and Real Estate (FIRE). As the workforce composition turn away from manufacturing, there could likely be a near-term rise in unemployment. However, as the workforce is re-trained to perform advanced healthcare and professional service functions, the average income may see increases on the horizon. The expansion and investment by the state and local businesses in education and training facilities will support that goal.

Income	County	Pennsylvania
Per Capita Personal Income [1]	$30,323	$38,793
Total Personal Income (in thousands) [2]	$8,469,099	$481,806,170
Median Household Income (1999 dollars) [3]	$36,627	$40,106
Median Family Income (1999 dollars) [4]	$44,829	$49,184

[1] *Bureau of Economic Analysis - 2007*
[2] *Bureau of Economic Analysis - 2007*
[3] *U.S. Bureau of the Census - 2000*
[4] *U.S. Bureau of the Census - 2000*

Table 2.8. Erie County income versus state of PA total income.

Per capita income in Erie County contrasted with the average state of PA per capita income suggests that for every dollar in personal income in the state only $0.017 is earned in Erie County. Table 2.8 reveals that as a proportion of the population Erie County accounts for only 2.28% of the total population of the state. The grossly disproportionate per capita income supports the suggestion that

Erie County has a higher proportion of low-income residents than other regions of the state on a per capita basis.

Average Annual Wages by Major Occupational Group [1]

SOC Code	Major Occupational Group	County Wage	PA Wage
00-0000	Total, All Occupations	$35,000	$38,960
11-0000	Management Occupations	$79,330	$90,150
13-0000	Business and Financial Operations Occupations	$50,580	$60,400
15-0000	Computer and Mathematical Occupations	$53,930	$67,240
17-0000	Architecture and Engineering Occupations	$55,190	$64,670
19-0000	Life, Physical, and Social Science Occupations	$50,580	$59,920
21-0000	Community and Social Services Occupations	$36,070	$36,750
23-0000	Legal Occupations	$88,800	$81,040
25-0000	Education, Training, and Library Occupations	$44,150	$47,780
27-0000	Arts, Design, Entertainment, Sports, and Media Occupations	$37,520	$42,700
29-0000	Healthcare Practitioners and Technical Occupations	$58,280	$61,050
31-0000	Healthcare Support Occupations	$23,580	$24,920
33-0000	Protective Service Occupations	$41,570	$38,650
35-0000	Food Preparation and Serving Related Occupations	$18,940	$19,300
37-0000	Building and Grounds Cleaning and Maintenance Occupations	$21,340	$24,070
39-0000	Personal Care and Service Occupations	$20,930	$22,680
41-0000	Sales and Related Occupations	$30,020	$35,180
43-0000	Office and Administrative Support Occupations	$28,500	$30,180
45-0000	Farming, Fishing, and Forestry Occupations	$29,830	$27,760
47-0000	Construction and Extraction Occupations	$37,710	$42,190
49-0000	Installation, Maintenance, and Repair Occupations	$36,420	$39,060
51-0000	Production Occupations	$29,890	$32,560
53-0000	Transportation and Material Moving Occupations	$27,890	$30,240
55-0000	Military Specific Occupations	N/A	N/A

[1] *May 2008 Occupational Employment Survey*

Table 2.9. Erie County Income Estimates. Center for Workforce Information & Analysis, September 2009. http//:www.dli.state.pa.us.

Taxes[7]

The following is a summary of taxation data affecting cost of living factors for the Erie area.

State income tax rate: 3.07%
State sales tax rate: 6.0% [excluding basic necessities such as non-prepared food and clothing]
Local income tax rate: 1.0%
Local sales tax rate: None
Property tax rate: 49.45 mills per 100% of assessed value, which is typically 25 to 30% of market price (2004)

Funding programs offered by the state include bond financing, grants, loans and loan guarantees, tax credits and abatements, and technical assistance. The Key-stone Opportunity Zone has designated some areas as exempt from state and local business taxes; these areas will remain virtually tax- exempt until 2013. This KOZ exemption enables some industrial zoned properties in the vicinity the ability to demand reduced rents for leased space. The Erie County Economic Development Corporation represents property owners interested in qualifying for the KOZ designation, as well as other significant tax deferment programs such as LERTA, the Local Economic Revitalization Tax Assistance program. The state's Job Creation Tax Credits program provides $1,000-per-job tax credit to approved businesses that agree to create jobs within three years.[8]

2.3 Market Reports

2.3.1 Office Space Market

Although vacancy is drifting down in the Erie County, multi-tenant office market, it has been high enough to depress rents in 2008-2009. Broker surveys indicate a vacancy rate anywhere between 10%-20%, increasing from previous annual averages of 8%-12% in 2007-2008, and 7%-11% in 2006-2007. The average asking rent in 2008-2009 is in the range of $9.00-$14.00psf, for lease terms ranging from three to five years. Medical office space demands higher rent amounts in the range of $12psf-$18psf, with NNN lease conditions. Lease terms for medical office tenants are typically more than 10 years.

As rents roll in 2009-2011 it's expected that landlords will negotiate reduced rents for shorter terms to keep tenants. Tenants in the Erie region will likely be financially impacted by a drop in revenues through 2011 and be faced with the opportunity to achieve better lease terms from the high supply of vacant space in the market. Developers will be challenged to offer premium space for minimal rent, shifting priority for the tenant from location and quality of space, to net rent amount. Typically, a medical office tenant does not compromise value in location because of the importance of proximity to households and healthcare centers, such as hospitals. New buildings will potentially face fierce competition from property owners invested in older buildings, offering comparable space for lesser rent due to lower cost bases resulting from much lower construction costs.

The location of the subject property offers a wide exposure to the highest traffic counts in the region produced by the retail services of the Summit Towne Center and the Millcreek Mall. The short drive to the Millcreek Community Hospital / Lake Erie College of Osteopathic Medicine also raises the demand for professional services in healthcare, financial, insurance and real estate industries in this vicinity. Countered by the effects of job losses in the manufacturing industries, the professional services offered for residents living near the manufacturing corridors of Rte 20 through the heart of the City of Erie will no longer have the support from former major employment centers such as GE on the East side of the city. This reduced employment base will make the subject location worth considering relocating to a prospective professional service provider, or general medical practice, facing a renewing lease.

3 Mile FIRE Business Counts

Business Counts	
Center: **2080 Interchange rd.**	
Distance:	**3 miles**
Name	**Address**
Berkley Mid Atlantic Group	3910 Caughey Rd Ste 200
Health America Health Assur	5473 Village Common Dr # 204
John Hancock Life Insurance C	2201 W Grandview Blvd
Liberty Mortgage Corp	3818 Liberty St
Millcreek Mall	654 Millcreek Mall
Re Max Real Estate Group	2701 Evanston Ave Ste 200
Western & Southern Life Insur	2335 W 38th St
Source: Northwest Commission	

Figure 2.10. 3-Mile Radius Finance, Insurance, Real Estate (FIRE) Business Location Map. Pennsylvania Great Lakes Partnership. Great Lakes Prospector.

2.3.2 Retail and Retail Center Space Market

The closest geographical market reports for the retail sector reveal high vacancies and weak rents in the Greater Pittsburgh Area shopping center market during the third quarter of 2006, despite an absence of new supply. Reis reports a 10.3% vacancy rate for the quarter, up 60 basis points from the prior quarter but down 20 basis points from the third quarter of 2005. In Erie, discussions with local brokers gauge the average asking rent of $12-$13psf, while the average effective rent has dropped to $10-$12psf. Effective rent factors in the impact of rent concessions.

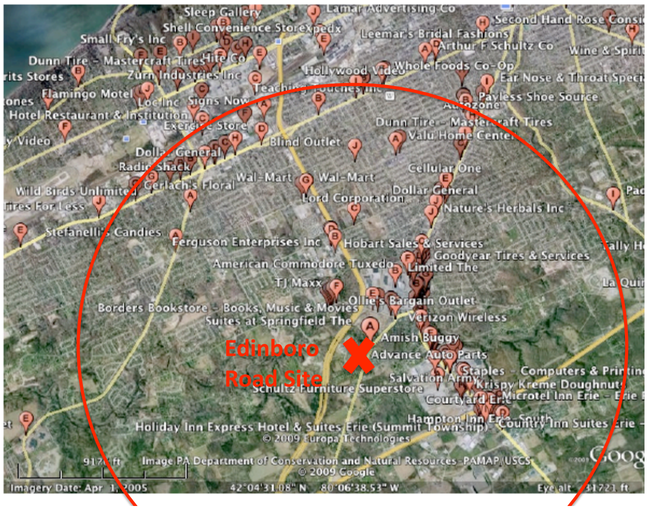


Figure 2.11. 3-Mile Radius Retail locations.

Figure 2.11 depicts a sample of the vast number of retail businesses scattered around the Erie area. Following the comprehensive plan, the retail corridor in the City of Erie, Millcreek, and Summit Townships is concentrated along the Peach Street corridor from the I-90 intersection North to the heart of the city. The West 26th and West 12th street corridors capture the remainder of the bulk of retail locations in this radius. These corridors serve a different market.

Their target consumers are those visitors and tourists attracted by the Peninsula and its beaches.

2.3.3 Industrial and Flex Space Market

The Erie County region has a large inventory of existing, vacant/for lease industrial and warehouse space within the 3-mile radius of the project site. Similar to the retail locations, manufacturing locations are also concentrated in the corridor between West 26th Street and West 12th/Rte 20. Historically, this has been the heavy rail corridor through the center of the city. Large, closed down manufacturing facilities and warehouses offer low rent warehousing space, or, benefit from business development tax incentives from the City and State to attract new manufacturing companies.

Currently manufacturing and industrial property owners are focusing on sustainable development achieved through locations that benefit supply chain logistics, utilizing rail transportation in lieu of current trucking models. In the last thirty years manufacturing facilities have spread out to the suburbs of Erie, primarily to obtain low cost land for new manufacturing facilities. Plastics, tool and die shops and medical device manufacturing have led this growth in the Erie region. In the coming years the Economic Development Corporation of Erie County is leading a movement to revitalize the industrial core of Erie's historical manufacturing corridor, emphasizing state funding and tax incentive programs to potential investors.

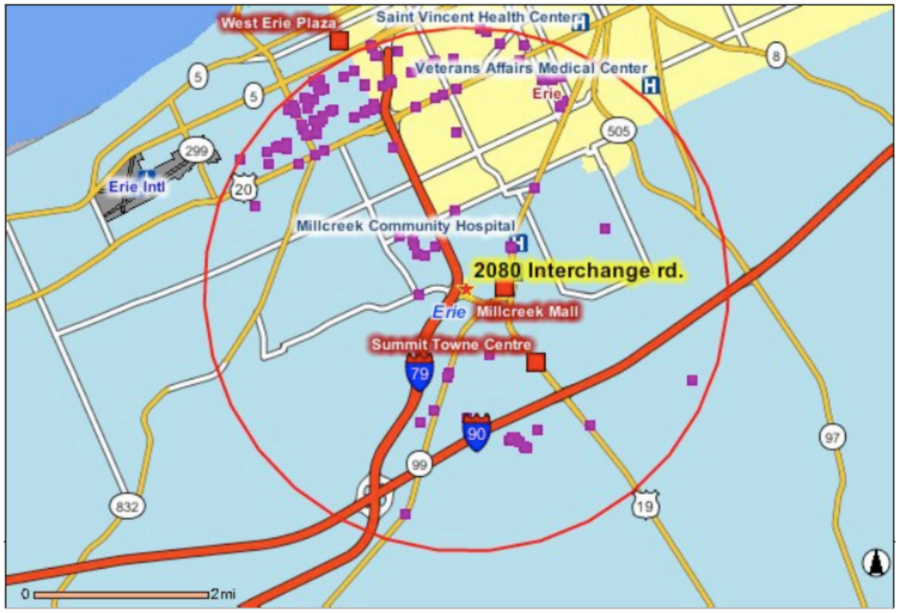


Figure 2.12. Map of Manufacturing and Industrial Buildings in the 3-mile radius. PA Great Lakes Prospector 2009.

Many biotech device manufacturing facilities are located South of I-90 and could possess an investment interest in the subject site. With a high supply of space and high vacancy rates, industrial and manufacturing, including warehousing space, is currently leasing for $3.0-5.0psf for older buildings and $6.0-8.0psf for subdivided, flex-type of space. The flex space typical of the VA/DC/MD region is not a product that has been developed in the Erie region. The prospect of such a space has always been overcome by the available low-rent warehouse supply that can be converted for tenants needs.

The city and State have long-term visions to promote multi-modal transportation development along the Rte 5 corridor and at the Airport. The LERTA and KOZ tax incentive programs are incentive programs to re-develop the dilapidated industrial properties that lie along the east-west rail access points. This will not benefit industrial properties on the peripheries of the suburban areas such as the Edinboro Road site, and sets the market lease rate for industrial space at less attractive levels to developers who don’t benefit from the incentive programs.

2.3.4 Multi-Family space Market

Figure 2.13. 3-Mile Radius Multi-Family locations.

Figure 2.13 depicts graphically the locations of the surrounding multi-family residential buildings. It is evident that the majority of the high-density residential properties lie to the north, most at greater distance from the retail commerce centers. Appendix C – Demographic Data shows that a high percentage of the working population of the region in the 10-mile radius is employed in the immediate 1-3 mile area. The low number of properties in the 1-mile radius of the site shown in figure 2.13 coupled with the high number of jobs in the immediate vicinity provide strong support for a multi-family type of building.

Housing Characteristics

Based on a comparison of current data with historical data, housing trends in Erie County are primarily long-term and consistent. Growth in housing units continues to follow the I-90 and I-79 corridors, and, areas along Routes 19 and 97 in Summit and Waterford Townships are also growing.

Little has changed in terms of homeownership in Erie County since the 2001 plan. The overall rate of homeownership in Erie County is 69%, which compares to 71% for the state, and 66% for the nation. As of this update, rental units are located predominately in urban areas. Eighty percent of all rentals are located in the City of Erie, Millcreek Township, Edinboro Borough and the City of Corry. Single-family dwellings, whether attached or detached, are the most popular type of housing in the county, at 67% of all dwelling units. Census 2000 data indicate that the median home value of owner occupied housing in the county is $85,300. This compares to a state median value of $97,000.

Census 2000 data shows that Fairview, McKean Borough, and Millcreek, Summit, Washington and Venango townships have the highest median values within the county, with estimated home values in excess of $110,000.

Housing Market and Affordability

There appears to be a rough correlation between the county and the national housing markets.

However, the Erie County housing market has generally proved to be more stable with less fluctuation in supply and demand. The Erie County housing market peaked in 2004, with relatively flat results since then, and with more constrained activity than the national market both before and after the peak.

Housing Assistance and Services

In Erie County, there are several providers of public housing, including three housing authorities and two major private, non-profit organizations. With a combined inventory of over 3,000 housing units and 1,800-plus Section 8 vouchers, these agencies provide housing units to lower-income, elderly, and disabled families throughout Erie County. Proportionally, these units represent about 15% of the county's total rental stock. The expanding senior age group combined with a high amount of low-income residents offer an attractive market sector for targeting. Affordable housing tax credits present funding opportunities for multi-family developers yielding a business plan approach based predominantly on the fees to develop, build and manage affordable housing instead of traditional risk associated with sale of units.

Projected Housing Needs

The county's population is projected to increase from 280,842 in 2000 to 303,384 in 2030. Net new housing demand has been projected in five-year increments, starting in 2005 and ending in 2030. The projected trend is for demand to steadily decrease from 4,000 additional units needed between 2005 and 2010 to just 1,200 units between 2025 and 2030. While the demand projection is steadily decreasing, focusing on the growing demographic age group in seniors is recommended.

In 2000, single-family units made up 67% of the county's housing units. Multiple family dwellings comprised approximately 26%, while mobile homes comprised 7% of the county's housing stock. In the future, alternatives to the conventional single-family home, such as condominiums and patio homes are likely to become more popular. [9] Figure 2.14 is an indicator of the low, but gradually increasing price of housing in Erie. Not unlike the per capita income, the house price index is well below that of both the state of PA and the US average. However, decreases in housing prices are not as drastic in recent years as compared to the national average.

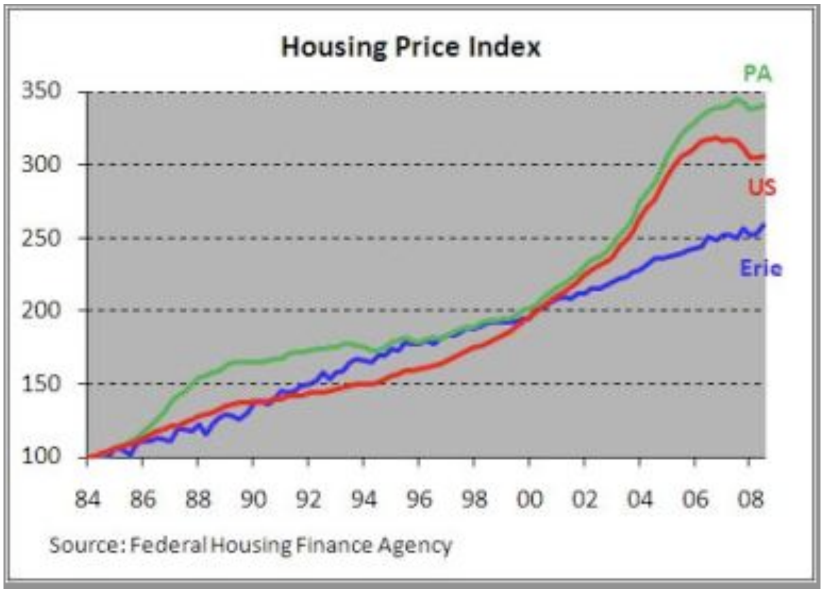


Figure 2.14. Housing Price Index

2.3.5 Health Care and Medical Office Space Market

Health care is one of the largest segments of the Erie economy. Three major employers in the area are Hamot Medical Center (downtown Erie) St. Vincent's Hospital, the Gertrude Barber Center, and the Millcreek Community hospital/LECOM. Figure 2.15 shows the widely scattered location of doctors offices, clinics and rehabilitation centers through the 3-mile radius from the site. Many are located along the Peach Street/Rte 19 corridor in Millcreek Township to the North of the subject site. What is largely apparent is the lack of health care in the immediate 1-2 mile radius of the site, where the Millcreek Community Hospital and the Lake Erie College of Osteopathic Medicine (LECOM) are located. This presents strong marketing support for attracting medical professionals as investment partners.

Figure 2.15. 3-Mile Radius Health Care and Medical office locations.

Medical office space currently leases for $12-18psf NNN, and, new leases will share the burden of the costs of build-out, also know as tenant improvements. Estimates for this additional cost range from $30-50psf depending on the type of tenant. Projections for new medical students at LECOM, as well as, expanding and cooperative services present a high source of future demand for medical office and research facilities in this proximity. The adjacent continuing care retirement facility is also a basis for a high density of elderly patients. Additionally, Federal stimulus funds benefiting the healthcare and medical records industries will also contribute to demand for this sub market. It is estimated that in 2010 approximately $12Billion will be spent by the Federal Government to open community health centers in underserved areas. Summit Township could be a potential beneficiary of such forms of funding, among others.

2.4 Comparables

Industrial Properties

There are many industrial spaces vacant for sale and/or lease. Properties in the vicinity range from $8.00psf NNN at EBCO Park for industrial warehouse/office space, something similar to the flex space in the DC/VA/MD area. Sale prices listed for those reasonably priced existing properties for sale that have been listed for sale for less than one year, are priced at $20-25psf. This price would be the range a single source end-user would start at, and would include properties that have some form of state tax credit program qualification such as LERTA or KOZ (Keystone Opportunity Zone).

Figure 2.16. EBCO Business Park. Lease at $8.00/SF per year.

Figure 2.17. 8127 Nathan Circle – Baldwin Business Park. 56,515SF Class C Warehouse; Sale at $1.2MM ($21.23/SF)

Erie Industrial Property For Sale as of 10/01/2009

Location	List Price	RBA	List Price/SF	Built	FAR	Use	Ceilling	Zoning	Acre	Days on Market
< than 365 Days on the Market										
1408 West 20th Street	200,000	22,500	8.89			Warehouse		LDR		40
2309 West 15th Street	1,199,000	28,550	42.00	2001	0.19	Distribution		I-1	3.47	41
3011 West 17th Street	1,750,000	101,500	17.24	1985	0.54	Warehouse		I-3	4.30	41
7171 West Ridge Road	750,000	13,872	54.07	2000	0.04	Warehouse		AH3	9.05	49
1128 West 12th Street	499,900	8,512	58.73	1970	0.31	Warehouse	34	Heavy Industrial	0.63	147
4504 West Ridge Road - Former 8	900,000	24,400	36.89	1968	0.10	Lumberyard		I-1	5.51	188
2305 Manchester Road	495,000	17,136	28.89	1974	0.02	Warehouse	20	Commercial	24.21	203
8348 Edinboro Road	1,500,000	8,160	183.82	2005	0.01	Warehouse	20	AE2	18.38	264
Average		**28,079**	**53.81**						**9.36**	**122**
365 Days to 730 Days on the Market										
Average		-	-						-	-
>365 Days on the Market										
West 20th Street	1,950,000	115,153	16.93					I		753
2730 West 12th Street	950,000	58,329	16.29	1940	0.54	Business		Resort-Business	2.47	813
1336 West 20th Street	750,000	25,000	30.00		0.17	Warehouse			3.47	929
2251 Manchester Road	998,500	32,750	30.49	1998	0.16	Warehouse			4.76	1021
2955 West 17th Street	2,400,000	83,300	28.81	1979	0.37	Warehouse	25	I-3	5.15	1168
Average		**62,906**	**24.50**						**3.96**	**937**

Table 2.10. Industrial property comparisons

Retail Properties

Retail properties are abundant in the vicinity of the subject property, but vacancy is not a common site. The spaces in Figures 2.18 and 2.19 present some of the plaza type retail space common throughout the main corridors of Peach Street and West 12th Street. Lease rates are surprisingly less at the major Summit Towne Center at $8.50, but demand higher square footage. Typical rents for moderate sized retail space would be in the $10-14psf range, NNN. Net rent amounts vary widely depending on the terms negotiated regarding discounts for initial months, interior fit-out and rent stops. Space is typically vacant for periods of 8-12months and lease terms range from three to five years.

Figure 2.18. 1111 Peninsula Drive, 12th Street and Peninsula Drive. Lease at $12.50/SF per year.

Figure 2.19. 5029 Peach Street, Peach and Washington. Lease at $14.00/SF per year.

Erie Retail Property For Sale as of 10/01/2009

Location	List Price	RBA	Cap Rate	List Price/SF	Built	Zoning	Acre	Days on Market
< than 365 Days on the Market								
353 East 6th Street	2,543,000	10,908	10.50%	233.13	1999		1.56	84
5440 Peach Street - Rite Aid	1,227,000	10,908		112.49	1999	AB3	3.2	84
2020 Interchange Road	399,000	2,280		175.00		B	0.68	103
2717 West 26th Street	1,250,000	12,100		103.31	2000	B	1.47	277
1401 State Street	251,100	43,105		5.83	1987/2009	AB4	0.63	326
Average		**15,860**		**126**				**175**
365 Days to 730 Days on the Market								
4815 Peach Street - Hillsdale Plaza	1,150,000	6,987		164.59	1990	AB3	0.61	384
2968 West 12th Street - Auto Splash	599,000	7,656		78.24	1995	Rsort	1.23	445
3712 West12th Street	2,350,000	58,500		40.17	1950/1995	B	4.95	462
Average		**24,381**		**94**				**430**
>365 Days on the Market								
Average		-	-					-

Table 2.11. Retail property comparisons

Figure 2.20. Summit Towne Centre. Lease at $8.50/SF per year.

Office Properties

Erie Office Property For Sale as of 10/01/2009

Location	List Price	RBA	List Price/SF	Built	Class	FAR	Zoning	Acre	Days on Market
< than 365 Days on the Market									
2540 Village Common Drive - Niagra Vi	450,000	14,890	30.22	2006	B				190
Average		**14,890**	**30.22**						**14,890**
365 Days to 730 Days on the Market									
3711 West 12th Street - Bernwood Cer	395,000	14,260	27.70	1965	C	0.35	B3	0.94	441
2564 West 12th Street	1,300,000	20,426	63.64	1988	B	0.24	Resort-Bus	1.96	468
1335 West 6th Street	2,900,000	30,000	96.67	1976	B	0.54	AD4	1.28	526
3036 West 12th	285,000	6,074	46.92	1976	B	0.15	Commercial	0.96	551
2820 West 23rd Street	1,450,000	25,600	56.64	1969	C	0.23		2.57	620
155 West 8th - Sumner Nicholas	500,000	59,363	8.42	1950	B	-			669
8270 Peach Street	1,490,000	9,000	165.56	1962	C	0.04	B-1	5.6	673
Average		**23,532**	**66.51**					**2.22**	**564**
>730 Days on the Market									
8348 Edinboro Road	525,000	8,160	64.34	2005	B	0.01	A-2	18.38	917
2425 West 12th Street	350,000	4,800	72.92	1950	C	0.10	AC3	1.10	1352
Average		**6,480**	**68.63**					**9.74**	**1,135**

Table 2.12. Erie Office Space for Sale.

The property in Figure 2.21 is a 5,000sf Class A office building of relatively new construction. It currently has 2,000 - 40,000 SF of available space, cold dark shell. It's location is ¼ mile from the Bayfront Connector. This property benefits form the State KOIZ tax credit program.

Figure 2.21. Office Space. 1540 East Lake Road. Lease at $7.95/SF per year.

Figure 2.22. Medical Office Space. 410 Cranberry Street. Lease at $16.50/SF per year.

Figure 2.23. Class A Office Space. 100 Peach Street. Sale at $1,390,620

Figure 2.24. Medical Office Space. 2564 West 12th Street. Lease at $15.00/SF per year.

Figure 2.25. Class A Office. 2564 West 12th Street. 43,105 SF Mixed-use Retail/Office/Residential; Sale at $5.83/SF or $251,100.

There is little new office space for sale currently on the market. This is one of several indicators that the office space market is not overbuilt. In the City of Erie some revitalization projects are delivering new office and retail mixed-use space such as in Figure 2.25. 11 commercial office condos located on the 1st through the 3rd floor of a newly renovated office building are currently priced for sale at $81/PSF and units range from 1,400 sq ft to 3,100 sq ft. 4th and 5th floors are residential condo units also for sale.

Figure 2.26. Medical Office. 2564 West 12th Street. 20,426 SF Class B Medical; Sale at $63.64/SF or $1,300,000.

Figure 2.27. Medical Office. Niagara Village. 14,890 SF Class B Medical; Sale at $30.22/SF or $450,000.

Office space for sale in the Erie market is most appropriately assessed with the newer construction in the proximity of the subject site. Figure 2.28 represents a Class B type of space that is listed in the $60.00psf range, but has also been on the market for over 468 days. This is a good indicator of an over valuation. Figure 2.27 is a more recent, new property located within the 2-mile radius of the subject site. Its list price of $30.00psf is representative of the construction quality of the building.

Figure 2.28. Medical Office Property. Niagara Village. 27,898 Class B Medical (2005). Sale at $227.61/SF or $6,350,000.

The Greater Erie Medical Plaza in Figure 2.28 is a good example of the enormous variance in the cost for fit-out of the medical professional building. The $227psf sale price is indicative of an investment that had enormous capital expenses in the building, as well as, in the land. The selling entity in this case is not the same entity selling the building in Figure 2.27, which was the developer of this professional business park.

Multi-Family Properties

Hickory Court Apartments
241 W. 8th St.
Erie, PA 16501

BEDS	BATHS	RENT
2	1.5	From $725

Figure 2.29. Hickory Court Apartments

Carrollwood Apartments
2500 Palermo Dr.
Erie, PA 16505

BEDS	BATHS	RENT
2	1	From $820
3	1	From $1,020

Figure 2.31. Carrollwood Village Apartments

Mill Glenn Apartments
1711 Kuntz Road
Erie, PA 16509

BEDS	BATHS	RENT
1	1	From $450
2	1	From $625

Figure 2.30. Mill Glen, formerly Granada Apartments

Laurel Springs
Erie, PA 16504

BEDS	BATHS	RENT
1	1	From $600
2	1	From $670

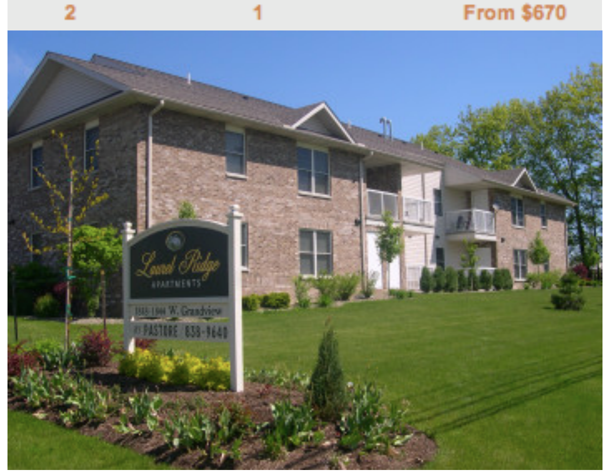


Figure 2.32. Laurel Springs Apartments

The region has many senior living communities similar to the one in Figure 2.33. This 45-unit high-rise apartment building consists of 1,2 & 3 bedroom apartments. This particular property has underground parking. Various for-profit companies such as HANDS, the Housing and Neighborhood Development Service, develop new and renovated housing, and deliver affordable housing taking advantage of public funding and tax incentive programs. HANDS works to serve persons experiencing a disability, senior citizens, and low to moderate-income families or individuals who can benefit from the assistance of quality affordable housing.

Glenwood Towers Apartments
4601 Glenwood Park Avenue
Erie, PA 16509

BEDS	BATHS	RENT
1	1	From $685
2	2	From $835
3	2	From $940

Figure 2.33. Glenwood Towers Apartments

Dufford Terrace Apartments

Rent Amount: *Rents range from $537 - $911*

Total # of units: *72*

Figure 2.34. Dufford Terrace Apartments, HANDS. 132 West 23rd Street.

Unimproved Properties – Land

Figure 2.35. Fairview Business Park, Finished industrial lot. Lot 1 Klier Drive. 83.29 Acres for sale or $50,000/Acre; by Erie Industrial Economic Development Corporation.

Figure 2.36. 4.03 Acres on 2381 Zimmerly Road Zoned Commercial. Sale at $859,000 at $4,164,500

Erie Land For Sale as of 10/01/2009

Location	List Price	List Price/Acre	Use	Zoning	Acre	Days on Market
< than 365 Days on the Market						
8107 Perry Highway	2,625,000	552,632	Commercial	B-1	4.75	103
8107 Perry Highway	1,275,000	340,000	Commercial	B-1	3.75	103
2010 Interchange Road	379,000	492,208	Commercial	B	0.77	103
8315 Perry Highway	850,000	427,136		AL3	1.99	229
2201 Keystone Dr	249,900	198,333	Commercial	C	1.26	258
8305 Perry Highway	450,000	454,545	Commercial	C-1	0.99	260
Lot 1 Klier Drive - Fairview	4,164,500	50,000	Industrial	AD6	83.29	336
Average		**359,265**			**13.83**	**199**
365 Days to 730 Days on the Market						
2643 West 26th Street	600,000	300,000	Commercial		2.00	417
8184 Perry Highway	1,505,000	311,594	Commercial	B-1	4.83	421
9090 Peach Street	475,000	16,684	Commercial	B-1	28.47	424
8191 Glenmar Avenue	195,000	295,455	Commercial	B-1	0.66	455
8203 Glemar Drive	195,000	295,455	Commercial	B-1	0.66	469
8055 Oliver Rod	275,000	266,990	Commercial	B-1	1.03	728
Average		**247,696**			**6.28**	**486**
>730 Days on the Market						
8155 Glenmar Drive	195,000	274,648		B-1	0.71	762
8214 Perry Highway	495,000	351,064	Commercial	B-1	1.41	889
Baldwin Park, Oliver Road	373,950	49,993	Industrial	I	7.48	1020
Savoccio Business Park, Down	72,180	18,000	Industrial	I	4.01	1020
Evans Road	345,000	36,702	Commercial	I-1	9.40	1509
Average		**146,081**			**4.60**	**1,040**

Table 2.13. Commercial and Industrial Vacant property comparisons

Property Use	Market Cap Rate	Vacancy	Rent $PSF	Est. Supply / Demand	Typ. Lease Term	Sale Price $/ACRE, $/SF
Commercial Office	16%	10% to 20%	$8-$14	0.85	3-5 yr	$2-300k/Acre $30-$75/SF
Retail	10.5%	20% to 30%	$8.50-$14	1.50	3-5 yr	$3-400k/Acre $100-$165/SF
Industrial/ Warehouse	14%	40% to %50	$6-8/ $3-5	5.00	5-10 yr/ 1-3yr	$50k/Acre $25-$45/SF
Multi-Family		5%-8%	$500-$900/Unit	0.85	1yr	$150/Acre $10k/Unit
Medical Office	12%	10% to 20%	$12-$18	0.75	10-15 yr	$3-500k/Acre $100-$165/SF

Table 2.14. Summary of Market Metrics

3.0 Development Alternatives & Recommended Plan

3.1 Development Options

3.1.1 Industrial – Office/Warehouse Flex Space

The following Assumptions were made to run a general pro forma model for a proposed office/warehouse flex space. The assumptions are derived from the Summit Township zoning ordinance and development policy. The width of the site is very much impacted by the side setbacks required for the industrial zone.

Figure 3.1. Proposed Flex Space, Office Warehouse Building

Due to the building setback requirements, a proposed building would be confined to a strip down the center of the land. The frontage is 450 feet less the 150 feet of side setbacks, only allow for a 200 foot wide building envelope. A typical plan for this type of building is 80 feet deep. Two buildings facing one another with parking down the center would leave only 40 feet. This issue could be overcome by having green space or loading access in-between the buildings and parking along the sides and rear of each building in the setback zone.

Assumptions:

- Total Area: 4.71 acre……205,167sf
- Building Coverage: 50% or maximum w/ setback applied…. 57,000sf FAR: 0.278
- Parking Requirement:
  - Office (30%): 1 per 100sf…. 171 spaces, 18,468sf
  - Warehouse (70%): 10% building floor area…. 37 spaces, 3,990sf
- Setbacks: Front(457) 100', N-Side(678) 100', S-Side(430) 50', Rear(322) 50'…. 151,000sf Height: 45'
- Open Space/Forest Preservation: 0%
- SWM Space: 30%

Using the assumptions to arrive at a basic net leasable square footage, and making some additional building cost and financing assumptions, it is not likely that a new building, or series of buildings would generate enough income to be profitable after the cost of financing is considered. The rent required to break even is in the range of $16psf, while the market rent rate for this type of space is $6-10psf. Table 3.1 presents the results of the back of the envelope pro forma calculations. Additionally, purchase of the adjacent parcel is not warrant further investigation, since even doubling the amount of leasable space would still not generate enough income to achieve market lease rates.

3.1.2 Multi-Family – Multi-Family Affordable Housing Units - Senior Group Home

Figure 3.2. Proposed Multi-Family, Low-Income/Affordable housing

A proposed multi-family project could deliver affordable housing to a growing population of mature adults and seniors, a target market that has been adversely impacted by the recession. In figure 3.2 an example of a four story multi-family building is presented as a visual representation of the assumptions below. The assumptions are taken for the R-3 zone in the Summit Township zoning ordinance.

The subject property would require re-zoning through the comprehensive plan and zoning process over the next two years. Affordable housing tax incentives and State/local government financing programs are available for this type of development. Tax and financing benefits are not addressed in the back-of-envelope test applied here, but can be a means to raising equity by selling the tax-credits to retail buyers, such as Enterprise Communities, at market rates, currently about $0.70 on the dollar.

Assumptions:

- Total Area: 4.71 acre……205,167sf
- Building Coverage: 10% or maximum w/ OS/SWM/Paving……20,516sf FAR: 0.40
- Maximum Density: 37 units…………7.86 units/acre
- Height: 45'….3 stories (plus 1 for addtl setback, 4 stories total)
- Avg Unit Size: (0.35 common area) 1,441sf Avg. Annual Rent: 450/mo……..$5,400
- Parking Requirement: 93 spaces….(93x108sfx1.5=Total Paved Area)…..15,000sf
- Setbacks: Front(457) 95', N-Side(678) 50', S-Side(430) 50', Rear(322) 30'…. 108,475sf
- Open Space/Forest Preservation: 35%....71,808sf
- SWM Space: 30%.....61,550sf

Applying the assumptions to a basic pro forma model a minimum number of 37 units is found to barely generate a positive return on the investment of development and construction costs. The maximum number of units allowed under the zoning code for the area of the property is 37 units. The alternative of acquiring the adjacent land does not raise the return, even if a reasonable price of $75,000 ($15k/acre) is assumed for the land acquisition cost. Based on quick calculations, acquisition of the additional land and construction costs would demand over 300 units to turn a profit. The density does not appear feasible under the R-3 zone restrictions, and, would also require additional up-front capital. Only the prospect of grant funds from the local and state jurisdictions would make this option, under either scenario, economically feasible.

3.1.3 Office – Mixed Use; Retail/Medical Office/Office

Figure 3.3. Proposed Mixed-Use Option

The mixed-Use approach offers the option of a variation of uses. The proportions used to conduct a profitability analysis consist of 10% retail, 20% office and 70% medical office space. The assumptions for this scenario are presented below. The major challenge to creating this type of development will come in accommodating the requirement for parking spaces.

It is assumed that for this market and this location that all parking is going to be at grade in surface lots. It would be possible to design for underground stormwater management techniques to overlap the required stormwater management facilities with surface parking. This approach however, is not as cost effective as having the available space.

Assumptions:

- Total Area: 4.71 acre……205,167sf (additional acreage 5 acres/217,800sf)
- Building Coverage: 40% or maximum w/ OS/SWM/Paving……82,066sf FAR: 0.80
- Maximum No. Structures: 8
- Parking Requirement: (108,087sf total)
  - Retail: 1 per 200sf (20% of total) 32,826sf/200sf…..164 spacesx108sfx1.5=26,589sf
  - Office: 1 per 100sf (40% of total) 65,652sf/200sf….328 spacesx108sfx1.5=53,136sf
  - Medical Office: 5 per physician (40% total) 65,652sf*(4docs/7500sf)…175 spaces=28,362
- Setbacks: Front(457) 95', N-Side(678) 50', S-Side(430) 50', Rear(322) 10'…. 102,035sf
- Height: 30' (2-stories)
- Open Space/Forest Preservation: 0%
- SWM Space: 30%.....61,550sf

Running through the pro forma with the base building square footage from the above assumptions yield varying results. When considering the assumed ratio, the development does not yield a positive return. However, if additional land is used to increase the building square footage, a positive 13.5% Return on Equity is achievable. Changing the proportion of the mix to one that is 0% retail, 20% office and 80% medical office yields a positive 4.5% return on equity and boosts the return on equity of the alternative considering additional land acquisition to over 14.5%. In each case the cost of financing was included and assumed to be at 8.5%.

3.1.4 Warehouse – Mini-Storage/Warehouse Facility

The mini-storage industry is one that is not as lucrative in Erie, PA as it is in larger urban cities. The demand from moving families, lack of at-home storage space, and, disposable income is not as present in Erie as it is elsewhere. The lack of presence in the region by national chain storage companies such as EZ-Storage, Public Storage and Extra Space Storage indicate a lack of profit potential in this geographic region. Additionally, the abundance of alternative means of off-site storage, such as private garage space, warehouse space and local storage businesses increase the supply of available alternatives.

The climate of the region does, however, generate a demand for sheltered storage not present in southern states. This location is also adjacent to a Continuing Care Retirement Community and a large number of retailers. Many of the large aging population are downsizing, selling their houses and moving to CCRC's with much less space. The potential demand created by the residents of the Springhill community has not been studied but is assumed in the back of envelope evaluation.

Figure 3.4. Proposed Mini-Storage Option

Assumptions:

- Total Area: 4.71 acre……205,167sf (additional acreage 5 acres/217,800sf)
- Building Coverage: 40% or maximum w/ OS/SWM/Paving……82,066sf FAR: 0.60
- Maximum No. Structures: 8
- Parking Requirement: 10% building floor area…….16,400sf/(108x1.5)=101 spaces
- Setbacks: Front(457) 95', N-Side(678) 50', S-Side(430) 50', Rear(322) 10'…. 102,035sf
- Height: 30' (2-stories)
- Open Space/Forest Preservation: 0%
- SWM Space: 30%.....61,550sf

The analysis identifies that it would take an enormous number of storage units to offset the costs associated with development and construction. For the parcel as it exists, over 500 units would be required. To justify an additional acquisition of neighboring land, over 1,100 units would be required analysis does consider an average vacancy of 25%. Additionally, the amount of rent needed to generate a positive return is over $135/month for the existing parcel and $110/month with an additional 5 acres. The conclusion for this option requires addressing the reality of constructing and leasing such an enormous number of units and achieving the required rent amount. While the demand for new mini-storage may be present, the risk associated with such high rent and a surplus of comparable inexpensive space suggests passing on this option.

3.2 Conclusion: Recommended Plan

Table 3.1 presents a matrix that compares the four different potential development options proposed. In almost all cases, the option of developing just the subject 4.71 acres present little opportunity for a favorable return on equity. The industrial option, constructing warehouse or office building do not require achieving a re-zoning of the property. As market research will present, there exists a fair amount of vacant, improved lots as well as existing vacant industrial space for lease in the 3-mile radius of the site. There also exists the most densely concentrated retail market in the entire 10-mile radius and Erie County, also with high supply of existing space. The comps will present however, that undeveloped retail zoned property does market for the highest sales price on a per acre basis.

Back of Envelope Analysis Pro Forma Comparison

	Industrial Office/Warehouse - Flex Space		Multi-Family Affordable Senior Group Home		Mixed-Use Retail, Office, Medical		Mini-Storage	
	W/Out Addl Land	W/ Addl Land	W/Out Addl Land	W/ Addl Land	W/Out Addl Land	W/ Addl Land	W/Out Addl Land	W/ Addl Land
Additional Property acquisition:		$100,000		$100,000		$100,000		$100,000
Gross Building Area sf:	57,000 sf	114,000 sf	61,548 sf	123,096 sf	164,132 sf	328,264 sf	123,099 sf	246,198 sf
Net Leaseable Area sf (no. Units):	54,150 sf	108,300 sf	37 units	74 units	147,719 sf	295,438 sf	523 units	1108 units
Time to approvals + construction	18 months	18 months	36 months	36 months	36 months	36 months	36 months	36 months
Total Devpt.+ Const. Cost $/sf ($/unit):	$50 psf	$40 psf	$25,000 unit	$23,000 unit	$55 psf	$45 psf	$15 psf	$15 psf
LTV:	50%	50%	50%	50%	65%	65%	50%	50%
Equity $:	$1,425,000	$2,380,000	$462,500	$951,000	$3,159,541	$5,270,158	$923,243	$1,946,485
Financing $:	$1,425,000	$2,280,000	$462,500	$851,000	$5,867,719	$9,601,722	$923,243	$1,846,485
Lease-up Rate:	5.5% per month – 18 months	5.5% per month – 36 months	17% per month – 6 months	17% per month – 9 months	8% per month – 12 months	8% per month – 12 months	17% per month – 9 months	17% per month – 9 months
Downtime/Rollover:	12 months	12 months	3 months	3 months	6 months	6 months	2 months	2 months
Lease rate $/sf ($/unit):	$10.00	$10.00	$700.00	$700.00	$15.60	$15.60	$135.00	$110.00
Expenses $/sf ($/unit):	$2.00	$2.00	$3,281.20	$3,310.60	$3.69	$3.55	$707.39	$507.09
Cost of Funds	8.5%	8.5%	8.0%	8.0%	8.5%	8.5%	9.0%	9.0%
Estimated NOI:	$432,715	$954,179	$167,640	$354,860	$1,814,448	$2,633,105	$248,616	$505,766
10-Year Reversion Rate:	9.00%	9.00%	10.00%	10.00%	11.00%	11.00%	10.00%	10.00%
10-Year Sales Price:	$5,042,545	$10,185,008	$1,953,670	$4,759,654	$14,004,706	$34,768,106	$2,867,232	$5,749,045
10-Year Sales Price $/sf ($/unit)	$88	$89	$52,802	$64,320	$85	$118	$5,480	$5,189
10-Year Annual ROE:	0.82%	-11.80%	-1.69%	30.76%	4.69%	14.71%	1.47%	0.23%

Table 3.1. Back of envelope development option comparison

The multi-family option including additional land acquisition yields the highest return on the various scenarios reviewed. One of the challenges for this option is soliciting equity investors to raise 50% of the capital cost estimated to build. This option also presents the further challenge of a profitable exit scheme. Finding a buyer for such a property in the Erie region could be more challenging for a property zoned R-3 permitting only multi-family development, presenting a potential disposition risk.

The Mixed-Use form presents the second highest potential for return on equity when additional land is acquired. It also presents the opportunity to increase or decrease the proportion of the most economically viable use permitted in the zone, offering the ability to diversify the investment. A vision to partner with investor/end-users involved in professional services of law, accounting, finance and insurance with health care professionals would likely be the most viable prospect for development in this region of densely concentrated retail. The high number of employment locations in the 3-mile radius combined with the proximity to Millcreek Community Hospital/LECOM, and quick access to I-79 all support a business decision to invest in office space for a small to medium sized professional practice.

There also exists the potential to combine the uses of multi-family with the mixed-use office/medical office space. Pursuing a new T-1 zoning classification would entitle the parcel to the benefits of both forms of development. Since it is a classification that was created in recent years, there is also very limited T-1 zoned land in Summit Township. This would conceivably elevate the value of the land and offer the owner the opportunity to list an unimproved parcel at a higher market price. Any of the mixed-use scenarios require rezoning the parcel. Should a decision be made to try acquiring the adjacent property, an immediate negotiation with its property owner is necessary, to allow for enough time for subdivision and amendment to the comprehensive plan to coincide in 2010. Whether the additional parcel is acquired or not, it is believed that pursuing a re-zoning to T-1 is the most appropriate, risk adverse use for developing the subject property.

4.0 Entity Structure and Entitlement Process

4.1 Legal Entity Structure

The legal entity recommended for the development of the subject property involves risk sharing through a joint venture of a variety of investors accumulating enough funds to satisfy the equity requirements for financing. The partnership is the vehicle of choice in real estate joint ventures as business entity to specify capital contributions, rights, duties, profit sharing etc. The partnership can be created through the Limited Liability Corporation (LLC) structure commonly used in the industry for its basic, widely accepted format. The structure of the entity will be governed by the following criteria:

1. How much initial capital will limited partners contribute and how will additional capital be contributed if needed in the future
2. How will parties share in annual cash flows
3. How will parties share in proceeds from sale of property
4. Will some of the parties receive a preferred return? Will preferred return be paid from annual cash flows or from sale?
5. Will taxable income or losses and capital gain or losses be shared in the same proportion that the operating cash flow is distributed?
6. Who will have control over the operations of the property and decision involving capital improvement, approving tenant leases, financing and possibly refinancing, and when to sell the property?

The limited liability company is the most common form; one managing member, many non-managing, limited members. Limited partners are investor partners, and are typically very restricted in their management authority, sharing limited exposure to personal liability to the amount of their equity investment. The managing partner is the developer-operator, otherwise the partner responsible for the development. The developer-operator is supplying the day-to-day expertise and will therefore aim to achieve a higher IRR than the investor/partners. This provides an incentive for the managing partner to ensure the investment is successful. The limited partners are the investor/partners, otherwise the source of a majority of the equity funds. The IRR for the limited partners is completely driven by the market for equity capital and the investor's alternative investment options.

The arrangements for the analysis of a partnership entity in Section 7.0 will provide for a cumulative preferred distribution of 15% to the limited partners. Cash flow generated from operation of the development will be distributed to the limited partners prior to the managing member, at the preferred rate. The managing member (developer/operator) will receive the same preferred return of 15% on its capital investment share, which will include the costs associated with its acquisition of the property. Any remainder cash flow is shared among the managing member and limited partners on a 50:50 proportional basis. The 50% returned to managing member is its "promote".

The investor/partners will have a cumulative distribution, meaning that if in any year the cash flows are insufficient to pay out the preferred yield to the limited partners, the liability or balance will carry over to the next year, but without interest applied. In the case where there is cumulative distribution, the limited partners returns are paid up-to-date, before any promote is paid to the developer/operator.

The managing partner will be the developer of the project and receive an annual development fee of 4% of hard costs. In the development pro forma presented in Section 7.0 the developer re-invests the development fee as equity in the capital stack presented in the Sources and Uses. Should the managing partner additionally manage the operating property, it will receive a management fee equal to 4% of effective gross income (EGI).

The cash flow distribution from the proceeds at sale will first be applied to repayment of debt, after which, all parties receive an amount equal to their initial capital investment. An IRR preference may give select investor/partners a payout of a predetermined total IRR. The yield would be repaid to these investors after all of the other investors have been repaid their initial capital investment. This class of investing member would be tapped for seed funds in the early stage of the project to pursue acquisition and re-zoning. The "IRR look back" is another option for select investors which provides for the investor/partner to be limited to the predetermined IRR at the sale and no sharing of any profits after its IRR is paid. This will give the developer/operator more upside, but the investor/partners will not share in any losses at the sale. If the sale does not generate sufficient funds to repay the capital investments of the investor/partners, the development/operator will get none of the proceeds at the sale. In the partnership assumptions for this analysis there are assumed to be no special IRR preference investors or investors being paid an IRR look back. These two options could be considered more closely by the managing member when negotiating with investors on partnership terms.

The final matter to identify is the ability for members to exit the partnership. In this analysis it is assumed that all members, both limited partners and general partners, stay in the partnership for a term of 10-years at which time the property will be assumed to be sold by the partnership. A complete summary of the partnership details are presented in Section 7.0 – Equity Terms.

4.2 Development Approval Process

4.2.1 Zoning Overview

Summit Township Board of Supervisors

There are several key entities involved in moving the subject property through the development process. The Board of Supervisors is the governing body of the township elected by the general public every four years. The Board of Supervisors is the body responsible for approving comprehensive plan amendments and zoning map amendments.

The Planning commission is a three resident body appointed by the Supervisors every four years in staggered terms. The planning commission directs the Planning Director and the Planning Department in preparation of comprehensive plan and zoning map amendments. At the request of the Supervisors, the planning agencies prepare and present a comprehensive plan. The planning agencies also prepare, recommend, and administer all subdivision & land development ordinances and planned residential development regulations.

4.2.2 Comprehensive Plan Update & Zoning Map Amendment overview

The plan to pursue a zoning change will be most successfully accomplished through a coordinated application coinciding with the Township's scheduled comprehensive plan update in 2010. The comprehensive plan update is conducted through a series of public meetings involving the review, comment and revisions to changes presented by the Planning Commission to the Board of Supervisors. Neither the Zoning Hearing Board, nor the Zoning Hearing Officer have the authority to grant a change to the use of any land. The comprehensive plan amendment process requires the convening of the Board of Supervisors in an open, advertised public meeting.

The comprehensive plan process involves a series of demographic, traffic and growth studies combined to provide a recommendation for amendments to the existing comprehensive plan. The last comprehensive plan update was conducted in Summit Township in 2000, following a schedule of amendments made every ten years. Once the Board of Supervisors adopts the updated comprehensive plan, a comprehensive zoning map amendment will occur. The Amendments made to the current Zoning Map will be approved and adopted by the Board of Supervisors.

The following timeline is an estimate for the comprehensive plan process:

1. Outside consultant prepares plan - 3 months
2. Planning Department refines plan – 1 month

3. Plan sent out to Township/County agencies – 1.5 month
4. Notice for hearing & Planning Commission hearing - 1 month
5. Notice for hearing and Board of Supervisors Hearing – 1 month
6. Plan adoption – 1.5 month

Total Estimated Time for Adoption: 9 months

The time involved with the process is a function of community involvement and highly debatable subjects of contention. In this township, the process lasted six months in 2000. Since that time, much development has occurred in Summit Township and residents are more vocal and active than ever in the past. The horse racing track and casino that opened in 2008 has generated a vast amount of revenue for the Township and excited the development potential for the Rte 97/Waterford Road corridor and I-90 interstate exit.

Application for zoning change will require little financial investment, however, attention to public meetings and planning commission communication are vital in order to accomplish the desired end result. The incorporation of the additional adjacent parcel of land will require a subdivision of property from the existing tract, currently zoned I-1. A purchase agreement with the existing owner that empowers the purchaser to act on behalf of the owner in order to achieve a re-zoning of the 5 acre parcel is strongly encouraged, if not necessary. Additionally, formation of the recommended legal entity, granting executive decision making authority to developer should be accomplished as soon as possible. Any purchase agreement entered into for the adjacent parcel should not bind the interests of the partnership, nor any one individual, rather, an entity should be formed solely for the purpose of acquiring the parcel.

Upon adoption of the comprehensive plan amendment, the Board of Supervisors will release the Planning Department to proceed with a zoning map amendment. The Map amendment process will mirror the planning in the comprehensive plan update. The proposed map amendment will be circulated to all township agencies for comments. A public hearing process will ensue to adopt the map amendment. The following schedule is a likely timeline:

1. Map amendment circulated to county, and adjacent municipalities – 1.5 months
2. Notice for public Hearing and Board of Supervisors hearing – 1 month
3. Official adoption in Ordinance – 1 month

Total Duration: 3.5 months

4.3 Development Schedule and Strategy

Making the plan very clear is critical in achieving project development success. Ensuring communication of the development goals to consultants, partners and the Township will determine whether the project stays on track or is derailed. There is likely to be tasks added, or deleted, as entitlements progress, acquisition negotiations are undergone, and sufficient capital is raised to move the project ahead. The approach that is the basis for the most lucrative return to the investing partners involves acquisition of the parcel of property to the West from the neighboring plastics manufacturing corporation. Once fee-simple title for the five-acre parcel is transferred to the LLC, a process requiring a survey and plat preparation, and efforts to re-zone the entire 9.7 acres (resulting from the acquisition) will ensue.

The development schedule in Figure 4.1 is a graphical representation of the communication tool necessary to manage the project. The schedule depicts the various fronts that will be active throughout the process. Red identifies the key acquisition and disposition steps, primarily speaking, acquiring the adjacent parcel and formation of a partnership. Once seed funds are available from the partnership, pursuit of the re-zoning will occur necessitating engagement with an attorney, a broker, a civil engineer and an architect.

Project design and construction represented in orange and green will begin to take-off after the re-zoning efforts are complete resulting in the ability to secure debt financing. It is estimated that this process will take the entire year of 2010. With financing and zoning approval design and development will continue through final development approval in 2011, projecting on-site construction to begin in Spring 2012. With the current dismal economic climate, initiating ground breaking in 2012 could likely end up being the start of the commercial real estate economic recovery.

(Figure 4.1 Next Page)

PROJECT SPRING HILL PROFESSIONAL CENTER
CONTRACTOR
PREPARED BY

ITEM DESCRIPTION	START DATE	END DATE
PARTNERSHIP MILESTONES		
ADDITIONAL LAND ACQUISITION	Jan-2010	Jan-2010
PARTNERSHIP FORMATION / INVESTOR RECRUITMENT	Apr-2010	Dec-2010
EQUITY COMMITMENT	Jan-2011	Jan-2011
DEBT FUNDING COMMITMENT	Apr-2012	Apr-2012
INCOME FROM OPERATIONS/PARTNER DISTRIBUTION	Jan-2013	Jan-2023
DISPOSITION OF MULTI-FAMILY	Jan-2012	Jan-2012
PROJECT ENTITLEMENT		
COMP. PLAN AMMENDMENT PROCESS/ADOPTION	Feb-2010	Oct-2010
COMPREHENSIVE ZONING MAP AMMENDMENT	Nov-2010	Jan-2011
DEVELOPMENT PLAN REVIEW/APPROVAL	Feb-2011	Sep-2011
RECORD PLATS	Oct-2011	Dec-2011
PROJECT DESIGN		
CONCEPTUAL SITE PLAN	Apr-2010	Jun-2010
CONCEPTUAL ARCHITECTURAL RENDERINGS	Jun-2010	Jun-2010
SITE PLAN DEVELOPMENT DESIGN/PLANS	Jan-2011	Sep-2011
PRELIMINARY PLAN APPROVAL	May-2011	May-2011
FINAL DEVELOPMENT PLAN APPROVAL	Sep-2011	Sep-2011
BLUILDING DESIGN DEVELOPMENT DRAWINGS	Mar-2011	Sep-2011
75% CONSTRUCTION DOCUMENTS	Oct-2011	Mar-2012
100% CONSTRUCTION DOCUMENTS	Apr-2012	Jun-2012
PROJECT CONSTRUCTION		
PROPOSAL/BID/AWARD	Mar-2012	Jun-2012
SITE CONSTRUCTION	Jul-2012	Oct-2012
BUILDING 1	Sep-2012	Feb-2013
BUILDING 2	Mar-2015	Dec-2015
INTERIOR TENANT IMPROVEMENTS	Feb-2013	Jul-2013
MARKETING AND LEASING		
INVESTOR INFORMATION REPORT	Feb-2010	Jun-2010
BROKER PRE-LEASING	Apr-2012	Jan-2013
ADVERTISING/BROKER MULTIPLE LISTING	Feb-2013	Feb-2016
PROPERTY MANAGEMENT		
PROPERTY MANAGEMENT FIRM SELECTION	Sep-2012	Nov-2012
ON-SITE PROPERTY OPERATION MANAGEMENT	Mar-2013	

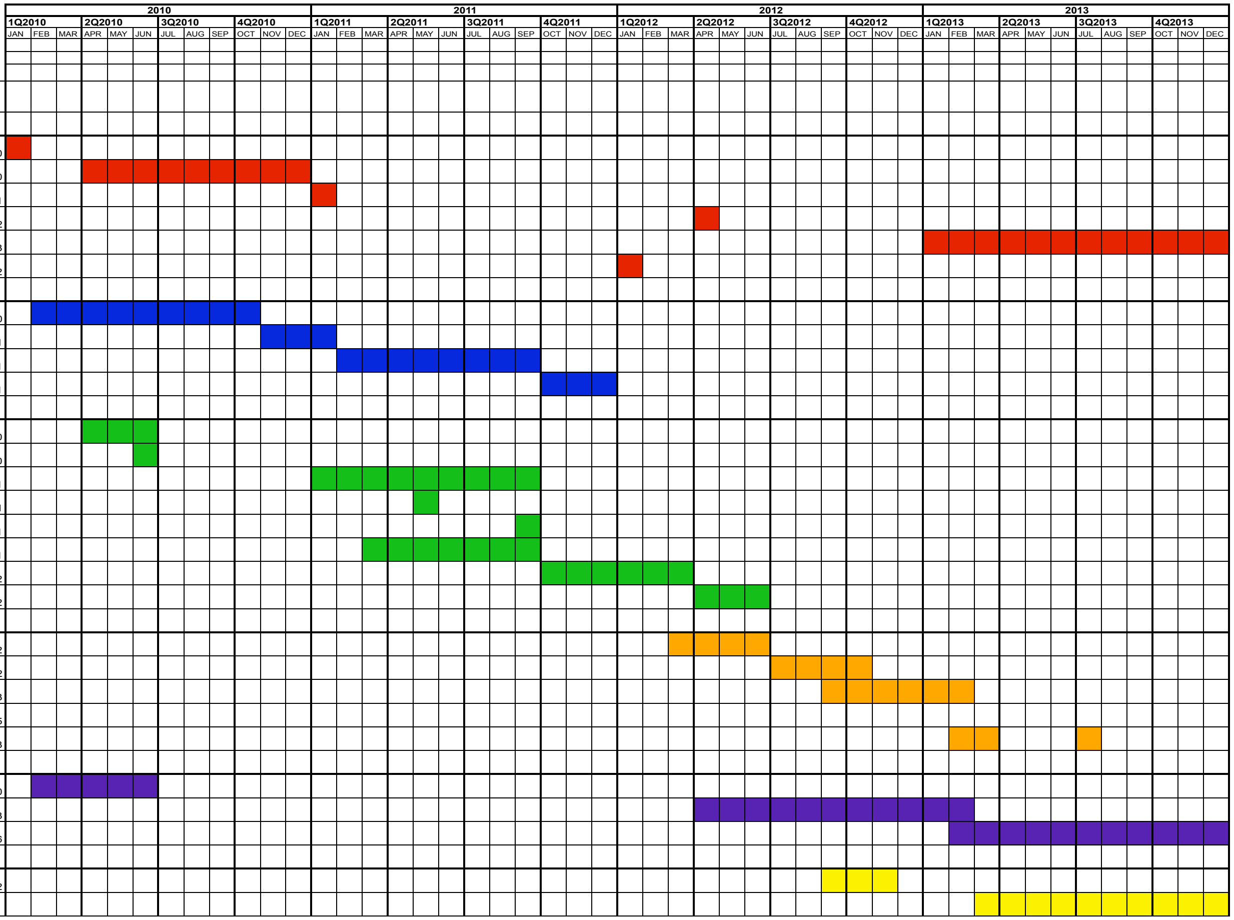


Figure 4.1. Development Schedule

5.0 Design & Construction

5.1 Design Plans

5.1.1 Conceptual Site Plan

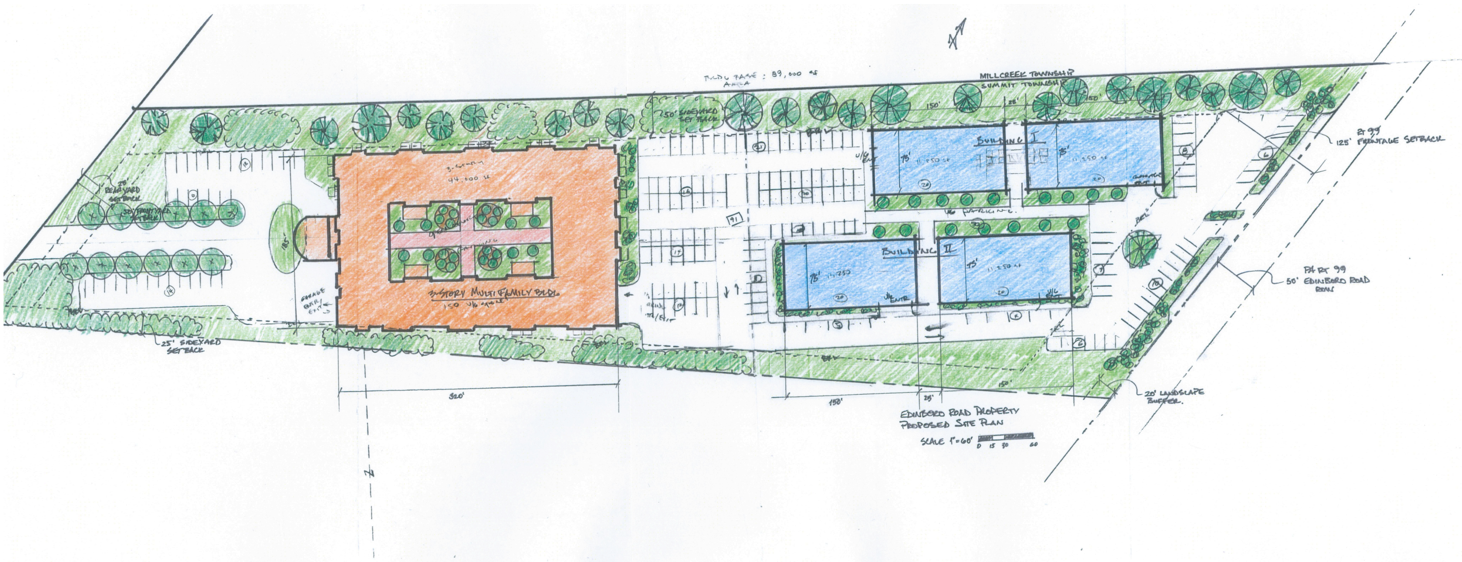


Figure 5.1. Proposed Medical/Business Office Building Site plan. Full Scale Plan presented in Appendix C.

Figure 5.1 is the site plan for the combined parcel re-zoned T-1 from its current I-1 zoning. As discussed in Section 1, the 5.0 acre parcel to the west has been included in the site development based on the assumption that an agreement is reached for acquisition with the current plastic manufacturing corporation owner. The total site area after acquisition will be 9.77 acre. The T-1 zone does not specify that a certain proportion, or mix of uses is required for the T-1 zone. From a marketability aspect, this will offer potential buyers of the parcel the option to develop all multi-family, all office, or a combination of both.

The allowable residential density for the R-3 zone permits three units for the first 35,000 sf of property plus one unit more for each additional 5,000 sf. For the entire 9.77 acre parcel the maximum allowable density is 76 units. The T-1 zone permits the density of the R-3 zone. The proposed multi-family building has been situated in the rear portion of the property with the plan for the main entrance to be off of Old Zuck Rd. The multi-family building will require a total of 186 parking spaces. In order to accommodate this space, the building is assumed to have one level of underground parking that will accommodate 150 cars. The underground parking will also contribute to the achievement of a LEED certification for sustainability in site design.

The office buildings have been situated toward the Rte 99/Edinboro Road frontage. The setbacks from this road are 125' from the centerline, more than double of that required on less busy roadways. Additionally within the frontage setback requirement, a 20' landscape buffer is also required. The side setback for the T-1 zone is required to be fifty feet when adjacent to residential zones, therefore, the north side setback for this site is larger than the south side. Using the required setbacks and the natural grade of the property falling from the high side on the north to the low side on the south, the buildings locations are planned to favor the north border of the property. The plan is intended to both allow for natural drainage to the south to underground/above ground combination cistern pond storm water management facilities on the bottom of the property.

Parking required for the commercial office space is estimated to be 1 space per 200sf for the non-medical space and 5 spaces per doctor for the medical office space. It was assumed that there would be 20 doctors occupying 106,875 sf of space requiring 107 parking spaces. The remaining 33,750 sf of commercial office space requires 169 parking spaces. The space mix is 75% medical office and 25% non-medical office. From this proportions the total parking required for the 146,250sf commercial portion of the development plan is 182 parking spaces.

The commercial buildings are also planned to accommodate underground parking for 50% of the base building area, as well as, one level of underground parking beneath the common courtyard between the buildings. A small amount of parking in the front of the buildings takes advantage of the area confined by the building restriction line, while a large at grade parking area in between the commercial buildings and the multi-family accommodates the balance of the spaces and functionally separates the two use types.

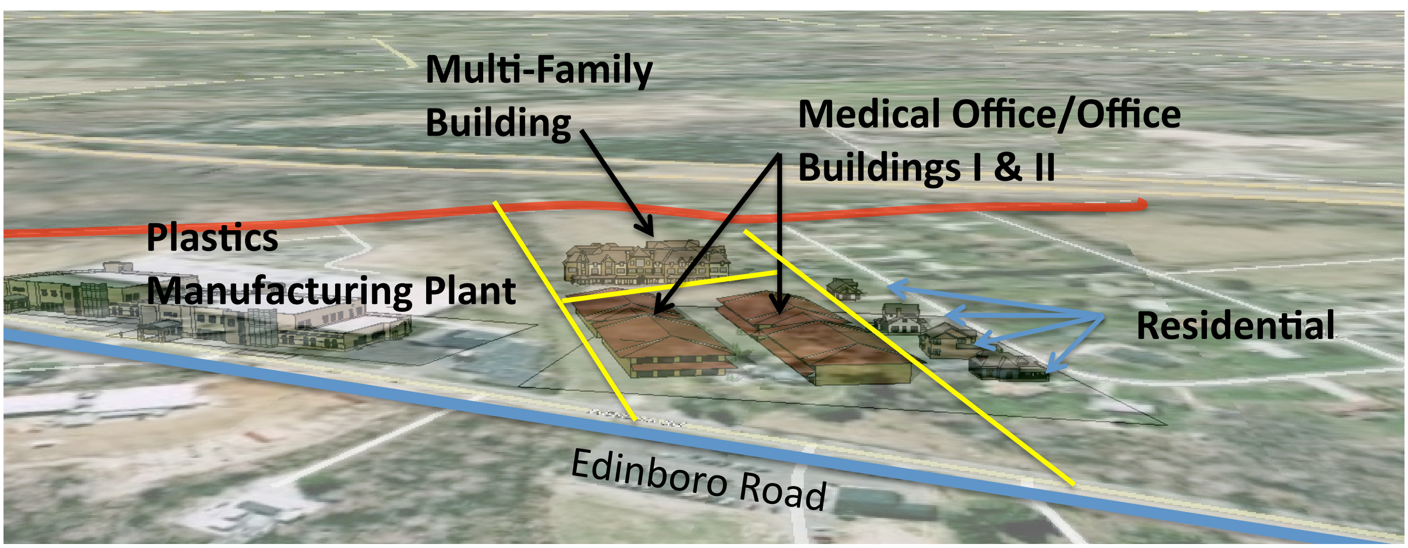


Figure 5.2. Proposed Medical/Business Office Building Aerial Rendering.

5.1.2 Proposed Building Floor Plans

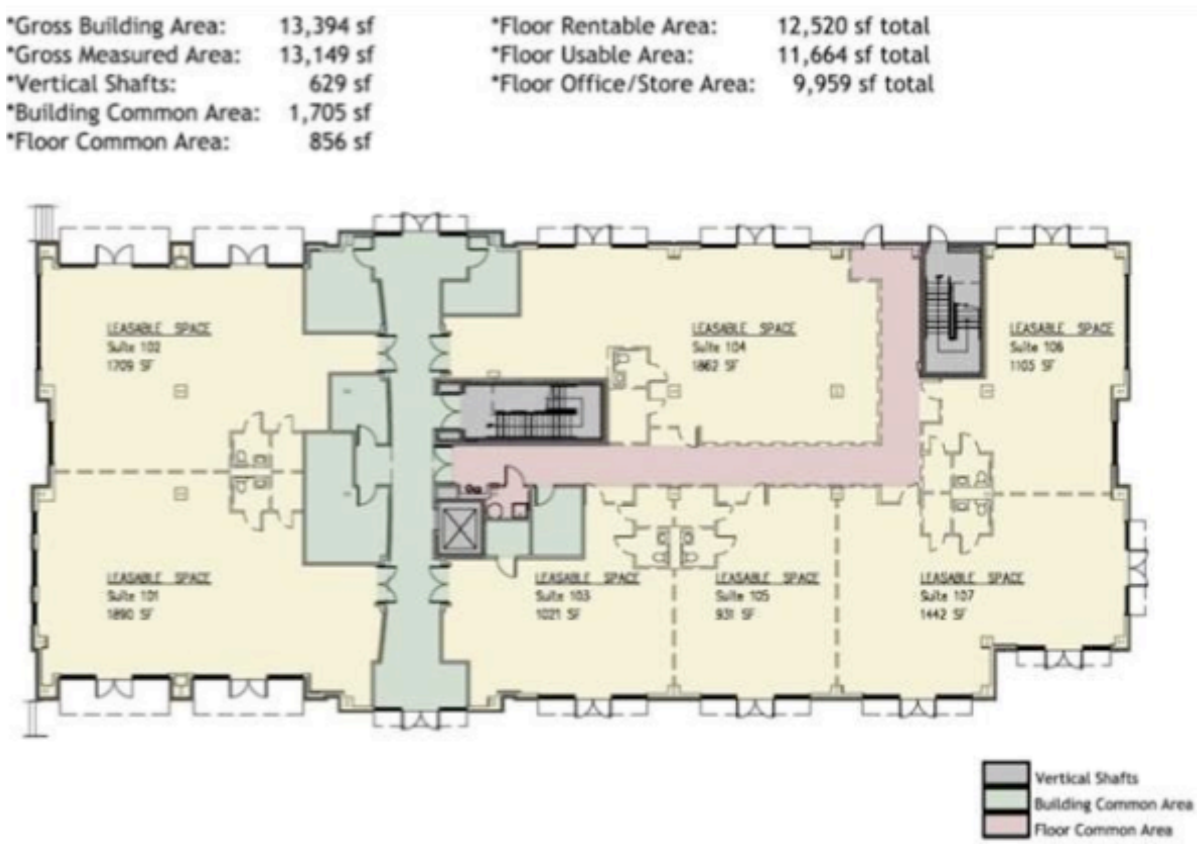


Figure 5.2. Proposed Medical/Business Office Building Floor plan. Plan represents half of the full building floor plan. The development analysis assumes that the Net Floor Area will be maximized for the site-specific building design. Actual floor plan will also detail the main access area and elevator corridor between the two halves.

Figure 5.2 is a potential floor layout for the proposed medical office building. This floor plan would represent (approximately) one half of one of the proposed buildings. The proposed buildings are two 75'x150' boxes joined in the center by a common elevators and stairwell access. The core factor from this example office floor plan is 0.9316 (Useable Area/Rentable Area). This factor will be used in the development pro forma analysis for projecting Net Leasable Area.

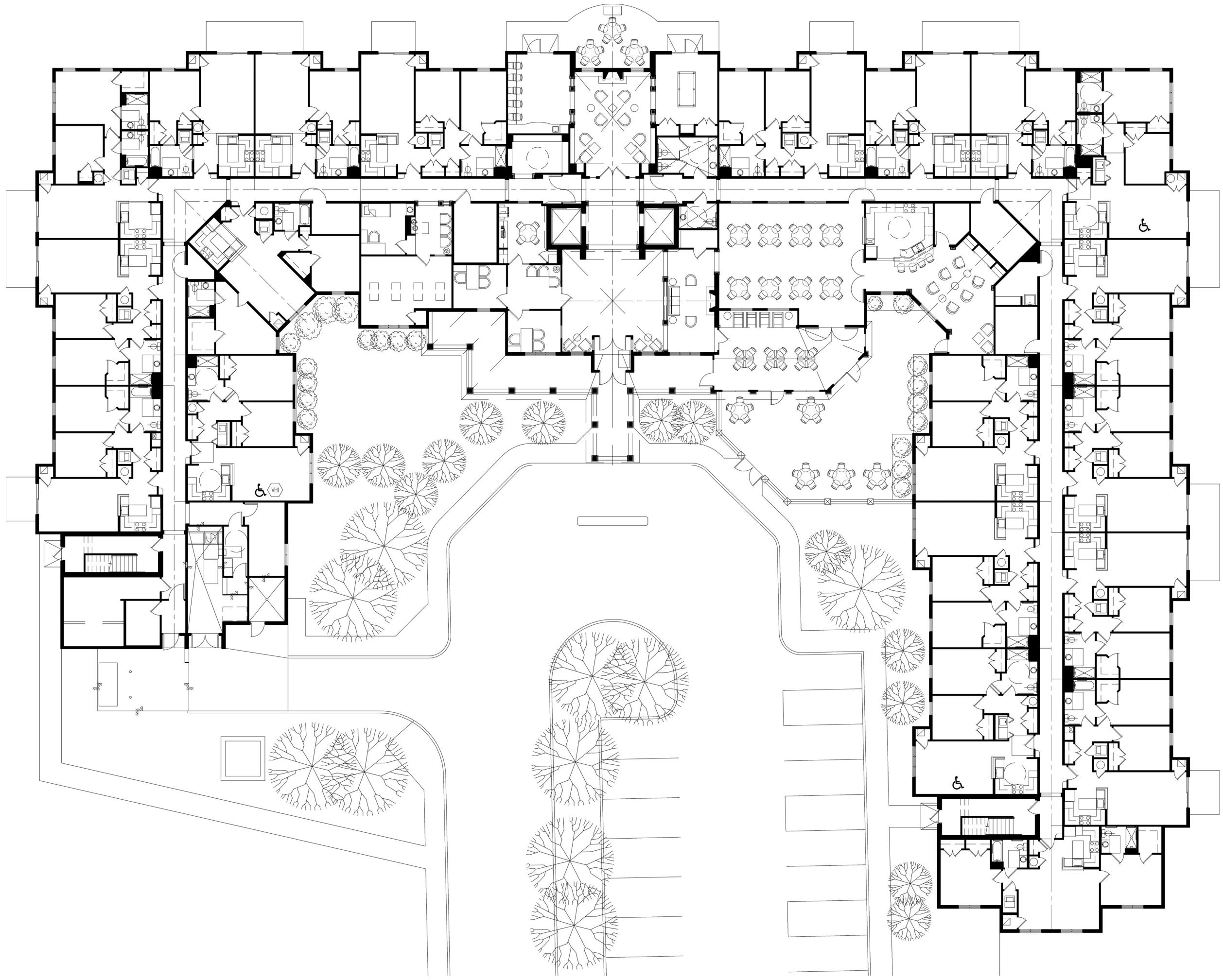


Figure 5.3. Proposed Multi-Family Building Floor plan. Plan represents a concept for how the building could be laid out. The layout will be modified to address site-specific constraints.

Figure 5.3 is a sample building plan for the proposed multi-family structure at the rear of the site. The plan is presented for illustration purposes only, to get a visual concept of the building plan. The actual proposed building would differ in height and width to accommodate the limitations of the size physical size and zoning code. The actual floor plan could potentially be a rectangular building perimeter surrounding a common courtyard area, resulting in a larger footprint to make up for a reduction in total width and number of floors.

5.1.3 Proposed Building Elevations

The office buildings on the proposed development are expected to be filled by a majority medical office tenants with a fraction of the Net Rentable Area (office) to be businesses. As discussed in the site plan layout above, the buildings will be occupied by either all medical tenants or business tenants. The uses will not be mixed within the same structure, avoiding the issue of sick patients sharing common space in office buildings with businesses trying to attract, rather than deter, clients.

The elevations pictures presented are a sample of the product intended for the business and medical offices. The buildings will be three story brick structures with operable windows allowing for natural ventilation during the long cool season in the Erie climate. Unlike the sloped roof design of the property in the example, the proposed structure will have a flat roof to minimize height. The building will be a steel frame structure, with ceiling clear heights of 10'. The ceiling plenum space will be tight due to the typical 18" depth of the steel trusses. The sloped roof has benefits over the flat roof design, providing sidewalk cover on the ground level and a reduced structural live load design for the heavy amounts of snow loading. The standing seam metal roof also possesses high reflectivity and heat island benefits catering to a sustainable design approach. The lighter structural skeleton resulting from this approach will demand a lower cost for construction while earning points for a LEED accreditation. A highly reflective roof surface (white) will be recommended for the flat roof building to achieve the heat island benefits of the sloped roof.

Figure 5.4. Proposed Medical/Business Office Building Elevations.

The multi-family Building is expected to provide affordable rental units for low-income 55+ aged residents. Without the additional parcel acquisition a building limited to 37 units is permissible by the zoning code. The elevation presented below is a building that will accommodate 72 apartment units, under the assumption the additional parcel is acquired. The site plan identifies the location of the building on the property and the surface parking required to accommodate the 72 units. The building will be designed to LEED Silver standard; qualifying for additional government funded financing through tax credits for affordable green multi-family building.

Figure 5.5. Proposed Multi-Family Affordable Housing Elevation.

The design assumptions have been used to arrive at various required metrics to estimate the annual net operating income potential of the property. Table 5.1 below is a summary of the key design assumptions and various simple calculations relevant to the site space use. The data has been combined together with financial assumptions to determine the value of the property in Section 7.0 to follow.

EDINBORO ROAD INPUT PAGE PROJECT DESCRIPTION / ASSUMPTIONS					
SITE AND PROPOSED IMPROVEMENTS			T-1 ZONE REQUIREMENTS / SITE PLAN STATS		
SITE AREA:	425,581 SF	9.77 ACRE	SITE AREA:	425,581 SF	9.77 ACRE
GROSS BUIDABLE AREA:					
FLOOR AREA RATIO (FAR):			BUILDING RESTRICTED AREA ALLOCATION:		
MULTI-FAMILY			PARKING AREA:		
TOTAL FLOOR AREA	41,000 SF		MULTI-FALMILY PARKING:	30,780 SF	7.2%
NUMBER OF UNITS (MULTI-FAMILY)		76	MEDICAL OFFICE PARKING	17,314 SF	4.1%
ALLOWABLE HEIGHT	45 FT	4 FLRS	OFFICE PARKING	27,338 SF	6.4%
PARKING AREA (2.5/UNIT)	190 SPACES	30,780 SF	UG PARKING (50% BLDG AREA)	43,000 SF	10.1%
MEDICAL OFFICE/OFFICE			FRONTAGE SETBACK AREA (BRL):	43,415 SF	10.2%
BASE BUILDING AREA	45,000 SF		SIDE SETBACK AREA (BRL):	55,400 SF	13.0%
ALLOWABLE HEIGHT	45 FT	3 FLRS	REAR SETBACK AREA (BRL):	8,050 SF	1.9%
TOTAL NET RENATABLE AREA (OFFICE)		140,625 SF	SWM AREA (ASSM 20%)	85,116 SF	20.0%
MEDICAL OFFICE AREA (NET)	76%	106,875 SF	COMMON/PRES AREA (ASSM 15%)	63,837 SF	15.0%
OFFICE AREA (NET)	24%	33,750 SF	ALLOWABLE BUILDING AREA	94,332 SF	22.2%
PARKING AREA:					
MEDICAL OFFICE (5/DOC, 1000SF/DOC)	107 SPACES	17,314 SF	TOTAL	425,581 SF	100%
OFFICE (1/200SF)	169 SPACES	27,338 SF			

Table 5.1. Summary of site design assumptions.

5.2 Green Building Design Features

The benefits of designing an energy efficient and sustainable building are expected to not only enhance the work environment for the professionals and visitors to the office buildings, they will offer large returns on the investment in the form of energy savings in the future operational costs, which will be discussed further in Section 6.5.2 Operation Costs.

Some major design components that will deliver exceptional return on their investment, as well as, offer the opportunity to pursue government financial benefits will include the following:

1. Rain Water recycling for irrigation and sewage disposal.
2. Open loop Geothermal wells providing high efficiency heating and cooling benefits.
3. Energy efficient lighting systems, incorporating efficient use of natural lighting.

As mentioned previously, a variety of grants, low interest loans, and tax credit opportunities exist currently for implementing energy saving and development of alternative energy sources. One such potential alternative energy source becoming more popular in the region is the use of natural gas wells supplying building equipment with a fuel for energy production. This co-generation approach allows the developer to provide the electricity needed to operate the buildings equipment and systems, and, in some cases can offer the opportunity for returning power to the grid. Grant programs currently exist in Pennsylvania for this form of sustainable development.

5.3 Design Costs

The costs associated with engineering and design to achieve the approved development plans and building permits are presented in table 5.2. The costs are based on the assumption that a phased approach will be pursued by the development team, beginning with the re-zoning of the combined parcel. Prior to the application for rezoning in 2010, it is assumed that a contract will be negotiated and executed with the owner of the adjacent 5-acre parcel.

TABLE 5.2. ESTIMATED DESIGN COSTS	
ENTITLEMENTS	
RE-ZONING PROCESS	$50,000
DESIGN	
ENGINEERING/LAND PLANNING	$80,000
ARCHITECTURE/STRUCTURAL/MEP	$80,000
LEED ADMINISTRATIVE	$20,000
GENERAL ENGINEERING/TESTING/CONSULTING	$30,000
GEOTECHNICAL DESIGN	$25,000
ENVIRONMENTAL DESIGN	$10,000
OFF-SITE TRAFFIC STUDY/DESIGN	$10,000
SURVEYING	$40,000
CONSTRUCTOIN INSPECTION	$50,000
COMMISSOINING	$50,000
TOTAL DESIGN COSTS	**$445,000**

Table 5.2. Estimated Design Costs

Upon achieving T-1 zoning approval, the development plan will involve parceling out the combined properties into three commercial lots, two for office buildings and one for a multi-family building. The design costs are assumed to include the site design for all parcels, as well as all the associated plat preparation. The architecture costs are for the office buildings only and do not include the design of the multi-family building. It is assumed that the office buildings will be the same design, merely a mirror image of one another.

5.4 Development Plan Approval and Permitting

The re-zoning process is assumed to take over a year, beginning in 2010 with the comprehensive plan update. A conservative assumption regarding the time to process a building design and a site plan concurrently would not overlap the two. The development plan schedule presents August 2011 as the final approval of zoning for the T-1 use. Building plan approval will be dependent on having an approved site plan design. The development plan schedule projects the Final Development Plan will be approved by February 2012. At this time the building design will be submitted for permit.

The process for building permit is expected to be quite smooth, particularly due to the incorporation of sustainable building design and LEED certification. The developer will work closely between the architect and select contractors to identify green building techniques that comply with current IBC and US Green Building Council standards for achieving LEED Silver. The development team will be required to identify the most resourceful and capable party to assign the responsibility of submitting and tracking the LEED certification application.

Due to the high cost of permitting fees, the developer will not submit for permits for the buildings all at once. The development analysis has assumed the second building will not start construction until 2015. The staggering of the permit application for each building will ensure that fees are adequately spread out over time, and that Use and Occupancy permits can be released for separate buildings.

The construction costs are for the base building only. This will require a second round of permits to be applied for at the time of interior tenant fit-out, also know as Tenant Improvements (TIs). The cost of these permit fees is included in the tenant improvement cost in the pro forma. Additional time will be required on the delivery schedule and appropriate coordination between the general contractor and the interior fit-out contractors. For space to be delivered immediately, the general contractor will be the first bid considered.

5.5 Design, Bid, Build - Bid Solicitations, Awards and Contracts

For this project a development representative will be selected and retained by the Managing Partner to coordinate the various facets of the entitlement, design and construction sequence. The Managing Partner will receive a fee in the amount of 4% of the actual Hard Costs for assuming the role of developer. The organization chart in Figure 5.6 is a typical hierarchy for this type of a project. The duties of the development executive will include developing and maintaining a project schedule and pro forma for regular updates with the Partners. Beginning with the formation of the Partnership, the development executive will be the leading responsible representative for the achievement of project milestones, and the ultimate delivery of the space for occupancy.

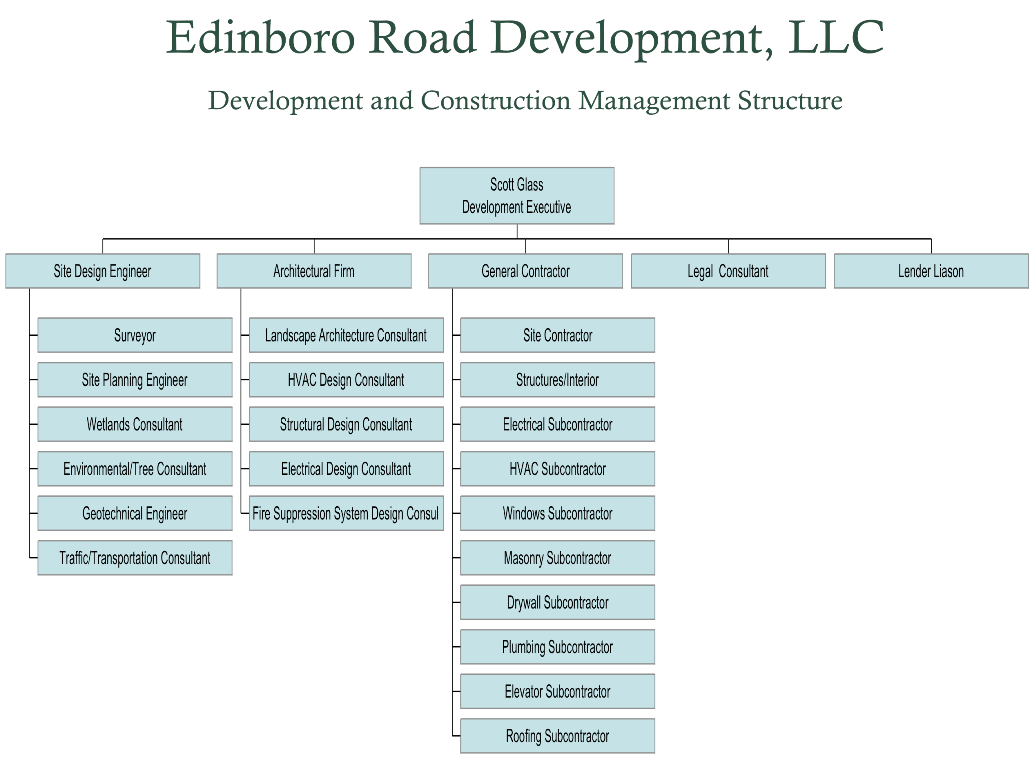


Figure 5.6. Development Entity Organization Chart

The managing partner will engage in relationships for each of the major consulting roles represented in Figure 5.6. In each case, a solicitation of professional services will be conducted involving a proposal combined with past experience and references. The attorney selected to represent the Partnership will draw up contracts with each entity. At a point when financing is achieved by the Partnership, the developer will begin a design relationship with an architect and site design engineer. The Design, Bid, Build process is the recommended approach for the development of this site. The developer can coordinate between the architect and select general contractors to review progress design documents for quality and cost saving enhancements.

It is recommended that the developer pursue a "Contractor at Risk" arrangement with the general contractor. This relationship between the developer and the contractor will present the owner with various elements of control during the document design stage and offer preconstruction services that will give the client the opportunity to modify designs, phase the project, and preselect critical components so the highest quality of product is delivered at the lowest cost possible. The contractor at risk format places the burden of risk related to cost increases and delays from job-site management on the Contractor. In this format, the developer/client is insulated from common cost increases that are typically passed on to the owner.

Upon negotiating with the bid selection finalists, the developer could propose a 25/75 cost savings split with the contractor, whereby the owner receives 75% of all cost savings under the GMP price. This approach incentivizes the contractor to find means of beating the GMP price, creating a common interest for the Partnership and the contractor. If delivery schedule becomes critical to one of the contracted tenants, the developer might pursue an arrangement to pay an incentive to the contractor for an early completion.

In the current age, new buildings are being designed to higher building code standards and in many cases will include sustainable aspects in design without adding any cost. In this study it has been assumed that the buildings will be designed to achieve a LEED Silver accreditation from the U.S. Green Building Council. Data from the U.S. Green Building Council estimates that such a sustainable design will have a 2-5% additional cost increase on the design and construction of the building, which has been considered in the cost estimate for this development analysis. Additionally, services offered by qualified general contractors that may decrease overall costs and promote design coordination might include:

- Concept Planning
- Feasibility Studies
- Preconstruction Services
- Life Cycle Cost Analysis
- Cost/Benefit LEED Credit Strategies
- Construction Management and Consulting
- Materials and Equipment Procurement

5.6 Construction Costs & Schedule

(Figure 5.7 Next Page)

CONSTRUCTION SCHEDULE - CM BUILDER AT RISK, WITH PRECONSTRUCTION SERVICES

PROJECT SPRING HILL PROFESSIONAL CENTER

CONTRACTOR

PREPARED BY

CSI NO.	ITEM DESCRIPTION	TOTAL QTY	UNITS	ESTIMATED COST UNIT PRICE ($/UNIT)	UNIT	COST ($/WEEK)	TOTAL COST	SCHEDULE PRDUCTION (UNITS/WEEK)	DURATION (WEEKS)
	INDIRECT AND OVERHEAD SCHEDULE								
	SCHEMATIC DESIGN COMPLETION								X
	DESIGN DEVELOPMENT DRAWINGS								**5/1/09**
	DESIGN CONSTRUCTABILITY REVIEW	8	WK	0	WK	$ -	$ -	1	8.00
	DESIGN CONSTRUCTION ESTIMATE #1	4	WK	0	WK	$ -	$ -	1	4.00
	LEED APPLICATION PREPARATION/SUBMISSIC	4	WK	0	WK	$ -	$ -	1	4.00
	75% CONSTRUCTION DOCUMENTS								**8/1/09**
	VALUE ENGINEERING	4	WK	0	WK	$ -	$ -	1	4.00
	MAJOR COMPONENT/EQUIPT SELECTION CO(	4	WK	0	WK	$ -	$ -	1	4.00
	MAJOR SUBCONTRACTOR BIDS, AWARD	4	WK	0	WK	$ -	$ -	1	4.00
	100% CONSTRUCTION DOCUMENTS								**1/15/10**
	FINAL BIDS, REVISIONS AND AWARDS	5	WK	0	WK	$ -	$ -	1	5.00
	BASE BUILDING COMPLETION								**10/1/11**
	DIRECT CONSTRUCTION SCHEDULE								
	SITEWORK-CLEARING/GRADING/UTIL	1	LS	1,000,000	LS	$ 80,000	$1,000,000	0.08	12.50
	SITEWORK-PAVING	81,000	SF	12.00	SF	$ 972,000	$ 972,000	81,000	1.00
	SUBTOTAL SITEWORK	1	LS				$1,972,000		
	BUILDING 1								
	BUILDING EXCAVATION	11,667	CY	3.00	CY	$ 45,000	$ 35,000	15,000	0.78
	FOUNDATIONS	970	CY	100.00	CY	$ 97,031	$ 97,031	970	1.00
	CONCRETE MASONRY FOUNDATION W.	14,000	SF	12.00	SF	$ 120,000	$ 168,000	10,000	1.40
	STEEL FLOOR JOISTS -3 FLRS + ROOF	75	TON	1,500.00	TON	$ 49,500	$ 112,500	33	2.27
	CONCRETE FLOORS - 4 FLRS	90,000	SF	1.50	SF	$ 67,500	$ 135,000	45,000	2.00
	WINDOWS	1	LS	225,000.00	LS	$ 56,250	$ 225,000	0.25	4.00
	ROOF	22,500	SF	10.00	SF	$ 112,500	$ 225,000	11,250	2.00
	EXTERIOR BRICK	26,616	SF	8.00	SF	$ 36,000	$ 212,928	4,500	5.91
	MECHANICAL AND ELECTRICAL	1	LS	750,000	LS	$ 75,000	$ 750,000	0.10	10.00
	PLUMBING & SPRINKLER SYS	1	LS	300,000	LS	$ 75,000	$ 300,000	0.25	4.00
	ELEVATORS	1	EA	45,000.00	EA	$ 22,500	$ 45,000	0.50	2.00
	BUILDING FINISHES	1	LS	75,000.00	LS	$ 11,250	$ 75,000	0.15	6.67
	SUBTOTAL BUILDING 1	67,500	SF	35	SF		$2,380,459		
	TOTAL CONSTRUCTION COST	135,000	SF	50	SF		$6,732,919		

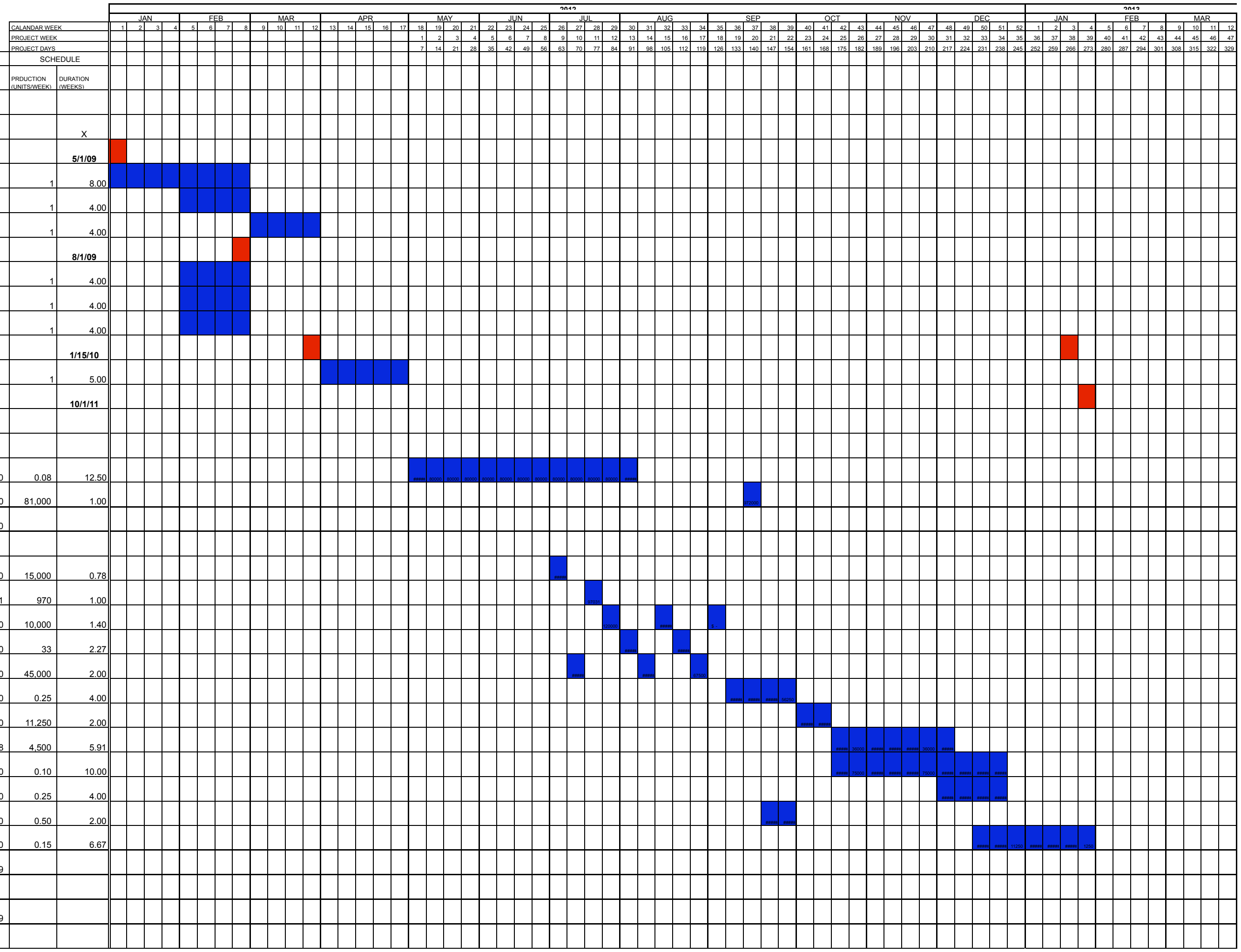


Figure 5.7. Projected Construction Expenditures

5.7 Project Close Out

Upon achievement of the Use and Occupancy permit, the developer will be able to deliver leased space, but will still be at the mercy of the Township for release from various bonds, or letters of credit posted at the time of permits for site construction were issued. The bond release process is always a challenge, it is most usually left up to the general contractor to satisfy the local inspectors before they are released from their contractual obligations and paid in full. The development team will be best prepared for navigating through the bond release process if relationships with the Township representatives and building inspectors are maintained and communication is clear.

The developer will purchase the bond security from a Surety Company for a rate of about 1.5% of the bond face value, annually. Letters of credit can also be purchased from the financing entity, but are typically more expensive than surety bonds. After achieving paving on site, the developer will be able to get a substantial reduction in the amount of surety secured by the Township, reducing the associated bond amount from the surety company. Coordination of all of the final inspection reports, test reports, and achieving the minimum warranty duration required by the township will mark the point when the developer can be fully released from its obligation to the township.

6.0 Marketing and Leasing & Management

6.1 Target Tenants

The rationale for pursuing the mixed-use development was heavily weighted on the ability to diversify the real estate investment through the ability to deliver space for a variety of end-users. This analysis has made the assumption that while a mixed-use has been pursued, that leasing medical office space will generate the highest rent income. Combing a high mix of medical office space with a high-density multi-family building will also deliver the highest IRR, and, afford a high amount of diversification of property type to the partnership, minimizing the risk to the investors.

Pursuing the medical office tenant has another distinct advantage. In this development plan it is assumed that a partnership is formed to raise the investment capital to fund development. Attracting high-net worth individual investors to participate in the partnership that will additionally agree to lease space for their personal business is the approach suggested. The Lake Erie College of Osteopathic Medicine (LECOM), in conjunction with the Millcreek Community Hospital, is producing more doctors annually than any medical school in the nation. Targeting recent graduates and alumni from LECOM is a fruitful supply of this type of investor/end-user/partner.

In addition to targeting the health care industry, co-location with other forms of professional service providers might further diversify the tenant mix in the professional center. The developer should also identify and solicit business owners that target clients of similar age groups to the medical professionals interested, or, who will benefit from proximity to a large portion of the local population and employment centers. As identified previously, the subject location is within a 10-minute drive of nearly 100% of the metropolitan population. Examples of such businesses would include legal services, real estate sales, financial planning, insurance sales, and accounting services.

Presentations to interested tenants and tenant/investors can be arranged prior to forming the partnership by working with the selected engineer, architect, attorney and broker. Ultimately, it will be necessary to involve a broker in the leasing of the space. Establishing that relationship early will have many benefits, such as, likely increasing the ability to raise capital, and, choosing the appropriate product mix to suit the demand of the market.

6.2 Broker Relationship

6.2.1 Commission

Property owners dealing with brokers will engage in a contractual relationship to secure the interests of each party. In the Edinboro Road property analysis, it has been assumed that a broker will be engaged to solicit potential investor/tenants. The typical commission to a broker in Erie for leasing space is 6% of the lease amount calculated for the entire term of the lease. The broker fee, as it is called, will be due in full at the time the tenant occupies the space. It is common for the developer to negotiate an increased fee to be paid over the term of the lease. This is recommended to insure the developer against any tenant default occurring during the term of the lease. The additional fee assumed in the development financial analysis is 1%, or a total fee of 7% amortized over the term of the lease.

The contract entered into by the developer can be an exclusive listing in which the broker will be paid a fee as a representative of the developer, regardless of whether the broker identifies the tenant or not. It is strongly encouraged for the developer to enter into a relationship limiting this condition, allowing the developer to solicit and engage tenants without being required to compensate the broker in such an event.

6.3 Boilerplate Lease Structure

6.3.1 NNN Lease Structure

The form of lease for each office tenant is a "net net net lease," it being understood that the landlord shall receive all rent, free and clear of any and all impositions, encumbrances, charges, obligations or expenses of any nature whatsoever in connection with the ownership and operation of the property. In addition, the tenant shall pay to the parties respectively entitled thereto all impositions, insurance premiums, operating charges, maintenance charges, construction costs and any other charges, costs and expenses which arise or may be contemplated under any provisions of the lease during the term. All of those charges, costs and expenses are considered rent, and upon the failure of tenant to pay those costs, the landlord can enforce the conditions of the lease for the failure of the tenant to pay rent.[10]

It is common in the local market for medical office and commercial office space to be the NNN form. It has been assumed in the financial analysis that the landlord/developer is reimbursed by the tenant for all costs associated with operating the building. Section 6.5.2 further outlines the specific operating expenses that have been assumed in the financial analysis presented in Section 7.0.

6.3.2 Tenant Improvement Costs (TI's)

A key element of entering into a new lease agreement with a prospective tenant involves the sharing of the costs, if any, for the required interior fit-out, otherwise known as the tenant improvements (TIs). TIs are not the same for all tenants. Medical office space typically is much more expensive than commercial office space due to the importance of a clean environment and air supply/circulation, water and plumbing for observation rooms, and increased requirements for electrical and data wiring. The developer and the tenant at a ratio that is negotiated depending on the market demand for space commonly share the medical TIs. It has been assumed here that the developer will pay 50% of the tenant's improvements for medical office tenants. Where TIs for medical space have been assumed at $35psf, TIs for the commercial office space have been estimated to cost $20psf and the developer shares in 25% of this cost.

6.3.3 Expense and CAM Reimbursements

Expenses for the property management typically will include such items as insurance, legal, and engineering services. Common Area Maintenance (CAM) will include the cost of services for grounds keeping, snow removal and cleaning of the interior building common corridors. Services can include maintenance contracts on elevators, cleaning and trash removal services and engineering consulting for building mechanical equipment. In the financial analysis, these expenses are assumed to be reimbursed under the NNN lease to the landlord by the individual tenants.

6.3.4 Utilities, Taxes and Administrative Fees

Tenants will receive their own bills for utility service from the power company. Utility bills for gas, water and sewer service will be received by the property management firm and be charged to each tenant according to the terms of the lease. Identifying potential on-site natural gas wells that furnish co-generation in each building, the developer will be able to charge tenants market rate for power produced on-site from the natural gas.

Property tax and various administrative fees are commonly incurred for processing rent payments, addressing tenant issues, and resolving other various problems that the tenants encounter. All of these fees have been assumed to be reimbursed under the NNN lease to the developer/landlord form the tenants.

6.3.5 Lease Escalations, Concessions and Renewal Terms

Since a majority of the tenants in the building are assumed to be investors in the development, a fair market escalation is assumed for the rent. Escalation on year-to-year rent amount increase has been assumed to be at 3% for each tenant. Table 6.1 below presents several assumptions made for the event of lease renewal terms. Note one metric is the assumed change in base rent in the event of a renewal, versus that assumed for a new lease. A tenant under these assumptions will realize a benefit to staying in the amount of rent, dependent on market conditions.

Concessions are common in retail and office leases. It has been assumed there will be minimal concessions related to free months of rent, again, since most of the tenants are assumed to be investors. It is believed that tenants who have an ownership interest will be more willing to submit to such terms, further improving the overall return of the investment.

PROPERTY RELATED INPUTS - ONE YEAR FORECAST		
INCOME		
MEDICAL OFFICE RENT		$15.00
OFFICE RENT		$12.00
OTHER INCOME (PER ANNUM)		$25,000
VACANCY ALLOWANCE (% OF PGI)		5.00%
OPERATING EXPENSES		
MANAGEMENT FEE (% OF EGI)		4.00%
NON-OPERATING EXPENSES		
TENANT IMPROVEMENTS	OWNER PAYS	
MEDICAL OFFICE TI'S	50%	$35.00 PSF
OFFICE TI'S	25%	$20.00 PSF
LEASING COMMISION/BROKER FEES (% LEASE VALUE)		6.00%
CAPITAL EXPENDITURES (% EGI)		2.00%
RESERVE CONTRIBUTION (% EGI)		2.00%

LEASING ASSUMPTIONS	NEW LEASE	RENEWAL LEASE
MARKET RENT		
Medical Office Base Rent	$ 15.00	$ 17.00
Office Base Rent	$ 12.00	$ 14.50
Annual Rent Escalation	3.00%	
Lease Rate Increase from Base Year	4.00%	3.00%
VACANCY		
Initial Lease-Up Time	0	
Vacancy Period Medical Space (Months)	3	0
Vacancy Period Office Space (Months)	3	0
COMMISSIONS		
Leasing Commissions	7.00%	3.50%
TENANT IMPROVEMENTS ALLOWANCE		
Medical Office TI's S.F.	$ 35.00	$ 10.00
Office TI's S.F.	$ 20.00	$ 5.00

Table 6.1. Summary of key Lease Inputs and Assumptions.

6.5 Property Management

6.5.1 Management Fee

For the purposes of performing the development analysis a management fee was assumed at 5.5% of the operating costs, not including real estate taxes or insurance. For this fee the developer representative can either perform the property management services or contract with a local firm specializing in this type of service. The duties would include, but not necessarily be limited to:

1. Collection of regular assessments to cover the costs incurred for maintaining, repairing and replacing elements of the common space.
2. Procuring and managing all contracts for maintenance, preventative maintenance and repairs of the common areas.
3. Coordinating with contractors performing Interior tenant fit-put and renovations
4. Enforcement of Policies of the property on tenants, subcontractors and visitors.

6.5.2 Operational Costs

Operation costs are expected to be less for all of the buildings from the benefits of investing in a sustainable architectural design. The Tables below provide a projection of the operating expenses used in the pro forma in Section 7.0 and the effect resulting from achieving a LEED accreditation. In addition to achieving the LEED certification, the project could benefit from various financing incentives for electing the green design approach. Appendix A presents a complete ten-year operations expense projection used in the development analysis pro forma.

	TRADITIONAL BUILDING DESIGN		SUSTAINABLE BUILDING DESIGN	
Operating Expenses	**Expense/S.F.**	**Annual Escalation**	**Expense/S.F.**	**Annual Escalation**
CAM				
Janitorial	*$0.59*	1.0%	*$0.60*	1.0%
Window Cleaning	*$0.12*	1.0%	*$0.12*	1.0%
Supplies	*$0.11*	1.0%	*$0.11*	1.0%
Trash Removal	*$0.08*	1.0%	*$0.08*	1.0%
Landscaping Contract	*$1.00*	1.0%	*$0.08*	1.0%
Fire & Life Safety Supplies	*$0.08*	1.0%	*$0.06*	1.0%
Repairs & Maintenance	*$1.35*	2.0%	*$1.00*	2.0%
Tools & Equipment	*$0.04*	1.0%	*$0.04*	1.0%
Utilities				
- Electricity	*$0.90*	2.0%	*$0.59*	2.0%
- Gas	*$0.55*	2.0%	*$0.36*	2.0%
- Chilled Water	*$0.45*	1.0%	*$0.29*	1.0%
- Water & Sewer	*$0.06*	1.0%	*$0.04*	1.0%
Overhead				
Administrative	*$0.69*	0.5%	*$0.69*	0.5%
Advertising & Promotion	*$0.07*	0.5%	*$0.07*	0.5%
Real Estate Taxes (PER $ASSESSED)	*$0.01946*	0.5%	*$0.01946*	1.0%
Insurance	*$0.50*	1.0%	*$0.50*	1.0%

Table 6.3. Sustainable Design Affect on Operating Costs

6.5.3 Replacement Reserve Assumptions

Replacement Reserves are funds saved by the property owner to repair and replace structural, mechanical and electrical components in the building. The pro forma presented in Section 7.0 itemizes both Capital Improvement Expenses and Replacement Reserve expenses. For this report, it has been assumed that the two do not overlap. Table 6.3 presents an estimate of the building component inventory and each component's useful life and replacement value. A replacement schedule is presented by projecting the cash flow over a thirty-year window. The annual account balance reflects the replacement reserve funds saved less expected costs for replacement of components on a year-year basis. The graph in Figure 6.2 presents the cumulative savings, cumulative expenditures and cumulative account balance over the 30-year period.

	ECONOMIC LIFE	REPLACEMENT COST
>10yrs - Low Life		
Replacement Reserves Insurance Cov	5	25,000
Sm fans, 20%	5	6,000
Entrance pavers, reset	5	3,500
Generator, minor rebuild	5	6,500
Parking lot Sealing	5	16,200
Exit signs, 20%	5	1,350
GENERAL RESERVES FUND	5	25,000
Restroom fixtures	7	3,600
10-20yrs - Medium Life		
Elevator, cab & door	10	60,000
Boiler rebuild	10	20,000
caulking	10	34,000
Dumpster, other	10	1,200
Hall lighting, sconces	14	55,800
Security System	15	40,000
Heat exchanger, rebuild	15	18,000
PR pavers, reset	15	14,700
Hot water heaters	15	7,000
Sewage ejectors & sump pumps	15	2,300
Generator, major rebuild	15	11,000
Heat controller	15	8,000
Elevator room HVAC	15	7,500
Rp Benches	15	3,900
Sm pressure tank	15	2,000
Parking Lot resurfacing	15	162,000
Items w/ Cost <$100,000	**39%**	**984,750**
Items w/ Cost $100,000-$250,00	**28%**	**723,000**
Items w/ Cost >$250,000	**33%**	**850,000**

	ECONOMIC LIFE	REPLACEMENT COST
10-20yrs - Medium Life		
Security System	15	40,000
Built-up roof	35	194,400
Elevator, controls	20	123,600
Sliding doors, 6'	20	30,000
Fire control systems	20	55,000
HVAC, 15 ton	20	34,500
Entry windows and doors	20	24,000
PR Bollard lights	20	2,500
20-30+yrs - High Life		
Ceramic tile flooring	21	32,400
Domestic Hot water lines	25	250,000
Domestic cold water lines	30	250,000
Windows	30	84,000
Generator, replace	30	38,000
heat exchanger, replace	30	32,000
Pump, 50 hp	30	20,000
Common outdoor walkways	30	90,000
Transformer	30	1,800
HVAC waterline loop	40	350,000
Metal railing	40	135,000
Slate, synthetic	40	108,000
Elevator, traction mechanical	40	61,800
Boiler replace	40	35,000
Mailboxes	40	4,800
Parapet/cap flashing	40	26,400
Items w/ Life -30 Yrs	**64%**	**1,642,350**
Items w/ Life +30 Yrs	**36%**	**915,400**
TOTAL RESERVE ESTIMATE		**2,557,750**

Figure 6.1. Replacement Reserve Component Inventory Estimate

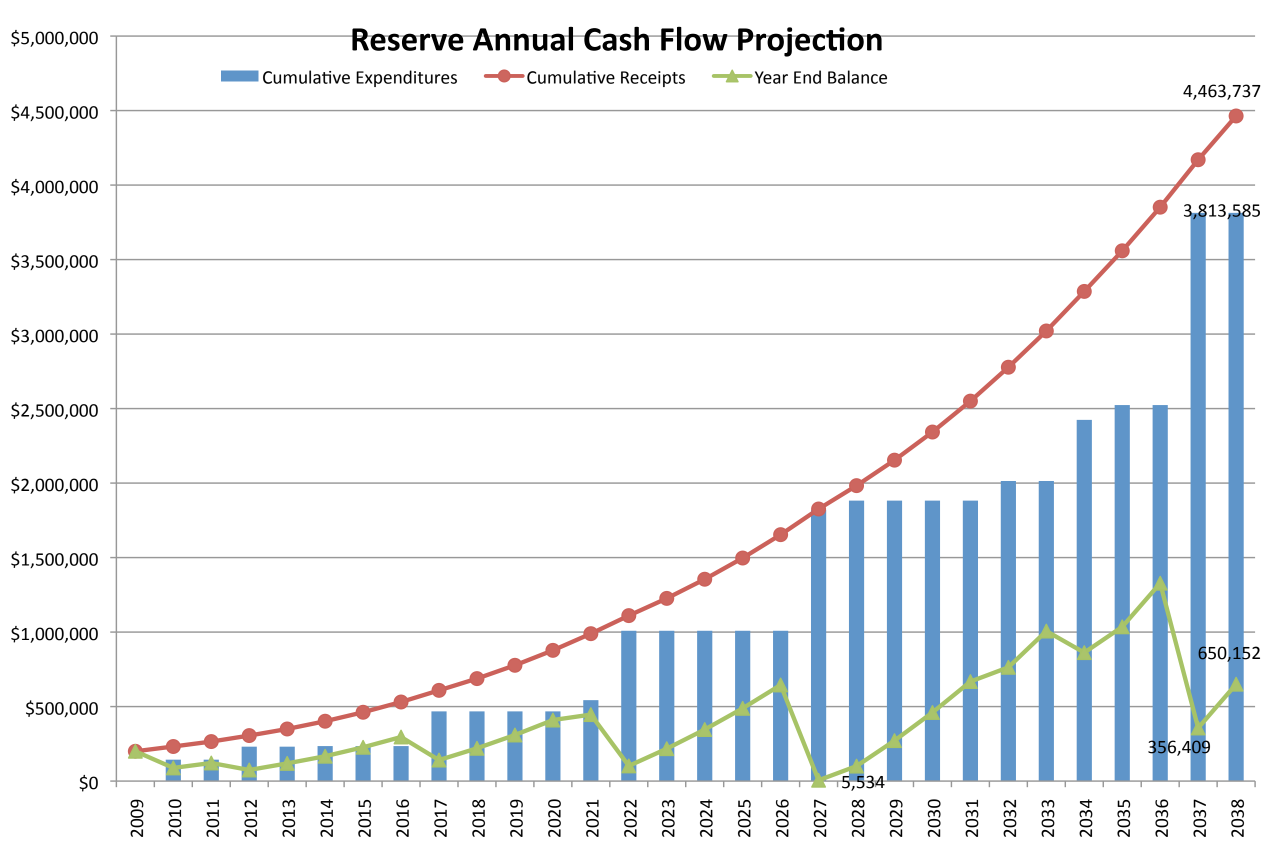


Figure 6.2. Replacement Reserve Annual Cash Flow Projection Graph

REPLACEMENT RESERVE ACCOUNT BALANCE SHEET PROJECTION

A.	TOTAL BUILDING ESTIMTATED REPLACEMENT VALUE	$ 2,624,150		
B.	REPLACEMENT VALUE ITEMS 30+ LIFE	$ 721,000		
C.	ADJUSTED REPLACEMENT VALUE	$ 1,903,150		
D.	INTEREST RATE ON RESERVE ACCOUNT BALANCE	4.00%		
E.	RATE OF INFLATION	2.00%		
F.	RESERVE ANNUAL CONTRIBUTION GROWTH -10 YEAR TRANCHES	2.50%	3.00%	3.50%
G.	BASE ANNUAL DEPOSIT AMOUNT	$ 19,032		
H.	MINIMUM RECOMMENDED BALANCE AKA CONTINGENCY (3% OF B. ADJUSTED REPLACEMENT VALUE)	$ 57,095		
K.	WOKING CAPITAL CONTRIBUTION	$ -	$ -	$ -

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Starting Balance	167,000	-	-	-	-	-	-	-	-	-
Annual Deposit	33,000	24,032	29,632	35,373	41,257	47,289	53,471	59,808	66,303	73,292
Partial RR Fund Contribution	-	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Interest on Reserves	-	8,000	3,533	4,859	2,979	4,749	6,671	9,077	11,832	5,643
Expenditures	-	143,718	-	87,231	-	3,975	-	-	232,867	-
Year end balance	200,000	88,314	121,478	74,479	118,716	166,779	226,921	295,806	141,074	220,009
Minimum rec. funding level	57,095	58,236	59,401	60,589	61,801	63,037	64,298	65,584	66,895	68,233
Cumulative expenditures	-	143,718	143,718	230,949	230,949	234,924	234,924	234,924	467,791	467,791
Cumulative receipts	200,000	232,032	265,196	305,429	349,665	401,703	461,845	530,730	608,865	687,800

Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Starting Balance	-	-	-	-	-	-	-	-	-	-
Annual Deposit	80,491	87,906	95,543	103,409	111,511	119,857	128,452	137,306	146,425	156,550
Partial RR Fund Contribution	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Interest on Reserves	8,800	12,372	16,383	17,847	4,072	8,695	13,837	19,529	25,802	221
Expenditures	-	-	75,334	465,634	-	-	-	-	811,744	61,769
Year end balance	309,300	409,578	446,170	101,792	217,375	345,927	488,216	645,051	5,534	100,537
Minimum rec. funding level	69,598	70,990	72,410	73,858	75,335	76,842	78,379	79,946	81,545	83,176
Cumulative expenditures	467,791	467,791	543,125	1,008,759	1,008,759	1,008,759	1,008,759	1,008,759	1,820,502	1,882,271
Cumulative receipts	777,091	877,369	989,295	1,110,551	1,226,134	1,354,685	1,496,975	1,653,809	1,826,037	1,982,808

Year	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Starting Balance	-	-	-	-	-	-	-	-	-	-
Partial RR Fund Contribution	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Annual Deposit	167,029	177,875	189,101	200,719	212,745	225,191	238,072	251,405	265,204	279,486
Interest on Reserves	4,021	10,864	18,413	26,714	30,541	40,272	34,485	41,411	53,124	14,256
Expenditures	-	-	-	131,750	-	410,151	99,401	-	1,290,012	-
Year end balance	271,588	460,327	667,841	763,524	1,006,809	862,121	1,035,277	1,328,093	356,409	650,152
Minimum rec. funding level	84,839	86,536	88,267	90,032	91,833	93,670	95,543	97,454	99,403	101,391
Cumulative expenditures	1,882,271	1,882,271	1,882,271	2,014,021	2,014,021	2,424,173	2,523,574	2,523,574	3,813,585	3,813,585
Cumulative receipts	2,153,859	2,342,598	2,550,112	2,777,545	3,020,830	3,286,293	3,558,851	3,851,667	4,169,995	4,463,737

Figure 6.3. Replacement Reserve Annual Cash Flow Projection Table

7.0 Financing Plan

7.1 Financing Strategy Overview

The development analysis involves various assumptions regarding market rates for construction and permanent debt financing, preferred equity returns, going-in cap rates and reversion value cap rates. These assumptions are detailed in the model inputs in section 7.2.1. The strategy suggested will incorporate a value-enhancement development approach, identifying one of many potential alternatives for creatively financing the project.

The medical office market has been selected as a primary type of space for this project for the reason that the local space market is undersupplied for the anticipated growth in demand resulting from the expansion of the Lake Erie College of Osteopathic Medicine (LECOM). It is believed that among the large supply of medical professionals in the local area, there exist a contingent of investor-tenant that can be tapped for equity. By approaching the high net worth medical doctors and expanding medical practices in the area, the equity investment can be spread among investor-tenants that will have an inherent interest in taking care of the property. This is the primary reason fom not pursuing a condominium approach to the buildings proposed. It is believed that such an approach would generate owner-tenants inclined to reduce capital expenditures and reserve contributions, negatively impacting the property value at reversion. The partnership equity terms in section 7.2.2 and the partnership analysis in section 7.4 detail a potential equity investor structure.

Another principal financing approach involves creating additional value in the combined parcel that will yield income early in the investment from the disposition of a parcel entitled to build a 76 unit multi-family group home. By designing a site plan that incorporates the maximum allowable density of the T-1 zone for multi-family building, the developer will be in a position to negotiate a sale to a local multi-family builder for a developed lot.

Upon achieving a commitment to sell the multi-family lot, the developer will excite the interest of potential investors. Once equity investors have been attained, the site development and construction of the first medical office building can commence.

7.2 Elements of Financing Plan

7.2.1 Financial Market Assumptions/Debt Terms – Model Inputs

Figure 7.1 presents all of the various assumptions and inputs outlined in previous sections for the calculation of the return on equity and return on assets of the proposed medical office-multi-family development. Physical design assumption for the building, site use percentages, cost assumptions and income assumptions are the primary variables that drive the pro forma. Financing assumptions are presented at the bottom of the figure.

There are two major finance costs that influence the development analysis results and determine the yield to the equity investors. The two costs include Origination Fees and Interest Reserve. These costs are determined from the amount of debt borrowed for construction financing and permanent financing. The fees are estimated from current market rates and are subject to change. The interest reserve is the interest payments that will be due on a monthly basis during the construction of the development. In this pro forma these costs are estimated from a loan draw schedule presented in Appendix A.

The development analysis uses the schedule presented previously in the approach to estimate the costs of financing. It is assumed the project would have to be delivered in three distinct phases. The first phase would deliver the entire site development for the multi-family parcel, and the two office building lots. The second phase is anticipated as delivering the first complete medical office building, with tenant make-up consisting primarily of investing equity physician partners. After phase I site delivery, it is assumed that the sale of the multi-family lot will close and return additional capital in the range of $750,000 to $1,500,000 to the development. The financial model retains 25% of the sale proceeds for the general partner.

EDINBORO ROAD INPUT PAGE
PROJECT DESCRIPTION / ASSUMPTIONS

SITE AND PROPOSED IMPROVEMENTS			T-1 ZONE REQUIREMENTS / SITE PLAN STATS		
SITE AREA:	425,581 SF	9.77 ACRE	SITE AREA:	425,581 SF	9.77 ACRE
GROSS BUIDABLE AREA:					
FLOOR AREA RATIO (FAR):			BUILDING RESTRICTED AREA ALLOCATION:		
MULTI-FAMILY			PARKING AREA:		
TOTAL FLOOR AREA	41,000 SF		MULTI-FALMILY PARKING:	30,780 SF	7.2%
NUMBER OF UNITS (MULTI-FAMILY)		76	MEDICAL OFFICE PARKING	17,314 SF	4.1%
ALLOWABLE HEIGHT	45 FT	4 FLRS	OFFICE PARKING	27,338 SF	6.4%
PARKING AREA (2.5/UNIT)	190 SPACES	30,780 SF	UG PARKING (50% BLDG AREA)	43,000 SF	10.1%
MEDICAL OFFICE/OFFICE			FRONTAGE SETBACK AREA (BRL):	43,415 SF	10.2%
BASE BUILDING AREA	45,000 SF		SIDE SETBACK AREA (BRL):	55,400 SF	13.0%
ALLOWABLE HEIGHT	45 FT	3 FLRS	REAR SETBACK AREA (BRL):	8,050 SF	1.9%
TOTAL NET RENATABLE AREA (OFFICE)		140,625 SF	SWM AREA (ASSM 20%)	85,116 SF	20.0%
MEDICAL OFFICE AREA (NET)	76%	106,875 SF	COMMON/PRES AREA (ASSM 15%)	63,837 SF	15.0%
OFFICE AREA (NET)	24%	33,750 SF	ALLOWABLE BUILDING AREA	94,332 SF	22.2%
PARKING AREA:					
MEDICAL OFFICE (5/DOC, 1000SF/DOC)	107 SPACES	17,314 SF	TOTAL	425,581 SF	100%
OFFICE (1/200SF)	169 SPACES	27,338 SF			

COST ASSUMPTIONS AND SUMMARY			PROPERTY RELATED INPUTS - ONE YEAR FORECAST		
CONSTRUCTION COST BUDGET		$10,974,680	**INCOME**		
PHASE I (SITEWORK)		$2,072,000	**MEDICAL OFFICE RENT**		$15.00
PHASE II (OFFICE BLDG 1)		$2,380,459	**OFFICE RENT**		$12.00
PHASE III (OFFICE BLDG 2)		$2,380,459	**OTHER INCOME (PER ANNUM)**		$25,000
			VACANCY ALLOWANCE (% OF PGI)		5.00%
ENTITLEMENTS (AS % OF SOFT COSTS)		4.00%			
			OPERATING EXPENSES		
DEVELOPER FEE (% TOTAL HARD COSTS)		4.00%	**MANAGEMENT FEE (% OF EGI)**		4.00%
SOFT COST CONTINGENCY (% SOFT COTS)		8.00%	**NON-OPERATING EXPENSES**		
			TENANT IMPROVEMENTS	**OWNER PAYS**	
SALE PROCEEDS MULTI-FAMILY PARCEL		$1,500,000	**MEDICAL OFFICE TI'S**	**50%**	$35.00 PSF
REINVESTED PROCEEDS		$1,125,000	**OFFICE TI'S**	**25%**	$20.00 PSF
SALES CONTINGENCY WITHOLDINGS		$375,000	**LEASING COMMISION/BROKER FEES (% LEASE VALUE)**		6.00%
			CAPITAL EXPENDITURES (% EGI)		2.00%
SELLING COSTS		2.00%	**RESERVE CONTRIBUTION (% EGI)**		2.00%

LOAN INFORMATION			PROPERTY RELATED INPUTS - (10-YEAR/) MULTIPLE-YEAR PROFORMA	
FINANCING COSTS - CONSTRUCTION			**INCOME GROWTH RATE (ANNUAL RENT ESCALATION)**	3.00%
PROPOSED LOAN TO VALUE (LTV) RATIO		0.65		
PROPOSED LOAN AMOUNT		$3,960,000	**EXPENSE GROWTH RATE (INFLATION)**	3.50%
INTEREST RATE		9.00%		
AMORTIZATION PERIOD (MONTHS)		360	**DISCOUNT/HURDLE RATE**	9.00%
TERM (MONTHS)		360		
ORIGINATION FEE	1.5%	$59,400	**MARKET CAP RATE (OFFICE)**	9.00%
FINANCING COSTS - PERMANENT				
PROPOSED LOAN AMOUNT		$4,122,204	**TERMINAL CAPITALIZATION RATE (OFFICE)**	10.00%
INTEREST RATE		7.50%		
AMORTIZATION PERIOD (MONTHS)		360	**SELLING COSTS**	3.00%
TERM (MONTHS)		120		
DEBT SERVICE/MONTH		$28,823	**HOLD PERIOD**	10 YR
DEBT SERVICE/YEAR		$345,877		
LOAN FEE	3.0%	$123,666	**INVESTOR MARGINAL TAX RATE**	35.00%
ADDITIONAL EQUITY AMOUNT				
REQUIRED TO ACHIEVE LTV & DEBT COVERAGE		$1,000,000		

Figure 7.1. Financial Model Assumptions and Inputs

7.2.2 Equity Terms

The following criteria have been outlined for the basis of a partnership structure. The analysis in section 7.4 reveals the returns to the individual investing members of the partnership and the managing member.

Equity Term Sheet (Partnership Terms)[11]

I. Purpose: Formation of a limited liability company to develop land as a mixed-use professional center

II. Capital Contributions:

- Investor Partners - 95% of all cash to fund acquisition and development costs not funded by third party financing
- General Partner – 5% of all cash to fund acquisition and development costs not funded by third party financing

III. Distributions Cash Flow

(i) Preferred Distribution on capital contributions pari-passu (cumulative and non-compounded);
(ii) 50% to capital pari-passu
50% to General Partner

IV. Sale/Refinancing Proceeds

(i) Repayment of Debt
(ii) Unpaid Preferred Distribution on capital contributions (Cumulative and non-compounded);
(iii) Return of capital pari-passu;
(iv) 50% to investors pari-passu
50% to General Partner

V. Preferred Distribution calculated at 15% per annum from and after date of contribution

VI. Property Management and Leasing Agreement to Broker/Manager Entity

- Management Fee - 4% of gross receipts (payable monthly on actual receipts collected)
- Leasing Fee
  - 6% (4% without coop broker) of base rent paid at signing of Lease: 3% on renewals.
  - 7% of base rent paid in annual installments over term of lease
- Marketing Fee - 15% of marketing budget

VII. Partnership Supervisory

- Fee 1% gross receipts to General Partner (payable monthly on actual receipts collected)

VIII. Development Fee

- 4% of hard costs (exclusive of Property value) including construction and TI's.

The developer will contribute its entire development fee toward its equity contribution to the partnership.

7.2.3 Soft Costs and Hard Costs

The costs estimate for the development is presented as a part of the complete financial analysis in Appendix A. Estimates presented in previous sections are consolidated on the cost estimate sheet to arrive at a final development total cost. The Total cost of the proposed mixed-use development includes costs associated with acquisition of an additional five acres adjacent to the subject property. The cost summary additionally presents all of the presumed soft costs such as those associated with Entitlement, Engineering and Design, Taxes and Fees, Marketing, Finance, Insurance and a small amount of Contingency. There is a Developer's Fee that is determined as 4% of the total hard costs.

The hard costs are presented in a fashion, which outlines the major construction elements of the project. These costs were presented previously in Section 4.6, Construction Costs and Schedule. The Tenant Improvements are also identified in the hard costs, however, it is noted that only a percentage of the cost is assumed to be borne by the developer as identified on the input and assumptions page.

7.2.4 Sources and Uses

USES - PHASE I & II EDINBORO ROAD

	ITEM		AMOUNT	OFFICE $/NRSF		MULTI-FAM $/UNIT	
	LAND COSTS						
	LAND ACQUISITION		250,000	$0.89	0.8%	$1,645	7.4%
	LAND/SITE DEVELOPMENT -PHASE I CONSTRUCTION		2,072,000	$7.37	6.3%	$13,632	60.9%
	TOTAL LAND ACQUISITION AND DEV. COST		**$ 2,322,000**	**$8.26**	**7%**	**$15,276**	**68%**
	BUILDING HARD COSTS						
	BULDING 1 SHELL ONLY - PHASE II CONSTRUCTION		2,380,459	$33.86	28.8%		0.0%
	BUILDING 2 SHELL ONLY - PHASE III CONSTRUCTION		2,380,459	$33.86	28.8%		0.0%
	MEDICAL OFFICE SPACE TENANT IMPROVEMENTS		1,476,563	$21.00	17.9%		0.0%
	GENERAL OFFICE SPACE TENANT IMPROVEMENTS		984,375	$14.00	11.9%		0.0%
	TOTAL HARD COSTS		**$ 7,221,856**	**$102.71**	**87%**		**0%**
	SOFT COSTS						
1	ENTITLEMENTS (AS % OF SOFT COSTS)	4.0%	$50,000	$0.18	0.2%	$329	1.5%
2	DESIGN		295,000	$1.57	1.3%	$970	4.3%
3	TAXES & FEES		112,061	$0.40	0.3%	$737	3.3%
4	MARKETING AND LEASE-UP COSTS		10,000	$0.04	0.0%	$66	0.3%
5	ONLY)		201,000	$0.71	0.6%	$1,322	5.9%
6	INTERST RESERVE (SITE & BLDG 1 ONLY)		275,000	$0.98	0.8%	$1,809	8.1%
7	BOND/LETTER OF CREDIT COSTS (BLDG 1 ONLY)		47,609	$0.17	0.1%	$313	1.4%
8	INSURANCE		10,000	$0.04	0.0%	$66	0.3%
9	DEVELOPER FEE (% TOTAL HARD COSTS)	4.0%	371,754	$1.98	1.7%	$1,223	5.5%
10	SOFT COST CONTINGENCY (% SOFT COTS)	8.0%	$80,000	$0.43	0.4%	$263	1.2%
	TOTAL SOFT COSTS		**$ 1,452,424**	**$6.49**	**6%**	**$7,099**	**32%**
	TOTAL HARD & SOFT COSTS		**$ 10,996,280**	**$117**	**100%**	**$22,375**	**100%**
	TOTAL HARD AND SOFT COSTS, ROUNDED		$ 11,000,000				

NOTE: All costs shared between the Office development and the Multi-family development are assumed to besplit evenly 50:50.

Figure 7.2. Uses of Funding

SOURCES OF FUNDING							
ACQUISITION AND CONSTRUCTION LOAN I							
PHASE I & II DEVELOPMENT & CONSTRUCTION BLDG I + TI'S		$ 7,631,446					
LTV		65.0%					
CONSTRUCTION LOAN		$3,960,000	52%				
INVESTOR EQUITY		$1,174,252	15%				
ADDITIONAL INVESTOR EQUITY		$1,000,000	13%				
MULTI-FAMILY LOT SALE PROCEEDS (100%)		$1,125,000	15%				
DEVELOPER FEE		$371,754	5%				
TOTAL		$ 7,631,000					
CONSTRUCTION LOAN I ORIGINATION FEE	1.50%	$59,400					
AMORTIZED ANNUAL ORIGINATION FEE		$5,782					
INITIAL INVESTOR EQUITY		$2,174,252					
TOTAL EQUITY		$3,671,006					
PERMANENT LOAN I			Value Yr 1	Cap Rate	Yr 1 NOI	LTV	
PHASE I & II DEVELOPMENT & CONSTRUCTION LOAN BALANACE		$4,132,640	5,429,733	9.00%	488,676	76%	
ANNUAL DEBT SERVICE PAYMENT		$346,752					
PERMANENT LOAN I ORIGINATION FEE	3.00%	$123,979					
AMORTIZED ANNUAL ORIGINATION FEE		$10,497					
CONSTRUCTION LOAN II							
OFFICE BUILDING II		$ 3,368,554					
INTEREST RESERVE		$ 106,200					
ORIGINATION FEE		$ 50,528					
TOTAL ESTIMATED COST		$ 3,525,282					
LTV		65.0%					
CONSTRUCTION LOAN II		$ 2,291,433					
INVESTOR EQUITY		$ 1,233,849	5,366,488			99%	
TOTAL		$ 3,525,282					
CONSTRUCTION LOAN II ORIGINATION FEE	1.50%	$34,372					
AMORTIZED ANNUAL ORIGINATION FEE		$3,346					
PERMANENT LOAN II							
BUILDNG II CONSTRUCTION LOAN BALANACE		$2,391,330					
ANNUAL DEBT SERVICE PAYMENT		$200,646					
PERMANENT LOAN II ORIGINATION FEE	3.00%	$71,740					
AMORTIZED ANNUAL ORIGINATION FEE		$6,074					

Figure 7.3. Sources of Funding

Figure 7.2 presents the total development cost summary, identified as the uses and the capital structure identified as the sources in figure 7.3. Due to the relative low value of the property calculated from the first year NOI/market cap rate for office property, the amount of equity required to achieve lender LTV levels is significantly higher than in years past. Construction financing is expected to demand the majority of the funds necessary to achieve stabilization of Building 1. It is apparent that unless the building design can provide much more net leasable space, there will not be sufficient revenue from the operation of the property to attract investors.

7.2.5 Year One Income Statement

EDINBORO ROAD
PRO FORMA INCOME STATEMENT

ITEM		Year 1 (2013) 70,313 NRSF		Year 5 (2018) 140,625 NRSF	
		AMOUNT	$/SF	AMOUNT	$/SF
REVENUE					
BASE RENTS		1,012,500	$14.40	2,260,162	$16.07
OTHER INCOME		25,000	$0.36	28,138	$0.20
POTENTIAL GROSS INCOME (PGI)		**1,037,500**	**$14.76**	**2,288,300**	**$16.27**
LESS VACANCY ALLOWANCE	5.00%	(51,875)	($0.74)	(114,415)	($0.81)
EFFECTIVE GROSS INCOME (EGI)		**$ 985,625**	**$14.02**	**$ 2,173,885**	**$15.46**
EXPENSES					
CAM		73,259	$1.04	152,466	$1.08
REPAIRS & MAINTENANCE		73,125	$1.04	158,070	$1.12
UTILITIES		89,578	$1.27	188,534	$1.34
OVERHEAD		53,438	$0.76	109,029	$0.78
REAL ESTATE TAXES		132,969	$1.89	138,368	$0.98
INSURANCE		35,156	$0.50	73,167	$0.52
MANAGEMENT	4.00%	39,425	$0.56	86,955	$0.62
TOTAL OPERATING EXPENSES		$ 496,949	$7.07	$ 906,589	$6.45
NET OPERATING INCOME		**$ 488,676**	**$6.95**	**$ 1,267,296**	**$9.01**
CAPITAL EXPENDITURES	2.00%	(19,713)	($0.28)	(43,478)	($0.31)
TENANT IMPROVEMENTS (TI'S)		-	$0.00	-	$0.00
LEASING COMMISION		(70,875)	($1.01)	(140,569)	($1.00)
RESERVE CONTRIBUTION	2.00%	(19,713)	($0.28)	(43,478)	($0.31)
CASH FLOW FROM OPERATIONS		**$ 378,376**	**$5.38**	**$ 1,039,771**	**$7.39**
DEBT SERVICE		(346,752)	($4.93)	(547,399)	($3.89)
CASH FLOW AFTER FINANCING		**$ 31,624**		**$ 492,373**	

Figure 7.4. Pro Forma Income Statement

The income for the stabilized building 1 is presented in figure 7.4. The model assumes that 100% of the space is pre-leased by investing partners. Deduction for the leasing commissions and the debt service drastically impact the gains resulting in a $31,624 cash flow after financing. The stabilized income projection for year five is much stronger, resulting from the construction and lease-up of the second office building. It can be seen that along with Effective Gross Income (EGI) the expenses also nearly doubled. For the second building the debt service is not as significant as it is for the first building resulting in a Cash Flow after Financing of $492,373. The next section will present the ten year discounted cash flow analysis and address the impact of taxes on the annual cash flows.

7.2.6 Discounted Cash Flow Analysis

(Figure 7.5 Next Page)

7.2.7 Unleveraged Return – Cash on Cash Return (After-Tax)

Value		Year 1	Year 2	Year 3	Year 4
CFOper		$ 378,376	$ 400,317	$ 423,003	$ 910,415
REVERSION VALUE					
$11,575,348 PV		$ 378,376	$ 400,317	$ 423,003	$ 910,415
BTIRR - Return on Equity Investment					
CFAF	($6,053,692)	$ 378,376	$ 400,317	$ 423,003	$ 910,415
PROCEEDS FROM SALE					
20.23%	($6,053,692)	$378,376	$400,317	$423,003	$910,415
ATIRR - Return on Equity Investment					
ATCFAF	($6,053,692)	$ 269,546	$ 283,186	$ 297,293	$ 570,361
PROCEEDS FROM SALE					
14.86%	($6,053,692)	$269,546	$283,186	$297,293	$570,361

Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
$ 1,039,771	$ 1,090,053	$ 1,141,999	$ 1,195,661	$ 1,213,557	$ 1,324,483
					$ 18,796,870
$ 1,039,771	$ 1,090,053	$ 1,141,999	$ 1,195,661	$ 1,213,557	$ 20,121,353
$ 1,039,771	$ 1,090,053	$ 1,141,999	$ 1,195,661	$ 1,213,557	$ 1,324,483
					$ 18,796,870
$1,039,771	$1,090,053	$1,141,999	$1,195,661	$1,213,557	$20,121,353
$ 651,271	$ 682,585	$ 714,939	$ 748,366	$ 751,411	$ 829,666
					$ 14,055,894
$651,271	$682,585	$714,939	$748,366	$751,411	$14,885,559

Figure 7.6. Cash on Cash Returns – No Debt Financing

Development feasibility is heavily dependent upon the performance of the investment before financing is considered. Figure 7.6 presents the investment return, based on the mixed-use office/medical office/multi-family scheme recommended. It is clear that the cash-on-cash returns for the development as it is proposed are greater than the costs to finance the project. These returns will can be enhanced further though creativity in tax accounting, identification of low to no cost grants and financing from government programs, increased sale proceeds from the multi-family lot, or additional height in the office buildings at the expense of increased set-backs.

7.2.8 Leveraged Return Analysis - Cash Flow After Financing (After-Tax)

Figure 7.7 presents the returns generated from the development analysis with the debt financing assumptions identified previously. It is evident that the effects of the financing enhance the development performance. In order for the financing metrics to be achieved, equity participation in excess of 45% of the development cost is required, including equity created through development fees and disposition of the multi-family property. The resulting Return on Equity could be considered fair for the amount of risk associated.

Value		Year 1	Year 2	Year 3	Year 4
CFOper		$ 378,376	$ 400,317	$ 423,003	$ 910,415
REVERSION VALUE					
$11,575,348 PV		$ 378,376	$ 400,317	$ 423,003	$ 910,415
BTIRR - Return on Equity Investment					
CFAF	($2,174,252)	$ 31,624	$ 53,564	$ 76,251	$ 363,016
PROCEEDS FROM SALE					
26.20%	($2,174,252)	$31,624	$53,564	$76,251	$363,016
ATIRR - Return on Equity Investment					
ATCFAF	($2,174,252)	$ 36,521	$ 49,126	$ 62,117	$ 39,763
PROCEEDS FROM SALE					
17.22%	($2,174,252)	$36,521	$49,126	$62,117	$39,763

Value	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
CFOper	$ 1,039,771	$ 1,090,053	$ 1,141,999	$ 1,195,661	$ 1,213,557	$ 1,324,483
REVERSION VALUE						$ 18,796,870
$11,575,348 PV	$ 1,039,771	$ 1,090,053	$ 1,141,999	$ 1,195,661	$ 1,213,557	$ 20,121,353
BTIRR - Return on Equity Investment						
CFAF	$ 492,373	$ 542,655	$ 594,601	$ 648,262	$ 666,158	$ 777,085
PROCEEDS FROM SALE						$ 13,023,363
26.20%	$492,373	$542,655	$594,601	$648,262	$666,158	$13,800,448
ATIRR - Return on Equity Investment						
ATCFAF	$ 121,370	$ 153,434	$ 186,597	$ 220,896	$ 224,880	$ 304,147
PROCEEDS FROM SALE						$ 8,300,428
17.22%	$121,370	$153,434	$186,597	$220,896	$224,880	$8,604,575

Figure 7.7. Return on Equity – After Financing

The equity derived form investors in the pro forma amounts to $2,166,692, or, 28% of the total project cost. The equity could be raised from equal investments made by a fixed number of investment partners, or it could be broken out. The developer could solicit investment from a select group of investors to raise initial seed capital to be used in the first two years for acquisition, entitlements and other soft costs, negotiating a special return to those preferred investors. For this analysis all of the equity is assumed to be equally divided among twenty investing partners.

7.3 Sensitivity Analysis

EDINBORO ROAD, LLC
SENSITIVITY ANALYSIS

VARIANCE (FROM ASSMPTIONS)	0%	-20%	-10.00%	+10%	+20%
VACANCY ALLOWANCE (%EGI)	5.00%	4.00%	4.50%	5.50%	6.00%
BTIRR	26.95%	27.51%	27.23%	26.67%	26.39%
ATIRR	17.92%	18.44%	18.18%	17.66%	17.39%

VARIANCE (FROM ASSMPTIONS)	0%	-10%	-5.00%	+5%	+10%
RENTS					
MEDICAL	$15.00 PSF	13.50	14.25	15.75	16.50
OFFICE	$12.00 PSF	10.80	11.40	12.60	13.20
BTIRR	26.95%	23.75%	25.35%	28.57%	30.20%
ATIRR	17.92%	15.35%	16.63%	19.22%	20.53%
EXIT CAP RATE	10.00%	9.00%	9.50%	10.50%	11.00%
BTIRR	26.95%	24.79%	24.02%	22.61%	21.94%
ATIRR	17.92%	16.66%	15.82%	14.23%	13.98%
COMBINED IMPACT ON BTIRR	26.95%	25.74%	26.30%	27.70%	28.54%
COMBINED IMPACT ON ATIRR	17.92%	17.48%	17.65%	18.77%	18.71%
DEVIATION FROM ASSUMPTIONS		-1.21%	-0.65%	0.75%	1.59%

VARIANCE (FROM ASSMPTIONS)	0%	-20%	-10.00%	+10%	+20%
CAP RATE	9.00%	7.20%	8.10%	9.90%	10.80%
VALUE	5,429,733	6,787,166	6,033,036	4,936,121	4,524,777
PERM LOAN 1 LTV	0.74	0.59	0.67	0.81	0.89
DEVIATION FROM ASSUMPTIONS		-25.00%	-11.11%	9.09%	16.67%
HURDLE RATE	9.00%	7.20%	8.10%	9.90%	10.80%
PRESENT VALUE	13,264,419	15,262,810	14,221,188	12,384,789	11,575,348
DEVIATION FROM ASSUMPTIONS		-15.07%	-7.21%	6.63%	12.73%

Figure 7.8. Sensitivity Analysis

The investment analysis has numerous variables that can fluctuate with changes in market conditions. Figure 7.8 presents four degrees of variance from the assumptions in the vacancy allowance, the market rent rates and the reversion capitalization rate. In addition, the going-in market cap rate and the hurdle rate estimate the stabilized projects value in the current market versus the net present value estimated using the investors hurdle rate, or, opportunity cost of capital.

The most significant change in the investment performance is going to be determined from changes in the assumed rent rates in excess of +/-5-10%. The sensitivity analysis reflects a variation in project before-tax IRR from 21.94% - 30.20% depending on variations in the market assumptions. Current economic conditions will likely result in potentially higher vacancy rates in the near-term combined with stabilizing rent rates as unemployment begins to stabilize and gradually decline. Combining the impact of the three variables yields a before-tax IRR range from 25.74% to 28.54%, a deviation of -1.21% to +1.59%. This is a fairly tight deviation indicating that even variations as much as 20% from the assumptions for vacancy, rent, and exit cap rate will have a minor effect on the investment performance.

7.4 Partnership Returns

EDINBORO ROAD, LLC
Partnership Investment Returns

LEVERAGED ***INTERNAL RATE OF RETURN - NMM***											
		2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
IRR	Cash Out	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
22.78%	($108,713)	1,581	2,678	3,813	18,151	24,619	22,885	22,328	23,938	24,475	516,179
LEVERAGED **INTERNAL RATE OF RETURN - MM**											
		2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
IRR	Cash Out	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27
17.39%	($85,000)	0	0	0	0	0	84,962	148,035	169,500	176,658	3,476,870
			2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
			Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17
			6,146	6,146	6,146	6,146	6,146	6,146	-43,854	6,146	0
				1996	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
				6,146	6,146	6,146	6,146	6,146	6,146	6,146	6,146

Figure 7.9. Partnership Returns

Appendix A contains the full detail of the Partnership Analysis that was prepared according to the parameters set forth in Section 7.2.2. The Non-Managing Investor partners are forecast to see only a 22.78% return on their individual investments of $108,713 over a ten year investment window. The questions presented earlier in section 4.0 discussed the proportion of sale proceeds to be split at 75:25 between the non-managing members and the managing member respectively. This ratio was tested for different results, ultimately delivering this attractive return to investors, while preserving the return to the developer. The partnership structure assumes that there are 20 individual equity investors all contributing the same amount. Note that the returns reflect a leveraged rate of return on equity after taxes.

Sharing of annual cash flows can be seen to occur after year six when there is enough proceeds from the cash flows to pay the developer pari-pasu, as outlined in section 7.2.2 above. The investors annual preferred return from this distribution is 15%. In Appendix A, a complete report on the partnership analysis reveals that until year 6 there is not enough cash thrown off from the operation of the property to return the preferred return, carrying accumulative balance over those years which is paid off by the cash available in year 6.

Benefits or penalties resulting form capital gains taxes are assumed to be shared by the partnership equally. All of the cash flows used to evaluate the partnership returns are after financing and after-tax. Tax benefits may not be of any value to some members of the investment entity and could be used as a negotiating tool to change the ratio of profit sharing between the managing member/developer and the non-managing member/investors.

The Managing Partner/Member (MM) has a return that is applied over the entire holding period since property acquisition. It has been assumed that in addition to the purchase price of $86,000 the MM would invest another $50,000 in the initial acquisition and re-zoning of the properties in 2010-2011. Income over the years from 1996 through 2010 results from the net positive cash flow from renting the house on the property. The fees achieved by the MM for management of the partnership are not included in this return. Development management fees are however, considered as equity invested in the capital stack assumptions presented in 7.2.4 above.

8.0 Conclusions and Recommendations

The scope of this report was to investigate and determine the most economically viable and lowest risk development options. A plan to maximize the total potential market value of the property was determined to involve acquiring additional land and re-zoning the combined parcel. A transitional zone, T-1, classification will enable the property to be used for more lucrative uses than the current I-1 zoning, and will also be one of very few such zoned parcels in the Township. For these reasons, it is strongly encouraged to pursue acquisition and rezoning.

A mixed-use plan combining Multi-family, medical office and commercial office space can achieve maximum density in the transitional T-1 zone due to an increased height allowance of 45 feet. A plan to deliver 106,000sf of medical office and 33,000sf of commercial office space was used to estimate total project costs, including the cost of financing, of $11,000,000. Over $4.5Million is estimated to be needed from equity in the form of proceeds from the sale of a 76-unit multi-family parcel, deferred developer fees, building equity and private investment. It has been recommended to solicit private investors who will ultimately lease the office space to conduct their business. It is estimated that $2.166Million in equity will be needed to deliver the entire project as it has been proposed.

Valuation of the property using discounted cash flow and market capitalization rates for office building space have presented a yield after taxes of 17.26% and a net present value of $13,264,400.

Returns to the investors and the developer from the partnership assumptions assumed are 22.78% and 17.39% respectively. It is believed that this return is based solely on the valuation from the market assumptions made. To address this concern, a sensitivity analysis applying variation in market affected inputs yielded a total estimated deviation from the rate of return of +/- 1.3%.

The development analysis as presented above has addressed major questions involving return on investment to a developer and investing partners. It is also believed that the development plan presented has little downside risk to the developer, and current landowner. Through the formation of various limited liability companies the developer can limit its expose to his investment in the property. One key assumption that has been made in this analysis is the ability to purchase the adjacent parcel.

While the recommendation of the development analysis is to go forward with the plan as it has been presented, there is a contingency plan that is suggested in the potential event that the adjacent property is not for sale. Appendix E – Alternate Investment Decisions. It has been presented from current market sale prices of various property types that land zoned for commercial office, retail and medical office space yield the most favorable price for an investor. While R-3 multi-family comparables were not discovered, there are a limited number of properties in the regional available for such a building.

Two investment options are presented in Appendix E that estimate the approximate return on investment to the developer for pursuing a 36,000sf, 3-story medical office building, or, an approved plan for a 36 unit multi-family building. It appears that the returns are not viable for the medical office building, but could be enhanced by delivering a four-story building through increased setbacks for greater height restriction. The multi-family disposition is based on an assumption that market price in five years will be $10,000 per unit resulting in a sale price of $360,000. While the first scenario could be pursued with the current zoning, either scenario is permissible under the T-1 zone. Due to this circumstance, it is recommended to pursue the T-1 re-zoning regardless of whether the adjacent land acquisition is achieved.

9.0 Appendix

9.1 Appendix A – Mixed-Use Office/Medical Office/Multi-Family Development Financial Analysis

EDINBORO ROAD, LLC
MIXED-USE DEVELOPMENT
MEDICAL/OFFICE/MULTI-FAMILY ALTERNATIVE W/ ACQUISITION

EDINBORO ROAD INPUT PAGE
PROJECT DESCRIPTION / ASSUMPTIONS

SITE AND PROPOSED IMPROVEMENTS

SITE AREA:	425,581 SF	9.77 ACRE
GROSS BUIDABLE AREA:		
FLOOR AREA RATIO (FAR):		
MULTI-FAMILY		
TOTAL FLOOR AREA	41,000 SF	
NUMBER OF UNITS (MULTI-FAMILY)		76
ALLOWABLE HEIGHT	45 FT	4 FLRS
PARKING AREA (2.5/UNIT)	190 SPACES	30,780 SF
MEDICAL OFFICE/OFFICE		
BASE BUILDING AREA	45,000 SF	
ALLOWABLE HEIGHT	45 FT	3 FLRS
TOTAL NET RENATABLE AREA (OFFICE)		140,625 SF
MEDICAL OFFICE AREA (NET)	76%	106,875 SF
OFFICE AREA (NET)	24%	33,750 SF
PARKING AREA:		
MEDICAL OFFICE (5/DOC, 1000SF/DOC)	107 SPACES	17,314 SF
OFFICE (1/200SF)	169 SPACES	27,338 SF

T-1 ZONE REQUIREMENTS / SITE PLAN STATS

SITE AREA:	425,581 SF	9.77 ACRE
BUILDING RESTRICTED AREA ALLOCATION:		
PARKING AREA:		
MULTI-FALMILY PARKING:	30,780 SF	7.2%
MEDICAL OFFICE PARKING	17,314 SF	4.1%
OFFICE PARKING	27,338 SF	6.4%
UG PARKING (50% BLDG AREA)	43,000 SF	10.1%
FRONTAGE SETBACK AREA (BRL):	43,415 SF	10.2%
SIDE SETBACK AREA (BRL):	55,400 SF	13.0%
REAR SETBACK AREA (BRL):	8,050 SF	1.9%
SWM AREA (ASSM 20%)	85,116 SF	20.0%
COMMON/PRES AREA (ASSM 15%)	63,837 SF	15.0%
ALLOWABLE BUILDING AREA	94,332 SF	22.2%
TOTAL	425,581 SF	100%

COST ASSUMPTIONS AND SUMMARY

CONSTRUCTION COST BUDGET	$10,974,680
PHASE I (SITEWORK)	$2,072,000
PHASE II (OFFICE BLDG 1)	$2,380,459
PHASE III (OFFICE BLDG 2)	$2,380,459
ENTITLEMENTS (AS % OF SOFT COSTS)	4.00%
DEVELOPER FEE (% TOTAL HARD COSTS)	4.00%
SOFT COST CONTINGENCY (% SOFT COTS)	8.00%
SALE PROCEEDS MULTI-FAMILY PARCEL	$1,500,000
REINVESTED PROCEEDS	$1,125,000
SALES CONTINGENCY WITHOLDINGS	$375,000
SELLING COSTS	2.00%

PROPERTY RELATED INPUTS - ONE YEAR FORECAST

INCOME		
MEDICAL OFFICE RENT		$15.00
OFFICE RENT		$12.00
OTHER INCOME (PER ANNUM)		$25,000
VACANCY ALLOWANCE (% OF PGI)		5.00%
OPERATING EXPENSES		
MANAGEMENT FEE (% OF EGI)		4.00%
NON-OPERATING EXPENSES		
TENANT IMPROVEMENTS	**OWNER PAYS**	
MEDICAL OFFICE TI'S	**50%**	$35.00 PSF
OFFICE TI'S	**25%**	$20.00 PSF
LEASING COMMISION/BROKER FEES (% LEASE VALUE)		6.00%
CAPITAL EXPENDITURES (% EGI)		2.00%
RESERVE CONTRIBUTION (% EGI)		2.00%

LOAN INFORMATION

FINANCING COSTS - CONSTRUCTION		
PROPOSED LOAN TO VALUE (LTV) RATIO		0.65
PROPOSED LOAN AMOUNT		$3,960,000
INTEREST RATE		9.00%
AMORTIZATION PERIOD (MONTHS)		360
TERM (MONTHS)		360
ORIGINATION FEE	1.5%	$59,400
FINANCING COSTS - PERMANENT		
PROPOSED LOAN AMOUNT		$4,122,204
INTEREST RATE		7.50%
AMORTIZATION PERIOD (MONTHS)		360
TERM (MONTHS)		120
DEBT SERVICE/MONTH		$28,823
DEBT SERVICE/YEAR		$345,877
LOAN FEE	3.0%	$123,666
ADDITIONAL EQUITY AMOUNT		
REQUIRED TO ACHIEVE LTV & DEBT COVERAGE		$1,000,000

PROPERTY RELATED INPUTS - (10-YEAR/) MULTIPLE-YEAR PROFORMA

INCOME GROWTH RATE (ANNUAL RENT ESCALATION)	3.00%
EXPENSE GROWTH RATE (INFLATION)	3.50%
DISCOUNT/HURDLE RATE	9.00%
MARKET CAP RATE (OFFICE)	9.00%
TERMINAL CAPITALIZATION RATE (OFFICE)	10.00%
SELLING COSTS	3.00%
HOLD PERIOD	10 YR
INVESTOR MARGINAL TAX RATE	35.00%

EDINBORO ROAD, LLC
MIXED-USE DEVELOPMENT
MEDICAL/OFFICE/MULTI-FAMILY ALTERNATIVE W/ ACQUISITION

DEVELOPMENT AND CONSTRUCTION COST DETAIL - EDINBORO ROAD

		COST	OFFICE $/NRSF		MULTI $/UNIT	
ACQUISITION COSTS						
ADJACENT PARCEL ACQUISITION		$ 250,000	$ 0.89	0.75%	$ 1,645	0.0704018
SUBTOTAL ACQUISITION COSTS		$ 250,000	$ 0.89	0.75%	$ 1,645	7.04%
SOFT COSTS						
ENTITLEMENTS (AS % OF SOFT COSTS)						
RE-ZONING PROCESS	4%	$ 50,000	$ 0.18	0.15%	$ 329	1.41%
DESIGN						
ENGINEERING/LAND PLANNING		$ 80,000	$ 0.43	0.36%	$ 263	1.13%
ARCHITECTURE/STRUCTURAL/MEP		$ 80,000	$ 0.43	0.36%	$ 263	1.13%
LEED ADMINISTRATIVE		$ 20,000	$ 0.11	0.09%	$ 66	0.28%
GENERAL ENGINEERING/TESTING/CONSULTING		$ 30,000	$ 0.16	0.14%	$ 99	0.42%
GEOTECHNICAL DESIGN		$ 25,000	$ 0.13	0.11%	$ 82	0.35%
ENVIRONMENTAL DESIGN		$ 10,000	$ 0.05	0.05%	$ 33	0.14%
OFF-SITE TRAFFIC STUDY/DESIGN		$ 10,000	$ 0.05	0.05%	$ 33	0.14%
SURVEYING		$ 40,000	$ 0.21	0.18%	$ 132	0.56%
CONSTRUCTION INSPECTION		$ 50,000	$ 0.27	0.23%	$ 164	0.70%
COMMISIONING		$ 50,000	$ 0.27	0.23%	$ 164	0.70%
TAXES & FEES						
RECORDATION FEES		$ 1,000	$ 0.00	0.00%	$ 7	0.03%
BLUPRINTS/COPIES/MAIL		$ 10,000	$ 0.04	0.03%	$ 66	0.28%
LEGAL FEES		$ 75,000	$ 0.27	0.23%	$ 493	2.11%
REAL ESTATE TAXES		$ 5,000	$ 0.02	0.02%	$ 33	0.14%
TRANSFER TAX (2%)		$ 5,000	$ 0.02	0.02%	$ 33	0.14%
TOWNSHIP DEVPT APPLICATION FEES (ESCROW ACCOUNT)		$ 5,000	$ 0.02	0.02%	$ 33	0.14%
PERMIT FEES		$ 5,561	$ 0.02	0.02%	$ 37	0.16%
SWM FEE		$ 500	$ 0.00	0.00%	$ 3	0.01%
WATER/SEWER TAP FEE		$ 2,500	$ 0.01	0.01%	$ 16	0.07%
INSPECTION FEES		$ 2,500	$ 0.01	0.01%	$ 16	0.07%
LEGAL		$ 100,000	$ 0.36	0.30%	$ 658	2.82%
MARKETING AND LEASE-UP COSTS		$ 10,000	$ 0.04	0.03%	$ 66	0.28%
CONSTRUCTION LOAN ORIGINATION FEES (1.5%) (BLDG 1 ONLY)		$ 201,000	$ 0.71	0.60%	$ 1,322	5.66%
INTERST RESERVE (SITE & BLDG 1 ONLY)		$ 275,000	$ 0.98	0.83%	$ 1,809	7.74%
BOND/LETTER OF CREDIT COSTS (BLDG 1 ONLY)		$ 47,609	$ 0.17	0.14%	$ 313	1.34%
INSURANCE		$ 10,000	$ 0.04	0.03%	$ 66	0.28%
DEVELOPER FEE (% TOTAL HARD COSTS)	4%	$ 371,754	$ 1.98	1.68%	$ 1,223	5.23%
SOFT COST CONTINGENCY (% SOFT COTS)	8%	$ 80,000	$ 0.43	0.36%	$ 263	1.13%
SUBTOTAL SOFT COSTS		$ 1,652,424	$ 7.38	6.24%	$ 8,086	34.61%
HARD COSTS						
CONSTRUCTION COSTS						
OFF-SITE IMPROVEMENTS		$ 100,000	$ 0.36	0.30%	$ 658	2.82%
SITE WORK		$ 1,972,000	$ 7.01	5.92%	$ 12,974	55.53%
OTHER						
OFFICE BUILDING I						
BUILDING EXCAVATION		$ 35,000	$ 0.50	0.42%		
FOUNDATIONS		$ 97,031	$ 1.38	1.17%		
CONCRETE MASONRY FOUNDATION WALLS		$ 168,000	$ 2.39	2.02%		
STEEL FLOOR JOISTS -2 FLRS		$ 112,500	$ 1.60	1.35%		
CONCRETE FLOORS - 3 FLRS		$ 135,000	$ 1.92	1.62%		
WINDOWS		$ 225,000	$ 3.20	2.70%		
ROOF		$ 225,000	$ 3.20	2.70%		
EXTERIOR BRICK		$ 212,928	$ 3.03	2.56%		
MECHANICAL AND ELECTRICAL		$ 750,000	$ 10.67	9.01%		
PLUMBING & SPRINKLER SYS		$ 300,000	$ 4.27	3.61%		
ELEVATORS		$ 45,000	$ 0.64	0.54%		
BUILDING FINISHES		$ 75,000	$ 1.07	0.90%		
OFFICE BUILDING II						
BUILDING EXCAVATION		$ 35,000	$ 0.50	0.42%		
FOUNDATIONS		$ 97,031	$ 1.38	1.17%		
CONCRETE MASONRY FOUNDATION WALLS		$ 168,000	$ 2.39	2.02%		
STEEL FLOOR JOISTS -2 FLRS		$ 112,500	$ 1.60	1.35%		
CONCRETE FLOORS - 3 FLRS		$ 135,000	$ 1.92	1.62%		
WINDOWS		$ 225,000	$ 3.20	2.70%		
ROOF		$ 225,000	$ 3.20	2.70%		
EXTERIOR BRICK		$ 212,928	$ 3.03	2.56%		
MECHANICAL AND ELECTRICAL		$ 750,000	$ 10.67	9.01%		
PLUMBING & SPRINKLER SYS		$ 300,000	$ 4.27	3.61%		
ELEVATORS		$ 45,000	$ 0.64	0.54%		
BUILDING FINISHES		$ 75,000	$ 1.07	0.90%		
MEDICAL OFFICE SPACE TENANT IMPROVEMENTS	$35.00 PSF	$ 1,476,563	$ 21.00	17.74%		
GENERAL OFFICE SPACE TENANT IMPROVEMENTS	$20.00 PSF	$ 984,375	$ 14.00	11.83%		
SUBTOTAL HARD COSTS		$ 9,293,856	$ 110.08	93.01%	$ 13,632	58.35%
TOTAL DEVELOPMENT AND CONSTRUCTION COSTS		**$ 11,196,280**	**$ 118.35**	**100.00%**	**$ 23,362**	**100.00%**

EDINBORO ROAD, LLC
MIXED-USE DEVELOPMENT
MEDICAL/OFFICE/MULTI-FAMILY ALTERNATIVE W/ ACQUISITION

USES - PHASE I & II EDINBORO ROAD

	ITEM			AMOUNT	OFFICE $/NRSF		MULTI-FAM $/UNIT	
	LAND COSTS							
	LAND ACQUISITION			250,000	$0.89	0.8%	$1,645	7.4%
	LAND/SITE DEVELOPMENT -PHASE I CONSTRUCTION			2,072,000	$7.37	6.3%	$13,632	60.9%
	TOTAL LAND ACQUISITION AND DEV. COST		**$**	**2,322,000**	**$8.26**	**7%**	**$15,276**	**68%**
	BUILDING HARD COSTS							
	BULDING 1 SHELL ONLY - PHASE II CONSTRUCTION			2,380,459	$33.86	28.8%		0.0%
	BUILDING 2 SHELL ONLY - PHASE III CONSTRUCTION			2,380,459	$33.86	28.8%		0.0%
	MEDICAL OFFICE SPACE TENANT IMPROVEMENTS			1,476,563	$21.00	17.9%		0.0%
	GENERAL OFFICE SPACE TENANT IMPROVEMENTS			984,375	$14.00	11.9%		0.0%
	TOTAL HARD COSTS		**$**	**7,221,856**	**$102.71**	**87%**		**0%**
	SOFT COSTS							
1	ENTITLEMENTS (AS % OF SOFT COSTS)	4.0%		$50,000	$0.18	0.2%	$329	1.5%
2	DESIGN			295,000	$1.57	1.3%	$970	4.3%
3	TAXES & FEES			112,061	$0.40	0.3%	$737	3.3%
4	MARKETING AND LEASE-UP COSTS			10,000	$0.04	0.0%	$66	0.3%
5	ONLY)			201,000	$0.71	0.6%	$1,322	5.9%
6	INTERST RESERVE (SITE & BLDG 1 ONLY)			275,000	$0.98	0.8%	$1,809	8.1%
7	BOND/LETTER OF CREDIT COSTS (BLDG 1 ONLY)			47,609	$0.17	0.1%	$313	1.4%
8	INSURANCE			10,000	$0.04	0.0%	$66	0.3%
9	DEVELOPER FEE (% TOTAL HARD COSTS)	4.0%		371,754	$1.98	1.7%	$1,223	5.5%
10	SOFT COST CONTINGENCY (% SOFT COTS)	8.0%		$80,000	$0.43	0.4%	$263	1.2%
	TOTAL SOFT COSTS		**$**	**1,452,424**	**$6.49**	**6%**	**$7,099**	**32%**
	TOTAL HARD & SOFT COSTS		**$**	**10,996,280**	**$117**	**100%**	**$22,375**	**100%**
	TOTAL HARD AND SOFT COSTS, ROUNDED		$	11,000,000				

NOTE: All costs shared between the Office development and the Multi-family development are assumed to besplit evenly 50:50.

SOURCES OF FUNDING

ACQUISITION AND CONSTRUCTION LOAN I							
PHASE I & II DEVELOPMENT & CONSTRUCTION BLDG I + TI'S		$	7,631,446				
LTV			65.0%				
CONSTRUCTION LOAN			$3,960,000	52%			
INVESTOR EQUITY			$1,174,252	15%			
ADDITIONAL INVESTOR EQUITY			$1,000,000	13%			
MULTI-FAMILY LOT SALE PROCEEDS (100%)			$1,125,000	15%			
DEVELOPER FEE			$371,754	5%			
TOTAL		$	7,631,000				
CONSTRUCTION LOAN I ORIGINATION FEE	1.50%		$59,400				
AMORTIZED ANNUAL ORIGINATION FEE			$5,782				
INITIAL INVESTOR EQUITY			$2,174,252				
TOTAL EQUITY			$3,671,006				
PERMANENT LOAN I				Value Yr 1	Cap Rate	Yr 1 NOI	LTV
PHASE I & II DEVELOPMENT & CONSTRUCTION LOAN BALANACE			$4,132,640	5,429,733	9.00%	488,676	76%
ANNUAL DEBT SERVICE PAYMENT			$346,752				
PERMANENT LOAN I ORIGINATION FEE	3.00%		$123,979				
AMORTIZED ANNUAL ORIGINATION FEE			$10,497				
CONSTRUCTION LOAN II							
OFFICE BUILDING II		$	3,368,554				
INTEREST RESERVE		$	106,200				
ORIGINATION FEE		$	50,528				
TOTAL ESTIMATED COST		$	3,525,282				
LTV			65.0%				
CONSTRUCTION LOAN II		$	2,291,433				
INVESTOR EQUITY		$	1,233,849	5,366,488			99%
TOTAL		$	3,525,282				
CONSTRUCTION LOAN II ORIGINATION FEE	1.50%		$34,372				
AMORTIZED ANNUAL ORIGINATION FEE			$3,346				
PERMANENT LOAN II							
BUILDNG II CONSTRUCTION LOAN BALANACE			$2,391,330				
ANNUAL DEBT SERVICE PAYMENT			$200,646				
PERMANENT LOAN II ORIGINATION FEE	3.00%		$71,740				
AMORTIZED ANNUAL ORIGINATION FEE			$6,074				

EDINBORO ROAD, LLC
MIXED-USE DEVELOPMENT
MEDICAL/OFFICE/MULTI-FAMILY ALTERNATIVE W/ ACQUISITION

RENEWAL PROBABILITY RENT ANALYSIS

Tenant	Category	Occupied SF	Tyoe	Floor	Lease Term	Renewal Probability	2013 Year 1	2014 Year 2	2015 Year 3	2016 Year 4	2017 Year 5	2018 Year 6	2019 Year 7	2020 Year 8	2021 Year 9	2022 Year 10	2023 Year 11
INCOME																	
BUILDING I																	
1	Wellness Center	5,625	Medical	B	10	100%	84,375	86,906	89,513	92,199	94,965	97,814	100,748	103,771	106,884	110,090	128,512
2	Physical Therapy Rehabilitiation	11,250	Medical	1	10	100%	168,750	173,813	179,027	184,398	189,930	195,628	201,496	207,541	213,767	220,180	257,024
3	Blood Analysis Lab/Dialysis Center	11,250	Medical	1	10	100%	168,750	173,813	179,027	184,398	189,930	195,628	201,496	207,541	213,767	220,180	257,024
4	Geriatric Specialist	5,625	Medical	2	10	100%	84,375	86,906	89,513	92,199	94,965	97,814	100,748	103,771	106,884	110,090	128,512
5	Neurologist	5,625	Medical	2	10	100%	84,375	86,906	89,513	92,199	94,965	97,814	100,748	103,771	106,884	110,090	128,512
6	General Practice Group	11,250	Medical	2	10	100%	168,750	173,813	179,027	184,398	189,930	195,628	201,496	207,541	213,767	220,180	257,024
7	Dietician	5,625	Medical	3	10	100%	84,375	86,906	89,513	92,199	94,965	97,814	100,748	103,771	106,884	110,090	128,512
8	Dentist Office	11,250	Medical	3	10	100%	168,750	173,813	179,027	184,398	189,930	195,628	201,496	207,541	213,767	220,180	257,024
BUILDING II																	
1	Gastroenterology (Digestive)	5,625	Medical	B	10	90%	-	-	-	84,375	94,965	97,814	100,748	103,771	106,884	110,090	128,150
2	Endocrinology Group	5,625	Medical	1	10	90%	-	-	-	84,375	94,965	97,814	100,748	103,771	106,884	110,090	128,150
3	Oral Surgery Center	5,625	Medical	1	10	90%	-	-	-	84,375	94,965	97,814	100,748	103,771	106,884	110,090	128,150
4	Chiropractor	5,625	Medical	2	5	90%	-	-	-	84,375	94,965	97,814	100,748	103,771	110,036	113,337	116,737
5	Optometrist	5,625	Medical	2	10	90%	-	-	-	84,375	94,965	97,814	100,748	103,771	106,884	110,090	128,150
6	Insurance	5,625	Office	1	5	75%	-	-	-	67,500	75,972	78,251	80,599	83,016	91,446	94,189	97,015
7	Accounting Services	5,625	Office	1	5	75%	-	-	-	67,500	75,972	78,251	80,599	83,016	91,446	94,189	97,015
8	Legal Services	11,250	Office	2	10	100%	-	-	-	135,000	151,944	156,502	161,197	166,033	171,014	176,144	219,226
9	Plastic Surgery/Laser Center	11,250	Medical	3	10	100%	-	-	-	168,750	189,930	195,628	201,496	207,541	213,767	220,180	257,024
10	Financial Services	11,250	Office	3	10	75%	-	-	-	135,000	151,944	156,502	161,197	166,033	171,014	176,144	214,378
							-	-	-	-	-	-	-	-	-	-	-
TOTAL	INCOME						1,012,500	1,042,875	1,074,161	2,102,011	2,260,162	2,327,967	2,397,806	2,469,740	2,558,862	2,635,628	3,056,141
ADJUSTED ANNUAL GORWTH RATE								3.00%	3.00%	95.69%	7.52%	3.00%	3.00%	3.00%	3.61%	3.00%	15.95%
	TOTAL MEDICAL OFFICE SPACE	106,875	14	76%		11 Spaces	5,625 SF										
	TOTAL MEDICAL OFFICE SPACE	33,750	4	24%		7 Spaces	11,250 SF										
		140,625															
VACANCY																	
BUILDING I																	
1	Wellness Center	5,625	Medical	B	10	100%	-	-	-	-	-	-	-	-	-	-	-
2	Physical Therapy Rehabilitiation	11,250	Medical	1	10	100%	-	-	-	-	-	-	-	-	-	-	-
3	Blood Analysis Lab/Dialysis Center	11,250	Medical	1	10	100%	-	-	-	-	-	-	-	-	-	-	-
4	Geriatric Specialist	5,625	Medical	2	10	100%	-	-	-	-	-	-	-	-	-	-	-
5	Neurologist	5,625	Medical	2	10	100%	-	-	-	-	-	-	-	-	-	-	-
6	General Practice Group	11,250	Medical	2	10	100%	-	-	-	-	-	-	-	-	-	-	-
7	Dietician	5,625	Medical	3	10	100%	-	-	-	-	-	-	-	-	-	-	-
8	Dentist Office	11,250	Medical	3	10	100%	-	-	-	-	-	-	-	-	-	-	-
							-	-	-	-	-	-	-	-	-	-	-
BUILDING II																	
1	Gastroenterology (Digestive)	5,625.00	Medical	B	10	90%	-	-	-	-	-	-	-	-	2,672	-	-
2	Endocrinology Group	5,625	Medical	1	10	90%	-	-	-	-	-	-	-	-	2,672	-	-
3	Oral Surgery Center	5,625	Medical	1	10	90%	-	-	-	-	-	-	-	-	2,672	-	-
4	Chiropractor	5,625	Medical	2	5	90%	-	-	-	-	-	-	-	-	2,751	-	-
5	Optometrist	5,625	Medical	2	10	90%	-	-	-	-	-	-	-	-	2,672	-	-
6	Insurance	5,625	Office	1	5	75%	-	-	-	-	-	-	-	-	2,286	-	-
7	Accounting Services	5,625	Office	1	5	75%	-	-	-	-	-	-	-	-	2,286	-	-
8	Legal Services	11,250	Office	2	10	100%	-	-	-	-	-	-	-	-	4,275	-	-
9	Plastic Surgery/Laser Center	11,250	Medical	3	10	100%	-	-	-	-	-	-	-	-	5,344	-	-
10	Financial Services	11,250	Office	3	10	100%	-	-	-	-	-	-	-	-	4,275	-	-
TOTAL	VACANCY						-	-	-	-	-	-	-	-	31,906	-	-

RENEWAL PROBABILITY RENT ANALYSIS

							2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Tenant	Category	Occupied SF	Tyoe	Floor	Lease Term	Renewal Probability	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
COMMISSIONS																	
BUILDING I																	
1	Wellness Center	5,625.00	Medical	B	10	100%	5,906	5,906	5,906	5,906	5,906	5,906	5,906	5,906	5,906	5,906	3,855
2	Physical Therapy Rehabilitiation	11,250	Medical	1	10	100%	11,813	11,813	11,813	11,813	11,813	11,813	11,813	11,813	11,813	11,813	7,711
3	Blood Analysis Lab/Dialysis Center	11,250	Medical	1	10	100%	11,813	11,813	11,813	11,813	11,813	11,813	11,813	11,813	11,813	11,813	7,711
4	Geriatric Specialist	5,625	Medical	2	10	100%	5,906	5,906	5,906	5,906	5,906	5,906	5,906	5,906	5,906	5,906	3,855
5	Neurologist	5,625	Medical	2	10	100%	5,906	5,906	5,906	5,906	5,906	5,906	5,906	5,906	5,906	5,906	3,855
6	General Practice Group	11,250	Medical	2	10	100%	11,813	11,813	11,813	11,813	11,813	11,813	11,813	11,813	11,813	11,813	7,711
7	Hearing Specialist	5,625	Medical	3	10	100%	5,906	5,906	5,906	5,906	5,906	5,906	5,906	5,906	5,906	5,906	3,855
8	Dietician	5,625	Medical	3	10	100%	11,813	11,813	11,813	11,813	11,813	11,813	11,813	11,813	11,813	11,813	7,711
BUILDING II																	
1	Gastroenterology (Digestive)	5,625	Medical	B	10	90%	-	-	-	5,906	5,906	5,906	5,906	5,906	5,906	5,906	5,906
2	Endocrinology Group	5,625	Medical	1	10	90%	-	-	-	5,906	5,906	5,906	5,906	5,906	5,906	5,906	5,906
3	Oral Surgery Center	5,625	Medical	1	10	90%	-	-	-	5,906	5,906	5,906	5,906	5,906	5,906	5,906	5,906
4	Chiropractor	5,625	Medical	2	5	90%	-	-	-	5,906	5,906	5,906	5,906	5,906	3,301	3,301	3,301
5	Optometrist	5,625	Medical	2	10	90%	-	-	-	5,906	5,906	5,906	5,906	5,906	5,906	5,906	5,906
6	Insurance	5,625	Office	1	5	75%	-	-	-	4,725	4,725	4,725	4,725	4,725	4,725	4,725	4,725
7	Accounting Services	5,625	Office	1	5	75%	-	-	-	4,725	4,725	4,725	4,725	4,725	4,725	4,725	4,725
8	Legal Services	11,250	Office	2	10	100%	-	-	-	9,450	9,450	9,450	9,450	9,450	9,450	9,450	9,450
9	Plastic Surgery/Laser Center	11,250	Medical	3	10	100%	-	-	-	11,813	11,813	11,813	11,813	11,813	11,813	11,813	11,813
10	Financial Services	11,250	Office	3	10	100%	-	-	-	9,450	9,450	9,450	9,450	9,450	9,450	9,450	9,450
					1												
TOTAL	COMMISSIONS						70,875	70,875	70,875	140,569	140,569	140,569	140,569	140,569	137,964	137,964	113,353
TENANT IMPROVEMENTS																	
BUILDING I																	
1	Wellness Center	5,625	Medical	B	10	100%	98,438	-	-	-	-	-	-	-	-	-	28,125
2	Physical Therapy Rehabilitiation	11,250	Medical	1	10	100%	196,875	-	-	-	-	-	-	-	-	-	56,250
3	Blood Analysis Lab/Dialysis Center	11,250	Medical	1	10	100%	196,875	-	-	-	-	-	-	-	-	-	56,250
4	Geriatric Specialist	5,625	Medical	2	10	100%	98,438	-	-	-	-	-	-	-	-	-	28,125
5	Neurologist	5,625	Medical	2	10	100%	98,438	-	-	-	-	-	-	-	-	-	28,125
6	General Practice Group	11,250	Medical	2	10	100%	196,875	-	-	-	-	-	-	-	-	-	56,250
7	Hearing Specialist	11,250	Medical	1	10	100%	196,875	-	-	-	-	-	-	-	-	-	56,250
8	Dietician	5,625	Medical	2	10	100%	98,438	-	-	-	-	-	-	-	-	-	28,125
9	Dentist Office	5,625	Medical	2	10	100%	98,438	-	-	-	-	-	-	-	-	-	28,125
10	Hearing Specialist	5,625	Medical	3	10	100%	98,438	-	-	-	-	-	-	-	-	-	28,125
11	Dietician	5,625	Medical	3	10	100%	98,438	-	-	-	-	-	-	-	-	-	28,125
BUILDING II																	
1	Gastroenterology (Digestive)	5,625	Medical	B	10	90%	-	-	-	98,438	-	-	-	-	-	-	35,156
2	Endocrinology Group	5,625	Medical	1	10	90%	-	-	-	98,438	-	-	-	-	-	-	35,156
3	Oral Surgery Center	5,625	Medical	1	10	90%	-	-	-	98,438	-	-	-	-	-	-	35,156
4	Chiropractor	5,625	Medical	2	5	90%	-	-	-	98,438	-	-	-	-	9,853	-	-
5	Optometrist	5,625	Medical	2	10	90%	-	-	-	98,438	-	-	-	-	-	-	35,156
6	Insurance	5,625	Office	1	5	75%	-	-	-	49,219	-	-	-	-	7,035	-	-
7	Accounting Services	5,625	Office	1	5	75%	-	-	-	49,219	-	-	-	-	7,035	-	-
8	Legal Services	11,250	Office	2	10	100%	-	-	-	98,438	-	-	-	-	-	-	14,063
9	Plastic Surgery/Laser Center	11,250	Medical	3	10	100%	-	-	-	196,875	-	-	-	-	-	-	56,250
10	Financial Services	11,250	Office	3	10	100%	-	-	-	98,438	-	-	-	-	-	-	14,063
SUBTOTAL	TENANT IMPROVEMENTS						1,476,563	-	-	984,375	-	-	-	-	23,923	-	646,875
	LESS AMOUNTS FUNDED IN CONSTRUCTION LOAN						(1,476,563)			(984,375)							
	TOTAL TENANT IMPROVEMENTS						-	-	-	-	-	-	-	-	23,923	-	646,875

EDINBORO ROAD, LLC
MIXED-USE DEVELOPMENT
MEDICAL/OFFICE/MULTI-FAMILY ALTERNATIVE W/ ACQUISITION

TRADITIONAL DESIGN OPERATING EXPENSES

	70,313	70,313	70,313	140,625	140,625	140,625	140,625	140,625	140,625	140,625	140,625
Operating Expenses	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**	**Year 11**
CAM											
Janitorial	41,484	41,899	42,318	85,483	86,338	87,201	88,073	88,954	89,843	90,742	91,649
Window Cleaning	8,438	8,522	8,607	17,386	17,560	17,736	17,913	18,092	18,273	18,456	18,640
Supplies	7,734	7,812	7,890	15,937	16,097	16,258	16,420	16,585	16,750	16,918	17,087
Trash Removal	5,625	5,681	5,738	11,591	11,707	11,824	11,942	12,062	12,182	12,304	12,427
Landscaping Contract	70,313	71,016	71,726	144,886	146,335	147,798	149,276	150,769	152,277	153,799	155,337
Fire & Life Safety Supplies	5,625	5,681	5,738	11,591	11,707	11,824	11,942	12,062	12,182	12,304	12,427
Repairs & Maintenance	94,922	96,820	98,757	201,464	205,493	209,603	213,795	218,071	222,432	226,881	231,418
Tools & Equipment	2,813	2,841	2,869	5,795	5,853	5,912	5,971	6,031	6,091	6,152	6,213
Utilities											
- Electricity	63,281	64,547	65,838	134,309	136,995	139,735	142,530	145,381	148,288	151,254	154,279
- Gas	38,672	39,445	40,234	82,078	83,719	85,394	87,102	88,844	90,621	92,433	94,282
- Chilled Water	31,641	31,957	32,277	65,199	65,851	66,509	67,174	67,846	68,525	69,210	69,902
- Water & Sewer	4,219	4,261	4,304	8,693	8,780	8,868	8,957	9,046	9,137	9,228	9,320
Overhead											
Administrative	48,516	48,758	49,002	98,494	98,986	99,481	99,979	100,479	100,981	101,486	101,993
Advertising & Promotion	4,922	4,946	4,971	9,992	10,042	10,092	10,143	10,193	10,244	10,296	10,347
Real Estate Taxes	132,969	133,633	134,302	134,973	135,648	136,326	137,008	137,693	138,381	139,073	139,769
Insurance	35,156	35,508	35,863	72,443	73,167	73,899	74,638	75,385	76,138	76,900	77,669
Total Operating Expenses	596,328	603,328	610,433	1,100,315	1,114,279	1,128,461	1,142,863	1,157,490	1,172,346	1,187,435	1,202,761

SUSTAINABLE DESIGN EFFECT ON OPERATING EXPENSES

	70,313	70,313	70,313	140,625	140,625	140,625	140,625	140,625	140,625	140,625	140,625
Operating Expenses	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**	**Year 11**
CAM											
Janitorial	41,899	42,318	42,741	86,338	87,201	88,073	88,954	89,843	90,742	91,649	92,566
Window Cleaning	8,438	8,522	8,607	17,386	17,560	17,736	17,913	18,092	18,273	18,456	18,640
Supplies	7,734	7,812	7,890	15,937	16,097	16,258	16,420	16,585	16,750	16,918	17,087
Trash Removal	5,344	5,397	5,451	11,011	11,121	11,233	11,345	11,458	11,573	11,689	11,806
Fire & Life Safety Supplies	5,625	5,681	5,738	11,591	11,707	11,824	11,942	12,062	12,182	12,304	12,427
Landscaping Contract	4,219	4,261	4,304	8,693	8,780	8,868	8,957	9,046	9,137	9,228	9,320
Repairs & Maintenance	70,313	71,719	73,153	149,232	152,217	155,261	158,367	161,534	164,765	168,060	171,421
Tools & Equipment	2,813	2,841	2,869	5,795	5,853	5,912	5,971	6,031	6,091	6,152	6,213
Utilities											
- Electricity	41,133	41,544	41,960	84,758	85,606	86,462	87,327	88,200	89,082	89,973	90,872
- Gas	25,137	25,639	26,152	53,351	54,418	55,506	56,616	57,748	58,903	60,081	61,283
- Chilled Water	20,566	20,772	20,980	42,379	42,803	43,231	43,663	44,100	44,541	44,986	45,436
- Water & Sewer	2,742	2,770	2,797	5,651	5,707	5,764	5,822	5,880	5,939	5,998	6,058
Overhead											
Administrative	48,516	48,758	49,002	98,494	98,986	99,481	99,979	100,479	100,981	101,486	101,993
Advertising & Promotion	4,922	4,946	4,971	9,992	10,042	10,092	10,143	10,193	10,244	10,296	10,347
Real Estate Taxes	132,969	134,298	135,641	136,998	138,368	139,751	141,149	142,560	143,986	145,426	146,880
Insurance	35,156	35,508	35,863	72,443	73,167	73,899	74,638	75,385	76,138	76,900	77,669
Total Operating Expenses	457,524	462,787	468,120	810,050	819,634	829,352	839,205	849,196	859,328	869,601	880,020
Total Traditional Design Expensess	**596,328**	**603,328**	**610,433**	**1,100,315**	**1,114,279**	**1,128,461**	**1,142,863**	**1,157,490**	**1,172,346**	**1,187,435**	**1,202,761**
Total Sustainable Design Expenses	**457,524**	**462,787**	**468,120**	**810,050**	**819,634**	**829,352**	**839,205**	**849,196**	**859,328**	**869,601**	**880,020**
ESTIMATED ANNUAL SAVINGS											
RESULTING FROM SUSAINABLE DESIGN	**138,804**	**140,541**	**142,313**	**290,265**	**294,645**	**299,109**	**303,658**	**308,294**	**313,019**	**317,834**	**322,741**
CUMULATIVE SAVINGS		**279,345**	**421,658**	**711,923**	**1,006,568**	**1,305,677**	**1,609,335**	**1,917,629**	**2,230,648**	**2,548,481**	**2,871,222**

EDINBORO ROAD, LLC
MIXED-USE DEVELOPMENT
MEDICAL/OFFICE/MULTI-FAMILY ALTERNATIVE W/ ACQUISITION

EDINBORO ROAD
PRO FORMA INCOME STATEMENT

ITEM		Year 1 (2013) 70,313 NRSF			Year 5 (2018) 140,625 NRSF		
		AMOUNT		$/SF	AMOUNT		$/SF
REVENUE							
BASE RENTS			1,012,500	$14.40		2,260,162	$16.07
OTHER INCOME			25,000	$0.36		28,138	$0.20
POTENTIAL GROSS INCOME (PGI)			**1,037,500**	**$14.76**		**2,288,300**	**$16.27**
LESS VACANCY ALLOWANCE	5.00%		(51,875)	($0.74)		(114,415)	($0.81)
EFFECTIVE GROSS INCOME (EGI)		**$**	**985,625**	**$14.02**	**$**	**2,173,885**	**$15.46**
EXPENSES							
CAM			73,259	$1.04		152,466	$1.08
REPAIRS & MAINTENANCE			73,125	$1.04		158,070	$1.12
UTILITIES			89,578	$1.27		188,534	$1.34
OVERHEAD			53,438	$0.76		109,029	$0.78
REAL ESTATE TAXES			132,969	$1.89		138,368	$0.98
INSURANCE			35,156	$0.50		73,167	$0.52
MANAGEMENT	4.00%		39,425	$0.56		86,955	$0.62
TOTAL OPERATING EXPENSES		$	496,949	$7.07	$	906,589	$6.45
NET OPERATING INCOME		**$**	**488,676**	**$6.95**	**$**	**1,267,296**	**$9.01**
CAPITAL EXPENDITURES	2.00%		(19,713)	($0.28)		(43,478)	($0.31)
TENANT IMPROVEMENTS (TI'S)			-	$0.00		-	$0.00
LEASING COMMISION			(70,875)	($1.01)		(140,569)	($1.00)
RESERVE CONTRIBUTION	2.00%		(19,713)	($0.28)		(43,478)	($0.31)
CASH FLOW FROM OPERATIONS		**$**	**378,376**	**$5.38**	**$**	**1,039,771**	**$7.39**
DEBT SERVICE			(346,752)	($4.93)		(547,399)	($3.89)
CASH FLOW AFTER FINANCING		**$**	**31,624**		**$**	**492,373**	

EDINBORO ROAD - 10 year DCF with Capitalization

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
		Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**	**Year 11**
REVENUE												
BASE RENTS	3.00%	1,012,500	1,042,875	1,074,161	2,102,011	2,260,162	2,327,967	2,397,806	2,469,740	2,558,862	2,635,628	3,056,141
OTHER INCOME	3.00%	25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669	32,619	33,598
POTENTIAL GROSS INCOME		1,037,500	1,068,625	1,100,684	2,129,329	2,288,300	2,356,949	2,427,658	2,500,487	2,590,532	2,668,248	3,089,739
LESS ACTUAL PROJECTED VACANCY		-	-	-	-	-	-	-	-	(31,906)	-	-
LESS VACANCY ALLOWANCE	5.00%	(51,875)	(53,431)	(55,034)	(106,466)	(114,415)	(117,847)	(121,383)	(125,024)	(129,527)	(133,412)	(154,487)
EFFECTIVE GROSS INCOME		985,625	1,015,194	1,045,650	2,022,863	2,173,885	2,239,102	2,306,275	2,375,463	2,429,099	2,534,835	2,935,252
EXPENSES												
CAM		73,259	73,991	74,731	150,957	152,466	153,991	155,531	157,086	158,657	160,244	161,846
REPAIRS & MAINTENANCE		73,125	74,559	76,022	155,028	158,070	161,173	164,338	167,565	170,856	174,212	177,635
UTILITIES		89,578	90,725	91,889	186,139	188,534	190,963	193,428	195,928	198,465	201,039	203,650
OVERHEAD		53,438	53,705	53,973	108,486	109,029	109,574	110,122	110,672	111,226	111,782	112,341
REAL ESTATE TAXES		132,969	134,298	135,641	136,998	138,368	139,751	141,149	142,560	143,986	145,426	146,880
INSURANCE		35,156	35,508	35,863	72,443	73,167	73,899	74,638	75,385	76,138	76,900	77,669
MANAGEMENT	4.00%	39,425	40,608	41,826	80,915	86,955	89,564	92,251	95,019	97,164	101,393	117,410
TOTAL OPERATING EXPENSES		(496,949)	(503,394)	(509,946)	(890,965)	(906,589)	(918,916)	(931,456)	(944,215)	(956,492)	(970,995)	(997,430)
NET OPERATING INCOME		488,676	511,799	535,704	1,131,898	1,267,296	1,320,186	1,374,819	1,431,248	1,472,607	1,563,840	1,937,822
CAPITAL EXPENDITURES	2.00%	(19,713)	(20,304)	(20,913)	(40,457)	(43,478)	(44,782)	(46,125)	(47,509)	(48,582)	(50,697)	(58,705)
TENANT IMPROVEMENTS (TI'S)		-	-	-	-	-	-	-	-	(23,923)	-	(646,875)
LEASING COMMISION		(70,875)	(70,875)	(70,875)	(140,569)	(140,569)	(140,569)	(140,569)	(140,569)	(137,964)	(137,964)	(113,353)
RESERVE CONTRIBUTION	2.00%	(19,713)	(20,304)	(20,913)	(40,457)	(43,478)	(44,782)	(46,125)	(47,509)	(48,582)	(50,697)	(58,705)
CASH FLOW FROM OPERATIONS		378,376	400,317	423,003	910,415	1,039,771	1,090,053	1,141,999	1,195,661	1,213,557	1,324,483	1,060,184
DEBT SERVICE		(346,752)	(346,752)	(346,752)	(547,399)	(547,399)	(547,399)	(547,399)	(547,399)	(547,399)	(547,399)	(547,399)
BEFORE TAX CASH FLOW AFTER FINANCING		31,624	53,564	76,251	363,016	492,373	542,655	594,601	648,262	666,158	777,085	512,785
TAX BASIS	35.00%											
DEPRECIATION		($197,445)	($197,445)	($197,445)	($197,445)	($197,445)	($197,445)	($197,445)	($197,445)	($197,445)	($197,445)	
INTEREST PAYMENTS		($308,656)	($305,699)	($302,512)	(25,631)	($27,621)	($29,765)	($32,076)	($34,566)	($37,250)	($40,141)	
AMORTIZED FINANCING COSTS		($16,279)	($16,279)	($16,279)	($25,699)	($25,699)	($25,699)	($25,699)	($25,699)	($25,699)	($25,699)	
TAX (TAX CREDIT) FROM OPERATIONS		($4,897)	$4,438	$14,134	$323,253	$371,003	$389,221	$408,004	$427,367	$441,278	$472,938	
AFTER TAX CASH FLOW		**36,521**	**49,126**	**62,117**	**39,763**	**121,370**	**153,434**	**186,597**	**220,896**	**224,880**	**304,147**	

REVERSION		
EOY NOI		1,937,822
Terminal Cap Rate		10.00%
Reversion	$	19,378,216
Cost of Sale		3.00%
Net Reversion	$	18,796,870
Debt Balance	$	5,773,506
Distrib Proceeds	$	13,023,363
Discount Rate		10.80%
Taxes Due at Sale	$	4,722,935
After Tax Sale Proceeds	$	8,300,428

ADJUSTED BASIS			
Original Total Cost			86,000
Accumulated Depreciation			($1,974,448)
Total Capital Improvements			11,300,484
UnAmortized Financing Costs			-
Acc. Depr. On Capital Improvements			(4,109,267)
ADJUSTED BASIS			**5,302,769**
TAXES DUE AT SALE			
Net Reversion		$	18,796,870
Total Gain on Sale		$	13,494,101
Taxes Due at Sale	35.00%	$	4,722,935

Value		**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
CFOper		$ 378,376	$ 400,317	$ 423,003	$ 910,415	$ 1,039,771	$ 1,090,053	$ 1,141,999	$ 1,195,661	$ 1,213,557	$ 1,324,483
REVERSION VALUE											$ 18,796,870
$11,575,348 PV		$ 378,376	$ 400,317	$ 423,003	$ 910,415	$ 1,039,771	$ 1,090,053	$ 1,141,999	$ 1,195,661	$ 1,213,557	$ 20,121,353
BTIRR - Return on Equity Investment											
CFAF	($2,174,252)	$ 31,624	$ 53,564	$ 76,251	$ 363,016	$ 492,373	$ 542,655	$ 594,601	$ 648,262	$ 666,158	$ 777,085
PROCEEDS FROM SALE											$ 13,023,363
26.20%	($2,174,252)	$31,624	$53,564	$76,251	$363,016	$492,373	$542,655	$594,601	$648,262	$666,158	$13,800,448
ATIRR - Return on Equity Investment											
ATCFAF	($2,174,252)	$ 36,521	$ 49,126	$ 62,117	$ 39,763	$ 121,370	$ 153,434	$ 186,597	$ 220,896	$ 224,880	$ 304,147
PROCEEDS FROM SALE											$ 8,300,428
17.22%	($2,174,252)	$36,521	$49,126	$62,117	$39,763	$121,370	$153,434	$186,597	$220,896	$224,880	$8,604,575

EDINBORO ROAD, LLC
MIXED-USE DEVELOPMENT
MEDICAL/OFFICE/MULTI-FAMILY ALTERNATIVE W/ ACQUISITION

BUILDING I + SITE CONSTRUCTION LOAN DRAW SCHEDULE

	2010	2011	2012	TOTAL
Total Estimated Phase I Costs	$ 38,157	$ 190,786	$ 7,402,503	
% of Total Costs Exhausted	0.50%	2.50%	97.00%	
Equity	38,157	190,786	3,442,503	3,671,446
Debt			3,960,000	3,960,000
Construction Loan Rate	9.0%			

End of Month (2012)	Loan Draws % Costs Drawn	Project Costs	Construction Interest	Loan Balance	Payments Interest	Principal Reduction	Ending Loan Balance
0							
1	2.50%	99,000	-	99,000			99,000
2	5.00%	198,000	743	297,743	743		297,743
3	5.00%	198,000	2,233	497,976	2,233		497,976
4	7.50%	297,000	3,735	798,710	3,735		798,710
5	7.50%	297,000	5,990	1,101,701	5,990		1,101,701
6	15.00%	594,000	8,263	1,703,963	8,263		1,703,963
7	10.00%	396,000	12,780	2,112,743	12,780		2,112,743
8	10.00%	396,000	15,846	2,524,589	15,846		2,524,589
9	10.00%	396,000	18,934	2,939,523	18,934		2,939,523
10	10.00%	396,000	22,046	3,357,570	22,046		3,357,570
11	7.50%	297,000	25,182	3,679,751	25,182		3,679,751
12	5.00%	198,000	27,598	3,905,350	27,598		3,905,350
13	5.00%	198,000	29,290	4,132,640	29,290		4,132,640
	100.00%	3,960,000	172,640		172,640		

BUILDING II CONSTRUCTION LOAN DRAW SCHEDULE

	2013	#	2014	TOTAL
Total Estimated BUILDING II Costs	$ 2,643,962		$ 881,321	
% of Total Costs Exhausted	75.00%		25.00%	
Equity	925,387		308,462	1,233,849
Debt	$ 1,718,575		$ 572,858	2,291,433
Construction Loan Rate	9.0%			

End of Month (2012)	Loan Draws % Costs Drawn	Project Costs	Construction Interest	Loan Balance	Payments Interest	Principal Reduction	Ending Loan Balance
0							
1	2.50%	57,286	-	57,286			57,286
2	5.00%	114,572	430	172,287	430		172,287
3	5.00%	114,572	1,292	288,151	1,292		288,151
4	7.50%	171,858	2,161	462,170	2,161		462,170
5	7.50%	171,858	3,466	637,493	3,466		637,493
6	15.00%	343,715	4,781	985,990	4,781		985,990
7	10.00%	229,143	7,395	1,222,528	7,395		1,222,528
8	10.00%	229,143	9,169	1,460,840	9,169		1,460,840
9	10.00%	229,143	10,956	1,700,940	10,956		1,700,940
10	10.00%	229,143	12,757	1,942,840	12,757		1,942,840
11	7.50%	171,858	14,571	2,129,269	14,571		2,129,269
12	5.00%	114,572	15,970	2,259,810	15,970		2,259,810
13	5.00%	114,572	16,949	2,391,330	16,949		2,391,330
	100.00%	2,291,433	99,897		99,897		

EDINBORO ROAD, LLC
Joint Venture/Company (LLC) [PARTNERSHIP]

Analysis of Equity Required

Total Project Development Cost:	$11,000,000	
Debt Financing:	$6,523,970	LTV: 59%
Equity Needed:	$2,174,252	
Multi-Family Sale Proceeds	$1,125,000	

	Partners	Equity Distribution	Ownership Percentage		Partners	Equity	Investment Percentage
	Managing Partner (MM)	$1,496,754	68.8%	11	Non-Managing Partner (NMM)	$108,713	5.0%
1	Non-Managing Partner (NMM)	$108,713	5.0%	12	Non-Managing Partner (NMM)	$108,713	5.0%
2	Non-Managing Partner (NMM)	$108,713	5.0%	13	Non-Managing Partner (NMM)	$108,713	5.0%
3	Non-Managing Partner (NMM)	$108,713	5.0%	14	Non-Managing Partner (NMM)	$108,713	5.0%
4	Non-Managing Partner (NMM)	$108,713	5.0%	15	Non-Managing Partner (NMM)	$108,713	5.0%
5	Non-Managing Partner (NMM)	$108,713	5.0%	16	Non-Managing Partner (NMM)	$108,713	5.0%
6	Non-Managing Partner (NMM)	$108,713	5.0%	17	Non-Managing Partner (NMM)	$108,713	5.0%
7	Non-Managing Partner (NMM)	$108,713	5.0%	18	Non-Managing Partner (NMM)	$108,713	5.0%
8	Non-Managing Partner (NMM)	$108,713	5.0%	19	Non-Managing Partner (NMM)	$108,713	5.0%
9	Non-Managing Partner (NMM)	$108,713	5.0%	20	Non-Managing Partner (NMM)	$108,713	5.0%
10	Non-Managing Partner (NMM)	$108,713	5.0%		Total Equity Contributed	$3,671,006	

Distribution Structure - Inputs

Priority of Distributions from Operations:

I. Cumulative Preferred Return (to Non-Managing Partner):	15%
II. : Distribution of Remaining Cash Flow	
To Non-Managing Partner	60%
To Managing Partner	40%

Priority of Distributions from Capital Event (Sale, Refinance):

To Non-Managing Partner	75%
To Managing Partner	25%

EDINBORO ROAD, LLC
Joint Venture/Company (LLC) [PARTNERSHIP]

I. Distributions from Operations (see Supporting Calculations below)

	Cash Flow Distributions from Operations									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cash Flow From Operations (CFO)	378,376	400,317	423,003	910,415	1,039,771	1,090,053	1,141,999	1,195,661	1,213,557	1,324,483
Less: Debt Service	(346,752)	(346,752)	(346,752)	(547,399)	(547,399)	(547,399)	(547,399)	(547,399)	(547,399)	(547,399)
DSCR	1.09	1.15	1.22	1.66	1.90	1.99	2.09	2.18	2.22	2.42
Cash Flow After Financing (CFAF)	31,624	53,564	76,251	363,016	492,373	542,655	594,601	648,262	666,158	777,085
Priority payments (from available CF - see calculation below):										
(1) Cumulative Preferred Return to the NMM (see below)	31,624	53,564	76,251	363,016	492,373	330,250	224,513	224,513	224,513	224,513
Subtotal	0	0	0	0	0	212,404	370,087	423,749	441,645	552,572
(2) Distribution of Remaining Cash Flow:										
To NMM	0	0	0	0	0	127,442	222,052	254,250	264,987	331,543
To MM	0	0	0	0	0	84,962	148,035	169,500	176,658	221,029
Subtotal	0	0	0	0	0	0	0	0	0	0
Net Cash Flow from Operations	0	0	0	0	0	0	0	0	0	0

	Cash Flow Distributions from Sale Proceeds									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10

II. Distributions from Sale (Sale on Last Day of Year 10)

Gross Proceeds to Partnership (before tax)	18,796,870
Less: Repayment of Mortgage	5,773,506
Net Proceeds to Partnership (before tax)	13,023,363
Distributions of Net Sale Proceeds to Partnership:	
II. Remainder:	
To NMM	9,767,523
To MM	3,255,841
Net Cash Flow From Sale	0

Supporting Calculations for Distributions from Operations and Sale:

Cumulative Return Calculation (from Operations)										
Cash Flow available to Pay Cumulative Preferred Return	31,624	53,564	76,251	363,016	492,373	542,655	594,601	648,262	666,158	777,085
Cumulative Preferred Return Due - current year	224,513	224,513	224,513	224,513	224,513	224,513	224,513	224,513	224,513	224,513
Cumulative Preferred Return Due - accrued from prior years	0	192,889	363,838	512,100	373,597	105,737	0	0	0	0
Total Cumulative Preferred Return Due (including accrued)	224,513	417,403	588,351	736,613	598,110	330,250	224,513	224,513	224,513	224,513
Amount Paid towards Current and Accrued Pref. Return	31,624	53,564	76,251	363,016	492,373	330,250	224,513	224,513	224,513	224,513
Unpaid Balance of Cumulative Preferred Return	192,889	363,838	512,100	373,597	105,737	0	0	0	0	0

EDINBORO ROAD, LLC
Joint Venture/Company (LLC) [PARTNERSHIP]

Summary of Distributions:

III. Summary of Distributions from Operations and from Sale - Partnership										
Summary of Cash Flow Distributions to the Partnership:										
Cash Flow After Financing (CFAF)	31,624	53,564	76,251	363,016	492,373	542,655	594,601	648,262	666,158	777,085
Cash Flow from Net Proceeds to Partnership (Sale)										13,023,363
Total Benefits to the Partnership	31,624	53,564	76,251	363,016	492,373	542,655	594,601	648,262	666,158	13,800,448

III. Summary of Distributions from Operations and from Sale - Non-Managing Partner										
Summary of Cash Flow Distributions to the NMM:										
Distributions from Operations:										
Distribution #1	31,624	53,564	76,251	363,016	492,373	330,250	224,513	224,513	224,513	224,513
Distribution #2	0	0	0	0	0	127,442	222,052	254,250	264,987	331,543
Distribution from Sale:										
II. Distribution from Sale										9,767,523
Total Benefits to the NMM	31,624	53,564	76,251	363,016	492,373	457,693	446,566	478,763	489,500	10,323,579

III. Summary of Distributions from Operations and from Sale - MM										
Summary of Cash Flow Distributions to MM:										
Distributions from Operations:										
Distribution #2	0	0	0	0	0	84,962	148,035	169,500	176,658	221,029
Distribution from Sale - II. Distribution of Remainder										3,255,841
Total Benefits to MM	0	0	0	0	0	84,962	148,035	169,500	176,658	3,476,870

EDINBORO ROAD, LLC
Partnership Investment Returns

LEVERAGED INTERNAL RATE OF RETURN - NMM

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
IRR	Cash Out	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
22.78%	($108,713)	1,581	2,678	3,813	18,151	24,619	22,885	22,328	23,938	24,475	516,179

LEVERAGED INTERNAL RATE OF RETURN - MM

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
IRR	Cash Out	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27
17.39%	($85,000)	0	0	0	0	0	84,962	148,035	169,500	176,658	3,476,870

2004	2005	2006	2007	2008	2009	2010	2011	2012
Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17
6,146	6,146	6,146	6,146	6,146	6,146	-43,854	6,146	0

1996	1997	1998	1999	2000	2001	2002	2003
Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
6,146	6,146	6,146	6,146	6,146	6,146	6,146	6,146

DEBT COVERAGE RATIOS

DEBT COVERAGE ON NOI	YEAR 1	YEAR 5
NOI	$ 488,676	$ 1,267,296
DEBT SERVICE	$ 346,752	$ 547,399
DEBT COVERAGE ON NOI	1.41	2.32

DEBT COVERAGE ON CASH FLOW FROM OPERATIONS		
CASH FLOW FROM OPERATIONS	$ 378,376	$ 1,039,771
DEBT SERVICE	$ 346,752	$ 547,399
DEBT COVERAGE ON CASH FLOW FROM OPERATIONS	1.09	1.90

VALUE

	YEAR 1	YEAR 5
NOI	$ 488,676	$ 1,267,296
CAP RATE	9.00%	9.00%
ESTIMATED VALUE	$ 5,429,733	$ 14,081,063

LOAN-TO-VALUE AND LOAN-TO-COST RATIOS

LOAN-TO VALUE RATIO	YEAR 1	YEAR 5
PROPOSED LOAN AMOUNT	$ 4,132,640	$ 6,523,970
ESTIMATED VALUE	$ 5,429,733	$ 14,081,063
LOAN-TO VALUE RATIO	76%	46%

LOAN-TO COST RATIO		
PROPOSED LOAN AMOUNT	$ 4,132,640	$ 6,523,970
ESTIMATED COST	$ 4,452,459	$ 10,996,280
LOAN-TO COST RATIO	93%	59%

PER SF VALUE AND LOAN EXPOSURE

VALUE PER SF	YEAR 1	YEAR 5
ESTIMATED VALUE	$ 5,429,733	$ 14,081,063
TOTAL BUILDING AREA	70,313	140,625
VALUE PER SF	$ 77.22	$ 100.13

LOAN EXPOSURE PER SF		
PROPOSED LOAN AMOUNT	$ 4,132,640	$ 6,523,970
TOTAL BUILDING AREA	70,313	140,625
LOAN EXPOSURE PER SF	$ 58.78	$ 46.39

EDINBORO ROAD, LLC
MIXED-USE DEVELOPMENT
MEDICAL/OFFICE/MULTI-FAMILY ALTERNATIVE W/ ACQUISITION

RETURN RATIOS

RETURN ON ASSETS (using estimated construction costs)	YEAR 1	YEAR 5
CASH FLOW FROM OPERATIONS	$ 378,376	$ 1,039,771
ESTIMATED CONSTRUCTION COST	$ 4,452,459	$ 10,996,280
RETURN ON ASSETS	8.50%	9.46%
RETURN ON EQUITY (using proposed equity investment)		
CASH FLOW AFTER FINANCING	$ 31,624	$ 492,373
PROPOSED EQUITY INVESTMENT (incl. deferred developer fee)	$ 3,671,006	$ 3,671,006
RETURN ON EQUITY	0.86%	13.41%

BREAKEVEN OCCUPANCY AND RENT RATIOS

BREAKEVEN OCCUPANCY	YEAR 1	YEAR 5
TOTAL OPERATING EXPENSES	$ 496,949	$ 906,589
CAPITAL EXPENDITURES	$ 19,713	$ 43,478
DEBT SERVICE	$ 346,752	$ 547,399
SUBTOTAL	$ 863,414	$ 1,497,466
POTENTIAL GROSS INCOME	$ 1,037,500	$ 2,288,300
BREAKEVEN OCCUPANCY	83.22%	65.44%
BREAKEVEN RENT AT 95% OCCUPANCY		
TOTAL OPERATING EXPENSES	$ 496,949	$ 906,589
CAPITAL EXPENDITURES	$ 19,713	$ 43,478
DEBT SERVICE	$ 346,752	$ 547,399
SUBTOTAL	$ 863,414	$ 1,497,466
NET RENTABLE AREA	70,313	140,625
TIMES: OCCUPANCY RATE	95.00%	95.00%
SUBTOTAL (AGGREGATE ANNUAL OCCUPIED UNITS)	66,797	133,594
BREAK EVEN ANNUAL LEASE REATE AT 95% OCCUPANCY	$ 12.93	$ 11.21

BREAKEVEN VS. PROPOSED MORTGAGE CONSTANT

BREAKEVEN MORTGAGE CONSTANT	YEAR 1	YEAR 5
EFFECTIVE GROSS INCOME	$ 985,625	$ 2,173,885
LESS: OPERATING EXPENSES	$ 496,949	$ 906,589
LESS: CAPITAL EXPENDITURES	$ 19,713	$ 43,478
SUBTOTAL (CASH FLOW FROM OPERATIONS/BEFORE DEBT SERVICE)	$ 468,963	$ 1,223,818
PROPOSED LOAN AMOUNT	$ 4,132,640	$ 6,523,970
BREAKEVEN MORTGAGE CONSTANT	11.35%	18.76%
PROPOSED MORTGAGE CONSTANT		
DEBT SERVICE	$ 346,752	$ 547,399
PROPOSED LOAN AMOUNT	$ 4,132,640	$ 6,523,970
PROPOSED MORTGAGE CONSTANT	8.39%	8.39%

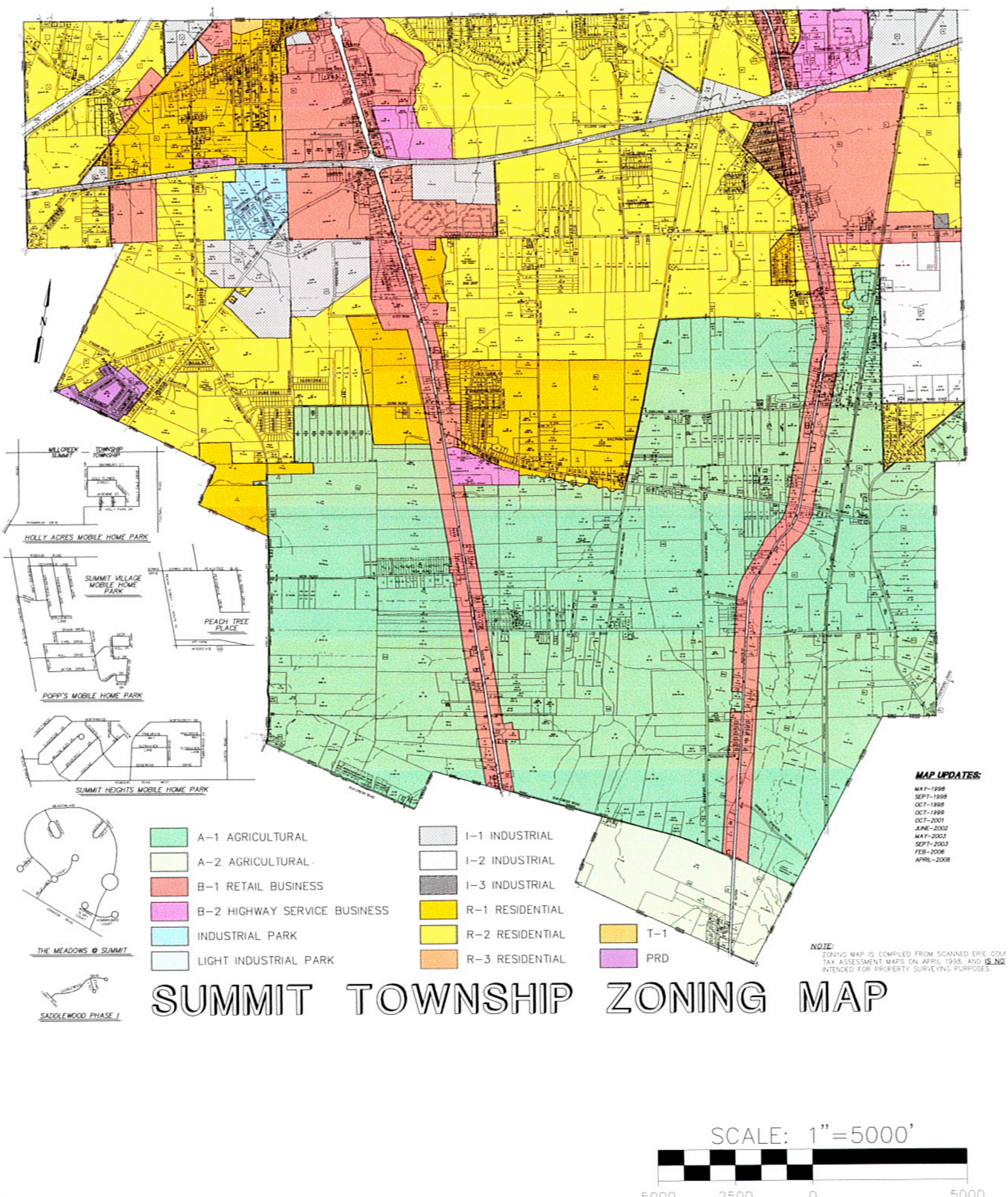
EDINBORO ROAD, LLC
SENSITIVITY ANALYSIS

VARIANCE (FROM ASSMPTIONS)	0%	-20%	-10.00%	+10%	+20%
VACANCY ALLOWANCE (%EGI)	5.00%	4.00%	4.50%	5.50%	6.00%
BTIRR	26.95%	27.51%	27.23%	26.67%	26.39%
ATIRR	17.92%	18.44%	18.18%	17.66%	17.39%

VARIANCE (FROM ASSMPTIONS)	0%	-10%	-5.00%	+5%	+10%
RENTS					
MEDICAL	$15.00 PSF	13.50	14.25	15.75	16.50
OFFICE	$12.00 PSF	10.80	11.40	12.60	13.20
BTIRR	26.95%	23.75%	25.35%	28.57%	30.20%
ATIRR	17.92%	15.35%	16.63%	19.22%	20.53%
EXIT CAP RATE	10.00%	9.00%	9.50%	10.50%	11.00%
BTIRR	26.95%	24.79%	24.02%	22.61%	21.94%
ATIRR	17.92%	16.66%	15.82%	14.23%	13.98%
COMBINED IMPACT ON BTIRR	26.95%	25.74%	26.30%	27.70%	28.54%
COMBINED IMPACT ON ATIRR	17.92%	17.48%	17.65%	18.77%	18.71%
DEVIATION FROM ASSUMPTIONS		-1.21%	-0.65%	0.75%	1.59%

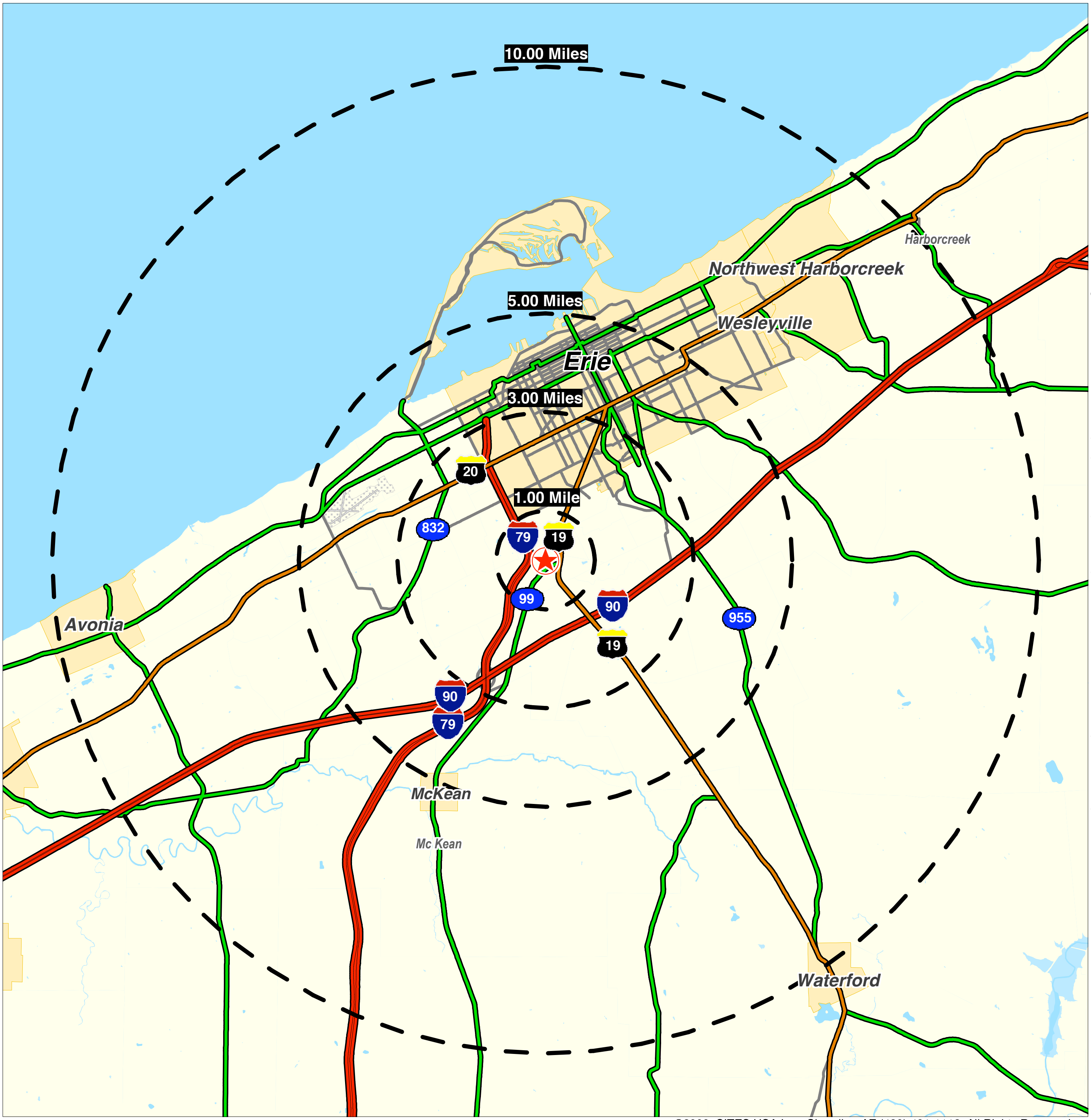
VARIANCE (FROM ASSMPTIONS)	0%	-20%	-10.00%	+10%	+20%
CAP RATE	9.00%	7.20%	8.10%	9.90%	10.80%
VALUE	5,429,733	6,787,166	6,033,036	4,936,121	4,524,777
PERM LOAN 1 LTV	0.74	0.59	0.67	0.81	0.89
DEVIATION FROM ASSUMPTIONS		-25.00%	-11.11%	9.09%	16.67%
HURDLE RATE	9.00%	7.20%	8.10%	9.90%	10.80%
PRESENT VALUE	13,264,419	15,262,810	14,221,188	12,384,789	11,575,348
DEVIATION FROM ASSUMPTIONS		-15.07%	-7.21%	6.63%	12.73%

9.2 Appendix B – Summit Township Zoning Map



9.3 Appendix C – Full Scale Proposed Development Site Plan

9.4 Appendix D – Market Study Data



Lat: 42.0664 Lon: -80.0989 Zoom: 22 mi Logos are for identification purposes only and may be trademarks of their respective companies.

Office Depot Sublease
Erie, PA

ECHO

August 2009

Prepared For

ECHO Real Estate Services

POSTALCOUNT PRO

DELIVERY STATISTICS as of 09/08

Calculated using Proportional Postal Carrier Routes

Prepared For
ECHO Real Estate Services
Lat/Lon: 42.06638/-80.09888 **August 2009**

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Office Depot Sublease Erie, PA		1.00 mi radius	3.00 mi radius	5.00 mi radius	10.00 mi radius
Summary Data					
Demographic Adjustment	**Census 2000 Households**	**2,578**	**22,342**	**56,529**	**80,279**
	Route Active Residential Count	**2,626**	**24,136**	**57,279**	**83,877**
	Census 2000 Average Persons per Household	**2.04**	**2.38**	**2.38**	**2.46**
	Census 2000 Population	**5,593**	**54,238**	**140,806**	**205,474**
	Recalculated Route Active Population Lower range	**5,368**	**57,517**	**136,048**	**205,923**
	Recalculated Route Active Population Upper range	**5,696**	**58,593**	**142,673**	**214,684**
	Census Households vs Route Residential Count	*1.84%*	*8.03%*	*1.33%*	*4.48%*
Origination Data					
Residential Demographics	*Active Residential Delivery*	*2,625*	*23,903*	*56,377*	*80,866*
	Active Residential Box	*1*	*233*	*900*	*3,004*
	Active Residential Count	2,626	24,136	57,277	83,870
	Additional Active General Delivery Count	0	0	1	7
	Total Active Residential Count	2,626	24,136	57,279	83,877
	Additional Possible General Delivery Count	0	0	1	7
	Total Possible Residential Count	2,654	24,594	58,920	86,608
	Census 2000 Households	**2,578**	**22,342**	**56,529**	**80,279**
	Population in households	5,270	53,242	134,267	197,089
	1-person household	*42.30%*	*28.97%*	*32.37%*	*29.32%*
	2-person household	*31.19%*	*34.84%*	*31.67%*	*32.27%*
	3-person household	*13.03%*	*15.57%*	*15.21%*	*15.99%*
	4-person household	*8.25%*	*13.05%*	*12.28%*	*13.32%*
	5-person household	*4.14%*	*5.44%*	*5.58%*	*6.06%*
	6-or-more person household	*1.10%*	*2.13%*	*2.88%*	*3.04%*
	Population in Group Quarters	322	996	6,538	8,385
	Census 2000 Median Age	**31.3**	**34.3**	**33.6**	**33.4**
	Census 2000 Average Household Income	$42,582	$48,348	$44,653	$46,560
	Census 2000 Median Household Income	$26,183	$36,997	$34,368	$35,339
	Census 2000 Per Capita Income	$14,505	$17,589	$16,827	$16,746
	Total Housing Units	2,685	23,316	61,094	86,344
	Occupied housing units	*96.02%*	*95.82%*	*92.53%*	*92.98%*
	Owner-occupied housing units	*47.03%*	*72.03%*	*62.36%*	*67.16%*
	Renter-occupied housing units	*52.97%*	*27.97%*	*37.64%*	*32.84%*
Business Demos	*Drop Site Business or Family Served Count*	98	379	1,269	1,658
	Active Business Deliveries	244	1,918	5,170	7,245
	Possible Business Deliveries	266	2,058	5,588	7,937
	Active Versus Possible Business Deliveries	9.24%	7.30%	8.09%	9.55%

2000 Census Block Group Data and Geography, (SF3 release for Income, SF1 release for remainder, Average Income = Aggregate Income / Households).

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Office Depot Sublease Erie, PA		1.00 mi radius	3.00 mi radius	5.00 mi radius	10.00 mi radius
SCHEME ACTIVE POSTAL DROP	**Scheme Active Business Count**	244	1,918	5,170	7,245
BUSINESS	Centralized Count	76	197	343	372
	Curb Count	71	359	657	1,002
	NDCBU Count	36	114	162	168
	Other Count	61	1,085	3,411	4,190
	Facility Box Count	0	162	593	1,499
	Contract Box Count	0	0	0	0
	Detached Box Count	0	0	0	0
	NPU Count	0	0	0	0
	Caller, Remit, Contest, Other Box Count	0	0	3	13
	Scheme Active Residential Count	2,626	24,136	57,277	83,870
RESIDENTIAL	Centralized Count	704	2,336	6,231	7,314
	Curb Count	1,408	10,017	17,389	31,006
	NDCBU Count	53	384	1,005	1,562
	Other Count	460	11,166	31,753	40,984
	Facility Box Count	0	232	899	3,003
	Contract Box Count	0	0	0	0
	Detached Box Count	1	1	1	1
	NPU Count	0	0	0	0
	Caller, Remit, Contest, Other Box Count	0	0	0	0
	Scheme Active General Delivery Count	0	0	1	7
SCHEME POSSIBLE POSTAL DROP	**Scheme Possible Business Count**	266	2,058	5,588	7,937
BUSINESS	Centralized Count	88	225	379	409
	Curb Count	75	375	682	1,034
	NDCBU Count	39	120	168	174
	Other Count	64	1,148	3,628	4,442
	Facility Box Count	0	190	727	1,862
	Contract Box Count	0	0	0	0
	Detached Box Count	0	0	0	0
	NPU Count	0	0	0	0
	Caller, Remit, Contest, Other Box Count	0	0	3	15
	Scheme Possible Residential Count	2,654	24,594	58,919	86,601
RESIDENTIAL	Centralized Count	713	2,360	6,299	7,394
	Curb Count	1,418	10,070	17,506	31,178
	NDCBU Count	58	398	1,027	1,598
	Other Count	464	11,380	32,816	42,394
	Facility Box Count	0	383	1,271	4,038
	Contract Box Count	0	0	0	0
	Detached Box Count	1	1	1	1
	NPU Count	0	0	0	0
	Caller, Remit, Contest, Other Box Count	0	0	0	0
	Scheme Possible General Delivery Count	0	0	1	7
	Scheme Drop				
	Scheme Drop Business Family Served Count	97	359	1,224	1,572
	Scheme Active Business: Residential Mix	0	11	24	34
	Scheme Active Residential: Business Mix	0	9	21	53

2000 Census Block Group Data and Geography, (SF3 release for Income, SF1 release for remainder, Average Income = Aggregate Income / Households).

DEMOGRAPHIC PROFILE COMPLETE

1990 - 2000 Census, 2008 Estimates & 2013 Projections

Calculated using Proportional Block Groups

Prepared For

ECHO Real Estate Services

Lat/Lon: 42.06638/-80.09888 **August 2009**

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Office Depot Sublease Erie, PA	1.00 mi radius		3.00 mi radius		5.00 mi radius		10.00 mi radius	
Population								
Estimated Population (2008)	5,743		54,188		138,452		202,276	
Census Population (1990)	4,978		52,633		138,895		203,069	
Census Population (2000)	5,593		54,237		140,258		204,127	
Projected Population (2013)	5,757		53,472		136,972		200,163	
Forecasted Population (2018)	5,847		53,027		135,091		197,881	
Historical Annual Change (1990-2000)	615	1.2%	1,604	0.3%	1,363	0.1%	1,058	0.1%
Historical Annual Change (2000-2008)	151	0.3%	-48	0.0%	-1,806	-0.2%	-1,851	-0.1%
Projected Annual Change (2008-2013)	14	0.0%	-716	-0.3%	-1,480	-0.2%	-2,113	-0.2%
Est. Population Density (2008)	1,832.61	*psm*	1,920.41	*psm*	1,854.46	*psm*	854.56	*psm*
Trade Area Size	3.13	*sq mi*	28.22	*sq mi*	74.66	*sq mi*	236.70	*sq mi*
Households								
Estimated Households (2008)	2,714		22,843		56,472		80,286	
Census Households (1990)	2,246		20,552		54,464		76,732	
Census Households (2000)	2,578		22,341		56,272		79,648	
Projected Households (2013)	2,752		22,797		56,299		80,091	
Forecasted Households (2018)	2,845		23,024		56,252		80,254	
Historical Annual Change (1990-2000)	333	1.5%	1,789	0.9%	1,808	0.3%	2,916	0.4%
Projected Annual Change (2000-2013)	173	0.5%	456	0.2%	27	0.0%	443	0.0%
Average Household Income								
Est. Average Household Income (2008)	$47,803		$53,831		$51,593		$53,645	
Census Average Hhld Income (1990)	$32,391		$35,983		$31,931		$33,603	
Census Average Hhld Income (2000)	$42,289		$48,281		$44,544		$46,493	
Proj. Average Household Income (2013)	$52,355		$59,372		$56,807		$59,050	
Historical Annual Change (1990-2000)	$9,898	3.1%	$12,298	3.4%	$12,613	3.9%	$12,889	3.8%
Projected Annual Change (2000-2013)	$10,066	1.8%	$11,091	1.8%	$12,263	2.1%	$12,558	2.1%
Median Household Income								
Est. Median Household Income (2008)	$43,155		$51,191		$46,040		$48,059	
Census Median Hhld Income (1990)	$28,944		$31,216		$26,778		$27,992	
Census Median Hhld Income (2000)	$35,489		$41,627		$36,579		$38,389	
Proj. Median Household Income (2013)	$47,757		$56,812		$51,318		$53,570	
Historical Annual Change (1990-2000)	$6,545	2.3%	$10,411	3.3%	$9,801	3.7%	$10,398	3.7%
Projected Annual Change (2000-2013)	$12,268	2.7%	$15,184	2.8%	$14,738	3.1%	$15,180	3.0%
Per Capita Income								
Est. Per Capita Income (2008)	$26,767		$23,558		$22,274		$22,574	
Census Per Capita Income (1990)	$14,614		$14,051		$12,521		$12,697	
Census Per Capita Income (2000)	$19,529		$19,887		$17,860		$18,110	
Proj. Per Capita Income (2013)	$30,065		$26,364		$24,847		$25,189	
Historical Annual Change (1990-2000)	$4,915	3.4%	$5,836	4.2%	$5,339	4.3%	$5,412	4.3%
Projected Annual Change (2000-2013)	$10,537	4.2%	$6,477	2.5%	$6,987	3.0%	$7,080	3.0%
Other Income								
Est. Median Disposable Income (2008)	$37,313		$43,190		$39,225		$40,758	
Proj. Median Disposable Income (2013)	$40,701		$47,342		$43,153		$44,795	
Est. Average Household Net Worth (2008)	$345,164		$438,564		$399,272		$417,206	

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Household Income Distribution (2008)								
HH Income $200,000 or More	28	1.0%	426	1.9%	1,301	2.3%	1,925	2.4%
HH Income $150,000 to 199,999	52	1.9%	607	2.7%	1,109	2.0%	1,647	2.1%
HH Income $125,000 to 149,999	61	2.2%	707	3.1%	1,460	2.6%	2,247	2.8%
HH Income $100,000 to 124,999	156	5.8%	1,548	6.8%	3,127	5.5%	4,965	6.2%
HH Income $75,000 to 99,999	346	12.7%	2,956	12.9%	5,898	10.4%	9,256	11.5%
HH Income $50,000 to 74,999	456	16.8%	4,849	21.2%	10,851	19.2%	15,983	19.9%
HH Income $35,000 to 49,999	512	18.9%	4,011	17.6%	9,348	16.6%	12,939	16.1%
HH Income $25,000 to 34,999	415	15.3%	3,042	13.3%	7,461	13.2%	10,220	12.7%
HH Income $15,000 to 24,999	359	13.2%	2,711	11.9%	7,736	13.7%	10,379	12.9%
HH Income $10,000 to 14,999	153	5.6%	951	4.2%	3,250	5.8%	4,212	5.2%
HH Income $0 to 9,999	178	6.5%	1,035	4.5%	4,933	8.7%	6,514	8.1%
HH Income $35,000+	1,609	59.3%	15,104	66.1%	33,093	58.6%	48,962	61.0%
HH Income $50,000+	1,097	40.4%	11,093	48.6%	23,745	42.0%	36,022	44.9%
HH Income $75,000+	642	23.7%	6,244	27.3%	12,894	22.8%	20,039	25.0%
Race & Ethnicity (2008)								
Total Population	5,743		54,188		138,452		202,276	
White	5,409	94.2%	50,673	93.5%	120,237	86.8%	177,029	87.5%
Black or African American	154	2.7%	1,574	2.9%	11,449	8.3%	15,649	7.7%
American Indian & Alaska Native	1	0.0%	6	0.0%	24	0.0%	31	0.0%
Asian	64	1.1%	646	1.2%	1,392	1.0%	1,838	0.9%
Hawiian & Pacific Islander	2	0.0%	22	0.0%	72	0.1%	92	0.0%
Other Race	40	0.7%	528	1.0%	2,128	1.5%	3,152	1.6%
Two or More Races	73	1.3%	739	1.4%	3,150	2.3%	4,486	2.2%
Not Hispanic or Latino Population	5,663	98.6%	53,156	98.1%	133,764	96.6%	195,697	96.7%
Non Hispanic: White	*5,333*	*94.2%*	*49,714*	*93.5%*	*116,667*	*87.2%*	*172,143*	*88.0%*
Non Hispanic: Black or African American	*151*	*2.7%*	*1,520*	*2.9%*	*10,510*	*7.9%*	*14,233*	*7.3%*
Non Hispanic: Amer Indian & AK Native	*1*	*0.0%*	*6*	*0.0%*	*16*	*0.0%*	*20*	*0.0%*
Non Hispanic: Asian	*63*	*1.1%*	*639*	*1.2%*	*1,362*	*1.0%*	*1,794*	*0.9%*
Non Hispanic: Hawiian & Pacific Islander	*2*	*0.0%*	*22*	*0.0%*	*70*	*0.1%*	*90*	*0.0%*
Non Hispanic: Other Race	*40*	*0.7%*	*528*	*1.0%*	*2,099*	*1.6%*	*3,104*	*1.6%*
Non Hispanic: Two or More Races	*73*	*1.3%*	*726*	*1.4%*	*3,041*	*2.3%*	*4,314*	*2.2%*
Hispanic or Latino Population	80	1.4%	1,032	1.9%	4,687	3.4%	6,579	3.3%
Hispanic: White	*76*	*94.7%*	*959*	*92.9%*	*3,569*	*76.1%*	*4,886*	*74.3%*
Hispanic: Black or African American	*3*	*3.4%*	*54*	*5.2%*	*940*	*20.0%*	*1,416*	*21.5%*
Hispanic: American Indian & Alaska Native	*0*	*-*	*0*	*-*	*8*	*0.2%*	*11*	*0.2%*
Hispanic: Asian	*1*	*1.8%*	*7*	*0.6%*	*29*	*0.6%*	*44*	*0.7%*
Hispanic: Hawiian & Pacific Islander	*0*	*-*	*0*	*-*	*2*	*0.0%*	*2*	*0.0%*
Hispanic: Other Race	*0*	*-*	*0*	*-*	*29*	*0.6%*	*48*	*0.7%*
Hispanic: Two or More Races	*0*	*-*	*13*	*1.2%*	*110*	*2.3%*	*172*	*2.6%*
Not of Hispanic Origin Population (1990)	4,944	99.3%	52,138	99.1%	136,975	98.6%	200,065	98.5%
Hispanic Origin Population (1990)	33	0.7%	495	0.9%	1,920	1.4%	3,004	1.5%
Not Hispanic or Latino Population (2000)	5,531	98.9%	53,423	98.5%	136,386	97.2%	198,723	97.4%
Hispanic or Latino Population (2000)	61	1.1%	814	1.5%	3,872	2.8%	5,405	2.6%
Not Hispanic or Latino Population 5yr (2013)	5,660	98.3%	52,271	97.8%	131,604	96.1%	192,630	96.2%
Hispanic or Latino Population 5yr (2013)	97	1.7%	1,202	2.2%	5,367	3.9%	7,532	3.8%
Historical Annual Change (1990-2000)	28	8.5%	318	6.4%	1,952	10.2%	2,400	8.0%
Projected Annual Change (2000-2013)	36	4.5%	388	3.7%	1,495	3.0%	2,128	3.0%

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Age Distribution (2008)								
Total Population	5,743		54,188		138,452		202,276	
Age 0 to 4 yrs	262	4.6%	3,067	5.7%	8,362	6.0%	12,088	6.0%
Age 5 to 9 yrs	234	4.1%	3,065	5.7%	8,126	5.9%	12,149	6.0%
Age 10 to 14 yrs	280	4.9%	3,385	6.2%	8,813	6.4%	13,418	6.6%
Age 15 to 19 yrs	297	5.2%	3,076	5.7%	9,252	6.7%	13,861	6.9%
Age 20 to 24 yrs	546	9.5%	3,053	5.6%	10,287	7.4%	14,205	7.0%
Age 25 to 29 yrs	509	8.9%	3,785	7.0%	10,000	7.2%	13,762	6.8%
Age 30 to 34 yrs	313	5.4%	3,242	6.0%	8,146	5.9%	11,444	5.7%
Age 35 to 39 yrs	287	5.0%	3,251	6.0%	8,019	5.8%	11,672	5.8%
Age 40 to 44 yrs	338	5.9%	3,749	6.9%	9,320	6.7%	13,869	6.9%
Age 45 to 49 yrs	421	7.3%	4,037	7.5%	9,965	7.2%	15,120	7.5%
Age 50 to 54 yrs	417	7.3%	4,167	7.7%	10,027	7.2%	15,221	7.5%
Age 55 to 59 yrs	346	6.0%	3,687	6.8%	8,925	6.4%	13,540	6.7%
Age 60 to 64 yrs	296	5.2%	3,019	5.6%	7,042	5.1%	10,650	5.3%
Age 65 to 69 yrs	216	3.8%	2,321	4.3%	5,172	3.7%	7,536	3.7%
Age 70 to 74 yrs	194	3.4%	2,094	3.9%	4,708	3.4%	6,722	3.3%
Age 75 to 79 yrs	213	3.7%	2,142	4.0%	4,872	3.5%	6,735	3.3%
Age 80 to 84 yrs	263	4.6%	1,662	3.1%	3,859	2.8%	5,374	2.7%
Age 85 yrs plus	310	5.4%	1,385	2.6%	3,559	2.6%	4,912	2.4%
Median Age	42.7	*yrs*	40.7	*yrs*	37.8	*yrs*	38.2	*yrs*
Age 19 yrs or less	1,074	18.7%	12,594	23.2%	34,553	25.0%	51,516	25.5%
Age 20 to 64 years	3,472	60.5%	31,990	59.0%	81,730	59.0%	119,482	59.1%
Age 65 years Plus	1,197	20.8%	9,604	17.7%	22,169	16.0%	31,278	15.5%
Female Age Distribution (2008)								
Female Population	2,953	51.4%	28,079	51.8%	71,555	51.7%	103,924	51.4%
Age 0 to 4 yrs	*135*	*4.6%*	*1,486*	*5.3%*	*4,027*	*5.6%*	*5,839*	*5.6%*
Age 5 to 9 yrs	*104*	*3.5%*	*1,390*	*4.9%*	*3,678*	*5.1%*	*5,492*	*5.3%*
Age 10 to 14 yrs	*122*	*4.1%*	*1,664*	*5.9%*	*4,373*	*6.1%*	*6,666*	*6.4%*
Age 15 to 19 yrs	*134*	*4.5%*	*1,505*	*5.4%*	*4,685*	*6.5%*	*6,899*	*6.6%*
Age 20 to 24 yrs	*285*	*9.7%*	*1,499*	*5.3%*	*5,139*	*7.2%*	*6,999*	*6.7%*
Age 25 to 29 yrs	*235*	*8.0%*	*1,884*	*6.7%*	*4,862*	*6.8%*	*6,741*	*6.5%*
Age 30 to 34 yrs	*146*	*4.9%*	*1,636*	*5.8%*	*4,085*	*5.7%*	*5,751*	*5.5%*
Age 35 to 39 yrs	*144*	*4.9%*	*1,697*	*6.0%*	*4,124*	*5.8%*	*6,064*	*5.8%*
Age 40 to 44 yrs	*168*	*5.7%*	*1,952*	*7.0%*	*4,804*	*6.7%*	*7,196*	*6.9%*
Age 45 to 49 yrs	*217*	*7.4%*	*2,067*	*7.4%*	*5,000*	*7.0%*	*7,583*	*7.3%*
Age 50 to 54 yrs	*192*	*6.5%*	*2,117*	*7.5%*	*5,086*	*7.1%*	*7,649*	*7.4%*
Age 55 to 59 yrs	*202*	*6.8%*	*2,011*	*7.2%*	*4,816*	*6.7%*	*7,171*	*6.9%*
Age 60 to 64 yrs	*159*	*5.4%*	*1,624*	*5.8%*	*3,730*	*5.2%*	*5,560*	*5.3%*
Age 65 to 69 yrs	*114*	*3.9%*	*1,211*	*4.3%*	*2,691*	*3.8%*	*3,867*	*3.7%*
Age 70 to 74 yrs	*106*	*3.6%*	*1,159*	*4.1%*	*2,598*	*3.6%*	*3,673*	*3.5%*
Age 75 to 79 yrs	*122*	*4.1%*	*1,244*	*4.4%*	*2,969*	*4.1%*	*4,019*	*3.9%*
Age 80 to 84 yrs	*169*	*5.7%*	*1,012*	*3.6%*	*2,434*	*3.4%*	*3,371*	*3.2%*
Age 85 yrs plus	*199*	*6.7%*	*922*	*3.3%*	*2,453*	*3.4%*	*3,385*	*3.3%*
Female Median Age	*46.0*	*yrs*	*42.5*	*yrs*	*39.7*	*yrs*	*39.9*	*yrs*
Age 19 yrs or less	*495*	*16.8%*	*6,044*	*21.5%*	*16,763*	*23.4%*	*24,896*	*24.0%*
Age 20 to 64 years	*1,748*	*59.2%*	*16,486*	*58.7%*	*41,646*	*58.2%*	*60,713*	*58.4%*
Age 65 years Plus	*710*	*24.0%*	*5,549*	*19.8%*	*13,146*	*18.4%*	*18,315*	*17.6%*

This report was produced using data from private and government sources deemed to be reliable. The information herein is provided without representation or warranty.

DEMOGRAPHIC PROFILE COMPLETE

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Prepared For

ECHO Real Estate Services

Lat/Lon: 42.06638/-80.09888 **August 2009**

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Office Depot Sublease Erie, PA	1.00 mi radius		3.00 mi radius		5.00 mi radius		10.00 mi radius	
Male Age Distribution (2008)								
Male Population	2,791	48.6%	26,109	48.2%	66,897	48.3%	98,352	48.6%
Age 0 to 4 yrs	127	4.6%	1,582	6.1%	4,335	6.5%	6,250	6.4%
Age 5 to 9 yrs	130	4.7%	1,676	6.4%	4,449	6.6%	6,657	6.8%
Age 10 to 14 yrs	158	5.7%	1,721	6.6%	4,440	6.6%	6,751	6.9%
Age 15 to 19 yrs	163	5.8%	1,571	6.0%	4,566	6.8%	6,962	7.1%
Age 20 to 24 yrs	261	9.4%	1,555	6.0%	5,148	7.7%	7,206	7.3%
Age 25 to 29 yrs	274	9.8%	1,902	7.3%	5,137	7.7%	7,021	7.1%
Age 30 to 34 yrs	167	6.0%	1,606	6.1%	4,061	6.1%	5,693	5.8%
Age 35 to 39 yrs	142	5.1%	1,554	6.0%	3,895	5.8%	5,608	5.7%
Age 40 to 44 yrs	170	6.1%	1,797	6.9%	4,515	6.7%	6,673	6.8%
Age 45 to 49 yrs	204	7.3%	1,970	7.5%	4,965	7.4%	7,537	7.7%
Age 50 to 54 yrs	225	8.1%	2,050	7.9%	4,941	7.4%	7,572	7.7%
Age 55 to 59 yrs	144	5.2%	1,676	6.4%	4,109	6.1%	6,369	6.5%
Age 60 to 64 yrs	137	4.9%	1,395	5.3%	3,312	5.0%	5,090	5.2%
Age 65 to 69 yrs	102	3.7%	1,109	4.2%	2,481	3.7%	3,669	3.7%
Age 70 to 74 yrs	88	3.2%	935	3.6%	2,110	3.2%	3,049	3.1%
Age 75 to 79 yrs	92	3.3%	898	3.4%	1,902	2.8%	2,716	2.8%
Age 80 to 84 yrs	94	3.4%	650	2.5%	1,425	2.1%	2,003	2.0%
Age 85 yrs plus	112	4.0%	463	1.8%	1,105	1.7%	1,527	1.6%
Male Median Age	39.2	yrs	38.7	yrs	36.0	yrs	36.5	yrs
Age 19 yrs or less	579	20.8%	6,550	25.1%	17,790	26.6%	26,620	27.1%
Age 20 to 64 years	1,724	61.8%	15,505	59.4%	40,084	59.9%	58,769	59.8%
Age 65 years Plus	487	17.5%	4,055	15.5%	9,023	13.5%	12,963	13.2%
Males per 100 Females, Male % Pop (2008)								
Overall Comparison	95		93		93		95	
Age 0 to 4 yrs	94	48.6%	106	51.6%	108	51.8%	107	51.7%
Age 5 to 9 yrs	125	55.6%	121	54.7%	121	54.7%	121	54.8%
Age 10 to 14 yrs	130	56.5%	103	50.9%	102	50.4%	101	50.3%
Age 15 to 19 yrs	122	54.9%	104	51.1%	97	49.4%	101	50.2%
Age 20 to 24 yrs	91	47.8%	104	50.9%	100	50.0%	103	50.7%
Age 25 to 29 yrs	117	53.8%	101	50.2%	106	51.4%	104	51.0%
Age 30 to 34 yrs	114	53.3%	98	49.5%	99	49.9%	99	49.7%
Age 35 to 39 yrs	99	49.7%	92	47.8%	94	48.6%	92	48.0%
Age 40 to 44 yrs	101	50.4%	92	47.9%	94	48.4%	93	48.1%
Age 45 to 49 yrs	94	48.4%	95	48.8%	99	49.8%	99	49.8%
Age 50 to 54 yrs	117	53.9%	97	49.2%	97	49.3%	99	49.7%
Age 55 to 59 yrs	72	41.7%	83	45.5%	85	46.0%	89	47.0%
Age 60 to 64 yrs	87	46.4%	86	46.2%	89	47.0%	92	47.8%
Age 65 to 69 yrs	89	47.2%	92	47.8%	92	48.0%	95	48.7%
Age 70 to 74 yrs	83	45.3%	81	44.6%	81	44.8%	83	45.4%
Age 75 to 79 yrs	75	42.9%	72	41.9%	64	39.1%	68	40.3%
Age 80 to 84 yrs	55	35.7%	64	39.1%	59	36.9%	59	37.3%
Age 85 yrs plus	56	36.0%	50	33.4%	45	31.1%	45	31.1%
Age 19 yrs or less	117	53.9%	108	52.0%	106	51.5%	107	51.7%
Age 20 to 39 yrs	104	51.0%	99	49.6%	100	50.0%	100	50.0%
Age 40 to 64 yrs	94	48.4%	91	47.6%	93	48.2%	95	48.6%
Age 65 years Plus	69	40.7%	73	42.2%	69	40.7%	71	41.4%

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Office Depot Sublease Erie, PA	1.00 mi radius		3.00 mi radius		5.00 mi radius		10.00 mi radius	
Household Type (2008)								
Total Households	2,714		22,843		56,472		80,286	
Households with Children	537	19.8%	6,205	27.2%	15,972	28.3%	23,978	29.9%
Average Household Size	1.99		2.32		2.32		2.40	
Est. Household Density	865.86	psm	809.56	psm	756.40	psm	339.18	psm
Population Family	3,855	67.1%	43,929	81.1%	104,517	75.5%	158,425	78.3%
Population Non-Family	1,533	26.7%	9,156	16.9%	26,725	19.3%	34,610	17.1%
Population Group Qtrs	356	6.2%	1,103	2.0%	7,210	5.2%	9,241	4.6%
Family Households	1,311	48.3%	14,411	63.1%	33,391	59.1%	50,250	62.6%
Married Couple Hhlds	*988*	*75.3%*	*10,856*	*75.3%*	*22,685*	*67.9%*	*34,993*	*69.6%*
Other Family Hhlds	*323*	*24.7%*	*3,556*	*24.7%*	*10,706*	*32.1%*	*15,257*	*30.4%*
Family Households With Children	537	41.0%	6,188	42.9%	15,913	47.7%	23,890	47.5%
Married Couple With Children	*329*	*61.2%*	*3,929*	*63.5%*	*8,581*	*53.9%*	*13,392*	*56.1%*
Other Family Hhlds With Children	*208*	*38.8%*	*2,259*	*36.5%*	*7,332*	*46.1%*	*10,498*	*43.9%*
Family Households No Children	774	59.0%	8,223	57.1%	17,478	52.3%	26,360	52.5%
Married Couple No Children	*659*	*85.2%*	*6,926*	*84.2%*	*14,104*	*80.7%*	*21,601*	*81.9%*
Other Family Households No Children	*115*	*14.8%*	*1,297*	*15.8%*	*3,374*	*19.3%*	*4,759*	*18.1%*
Average Family Household Size	2.94		3.05		3.13		3.15	
Average Family Income	$65,018		$65,054		$66,224		$67,161	
Median Family Income	$59,283		$62,211		$58,907		$60,332	
Non-Family Households	1,403	51.7%	8,432	36.9%	23,081	40.9%	30,036	37.4%
Non-Family Hhlds With Children	0	0.0%	17	0.2%	59	0.3%	88	0.3%
Non-Family Hhld No Children	1,403	100.0%	8,415	99.8%	23,021	99.7%	29,948	99.7%
N-F Hhld Lone Person No Children	*1,246*	*88.8%*	*7,440*	*88.2%*	*20,086*	*87.0%*	*26,119*	*87.0%*
Lone Male Householder	579	46.5%	2,897	38.9%	8,450	42.1%	11,166	42.8%
Lone Female Householder	667	53.5%	4,543	61.1%	11,636	57.9%	14,953	57.2%
N-F Hhld 2+ Persons No Children	*157*	*11.2%*	*975*	*11.6%*	*2,935*	*12.7%*	*3,829*	*12.7%*
Average Non-Family Hhld Size	1.09		1.09		1.16		1.15	
Marital Status (2008)								
(15 Years or Older)	4,967		44,635		113,087		164,585	
Never Married	1,273	25.6%	10,390	23.3%	33,206	29.4%	46,479	28.2%
Now Married	2,358	47.5%	24,976	56.0%	53,590	47.4%	82,003	49.8%
Previously Married	1,337	26.9%	9,269	20.8%	26,291	23.2%	36,102	21.9%
Separated	*411*	*30.8%*	*1,892*	*20.4%*	*5,956*	*22.7%*	*8,199*	*22.7%*
Widowed	*439*	*32.8%*	*3,535*	*38.1%*	*9,191*	*35.0%*	*12,678*	*35.1%*
Divorced	*487*	*36.4%*	*3,841*	*41.4%*	*11,145*	*42.4%*	*15,225*	*42.2%*
Educational Attainment (2008)								
Adult Population (25 Years or Older)	4,123		38,541		93,612		136,556	
Elementary (0 to 8)	73	1.8%	736	1.9%	2,756	2.9%	3,961	2.9%
Some High School (9 to 11)	241	5.8%	2,310	6.0%	7,662	8.2%	10,794	7.9%
High School Graduate (12)	1,651	40.1%	15,773	40.9%	39,707	42.4%	59,270	43.4%
Some College (13 to 16)	503	12.2%	5,151	13.4%	12,493	13.3%	18,138	13.3%
Associate Degree Only	417	10.1%	3,318	8.6%	7,391	7.9%	10,824	7.9%
Bachelor Degree Only	728	17.6%	6,868	17.8%	14,518	15.5%	20,782	15.2%
Graduate Degree	511	12.4%	4,385	11.4%	9,084	9.7%	12,788	9.4%
Any College + (Some College or higher	2,158	52.3%	19,722	51.2%	43,486	46.5%	62,530	45.8%
College Degree + (Bachelor Degree or higher	1,238	30.0%	11,253	29.2%	23,602	25.2%	33,569	24.6%

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Housing (2008)								
Total Housing Units	2,913		24,561		62,758		88,779	
Housing Units, Occupied	2,714	93.2%	22,843	93.0%	56,472	90.0%	80,286	90.4%
Housing Units, Owner-Occupied	*1,239*	*45.6%*	*16,018*	*70.1%*	*34,717*	*61.5%*	*53,128*	*66.2%*
Housing Units, Renter-Occupied	*1,475*	*54.4%*	*6,826*	*29.9%*	*21,755*	*38.5%*	*27,158*	*33.8%*
Housing Units, Vacant	199	6.8%	1,717	7.0%	6,287	10.0%	8,493	9.6%
Total Housing Units (2000)	2,685		23,315		60,805		85,637	
Historical Annual Change (2000-2008)	228	1.1%	1,245	0.7%	1,953	0.4%	3,142	0.5%
Household Size (2008)								
Total Households	2,714		22,843		56,472		80,286	
1 Person Household	1,246	45.9%	7,440	32.6%	20,086	35.6%	26,119	32.5%
2 Person Households	778	28.7%	7,393	32.4%	16,704	29.6%	24,266	30.2%
3 Person Households	327	12.1%	3,359	14.7%	8,124	14.4%	12,161	15.1%
4 Person Households	223	8.2%	2,928	12.8%	6,895	12.2%	10,614	13.2%
5 Person Households	108	4.0%	1,228	5.4%	3,098	5.5%	4,770	5.9%
6 Person Households	23	0.9%	365	1.6%	1,026	1.8%	1,559	1.9%
7+ Person Households	8	0.3%	129	0.6%	539	1.0%	797	1.0%
Household Stability (2008)								
Total Households	2,714		22,843		56,472		80,286	
In current residence < 1 year	668	24.6%	3,626	15.9%	10,477	18.6%	13,881	17.3%
In current residence 1-2 years	708	26.1%	4,672	20.5%	13,680	24.2%	18,880	23.5%
In current residence 3-5 years	326	12.0%	3,396	14.9%	8,294	14.7%	11,744	14.6%
In current residence 6-10 years	292	10.8%	3,194	14.0%	7,105	12.6%	10,481	13.1%
In current residence > 10 years	719	26.5%	7,954	34.8%	16,916	30.0%	25,300	31.5%
Turnover (% Annual Residential Turnover)		24.6%		15.9%		18.6%		17.3%
Stability (% In Current Residence 5+ Years)		37.3%		48.8%		42.5%		44.6%
Median Years in Residence	3.9	yrs	5.8	yrs	4.8	yrs	5.1	yrs
Household Vehicles (2008)								
Total Vehicles Available	4,705		38,368		87,215		129,761	
Household: 0 Vehicles Available	272	10.0%	1,634	7.2%	6,447	11.4%	8,159	10.2%
Household: 1 Vehicles Available	1,320	48.7%	9,323	40.8%	23,863	42.3%	31,910	39.7%
Household: 2 Vehicles Available	823	30.3%	8,752	38.3%	19,101	33.8%	28,702	35.8%
Household: 3+ Vehicles Available	297	11.0%	3,134	13.7%	7,061	12.5%	11,514	14.3%
Average Per Household	1.7	*Vehicles*	1.7	*Vehicles*	1.5	*Vehicles*	1.6	*Vehicles*
Owner Occupied Hhlds Vehicles	2,432	51.7%	29,691	77.4%	63,762	73.1%	100,399	77.4%
Average Per Owner Household	*2.0*	*Vehicles*	*1.9*	*Vehicles*	*1.8*	*Vehicles*	*1.9*	*Vehicles*
Renter Occupied Hhlds Vehicles	2,274	48.3%	8,677	22.6%	23,453	26.9%	29,362	22.6%
Average Per Renter Household	*1.5*	*Vehicles*	*1.3*	*Vehicles*	*1.1*	*Vehicles*	*1.1*	*Vehicles*
Travel Time (2000)								
Worker Base (16 Years or Older)	2,831		26,691		64,328		93,965	
Travel to Work in 14 Minutes or Less	1,179	41.6%	12,172	45.6%	28,449	44.2%	38,504	41.0%
Travel to Work in 15 to 29 Minutes	1,356	47.9%	11,799	44.2%	28,168	43.8%	42,412	45.1%
Travel to Work in 30 to 59 Minutes	208	7.4%	1,732	6.5%	5,070	7.9%	9,121	9.7%
Travel to Work in 60 Minutes or More	39	1.4%	473	1.8%	1,466	2.3%	2,146	2.3%
Work at Home	49	1.7%	514	1.9%	1,175	1.8%	1,782	1.9%
Average Travel Time to Work	15.3	mins	15.3	mins	15.9	mins	16.7	mins

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Transportation To Work (2000)								
Work Base	2,831		26,691		64,328		93,965	
Drive to Work Alone	2,415	85.3%	22,740	85.2%	50,886	79.1%	75,199	80.0%
Drive to Work in Carpool	250	8.8%	2,526	9.5%	7,254	11.3%	10,541	11.2%
Travel to Work - Public Transportation	50	1.8%	257	1.0%	1,311	2.0%	1,772	1.9%
Drive to Work on Motorcycle	2	0.1%	20	0.1%	56	0.1%	75	0.1%
Bicycle to Work	0	-	63	0.2%	342	0.5%	425	0.5%
Walk to Work	60	2.1%	475	1.8%	2,953	4.6%	3,688	3.9%
Other Means	3	0.1%	95	0.4%	352	0.5%	483	0.5%
Work at Home	49	1.7%	514	1.9%	1,175	1.8%	1,782	1.9%
Daytime Demos (2008)								
Total Number of Businesses	430		2,478		6,355		8,223	
Total Number of Employees	7,593		34,734		97,927		126,614	
Company Headqtrs: Businesses	1	0.3%	6	0.2%	15	0.2%	24	0.3%
Company Headqtrs: Employees	16	0.2%	224	0.6%	1,170	1.2%	2,236	1.8%
Employee Population per Business		17.7 to 1		14.0 to 1		15.4 to 1		15.4 to 1
Residential Population per Business		13.4 to 1		21.9 to 1		21.8 to 1		24.6 to 1
Est. Adj. Daytime Demographics (Age16+)	9,581		51,775		144,809		193,898	
Labor Force (2008)								
Labor: Population Age 16+	4,894		43,913		111,235		161,663	
Unemployment Rate		2.7%		2.9%		4.7%		4.6%
Labor Force Total: Males	2,336	47.7%	20,749	47.2%	52,717	47.4%	77,195	47.8%
Male civilian employed	*1,530*	*65.5%*	*13,704*	*66.0%*	*32,407*	*61.5%*	*48,130*	*62.3%*
Male civilian unemployed	*66*	*2.8%*	*723*	*3.5%*	*3,062*	*5.8%*	*4,273*	*5.5%*
Males in Armed Forces	*0*	-	*0*	-	*0*	-	*0*	-
Males not in labor force	*740*	*31.7%*	*6,322*	*30.5%*	*17,248*	*32.7%*	*24,791*	*32.1%*
Labor Force Total: Females	2,558	52.3%	23,164	52.8%	58,518	52.6%	84,469	52.2%
Female civilian employed	*1,375*	*53.8%*	*13,168*	*56.8%*	*31,947*	*54.6%*	*46,249*	*54.8%*
Female civilian unemployed	*68*	*2.6%*	*536*	*2.3%*	*2,210*	*3.8%*	*3,092*	*3.7%*
Females in Armed Forces	*0*	-	*0*	-	*0*	-	*0*	-
Females not in labor force	*1,115*	*43.6%*	*9,461*	*40.8%*	*24,361*	*41.6%*	*35,127*	*41.6%*
Employment Force Change (2000-2008)	98	3.5%	220	0.8%	124	0.2%	528	0.6%
Male Change (2000-2008)	29	1.9%	-86	-0.6%	-447	-1.4%	-503	-1.0%
Female Change (2000-2008)	69	5.3%	306	2.4%	571	1.8%	1,031	2.3%
Occupation (2000)								
Occupation: Population Age 16+	2,807		26,652		64,229		93,852	
Occupation Total: Males	*1,501*	*53.5%*	*13,790*	*51.7%*	*32,854*	*51.2%*	*48,633*	*51.8%*
Occupation Total: Females	*1,307*	*46.5%*	*12,862*	*48.3%*	*31,375*	*48.8%*	*45,219*	*48.2%*
Mgmt, Business, & Financial Operations	345	12.3%	3,173	11.9%	6,572	10.2%	9,794	10.4%
Professional and Related	679	24.2%	6,134	23.0%	13,238	20.6%	18,654	19.9%
Service	348	12.4%	3,939	14.8%	10,906	17.0%	15,627	16.7%
Sales and Office	777	27.7%	7,267	27.3%	17,546	27.3%	25,104	26.7%
Farming, Fishing, and Forestry	0	-	17	0.1%	177	0.3%	285	0.3%
Construction, Extraction, & Maintenance	148	5.3%	1,742	6.5%	4,233	6.6%	6,682	7.1%
Production, Transport, & Material Moving	509	18.1%	4,378	16.4%	11,557	18.0%	17,706	18.9%
White Collar		*64.2%*		*62.2%*		*58.2%*		*57.1%*
Blue Collar		*35.8%*		*37.8%*		*41.8%*		*42.9%*

DEMOGRAPHIC PROFILE COMPLETE

1990 - 2000 Census, 2008 Estimates & 2013 Projections

Calculated using Proportional Block Groups

Prepared For

ECHO Real Estate Services

Lat/Lon: 42.06638/-80.09888 **August 2009**

ECHO

RF9

Office Depot Sublease Erie, PA	1.00 mi radius		3.00 mi radius		5.00 mi radius		10.00 mi radius	
Units In Structure (2000)								
Total Units	2,685		23,315		60,805		85,637	
1 Detached Unit	1,320	49.2%	16,482	70.7%	35,397	58.2%	53,787	62.8%
1 Attached Unit	71	2.6%	828	3.5%	1,794	3.0%	2,915	3.4%
2 Units	48	1.8%	1,437	6.2%	7,904	13.0%	9,708	11.3%
3 to 4 Units	95	3.6%	1,123	4.8%	4,528	7.4%	5,312	6.2%
5 to 9 Units	128	4.8%	912	3.9%	2,809	4.6%	3,544	4.1%
10 to 19 Units	426	15.9%	728	3.1%	1,774	2.9%	2,010	2.3%
20 to 49 Units	351	13.1%	638	2.7%	1,180	1.9%	1,376	1.6%
50 or more Units	179	6.7%	395	1.7%	2,795	4.6%	3,023	3.5%
Mobile Home or Trailer	65	2.4%	767	3.3%	2,597	4.3%	3,926	4.6%
Other Structure	0	-	4	0.0%	26	0.0%	37	0.0%
Homes Built By Year (2000)								
Homes Built 1999 to 2000	72	2.7%	295	1.3%	637	1.0%	892	1.0%
Homes Built 1995 to 1998	181	6.7%	1,246	5.3%	2,242	3.7%	3,146	3.7%
Homes Built 1990 to 1994	240	8.9%	1,294	5.5%	2,456	4.0%	3,885	4.5%
Homes Built 1980 to 1989	425	15.8%	2,085	8.9%	4,789	7.9%	6,787	7.9%
Homes Built 1970 to 1979	866	32.3%	3,426	14.7%	7,611	12.5%	12,183	14.2%
Homes Built 1960 to 1969	337	12.6%	3,223	13.8%	6,352	10.4%	9,644	11.3%
Homes Built 1950 to 1959	283	10.5%	5,187	22.2%	10,739	17.7%	14,855	17.3%
Homes Built 1940 to 1949	121	4.5%	2,395	10.3%	6,969	11.5%	9,497	11.1%
Homes Built Before 1939	159	5.9%	4,164	17.9%	19,011	31.3%	24,749	28.9%
Median Age of Homes	25.3	yrs	38.7	yrs	46.8	yrs	44.9	yrs
Home Values (2000)								
Owner Specified Housing Units	1,077		14,581		29,926		45,167	
Home Values $1,000,000 or More	0	-	0	-	17	0.1%	41	0.1%
Home Values $750,000 or $999,999	0	-	8	0.1%	47	0.2%	97	0.2%
Home Values $500,000 or $749,999	1	0.1%	18	0.1%	94	0.3%	114	0.3%
Home Values $400,000 to $499,999	1	0.1%	40	0.3%	127	0.4%	220	0.5%
Home Values $300,000 to $399,999	4	0.3%	85	0.6%	286	1.0%	438	1.0%
Home Values $250,000 to $299,999	19	1.8%	275	1.9%	449	1.5%	700	1.5%
Home Values $200,000 to $249,999	15	1.4%	317	2.2%	674	2.3%	1,233	2.7%
Home Values $175,000 to $199,999	47	4.4%	537	3.7%	930	3.1%	1,498	3.3%
Home Values $150,000 to $174,999	70	6.5%	839	5.8%	1,539	5.1%	2,432	5.4%
Home Values $125,000 to $149,999	177	16.5%	1,393	9.6%	2,476	8.3%	4,200	9.3%
Home Values $100,000 to $124,999	291	27.0%	2,024	13.9%	3,422	11.4%	5,468	12.1%
Home Values $90,000 to $99,999	96	8.9%	1,300	8.9%	2,424	8.1%	3,905	8.6%
Home Values $80,000 to $89,999	155	14.4%	1,937	13.3%	3,356	11.2%	4,635	10.3%
Home Values $70,000 to $79,999	74	6.9%	1,853	12.7%	3,363	11.2%	4,913	10.9%
Home Values $60,000 to $69,999	54	5.0%	1,714	11.8%	3,666	12.3%	5,132	11.4%
Home Values $50,000 to $59,999	49	4.5%	1,094	7.5%	2,451	8.2%	3,536	7.8%
Home Values $35,000 to $49,999	25	2.3%	857	5.9%	2,710	9.1%	3,971	8.8%
Home Values $25,000 to $34,999	0	-	166	1.1%	1,081	3.6%	1,546	3.4%
Home Values $10,000 to $24,999	0	-	110	0.8%	743	2.5%	994	2.2%
Home Values $0 to $9,999	0	-	13	0.1%	71	0.2%	95	0.2%
Owner Occupied Median Home Value	$108,473		$99,366		$93,149		$95,607	
Renter Occupied Median Rent	$434		$376		$294		$277	

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Office Depot Sublease Erie, PA	**1.00 mi radius**		**3.00 mi radius**		**5.00 mi radius**		**10.00 mi radius**	
Consumer Expenditure *(Annual Total)*								
Total Household Expenditure (2008)	$115,122,347		$1,046,278,730		$2,500,655,092		$3,647,104,082	
Total Non-Retail Expenditures (2008)	*$65,825,207*		*$600,557,960*		*$1,432,467,155*		*$2,091,869,823*	
Total Retail Expenditures (2008)	*$49,297,139*		*$445,720,772*		*$1,068,187,945*		*$1,555,234,266*	
Apparel (2008)	$5,468,918		$49,844,545		$119,581,841		$174,384,457	
Contributions (2008)	$3,975,723		$37,470,147		$89,445,858		$130,971,210	
Education (2008)	$2,570,818		$23,605,536		$57,491,492		$83,955,136	
Entertainment (2008)	$6,362,099		$58,292,094		$138,616,906		$202,670,247	
Food And Beverages (2008)	$18,007,827		$161,897,162		$388,885,239		$565,647,142	
Furnishings And Equipment (2008)	$4,896,078		$45,280,977		$106,963,600		$156,983,709	
Gifts (2008)	$2,904,533		$26,962,848		$64,344,775		$94,115,746	
Health Care (2008)	$7,410,564		$65,661,284		$157,889,168		$228,755,294	
Household Operations (2008)	$3,871,184		$36,389,378		$86,488,042		$126,942,240	
Miscellaneous Expenses (2008)	$1,995,034		$17,780,839		$42,653,492		$61,938,645	
Personal Care (2008)	$1,685,806		$15,192,936		$36,397,427		$53,006,007	
Personal Insurance (2008)	$1,105,640		$10,367,351		$24,677,693		$36,199,624	
Reading (2008)	$382,619		$3,444,326		$8,228,352		$11,977,063	
Shelter (2008)	$22,028,056		$201,041,547		$481,170,229		$701,912,599	
Tobacco (2008)	$829,114		$7,158,081		$17,402,686		$25,064,154	
Transportation (2008)	$23,172,678		$211,305,736		$500,360,177		$731,748,130	
Utilities (2008)	$8,455,657		$74,583,964		$180,058,153		$260,832,718	
Consumer Expenditure *(per Household per Month)*								
Total Household Expenditure (2008)	$3,535		$3,817		$3,690		$3,786	
Total Non-Retail Expenditures (2008)	*$2,021*	*57.2%*	*$2,191*	*57.4%*	*$2,114*	*57.3%*	*$2,171*	*57.4%*
Total Retail Expenditures (2008)	*$1,514*	*42.8%*	*$1,626*	*42.6%*	*$1,576*	*42.7%*	*$1,614*	*42.6%*
Apparel (2008)	$168	*4.8%*	$182	*4.8%*	$176	*4.8%*	$181	*4.8%*
Contributions (2008)	$122	*3.5%*	$137	*3.6%*	$132	*3.6%*	$136	*3.6%*
Education (2008)	$79	*2.2%*	$86	*2.3%*	$85	*2.3%*	$87	*2.3%*
Entertainment (2008)	$195	*5.5%*	$213	*5.6%*	$205	*5.5%*	$210	*5.6%*
Food And Beverages (2008)	$553	*15.6%*	$591	*15.5%*	$574	*15.6%*	$587	*15.5%*
Furnishings And Equipment (2008)	$150	*4.3%*	$165	*4.3%*	$158	*4.3%*	$163	*4.3%*
Gifts (2008)	$89	*2.5%*	$98	*2.6%*	$95	*2.6%*	$98	*2.6%*
Health Care (2008)	$228	*6.4%*	$240	*6.3%*	$233	*6.3%*	$237	*6.3%*
Household Operations (2008)	$119	*3.4%*	$133	*3.5%*	$128	*3.5%*	$132	*3.5%*
Miscellaneous Expenses (2008)	$61	*1.7%*	$65	*1.7%*	$63	*1.7%*	$64	*1.7%*
Personal Care (2008)	$52	*1.5%*	$55	*1.5%*	$54	*1.5%*	$55	*1.5%*
Personal Insurance (2008)	$34	*1.0%*	$38	*1.0%*	$36	*1.0%*	$38	*1.0%*
Reading (2008)	$12	*0.3%*	$13	*0.3%*	$12	*0.3%*	$12	*0.3%*
Shelter (2008)	$676	*19.1%*	$733	*19.2%*	$710	*19.2%*	$729	*19.2%*
Tobacco (2008)	$25	*0.7%*	$26	*0.7%*	$26	*0.7%*	$26	*0.7%*
Transportation (2008)	$712	*20.1%*	$771	*20.2%*	$738	*20.0%*	$760	*20.1%*
Utilities (2008)	$260	*7.3%*	$272	*7.1%*	$266	*7.2%*	$271	*7.2%*

9.5 Appendix E – Alternate Investment Decisions

EDINBORO ROAD, LLC

Partnership Investment Returns - NO ADDITIONAL ACQUISITION

LEVERAGED INTERNAL RATE OF RETURN - NMM

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
IRR	Cash Out	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
-0.24%	($137,994)	3,041	3,441	3,854	1,656	2,064	2,485	2,921	3,371	3,836	108,317

LEVERAGED INTERNAL RATE OF RETURN - MM

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
IRR	Cash Out	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27
12.03%	($85,000)	23,337	28,673	34,180	4,865	10,305	15,926	21,736	27,738	33,940	733,682
			2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
			Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17
			6,146	6,146	6,146	6,146	6,146	6,146	-43,854	6,146	0
				1996	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
				6,146	6,146	6,146	6,146	6,146	6,146	6,146	6,146

EDINBORO ROAD, LLC

SALE OF 36 UNIT MULTI-FAMILY PARCEL

LEVERAGED INTERNAL RATE OF RETURN - MM

		2009	2010	2011	2012	2013	2014	2015
IRR	Cash Out	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16
10.22%	($85,000)	3,073	-26,927	-26,927	3,073	3,073	3,073	360,000
		2002	2003	2004	2005	2006	2007	2008
		Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
		6,146	6,146	6,146	6,146	6,146	6,146	6,146
			1996	1997	1998	1999	2000	2001
			Year 1	Year 1	Year 2	Year 3	Year 4	Year 5
			6,146	6,146	6,146	6,146	6,146	6,146

Based on sale of 36 unimproved multi-family lots assuming that $30,000 is invested in 2010 and 2011 to achieve a rezoning and lots sell for $10,000 each.

10.0 Sources

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