MASTER of SCIENCE in REAL ESTATE DEVELOPMENT

PARKVIEW VISTAS

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I. Project Overview

MIP Development will develop Parkview Vistas, a 40,000 sf, 5-story mixed use project at 3661 Georgia Avenue in order to meet a clear need for residential housing and retail in the submarket located near the Petworth/Georgia Avenue Metro Station. Our project will stand approximately 70 feet and will contain 4 levels of multifamily, 1 underground parking deck with 20 spaces, and 10,000 sf of first floor retail. The 4 floors of multifamily will include 6 studios, 7 2BR/2BA, and 25 1BR/1BA for a total of 38 units. Metro Investment Properties will make best efforts to lease the entire 10,000 sf retail space to one large “destination” retailer. The underground parking deck will include approximately 20 spaces to accommodate both retail and multi-family use. Metro Investment Properties will sell the entire building 2 years after stabilization at the end of 2015.

Parkview Vistas will cost approximately $11.1 MM to build ($278/sf) and require an equity investment of approximately $1.5MM. MIP Development will provide 10% of the equity and we are seeking an additional 90% of the equity from our investment partners. In our base case scenario, we projected rents at rates below our best competitors and expect project returns of 28% IRR. In our worst case scenario, where we significantly lowered our income projections and increased our initial equity, the project shows an Internal Rate of Return of .23%. In our best case scenario, we assumed that we can achieve the same rents two years from now that our best competitors are receiving today and that we can achieve a 53% IRR.

II. Investment Highlights

1. 28% Project IRR in conservative base case scenario
2. 10% Year 1 Cash on Cash Returns
3. Metro-Oriented Development
4. High demand for new multifamily and retail product
5. 5% submarket vacancy; 2% for new buildings
6. Conservative LTV at 66% for multifamily
7. Development Team has strong track record in this submarket
8. Experienced general contractor mitigates construction risk
9. At least 14 new projects built or breaking ground since 2008
10. Market leader Donatelli Development has a large project across the street.

III. Sources and Uses

DEBT PROCEEDS	$9,619,166	ACQUISTION	$2,178,000
REQUIRED EQUITY	1,504,557	CONSTRUCTION	7,219,982
		PERMITS	55,000
		UTILITIES	107,500
		ARCHITECT & ENGINEERING	376,800
		LEGAL	105,000
		FINANCING	18,800
		CARRYING COSTS & RESERVES	171,000
		MISC & OTHER	294,000
		CAPITALIZED INTEREST	108,000
		SOFT COST CONTINGENCY	61,805
		SUBTOTAL DEVELOPMENT COST	$10,695,887
		DEVELOPER FEES	427,835
TOTAL SOURCES	$11,123,722	TOTAL USES	$11,123,722

IV. Major Findings

- Submarket

Renters pay large premium near the metro- while researching the planned projects and developments in the submarket we found that this submarket shows a pronounced change in demand the closer you get to the metro station. Many of the property managers specifically mentioned that properties within 2-3 blocks of the metro have a different demand and perception of safety than properties only 1-2 blocks away. **A new 1 Bedroom unit 3 blocks from the metro rents for almost $1psf less than a new unit at the metro station.**

Very old product/Demand outpaces supply- The vast majority of the multi-family product in the submarket is over 50 years old. While this is the case in many DC submarkets this submarket has not seen the massive wave of unit renovations as seen in other nearby submarkets in Columbia Heights, Dupont Circle, and Logan Circle.

Extremely low vacancy- A second major driver in our decision to move forward with this project centers around the extremely low vacancy in the submarket. Despite the outdated rental product rents continue to surge higher than one would expect. 4-5% submarket vacancy and closer to 2% vacancy in new buildings

Follow Donatelli Development- With thousands of absorbed new residential units recently built or coming online, renovations to the Safeway, and new retailers opening shops this neighborhood is the “next” neighborhood in NW DC. MAC realty says that the neighborhood resembles U Street of 10 years ago and Columbia Heights of 3 years ago. Donatelli’s developments at metro stations near U Street and

Columbia Heights led to the regenerations of those neighborhoods. Small and mid-sized developers will fare well following Donatelli Development. If Donatelli builds it, they will come.

Lack of Retail has led to Immense Leakage- Residents of the area around the Georgia Avenue Metro Station have suffered for years. There is 1 pharmacy and 1 sit down restaurant that both opened in 2010 and not much else. Residents refuse to shop at the Safeway which is scheduled to be demolished in 2012, opting instead to shop for basic goods in Columbia Heights, other parts of the city, and even worse in Maryland.

Project

Unit Mix- Our market Analysis found that this submarket had an extremely high demand for individual occupancy. Therefore we dedicated the majority of the square footage of the building to an optimal mix of one bedrooms and studios

Price Per Square Foot- With smaller units we found that we could push the price per square foot numbers very close to our higher end competitors while staying within the affordability target for our profile tenant, the 22-34 year old renter.

Tenant Profile- The submarket has traditionally attracted families that live in apartment buildings longer than the traditional renter and single persons who could not afford to live in more desired neighborhoods to the west. Market research shows that the most recent tenants that have moved into new buildings tend to purposely choose this submarket because of its affordability, proximity to downtown offices and entertainment districts, and its more suburban neighborhood feel. Our renters will lean more toward the older end of our 22-34 year old bracket and will likely have recently moved from some of the more desired neighborhoods to the west.

IV. Project Financial Highlights

A. Base Case

Executive Summary Parkview Vista Base Case Scenario 12/15/2011		
	SF	**RATE/SF**
Studios	2,550	$3.41
1BR/1BA	16,250	$3.00
Parking	20	$200.00
2BR/2BA	7,000	$2.80
Retail	10,000	$32.50
Total Size	35,800	
Total Project Cost	$11,123,722	
Project Cost Per SF	$278	
Loan	$9,619,166	
Amortization	30	years
Interest Rate	6.500%	
Financial Ratios		
Net Operating Income (NOI)	$875,515	*(year 1)*
Cap Rate	6.00%	
Project Value	$14,591,921	*(year 1)*
Loan to Cost (LTC)	86%	*(year 1)*
Loan to Value (LTV)	66%	*(year 1)*
Debt Coverage Ratio (DCR)	1.200	*(year 1)*
Year 1 Cash Flow	$145,919	*(year 1)*
Year 1 Cash/Cash (BT)	10%	*(year 1)*
Equity Requirement		
Total Equity Required	$1,504,557	
Number of Partners	2	
Equity Partners	$1,354,101	90%
MIP Development Equity	$150,456	10%
R.O.E (IRR)- 10 yr Hold	19%	
R.O.E (IRR)- 2 yr Hold	28%	

B. WORST CASE

Executive Summary Parkview Vista Worst Case Scenario 12/15/2011		
	SF	**RATE/SF**
Studios	2,550	$3.28
1BR/1BA	16,250	$2.92
Parking	20	$175.00
2BR/2BA	7,000	$2.50
Retail	8,000	$30.00
Total Rentable SF	33,800	
Total Project Cost	$11,181,336	
Project Cost Per SF	$1,397.67	
Loan	$8,545,164	
Amortization	30	years
Interest Rate	6.500%	
Financial Ratios		
Net Operating Income (NOI)	$777,762	*(year 1)*
Cap Rate	6.50%	
Project Value	$11,965,570	*(year 1)*
Loan to Cost (LTC)	76%	*(year 1)*
Loan to Value (LTV)	71%	*(year 1)*
Debt Coverage Ratio (DCR)	1.200	*(year 1)*
Year 1 Cash Flow	$129,627	*(year 1)*
Year 1 Cash/Cash (BT)	5%	*(year 1)*
Equity Requirement		
Total Equity Required	$2,636,172	
Number of Partners	2	
Equity Partners	$2,372,554	90%
MIP Development Equity	$263,617	10%
R.O.E (IRR)- 10 yr Hold	6%	
R.O.E (IRR)- 2 yr Hold	0.23%	

C. BEST CASE

Executive Summary Petworth Vista Best Case Scenario 12/15/2011		
	SF	**RATE/SF**
Studios	2,550	$3.53
1BR	16,250	$3.22
Parking	20	$250.00
2BR/2BA	7,000	$3.00
Retail	10,000	$36.00
Total Size	35,800	
Total Project Cost	$11,181,336	
Project Cost Per SF	$280	
Loan	$9,504,136	
Amortization	40	years
Interest Rate	6.500%	
Financial Ratios		
Net Operating Income (NOI)	$1,052,778	*(year 1)*
Cap Rate	5.75%	
Project Value	$18,309,183	*(year 1)*
Loan to Cost (LTC)	85%	*(year 1)*
Loan to Value (LTV)	52%	*(year 1)*
Debt Coverage Ratio (DCR)	1.577	*(year 1)*
Year 1 Cash Flow	$385,067	*(year 1)*
Year 1 Cash/Cash (BT)	23%	*(year 1)*
Equity Requirement		
Total Equity Required	$1,677,200	
Number of Partners	2	
Equity Partners	$1,509,480	90%
MIP Development Equity	$167,720	10%
R.O.E (IRR)- 10 yr Hold	28%	
R.O.E (IRR)- 2 yr Hold	53%	

DEVELOPMENT PROGRAM

II. DEVELOPMENT PROGRAM

The development team at Metro Investment Properties will build a mixed use development at an approximately 10,000 sf site located at 3661 Georgia Avenue in Washington, D.C. Our development team sees a tremendous opportunity to provide a mid-sized apartment building in a submarket located in the clear path of development in a rapidly gentrifying submarket of Northwest Washington, D.C. This submarket has experienced extremely low vacancy and high demand, coupled with inadequate stocks of new supply. Out of the new supply that has recently come online or is scheduled to come online within the next few years, most of the buildings are behemoths that do not appeal to all types of users.

Multifamily

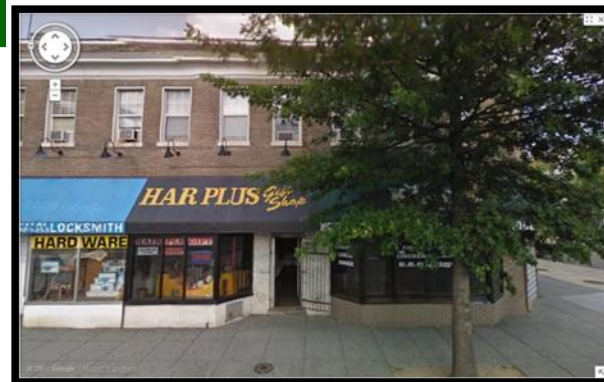
Our development team believes that we can create a building that has a unique market position within our submarket in comparison to our competitors. Over the next few years there will be several large institutional quality buildings built in the submarket that feature multiple amenities, high-end finishes, and hundreds of units. We believe that the single young professional is rapidly moving back into our cities. This young professional appreciates quality, functionality, and smart design but is not willing to overpay for some of the "bells and whistles" that represent the overindulgence of years past. We will design a building, unit mix, and unit chiefly comprised of smaller studios and 1 bedroom units with this end user's work habits, lifestyle, and most importantly affordability in mind. Our team believes that we can maximize returns by offering a comparable multi-family product with less amenities and slightly lower finishes at a rental price per square foot very similar to our competitors in some of the larger Class A multifamily buildings.

Retail

The retail submarket around our subject property is characterized by low quality functionally obsolescent buildings with small retailers in spaces between 500-2,000 square feet. While there are several obvious needs for certain types of retailers within this submarket, the type of buildings and space sizes needed to accommodate these retailers just do not exist in this submarket. Our initial drive through of the market tells us that we may be able to charge just as much on a per square foot basis for a larger space as we would be able to attain by breaking up our retail into smaller bays. There may be an opportunity to lease 100% of our retail space to 1 large tenant or to break up the space between only two or three tenants.

SITE AND PROPERTY DESCRIPTION

III. SITE AND PROPERTY DESCRIPTION



The subject property is located in the Petworth/Parkview submarket of Washington D.C. and literally sits at the border of Wards 1 and 4 along the Georgia Avenue corridor in NW DC. Our site is located several miles north of downtown Washington, DC, and is nestled between Rock Creek Park and the Armed Forces Retirement Home, two of the largest green features within the Washington DC city limits. The site is approximately one mile north of Howard University and is within walking distance of the DC USA project in the center of Columbia Heights. The site benefits from its unique location in Eastern Columbia Heights along the border with the Petworth Neighborhood. The Columbia Heights neighborhood has recently experienced a massive influx of national attention from its new development, diverse population, and explosive population growth over the last ten years. In fact, the submarket is no longer viewed as an emerging area; Columbia Heights is now a sought after location in D.C. that is home to some of the highest rents per square foot in the city & a hotbed of recent institutional multifamily development and acquisitions.

The Petworth neighborhood has been a stable owner-occupied area for years and possesses a suburban feel despite its location only 2-3 miles from the city's downtown office core. Like its neighbor to the southeast, Columbia Heights, Petworth has seen an influx of homebuyers and new residents over the past several years because of its locational advantages, affordability, and quality housing stock. However, Petworth's lack of retail offerings has somewhat lessened its desirability and has forced its residents to venture into adjacent neighborhoods in Columbia Heights & Silver Spring, MD to shop for the most basic goods.

The Site

The 10,164 sf site sits on two rectangular-shaped parcels bordered by Georgia Avenue to the west, Rock Creek Church Road and New Hampshire Avenue to the north, Quebec Place on the south and residential rowhomes to the east. On the site today, sits a mixed use building built in 1920 that houses a mix of neighborhood-serving retail on the ground level with underutilized rental office space and residential on the 2nd floor. The current structure has several neighborhood retailers including a deli, a convenience store a hardware store, a check-cashing store, and two beauty tenants.

The immediate area

In the immediate area surrounding the site there lies a large church which was a former theater directly south and a small retail strip center that has more local retailers such as a nail shop and a Jamaican restaurant. Just across the street from the strip center on the same block you will find a brand new Charter school developed in 2008, a large liquor store currently under rehab, and several new bar concepts that are scheduled to open or have all opened within the last five years. As you move north back toward the site, you will see a brand new CVS pharmacy that opened in 2010 on a triangular shaped parcel wedged in between New Hampshire Avenue and Georgia Avenue. Immediately West of this pharmacy there is a firehouse and the beginnings of a residential neighborhood including several small apartment buildings and attached single-family rowhomes. Just north of our site about 30 yards lies the entrance to the Petworth/Georgia Avenue Metro Station and a row of commercially-zoned rowhouses that serve as commercial office and retail spaces for local businesses. Some of these tenants include several non-profits, a carryout, a nail salon, a bookstore, and a former photography studio. Across the street is Park Place, a massive, block engulfing property that includes an entrance to the Metro Station, over 200 apartment units, and 17,000 sf of ground floor retail including a regional sit-down Thai Restaurant, a

Subway Sandwich Shop, a cellular phone retailer, and a coffee shop currently under development. Directly to the east of our site you will find a string of residential rowhomes and another strip of neighborhood retail including a Jamaican restaurant, a cell phone retailer, and a local market. Other major market participants in the immediate area include a recreation center, another large public elementary school, 2 older grocery stores, and several churches.

Transportation Network and Traffic

The site has excellent foot traffic and access to transportation generated by its location at a signalized intersection, on top of the metro station, & at a bus stop. According to the Washington D.C. Economic Partnership this Metro Station generates approximately 4,900 riders on the Average weekday. The Georgia Avenue Corridor generates over 29,000 cars per day along with several thousand traveling along the New Hampshire Avenue Corridor. The bus stop at the front of this site generates significant business for the tenants within the retail center. Many of the 70, 71, and 79 bus riders at the stop hop right off of the bus and run right into the stores or shop while they wait on their next bus.

Site physical and Zoning Characteristics

The site sits at the bottom of gently sloping hill and generally slopes slighty downward but has superior visibility and access particularly from Georgia Avenue. The rear of the site can be accessed from Quebec Street including an alley that runs between the subject property and the residential townhomes to the East. The site also can be accessed directly from Rock Creek Church Road, although this thoroughfare is a one-way that runs west-to-east along a small portion of the northern retail frontage of the site. The overwhelming majority of the retail square footage of the site rests along Georgia Avenue where there is very high visibility and access. The site is zoned C3A, a common general mixed use zoning used in several retail corridors throughout Washington, D.C. According to the Washington DC office of zoning C3A zoning allows the following:

"Permits matter-of-right medium density development, with a density incentive for residential development within a general pattern of mixed-use development to a maximum lot occupancy of 75% for residential use and 100% for all other uses, a maximum FAR of 4.0 for residential and 2.5 FAR for other permitted uses and a maximum height of sixty-five (65) feet. Rear yard requirements are twelve (12) feet; one family detached dwellings and one family semi-detached dwellings side yard requirements are eight (8) feet"

3661 GA Avenue Project S.W.O.T. Analysis

STRENGTHS	WEAKNESSES
○ Directly on top of a Metro Station ○ High Driving and Walking Traffic Count along a Major Artery ○ Lots of New Development in the area ○ High Demand For Affordable/New Product	○ Small Site ○ Developing Market ○ Shaky Financing Environment
OPPORTUNITIES	**THREATS**
○ Very few comparable units in the market place ○ Severely under-retailed submarket ○ Can we get additional Density? ○ How will the condo market look in two years?	○ Additional resident and political rancor since location is intersection of two Wards ○ Will there be construction problems with the Metro Station below ○ Construction & staging issues with the bus stop, abutting residential, traffic ○ Will competing projects lessen demand?

The United States Economy

The United States economy has reached a stabilization point and is well on its way to recovery despite some of the mixed signals being displayed in some of the country's economic factors. The economy continues to show growth over the last several quarters albeit growth at the lower end of forecast range. The United States Economy has shown growth in Gross Domestic Product, retail sales, and in job growth for several consecutive quarters and has now transitioned from the recovery phase to the expansion phase according to Marcus & Millichap research services. At this point, economists are no longer questioning whether or not our economy has recovered from the economic malaise of years past. The area of debate regarding the United States economy centers on how strong and durable this current expansion of our economy will remain given some of the negative statistics that sometimes offset much of the economy's positive gains. Below we will discuss in further detail some of the factors that have contributed to our strengthening national economy and some of the factors that leave many economists bewildered as to whether or not our economy is in full expansion phase.

1. <u>Slower Growth compared to the previous year</u>- 2010's volatility and early 2011's volatility lead to immense surges and corresponding swings downward as uncertain investors and business owners pushed forward and pumped the brakes as in a volatile market. Now that it is generally agreed upon that we are in the beginnings of a growth phase we will see a flatter growth curve with not as many huge spikes that continues to trend upwards albeit at a pace. Investors should view this as stability in the marketplace and less as a slowdown.

2. Decline in company spending on physical structures outshines the increase in business spending- while companies spent less on spending on non-residential structures companies significantly increased their spending on software and equipment which could be a leading indicator of either increased profits on the horizon, a future need for more employees, or a general confidence in where the economy is headed.

3. Lack of government spending and hiring is slowing down economy- while the shrinking of the U.S. government is having a negative effect on the economy, the private sector has picked up much of the slack. Experts have cited 15 consecutive months of growth of private sector jobs in the United States. As the federal government continues to contract, the privatization of many of these former government functions will balance out some of the losses from the government's reduced spending.

Despite the some of the conflicting indicators, a general confidence about the economy seems to pervade the market. Some of that confidence frankly resides in the belief that our economy is in a better position than it was at the same point in 2009 and in 2010 and not necessarily any particular confidence in the future. Other more aggressive market participants who continue to develop properties and purchase new assets cite the consistent economic growth, corporate profits, increased demand for our exports, and increased business spending as all strong factors indicating an economic recovery. They believe that since the general consensus is that the market will not fall from here, now is the time to move full steam ahead.

The Washington DC Regional Economy

The Washington, DC region is home to a diverse mix of federal government-related jobs and private industry. The region is home to 17 Fortune 500 companies landing it a number 6 spot nationwide in the number of Fortune 500 companies based in the area. In recent years, more companies have opted to relocate to DC including; Volkswagen, SAIC, and Northrop Grumman. Employers are attracted to the area's high concentration of educated workers, top-ranked schools, extremely wealthy population, and location along the eastern seaboard which gives it access to millions of customers within a ½ day's drive. This balance of public and private sector jobs and highly educated workers has yielded the region an unemployment rate of 6.1% compared to 9.1% unemployment nationally according to August report of the Bureau of Labor and Statistics.

While the business and professional services sector has recently inched past the government sector as the leading job providing sector in the region, it is a known fact that the federal government and its spending is what really drives the economy in this region. As the government has begun to tighten its belt, many of the former government jobs are now being pushed into the private sector despite predictions by many that the government's hiring slowdown would materially affect the region. For this reason, the Washington, DC region is often viewed as the most stable real estate region in the United States. During some of the boom economic periods both New York and California have several markets that may outperform Washington, DC. However during tougher economic times, the DC market remains stable largely due to the presence of the federal government whose presence contributes to between 35-

40% to the region's economy. DC experiences economic boom during great times for the national economy and then serves as a safe-haven for both international investors during more difficult economies. In fact the Washington, D.C. region is consistently ranked as one of the top 2 markets in the world for foreign investment according to the Association of Foreign Investors in Real Estate.

Washington, DC's largest employers are typically tied to one of its main industries: government, professional and business services, technology, education, and hospitality. These largest employers include Georgia Washington and Georgetown Universities, the Federal Bureau of Investigation, the Smithsonian, AES, and Fannie Mae. In recent years the area has continued to grow as a technology corridor as the federal government continues to increase spending in defense, aerospace, and homeland security. Companies such as Lockheed Martin and General Dynamics continue to grow as this trend continues. The region is also seeing tremendous growth in Biotechnology companies, driven by the research and development budgets of the NSA and other private firms along the 270 corridor.

The Washington, DC labor force is made up of approximately 3 million workers. The DC area labor force is extremely educated with almost 50% of the population possessing a bachelor's degree. The area is chiefly filled with white collar jobs and very few industrial and manual labor-type opportunities. 72% of the region's jobs are white collar compared to a national average of white collar jobs less than 60%. According to Marcus & Millichap, all of the region's major sectors are slated for slow growth through 2015 with the most growth slated for the Construction, Education & Health Services, Leisure & Hospitality, and Professional and Business Services Sectors.

Petworth/Parkview Submarket

The Petworth/Parkview Submarket represents the intersection of two rapidly gentrifying neighborhoods in NW Washington, D.C. The two neighborhoods are both bordered by the Old Soldier's Home to the east and Georgia Avenue to the west, with Rock Creek Church road serving as the common border between the two neighborhoods at the Georgia Avenue-Petworth Metro Station. Historically the two neighborhoods served as close-in suburbs to the "Old City" Washington, D.C. which ended at Florida Avenue. As the 7th Street Turnpike (Georgia Avenue) extended the city north, neighborhoods along the thoroughfare including Parkview, Petworth, and Brightwood continued to see development and population growth. In the middle of the century, the neighborhood began to desegregate like most of the city as blacks began to move into the neighborhood. Over the course of the next few decades the neighborhood remained primarily a working class African-American enclave.

In recent years, the two neighborhoods have seen a hotbed of development and gentrification as prices in nearby Columbia Heights have pushed both developers and residents east. Today, the Petworth/Parkview neighborhood is a diverse mix of ethnicities and socio-economic strata. The neighborhood is home to distinctive, historic residences which have great access to parks, recreation, and medical facilities. The neighborhood has a "walker's paradise" walk score of 94 according to the Washington, DC economic partnership making it an attractive neighborhood for first-time home buyers, young families, and students. The charts below provide a demographic snapshot of the Petworth/Parkview submarket based on data from ESRI.

The People	0-.5 mi	0-1mi.	0-3mi.	Their Spending*	0-.5 mi	0-1mi.	0-3mi.
Population	15,921	63,714	34,160	Median HH Value	330	355	394
Bachelors Degree**	23.9%	33.0%	52.9%	Average HH Income	60	58	78
Households	5,382	22,358	153,368	Median HH Income	45	45	54
Average HH Size	2.9	2.7	2.1	Disposable Income	34	33	40
Owner-Occupied	50.3%	38.5%	39.5%	Apparel & Services	9	35	318
Age 0-9	14.2%	13.3%	9.7%	Computers/Accessories	998	4,039	39,452
Age 10-14	6.60%	6%	4.40%	Entertainment	14,595	58,585	552,876
Age 15-19	7.4%	8.2%	6.1%	Television/Radio/Sound	5,984	24,713	223,763
Age 20-34	21.0%	22.7%	27.1%	Food at Home	22,116	91,748	812,479
Age 35-44	13.2%	14.5%	14.0%	Food Away From Home	15,698	64,160	589,774
Age 45-54	14.8%	13.6%	14.2%	Home Improvement	9,931	36,498	354,005
Age 55-64	11.6%	10.7%	11.8%	Household Furnishings	7,973	31,884	305,872
Age 65+	11.2%	11.1%	12.8%	Personal Care	1,794	7,282	68,865
Median Age	35.6%	34.9%	36.9%	Vehicle Maintenance	4,238	17,002	160,614

** Bachelor's Degree or higher 25+yrs old

*$ thousands

Apartment Neighborhood Location Analysis

When considering a potential apartment building at the Petworth/Parkview GA Avenue site, it is important to compare the positive and negative features of this location versus similar locations in proximity to the subject site and/or similar price points for the end user apartments. Most apartment users in general will attempt to maximize their most important factors in selecting a place to live that is within their budget. Some of the most important factors include the proximity and ease of access to employment centers and safety/prestige of the area. Some of the less important factors may include the apartment site's proximity to good schools (for young urban professionals) or the natural features of the area. While unit size may also be an important factor for urban dwellers in DC who often see unit sizes shrink as they move closer to the city center, we generally do not expect to see a significant enough difference in unit size for renters choosing between our comparable markets.

Since users typically attempt to maximize their residential experience by getting the most they can within a certain price range, we then set out to find which target markets are comparable to our site at the Petworth-Parkview Metro Station. We would like to compare the positive and negative features of those sites in order to effectively rank these comparable markets if there were sites available at those locations for renters to live. We chose the following Metro Stations as comparable nodes to our site for the following reasons:

Shaw/Howard Metro- Metro Station is located along Georgia Avenue just as our site is and is also situated along the green line. Renters may choose to live in the Shaw Howard Area because of its proximity to downtown and U Street. However, the area is viewed negatively by some because it sometimes feels like a dead area between downtown and U Street.

Fort Totten Metro- Metro Station is located one stop away from the Petworth/Georgia Avenue Metro Station but is still located along the green line (in addition to the yellow and the red). Users will pay less in this area in exchange for a complete lack of retail and nightlife.

Columbia Heights Metro- Despite being only one metro station away from the subject site along the green line, this submarket has climbed the desirability charts in DC steadily over the last five to ten years. What used to be considered a crowded, underserved, somewhat dangerous area now boasts some of the highest rents per square foot in the District of Columbia. The Parkview neighborhood, where our site is technically located, is in the easternmost stretches of the actual Columbia Heights neighborhood.

Rhode Island Avenue Metro- This submarket is not in the immediate vicinity of the Georgia Avenue Petworth site liks some of the other comparables, but it does feature some similar characteristics to our subject site and its comparables. This node has about the same access to downtown as our subject site and the prices for end users are about the same for both rental and single-family housing. This site has similar access to retail as our Parkview Vistas Site and has a similar reputation as the area surrounding the Fort Totten Metro Station.

Let's take a look at the various factors that make up our residential ratings grid and compare our subject site to similar sites in Washington DC:

Apartment Competitive Location Analysis							
Factors	Rating Criteria	Petworth/ Parkview	Shaw	Ft Totten	C. Heights	RIA	Weight of Importance
1	Proximity to existing development	9	7	5	10	7	1

In our New Development section you will find prime examples of projects that have been recently developed, properties that are currently under development, and projects (with actual financing) that are slated to be developed. Only Columbia Heights ranks above our subject site because of its mix of both retail and residential development compared to our site which has been heavily oriented toward residential development. Richard Parli, of Parli Appraisals, would state that there is no greater proof of demand for a new development than actual demand at new developments. The dearth of new development at our site proves that our site is in an ideal location.

The District of Columbia government is heavily encouraging the development of multi-family housing in the proximity of Metro Stations in Washington D.C. The government is drastically reducing the requirements for parking for those sites close to metro and users are opting to not deal with attempting to own a car in the city. The District of Columbia government has recently allocated $1.4 MM to improve the facades of buildings along this specific corridor and has recently increased the F.A.R. of C2A zoned properties to 4.0 from 2.5 for those properties that are located in close proximity to the Petworth/Georgia Avenue Metro Station.

Apartment Competitive Location Analysis							
Factors	Rating Criteria	Petworth/ Parkview	Shaw	Ft Totten	C. Heights	RIA	Weight of Importance
2	Public planning/ development support for apartments	9	7	6	9	8	2

Apartment Competitive Location Analysis							
Factors	Rating Criteria	Petworth/ Parkview	Shaw	Ft Totten	C. Heights	RIA	Weight of Importance
3	Location in path of new residential growth	9	7	5	10	6	3

Columbia Heights is widely considered one of the most highly desired neighborhoods in Washington D.C. Our subject site actually sits in Columbia Heights since Parkview is a sub-neighborhood within Columbia Heights. Both Shaw and Fort Totten have multi-family and mixed use projects that are “planned” but the Shaw site has other comparable projects that are already coming out of the ground.

While the Rhode Island Avenue site is currently being developed by Bozzuto because of its location on top of the Metro Station, there isn't much growth leading toward this development nor are there many parcels that would work well for a residential development.

Apartment Competitive Location Analysis							
Factors	Rating Criteria	Petworth/ Parkview	Shaw	Ft Totten	C. Heights	RIA	Weight of Importance
4	Proximity to major roads-ease of access and visibility (existing or approved)	7	8	3	8	6	7

The Petworth Metro Site ranked slightly below both the Shaw Metro Site and the Columbia Heights Metro Site because of its lack of a second traffic-generating corridor. The Shaw Metro Site Sits along 7th Street (which is the Georgia Avenue) and is also sandwiched between Florida Avenue and Rhode Island Avenue, two major traffic-generating east-west thoroughfares connecting D.C. to Maryland. The Columbia Heights Metro Site is located on 14th Street NW and abuts 16th Street to the West. Both of these are two well-trafficked north-south corridors that funnel cars into DC and out to Maryland.

Apartment Competitive Location Analysis							
Factors	Rating Criteria	Petworth/ Parkview	Shaw	Ft Totten	C. Heights	RIA	Weight of Importance
5	Reputation/prestige of area (social reputation, crime in area, etc.)	7	7	5	8	5	9

In Washington, D.C. Georgetown and Capitol Hill have the best reputation for many as far as neighborhood prestige followed by the Dupont Circle/Logan Circle Areas and northern neighborhoods along Connecticut Ave. The third tier of neighborhood prestige rests squarely in the Columbia Heights and U Street Neighborhoods. These areas actually boast the highest rents per square foot in the District of Columbia and have been the locations of some record breaking transactions for multifamily asset sales over the past year. Both the Shaw and Petworth/Parkview neighborhoods border the U Street and Columbia Heights neighborhoods, respectively and are benefitting from their proximity.

Apartment Competitive Location Analysis							
Factors	Rating Criteria	Petworth/ Parkview	Shaw	Ft Totten	C. Heights	RIA	Weight of Importance
6	Proximity and ease of access to shopping centers (convenience and shoppers goods)	5	6	3	10	9	8

Columbia Heights vs. Rhode Island Avenue is a case study in Big Box retail in an Urban Area that should be considered by urban planners and developers going forward. The Columbia Heights site represents a very dense area and the retail development has done very well here even at a small site. The Target at the Columbia Heights Metro Site consistently posts the highest or second highest sales per square foot in the nation and the surrounding retail has benefitted from the additional foot traffic. The Rhode Island Avenue site is located between two shopping centers that eventually should be redeveloped into mixed income housing. The Shaw Metro Site has access to some convenience goods and some restaurants and nightlife because of its proximity to U Street but currently lacks a grocery store or any access to shoppers' goods. Our site is absolutely starving for retail and has recently seen some additions to its retail offerings with 17,000 sf of retail at the Park Place Project, the new CVS the street, several new bars in the 3600 block, and the new Safeway in the 3800 block that will break ground next year.

Apartment Competitive Location Analysis							
Factors	Rating Criteria	Petworth/ Parkview	Shaw	Ft Totten	C. Heights	RIA	Weight of Importance
7	Proximity and ease of access to employment centers	7	8	8	8	7	10

All 5 of the comparable metro area sites are within a few miles of the Downtown Washington D.C. core and generally have great access to the employment centers (office submarkets) in D.C. Fort Totten is the furthest site from the downtown corridor but has access to 3 metro lines. Commuters that live at the Fort Totten site enjoy close proximity via Metro Access to Silver Spring, Penn Quarter, Metro Center, Golden Triangle, L'Enfant Plaza, Federal Center SW, Navy Yard, Crystal City, The Airport, and Bethesda without ever having to switch their trains. Shaw residents can walk, bike, or metro to several of these markets within 10 minutes from their home. Columbia Heights residents can Metro or bike to some of these same submarkets very quickly but has the added convenience of being along the 14th Street and 16th Street

Bus lines that give great access to downtown with almost 10 different bus lines heading right into the city's core.

While city residents don't typically expect a whole lot of green space, the presence of green space can be the deciding factor for some city dwellers, especially those with pets and younger children. The Columbia Heights Site slightly outpaces the Petworth/Parkview Site because of its proximity to Rock Creek Park & the National Zoo.

Apartment Competitive Location Analysis							
Factors	Rating Criteria	Petworth/ Parkview	Shaw	Ft Totten	C. Heights	RIA	Weight of Importance
9	Proximity to entertainment/cultural areas (theatres, parks, golf, restaurants)	5	7	3	8	4	6

While the Petworth Parkview area is slowly seeing more entertainment options, particularly in the areas close to the metro, the general consensus is that you must leave the Petworth/Parkview neighborhood for entertainment. Both the Columbia Heights and Shaw sites benefit from their proximity to U Street with the Columbia Heights area benefitting additionally from its proximity to Adams Morgan, the 14th Street Latino Music Scene, the Mount Pleasant nightlife corridor, and the bars and restaurants located directly on top of the Columbia Heights metro station.

Apartment Competitive Location Analysis							
Factors	Rating Criteria	Petworth/ Parkview	Shaw	Ft Totten	C. Heights	RIA	Weight of Importance
10	Schools	5	5	3	6	4	5

While the importance of schools is not traditionally important to the 22-35 year old demographic who is the target for multi-family development, it is important to note that areas with good schools tend to also have low crime. While the D.C. schooling system in general boasts a bad reputation overall, the dearth of charter schools located in Columbia Heights and Petworth/Parkview are offering better options to residents than their counterparts at other locations.

Macro Competitive Location Analysis Chart

Apartment Competitive Location Analysis Chart

Factors	Rating Criteria	Petworth/ Parkview	Shaw	Ft Totten	C. Heights	RIA	Weight of Importance
1	Proximity to existing development	9	7	5	10	7	1
2	Public planning/development support for apartments	9	7	6	9	8	2
3	Location in path of new residential growth	9	7	5	10	6	3
4	Proximity to major roads-ease of access and visibility (existing or approved)	7	8	3	8	6	7
5	Reputation/prestige of area (social reputation, crime in area, etc.)	7	7	5	8	5	9
6	Proximity and ease of access to shpping centers (convenience and shoppers goods)	5	6	3	10	9	8
7	Proximity and ease of access to employment centers	7	8	8	8	7	10
8	Aesthetics/natural features in area	7	5	5	8	4	4
9	Proximity to entertainment/cultural areas (theatres, parkts, golf, restaurants)	5	7	3	8	4	6
10	Proximity and reputation of schools in area	5	5	3	6	4	5
Totals (individual scores times weighting)		359	376	255	456	330	
Percentage of Total Scores		20%	21%	14%	26%	19%	
	Note: 1=worst						

In Summary, when comparing the potential sites for development our site measures up favorably to other places in the city for users who are willing to pay our target rent price. The Petworth/Parkview site scored on par with Shaw and Rhode Island Avenue, and well above the Fort Totten Site. The Columbia Heights site provides more amenities and better access than the Petworth/Parkview site, but the quality of the space that is available at this price point is so much higher at the Petworth/Parkview site that many users will opt to live at this brand new building vs. an older unit in Columbia Heights.

MARKET ANALYSIS

V. MARKET ANALYSIS

The National Apartment Market

The national apartment market has continued to gain strength and is not expected to wane any time soon. As rents continue to rise, vacancy continues to fall, and investors continue to throw money in what they view as one of the safest real estate investments, the national apartment market continues to outshine other commercial real estate sectors. In fact, Marcus & Millichap believes that all 44 of its top nationwide apartment markets will experience vacancy declines and effective rent growth in 2011. Let's discuss some of the factors that are so heavily influencing the supply/demand fundamentals in the national apartment market.

There have been several factors that have contributed to higher demand in the overall national apartment market. Most importantly, homeownership rates have fallen significantly from a high of 69% in 2004 to the current homeownership rate of 66.5%. According to Marcus & Millichap research services these former home-dwellers represent an additional 2.5 million households demanding rental space compared to the high. Many of these former homeowners opt for higher end rental housing since they only plan to live in apartment buildings over the short term and look for rental spaces that are comparable in quality and space to their former home. Furthermore, this trend can have a ripple effect on other classes of apartment buildings as increased demand for class A space "prices out" some of the traditional renters for class A space and causes a trickle effect for increased demand in lower classes.

A second key factor in the demand increase for rental housing has been the increased in job gains by the 25-34 year old demographic. Again Marcus & Millichap's, John Chang specifically mentions that this demographic has captured 65% of the increase in the nation's employment. This demographic typically tends to "bundle up" during tougher economic times by either moving in with parents or by housing a less than ideal amount of people in a smaller space. Since this age demographic is traditionally the target demographic for apartment users, their increase in prosperity automatically sees a direct effect on the prosperity on the apartment market.

In addition to the increased demand for apartment units, apartment owners have also benefitted from a decrease in the supply of units. One of the often-ignored factors regarding the supply of available apartment units points back to the condo conversions of apartment units in many of the nation's larger cities. In dense areas in many of the country's largest cities condo conversions significantly decreased the stock of rental units to the benefit of those owners who chose not to sell. Another factor that should be considered in the decreased supply has been the net absorption caused by renter demand swamping new construction. 242,000 units were absorbed in the twelve months ending May 2011 coupled with only 74,000 units coming online during the same period. This perfect storm of increased demand and reduced supply has allowed building owners to cut 50 basis points off concessions and increase net rent by 40 basis points in apartment buildings nationwide.

Washington D.C. Regional Apartment Market

The Washington D.C. region's multifamily market remains extremely tight. Marcus and Millichap's 3Q 2011 DC apartment report individual submarket vacancies in the region's top 23 submarkets ranging from as low as 2.2% in areas near the downtown DC urban core to as "high" as 5.5% in the outer suburbs. On average the region's apartment buildings post a vacancy rate below 5% as the region continues to create additional households through job growth and new units have not come online at a pace to meet the excessive demand. While the region added 10,000 jobs last year and over 40,000 expected to be added in 2011, developers only completed 5,400 units in 2010 and 2,100 units are expected to be completed in 2011.

The lack of new product and increased demand has positively affected landlords in the Washington, DC region just as it has for landlords nationwide. The region continues to post effective net rent gains over the past 18 months although the pace of rent growth has moderated. The chart below assembled by Marcus & Millichap researcher John Fioramonti displays an extremely low vacancy rate for multi-family properties throughout the region.

Washington D.C. Regional Submarket Vacancy

Rank	Submarket	Vacancy Rate	Y-o-Y Basis Point Change	Effective Rents	Y-o-Y % Change
1	Dupont Circle /Adams Morgan	2.2%	-100	$ 1,522	1.9%
2	Kensington/Wheaton	2.8%	-150	$ 1,303	2.8%
3	Woodley/Cleveland Pk/Van Ness	2.8%	-160	$ 1,798	3.8%
4	Takoma Park	3.0%	-250	$ 1,107	1.7%
5	Western Fairfax County	3.1%	-190	$ 1,350	4.3%
6	Seminary Road/Landmark	3.4%	-130	$ 1,331	3.7%
7	Gaithersburg/Germantown	3.4%	-170	$ 1,262	3.1%
8	Hyattsville	3.5%	-260	$ 1,088	5.7%
9	Bethesda/Chevy Chase	4.0%	-470	$ 1,826	5.4%
10	Downtown/Logan Circle	4.0%	-150	$ 1,552	3.6%
11	Falls Church/Annandale	4.2%	-120	$ 1,356	4.3%
12	Stafford County	4.2%	-280	$ 921	1.8%
13	Northeast Montgomery	4.4%	-130	$ 1,198	3.0%
14	Northwest DC /Georgetown	4.4%	-190	$ 1,597	2.3%
15	Southeast Fairfax County	4.4%	-70	$ 1,350	2.8%
16	Frederick County	4.7%	-170	$ 926	2.8%
17	NE Alexandria/Glebe Road	4.7%	-180	$ 1,109	4.1%
18	Foggy Bottom	4.8%	-640	$ 1,799	3.3%
19	Pentagon City/Crystal City	4.9%	-70	$ 1,992	4.8%
20	Silver Spring	5.0%	-180	$ 1,375	2.3%
21	Rosslyn/Ballston	5.2%	120	$ 1,732	3.9%
22	Landover	5.3%	-260	$ 1,058	3.7%
23	Prince William County	5.5%	-220	$ 1,068	3.7%

Petworth/Parkview Apartment Market Overview

The Petworth/Parkview area is viewed as a B-/C+ multifamily submarket in Washington D.C. that is trending upward. The apartment product within the submarket has been in older and more worn condition with landlords often doing minimal maintenance and repairs to their buildings. The buildings within ½ mile of the center of the submarket tend to be larger, multifamily buildings with fewer amenities or modern features. Data from ESRI in 2010 shows that the immediate area around the Petworth/Parkview neighborhood shows an average household size of 2.9 persons per household compared with a national average of 2.1-2.2 persons. This data suggests that a high concentration of families occupy many of these larger multi-family properties that otherwise would be home to single persons or roommates. Since the opening of the Georgia Avenue/Petworth Metro Station in 1999 the immediate area around the Metro Station has attracted more and more young professionals who have demanded higher quality multifamily housing. Over the course of the past decade many of these older buildings have been purchased been renovated by investors meeting this new demand. Over the same period there have been also several brand new multi-family buildings built within this submarket for both ownership and rental purposes. There is immediate demand for newer modernized multi-family product that can be rented and or sold at a cheaper price than competing properties in Columbia Heights, and U Street.

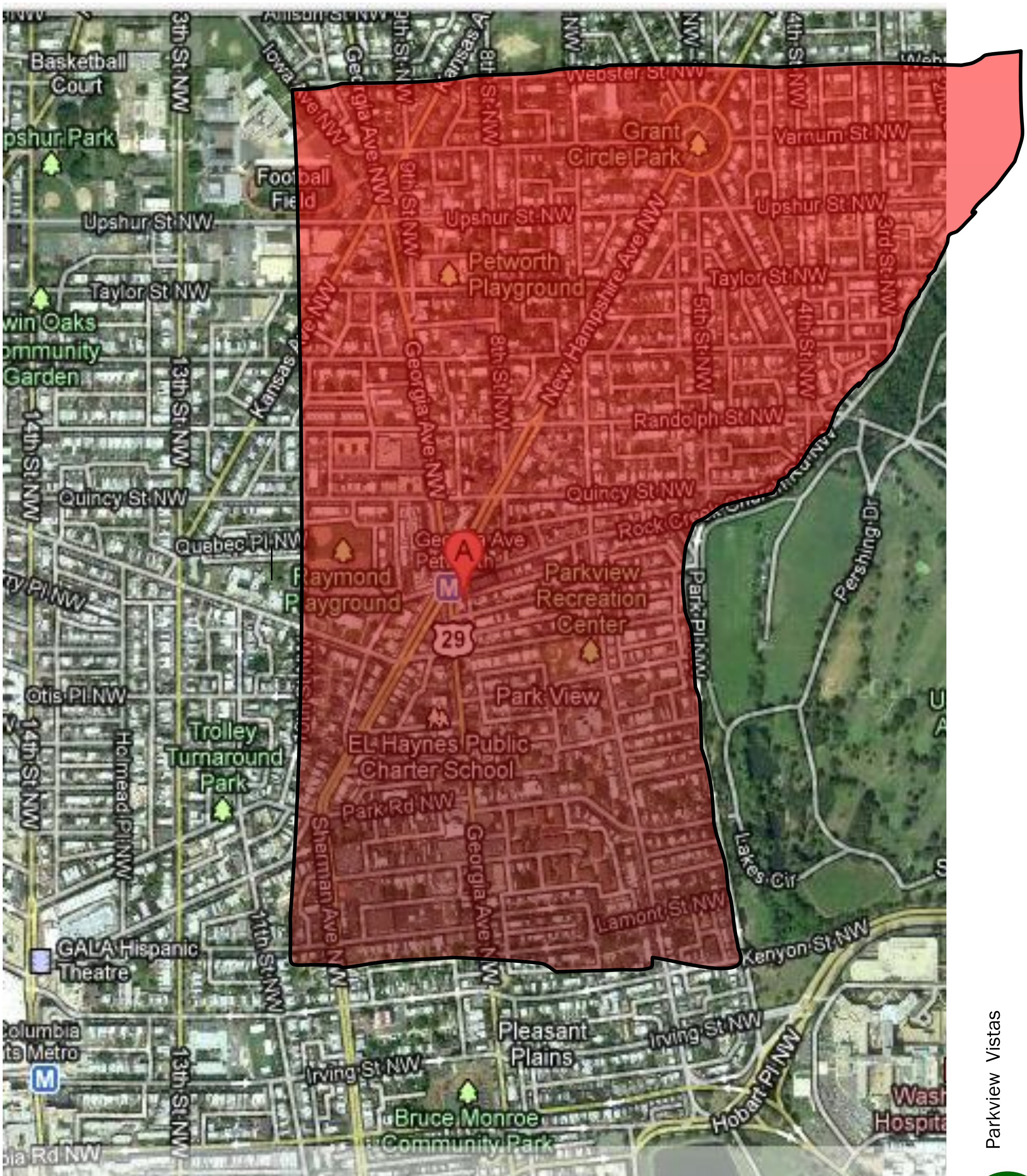
Trade Area

We believe that the trade area for the retail portion of our project is a polygon that extends .5 miles north of the subject property to Upshur street, approximately .5

miles south of the site to Kenyon Road approximately .33 miles to the west over to 11th Street and the entire area to the east of the site until you reach the Armed Forces Retirement Home (AFRH) which along some stretches can be .7 miles from our site. DC residents are very comfortable with a seven to 10 minute walk to pick up convenience items particularly if this walk takes them past other small shops and people along Georgia Avenue. The trade area gets wider to the east of the property since the AFRH sets a natural boundary and forces residents back to the west for convenience items. However our trade area to the west is only 3-4 blocks; once residents get past 11th Street they begin to feel like they are in the Columbia Heights Metro Station area with all of its shopping options at DC USA.

The trade area of competing multifamily properties is an approximately .5mile radius around our subject property and encompasses 69 total properties of varying sizes. The primary trade area for our competing multifamily properties is the 3-4 block radius that immediately surrounds the property. Our target tenant will be motivated chiefly by our project's proximity to the metro station. There will be opportunities to live in large buildings with a fair amount of amenities such as Park Place and others that have not broken ground. There are currently lots of opportunities to live in buildings that are as conveniently located as our project but will offer significant discounts to our pricing because of the wear and tear associated with their age. Our project is uniquely positioned to be just as convenient as our primary competitors but offers many more amenities than the older buildings and more of an exclusive/boutique feel than Park Place. All of our multi-family building's primary competitors are located along Georgia Avenue or just steps off of Georgia Avenue within the polygon bounded by Taylor Street to the North, Park Rd to the South and one block to the east and west of Georgia Avenue between these two bounds.

Parkview Vistas Trade Area



Tenant Profile

The tenant profile along the Georgia Avenue Corridor is actually one of its stronger attractions to many of the new entrants moving into the submarket. Traditionally, this area has been the home to middle income families that raised their children along Georgia Avenue, college students, seniors and some single professionals who could not afford to live elsewhere in NW DC. These residents were willing to deal with higher crime, lack of retail offerings, and older buildings in exchange for cheaper rent, proximity to downtown, and larger living spaces. However, times are changing along the Georgia Avenue corridor.

Today, renters view Georgia Avenue as one of the next up-and-coming areas and many of them want to get in on Georgia Avenue on the ground floor. For some, Georgia Avenue is eerily similar to the area surrounding 14th and U Street in the late 1990s. The following excerpt from MAC Realty's offering memorandum for its sale of the Griffin says it all… "The Petworth submarket is similar to Columbia Heights submarket of about 3 years ago and the U Street Corridor submarket of about 10 years ago". Georgia Avenue sits along the easternmost section of the Columbia Heights neighborhood and the Georgia Avenue corridor is starting to make an attempt at mirroring the economic and racial diversity of Columbia Heights. Many of the buildings along the corridor have a wide range of household incomes living in the same buildings which is attractive to the typical liberal/progressive tenant in Washington D.C. It is not uncommon to have a lawyer or high level government employee living in the same building as a teacher's aide, a fitness instructor or an artist. Both rent control and city affordable housing practices have aided in helping to ensure that Georgia Avenue remains a mixed-income neighborhood.

What's clear about the new tenants that are moving to the Georgia Avenue corridor that is different from years past is that they have made the conscious decision to move to Georgia Avenue versus being forced to live there due to affordability. Most of these new buyers can afford to live elsewhere but are attracted to Georgia Avenue for some of the reasons that we will describe later. One smaller developer who built a 12-unit building with all 1 Bedrooms states that there is a very strong demand for 1 Bedrooms in the area. He describes his tenant mix as 2 undergraduate students at Howard University, 2 gay couples, a lawyer, a dental school student and six other couples. He went on to say that amongst the six couples each person typically makes about $40,000 each for a total household income of $80,000 and that many of these couples want to stay on Georgia Avenue for a few years to save $1,000 per month to use as a down payment for a home or to pay for a wedding. This mix of students, young professionals from 20-34, and couples are who we are targeting for our proposed development at 3661 Georgia Avenue.

Why are tenants moving to Georgia Avenue?

Locational Value/Affordability- the area near the Petworth/GA Avenue Metro station is viewed as a value by many new residents in the city. Stated more plainly, the area near the Georgia Avenue Metro Station gives the resident a lot of bang for your buck. The submarket is still located in NW DC which is very important to many renters who have preconceived notions about Washington D.C.'s other three quadrants. For many of them Georgia Avenue is "safe enough", "cheap enough", and "close enough" to

Washington D.C.'s main attractions. The neighborhood is within a 20 minute bus or train ride to major office submarkets such as Penn Quarter, Golden Triangle/K Street, and metro center giving renters here an easy commute. The area is one train station away from all of the shopping at Columbia Heights including Target, Marshalls, Bed Bath & Beyond, and Giant Foods. Students are a very short train ride from the University of Maryland- College Park and only a 15 minute walk to Howard University.

Perception of Hip – William Frey, a demographer with the Brookings Institution, said the District is following the same pattern seen in Boston and other places considered to be cool cities. The city continues to remain extremely liberal and progressive and is attracting more people interested in living in a "cool" city. These liberal progressive hipster types absolutely abhor monochromatic and preppy areas like Bethesda and Georgetown and are not likely to move en masse to Anacostia or far into Northeast DC either. For this renter type, neighborhoods like Petworth are viewed as "edgy" and avant garde, but still located close enough to the safe haven entertainment scenes in DuPont, Logan Circle, and U Street and the shopping in Columbia Heights. Many of these renters are former residents of DuPont Circle, then U Street, and then Columbia Heights. They simply continue to move east as gentrification pushes east across the city with Georgia Avenue in the eventual path of development.

A sense of neighborhood and community- The Georgia Avenue area near the Petworth Metro station provides the renter a sense of belonging to a community that can't be found in some of the typical places where 20-34 year olds rent in Washington D.C. Residents of the DuPont Circle and Logan Circle neighborhoods are perceived as transient recent additions to Washington D.C. who will stay in D.C. for a couple of years and then move on to the next city. The Petworth neighborhood holds some prestige as an active community where neighbors discuss issues over community blogs and people speak to each other as they sit on their porch or walk down the street. It's the type of neighborhood that comes together to raise money when a family is displaced by a house fire or where the neighbor brings you a pie on move-in day. Renters who move to Petworth often fall in love with this close-knit community and eventually purchase a home here.

Project Target Renter

Our market analysis revealed several trends about the tenants moving into the building that will help us in the design of our property. Our target tenant is probably a mid-career worker who desires some of the higher end finishes and amenities of Class A buildings in the U Street, Columbia Heights, and Logan Circle Areas but is not willing to pay $4.00/so for some of the additional bells and whistles. This renter demands quality and desires a place that reflects her accomplishment in the world, but also views herself as smart and frugal. Our target renter is likely somewhat concerned about the sustainable efforts of the developer to build the property "green" and will likely participate in any obvious attempts by the developer to implement "green initiatives" into the building including recycling, bicycle use, green roofs, waste water etc. Our typical renter likely desires a rental payment in the $1400-$1800 price range and probably is more likely to demand a 1BR apartment versus a studio apartment or a 2 Br with a roommate. We do however feel that a percentage of our potential tenants will be willing to pay above our target average price for premium larger spaces and spaces on upper floors with sweeping views of the city.

Absorption

We spoke with several market participants regarding the desirability and absorption rates for a class A multi-family property which gave us some insight on how long we expect to take leasing our units.

- Graham Brock, a multi-family and townhouse developer at Fairfield properties believes that a large Class A project in a good neighborhood in DC should lease between 25-30 units per month
- Ben Lazarus, a broker with MAC Realty Advisors (The Griffin, View 14), forecasts 20-25 units/month for a class A multi-family asset in NW Washington DC
- Vicky Clayton of Bozzuto Homes, former property manager at Senate Square and View 14, believes that a larger Class A multi-family building in Washington D.C. should lease approximately 20 units per month. She went on to say that a smaller project in the 30-50 unit range should lease 8-10 units per month.

Since our project will not contain as many amenities as a 200-unit building and will not be located in a Class A submarket we feel comfortable in projecting that our project will be completely absorbed at a rate of 8-10 units per month. Since job growth and absorption are outpacing the delivery of new units, we are expecting to not incur significant difficulties in leasing the units. REIS predicts that deliveries will continue to trail absorption over the next five years which sets the stage for success for new projects. Because of the low vacancy of 4.4-5% and strong demand in the market we are not expecting to offer any concessions or incentives for the property. We are, however, modeling ½ month's rent concessions on some of the larger units which is consistent with the most recent trends in newer buildings according to MAC Realty.   We expect to deliver an asset that is significantly higher quality than all of the older buildings within the submarket, but will not have condominium level finishes as the Griffin or Park Place. The matrix below summarizes the buildings that we deem significantly competitive to our development and the strengths and weaknesses of each property in comparison to the rest of the submarket:

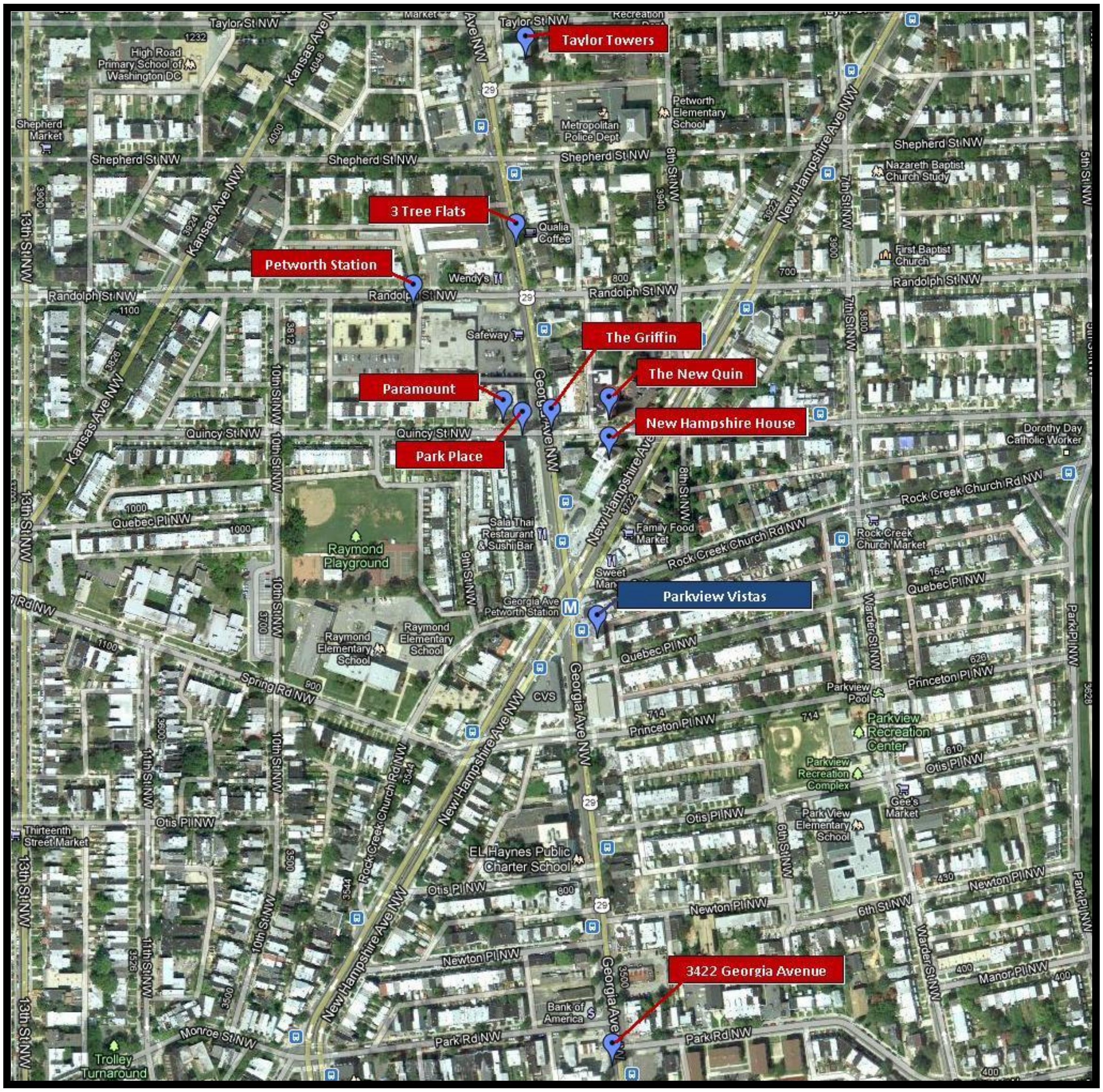
SIGNIFICANT COMPETITORS

Building	Address	Year Built	Strengths	Weaknesses	Units	Average Rate	Occupancy
Park Place	850 Quincy	2009	New, Prestigious, Best Amenities, Retail, Location	Very Expensive, Too Large	212	$3.14	97%
The Griffin**	3801 Georgia	2011	New, Interior Finishes, Location, Exclusivity	Next to New Quin, less Amenities than Park Place	49	$3.13	N/M
Petworth Vistas	3661 Georgia	2013	New, Location, Less Expensive than Park Place or Griffin, Exclusivity	Less amenities and finishes than Park Place or Griffin	38	$2.99	N/M
Paramount	829 Quincy	N/A	Location, affordable large units, "free" parking	older but better maintained	75	N/A	97%
New Hampshire House*	3728 N. H.	2013*	location, renovated units, affordable	no amenities	19	$0.93	100%
New Quin*	811 Quincy	2013*	location, renovated units, affordable	reputation, no amenities	99	$1.06	95%
Three Tree Flats	3910 Georgia	2011	new	90% affordable housing units	130	N/A	100%
Petworth Station	930 Randolph St	1936*	location, affordable	older, no staff on site	78	N/A	95%
Taylor Towers	4021 9th Street	1936	location, affordable	old, distance from metro, no staff on site	50	$1.20	94%
3422 Georgia	3422 Georgia	2009	new, affordable	design, distance from metro, no staff on site	12	$2.17	100%

*buildings have been recently purchased and are scheduled for redevelopment

**building has been completed but has not been occupied

SIGNIFICANT COMPETITORS MAP



3-TREE FLATS-3910 Georgia Avenue

3-Tree Flats is a 130 Unit Apartment Building located 2.5 blocks just north of our site at 3910 Georgia Avenue NW. Completed in February 2011 the mixed-use building also contains Mary's Center, a 28,000 sf. community social services, medical, and dental facility. The property was built using funding from the DC Housing Finance Agency and therefore has a mix of 10% market rate units and 90% units that require the tenant to make **below** a certain threshold depending on the number of unit occupants.

3-Tree Flats has a different *feel* to it than The Residences @ Georgia Avenue which contains 100% affordable housing units. 3 Tree Flats has a visible, active management and maintenance staff and exudes a warm, inviting feeling as soon as you enter the lobby. While it is obvious that the property does not feature some of the amenities- as a newer building the property provides better amenities than many of the older competitors in the submarket but market rate renters would expect more if they were paying top of the market rents. While the building does have a rooftop terrace, tenants are restricted from using it at their own free will. While the management staff does host monthly mixers and special events such as firework watching during the holidays, a market rate tenant typically wants unrestricted access to use the rooftop at their own leisure. Other tenant features include a community room that contains a few chairs and tables, basic kitchen features, and a large flat screen television for resident parties and special events. Residents must pay $250 for use of this space. 3 Tree Flats also includes a small weight room that contains several cardiovascular machines and several universal machines, but no actual free weights.

Tenant Profile/Mix-the maintenance man at the property who also, lives in the building, says that the property houses 60% students. He reiterated that the tenant mix there is very, very diverse and the tenants include lots of young professionals, families, and students. A quick look through the garage tells us that many of the young professionals are college graduates and take advantage of the property's proximity to metro since many of their cars remained parked in the garage during the middle of the day.

3 Tree Flats Market Rate Unit Mix Matrix

	Size (sf)	Price	Price/Sf
Studio	403	1395	$ 3.46
Studio	442	1395	$ 3.16
1BR	790	1895	$ 2.40
2BR/1BA	862	2495	$ 2.89
2 BR/2BA	786	2495	$ 3.17

Amenities- Community Room, occasional roof terrace access, Exercise room

Parking- 2 split levels of underground parking for total of 4 levels; spaces available for $120/month

Security- no personnel on site but feels safe, controlled key fob access to building and individual floors

Vacancy – 100% leased with a waiting list through the spring

Management- Resident Manager and Assistant Manager on site with live in Maintenance Staff

Miscellaneous- LEED Certified Gold, Developer owns adjoining Wendy's and will expand the property.

Petworth Station- 930 Randolph Street NW

Petworth Station is located conveniently behind the Safeway approximately 1 block from the Petworth Metro Station. The 78-unit building was constructed in 1936, and is oriented East to West along a downward sloping hill with the façade facing north. One tenant mentioned that the building is currently being renovated to look more like the Petworth Mews Condominiums across the street and that the landlords are "moving tenants around". The property appears to be in good condition despite its older décor and maintained well despite the lack of on site management or many modern amenities. The building contains a mix of income limited units and market rate units. Most of the units have window air conditioning units with radiated heat throughout the building. The subject property is one of the more, well-maintained of the older buildings with neat, pristine landscaping. Its location on a side street adjacent to Georgia Avenue makes the property feel somewhat suburban despite its location 1 block from the Metro Station.

Petworth Station Unit Mix Matrix

	Size (sf)	Price	Price/Sf
Studio	425	755	$ 1.78
1BR/1BA	575	905	$ 1.57
2 BR/2BA	650	1015	$ 1.56

Average prices and sizes

Tenant Profile/Mix- mostly long term local residents with some students and young professionals

Amenities- separate downstairs laundry area, but not much else

Parking- Adequate street parking plus a whole parking lot behind Safeway that is not monitored

Security- key and callbox access to building; feels safe

Vacancy – 95% leased

Management- Hercules Management provides off-site management to the subject property

Park Place – 850 Quincy Rd

Park Place is THE trophy property in the submarket near the Georgia Avenue/Petworth Metro Station. The subject property contains 212 units and over 17,000 sf of retail including various food retailers. The developer of this property also has developed similar buildings near both the U Street and Columbia Heights Metro Stations along the green lines and has led the market in these transitioning neighborhoods. Park Place has all of the bells and whistles of a modern apartment building and won the 2010 NAHB Mid-Rise Apartments award.

Park Place Market Rate Unit Mix Matrix

	Size (sf)	Price	Price/Sf
1BR/1BA	706	2083	$ 2.95
2 BR/1BA	986	2807	$ 2.85

Average prices and sizes

Tenant Profile/Mix- high income earning young professionals; former Columbia Heights and U Street residents seeking lower rents in a high end building; 20% affordable housing.

Amenities- health club class fitness center, rooftop terrace with grills and bocce green lawn, zip cars on site, high tech party room, boutique hotel quality modern lobby, public access computers

Parking- 4 levels of underground parking @ 200/month, street parking, Safeway back lot unmonitored

Security- 24 hour front desk/concierge, key and callbox access to building; feels extremely safe

Vacancy – 97% leased

Management- on site and very attentive

New Quin – 811 Quincy Road

The New Quin Apartment building contains 99 units in 2 buildings and sits right next door to the Griffin Apartments across the street from the Georgia Avenue Petworth Metro Station. While the building's location is unparalleled in the submarket, the building's management has traditionally neglected the tenants and the building. Tenants complain that the building is not secure; in the winter squatters sit in the lobby to avoid the cold. The building is notorious for drug activity and the building appears to be in disrepair. The building features absolutely no modern amenities in the units or throughout the building. The flooring in the kitchen and bathrooms is typically a lower quality vinyl, the cabinetry needs updating, and the foyer is unlit and somewhat scary. The building was recently purchased by Urban Investment Properties and should be up to speed as a competitive asset over the next few years.

New Quin Unit Mix Matrix

	Size (sf)	Price	Price/Sf
Studio	525	532	$ 1.01
1BR/1BA	637	705	$ 1.11
2 BR/1BA	800	705	$ 0.88

Average prices and sizes

Tenant Profile/Mix- mostly older residents who raised their families in the building, many dc natives, young professionals beginning to trickle in

Amenities- card controlled washer and dryers in the basement; all utilities included

Parking- street parking can be tough; unmonitored lot behind the Safeway

Security- none, building is not safe; squatters in lobby in the winter; drug transactions outside

Vacancy – 95% leased

Management- UIP management will be a significant improvement over the prior management

The Paramount – 829 Quincy Street

The Paramount Apartments are two majestic buildings containing 75 units that sit just across the street from the Metro Station and Park Place, due East of New Quin, the Griffin, and New Hampshire House, and adjacent to the Petworth Safeway. Of all of the competing properties that have not been recently built, the Paramount is the cleanest and most well maintained property. The units tend to be large and spacious with sparkling hardwood floors, ample closet space, and utilities that are included in the price of all the units. The building does have some negative features such as cheap updates of the interiors of the units, window units vs. central air, and hallways that really show the age of the building. However this property represents significant competition to any new building competing for value-oriented renters. With its ideal location, extremely large units, and cheap prices/square foot for larger units, many renters who pay a premium for space may consider the Paramount as an alternative to smaller, newer units.

The Paramount Unit Mix Matrix

	Size (sf)	Price	Price/Sf
Studio	400	1270	$ 3.18
1BR/1BA	800	1490	$ 1.86
2 BR/1BA	950	2050	$ 2.16

Average prices and sizes

Tenant Profile/Mix- a true diverse mix of value & transit-oriented young professionals

Amenities- free bike room, card-controlled laundry room

Parking- street parking can be tough; unmonitored lot behind the Safeway

Security- secured front door; Random Security M-F Nights; 10 PM-2 AM Weekends

Vacancy – 97% leased; 1 studio available and 1 1BR available soon

Management- very active manager and maintenance man that live on site.

Taylor Towers – 4021 9th St

The Taylor Towers were built in 1936 and contain 15 efficiencies and 35 1BR apartments for a total of 50 units. The building appears regal from the street and is very similar to some of the buildings that you find on Wisconsin Avenue and Connecticut Avenue. However the Taylor Towers lack some of the key updates that could drive higher rents for the space. The building does feature more modern refrigerators and countertops than its closest competitor, the Paramount, but the stoves and restrooms still appear less than ideal for a new renter entering the submarket. This building also has more of an empty isolated feel than the Paramount. The lobby has a "ghostly" presence to it and there is no access to a callbox to reach residents. Furthermore, its location approximately 3 blocks north of the Metro Station puts in just at the edge of the area where gentrifiers may start to lose comfort in their surroundings. However the building's location near the police station and extremely cheap prices mitigate those concerns.

Taylor Towers Unit Mix Matrix

	Size (sf)	Price	Price/Sf
Studio	550	615	$ 1.12
1BR/1BA	612	757	$ 1.24

Average prices and sizes

Tenant Profile/Mix- many long-term residents; seniors; single middle income professionals

Amenities- card-controlled laundry room

Parking- street parking loosens up a bit here but still is not ideal

Security- secured front door but the high hedges around the property seem eerie

Vacancy – 95% leased

Management- building appears well maintained, but management does not appear active

3422 Georgia Avenue

3422 Georgia Avenue is a unique building that was completed in July of 2009. Metro Investment Properties completed the sale of the land to John Xanthos of Xanthos Development in 2005. The architect on this asset did a great job of squeezing in 12-units on the lot next to the BP Gas Station. While our development will feature a more appealing façade and a better location, we do intend to implement some of the security features and amenities of this building. The building’s owner has vast experience in technology and has wired the building for users who appreciate technology and modern interiors.

3422 GA Unit Mix Matrix

	Size (sf)	Price	Price/Sf
1BR/1BA	650	1350	$ 2.08
1 BR/Pent	650	1600	$ 2.46

Tenant Profile/Mix- young professional couples and students

Amenities- modern appliances, 5 x 7 x 9 storage units, coded door keyless entry

Parking- underground parking with nearby neighborhood parking

Security- secured front door but some of the foot traffic from the neighbors is less than ideal

Vacancy – 100% leased

Management- no management on site.

New Hampshire House -3728 New Hampshire

The New Hampshire House apartment building was built in 1956 and contains 21 well-maintained units directly on top of the Georgia Avenue/ Petworth Metro Station. The New Hampshire house contains 2 studios, 12 1-BR/1BA units and 7 2BR/2BA units. The Property is directly across the street from the New Quin Apartments and The Griffin and probably is between the two in both desirability and competitiveness with our project. The property features a well-maintained façade, clean interiors, and superior, pristine landscaping. The building has already been separately metered and is currently under contract to be sold. It remains to be seen whether or not this project will remain a multi-family building or if it will be converted to condominiums. It will for the time being compete with our development since it will be attractive to those value-oriented renters who do not place a premium on amenities and "brand new smell" in the same vein as Paramount and Taylor Towers.

New Hampshire House Unit Mix Matrix

	Size (sf)	Price	Price/Sf
Studio	400	470	$ 1.18
1BR/1BA	650	660	$ 1.02
2 BR/1BA	950	682	$ 0.72

Average prices and sizes

Tenant Profile/Mix- young professionals, long-term dc residents

Amenities- none

Parking- none

Security- secured front door; feels safe; but lots of Metro Station Traffic passing by

Vacancy – 100% leased

Management- no management on site

The Griffin-3801 Georgia Avenue

The Griffin is the closest competitor to our proposed metro-oriented project. The building which sits next to New Quin and was completed in 2011, contains 49 units that were originally designed as for-sale condominiums. The units contain beautiful wooden cabinetry, marble countertops, stainless steel appliances, balconies on select units, and are very spacious compared to other properties in the submarket. None of the units in this building have ever been occupied. The building is currently for sale and will either be bought by an investor interested in selling out the units as condominiums or by an operator who is interested in tenanting the property. We hope that the building eventually sells out as condominiums leaving our property as the only Class A Multi-family building marketed toward users who do not desire to live in a large building like Park Place.

The Griffin Unit Mix Matrix

	Size (sf)	Price *	Price/Sf
1BR/1BA	662	2130	$ 3.22
1BR/Den	827	2671	$ 3.23
2BR/1BA	1018	2963	$ 2.91
2 BR/Den	1112	3234	$ 2.91

**As projected*

National Retail Overview

The 2nd Half of 2011 continues to remain an environment of uncertainty and slow growth for the retail markets. Developers, Retailers, and investors alike continue to stand on the sidelines with a "wait and see" mentality as consumer sentiment remains subdued and cautious for the foreseeable future. In today's environment retailers are still trying to figure out whether we are in a double dip recession, or if consumer spending has been hampered by anomalies in the 1st Half of 2011 such as the Arab Spring, the Japan Earthquake, the European Liquidity Crisis, and the U.S. Debt Ceiling Debate. The U.S. Housing market continues to remain an anchor on U.S. consumer demand at a whopping 28% of homes are under water on their mortgage according to 3Q 2011 research from Colliers International.

On the bright side, several sectors are showing strength despite the economic malaise. Luxury retailers and discount stores have seen increases as the rich get richer and the poor get poorer. Grocery stores remain stable despite some fears that there may be consolidation in the sector's future. Lastly, the aging population has yielded a boon for drug stores, particularly those located in the northeast. Holiday sales are expected to show a meaningful uptick to all sectors making for a positive end to 2011, but in general an air of caution looms heavy over the retail market for 2012.

Washington D.C. Regional Retail Market

The Washington D.C. area's healthy economy has done much to underpin the health of the retail sector in the region. The consistent job growth in the region, even during tougher economic times, has given the region the lowest retail vacancy rate in the country. The Washington DC region posted a 5.6% vacancy rate in the 2nd quarter of 2011 compared to a vacancy rate of 9.3% nationally according to the bi-annual Washington Area Retail Outlook produced by Delta Associates in conjunction with the Rappaport Companies. Grocery stores, gyms, discount stores, and home furnishing stores were very active in the first half of 2011 and are expected to continue to remain aggressive through the beginning of 2012. Harris Teeter continues to remain aggressive in its infiltration of the DC market and other new retailers from outside of the market have set their sights on the Washington D.C. market including Luke's Lobster, Serendipity 3, Shake Shack, and American Girl.

Of all of the metropolitan areas in the country the Washington, DC region is recovering faster than other regions because of the area's aforementioned low unemployment rates, steady job growth, and high incomes. Dr. Stephen Fuller, from the Regional Center of Data Analysis at George Mason predicts that the area will continue to add over 40,000 jobs in 2011 followed by 44,000-46,000 jobs per year through 2012 and 2013, respectively. An even more telling sign of the health of the economy is the additional 3,100 jobs that have been added to the retail sector in the twelve months ending May 2011. These are excellent statistics for a region considering that many of the nation's regions are losing jobs or are showing no growth.

The Washington D.C. area is arguably one of the wealthiest areas on average in the entire country. While the region does not possess as many uber-wealthy residents as Manhattan, Southern California, or South Florida, the average household in the

Washington, DC area earns a high income compared to the national average. The region boasts an average household income of over $102,000 compared to the national average of $70,200 according to ESRI and Delta Associates. A look at Forbes top 10 wealthiest counties in the nation shows that the DC region accounts for four of the top 5 counties:

2010-2011 Forbes 10 Wealthiest Counties

County	State	Rank
Falls Church City	VA	1
Loudon	VA	2
Fairfax	VA	3
Huntendon	NJ	4
Howard County	MD	5
Los Alamos	NM	6
Douglas	CO	7
Morris	NJ	8
Somerset	NJ	9
Fairfax City	VA	10

Due to this perfect storm of positive factors that affect retail in the region, Delta Associates is strongly recommending that retail developers consider 2011 as the time to begin retail projects. In May 2011, the esteemed research company called for acquisition and assembly of retail sites in early to mid 2011, beginning construction in late 2011, delivering the product in late 2012/early 2013 “when the market shifts toward the landlord’s favor”.

Petworth/Parkview Retail Market Overview

Many of the current retail properties in the Petworth/Parkview submarket are former row homes that were converted into retail when the residents built concrete and stucco boxes in their front yards in the 1920s. Like many of the District of Columbia’s retail corridors, the Petworth/Parkview submarket is littered with beauty /barber salons, carry-outs, corner stores, and less than desirable food markets that do not support the needs nor wants of the neighborhood residents. Many of the old buildings are structurally obsolescent and are not suitable for today's retailer. The city of Washington D.C. experiences tremendous leakage of retail spending into Northern Virginia and Maryland. Even those consumers within this neighborhood who spend their discretionary income inside of the District of Columbia spend the majority of their retail dollars for basic goods and entertainment in nearby Columbia Heights or the U Street area. Even before this most recent trend toward higher income residents and more disposable income, Washington, DC including the Petworth/Parkview area remains severely under-retailed. The following chart which references data from the Census, ICSC, Delta Associates, and Costar paints a bleak picture for consumers in Washington, D.C:

Today, the Petworth/Parkview retail submarket continues to remain an extremely underserved submarket. When one considers the increasing population density of the area, the spending power of its residents, and traffic generated by its thoroughfares one would expect to see a greater variety of stores and shops to meet the clear demand of its residents. Unfortunately, the development and retail community have failed to recognize the opportunity at hand. For example, since 2005, the area within the half-mile radius surrounding the Metro Station has seen $300MM of building projects including over 1,000 units of multi-family. However, during that time period there has been only one true sit-down restaurant built within the submarket which already had 0 sit down restaurants. While the area has finally has access to a clean small-format grocery store with the opening of Yes Organic at Georgia and Taylor several years ago, most of the residents still prefer to leave the neighborhood for basic groceries since the Petworth Safeway at Georgia Avenue and Randolph is probably the most abhorred national grocery store in all of Northwest Washington DC. Furthermore, despite the 50% homeownership rate and almost $18MM that is spent by residents within ½ mile of the center of the submarket on Home Improvement and Household Furnishings, there is only one very small hardware store and no furniture stores in the immediate area of the submarket. The Petworth/Parkview area is severely under-retailed and its residents are begging for additional retail offerings.

Petworth Retail Demand

LEASED*NEW YORK FRIED CHICKEN *3413 GEORGIA AVENUE

Yearly Rent	$42,500 NNN
GLA	1,250 sf.
Price/Sq.Ft.	$34/ sf.

It should be noted that the lease rate at this building should also include a factor for the lease of the restaurant equipment in addition to the rent of the building.

LEASED*SALA THAI @PARK PLACE *850 QUINCY ROAD (3700 GA)

Yearly Rent	N/A
GLA	NA.
Price/Sq. Ft.	$32-35/ sf.

Approximately 75% of the ground floor retail space at Park Place has been leased. Existing tenants include Cricket Communications, Subway, and Sala Thai Restaurant, the first new “sit-down” restaurant in this submarket in years.

LE ... LOUNGE *3634 GA AVENUE

The Looking Glass Lounge, formerly Temperance Hall, pays approximately $33.50/sf for their space at 3634 Georgia Avenue. This space is a great comparable for our subject property since it is also on the exact same block as our development and the space was essentially brand new when the lease was signed. Metro Investment Properties served as agent to the Seller when this property was sold in 2008.

NEW MULTIFAMILY DEVELOPMENT

SUMMARY & PIPELINE

Project Name	Address	Developer	# of Units	Expected Delivery
The Vue at Georgia Avenue	3333 Georgia Avenue	NDC	112*	2013
The Avenue	3510 Georgia Avenue	Warrenton Group	83**	2012
The Griffin	3801 Georgia Avenue	The Griffin	49	2011
Petworth Safeway	3830 Georgia Avenue	Duball	210***	2014
		Total Market Rate Units	345	

* will contain 9 affordable units

** will contain all affordable units

***will contain 17 affordable units

3333 GA Avenue- The Vue @ Georgia Avenue

The Vue at Georgia Avenue is a 112-unit apartment building that will begin construction in 2012 and sits at the corner of Georgia and Lamont. The property will feature 12,000 sf of retail including a new post office. Building features will include a rooftop deck and underground parking.

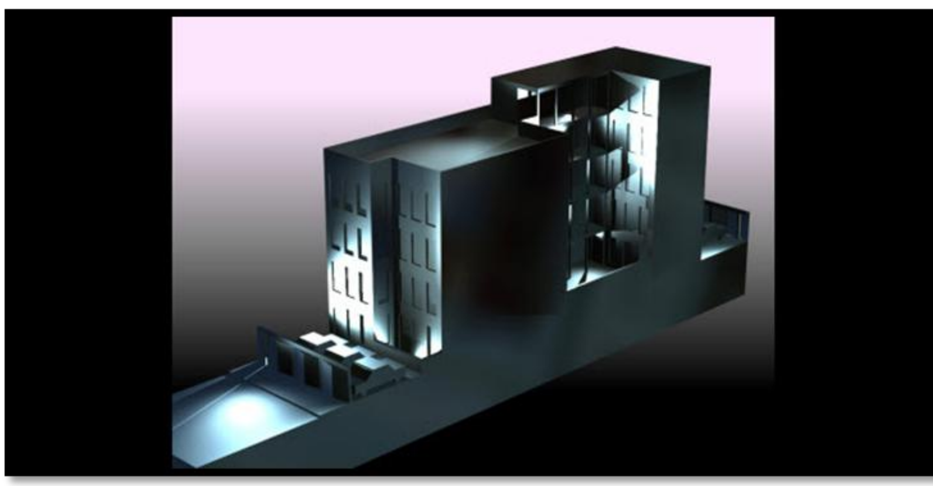
701 Lamont Street- Lamont Street Lofts

In November 2005, Neighborhood Development Corporation completed the Lamont Street Lofts which sit just off of the corner of 3300 Georgia Avenue at 701 Lamont Street. The project features 38 New York-styled lofts with raw cement flooring, spacious industrial layouts, and exposed beams. The project won a 2007 residential architect design award.

3400 Georgia Avenue-REDBRICK DEVELOPMENT

3400 Georgia Avenue was recently acquired by Redbrick Development Group in July 2011. The company plans to develop a mixed use asset at the site according to Redbrick Development's website.

3422 Georgia Avenue-XANTHOS DEVELOPMENT



In October 2005, Xanthos Development acquired the former Georgia Avenue Theater at 3422 Georgia Avenue. Metro Investment Properties served as the broker on the transaction. In 2008, the group completed the 12,000 sf building at an estimated project cost of $3,000,000

3510-12 Georgia Avenue-THE AVENUE

The Avenue is the first phase of the Park Morton redevelopment and will offer 83 affordable apartments, 2,600 sq. ft. of retail space and a 29 space below-grade parking garage. The Building has also been designed to step down at the northwest corner, closest to the residential property across the alley to the west. The DC government provided a $16.5 million loan for the project.

3318 Georgia Avenue-Sidney on the Avenue

Sidney on the Avenue is a 12-unit condo project completed by Linde Development in 2008. Linde also has recently completed a residential project in the 2900 block of Georgia Avenue near Howard University.

3333 Georgia Avenue -Ward 1 Senior Wellness Center

The Ward 1 Senior Wellness Center sits at the corner of Georgia Avenue and Morton Street and will provide educational, fitness, and nutrition classes and activities for Ward 1's senior community.

3600 Georgia Avenue-E.L. Haynes Public Charter School

E.L. Haynes purchased this land parcel which was slated for development by Lakrtiz-Adler Development and constructed this 45,000 sf school which was completed in 2008. Metro Investment Properties advised Lakritz Adler Development in the sale of this asset to the school but did not broker the sale.

3646 Georgia Avenue- CVS Pharmacy

The Parkview CVS that sits at the intersection of Georgia Avenue and New Hampshire was recently completed in 2010. The site actually represents an underutilized use of land across the street from a Metro Station. The developers here should have also included residential units above the pharmacy to encourage the more car-free residents to the neighborhood and to fully maximize the FAR. I'm sure that the flailing market must have had some influence on their decision not to even attempt to build residential above the retail.

3700 Georgia Avenue- Park Place

Park Place, by Donatelli Development represents the flagship project in the revitalization of Georgia Avenue. The project consists of 161 Units with 17,000 sf of retail, most of which has been leased. Donatelli's projects have served as a leading indicator of neighborhood development having aided revitalization in both the U Street and Columbia Heights neighborhoods along the green line.

3801Georgia Avenue- Donatelli Development

Donatelli Development has recently complted a 49-unit condo project located directly across the street from the Park Place Project. The building is currently being marketed for sale as an entire empty building since Donatelli did not attempt to lease or sell any of the units.

3830 Georgia Avenue- Petworth Safeway

In 2013, Safeway is planning to replace the current 21,000 sq. ft. store with a modern 50,000 sq. ft. grocery store on the site with 210 residential units and two levels of underground parking also being built on the site. Once this project breaks ground, market participants are expecting an increase in the interest in retail offerings in the immediate 3 blocks of its location.

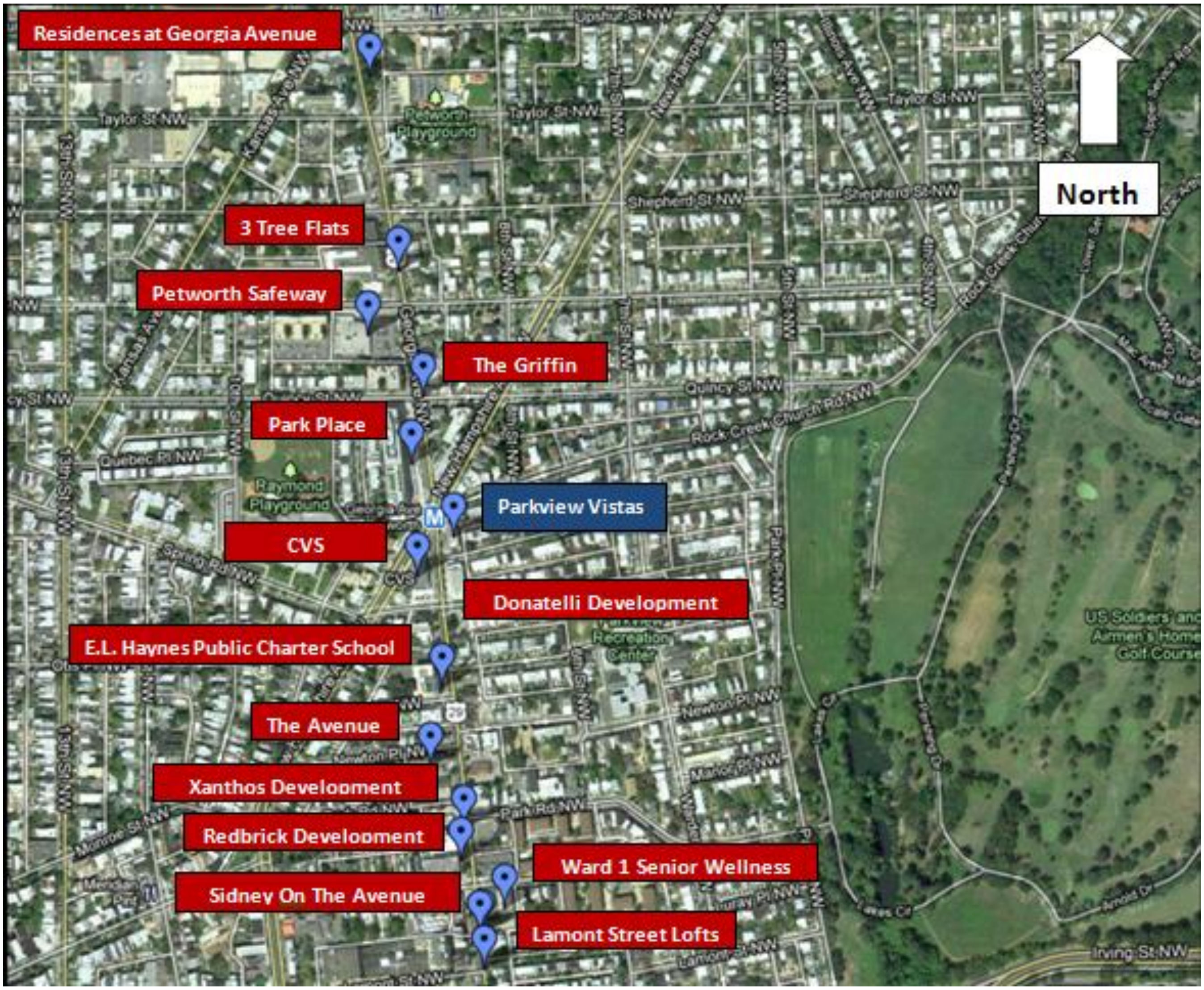
3910 Georgia Avenue-3Tree Flats

3Tree Flats, located two blocks north of the Petworth Metrorail station contains 130 apartments (119 affordable units at or below 60% AMI), 28,000 sq. ft. of retail and 120 parking spaces. The project, developed by Jair Lynch Partners, was heavily subsidized by DC Government financing as it attempts to maintain affordable living spaces in many of the city's gentrifying neighborhoods.

4100 Georgia Avenue- Residences at Georgia Avenue

Neighborhood Development Corporation developed this seven story building which was completed in 2008. The building 72 Moderate Income Apartments and a ground floor neighborhood organic grocery store called Yes Organic Market.

NEW DEVELOPMENT MAP



DEVELOPMENT ISSUES

VI. DEVELOPMENT ISSUES

As we move forward with the development of the 3661 Georgia Avenue project we envision several areas of potential concern for our development team. Despite our vast experience in this submarket and with this product type, our team is realistic in our expectations for potential shortcomings and the presence of extraneous and macroeconomic factors that may disrupt our ability to complete the project. Some of these factors include but are not limited to: Parking our site, the presence of Metro below our site, heavy traffic near our site, abutting residential, the Political environment, the presence of competing development projects, and general financial concerns.

Parking

The decision on how to properly provide parking for the site will be one of the chief concerns for our development team as we move forward with our project. The Georgia Avenue/Petworth Metro Area currently does not have as many parking concerns as some of the other more dense areas near metro stations in NW Washington D.C. Fortunately many of the residents that live in the apartment buildings within ½ mile of the metro station avoid the headache of owning a car. Many of these residents either cannot afford to own a car or find it unnecessary to own one in such close proximity to the downtown core and to mass transit. Most of the single-family residential owners in the area either park behind their homes by accessing their parking from the rear alley or find adequate parking on the residentially zoned parking spaces along the streets in front of their homes.

As an advocate of smart growth development our development team believes that a minimal amount of parking should be provided at the site if any at all. There is a rising trend among both developers and surprisingly city planners to avoid providing parking at sites in close proximity to Metro stations. Both parties are in agreement that as more people move back into our cities' urban core, cars will be both less desired and less necessary for the new urban dweller. However, despite our desire to progressively move toward environmentally friendly developments, we must continue to be aware of our impact on our neighbors, the demand of our renters, and the current legal environment.

While many of our renters will prefer not to own a car, we must be aware that there will remain demand from some of our renters to have a secure place to park their vehicles. Several of our significant competitors currently provide parking for their renters many of whom view parking as a necessity. Also many of the chief objections of our more established neighbors will involve the impact that 40-60 new neighbors will have on their abilities to park near their homes. These are two of our chief reasons why we must provide parking for our site. However the chief reason for our decision to park the site simply revolves around adherence to the current regulations

The current laws call for approximately .5 parking spaces for every apartment unit in our building. Since our project calls for approximately 38 units, Metro Investment Properties will be required to provide 19 spaces for construction of our building. The current law does however provide for a special exception for sites located within 800 feet of the entrance of a Metro Station. This exception, according to Dan Emerine of the Washington D.C. Office of Planning, allows developers to reduce their parking requirement by 25%. Since our site is directly across the street from a Metro Station this rule implies that our site will be required to only provide 15 parking spaces.

After determining that it was mandatory for us to provide parking for our site for the reasons listed above, we then must set out to determine the appropriate method of providing parking for our site.

Option 1 would involve underground parking for the site in order to maximize the amount of retail space on the ground floor. C3A zoning and the Georgia Avenue Overlay allows our team to build on 100% of our lot if our ground floor is retail. Our estimates indicate that we would incur costs close to $30,000/ space if we decide to provide parking on one floor below ground level.

Option 2 would require our development team to reduce the footprint of our retail ground floor by 2,000 to 2,500 square feet and to provide parking on the ground floor. Providing parking on the ground floor will require competent architects and/or parking consultants since the most likely access to the parking would probably have to be located behind our structure and accessed via the alley near Quebec Street. Our development team must also evaluate this option to determine whether or not the loss of $60,000 to $80,000 of yearly NOI from reducing the rentable retail space would be more or less beneficial than building the spaces underground. We forecast market rents for the parking spaces at approximately $200 per month which could bring in revenues in the $35,000-$40,000 range per year.

Our preliminary approach to parking the site will be to provide 20 underground parking spaces. We also hope to rent 3-4 of these spaces to Zip Car, a nationwide car-sharing program. Zip Cars studies show that each of their cars can take up to 9 cars off of the road in urban areas. If we can secure an agreement with Zip Car to provide service at our site, we will not only continue to operate within our company's mantra of smart growth development but also provide a meaningful amenity to both our residents and the surrounding neighborhood.

Construction/Excavation above Metro

Our site's location literally on top of a Metro Station may cause problems as we excavate our site for the building foundation and especially if we do decide to park our site with one level of underground parking. Our development team is currently in conversations with engineers from WMATA to get more information on our ability to dig below our site. Initial indications tell us that our site literally sits right on top of the tunnel tracks. Our chief concerns will revolve around the whether or not we will be able to build one level of underground parking, bonding for potential construction damage to Metro, and whether or not vibrations from the Metro train's movements will adversely affect our structure during construction and long-term.

Traffic

One of the greatest features of our site which also will lead to some difficulties in development is the intense amount of foot traffic and pedestrian traffic located at our site. The foot traffic at our site is primarily driven by Metro Bus Riders who board the 70, 71, and 79 buses right in front of our site. These bus routes generally run from downtown Silver Spring, MD to Buzzard Point in Southwest Washington D.C. This bus route is one of the more frequently trafficked bus lines in Washington, D.C. and is the primary mode of transportation for many middle income and lower income residents along the Georgia Avenue Corridor. A second source of heavy foot traffic is the entrance to the metro station which sits less than 40 yards away from our site. According to data from the Washington Business Journal, the Georgia Avenue/Petworth Metro Station has an average daily ridership of 5,000 people. Our development team must minimize our interaction with the heavy foot traffic near our site throughout the construction process.

The corner of Georgia Avenue and New Hampshire is an extremely busy corner for automobile traffic as well. Georgia Avenue serves as a main corridor for North-South Commuter traffic as many drivers pour into the city along Georgia Avenue in the mornings heading into town from Montgomery County. The average daily traffic count along this part of Georgia Avenue is roughly 28,000 vehicles most of which will pass right by our site in the evenings since our site is located on the eastern side of Georgia Avenue. New Hampshire Avenue also serves as a major artery into the city in the mornings as well. Commuters from Northeast Washington D.C. and Prince Georges County all use the New Hampshire Avenue corridor as an access point into the city via the Petworth neighborhood. While the traffic count along New Hampshire Road is just over half that of Georgia Avenue, the added cars that traverse New Hampshire road when heading northeast makes for a very congested corner since our site is located on the South side of New Hampshire Avenue.

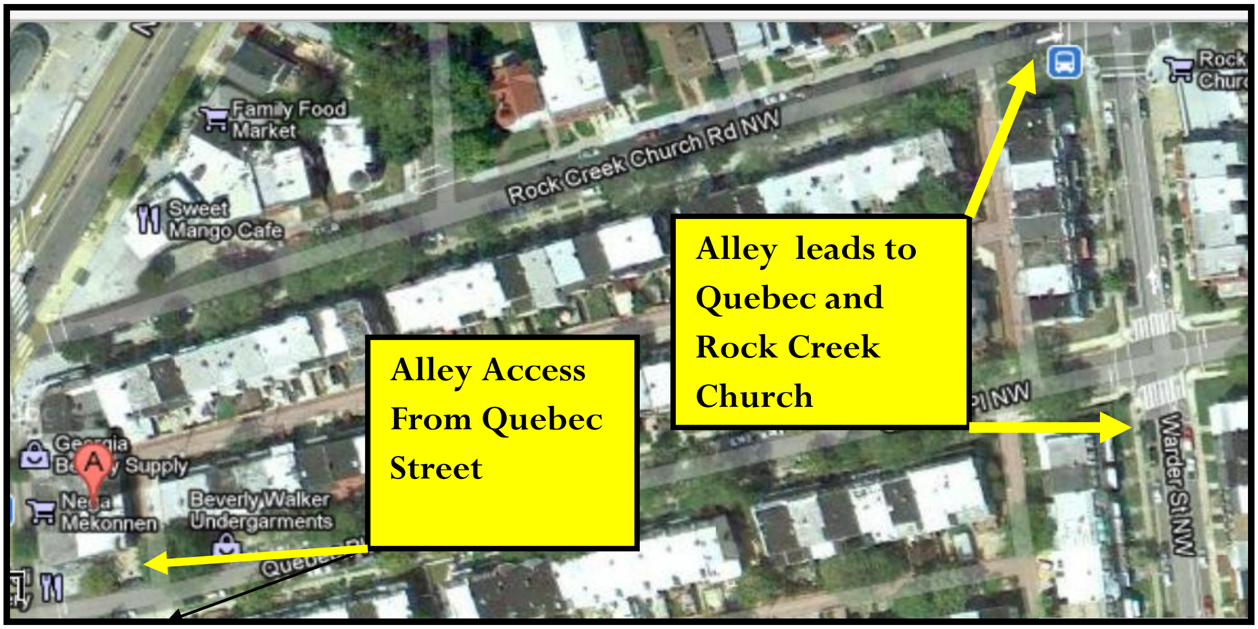
Our development team is acutely aware of the dangers posed by developing a site at such a visible highly-trafficked corner. We envision our most arduous periods will occur in the mornings between 7:00 and 9:00 A.M. and particularly in the evenings between 5:00-8:00 P.M. The combination of heavy evening traffic flowing north along Georgia Avenue and Northeast along New Hampshire road and the foot traffic of both bus riders and Metro riders in the evenings will require the utmost coordination between our development team, the District Department of Transportation, and our neighbors during the development process. We hope to utilize less-trafficked corridors along Quebec Place and Rock Creek Church road as much as possible during the development process. We do have to ensure however that we do not disturb our residential neighbors along these residential streets.

Abutting Residential

Our development parcel is directly connected to residential properties at its northeastern corner and is separated from residential properties by an alley along the entire eastern property line. While our parcel gives us matter-of-right development rights, we will still encounter obstacles while tearing down our building since it is connected to one of the Residential Row homes on Rock Creek Church Road.

Our development team is also concerned about potential problems from the immediate neighbors who may feel that our 65-70 foot project is too large of a presence beside their smaller row homes. While we do not envision their potential complaints derailing our project since it will be a matter-of-right development and the Georgia Avenue Overlay specifically calls for this type of development at this site, we are aware that the potential for protests and complaints may occur.

Other concerns that may arise from our proximity to the abutting residential include the presence of our heavy machinery and its burden on the narrow residential side streets, access to alleys, and staging of our construction equipment. While we do not foresee that our equipment will severely damage the pavement and/or sidewalks along these arteries, we are carefully budgeting for the unlikely occurrence that we may damage some of the publicly owned property around our site. Also, the majority of the owners of the abutting residential properties on Quebec and Rock Creek Church Road all park their vehicles behind their homes and access this parking via the shared alley from Quebec road. During the construction period, our development team must ensure that your construction equipment does not block access to the alley way, particularly during those peak morning and evening periods when residents are going to work and returning home. Since this time period is also the peak time period for traffic along Georgia Avenue, we may face difficulty is finding suitable avenues for our large machines. We hope that our neighbors will allow us to block one entry to the alley along Quebec Street for our equipment and that the majority of them will navigate the one-way roads around the surrounding streets in order to primarily access their parking from the easternmost entrance to the alley.



Political/Legal Environment

We are currently aware of two possible hurdles to our development project from a political/legal perspective, but do not expect either of these to significantly affect our project. The first of these potential setbacks would be the location of the project along the borders of Ward 1 and Ward 4. While the project is located in Ward 1 only, both the constituents and the councilmembers of these two wards have traditionally worked in collaboration on efforts along the ward borders. While we do not foresee either Jim Graham (Councilmember Ward 1) or Muriel Bowser (Councilmember Ward 4) posing an objection to the project, we are aware that the additional scrutiny of having this project being closely observed by politicians and constituents from 2 wards may pose additional risks. It should be noted that both councilmembers have supported transit-oriented and smart growth developments for various projects throughout their respective wards.

A more significant potential setback regarding the political/legal environments for our project surrounds the ANCs (Advisory Neighborhood Commission). While we have matter-of-right development rights on our parcel these DC resident-based neighborhood groups can serve as significant hurdles if the relationship between our development team and the ANCs is not properly managed. For example the ANCs may ask that certain types of retailers be prohibited from our site or that the retailer limits its operating hours and/or product line based on neighborhood sentiment. However there have been instances where strong support from neighborhood groups has **ENCOURAGED** a retailer to sign a lease in a development. For example, ANC 4a, 2 blocks away in Petworth, specifically asked the development team at Duball LLC to include a Suntrust Bank in their redevelopment of the Safeway parcel in the 3800 block of Georgia Avenue. Certainly, such strong specific support for a particular brand may cause a retailer to take a stronger look at a site.

In general we do not expect the political/legal environment to significantly impact the development of our site. The project sits within an overlay that specifically calls for the development of housing at this site. In such a retail- starved neighborhood our neighbors will be more than excited to see us redevelop this parcel as long as we responsibly include them in our process and remain respectful of the neighborhood during the construction process.

Macroeconomic/Financial Environment

The Washington D.C. area economy remains healthy and continues to outperform almost all other major U.S. markets. The area remains starved for retail and significantly under-housed considering the number of additional jobs that continue to pour into the city. While we are confident that today's environment is ideal to begin this development, we cannot accurately predict the future of the area's economy nor how the macroeconomic malaise will affect the sentiment of local financial institutions. We foresee pursuing a local bank as our development partner and have a short list of banks that have financed similar projects with which we have significant relationships. Of all property types, multi-family properties have received the most advantageous financing terms during the economic downturns and we do not foresee any shortage of local banks willing to lend to this project.

DEVELOPMENT AND CONSTRUCTION COSTS

VIII. DEVELOPMENT AND CONSTRUCTION COSTS

MIP Development consulted heavily with Dante's Partners and our general contractor, EllisDale construction in developing our construction expenditures for Parkview Vistas. Dante's Partners is a Washington, D.C. based development firm that specializes in the development of mid-sized mult-family and mixed-use projects in Washington, D.C.'s emerging corridors. Dante's Partners' principal, Buwa Binitie has extensive experience in the Georgia Avenue submarket while serving at the Project Manager for the Residences at Georgia Avenue (4100 Georgia) while still employed at Neighborhood Development Corporation.

EllisDale Construction is the premier general contractor in DC for mid-sized multifamily ground-up and rehab projects. Some of the company's recent projects include but are not limited to Logan Row, Moderno, Fennessey Lofts, the Claybourne, and King Towers. In the right hand column below, you will find a summary of our full construction budget and a brief explanation of some of the primary categories.

DEBT PROCEEDS	$9,619,166	ACQUISTION	$2,108,000
REQUIREDEQUITY	1,562,170	CONSTRUCTION	7,257,482
		PERMITS	55,000
		UTILITIES	107,500
		ARCHITECT & ENGINEERING	376,800
		LEGAL	105,000
		FINANCING	99,800
		CARRYING COSTS & RESERVES	153,712
		MISC & OTHER	314,000
		CAPITALIZED INTEREST	108,000
		SOFT COST CONTINGENCY	65,991
		SUBTOTAL DEVELOPMENT COSTS	$10,751,285
		DEVELOPER FEES	430,051
TOTAL SOURCES	$11,181,336	TOTAL USES	$11,181,336

Acquisition- includes the expected purchase price for the existing asset, interest carry and closing fees.

Construction- includes all of the "hard costs" of the actual buildout of the physical building materials. This section typically makes up the majority of the budget.

Permits - includes the costs of permits, documentation, and expediting

Utilities - includes the costs of consultants, installation, connection fees, inspection fees, and deposits for the major utilities to the building.

Architectural and Engineering - includes the costs of hiring an architect for design and construction administration, in addition to hiring MEP, Structural, Civil, and Environmental engineers.

Legal Fees - always pay your lawyer and your accountant!

Financing, Carrying Costs, and Reserves- includes construction lender fees, real estate taxes, reserves during construction and lease-up, and Insurance

Miscellaneous and other Fees - marketing, appraisals, consultants, studies and other deal related fees.

Contingencies - we included a 5% contingency for both our hard and soft costs.

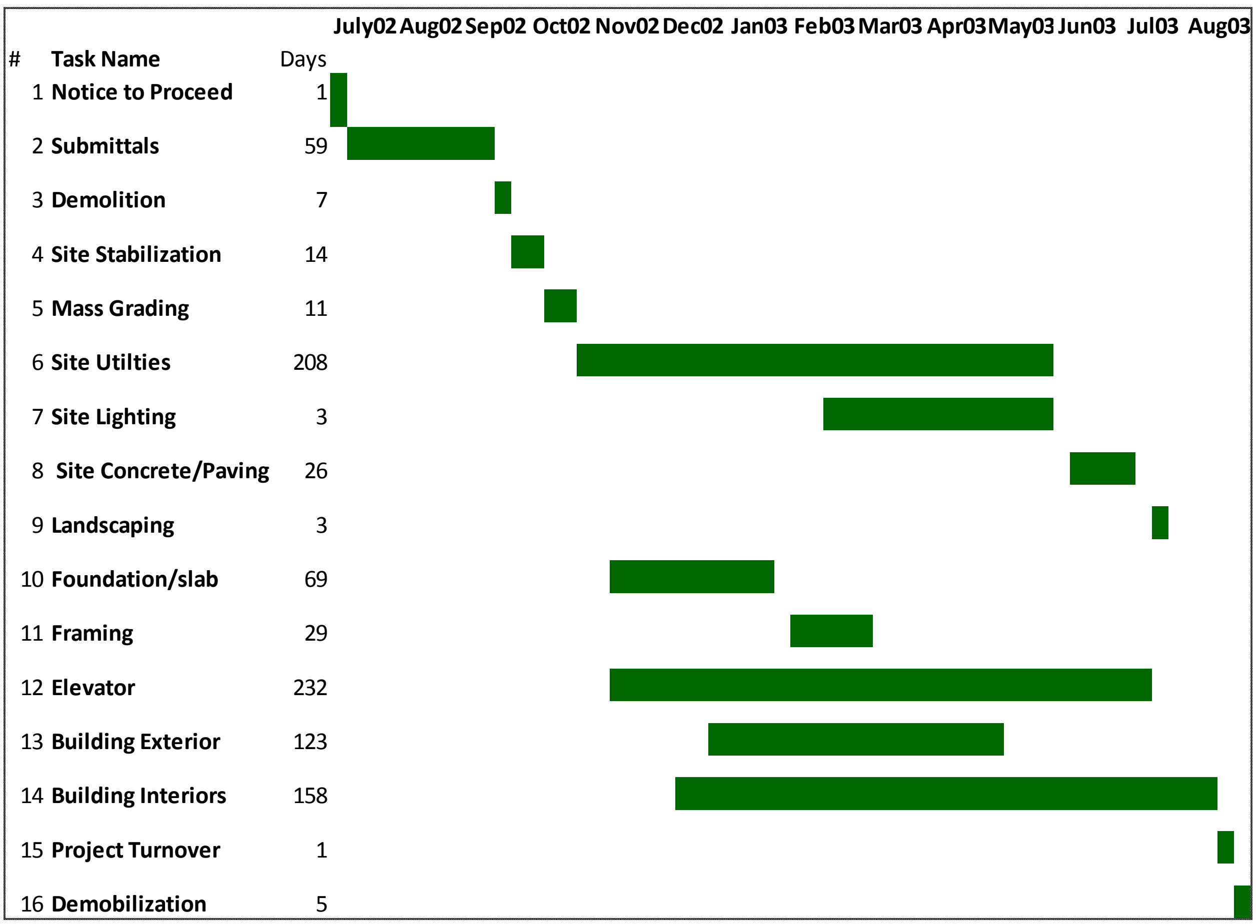
Developer Fees - developer fees typically range between 3-5%. We set our fees right at 4% for this project.

SCHEDULE

IX. SCHEDULE

Below is an illustration of the expected construction schedule for Parkview Vistas. We also will discuss some of the potential risks during the construction process and how our development team plans to meet and mitigate those risks.

Parkview Vistas Construction Schedule



Most development budgets are too aggressive. Our construction team at EllisDale has informed us that our permitting process may take up to 6 months and upon groundbreaking, the building will be finished in ten months. While we rely heavily on our construction team for their expertise, MIP Development is budgetting a 10-13 month process due to our uncertainty with excavation above the Metro Station.

Our team has significant experience with this property type and realizes where hiccups may occur in the development process. As a developer, we typically want to move forward with the process upon 70% completion of the construction documents. Project managers for general contractors would prefer to start the process at 100% completion once all plumbing, lighting, door fixtures, paint, hardware, toilet accessories, appliances, and paint are in place. However this material buyout period can take between 8-10 weeks which can be a significant cost to a developer.

MIP Development has a superior working relationship with both its architect and general contractor who have both worked with each other on several occasions. While we do not foresee any delays in schedule, we have built in contingencies to mitigate over-runs. As the construction schedule becomes more compressed, our budget allows us to hire additional workers and stay on site around the clock in order to meet the development schedule. Our subcontractors are also willing to overlap their presence in the same workspace versus waiting for the previous subcontractor to finish. As a last resort we are more than prepared to invoke our liquidated damages clause in order to ensure that our job is completed on time.

FINANCIAL

X. FINANCIALS

General Assumptions-Base Case

Building Assumptions	
Building Size	40,000
Rentable Sq. Feet	35,800
Avg. Lease Term	10
TI New	$0.00
TI Renewal	$0.00
Commission New	5%
Commission Renewal	0%
Oper. Exp.	
Management Fee	5.00%
Avg.Rent Growth	2.00%
Expense Growth	3.00%
Renewal Probability	100.00%
Downtime	6
Vacancy/Credit Loss	5.00%
Reserves	$ 250.00
Hard Costs/sq foot	150.0

Value Assumptions	
Residual Cap Rate	6.75%
Direct Cap Rate	6.00%
Cost of Sale	2.00%
Market DSCR	1.2

Tenant Assumptions	Size	Mkt. Rent	Rental Esc.
Studios	2,550	$3.41	2%
1BR/1BA	16,250	$3.00	2%
Parking	20	$200.00	2%
2BR/2BA	7,000	$2.80	2%
Retail	10,000	$32.50	2%

Income Assumptions

In setting our revenue expectations for Parkview vistas we first needed to determine our market position compared to the other multifamily buildings on Georgia Avenue. For this process, MIP Development toured existing buildings within the submarket to get an idea what amenities, features, and negative aspects were present in each of our competitors. This process would help us to justify our pricing relative to our competitors and would help us to establish where in the “pecking order” our property would attempt to fit into the market.

As shown in our Significant Competitors exhibit from our Market Analysis we feel that our property should be viewed as a better property than Paramount & 3 Tree Flats, but a lower position than both Park Place and the Griffin. Since our property is new we clearly believe that our finished product will be much better than the Paramount (the best of the older properties), Taylor Towers, and Petworth Station. We also felt that we would be positioned higher than some similar older properties that are set to be renovated such as New Quin and New Hampshire House. While the new owners of these buildings will significantly improve these properties, the newness of our asset coupled with the lack of retail and amenities at New Quin and New Hampshire House will position those properties lower than Parkview Vistas. On par with New Quin and New Hampshire House, we viewed the recent Xanthos Development project at 3422 Georgia Avenue, as less of a competitor since the property is located several blocks south of the metro and next to a gas station.

The closest comparables to our Parkview Vistas development will be 3 Tree Flats, the Griffin, and Park Place. Both the Griffin and Park Place are currently the best properties in the submarket. Both properties were originally designed to be condominium developments and therefore are built with condominium level finishes including the following: stainless steel appliances, travertine and ceramic tile floors, zodiac and ceramic countertops, and selected units with balconies and patios. Both Park Place and the Griffin also feature underground parking. Furthermore, Park Place also includes features such an amazing rooftop deck complete with barbeque grills and green space, a business center, boutique hotel quality lobby, and a resident entertainment room. The finishes at Parkview Vistas will most likely closely resemble the very basic finishes at 3-Tree Flats. However, we will be able to charge a premium above 3-Tree Flats because Parkview Vistas will have retail on the lower level, does not contain any affordable housing units (as opposed to 90% at 3Tree Flats), and is located closer to the metro. Let's review some of our basic assumptions below for the base case at Parkview Vistas.

- <u>Studios</u> – Neither The Griffin nor Park Place contains studio units. This submarket is clearly driven by affordability and there may be a void in this marketplace for this unit type. Almost all of the other buildings in the submarket contain studio units, many of which rent at very high prices per square foot. For example 400 square foot studios at Paramount lease for $1270 per month. At the time of survey, only one of these units was available for lease in the entire building. At 3-Tree Flats, market rate studios lease of 403 and 442 square feet for $1400. It is not difficult to envision that Parkview Vistas will be able to achieve studio rents at approximately $1450 since our building is 80 years newer than the Paramount, closer to the metro than 3Tree Flats, and contains no subsidized housing.

- 1BR/1BA- Similar units are projected to rent at $2,130 at the Griffin and currently rent for $2,083 at Park Place. In our base case we believe that pricing our units just south of $2,000 will allow us to attract renters who are taken aback by the initial shock of paying rent above $2,000 on Georgia Avenue but desire a better unit on Georgia Avenue. Comparable units at 3422 Georgia Avenue and 3-Tree Flats rent for $1650 and $1900 respectively. It should be noted that the 1BR/1BA units at 3Tree Flats are 140 square feet bigger than the same units at Parkview Vistas

- 2BR/2BA- Parkview Vistas will feature the best value for our 2BR units in the entire submarket. Most properties in this submarket do not feature 2BR/2BA units at all. Our development seem was determined to include this unit type which we felt would be attractive to young professionals who are willing to pay up to $1500 for housing. Many of these professionals will opt to have a roommate in a large 2BR unit versus living in a small studio apartment, especially if each roommate can have her own bedroom. We will place 4 of our 2BR/2BA units on the corners of the penthouse level. This 5th floor penthouse level will provide sweeping panoramic views of the city including both The Basilica and The National Cathedral. The other 3 2BR/2BA units will be placed at the northwest corner of the project providing views that overlook Georgia Avenue, Rock Creek Church Road, and New Hampshire Avenue.

When comparing our 2BR units to The Griffin, Parkview Vistas units are approximately the same size but are priced cheaper than the Griffin and include 2 restrooms while the Griffin will only have 1 restroom. 3Tree Flats' 2BR/2BA unit is priced at $2,500/ month vs. $2,800 at Parkview Vistas but, our units our much larger at 1,000 sf. vs. only 786 sf. at 3TreeFlats. Parkview Vistas' 2BR units will be priced essentially at the same price as those at Park Place, but Parkview Vistas' units have the advantage of the 2nd restroom which may be a important for many renters.

Parking- in line with prices charges at both Park Place and the Griffin.

Retail- Market rates for retail space at Parkview Flats are consistent with rates recently paid by retailers at New York Fried Chicken's location at 3413 Georgia Avenue ($34 NNN), Looking Glass Lounge at 3634 Georgia ($33.50 NNN), and Sala Thai at Park Place 3700 GA ($32-35 NNN).

Unit Description			*Number of*	*Unit Size (Net leasable*	*Tenant*	*Contract*	*Rent*	*Income per*	*Monthly*	*Annual*
Bedrooms	*Baths*	*Price/Unit*	*Units*	*Sq. Ft.)*	*Paid Utilities**	*Rent*	*Subsidy*	*Unit*	*Income*	*Income*
Studio		$3.41	6	425	$0	$ 1,449	$ -	$ 1,449	$ 8,696	$ 104,346
1BR/1BA	1	$3.00	25	650	$0	$ 1,950	$ -	$ 1,950	$ 48,750	$ 585,000
Parking		200	20	0	$0	$ 200	$ -	$ 200	4,000	48,000
2BR/2BA	2	$2.80	7	1000	$0	$ 2,800	$ -	$ 2,800	$ 19,600	$ 235,200
Retail		$32.50	1	10000	$0	$ 325,000	$ -	$ 325,000	27,083	325,000
Total			38	35,800					$ 99,433	$ 1,297,546
Vacancy Allowance *(Total Annual Income x Vacancy Rate)*						5.000%				$ (64,877)
Effective Gross Income										$ 1,232,669
Underwritten Operating Expenses					Per Unit Per Year:	$ 7,527				$ 286,020
Management Fee										$ 61,633
Replacement Reserve						$ 250.00				$ 9,500
NET OPERATING INCOME										**$ 875,515**

Debt Calculations:

onventional: Rate: 6.50% Amort: 30 DSCR: 1.20 Supportable Debt: $9,619,166

Expense Assumptions

For multi-family buildings above 20 units oftentimes investors view prices based primarily on an annual cost per unit. We typically categorize our expenses into 4 distinct categories:

I. *Administrative*

Administrative Expense

	Per Annum	Per Month	PUPA
Conventions & Meetings	$0	$0	$0
Management Consultants	$0	$0	$0
Marketing	$1,900	$158	$50
Other Rent Expense	$0	$0	$0
Office Salaries	$34,200	$2,850	$900
Office Expenses	$0	$0	$0
Admin Free Unit	$0	$0	$0
Legal	$3,800	$317	$100
Auditing	$1,900	$158	$50
Tax Credit Fee (DHCD)	$0	$0	$0
Misc Admin	$0	$0	$0
Resident Services	$0	$0	$0
Other Admin	$0	$0	
Subtotal Admin	$41,800	$3,483	$1,100

Management Fee

5.00%	of EGI	Per Annum	Per Month	PUPA
PU PerMonth:	$ 118.90	$54,220	$4,518	$1,427

The Marketing fees may or not be covered by the management company and the office salaries include our in-house staff dedicated to covering this property. We retain legal services at a flat rate for our entire portfolio to represent us in the court system when we have to evict tenants. The management fee typically ranges between 3-5%, but because our property is one of the smaller properties in our management company's portfolio we pay closer to the higher end. As our portfolio grows larger we expect legal fees and our overall management fee to decrease 0n a per unit basis.

II. *Utilities*

Utility Expenses (owner paid)

	Per Annum	Per Month	PUPA
Electricity	$3,800	$317	$100
Water+Sewer	$4,750	$396	$125
Gas	$0	$0	$0
Oil	$0	$0	$0
Utility	$0	$0	$0
Other	$950	$79	$25
Subtotal Utilities	$9,500	$792	$250

These fees represent common area utilities and other utilities that the landlord typically pays. We also budgeted for other unforeseen utilities as additional fees could arise throughout the year.

III. *Operating and Maintenance*

Operating and Maintenance

	Per Annum	Per Month	PUPA
Repairs Contract	$28,500	$2,375	$750
Repairs Material	$0	$0	$0
Trash Removal	$1,900	$158	$50
Heating & Cooling	$0	$0	$0
Elevator Contract (N/A)	$1,900	$158	$50
Exterminating	$1,900	$158	$50
Monitoring Patrol/Security	$0	$0	$0
Grounds Contract for Adjacent Park	$0	$0	$0
Grounds Supplies	$0	$0	$0
Snow Removal	$0	$0	$0
Cleaning Contract/Supplies	$0	$0	$0
Uniforms	$0	$0	$0
Fire Equipment Maint.	$0	$0	$0
Decorating	$0	$0	$0
Contract Svcs	$19,000	$1,583	$500
Subtotal O&M	$53,200	$4,433	$1,400

The Repairs Contract and the Contract Services line items of the operating and maintenance expense account for the vast majority of this section's costs. Apartment building owners typically prefer to fix their expense costs for the year by entering into maintenance agreements with third parties.

IV. *Taxes & Insurance*

Taxes and Insurance

		Per Annum	Per Month	PUPA
RE Taxes	0.85%	$101,150	$8,429	$350
Property & Liability Insur		$22,800	$1,900	$600
Misc. Tax/Lic./Perm.		$0	$0	$0
Payroll Taxes		$0	$0	$0
Health Ins & Benefits		$0	$0	$0
Workman's Compensation		$0	$0	$0
Subtotal Taxes and Ins.		$123,950	$10,329	$950

TOTAL OPEX*	$282,670	$23,556	$5,127

After taxes and insurance are accounted for the industry standard is for Operating expenses to account for between 25-28% of Gross Income for a building of this size. Parkview Flats' operating expenses will make up approximately 28.7% of Gross Income

Base Case- Cash Flow

Parkview Vista
Cash Flow Statement

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Income:												
Studio			$104,346	$106,433	$108,562	$110,733	$112,947	$115,206	$117,511	$119,861	$122,258	$124,703
1BR/1BA			$585,000	$596,700	$608,634	$620,807	$633,223	$645,887	$658,805	$671,981	$685,421	$699,129
Parking			$48,000	$48,960	$49,939	$50,938	$51,957	$52,996	$54,056	$55,137	$56,240	$57,364
2BR/2BA			$235,200	$239,904	$244,702	$249,596	$254,588	$259,680	$264,873	$270,171	$275,574	$281,086
Retail			$325,000	$331,500	$338,130	$344,893	$351,790	$358,826	$366,003	$373,323	$380,789	$388,405
Gross Income			$1,297,546	$1,323,497	$1,349,967	$1,376,966	$1,404,506	$1,432,596	$1,461,248	$1,490,472	$1,520,282	$1,550,688
Vacancy/Credit Loss			$64,877	$66,175	$67,498	$68,848	$70,225	$0	$46,284	$74,524	$0	$77,534
Effective Gross Inc.			**$1,232,669**	**$1,257,322**	**$1,282,469**	**$1,308,118**	**$1,334,280**	**$1,432,596**	**$1,414,964**	**$1,415,949**	**$1,520,282**	**$1,473,153**
Expenses:												
Operating Expenses			$286,020	$294,601	$303,439	$312,542	$321,918	$331,576	$341,523	$351,769	$362,322	$373,191
Management Fee			$61,633	$62,866	$64,123	$65,406	$66,714	$71,630	$70,748	$70,797	$76,014	$73,658
Reserves/Replacements			$9,500	$9,785	$10,079	$10,381	$10,692	$11,013	$11,343	$11,684	$12,034	$12,395
Total Expenses			**$357,153**	**$367,252**	**$377,641**	**$388,329**	**$399,324**	**$414,218**	**$423,615**	**$434,250**	**$450,370**	**$459,244**
Net Operating Income			**$875,515**	**$890,070**	**$904,828**	**$919,789**	**$934,956**	**$1,018,377**	**$991,349**	**$981,699**	**$1,069,912**	**$1,013,909**
Loan Payments			$729,596	$729,596	$729,596	$729,596	$729,596	$729,596	$729,596	$729,596	$729,596	$729,596
Down Time			$0	$0	$0	$0	$0			$0		$0
Tenant Improvements												
Leasing Commissions	$88,966	$88,966										
Cash Flow (Before Tax)	**0**	**0**	**$145,919**	**$160,474**	**$175,232**	**$190,193**	**$205,360**	**$288,781**	**$261,753**	**$252,103**	**$340,316**	**$284,313**
Property Value			$14,591,921	$14,834,506	$15,080,465	$15,329,822	$15,582,598	$16,972,953	$16,522,484	$16,361,652	$17,831,866	$16,898,483
DCR			1.200	1.220	1.240	1.261	1.281	1.396	1.359	1.346	1.466	1.390

Base Case Returns

Parkview Vista
Cash Flow Statement

DISCOUNTED CASH FLOW

2024 NOI	$1,030,331	2016 NOI	$904,828
Residual Cap Rate	6.75%	Residual Cap Rate	6.75%
Gross Value	$15,264,167	Gross Value	$13,404,858
Less 1st Mortgage	($8,154,756)	Less 1st Mortgage	($9,396,934)
Less 2nd Mortgage	$0	Less 2nd Mortgage	$0
Net Value	$7,109,411	Net Value	$4,007,925
Less Sales Cost	$305,283	Less Sales Cost	$268,097
Net Residual	$6,804,128	Net Residual	$3,739,827

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
After Tax													
Cash Flow			$145,919	$160,474	$175,232	$190,193	$205,360	$288,781	$261,753	$252,103	$340,316	$284,313	$300,735
Residual												$6,804,128	
Total Cash Flow			$145,919	$160,474	$175,232	$190,193	$205,360	$288,781	$261,753	$252,103	$340,316	$7,088,441	$300,735

10 Year NPV		Less Equity	NPV
NPV @ 10%	$3,946,514	($1,504,557)	$2,441,958
NPV @ 10.5%	$3,798,035	($1,504,557)	$2,293,478
NPV @ 11%	$3,656,329	($1,504,557)	$2,151,772
NPV @ 11.25%	$3,587,908	($1,504,557)	$2,083,351
NPV @ 11.5%	$3,521,052	($1,504,557)	$2,016,496
NPV @ 11.75%	$3,455,722	($1,504,557)	$1,951,165
NPV @ 12%	$3,391,878	($1,504,557)	$1,887,321

INTERNAL RATE OF RETURN

Investor Rate of Return

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
100% Cash Flow Return				$145,919	$160,474	$175,232	$190,193	$205,360	$288,781	$261,753	$252,103	$340,316	$7,088,441	$300,735
	($1,504,557)	$0.00	$0.00	$145,919	$160,474	$175,232	$190,193	$205,360	$288,781	$261,753	$252,103	$340,316	$7,088,441	$300,735

10 Year Hold Investor IRR **19%**

100% Cash Flow Return				$145,919	$3,900,302
	($1,504,557)	$0.00	$0.00	$145,919	$3,900,302

2 Year Hold Investor IRR **28%**

In our base case scenario, we expect to earn a 28% Internal Rate of Return for our investor at the Parkview Vistas Project.

General Assumptions-Best Case

Building Assumptions	
Building Size	40,000
Rentable Sq. Feet	35,800
Avg. Lease Term	10
TI New	$0.00
TI Renewal	$0.00
Commission New	5%
Commission Renewal	0%
Oper. Exp.	
Management Fee	3.00%
Avg.Rent Growth	3.00%
Expense Growth	3.00%
Renewal Probability	100.00%
Downtime	6
Vacancy/Credit Loss	3.00%
Reserves/unit	$ 200.00
Hard Costs/sq foot	150

Value Assumptions	
Residual Cap Rate	6.25%
Direct Cap Rate	5.75%
Cost of Sale	1.00%
Market DSCR	1.2

Tenant Assumptions			
	Size	Mkt. Rent	Rental Esc.
Studios	2,550	$3.53	3%
1BR	16,250	$3.22	3%
Parking	20	$250.00	3%
2BR/2BA	7,000	$3.00	3%
Retail	10,000	$36.00	3%

In our best case scenario we adjusted the following general assumptions and provided rationale for those assumptions below:

Management Fee- adjusted to 3% from 5%. If we decide not to use a 3rd Party management team we will bring the management of the property in house and bill ourselves at this lower rate.

Rent Growth- local tenants are accustomed to paying historical 3% rent increases in the Washington, D.C. area. It may be possible to negotiate 3% rent increases year.

Reserves/Unit- if we are able to completely avoid students in our development we may be able to take reserves down to $200/ unit with the reduction in wear and tear.

Vacancy/Credit Loss- the vacancy rate at newer buildings in this submarket is 2%

Direct Cap Rate- Apartment buildings in Washington, DC currently trade at cap rates close to 5%; we added an additional 75 basis points to this number to account for the risks associated with the retail component of this project.

Residual Cap Rate- 50 point spread above Direct Cap Rate.

Cost of Sale- a typical commission on a $13,000,000 transaction would range between 2.5-3%. If a buyer were to approach us directly without brokers involved our cost of sale would decrease significantly.

Best Case-Income Assumptions

Studios- We feel that the maximum that we would be able to charge for a studio in this submarket would be approximately $1,500. This decision was based strictly on our belief that above $1,500 renters will choose alternative locations closer to downtown

1BR/1BA- this final price of approximately $2,093 is on par with what 1BR tenants are paying in Park Place today and is actually less than what tenants in the Griffin pay for a comparable unit.

2BR/2BA- only one other new project in the marketplace contains 2BR/2BA units and its units are significantly smaller. We set Parkview Vistas' rent on par with Park Place and Griffin before 2 years of increases.

Financing- If we are able to attain HUD financing our leverage is significantly higher with a 40 year amortizaton and a 1.11 Debt Service Coverage Ratio. We did, however cap our leverage in this scenario to 85% of Loan To Cost.

Retail- We assumed that Park Place has completely leased, and that the additional retailers from the Avenue, The Vue, and the Safeway redevelopment bring additional demand for retail at the site.

Parking- Increased rental demand allows us to charge $250/space.

Unit Description			Number of	Unit Size (Net leasable	Tenant Paid	Contract	Rent	Income per	Monthly	Annual
Bedrooms	Baths	Price/Unit	Units	Sq. Ft.)	Utilities*	Rent	Subsidy	Unit	Income	Income
Studio		$3.53	6	425	$0	$ 1,500	$ -	$ 1,500	$ 9,002	$ 108,018
1BR	1	$3.22	25	650	$0	$ 2,093	$ -	$ 2,093	$ 52,325	$ 627,900
Parking		250	20	0	$0	$ 250	$ -	$ 250	5,000	60,000
2BR/2BA	2	$3.00	7	1000	$0	$ 3,000	$ -	$ 3,000	$ 21,000	$ 252,000
Retail		$36.00	1	10000	$0	$ 360,000	$ -	$ 360,000	30,000	360,000
Total			38	35,800					$ 108,325	$ 1,407,918
Vacancy Allowance *(Total Annual Income x Vacancy Rate)*						3.000%				$ (42,238)
Effective Gross Income										$ 1,365,680
Underwritten Operating Expenses					Per Unit Per Year:	$ 6,956				$ 264,332
Management Fee										$ 40,970
Replacement Reserve						$ 200.00				$ 7,600
NET OPERATING INCOME										**$ 1,052,778**

Debt Calculations:

onventional: Rate:	6.00%	Amort:	30	DSCR:	1.20	Supportable Debt:	$12,194,066

Best Case-Expense Assumptions

Aside from the changes in management fees, expenses were held constant in the best case scenario.

Best Case- Cash Flow

Petworth Vista
Cash Flow Statement

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Income:													
Studio			$108,018	$111,259	$114,596	$118,034	$121,575	$125,222	$128,979	$132,849	$136,834	$140,939	$145,167
1BR			$627,900	$646,737	$666,139	$686,123	$706,707	$727,908	$749,745	$772,238	$795,405	$819,267	$843,845
Parking			$60,000	$61,800	$63,654	$65,564	$67,531	$69,556	$71,643	$73,792	$76,006	$78,286	$80,635
2BR/2BA			$252,000	$259,560	$267,347	$275,367	$283,628	$292,137	$300,901	$309,928	$319,226	$328,803	$338,667
Retail			$360,000	$370,800	$381,924	$393,382	$405,183	$417,339	$429,859	$442,755	$456,037	$469,718	$483,810
Gross Income			$1,407,918	$1,450,156	$1,493,660	$1,538,470	$1,584,624	$1,632,163	$1,681,128	$1,731,562	$1,783,508	$1,837,014	$1,892,124
Vacancy/Credit Loss			$42,238	$43,505	$44,810	$46,154	$47,539	$48,965	$46,284	$51,947	$53,505	$55,110	$56,764
Effective Gross Inc.			**$1,365,680**	**$1,406,651**	**$1,448,850**	**$1,492,316**	**$1,537,085**	**$1,583,198**	**$1,634,844**	**$1,679,615**	**$1,730,003**	**$1,781,903**	**$1,835,360**
Expenses:													
Operating Expenses			$264,332	$272,262	$280,430	$288,843	$297,508	$306,433	$315,626	$325,095	$334,848	$344,893	$355,240
Management Fee			$40,970	$42,200	$43,466	$44,769	$46,113	$47,496	$49,045	$50,388	$51,900	$53,457	$55,061
Reserves/Replacements			$7,600	$7,828	$8,063	$8,305	$8,554	$8,810	$9,075	$9,347	$9,627	$9,916	$10,214
Total Expenses			**$312,902**	**$322,289**	**$331,958**	**$341,917**	**$352,174**	**$362,740**	**$373,746**	**$384,831**	**$396,375**	**$408,267**	**$420,515**
Net Operating Income			**$1,052,778**	**$1,084,361**	**$1,116,892**	**$1,150,399**	**$1,184,911**	**$1,220,458**	**$1,261,097**	**$1,294,784**	**$1,333,628**	**$1,373,637**	**$1,414,846**
Loan Payments			$667,711	$667,711	$667,711	$667,711	$667,711	$667,711	$667,711	$667,711	$667,711	$667,711	$667,711
Down Time			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Tenant Improvements													
Leasing Commissions	$103,175	$103,175											
Cash Flow (Before Tax)	**0**	**0**	**$385,067**	**$416,650**	**$449,181**	**$482,688**	**$517,200**	**$552,747**	**$593,386**	**$627,073**	**$665,916**	**$705,925**	**$747,134**
Property Value			$18,309,183	$18,858,459	$19,424,213	$20,006,939	$20,607,147	$21,225,362	$21,932,128	$22,517,986	$23,193,526	$23,889,332	$24,606,011
DCR			1.577	1.624	1.673	1.723	1.775	1.828	1.889	1.939	1.997	2.057	2.119

Best Case-Returns

Petworth Vista
Cash Flow Statement

DISCOUNTED CASH FLOW

2024 NOI	$1,414,846	2016 NOI	$1,116,892
Residual Cap Rate	6.25%	Residual Cap Rate	6.25%
Gross Value	$22,637,531	Gross Value	$17,870,276
Less 1st Mortgage	($8,803,263)	Less 1st Mortgage	($9,397,774)
Less 2nd Mortgage	$0	Less 2nd Mortgage	0
Net Value	$13,834,268	Net Value	$8,472,501
Less Sales Cost	$226,375	Less Sales Cost	$178,703
Net Residual	$13,607,892	Net Residual	$8,293,799

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Before Tax													
Cash Flow			$385,067	$416,650	$449,181	$482,688	$517,200	$552,747	$593,386	$627,073	$665,916	$705,925	$747,134
Residual												$13,607,892	
Total Cash Flow			$385,067	$416,650	$449,181	$482,688	$517,200	$552,747	$593,386	$627,073	$665,916	$14,313,818	$747,134

10 Year NPV		Less Equity	**NPV**
NPV @ 10%	$8,392,755	($1,677,200)	$6,715,554
NPV @ 10.5%	$8,086,079	($1,677,200)	$6,408,878
NPV @ 11%	$7,793,263	($1,677,200)	$6,116,062
NPV @ 11.25%	$7,651,830	($1,677,200)	$5,974,630
NPV @ 11.5%	$7,513,602	($1,677,200)	$5,836,401
NPV @ 11.75%	$7,378,495	($1,677,200)	$5,701,295
NPV @ 12%	$7,246,431	($1,677,200)	$5,569,231

INTERNAL RATE OF RETURN
Investor Rate of Return

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
100%	Cash Flow Return			$385,067	$416,650	$449,181	$482,688	$517,200	$552,747	$593,386	$627,073	$665,916	$14,313,818	$747,134
	($1,677,200)	$0.00	$0.00	$385,067	$416,650	$449,181	$482,688	$517,200	$552,747	$593,386	$627,073	$665,916	$14,313,818	$747,134
	10 Year Hold Investor IRR		**28%**											
100%	Cash Flow Return			$385,067	$8,710,449									
	($1,677,200)	$0.00	$0.00	$385,067	$8,710,449									
	2-Year Hold Investor IRR		**53%**											

In our best case scenario, we expect to earn a 53% Internal Rate of Return for our investor at the Parkview Vistas Project.

General Assumptions-Worst Case

Building Assumptions	
Building Size	40,000
Rentable Sq. Feet	35,800
Avg. Lease Term	10
TI New	$0.00
TI Renewal	$3.00
Commission New	5%
Commission Renewal	0%
Oper. Exp.	
Management Fee	5.00%
Avg.Rent Growth	0.80%
Expense Growth	3.00%
Renewal Probability	100.00%
Downtime	6
Vacancy/Credit Loss	7.00%
Reserves	$ 500.00
Hard Costs/sq foot	150

Value Assumptions	
Residual Cap Rate	7.00%
Direct Cap Rate	6.50%
Cost of Sale	3.00%
Market DSCR	1.2

Tenant Assumptions	Size	Mkt. Rent	Rental Esc.
Studios	2,550	$3.28	1%
1BR/1BA	16,250	$2.92	1%
Parking	20	$175.00	1%
2BR/2BA	7,000	$2.50	1%
Retail	10,000	$30.00	0%

In our worst case scenario we adjusted the following general assumptions and provided rationale for those assumptions below:

Rent Growth-if our economy never fully rebounds to previous levels we will have to curb our appetite for growth

Reserves/Unit- this worst case scenario would require us to rent the property to mostly students who typically inflict higher wear and tear on a property

Vacancy/Credit Loss- students are more likely to walk away from leases and pay late. With several new developments coming to the market there may be increased supply.

Direct Cap Rate- reflects a shift in general cap rates.

Worst Case-Income Assumptions

Studios- Studios at 3 Tree Flats currently rent for $1395; our units are better located and has a more ideal tenant mix with no subsidized housing

1BR/1BA- similar units at 3 Tree Flats rent for $1900; 3Tree Flats represents the lowest amount that we can charge for any given unit

2BR/2BA- 3Tree Flats @ $2,500

Retail- if the market is soft we will still be able to attain at least $30/ft

Parking- Unlikely to change but we adjusted down to $175/unit

Unit Description			*Number of*	*Unit Size (Net leasable*	*Tenant*	*Contract*	*Rent*	*Income per*	*Monthly*	*Annual*
Bedrooms	*Baths*	*Price/Unit*	*Units*	*Sq. Ft.)*	*Paid Utilities**	*Rent*	*Subsidy*	*Unit*	*Income*	*Income*
Studio		*$3.28*	*6*	*425*	$0	$ *1,394*	$ -	$ 1,394	$ 8,364	$ 100,368
1BR/1BA	1	*$2.92*	25	650	$0	$ *1,898*	$ -	$ 1,898	$ 47,450	$ 569,400
Parking		175	20	0	$0	$ 175	$ -	$ 175	3,500	42,000
2BR/2BA	2	*$2.50*	7	1000	$0	$ 2,500	$ -	$ 2,500	$ 17,500	$ 210,000
Retail	8000	*$30.00*	1	10000	$0	$ 300,000	$ -	$ 300,000	25,000	300,000
Total			38	35,800					$ 93,450	$ 1,221,768
Vacancy Allowance *(Total Annual Income x Vacancy Rate)*						7.000%				$ (85,524)
Effective Gross Income										$ 1,136,244
Underwritten Operating Expenses					Per Unit Per Year:	$ 7,439				$ 282,670
Management Fee										$ 56,812
Replacement Reserve						$ 500.00				$ 19,000
NET OPERATING INCOME										**$ 777,762**

Debt Calculations:

Conventional: Rate: 6.50% Amort: 30 DSCR: 1.20 Supportable Debt: $8,545,164

Worst Case-Expense Assumptions

Expenses were held constant in the worst case scenario.

Worst Case- Cash Flow

Parkview Vista
Cash Flow Statement

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Income:													
Studio			$100,368	$101,372	$102,385	$103,409	$104,443	$105,488	$106,543	$107,608	$108,684	$109,771	$110,869
1BR/1BA			$569,400	$575,094	$580,845	$586,653	$592,520	$598,445	$604,430	$610,474	$616,579	$622,744	$628,972
Parking			$42,000	$42,420	$42,844	$43,273	$43,705	$44,142	$44,584	$45,030	$45,480	$45,935	$46,394
2BR/2BA			$210,000	$212,100	$214,221	$216,363	$218,527	$220,712	$222,919	$225,148	$227,400	$229,674	$231,971
Retail			$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000
Gross Income			$1,221,768	$1,230,986	$1,240,296	$1,249,698	$1,259,195	$1,268,787	$1,278,475	$1,288,260	$1,298,143	$1,308,124	$1,318,205
Vacancy/Credit Loss			$85,524	$86,169	$86,821	$87,479	$88,144	$0	$46,284	$90,178	$0	$91,569	$92,274
Effective Gross Inc.			**$1,136,244**	**$1,144,817**	**$1,153,475**	**$1,162,220**	**$1,171,052**	**$1,268,787**	**$1,232,191**	**$1,198,082**	**$1,298,143**	**$1,216,555**	**$1,225,931**
Expenses:													
Operating Expenses			$282,670	$291,150	$299,885	$308,881	$318,148	$327,692	$337,523	$347,648	$358,078	$368,820	$379,885
Management Fee			$56,812	$57,241	$57,674	$58,111	$58,553	$63,439	$61,610	$59,904	$64,907	$60,828	$61,297
Reserves/Replacements			$19,000	$19,570	$20,157	$20,762	$21,385	$22,026	$22,687	$23,368	$24,069	$24,791	$25,534
Total Expenses			**$358,482**	**$367,961**	**$377,715**	**$387,754**	**$398,085**	**$413,158**	**$421,819**	**$430,920**	**$447,054**	**$454,439**	**$466,716**
Net Operating Income			**$777,762**	**$776,856**	**$775,759**	**$774,466**	**$772,967**	**$855,630**	**$810,372**	**$767,162**	**$851,089**	**$762,117**	**$759,215**
Loan Payments			$648,135	$648,135	$648,135	$648,135	$648,135	$648,135	$648,135	$648,135	$648,135	$648,135	$648,135
Down Time			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Tenant Improvements			$0										
Leasing Commissions	$75,000	$75,000	$0	$0									
Cash Flow (Before Tax)	**0**	**0**	**$129,627**	**$128,721**	**$127,624**	**$126,331**	**$124,832**	**$207,495**	**$162,237**	**$119,027**	**$202,954**	**$113,982**	**$111,080**
Property Value			$11,965,570	$11,951,627	$11,934,760	$11,914,856	$11,891,799	$13,163,536	$12,467,261	$11,802,488	$13,093,677	$11,724,872	$11,680,233
DCR			1.200	1.199	1.197	1.195	1.193	1.320	1.250	1.184	1.313	1.176	1.171

Worst Case- Returns

Parkview Vista
Cash Flow Statement

DISCOUNTED CASH FLOW

2024 NOI	$759,215	2016 NOI	$775,759
Residual Cap Rate	7.00%	Residual Cap Rate	7.00%
Gross Value	$10,845,931	Gross Value	$11,082,277
Less 1st Mortgage	($7,244,259)	Less 1st Mortgage	($8,347,745)
Less 2nd Mortgage	$0	Less 2nd Mortgage	$0
Net Value	$3,601,671	Net Value	$2,734,532
Less Sales Cost	$325,378	Less Sales Cost	$332,468
Net Residual	$3,276,293	Net Residual	$2,402,064

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
After Tax											
Cash Flow	$129,627	$128,721	$127,624	$126,331	$124,832	$207,495	$162,237	$119,027	$202,954	$113,982	$111,080
Residual										$3,276,293	
Total Cash Flow	$129,627	$128,721	$127,624	$126,331	$124,832	$207,495	$162,237	$119,027	$202,954	$3,390,275	$111,080

10 Year NPV		Less Equity	**NPV**
NPV @ 10%	$2,132,981	($2,636,172)	($503,190)
NPV @ 10.5%	$2,057,782	($2,636,172)	($578,390)
NPV @ 11%	$1,985,940	($2,636,172)	($650,232)
NPV @ 11.25%	$1,951,225	($2,636,172)	($684,947)
NPV @ 11.5%	$1,917,287	($2,636,172)	($718,885)
NPV @ 11.75%	$1,884,105	($2,636,172)	($752,066)
NPV @ 12%	$1,851,662	($2,636,172)	($784,510)

INTERNAL RATE OF RETURN
Investor Rate of Return

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
100%	Cash Flow Return			$129,627	$128,721	$127,624	$126,331	$124,832	$207,495	$162,237	$119,027	$202,954	$3,390,275	$111,080
	($2,636,171.55)	$0.00	$0.00	$129,627	$128,721	$127,624	$126,331	$124,832	$207,495	$162,237	$119,027	$202,954	$3,390,275	$111,080
10 Year Hold Investor IRR			**6%**											
100%	Cash Flow Return			$129,627	$2,530,785									
	($2,636,171.55)	$0.00	$0.00	$129,627	$2,530,785									
2 Year Hold Investor IRR			**0.23%**											

In our worst case scenario, we expect to earn a .23% Internal Rate of Return for our investor at the Parkview Vistas Project.

Investment Structure

MIP Development will require an equity investment of 90% from our equity investors and will invest 10% of the required equity. MIP Development will seek bank financing for the remainder of the cost of completion of the development of Parkview Vistas

PROJECT MANAGEMENT PLAN

X. PROJECT MANAGEMENT PLAN

MIP Development has assembled an experienced team to assist in our development of the Parkview Vistas Project. Each of our selected partners possesses specific experience in providing services for this property type and is a well-respected practitioner here in Washington D.C. Please read the following descriptions of the companies from their websites in addition to information about the companies' reputations in Washington D.C., and a listing of some of their most recent client and deal experience.

Legal

Probably, the most important piece to any Development Team outside of the Developer herself is the appropriate legal team. MIP Development has a strong relationship with the Law Firm Tenenbaum & Saas P.C., based in Bethesda, MD. The Firm has lawyers who are licensed to practice in Maryland, Virginia, the District of Columbia, Florida, North Carolina, Rhode Island, New York, Oregon and Pennsylvania. The Firm provides legal services for a diverse group of real estate developers, owners, management companies, banks, life insurance companies, real estate investment trusts, landlords, tenants, institutional owners, investors and entrepreneurs. Many of their attorneys have held in-house positions, both legal and business in nature, and as a result of having represented clients in business transactions from virtually every conceivable vantage point, they are able to focus quickly on what is most important to each client and better appreciate the interests of our clients and all parties to a transaction. This breadth of experience helps them to prevent "over-lawyering" by all parties involved and to foster consensus between adverse parties in order to efficiently achieve our client's business objectives in complex situations.

Tenenbaum & Saas has specific expertise in Real Estate Transactions, Trial Practice, and General Corporate Law. Within their real estate division they specialize in all areas of Commercial Real Estate Development and Ownership, Real Estate Finance, Leasing, and Construction Law. For questions regarding the Parkview Vistas project please contact our counsel at Tenenbaum & Saas, Mr. Brian Grindall at 301.961.5300.

Clients Include: Archon Group (Goldman Sachs), Bank of America, Faison, Regency Centers, Trammel Crow, W.C. & A.N. Miller Development Companies

Architecture

Eric Colbert & Associates

Eric Colbert & Associates has been widely recognized as the go-to firm for residential development projects in Washington, D.C. While the company has extensive presence in office, retail, and medical office design, development, and preservation, the company's reputation is driven from its work as the architect of choice for ground up development of multifamily buildings. The company has extensive experience designing its projects on urban infill development parcels with the surrounding architecture in mind. Colbert and his firm also separate themselves from the competition by working closely with the developer and guiding the process as the developers face significant hurdles from zoning boards, Advisory Neighborhood Commissions, and the Historic Preservation and Review Board. While Eric, Colbert, and Associates charges a higher price than some of its competitors, it is generally agreed upon that Colbert's work leaves no developer questioning the fee. According to a recent article in the City Paper dated October 28, 2011 "he designs for people who make up the 23% increase in 20-34 year olds living here since 2000". Eric Colbert & Associates is the perfect design team for Parkview Vistas.

Client List- L2 Development, Keener Properties, P.N. Hoffman, Holladay Corporation, Ackridge

General Contractor

EllisDale Construction is a firm specializing in development and pre-construction consulting, design-build and general contracting. EllisDale focuses on helping clients limit their project liability exposure and construction costs, while at the same time realizing the benefits that enlightened development can bring to a community. Decisions that are made in the early stages of any project are always critical to that project's success, and their team has consistently proven that its expertise in this area is a wise investment. EllisDale brings together a diverse and talented group of architects and designers–leaders in a range of disciplines, each of whom delivers imaginative approaches to deliver highly-functional and cost-efficient projects. We are constantly refining our approach and adding to an extensive portfolio of construction projects in areas including residential, commercial, mixed-use, renovation, interior and multi-family construction.

EllisDale has an awesome reputation among developers who build and rehab mid-sized apartment buildings. In the industry they are generally considered the best firm for this property type. They have a specific reputation for finishing a project within budget and are viewed as a high quality service provider at an affordable price.

Client List Includes: Washington Real Estate Investment Trust, Hickock Cole Architects, M&T Mortgage Company, BB&T Bank, Robertson Development

Geotech/Environmental Engineer

EBI Consulting

EBI provides full service environmental, health and safety, and sustainability technical support, and permitting for commercial buildings, industrial facilities, and solar and wireless telecommunications installations. We apply state of the art sustainability and green building principles to our design work, working with architects, engineers, specialty Mechanical, Electrical, and Plumbing (MEP) and energy experts.

Our commercial design work and EH&S support services includes new buildings, major renovations and upgrades for energy efficiency and USGBC's Leadership in Energy and Environmental Design (LEED) certification. Our industrial facility work often supports our process and environmental engineering projects designed to achieve regulatory compliance, reduce waste generation and water/energy use and improve overall sustainability. For wireless telecommunications installations we routinely mobilize for completion of lease exhibits, zoning drawings and construction drawings for build out programs of hundreds of sites within short time frames nationwide.

Client List Includes: Developers Diversified Realty, Bank of America, CB Richard Ellis, CW Capital, General Growth Properties, Inland, Citigroup, Goldman Sachs, JP Morgan

Civil Engineer

WILES MENSCH CORPORATION
Planning, Engineering, Surveying & Landscape Architecture

WMC offers a full spectrum of engineering services including design for grading, drainage, storm water management, water, sewer, roads, paving, parking, transportation networks, and sedimentation and erosion control. The accumulated experience is national and international in scope and includes a significant number of projects on institutional and educational campus type developments. With several decades of national experience, the professional engineering staff is licensed to practice, in Virginia, Maryland, the District of Columbia, Delaware, Florida, West Virginia, and through our accreditation with the National Council of Engineering Examiners, licensing can be obtained quickly in almost any state. WMC has worked with all of the leading architectural firms in the Washington Metro area and has been successful in completing over 1,000 commercial, office, retail and housing projects within the Baltimore-Washington, D.C. metropolitan area since 1986 plus dozens of others throughout the U.S. and abroad. These ranged from tight urban sites to multiple building campus settings. All required our expertise in topographic modifications, utility research and study, subsurface analysis, renovation studies, agency review processing and interdisciplinary coordination.

Client List Includes: L2 Development, Neighborhood Development Corporation, Eastbanc Development

MEP/ Structural Engineer

Schwartz, Sievers, Anoia Engineering, LLC (SSA) has over 30 years experience in Mechanical, Electrical, and Plumbing Engineering Design for the Building Construction Industry we provide a wide range of services for Mechanical, Electrical, Plumbing and Fire Protection Design.

Our services span the full life of a project from pre-purchase site evaluation to completed construction. Client satisfaction is paramount to us, speak to our clients and you will hear that we bring to the table a wealth of expertise and the best design services possible.

Schwartz, Sievers, Anoia Engineering, LLC provides the highest standards of engineering providing MEP design services for the construction of a myriad of different project types including large and small scale new construction and renovation/rehabilitation projects.

Clients Include: Gables Residential Trust, Abdo Development, York Residential, Bozzuto Construction, Broadway Management

Property Management

Bozzuto Property Management sets the gold standard for Property Management in Washington D.C. and is one of the top Property Management Firms throughout the Mid

Atlantic and the Northeast. Bozzuto was established in 1988 and is a portfolio company of the Bozzuto Group which includes divisions in construction, homebuilding, and development. The Property Management Group at Bozzuto includes a portfolio of more than 100 communities and its clients range from Wall Street Firms and Banks to private regional developers. The company has won the prestigious National Association of Homebuilders "Best Property Management Company" award twice and is the nation's 40th largest property management company.

Client List Includes: Donatelli & Klein, LaSalle Investment Management, Vornado/Charles E. Smith, Federal Capital Partners, MRP Realty

Interior Design

Studio ID, is a Washington, DC and Los Angeles based design firm led by its principal designer Jennifer Snowden. Early in her career, Jennifer's passion for design enabled her to be very successful in real estate sales and development as she had a unique ability to help her clients envision themselves in their potential new homes. During this time she appeared as a real estate expert on several HGTV television shows. Throughout her real estate career, Jennifer maintained a steady stream of design clients and shortly after establishing herself in DC, her work was recognized by the hit television show Extreme Makeover: Home Edition and she relocated to Los Angeles to work as a design producer for the show. Jennifer's most recent television endeavors have included Home Wars (Style Network) and as a guest designer on Clean House (Style Network).

Construction Project Manager

Compass Design and Development

Compass Design & Development and its principals have significant project management experience in Washington, D.C. and specific expertise on multi-family and mixed-use projects along the Georgia Avenue corridor. MIP Development has a great relationship with the company's principal Patrick Cooper and has been able to attain premium pricing in exchange for his expertise.

Client List Include: Neighborhood Development Corporation, Dante's Partners

CONCLUSIONS AND RECOMMENDATIONS

XI. CONCLUSIONS AND RECOMMENDATIONS

After extensive market study, review, and planning MIP Development will move forward with its acquisition and development of 3661 Georgia Avenue into a new 40,000 sf mixed use property with 38 units of multifamily, 10,000 sf of retail, and one level of underground parking. We will maximize rents and meet demand by focusing on studio and 1BR/1BA units. In our conservative base case we project returns at 28%, but hope to outpace our projections. We do believe that because of our location on top of the metro station we may be able to get an average rent/square foot of $3.05 for our multifamily units vs. the $2.99 that was factored into our base case. We also expect to lease our retail space at a rate higher than the low 30s that we projected; competing retail properties are being offered at $39/ft .

Our projections are highly dependent upon our ability to attain our income projections and to build the physical structure at a price per square foot near our target figure. Our projections also depend on the continued appetite for new housing near metro stations. Since we budgeted conservatively in our income projections, expenses, and construction budget we expect to attain a target IRR closer to 30%. Therefore Metro Investment Properties recommends that the Investment Committee moves forward with its commitment to serving as the primary equity partner in the development of Parkview Vistas. .