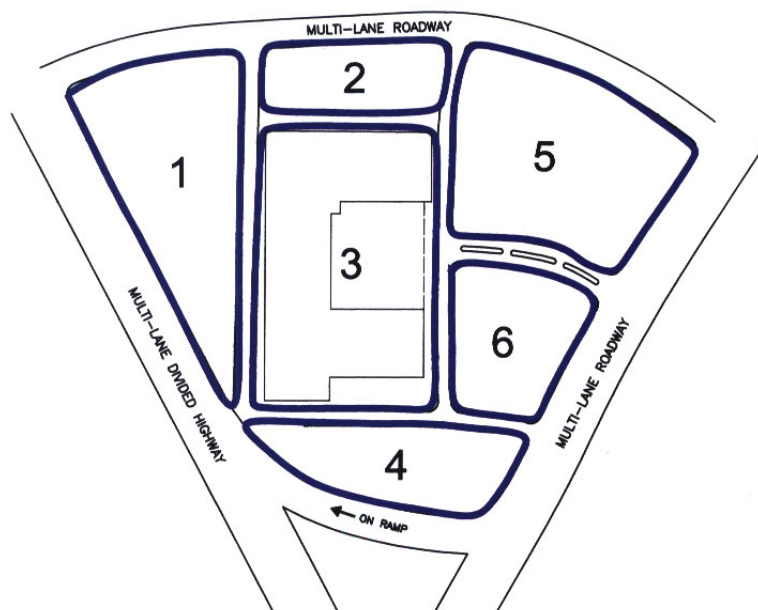


Case Study

MIDVILLE ENTERPRISE SITE

The site is separated into six development areas by interior roadways. Approximately 90% of the site is currently covered by building or pavement.



DEVELOPMENT ZONES 1-6



Development Area 1:

Development Area 1 includes bituminous concrete parking lots and a former waste storage area.

Development Area 2:

Development Areas 2 contains bituminous concrete parking lots previously used to serve the manufacturing plant.

Development Area 3:

Development Area 3 contains the main manufacturing plant which includes a 350,000 square foot concrete block and masonry building. The building is in relatively good condition.

An asbestos survey identified both friable and non-friable asbestos in floor tile and in the mastic under floor tile and carpet in the office area and in

insulation on water and steam lines boiler equipment. Abatement of these materials must occur prior to renovation or demolition of the building. Costs related to this building will be the responsibility of the developer. The estimated cost of asbestos abatement is \$400,000.

Development Area 4:

Development Area 4 contains bituminous concrete parking lots previously used to serve the manufacturing plant.

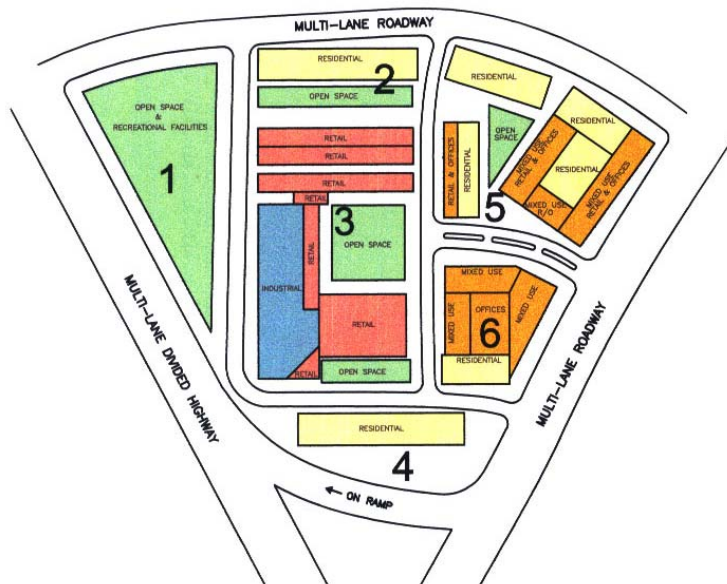
Development Area 5:

Area 5 currently contains a 5,000 square foot office/warehouse building that will be demolished prior to sale. Costs for this demolition will be borne by the seller. Historically, this area has contained various smaller support buildings, as well as manufacturing staging areas, and parking facilities. A wastewater treatment facility was previously located in this development area.

Development Area 6:

Development Area 6 contains bituminous concrete parking lots previously used to serve the manufacturing plant.

MIDVILLE ENTERPRISE SITE CASE STUDY Redevelopment Scheme A



- Scheme A features a high density mixed use live-work-shop development.
- The redevelopment incorporates an adaptive reuse of the existing manufacturing building with additional stories added to the building.
- A portion of the existing building is opened up to create a new interior road for better circulation.
- New construction of multi-story buildings takes place on the other development areas.

- Scheme A incorporates development of the following space:
 - Development Area 1: open space
 - Development Area 2: 86,400 sf residential space
 - Development Area 3:
 - Renovated space = 248,000 sf retail; 89,000 sf industrial
 - New construction = 138,800 sf retail; 11,800 sf office
 - Development Area 4: 86,400 sf residential
 - Development Area 5: 136,000 sf office; 354,800 sf residential
 - Development Area 6: 54,400 sf retail; 252,800 sf office; 36,000 sf residential

Development Scheme A Pro Forma

PROJECT COSTS

Purchase Price

\$20,000,000

Hard Costs

Development Area 1

New Construction

Retail	Square feet	0	Cost/sf	\$0	\$0
Industrial	Square feet	0	Cost/sf	\$0	\$0
Office	Square feet	0	Cost/sf	\$0	\$0
Residential	Square feet	0	Cost/sf	\$0	\$0
Parking	Parking Spots	0	Cost/unit	\$0	\$0

Total Hard Costs (Development Area 1)

\$0

Development Area 2

New Construction

Retail	Square feet	0	Cost/sf	\$0	\$0
Industrial	Square feet	0	Cost/sf	\$0	\$0
Office	Square feet	0	Cost/sf	\$0	\$0
Residential	Square feet	86,400	Cost/sf	\$75	\$6,480,000
Parking	Parking Spots	43	Cost/unit	\$1,200	\$51,600

Total Hard Costs (Development Area 2)

\$6,531,600

Development Area 3

Existing Building

Asbestos Removal	abatement of materials in building			\$400,000	\$400,000
Demolition	Square feet	0	Cost/sf	\$0	\$0

Renovation Costs

Retail	Square feet	248,000	Cost/sf	\$50	\$12,400,000
Industrial	Square feet	89,000	Cost/sf	\$30	\$2,670,000
Office	Square feet	0	Cost/sf	\$0	\$0
Residential	Square feet	0	Cost/sf	\$0	\$0

New Construction

Retail	Square feet	138,800	Cost/sf	\$60	\$8,328,000
Industrial	Square feet	0	Cost/sf	\$50	\$0
Office	Square feet	44,800	Cost/sf	\$100	\$4,480,000
Residential	Square feet	0	Cost/sf	\$0	\$0
Parking	Parking Spots	2,084	Cost/unit	\$1,200	\$2,500,800

Total Hard Costs (Development Area 3)

\$30,778,800

Development Area 4

New Construction

Retail	Square feet	0	Cost/sf	\$0	\$0
Industrial	Square feet	0	Cost/sf	\$0	\$0
Office	Square feet	0	Cost/sf	\$0	\$0
Residential	Square feet	86,400	Cost/sf	\$75	\$6,480,000
Parking	Parking Spots	86	Cost/unit	\$1,200	\$103,200

Total Hard Costs (Development Area 4)

\$6,583,200

Development Area 5**New Construction**

Retail	Square feet	0	Cost/sf	\$0	\$0
Industrial	Square feet	0	Cost/sf	\$0	\$0
Office	Square feet	136,000	Cost/sf	\$100	\$13,600,000
Residential	Square feet	354,800	Cost/sf	\$75	\$26,610,000
Parking	Parking Spots	1,103	Cost/unit	\$1,200	\$1,323,600
Total Hard Costs (Development Area 5)					\$41,533,600

Development Area 6**New Construction**

Retail	Square feet	54,400	Cost/sf	\$60	\$3,264,000
Industrial	Square feet	0	Cost/sf	\$0	\$0
Office	Square feet	252,800	Cost/sf	\$100	\$25,280,000
Residential	Square feet	36,000	Cost/sf	\$75	\$2,700,000
Parking	Square feet	816	Cost/sf	\$1,200	\$979,200
Total Hard Costs (Development Area 6)					\$32,223,200

Total Hard Costs for Development Areas 1 through 6 **\$117,650,400**

Soft Costs % of hard costs 20% **\$23,530,080**

CARRY COSTS **\$27,400,682**

Purchase Price	\$20,000,000	\$3,400,000
Months	24	
Rate	8.50%	
Soft + Hard Costs	\$141,180,480	\$24,000,682
Months	24	
Rate	8.50%	

TOTAL DEVELOPMENT COSTS **\$188,581,162**

PROJECT VALUE**Net Operating Income**

Industrial Sq. Feet	89,000	\$\$ / sf	\$5.50	\$489,500
Office Sq Feet	433,600	\$\$ / sf	\$18.00	\$7,804,800
Retail Use Sq Feet	441,200	\$\$ / sf	\$15.50	\$6,838,600
Residential per 2000 s	563,600	\$\$ / sf	\$21,600.00	\$6,086,880

Net Operating Income **\$21,219,780**
Less Vacancy 5% **\$1,060,989**

Adjusted Net Operating Income **\$20,158,791**

Capitalization Rate **8.00%**

PROJECT VALUE COMPLETED AND OCCUPIED **\$251,984,888**

PROFIT **\$63,403,726**

Cash on Cash Return **33.62%**

MIDVILLE ENTERPRISE SITE CASE STUDY Redevelopment Scheme B



- Scheme B features a predominantly residential development.
- The redevelopment requires demolition of the existing building.
- New construction of multi-story buildings takes place on all development areas.

- Scheme B incorporates development of the following space:
 - Development Area 1: 154,800 sf residential
 - Development Area 2: 163,200 sf residential
 - Development Area 3: 172,800 sf residential
 - Development Area 4: 86,400 sf residential
 - Development Area 5: 165,600 sf retail; 481,200 sf residential
 - Development Area 6: 115,200 sf retail; 307,200 sf residential

Development Scheme B Pro Forma

PROJECT COSTS

Purchase Price **\$20,000,000**

Hard Costs

Development Area 1

New Construction

Retail	Square feet	0	Cost/sf	\$0	\$0
Industrial	Square feet	0	Cost/sf	\$0	\$0
Office	Square feet	0	Cost/sf	\$0	\$0
Residential	Square feet	154,800	Cost/sf	\$75	\$11,610,000
Parking	Parking Spots	77	Cost/unit	\$1,200	\$92,400
Total Hard Costs (Development Area 1)					\$11,702,400

Development Area 2

New Construction

Retail	Square feet	0	Cost/sf	\$0	\$0
Industrial	Square feet	0	Cost/sf	\$0	\$0
Office	Square feet	0	Cost/sf	\$0	\$0
Residential	Square feet	163,200	Cost/sf	\$75	\$12,240,000
Parking	Parking Spots	109	Cost/unit	\$1,200	\$130,800
Total Hard Costs (Development Area 2)					\$12,370,800

Development Area 3

Existing Building

Asbestos Removal	abatement of materials in building			\$400,000	\$400,000
Demolition	Square feet	347,000	Cost/sf	\$25	\$8,675,000
Renovation Costs					
Retail	Square feet	0	Cost/sf	\$0	\$0
Industrial	Square feet	0	Cost/sf	\$0	\$0
Office	Square feet	0	Cost/sf	\$0	\$0
Residential	Square feet	0	Cost/sf	\$0	\$0

New Construction

Retail	Square feet	0	Cost/sf	\$0	\$0
Industrial	Square feet	0	Cost/sf	\$0	\$0
Office	Square feet	0	Cost/sf	\$0	\$0
Residential	Square feet	172,800	Cost/sf	\$75	\$12,960,000
Parking	Parking Spots	230	Cost/unit	\$1,200	\$276,000
Total Hard Costs (Development Area 3)					\$22,311,000

Development Area 4

New Construction

Retail	Square feet	0	Cost/sf	\$0	\$0
Industrial	Square feet	0	Cost/sf	\$0	\$0
Office	Square feet	0	Cost/sf	\$0	\$0
Residential	Square feet	86,400	Cost/sf	\$75	\$6,480,000
Parking	Parking Spots	58	Cost/unit	\$1,200	\$69,600
Total Hard Costs (Development Area 4)					\$6,549,600

Development Area 5**New Construction**

Retail	Square feet	165,600	Cost/sf	\$50	\$8,280,000
Industrial	Square feet	0	Cost/sf	\$0	\$0
Office	Square feet	0	Cost/sf	\$0	\$0
Residential	Square feet	481,200	Cost/sf	\$75	\$36,090,000
Parking	Parking Spots	969	Cost/unit	\$1,200	\$1,162,800
Total Hard Costs (Development Area 5)					\$45,532,800

Development Area 6**New Construction**

Retail	Square feet	115,200	Cost/sf	\$60	\$6,912,000
Industrial	Square feet	0	Cost/sf	\$0	\$0
Office	Square feet	0	Cost/sf	\$0	\$0
Residential	Square feet	307,200	Cost/sf	\$75	\$23,040,000
Parking	Square feet	654	Cost/sf	\$1,200	\$784,800
Total Hard Costs (Development Area 6)					\$30,736,800

Total Hard Costs for Development Areas 1 through 6 **\$129,203,400**

Soft Costs	% of hard costs		20%	\$25,840,680
CARRY COSTS				\$29,757,494
	Purchase Price	\$20,000,000		\$3,400,000
	Months	24		
	Rate	8.50%		
	Soft + Hard Costs	\$155,044,080		\$26,357,494
	Months	24		
	Rate	8.50%		

TOTAL DEVELOPMENT COSTS **\$204,801,574**

PROJECT VALUE**Net Operating Income**

Industrial Sq.Feet	0	\$\$ / sf	\$0.00	\$0
Office Sq Feet	0	\$\$ / sf	\$0.00	\$0
Retail Use Sq Feet	280,800	\$\$ / sf	\$15.50	\$4,352,400
Residential Use psf	1,365,600	\$\$ / sf	\$21,600.00	\$14,748,480
Net Operating Income				\$19,100,880
Less Vacancy	5%			\$955,044

Adjusted Net Operating Income **\$18,145,836**

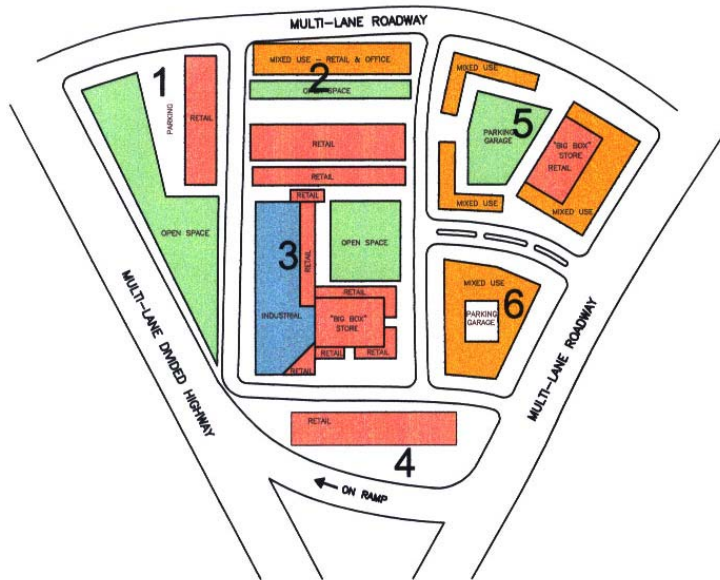
Capitalization Rate **8.00%**

PROJECT VALUE COMPLETED AND OCCUPIED **\$226,822,950**

PROFIT **\$22,021,376**

Cash on Cash Return **10.75%**

MIDVILLE ENTERPRISE SITE CASE STUDY Redevelopment Scheme C



- Scheme C features a high density mixed use commercial development.
- The redevelopment incorporates an adaptive reuse of the existing manufacturing building with additional stories added to the building.
- A portion of the existing building is opened up to create a new interior road for better circulation.
- New construction of multi-story buildings takes place on all other development areas.

- Scheme C incorporates development of the following space:
 - Development Area 1: 57,600 sf retail with 57,600 sf office
 - Development Area 2: 25,600 sf retail with 25,600 sf office
 - Development Area 3: 89,000 sf industrial; 163,700 sf retail; 84,300 sf office
 - Development Area 4: 86,400 sf retail with 86,400 sf office
 - Development Area 5: 173,400 sf retail with 173,400 sf office
 - Development Area 6: 58,400 sf retail with 58,400 sf office

Development Scheme C Pro Forma

PROJECT COSTS

Purchase Price

\$20,000,000

Hard Costs

Development Area 1

New Construction

Retail	Square feet	57,600	Cost/sf	\$60	\$3,456,000
Industrial	Square feet	0	Cost/sf	\$0	\$0
Office	Square feet	57,600	Cost/sf	\$100	\$5,760,000
Residential	Square feet	0	Cost/sf	\$0	\$0
Parking	Parking Spots	461	Cost/unit	\$1,200	\$553,200

Total Hard Costs (Development Area 1)

\$9,769,200

Development Area 2

New Construction

Retail	Square feet	25,600	Cost/sf	\$60	\$1,536,000
Industrial	Square feet	0	Cost/sf	\$0	\$0
Office	Square feet	25,600	Cost/sf	\$100	\$2,560,000
Residential	Square feet	0	Cost/sf	\$0	\$0
Parking	Parking Spots	205	Cost/unit	\$1,200	\$246,000

Total Hard Costs (Development Area 2)

\$4,342,000

Development Area 3

Existing Building

Asbestos Removal	abatement of materials in building			\$400,000	\$400,000
Demolition	Square feet	0	Cost/sf	\$0	\$0

Renovation Costs

Retail	Square feet	163,700	Cost/sf	\$50	\$8,185,000
Industrial	Square feet	89,000	Cost/sf	\$0	\$0
Office	Square feet	84,300	Cost/sf	\$80	\$6,744,000
Residential	Square feet	0	Cost/sf	\$0	\$0

New Construction

Retail	Square feet	178,600	Cost/sf	\$60	\$10,716,000
Industrial	Square feet	0	Cost/sf	\$0	\$0
Office	Square feet	168,600	Cost/sf	\$100	\$16,860,000
Residential	Square feet	0	Cost/sf	\$0	\$0
Parking	Parking Spots	3,454	Cost/unit	\$1,200	\$4,144,800

Total Hard Costs (Development Area 3)

\$47,049,800

Development Area 4

New Construction

Retail	Square feet	86,400	Cost/sf	\$60	\$5,184,000
Industrial	Square feet	0	Cost/sf	\$0	\$0
Office	Square feet	86,400	Cost/sf	\$100	\$8,640,000
Residential	Square feet	0	Cost/sf	\$0	\$0
Parking	Parking Spots	691	Cost/unit	\$1,200	\$829,200

Total Hard Costs (Development Area 4)

\$14,653,200

Development Area 5**New Construction**

Retail	Square feet	173,400	Cost/sf	\$60	\$10,404,000
Industrial	Square feet	0	Cost/sf	\$0	\$0
Office	Square feet	173,400	Cost/sf	\$100	\$17,340,000
Residential	Square feet	0	Cost/sf	\$0	\$0
Parking	Parking Spots	1,387	Cost/unit	\$1,200	\$1,664,400
Total Hard Costs (Development Area 5)					\$29,408,400

Development Area 6**New Construction**

Retail	Square feet	58,400	Cost/sf	\$60	\$3,504,000
Industrial	Square feet	0	Cost/sf	\$0	\$0
Office	Square feet	58,400	Cost/sf	\$100	\$5,840,000
Residential	Square feet	0	Cost/sf	\$0	\$0
Parking	Square feet	467	Cost/sf	\$1,200	\$560,400
Total Hard Costs (Development Area 6)					\$9,904,400

Total Hard Costs for Development Areas 1 through 6**\$115,127,000**

Soft Costs % of hard costs 20% **\$23,025,400**

CARRY COSTS**\$26,885,908**

Purchase Price	\$20,000,000	\$3,400,000
Months	24	
Rate	8.50%	
Soft + Hard Costs	\$138,152,400	\$23,485,908
Months	24	
Rate	8.50%	

TOTAL DEVELOPMENT COSTS**\$185,038,308****PROJECT VALUE****Net Operating Income**

Industrial Sq.Feet	89,000	\$\$ / sf	\$5.50	\$489,500
Office Sq Feet	654,300	\$\$ / sf	\$18.00	\$11,777,400
Retail Use Sq Feet	743,700	\$\$ / sf	\$15.50	\$11,527,350
Residential Use psf	0	\$\$ / sf	\$0.00	\$0

Net Operating Income **\$23,794,250**
Less Vacancy 5% \$1,189,713

Adjusted Net Operating Income **\$22,604,538**

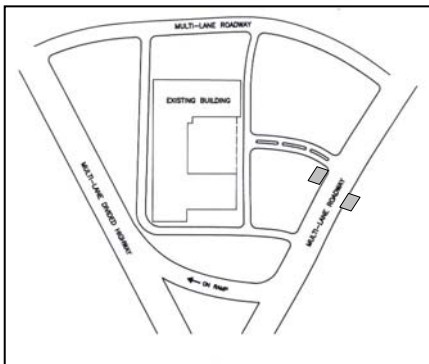
Capitalization Rate **8.00%**

PROJECT VALUE COMPLETED AND OCCUPIED**\$282,556,719****PROFIT****\$97,518,411****Cash on Cash Return**

52.70%



Property Size & Layout



Site Address: Sixth Street at the intersection with Beltway

Site acreage: Total site is 30 acres

Property layout: One tax parcel with interior roads

Current zoning: CD-4 Commercial District

Improvements: A 350,000 sf manufacturing building is located in the center of the parcel

Site Assets: A light transit station is located on the eastern side of the property along Sixth Street

Purchase Price: The asking price for the property is \$20,000,000.

Site Description

The property has historically been used for manufacturing and associated activities. The site was originally developed in 1954 by Brown and Richardson International and operated until 1995. During its operation, BRI manufactured autographic registers, billing machines, knockdown plated furniture, music stands, and other metal stampings.

Surrounding Land Use

The property is bordered on the east by Sixth Street, a multi-lane roadway. A mix of commercial, industrial and office uses are located along Sixth Street. West of the property are residential properties. The property is bordered on the south by the Beltway. South of the highway are large clusters of residential properties.

Geographic Location

The project is located in the northern valley of a second tier metropolitan area located in the interior United States. The Midville Enterprise Site is located approximately 4.5 miles from the Central Business District on the northern edge of the metropolitan beltway at the intersection of Sixth Street.

The metropolitan area has these characteristics:

- Metropolitan City
- Population of approximately 335,500
- 20% growth since 2000 census
- The city is served by a major beltway and interstate
- A light rail passenger train system connects the Central Business District with outlying areas
- An international airport is located within the city limits
- 4 Major Universities



Population Data

- Population as of 2005 was 335,512
 - 13,301 new residents from 2004 to 2005
 - 20% growth since 2000
 - Population expected to increase by 55.9% by 2030
- Population Density
 - Currently 2.67 persons per acre
 - Expected to grow to 4.6 persons per acre by 2030
- Income
 - \$69,800 Median Family Income
 - This is 66% growth from 1990
 - Highest MFI in the State
- Education
 - 91% of people 25+ years were high school graduates and 50% had a bachelors degree or higher.

Employment

- 3.8% Unemployment
- State Government is the largest employer
- Technology is the largest growing industry
- 4 major universities and colleges are located within the Midville metro area
- In 2004 49 major companies announced new operations or expansion in Midville.
- Economic growth is expected to add 1906 jobs in 2006.

Transportation

The city has excellent accessibility from most areas due to the Beltway, a circular highway which rings the city. Midville Enterprise Site can be reached from the southern section of the city via the Beltway in approximately 20 minutes.

The Midville Enterprise Site is also located between two major local arterial highways that run North/South through the city. These local highways also provide easy and direct transportation to the suburbs. Sixth Street is also served by two major bus lines the lead north to adjacent neighborhood and south to the city center.

A light rail system is located along Sixth Street, providing passenger and light cargo transportation. A station is located on Development Area 6 on the site.

The International Airport is served by 11 airlines as well as a number of commuter airlines. The airport has more than 260 daily scheduled departures, providing ample opportunity for business travel and shipping. The airport also includes a U.S. Customs Service office and operations for 25 freight companies.

Zoning and Planning Data

The Midville Enterprise Site sits on a lot that is zoned as (CD-4) Commercial District. The permitted uses for this zoning classification are as follows:

- Retail sales including shopping center
- Wholesale or showroom, including auto sales
- Hotel, Motel or restaurant
- Commercial Office
- Government or Public Buildings
- Light manufacturing, including printing or publishing, medical and dental laboratories.
- Trades (carpentry, plumbing other trades)
- Warehousing and distribution
- Buffer Commercial District, including mixed use multi-family residential.



Maximum uses allowed as-of-right:

- Office space of 20,000 sf/acre or less with a 3 story maximum
- Retail space of 20,000 sf/acre or less with a 3 story maximum
- Residential space as multi-family at 20 dwelling units per acre with a 6 story maximum
- Industrial space of 15,000 sf/acre single story only, and a minimum of 200' buffer between adjacent uses (not including parking)
- Office, retail and residential uses can be combined, but may not exceed the most restrictive requirement per use, i.e., first floor could be retail, second floor could be office (totaling a maximum of 6 stories), and one story of residential above that for a total of 3 stories.

Parking Requirements:

Zoning regulations dictate the quantity of parking required for each use. Overlapping of parking spaces may be allowed in mixed use developments if parking activities occur at different times of day. However such requests must be approved during the site plan approval process.

- Residential uses require one space per developable unit, or 5 spaces per 10,000 sf of space
- Retail uses require 40 spaces per 10,000 sf of space
- Industrial requires 20 spaces per 10,000 sf
- Office requires 40 spaces per 10,000 sf

Real Estate Market Information

Residential: \$1,800 / mo

- There has been a 18% increase in housing units constructed between 2000 – 2004, which has been slightly below population growth
- Monthly homeowner costs, for people with mortgages, were \$1,503.
- Single family housing units account for the greatest sales activity.
- Rental units are attractive to young couples, retirees and professionals seeking second residence close to metropolitan center.
- Average lease rates for upscale residential townhouses and apartment units (2,000 sf) are \$1,750/mo.

Retail: \$13.50 / sf

- Retail sales were in excess of \$7.8 billion, up from \$7.2 billion in the previous year
- Retail sales in the vicinity of the property accounts for 58% of all retail sales in the County.
- Retail vacancy rates average to 5.8 percent -- the highest it has been since at least 1997.



- Last year was among the busiest for retail developers, who built almost 3.2 million square feet of shops in multi-tenant centers larger than 15,000 square feet throughout the Metro Area.
- Average lease rates for retail property rose slightly to \$15.5/sf.

Office: \$17.00 / sf

- Office vacancy rates dropped to 14.2 percent in the second quarter -- the lowest it has been since 2002.
- The office market has struggled since the economy took a hit in the early 2000s.
- The office vacancy rate was 6.5 percent five years ago, but when companies cut back, the vacancy rate began a nine-quarter climb before peaking at 16.5 percent.
- New construction plans include:
 - a five-story, 204,000-square-foot office building is to begin construction in 2006.
 - a six-story 50,000 sf building should open before October.
 - a 100,500-square-foot office building, the first of five planned buildings.
- Average quoted rents rose to \$18.36 /sf in the second quarter, the highest the average has been in almost two years.

Warehouse/Industrial: \$5.50 / sf

- Warehouse/industrial vacancy rate fell for the third consecutive quarter, to 18.9 percent -- the lowest it has been in almost two years. It's down from 22.3 percent a year ago.
- The regional average quoted rent rose for the first time since 2003, up 8 cents to \$5.49/sf.

Development Assumptions

Current Construction Costs per Square Foot

Re-Use

Demolition	\$25
Retail	\$50
Office	\$80
Industrial	\$30
Residential	\$60

New Construction

Retail	\$60
Office	\$100
Industrial	\$50
Residential	\$75

Parking \$1,200 per space

Other Financial Assumption

Soft Costs are 20% of Hard Costs
 Carrying Period for Development is 24 months
 Interest Rate on Carrying Cost is 8.5%
 Vacancy rate is 5%
 Capitalization Rate is 8%