Appraisal of

Vacant Land
Within the
Mosaic Community Development Authority District

The Proposed Mosaic-Merrifield Town Center

Lee Highway (U.S. Route 29)
Fairfax County, Virginia 22031

Prepared For:

The Mosaic District Community Development Authority
c/o Kenneth Powell
Stone & Youngberg
901 East Byrd Street, Suite 1150
Richmond, Virginia 23219

Prepared By:

Joseph J. Blake & Associates, Inc.
1054 31st Street, N.W., Suite 530
Washington, D.C. 20007

(2010/418)

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January 7, 2011

The Mosaic District Community Development Authority
c/o Kenneth Powell
Stone & Youngberg
901 East Byrd Street, Suite 1150
Richmond, Virginia 23219

Re: *Land Within the Mosaic Community Development Authority District*
Supporting the Proposed Mosaic-Merrifield Town Center
Lee Highway (U.S. Route 29), Fairfax County, Virginia

Dear Mr. Powell:

Joseph J. Blake and Associates has prepared a complete appraisal of the subject property. The data, analysis and conclusions that led to the market value estimate are described in the attached appraisal report, which is presented in a self-contained format.

The subject is comprised of eight contiguous tax parcels containing a combined total of 30.92 acres of vacant land according to public records. The public records data is effective January 1, 2011 and is in the process of being updated. Information provided by the developer indicates a total land area of approximately 30 acres. In addition, the parcel designation of the property is expected to change over the course of development.

The subject property is situated on the south side of Lee Highway (U.S. Route 29) and the east side of Eskridge Road, one block west of Gallows Road and on the north side of Luther Jackson Middle School, in the Merrifield neighborhood of Fairfax County, Virginia. As of the date of our most recent inspection of the site, December 30, 2010, the subject is vacant land with infrastructure improvements under construction.

On April 27, 2009, the Board of Supervisors ("The Board") created the County's first Community Development Authority (CDA) with Tax Increment Financing (TIF) for the proposed Mosaic-Merrifield Town Center. The Fairfax County Office of Revitalization and Reinvestment (OCRR) worked closely with the Department of Management and Budget, the Board, consultants, and the developer, Edens & Avant, to implement the CDA. No land not associated with the proposed Mosaic-Merrifield Town Center is included in the CDA district.

The Mosaic District Community Development Authority
c/o Kenneth Powell
Stone & Youngberg

Re: Land Within the Mosaic Community Development Authority District
Supporting the Proposed Mosaic-Merrifield Town Center
Lee Highway (U.S. Route 29, Fairfax, Fairfax County, Virginia

The Mosaic-Merrifield Town Center is proposed for development with a mixed-use complex containing an overall total of 1,893,112 square feet of building area. Based on information provided by the developer, the site is proposed for development with a total of 504,100 square feet of retail space; 900,018 square feet of multi-family development (853 units); 218,994 square feet of single-family residential development (114 town house units); 205,000 square feet of hotel development (300 rooms); and 65,000 square feet of office development.

On an overall basis, the subject development is 58.3% pre-leased/sold. The developer, Edens & Avant, will retain a significant portion of the retail component of the planned development following completion. The remaining portions of the development, including the retail anchor tenant (Target), are planned as sales of finished lots to end users/developers.

The subject property of this appraisal is the land within the CDA district excluding the land that will support the proposed Target store. The Target store site has not yet been separately designated by tax parcel, and we have excluded the portion of the proposed development based on the approved floor area ratio (FAR) size of the proposed Target store (168,900 square feet).

Construction of the 114 townhouse units is contingent on approval of one of two Proffer Condition Amendments (PCA) submitted to the Board by the developer. The original development plan did not include the townhouse component, and the developer has submitted an amendment which has received preliminary review by the county which would change the permitted use of Parcel I of the development from theatre to single-family attached use. The layouts of Parcel G and H would also be altered by the amendment, which the developer anticipates approval of in mid 2011.

A second amendment to the development plan has been submitted and has also received preliminary review. This amendment would provide for an alternative layout on Parcel A and D of the development, but not change the uses. The developer anticipates approval for this amendment in early 2011.

Based on an Amended and Restated Memorandum of Understanding (which was not dated or signed, the original Memorandum of Understanding was dated May, 2010) “Bonds means bonds to be issued by the CDA pursuant to Virginia Code Sections 15.2-5158(A)(2) and 15.2-5125 and other applicable law, in aggregate principal amounts sufficient to produce amounts available for the capital costs of Improvements equaling $72,000,000, as set forth in this Memorandum, and to be issued in two series (including any sub-series) called the Tax Revenue Bonds (“Series A” or “Tax Revenue” Bonds) and the Special Assessment Bonds, respectively.” Based on this document and our conversations with the developer, Series A bond-funded infrastructure for the overall development is $42,000,000.

The Mosaic District Community Development Authority
c/o Kenneth Powell
Stone & Youngberg

Re: *Land Within the Mosaic Community Development Authority District*
Supporting the Proposed Mosaic-Merrifield Town Center
Lee Highway (U.S. Route 29, Fairfax, Fairfax County, Virginia

All of the costs incurred to date have been incurred by the developer, Edens & Avant. It is our understanding that when the bonds are issued, the developer will be reimbursed for certain costs incurred to date (at that time) through the bond proceeds. In our analysis, the bond proceeds are included in the sell-off model as a credit to the developer. This is based on two factors. The first is that the bond proceeds are to fund improvements to the site the cost of which the developer has already incurred or will incur before the bond proceeds are available. Second, the intent of the bonds is to increase the tax revenue to the county based on the completed development. The county will recover the cost of the bonds not from the developer but from the increase in revenue based on the assessed value of the completed development being higher than the assessed value of the site prior to the development. Thus, the county will recover the bond proceeds over time through increased tax revenue.

Based on the information provided for our analysis, the Series A bond-financed public improvements will be substantially completed in Q2 2012. The initial retail tenants are projected to take occupancy in Q2 2012.

The purpose of this appraisal is to estimate the market value of the fee simple interest in the subject property in its as-is condition as of January 1, 2011. You have asked that we provide the as-is market value of the property as of the date of the appraisal and the as-is market value of the land as of the date of the appraisal. Based on the current status of the development, these values are the same. As noted, the subject property of this appraisal is the land within the CDA District excluding the development potential of the planned Target store.

This report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice and is subject to the Code of Professional Ethics and Standards of Conduct of the Appraisal Institute. The analysis, opinions and conclusions were also developed and prepared in accordance with regulations issued by the Office of Thrift Supervision including Title XI of the Financial Reform, Recovery and Enforcement Act of 1989 (FIRREA).

The Mosaic District Community Development Authority
c/o Kenneth Powell
Stone & Youngberg

Re: *Land Within the Mosaic Community Development Authority District*
Supporting the Proposed Mosaic-Merrifield Town Center
Lee Highway (U.S. Route 29, Fairfax, Fairfax County, Virginia

Based on the data and conclusions contained in the attached report, it is our opinion that the market value of the fee simple interest in the subject property, the land within the boundaries of the CDA excluding the land and development potential under contract to Target, in its as-is condition, as of January 1, 2011 is:

EIGHTY-NINE MILLION SEVEN HUNDRED THOUSAND DOLLARS
$89,700,000*

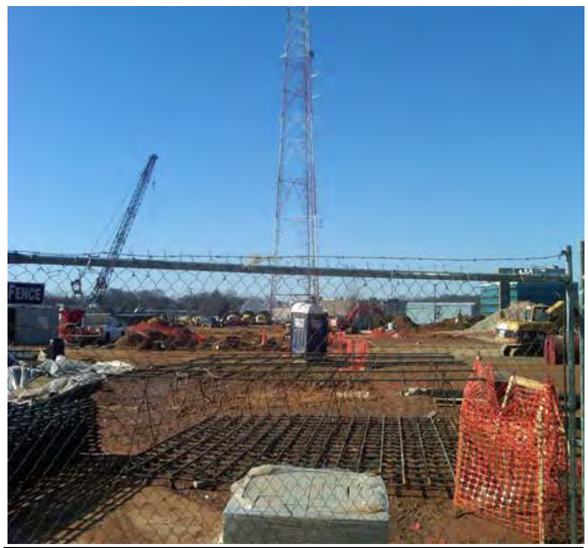
**We are valuing the subject site based on the proposed development plan provided by ownership.*

Respectfully submitted,
JOSEPH J. BLAKE & ASSOCIATES, INC.

Thomas J. Shields, MAI
Principal/Regional Manager
Commonwealth of VA, Certified General Appraiser (#4001 002330)

Joseph B. Yates
Senior Associate

PHOTOGRAPHS OF THE SUBJECT PROPERTY



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SECTION I - INTRODUCTION

Executive Summary

Effective Date of Value:	January 1, 2011
Date of Report:	January 7, 2011
Date of Inspection:	December 30, 2010

Property Identification: The land within the CDA District is comprised of eight contiguous tax parcels. According to public records the site contains a combined total of 30.92 acres (1,346,741 square feet) of vacant land:

Tax ID	House #	Street	Land SF
0493 01 0081A	8231	Lee Highway	23,818
0493 T01 0081A	8231	Lee Highway	71,452
0493 01 0082A	8235	Lee Highway	18,023
0493 T01 0082A	8235	Lee Highway	54,068
0493 01 0082B			2,314
0493 01 0080E	2905	District Ave.	156,837
0493 01 0080F	3001	Merrifield Cinema Dr.	150,254
0493T01 0080E	8223	Lee Highway	869,975

The public records data is effective January 1, 2011 and is in the process of being updated. Information provided by the developer indicates a total land area of approximately 30 acres.

The subject property of this appraisal is the land within the CDA district excluding the land that will support the proposed Target store. The Target store site has not yet been separately designated by tax parcel, and we have excluded the portion of the proposed development based on the approved floor area ratio (FAR) size of the proposed Target store (168,900 square feet).

Property Location: The subject property is situated on the south side of Lee Highway (U.S. Route 29) and the east side of Eskridge Road, one block west of Gallows Road and on the north side of Luther Jackson Middle School, in the Merrifield neighborhood of Fairfax County, Virginia.

Property Description: As of the date of our most recent inspection of the property, December 30, 2010, the subject is vacant land with infrastructure improvements under construction.

The land within the CDA District is proposed for development with a mixed-use complex containing an overall total of 1,893,112 square feet of building area. Based on information provided by the developer, the site is approved for development with a total of 504,100 square feet of retail space; 900,018 square feet of multi-family development (853 units); 218,994 square feet of single-family residential development (114 town house units); 205,000 square feet of hotel development (300 rooms); and 65,000 square feet of office development.

On an overall basis, the subject development is 58.3% pre-leased/sold. The developer, Edens & Avant, will retain a significant portion of the retail component of the planned development following completion. The remaining portions of the development, including the retail anchor tenant (Target), are planned as sales of finished lots to end users/developers.

The subject property of this appraisal, which excludes the proposed target store (168,900 square feet), is comprised of a total of 1,724,212 square feet of building area.

Construction of the 114 townhouse units is contingent on approval of one of two Proffer Condition Amendments (PCA) submitted to the Board by the developer. The original development plan did not include the townhouse component, and the developer has submitted an amendment which has received preliminary review by the county which would change the permitted use of Parcel I of the development from theatre to single-family attached use. The layouts of Parcel G and H would also be altered by the amendment, which the developer anticipates approval of in mid 2011.

On April 27, 2009, the Board of Supervisors created the County's first Community Development Authority (CDA) with Tax Increment Financing (TIF) for the proposed Mosaic-Merrifield Town Center. The Fairfax County Office of Revitalization and Reinvestment (OCRR) worked closely with the Department of Management and Budget, the Board, consultants, and the developer, Edens & Avant, to implement the CDA. The land supporting the proposed Mosaic-Merrifield Town Center is the entire CDA district, and no other land is included in the CDA district.

Based on an Amended and Restated Memorandum of Understanding (which was not dated or signed, the original Memorandum of Understanding was dated May, 2010) "Bonds means bonds to be issued by the CDA pursuant to Virginia Code Sections 15.2-5158(A)(2) and 15.2-5125 and other applicable law, in aggregate principal amounts sufficient to produce amounts available for the capital costs of Improvements equaling $72,000,000, as set forth in this Memorandum, and to be issued in two series (including any sub-series) called the Tax Revenue Bonds ("Series A" or "Tax Revenue" Bonds) and the Special Assessment Bonds, respectively."

Based on this document and our conversations with the developer, Series A bond-funded infrastructure for the overall development is $42,000,000.

Based on the information provided for our analysis, the total amount of horizontal site costs for the development, including certain horizontal site costs to be funded by the Series A Bonds and costs funded by the Developer (but excluding any public improvements not considered part of the horizontal development) is $85,498,000. As of February 25, 2011, the total of such horizontal costs spent to date by the developer is $55,169,000 or 64.5% of the total.

It is our understanding that when the bonds are issued, the developer will be reimbursed for certain costs incurred to date (at that time) through the bond proceeds. In our analysis, the bond proceeds are included in the sell-off model as a credit to the developer. This is based on two factors. The first is that the bond proceeds are to fund improvements to the site the cost of which the developer has already incurred or will incur before the bond proceeds are available. Second, the intent of the bonds is to increase the tax revenue to the county based on the completed development. The county will recover the cost of the bonds not from the developer but from the increase in revenue based on the assessed value of the completed development being higher than the assessed value of the site prior to the development. Thus, the county will recover the bond proceeds over time through increased tax revenue.

Based on the information provided for our analysis, the Series A bond-financed public improvements will be substantially completed in Q2 2012. The initial retail tenants are projected to take occupancy in Q2 2012.

Zoning:	The adoption of the Community Development Authority (CDA) created the zoning guidelines and restrictions applicable to the subject property. The proposed use of the subject property represents a legal, conforming use of the site, and no other use not consistent with the development as currently planned would be permitted without county approval.
Property Rights Appraised:	Fee Simple Interest
Highest and Best Use:	
As-Is (Vacant):	Mixed-use development as currently planned and approved.

As-Is

The Development Method: **$**89,700,000

Comments:

The subject property is currently vacant, with infrastructure improvements under construction. The purpose of the appraisal is to estimate the as is market value of the fee simple interest of the subject property as of a current date.

We have determined that the most appropriate method of valuation of the subject property is the development method, which incorporates elements from all three approaches to value (Income Capitalization, Sales Comparison and Cost). The process of the development approach projects the anticipated sell-off of the individual land bays. All applicable expenses are deducted from the anticipated revenues, resulting in net proceeds to the developer. These proceeds are discounted back, at a market-derived rate, to arrive at a present value indication of the property to a potential investor/developer on a bulk basis. Market evidence suggests that investors rely on similar methodologies in their analysis of large tracts of land.

It is important to note that the developer, Edens & Avant, will retain a significant portion of the retail component of the planned development following completion. Therefore, the development method does not precisely mirror the development as currently planned, since this method projects a sell-off of all land bay components. However; projecting the development to its ultimate completion adds significant subjectivity to the valuation, based on the subjectivity of allocating hard development costs to the respective land bay components. The method utilized allows the appraisers to allocate all development costs for the various components and derive the as-is value of the subject, which is effectively vacant land. By projecting a market-oriented value for the portion of the site that will be retained by the developer, the net result is the same value, and is a projection of what another investor would pay for the property on a bulk basis as of the effective date(s) of value.

Certification

I, Thomas J. Shields, MAI, certify that I have personally inspected the subject property, and that I have considered all of the pertinent facts affecting the value thereof. Also, I certify that all market data accumulated from various sources pertaining to the final value estimate has been, where possible, personally examined and verified as to details, motivation, and validity.

I, Thomas J. Shields, MAI, certify:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
- Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- Joseph B. Yates provided significant professional assistance in preparing this report.
- The appraisal assignment is not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- That we are competent to perform this appraisal based upon past experience appraising similar properties in the Washington and Baltimore Metropolitan areas.
- That the appraisal report conforms to the Federal Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA").
- That this Certificate of Value is only valid when accompanied by the attached Basic Assumptions and Limiting Conditions.
- That the use of this report is subject to the requirements of the Appraisal Institute relating to review by it's duly authorized representative.
- That we have appraised the subject property in the six months, including one full narrative annual appraisal and one quarterly update.

This report has been made in conformity with, and is subject to, the minimum requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute (AI) as adopted by the Appraisal Standards Board of the Appraisal Foundation.

The AI conducts a voluntary program of continuing education for its designated members. MAIs and SRAs (members) who meet the minimum standards of this program are awarded periodic educational certification. Thomas J. Shields, MAI is currently certified under the AI mandatory continuing education program. Thomas J. Shields, MAI, has the appropriate certification in order to allow for the appraisal of the subject property in conjunction with a federally-related transaction.

In valuing this property, we have considered the actions of the market and concluded to an estimate of market value in consideration of current economic indicators extracted from the marketplace. Our study consisted of a personal inspection of the property, as well as a comprehensive investigation into the competitive marketplace, in terms of sales and rentals, among similar property types in the subject's market area. All relevant factors, as they relate to value, were examined in consideration of the current economic environment.

Based on the data and conclusions contained in the attached report, it is our opinion that the market value of the fee simple interest in the subject property, the land within the boundaries of the CDA excluding the land and development potential under contract to Target, in its as-is condition, as of January 1, 2011 is:

EIGHTY-NINE MILLION SEVEN HUNDRED THOUSAND DOLLARS
$89,700,000*

**We are valuing the subject site based on the proposed development plan provided by ownership.*

The attached appraisal report describes the subject property, as well as the data, analysis and conclusions that were employed in determining our value estimate. Presentation of the signature page without the balance of the appraisal report is not considered appropriate.

Respectfully submitted,
JOSEPH J. BLAKE & ASSOCIATES, INC.

Thomas J. Shields, MAI
Principal/Regional Manager
Commonwealth of VA, Certified General Appraiser (#4001 002330)

Joseph B. Yates
Senior Associate

Basic Assumptions and Limiting Conditions

This appraisal report is subject to the underlying assumptions and limiting conditions qualifying the information contained in this report as follows.

This appraisal is based on the national and local economic conditions, purchasing power of money, and financing rates prevailing on the effective date of valuation.

The valuation estimate and market or feasibility conclusions apply only to the property specifically identified and described in this report.

By reason of the purpose of this appraisal, and the function of the report herein set forth, the value reported is only applicable to the property rights appraised and the appraisal report should not be used for any other purpose.

Information and data contained in this report, although obtained from public records and other reliable sources and, where possible, carefully checked by the appraiser, are accepted as satisfactory evidence upon which rests the final estimate of property value. Information identified as being furnished or prepared by others is believed to be reliable, but no responsibility for its accuracy is assumed. We have relied upon historical operating statements, rent ceilings, a rent roll and other financial data that was provided by the borrower, onsite property manager and our client.

No responsibility beyond reason is assumed for matters of a legal nature, whether existing or pending. Title to the property is assumed to be good and marketable unless otherwise stated.

It is assumed that all information known to the client and relative to the valuation has been accurately furnished and that there are no undisclosed leases, agreements, liens, or other encumbrances affecting the use of the property. The property is being appraised free and clear of any or all liens or encumbrances unless otherwise stated.

Ownership and management are assumed to be competent and in responsible hands.

The appraisers have made no legal survey nor have they commissioned one to be prepared; therefore, reference to a sketch, plat, diagram, or previous survey appearing in this report is only for the purpose of the reader to visualize the property.

The appraisers are not engineers, and any references to physical property characteristics in terms of quality, condition, cost, suitability, soil conditions, flood risk, obsolescence, etc., are strictly related to their economic impact on the property. No liability is assumed for any engineering-related issues.

The appraisers have not been furnished with soil or subsoil tests. In the absence of soil boring tests, it is assumed that there are no unusual subsoil conditions or, if any do exist, they can be or have been corrected through the use of modern construction techniques at a reasonable cost.

It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the report. The existence of potentially hazardous materials used in construction or maintenance of the building, such as the presence of urea formaldehyde foam insulation, asbestos, and/or existence of toxic waste, which may or may not be present on the property, has not been considered. The valuation is subject to change if any such potentially hazardous materials were detected by a qualified expert in these areas. The appraisers reserve the rights to modify this valuation if so warranted.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the report. It is also assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

The valuation contained in this report does not include any cost to cure (if necessary) limitations in the improvements that do not satisfy the Americans with Disabilities Act of 1990 (P.L. 101-336). The appraisers were not made aware of any such deficiencies (unless stated in this report) and are not experts in the field of detecting their presence or estimating the costs to cure pre-existing, non-conforming structures.

It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report. The distribution of the total valuation in this report between land and improvements applies only under the existing or proposed program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisals and are invalid if so used.

If the subject of this report is a proposed building or project, the appraisers reserve the right to: (A) review finalized plans; (B) require a current on-site inspection prior to release of funds; and (C) recertify the previously reported value.

Neither all nor part of the contents of this report, especially any conclusions as to value, the identity of the appraisers, the firm with which they are connected, any reference to the Appraisal Institute or the MAI or SRA designations, shall be reproduced for dissemination to the public through advertising, public relations, news, or sales media, or any other public means of communication without the prior consent and written approval of the appraisers.

Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute and has been prepared with the intention of conforming with the reporting standards of the Office of the Comptroller of the Currency, and the Uniform Standards of Professional Practice, except that the Departure Provision shall not apply.

The appraisers, by reason of this appraisal, shall not be required to give testimony as an expert witness in any legal hearing or before any court of law unless justly and fairly compensated for such services.

Possession of this report or a copy thereof does not imply right of publication, nor use for any purpose by any other than the person to whom it is addressed, without the written consent of the authors.

We have relied upon information obtained from the representative at Edens & Avant, the owners of the property and developers of the proposed improvements. This data includes property specific information such as the development budget, total costs incurred to date, and information detailing the CDA structure and bond financing. It is assumed that all information provided is correct, as this data has a direct impact on the valuation of the property.

We have predicated our estimate of market value on a sale involving cash, or financial arrangements equivalent to cash (i.e. market rate financing). Market evidence indicates that the property will likely be acquired through the use of financing.

Any separation of the signature pages from the balance of our report invalidates the conclusion.

SECTION II - GENERAL INFORMATION

Identification of the Subject Property

The subject is comprised of eight contiguous tax parcels as summarized in the following chart:

Tax ID	House #	Street	Land SF
0493 01 0081A	8231	Lee Highway	23,818
0493 T01 0081A	8231	Lee Highway	71,452
0493 01 0082A	8235	Lee Highway	18,023
0493 T01 0082A	8235	Lee Highway	54,068
0493 01 0082B			2,314
0493 01 0080E	2905	District Ave.	156,837
0493 01 0080F	3001	Merrifield Cinema Dr.	150,254
0493T01 0080E	8223	Lee Highway	869,975

The public records data is effective January 1, 2011 and is in the process of being updated. Information provided by the developer indicates a total land area of approximately 30 acres. In addition, the parcel designation of the property is expected to change over the course of development.

The subject property of this appraisal is the land within the CDA district excluding the land that will support the proposed Target store. The Target store site has not yet been separately designated by tax parcel, and we have excluded the portion of the proposed development based on the approved floor area ratio (FAR) size of the proposed Target store (168,900 square feet).

The subject property is situated on the south side of Lee Highway (U.S. Route 29) and the east side of Eskridge Road, one block west of Gallows Road and on the north side of Luther Jackson Middle School, in the Merrifield neighborhood of Fairfax County, Virginia.

On April 27, 2009, the Board of Supervisors created the County’s first Community Development Authority (CDA) with Tax Increment Financing (TIF) for the proposed Mosaic-Merrifield Town Center. The project was approved for approximately 1,000 dwelling units, a multiplex theatre, 125,000 square feet of office space, 500,000 square feet of other non-residential uses and a 150 room hotel. Since the original approval process, the development plans have changed to reflect the following densities and uses.

	GBA SF	Units/Rooms
Total Retail	504,100	
Multi-Family	900,018	853
Town House	218,994	114
Hotel	205,000	300
Office	65,000	
Total	1,893,112	1,267

Excluding the planned Target store, the subject property includes a total retail development of 335,200 square feet, and an overall development total of 1,724,212 square feet.

Construction of the 114 townhouse units is contingent on approval of one of two Proffer Condition Amendments (PCA) submitted to the Board by the developer. The original development plan did not include the townhouse component, and the developer has submitted an amendment which has received preliminary review by the county which would change the permitted use of Parcel I of the development from theatre to single-family attached use. The layouts of Parcel G and H would also be altered by the amendment, which the developer anticipates approval of in mid 2011. As of the date of our most recent inspection of the property, December 30, 2010, the subject is vacant land with infrastructure improvements under construction.

Purpose of the Appraisal

The purpose of the appraisal is to estimate the as is market value of the fee simple interest of the subject property as of a current date. The land is currently vacant, with infrastructure improvements under construction.

Intended Use and User of the Appraisal

The intended user of the appraisal is The Mosaic District Community Development Authority c/o Ramiro Albarran, ***Stone & Youngberg,*** and its affiliates, agents, advisors, successors and participants in connection with asset valuation.

Scope of Work of the Appraisal

In performing this assignment, we have inspected the subject property. We have examined market conditions impacting retail, multi-family, residential, hotel and office properties and land throughout the region. We have compiled and analyzed specific data pertaining to land sales, rents, improved sales and expenses involving comparable properties in the market area. Data used in the valuation process was obtained through a variety of sources, including: interviews with commercial real estate brokers, leasing agents and property managers, assessment and land records from Fairfax County as well as Grubb and Ellis and COMPS data services. All market data included herein was confirmed through conversations with market participants (real estate brokers and property owners) who were involved in the various transactions. We focused our search for comparable data in the subject's market area and determined that data obtained from the past two to three years is most relevant to the valuation of the subject property.

In addition to specific market data used in the subject's valuation, we considered regional economic and social trends, as well as development trends and other relevant characteristics in the subject's immediate neighborhood. General economic data such as population, income, households, employment, etc., was gathered from governmental sources and the CCIM Site to Do Business. Information specific to the subject property was obtained from the client. Specific estimates concerning market value are the judgment of the appraisers based upon our interpretation of the available market data. The reasoning behind these estimates is illustrated throughout the appraisal report.

Valuation Dates

The property was inspected on December 30, 2010. The effective date of the as-is market value is January 1, 2011.

History of Ownership

According to the tax card for the subject, the property is owned in the name of Eskridge (E&A) LLC. Based on public records, the subject was acquired by the current owners in two separate transactions. The first occurred in August, 2006, with the acquisition of 3.842 acres in four tax parcels. The seller was Forge, LLC, and the transfer price was $12,000,000. In October, 2009, the subject owners acquired five parcels totaling 27.08 acres from National Amusements. The purchase price was $18,625,000. These acquisitions include all of the land within the CDA. The subject property of this appraisal excludes the portion of the CDA land that will support the proposed Target store. To the best of our knowledge there have been no other arms-length transfers of the subject property in the past five years.

Property Rights Appraised and Relevant Definitions

We are appraising the market value of the fee simple interest in the subject property.

Market Value: means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

(1) Buyer and seller are typically motivated;
(2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
(3) A reasonable time is allowed for exposure in the open market;
(4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
(5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. [1]

Fee Simple Interest: A fee simple estate implies absolute ownership unencumbered by any other interest or estate. [2]

[1] *IBID, p.* 177.
[2] The Appraisal of Real Estate, Tenth Edition, Appraisal Institute, 1992, page 6.

SECTION III - DESCRIPTION, ANALYSIS,

AND CONCLUSION

Area Analysis

Introduction

The subject property is located in the Merrifield area of Fairfax County, Virginia. This location is considered a suburb of Washington, DC. The Washington Metropolitan Statistical Area (MSA) as defined by the U.S. Department of Commerce includes the District of Columbia; Maryland Counties of Calvert, Charles, Frederick, Montgomery and Prince George's; the Virginia Counties of Arlington, Fairfax, Loudoun, Prince William and Stafford; and the Virginia independent Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park. The area encompasses 3,956 square miles. The following map illustrates the location of the subject property in the region.

Regional Economy

Historically, the regional economy relies upon extensive government offices, military installations (and related government contracting), commercial business activity, associations/nonprofit organizations, and tourism. In the past decades, there has also been substantial expansion of technology related companies.

In the past, it was common to characterize the Washington area economy as being "recession proof". This has been shown to be incorrect; however, the region has been cushioned from the full force of the national recessions by an economic structure that is less cyclical, due to the under lying pressure of the Federal Government.

The Washington GRP's (GRP-Gross Regional Product) growth rate of 2.7% in 2009 was higher than National GDP growth. Some economists predicted that without a major new driver, such as technology in the nineties, the Washington area economy may be constrained on the upside of the business cycle just as it has been protected on the down side. Nevertheless, GRP is expected to out perform GDP in the next 12 months. The following chart compares regional and national economic growth.

National vs. Regional Growth: 2004-2009

	2005	2006	2007	2008	2009
National GDP Growth	3.1%	2.9%	2.2%	1.1%	1.7%
National Job Growth	1.7%	1.4%	1.1%	.01%	.09%
Washington Area GRP Growth	4.0%	3.8%	3.3%	2.5%	2.7%
Washington Area Job Growth	2.8%	2.5%	1.0%	.01%	.08%

Federal spending plays a large role in the region's continued economic growth. Hence, these regional growth product projections should be conservative in relation to the actual numbers.

The Washington area's gross regional product (GRP) was $405.5 billion in 2009, an increase of 7.2% from 2008 and is estimated to grow another 4.7% by the end of 2010. Federal spending was the leading source of the increase growing by 24% in 2009 over 2008. Federal spending in the area has grown from 31% of the area GRP in 2008 to 36.7 in 2009, reflecting the importance of the Federal Government for the economic stability of the region. The following chart summarizes the other major core industries in the region.

Core Sectors of the Economy - Washington Metro Area

	2010*		2009		2008	
GRP in Billions	$	%GRP	$	%GRP	$	%GRP
Total Federal $s	$157.80	37.20%	$148.80	36.70%	$120.30	31.80%
Portion Procurement	$84.00	19.80%	$78.50	19.40%	$55.20	14.60%
Technology	$61.30	14.40%	$57.80	14.30%	$59.20	15.60%
Building Industry	$22.50	5.30%	$21.70	5.40%	$22.80	6.00%
Int'l Business	$19.50	4.60%	$18.60	4.60%	$18.40	4.90%
Hospitality	$8.30	2.00%	$7.70	1.90%	$7.60	2.00%
Other	$155.30	36.60%	$150.90	37.20%	$150.10	39.70%
Total GRP	$424.70	100.00%	$405.50	424.70%	$378.40	100.00%

Source: Dr. Stephen Fuller, Delta Associates; March 2010.
*Estimate

Between 1999 and 2008, inflation as measured by changes in the U.S. Department of Labor's Consumer Price Index (All Urban Consumers, current series), remained fairly low until 2005, and increased significantly in 2008. The following chart shows the 12-month percent change in the annual CPI index for the Baltimore Washington CMSA.

Change in the Annual CPI index for the Baltimore Washington CMSA

	2001	2002	2003	2004	2005	2006	2007	2008	2009	Avg.
Washington-Baltimore	2.6%	2.4%	2.8%	2.8%	4.0%	3.6%	3.6%	4.5%	0.2%	2.9%

Source: BLS. Data reflects annual data

Between 2000 and 2009, the annual inflation in the Washington-Baltimore CMSA has averaged 2.9% annually.

Employment

According to the Bureau of Labor Statistics, total employment in the Washington MSA increased by an average of 28,523 jobs between 2000 and 2009, as shown in the following chart. The data is not seasonably adjusted.

	Labor Force	Employment	Unemployment Rate	Change In Employment
2000	2,709,854	2,615,459	3.50%	
2001	2,701,909	2,611,015	3.40%	-4,444
2002	2,749,469	2,639,129	4.00%	28,114
2003	2,780,248	2,672,546	3.90%	33,417
2004	2,833,955	2,729,977	3.70%	57,431
2005	2,903,238	2,803,085	3.40%	73,108
2006	2,967,424	2,876,217	3.10%	73,132
2007	3,002,287	2,913,767	2.90%	37,550
2008	3,045,546	2,932,195	3.70%	18,428
2009	3,055,114	2,872,168	6.00%	-60,027
Average	2,874,904	2,766,556	3.79%	28,523

Source: Bureau of Labor Statistics

Over the same period, the labor force increased by an average of 38,362 persons, and the unemployment rate averaged 3.79%. Although the national unemployment rate is seasonally adjusted, the Washington MSA has historically had unemployment well below the national levels.

As shown, 2004, 2005 and 2006 saw increases in employment well above the historical average. Over this period, the labor force also increased at a rate above the historical average, and the unemployment rate dipped to below 3.0%. In 2007 the increase in employment slowed to below the historical average, and decreased sharply in 2008.

As of 2008, Northern Virginia accounted for approximately 48% of the MSA's labor force, with Suburban Maryland accounting for approximately 40%. The District of Columbia makes up approximately 11% of the labor force and Jefferson County, West Virginia accounts for less than 1.0%. Over the period between 1999 and 2008, Northern Virginia saw an average increase in employment of 31,887 jobs, or 74.7% of the total average increase for the MSA.

In 2009, the Bureau of Labor Statistics data shows a sharp increase in unemployment in the Washington MSA, consistent with the national and local recession that began in early 2008. Unemployment in the region peaked at 6.4% in June 2009 and ended the year at 6.2%.

In 2010, unemployment in the region reached 7.0% in January, decreasing to 5.9% in April. Between May and August, unemployment in the region was between 6.0% and 6.3%.

Between December, 2008 and November 2009, the Washington MSA has seen a net decrease in employment of 39,773 jobs, according to the BLS. Most of the decrease occurred in Suburban Maryland, with a net decrease of 24,739 jobs. In Northern Virginia, the net decrease in employment was 5,557 jobs, and in the District of Columbia, the net decrease was 9,074 jobs. Between November 2009 and August, 2010, regional employment has remained fairly steady, with a net increase of 29,464 jobs.

Historically, the government sector has been one of if not the largest employment sector in the Washington MSA. As of Year-end 2009, government (Federal, state and local) was the largest employment sector in the area, with 24% of total non-farm employment.

Washington MSA Employment

Employment in Thousands	2004	2005	2006	2007	2008	2009
Total Non-Farm	2,296.10	2,348.20	2,390.70	2,413.70	2,429.20	2,390.90
Mining, Lodging, Construction	137.2	145	148.5	142.4	133	115.9
Manufacturing	44.1	44.3	43.4	42	41	37
Trade, Transportation, Utilities	316.6	322	320.6	321.6	317.7	302.9
Information	88.9	82.4	79.7	77.4	74.5	67.2
Financial Activities	114.1	115.9	116.3	114.6	110.7	105.8
Professional/Business Services	501.7	524.2	539.9	551.5	558.2	551.5
Education and Health Services	234.1	240.1	247.4	257.2	265.3	272.7
Leisure and Hospitality	194.4	200.3	202.7	207	214.3	211
Other Services	135.2	135.3	145.5	149.5	153.7	153.6
Government	529.8	538.7	546.8	550.6	561.4	573.4

Source: Bureau of Labor Statistics

The second largest employment sector is professional/business services, at 23.0%. Trade, transportation and utilities (13%); mining, and education and health services (11%) are the only other employment sectors with more than 10% of total non-farm employment. The presence of the Federal Government has a major impact on the Washington area.

Historically, the professional/business services employment sector has seen the most growth on a percentage basis, increasing 34.88% between 1999 and 2008. Over the same period, leisure and hospitality employment has increased 34.31%, education and health services has increased 29.95%, and other services has increased 29.89%. A surge in construction employment has caused the mining, lodging and construction employment sector to increase 25.4% since 1999, although this sector showed a 6.35% decrease in employment between 2007 and 2008. Two employment sectors have declined over the entire period; manufacturing (which makes up less than 2.0% of total employment) declined 22.8% and the information sector (3.08% of total employment in 2008) declined 19.98%.

According to the BLS data as of November, 2009, only two employment sectors have seen an increase in employment from year-end 2008; education and health services has increased 4.87% and the government sector has increased 4.62%.

Washington MSA Employment		
Employment in Thousands	Nov. 2009	% Change from 2008
Total Non-Farm	2,423.2	-0.35%
Total Private	1,837.5	-1.70%
Goods Producing	154.8	-10.98%
Service Producing	2,268.4	0.47%
Private Service Providing	1,682.7	-0.75%
Mining, Lodging, Construction	233.8	-11.97%
Manufacturing	37.7	-7.14%
Trade, Transportation, Utilities	311.2	-2.05%
Information	67.8	-9.48%
Financial Activities	106.5	-3.71%
Professional/Business Services	554.5	-0.84%
Education and Health Services	277.6	4.87%
Leisure and Hospitality	212.3	-1.21%
Other Services	152.8	-0.39%
Government	585.7	4.16%
Federal	317.0	4.62%
State	85.8	7.65%
Local	182.9	1.84%

Mining, lodging and construction posted the largest percentage decline, at 11.97%, followed by information (9.48%), manufacturing (7.14%), and financial activities (3.71%). As noted, the majority of the decline in employment occurred in the Suburban Maryland counties of the MSA (62.2% of the total). The District of Columbia accounted for 22.8% of the decline in employment and Northern Virginia, despite being 48% of the labor force at year-end 2008, accounted for only 14% of the regional decline in employment in 2009.

On a positive note, job growth related to the scheduled Base Realignment and Closure act (BRAC) is expected to generate substantial job increases in both suburban Maryland and Northern Virginia. Specifically, Fort Meade in the Laurel area is expected to attain an additional 9,834 jobs added, including 5,042 direct employees and 4,792 in indirect employment. Likewise, Fort Belvoir in southern Fairfax County will add 22,000± military jobs and the Quantico Marine Base on the Stafford County/Prince William County border will add 3,000-5,000 military jobs. While the shifts in Northern Virginia will primarily result in increased on-base employment (long term), there very likely will be major increases in job growth and related demand for space from contractors that need to be near these bases.

Household and Population Trends

Between 1990 and 2000, the regional population reportedly increased by 589,787, from 3,819,089 to 4,398,586. This represents a total increase in population of 15.17%, or 1.42% annually.

Trends in Population Growth

Jurisdiction	1990	2000	%Change 1990-2000	2009	2014	% Change 2007-2012
District of Columbia	606,900	572,059	-5.74%	590,484	600,706	1.73%
Arlington County	170,936	189,453	10.83%	205,815	214,720	4.33%
City of Alexandria	111,183	128,283	15.38%	139,993	145,601	4.01%
Montgomery County	763,191	873,341	14.43%	952,866	983,863	3.25%
Prince George's County	723,104	801,515	10.84%	845,360	852,105	0.80%
Fairfax County	818,505	969,749	18.48%	1,029,078	1,048,881	1.92%
City of Fairfax	19,701	21,498	9.12%	23,404	24,426	4.37%
City of Falls Church	9,578	10,377	8.34%	11,159	11,593	3.89%
Inner Suburbs	2,616,198	2,994,216	14.45%	3,207,675	3,281,189	2.29%
Loudoun County	86,129	169,599	96.91%	297,849	365,795	22.81%
Prince William County	215,686	280,813	30.20%	384,215	431,059	12.19%
Manassas City	34,691	35,135	1.28%	37,234	37,619	1.03%
Calvert County	51,372	74,563	45.14%	91,937	100,301	9.10%
Charles County	101,154	120,546	19.17%	145,733	157,328	7.96%
Frederick County	45,723	59,209	29.50%	76,394	86,021	12.60%
Stafford County	61,236	92,446	50.97%	127,049	141,655	11.50%
Outer Suburbs	595,991	832,311	39.65%	1,160,411	1,319,778	13.73%
Regional Total	3,819,089	4,398,586	15.17%	4,958,570	5,201,673	4.90%

Source: CCIM STDB

The region experienced significant positive population growth over the past decade. On a regional basis, this trend is expected to continue for the next decade. The inner-lying suburbs and the District of Columbia were heavily developed. As a result of this, and outward shifts in the suburban employment centers, the outlying suburbs have experienced much stronger population growth. Despite the historic downward trend, current construction trends also suggest that the population should be increasing in the District and closer-in suburbs.

Distribution of Households				
Jurisdiction	2000	2009	Avg Household Size 2009	% Change 2000-2009
District of Columbia	248,338	261,188	2.13	5.17%
Arlington County	86,352	91,937	2.2	6.47%
City of Alexandria	61,889	66,316	2.08	7.15%
Montgomery County	324,565	351,596	2.68	8.33%
Prince George's County	286,610	301,033	2.74	5.03%
Fairfax County	350,714	374,165	2.73	6.69%
City of Fairfax	8,035	8,743	2.61	8.81%
City of Falls Church	4,471	4,790	2.32	7.13%
Inner Suburbs	1,370,974	1,459,768	2.48	6.48%
Loudoun County	59,900	102,058	2.9	70.38%
Prince William City	94,570	131,748	2.9	39.31%
Manassas City	11,757	12,388	2.93	5.37%
Calvert County	25,447	31,594	2.89	24.16%
Charles County	41,668	51,332	2.81	23.19%
Frederick County	22,097	29,032	2.6	31.38%
Stafford County	30,187	41,659	3.01	38.00%
Outer Suburbs	288,880	288,880	2.89	0.00%
Regional Total	1,659,854	1,748,648	2.5	5.35%

Source: CCIM Site To Do Business

The number of households is also increasing, along with the population. We observe that the regional average for household size is higher than that displayed by many closer-in suburbs and that of the District of Columbia. In most jurisdictions, the anticipated growth in households is growing at a slower pace than overall population growth. This is consistent with the national trend towards smaller household sizes.

The median household income in the region is $83,119 as of year-end 2009. Northern Virginia has the highest median household income at $100,998, followed by Suburban Maryland ($80,473) and the District of Columbia ($51,193).

Transportation

The Washington Metropolitan Transit Authority operates an interconnected rail and bus service known as "Metro". Currently, the Metrorail system is 106 miles with 86 stations. Metro plans to expand its rail stations with an additional station on the Red Line in Northeast Washington at New York Avenue. Metro has recently added two new stations extending the Blue Line into central Prince George's County. These stations were completed at the end of 2004 and early 2005. Future plans include the extension of the Orange Line west, from Falls Church through Tyson's Corner and out the Dulles Toll Road Corridor.

In terms of a highway network, the Capital Beltway (I-495) is one of the most important factors driving development in the Washington area. It has tied the Maryland and Virginia suburbs together and significantly influenced real estate investment and development patterns. In addition to the Beltway, Washington is connected to I-95, the major north-south interstate highway that extends most of the length of the Atlantic Coast, and I-66, an east-west highway that begins in Washington, D.C. and connects westward to interstate highways in Virginia and West Virginia.

The region does have notorious problems with traffic congestion in certain areas. However, there have been several major investments in the infrastructure over the past few years, including massive improvements to the "mixing bowl" in Springfield, where I-95 and I-495 connect; and replacement of the Woodrow Wilson Bridge. In Maryland, the inter-county connector is under study. This road would connect I-95, near the Prince George's County line, with I-270 in Montgomery County. If completed, the long-debated project would alleviate much of the heavy traffic on I-495 on the north side of the Beltway.

The following table provides a summary of air passenger activity at the three airports in the region.

Annual Airport Passengers (In Millions)									
	2002	2003	2004	2005	2006	2007	2008	2009	% Change 2002-09
Dulles	17.2	17	22.9	27	23	24.7	23.9	23.2	35%
Reagan	12.9	14.2	15.9	17.8	18.6	18.7	18	17.6	36%
BWI	19	19.7	20.3	19.7	20.7	21	20.5	21.2	12%
Total	49.1	50.9	59.1	64.5	62.3	64.4	62.4	62.0	26%

BWI was the only airport to experience an increase in passengers over the prior year. In total, over 60 million passengers flew into and out of the Washington region's three airports in 2009, a 26% increase from 2002. Reagan National has experienced the most growth since 2002 of 36%, with Dulles International Airport close behind at 35%.

Housing Trends

Area housing prices declined in 2009 and are expected to stabilize in 2010. While the Washington Metro area is not nearly as depressed as many other parts of the nation, prices of virtually all property types in all areas of the region decreased in 2009.

The following chart summarizes average price increases by type from 2008 to 2009, in the various jurisdictions in the region.

Average Home Price by Type (2008-2009)

	Detached			Attached			Condominium		
Jurisdiction	2008	2009	% Change	2008	2009	% Change	2008	2009	% Change
Washington, D.C.	$922,791	$754,398	-18.25%	$549,821	$465,718	-15.30%	$411,094	$409,427	-0.41%
Maryland									
Anne Arundel County	$463,318	$403,834	-12.84%	$304,206	$278,032	-8.60%	$265,494	$238,439	-10.19%
Calvert County	$354,619	$329,362	-7.12%	$318,002	$292,133	-8.13%	$313,504	$290,342	-7.39%
Charles County	$342,806	$300,341	-12.39%	$237,061	$191,157	-19.36%	$213,990	$180,253	-15.77%
Frederick County	$361,811	$314,228	-13.15%	$235,858	$198,629	-15.78%	$203,780	$185,102	-9.17%
Howard County	$553,582	$492,140	-11.10%	$328,026	$553,582	68.76%	$276,139	$251,097	-9.07%
Montgomery County	$647,080	$561,657	-13.20%	$342,649	$647,080	88.85%	$317,701	$257,208	-19.04%
Prince George's County	$322,178	$246,419	-23.51%	$261,919	$206,902	-21.01%	$196,138	$151,711	-22.65%
St. Mary's County	$340,848	$314,592	-7.70%	$226,294	$202,831	-10.37%	$197,041	$196,538	-0.26%
Virginia									
Alexandria City	$741,354		-100.00%	$557,437		-100.00%	$311,853		-100.00%
Arlington County	$736,674	$717,551	-2.60%	$541,621	$530,025	-2.14%	$392,948	$368,044	-6.34%
Fairfax County	$590,364	$557,451	-5.58%	$341,435	$331,288	-2.97%	$256,258	$217,529	-15.11%
Fairfax City	$494,764	$437,011	-11.67%	$439,208	$346,665	-21.07%	$205,618	$179,653	-12.63%
Falls Church City	$748,466	$657,738	-12.12%	$598,556	$595,948	-0.44%	$413,230	$373,239	-9.68%
Fauquier County	$380,249	$349,902	-7.98%	$214,642	$152,708	-28.85%	$200,091	$166,623	-16.73%
Loudon County	$519,474	$479,421	-7.71%	$301,749	$290,058	-3.87%	$207,445	$181,254	-12.63%
Manassas City	$261,444	$235,363	-9.98%	$124,773	$112,919	-9.50%	$133,800	$108,539	-18.88%
Manassas Park City	$185,892	$172,069	-7.44%	$168,360	$130,555	-22.45%	$165,915	$138,009	-16.82%
Prince William County	$312,248	$291,314	-6.70%	$192,520	$167,276	-13.11%	$207,891	$166,854	-19.74%
Source: MRIS, Reformatted by Joseph J. Blake and Associates									

In the past few years, there has been strong demand for condominium units and single-family homes throughout the metropolitan area, especially in the revitalizing downtown areas and closer-in suburbs. As a result of the strong demand and low interest rates, prices increased steeply and the pace of new construction increased dramatically over most of the past 4-5 years. Since late Fall 2005, the housing market has softened significantly. Prices in many areas (particularly outlying suburbs) have fallen while closer in areas depreciated more modestly. However, there are exceptions and the extreme high-end condominium market appears to thrive while the broader market languishes.

In the face of extensive new construction over the past few years and decreasing economic conditions throughout the nation, the Washington Metro area housing market has experienced a significant cooling. The market's ability to experience less severe housing crises than the nation as a whole is based on the strength of the local economy. Continued increases in interest rates and/or stagnation in job growth patterns could result in additional downward pressure on pricing.

Conclusion

The Washington area economy has been relatively resilient during the early part of this decade, while the national economy was decelerating at the end of its ten-year expansion and falling into recession. Although the regional economy is also in recession, with employment declining for the first time in 10 years, the area maintains one of the lowest unemployment rates of any major metropolitan area in the nation.

Historically, the presence of the Federal government has provided some manner of protection from economic downturns. This is one of the reasons institutional investors prefer this location, as continued job growth and related population growth can help shorten periodic downturns. Additionally, these factors help smooth-out periods of overbuilding among both office and residential sectors.

Looking forward, job growth related to the scheduled Base Realignment and Closure act (BRAC) is expected to generate substantial job increases in both suburban Maryland and Northern Virginia. The Federal Stimulus package passed in early 2009 should also generate economic activity both in terms of local projects and national oversight. One issue that needs to be addressed are the region's notorious traffic problems. Thus far, the transportation issues have not impeded economic or population growth; however, there are major issues have need to be addressed and financed.

On long-term basis, the Washington Metropolitan area is a favored location for many institutional investors. There is still heavy technology employment in the region and the underlying stabilizing presence of the Federal Government creates a generally positive atmosphere for investor expectations. Future job growth and good overall employment prospects continue to attract new employees, which in turn spurs increased demand for office, retail and residential real estate. The long-term outlook for the overall economic health of the region is positive.

Neighborhood Analysis

The neighborhood analysis is intended to provide a bridge between the area analysis and the study of the subject property. The Dictionary of Real Estate Appraisal (4th Edition) defines a neighborhood as "a group of complimentary land uses; a congruous grouping of inhabitants, buildings or business enterprise." The goal of the neighborhood analysis is to define and examine the social, economic, governmental and environmental factors that influence the value of the subject property.

The subject property is situated on the south side of Lee Highway (U.S. Route 29) and the east side of Eskridge Road, one block west of Gallows Road and on the north side of Luther Jackson Middle School, in the Merrifield neighborhood of Fairfax County, Virginia. Merrifield is one of the most centrally located and easily accessible business areas of Fairfax County, situated along the Capital Beltway (I-495) between Interstate 66 and Arlington Boulevard (U.S. Route 50). Additionally, the Dunn Loring-Merrifield Metrorail station is located on the northern edge of the neighborhood. The City of Fairfax is to the west, Vienna is north of Merrifield, Falls Church is to the northeast and Annandale is south of Merrifield.

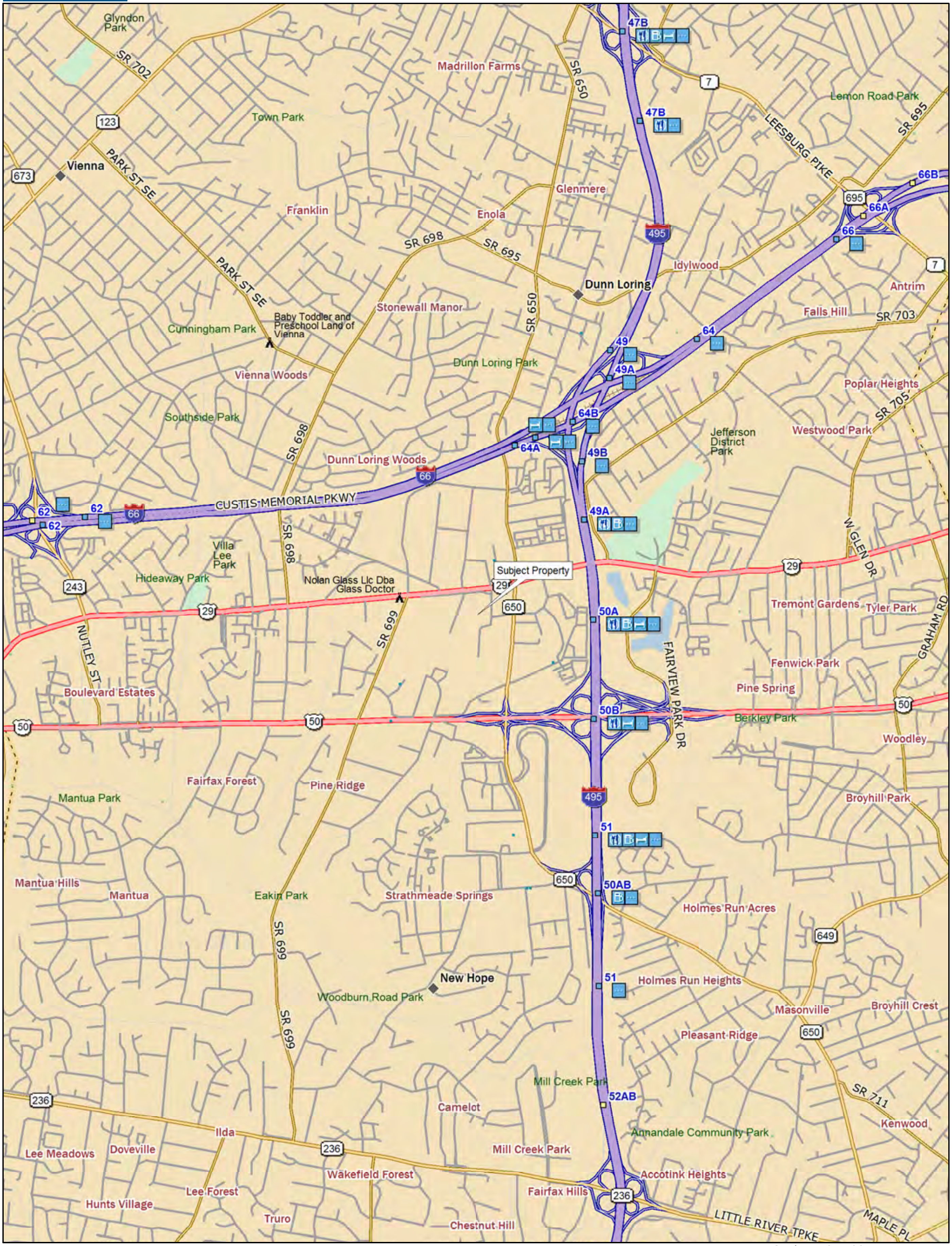
<u>Governmental and Environmental Influences</u>

In terms of governmental factors, the most direct influence on the subject property is exerted by the Fairfax County. This jurisdiction has authority with regard to the planning, zoning, assessment-taxation, education, judicial, police and fire/rescue functions of government.

With regard to environmental influences, the neighborhood benefits greatly from its location, which affords excellent access to the highway system and several other primary connectors. Route 50 (Arlington Boulevard) and Route 29 (Lee Highway) are considered primary east-west commuter routes and extends from Winchester, Virginia to Washington DC and beyond. The main commuter route extending into the District is I-66, which runs along the north side of the Merrifield neighborhood. Gallows Road essentially runs north-south and extends from Columbia Pike in Annandale to Route 7 at Tyson's Corner. These roads provide excellent access throughout the metropolitan area. Connections with I-495 are within less than one mile of the subject property at Arlington Boulevard or via I-66 to the north. The location also provides adequate access to public transportation, existing shopping and numerous eateries.

Taking advantage of its location, Merrifield is planned to accommodate a new town center (the subject property) envisioned to be a thriving mixed-use area attracting new residents to Merrifield while also supporting the surrounding existing neighborhoods. This evolution is underway as recent mixed-use developments have brought additional residential, retail, and office space while also providing amenities such as improved pedestrian connections and open space with Merrifield Park.

The following map illustrates the subject's location in the neighborhood.



TN

MN (10.6°W)

Scale 1 : 37,500

0 ¼ ½ ¾ 1 mi

0 ¼ ½ ¾ 1 km

1" = 3,125.0 ft Data Zoom 12-4

The most intense development is concentrated in two core areas—the "Transit Station Area" adjacent to the Metro station and the "Town Center Area" to the southwest of the Gallows Road/Lee Highway intersection. This urban development is balanced by retaining the existing warehouse and light industrial uses within the revitalization area. New developments have been completed in the vicinity of the Metro station, including office, hotel and multi-family and condominium buildings.

The Dunn Loring-Merrifield Metro Project is a Trammell Crow development planned for construction approximately one to two miles northeast of subject. The project involves transforming the Orange Line Station's 15-acre parking lot with 1,320 parking spaces and Kiss & Ride area. The new development will feature a six-story parking garage on the I-66 side, with 2,000 spaces and stores occupying 125,000 square feet underneath. Across Gallows Road, residents will live in three towers, one 13 stories and two six stories high. The towers will have up to 770 units and be set around a landscaped plaza. An additional 1,150 underground parking spaces will be built beneath the apartments. This project received approval in December, 2010 for rezoning.

A mixed-use project completed in 2007 called the Vantage at Merrifield is located immediately east of the subject. The 279,167 square foot project offers one-bedroom units at $1,615/month, two-bedroom units beginning at $2,305/month, and three-bedroom units beginning at $4,200/month. Immediately south of this project is Fairfax Plaza Shopping Center. Additional redevelopment projects are in the pipeline in addition to the subject, including the second phase of the Halstead mixed-use development in the Transit Station Area.

There are several pockets of office space developed to significant density along Route 50 to the south of the subject, between Gallows Road and Prosperity Avenue. Retail land use dominates the landscape along US Route 50 further to the east of the subject, inside the Beltway. The immediate area contains a significant supply of industrial space within a ¼ mile north of the subject property.

Inova Fairfax Hospital is located approximately one mile southeast of the subject property at 3300 Gallows Road. Inova Fairfax Hospital is part of Inova Health System, a not-for-profit health care system, and is located on the same campus as Inova Fairfax Hospital for Children and the Inova Heart and Vascular Institute. Inova Fairfax Hospital is a 833-bed tertiary care hospital, which houses Northern Virginia's only level 1 trauma center for treating the most critically injured patients, the nation's fifth busiest obstetrics program, and is one of only six community hospitals in the nation offering the full spectrum of organ transplantation. Due to the presence of Inova Fairfax Hospital, a number of office buildings in the subject's vicinity are oriented towards medical users.

When one extends outside of the subject's immediate vicinity in Merrifield, the neighborhood area is much like other parts of Fairfax County, as there is extensive residential development in all directions. Home prices in the area can vary significantly, based on features such as design, location and age; however, there are very few single-family home options available in the market area for under $300,000. Two miles northeast of the subject is Tyson's Corner, which hosts a very high concentration of office and retail properties. Tyson's Corner includes two regional malls, several hotels, and approximately 25 million square feet of office space.

Social/Economic Characteristics

To gain a better understanding of the social and economic characteristics among residents in the subject's neighborhood, we considered statistical information pertaining to residents in a one, three and five mile radius from the subject property.

Local Area Demographics			
Radius	1-Mile	3-Mile	5-Mile
2000 Population	10,907	119,662	309,855
2010 Population	13,017	127,526	325,040
2015 Population (Projected)	13,793	130,822	332,741
Projected Change 2010-15	5.96%	2.58%	2.37%
Per Year	1.19%	0.52%	0.47%
2000 Households	4,279	44,602	116,716
2010 Households	5,096	47,648	122,379
2015 Households	5,406	48,906	125,362
Percent Change 2010-15	6.08%	2.64%	2.44%
Per Year	1.22%	0.53%	0.49%
2010 Median Household Income	$87,760	$102,026	$104,517
2010 Average Household Income	$103,238	$122,092	$129,276
2010 Per Capita Income	$40,216	$45,619	$48,888
Percent of Households < $25,000	7.3%	6.1%	6.6%
Percent of Households $25,000 - $50,000	13.4%	11.7%	10.6%
Percent of Households $50,000 - $75,000	20.8%	15.8%	14.9%
Percent of Households $75,000 - $100,000	14.4%	14.9%	14.5%
Percent of Households > $100,000	44.0%	51.5%	53.4%

Source: CCIM Site To Do Business

This data indicates a strong growth trend in the population of the immediate neighborhood, which is expected to continue for the next five years at a rate of more than 1% annually. The income statistics indicate the immediate neighborhood lags behind the surrounding areas in terms of average household income; however, the income growth of the immediate neighborhood has been high over the past decade. As more of the described projects are completed, this figure will likely grow faster.

Conclusion:

The subject property is located in a heavily developed portion of the county that contains a mix of commercial and residential land uses. The population trends suggest that there should be demand for planned development of the subject. The location should be desirable to many potential tenants, due to the excellent access from primary traffic arteries and the surrounding portions of close-in Northern Virginia suburbs.

Market Analysis

Retail Market Overview

The following analysis gleans relevant statistical data pertaining to the supply and demand for retail space in the region, throughout the Washington D.C. metro area and in the subject's market area. We will also examine conditions and characteristics in the rental market for space in the subject's immediate area, as well as market conditions for investment sales in the area. Statistical data used in this retail analysis was extracted from analytical surveys of CoStar.

Washington Retail Market Overview

The Washington retail market remained relatively stable in the 3rd quarter of 2010. The vacancy rate decreased slightly to 5.5%, 0.1% less than the 2nd quarter 2010. The vacancy rate has ranged from 5.4% to 5.6% since the 3rd quarter 2009. Net absorption was positive 943,045 square feet, despite the delivery of 668,345 square feet in the 4th quarter of 2009, 576,107 square feet in the 1st quarter of 2010, 922,989 square feet in the 2nd quarter of 2010 and 758,318 square feet in the 3rd quarter of 2010. Quoted rental rates have been fairly stable as well since the 3rd quarter of 2009, ranging from $24.23 per square foot to $23.73 per square foot. The asking rate as of the 3rd quarter 2010 was $23.89 per square foot, down slightly from the 2nd quarter 2010. A total of 1,570,597 square feet were under construction at the end of the 3rd quarter.

TOTAL RETAIL MARKET STATISTICS — Third Quarter 2010

Period	Existing Inventory # Blds	Existing Inventory Total GLA	Vacancy Direct SF	Vacancy Total SF	Vacancy Vac %	Net Absorption	Deliveries # Blds	Deliveries Total GLA	UC Inventory # Blds	UC Inventory Total GLA	Quoted Rates
2010 3q	13,577	214,785,677	11,364,731	11,834,583	5.5%	943,045	8	758,318	37	1,570,597	$23.89
2010 2q	13,569	214,027,359	11,548,942	12,019,310	5.6%	431,852	7	922,989	43	2,030,779	$24.08
2010 1q	13,562	213,104,370	11,057,112	11,528,173	5.4%	454,218	16	576,107	39	2,792,287	$23.79
2009 4q	13,546	212,528,263	10,905,270	11,406,284	5.4%	576,697	7	668,345	40	2,860,991	$23.72
2009 3q	13,539	211,859,918	10,765,021	11,314,636	5.3%	(497,032)	7	277,228	32	2,316,524	$24.23
2009 2q	13,534	211,589,155	9,910,133	10,546,841	5.0%	289,503	21	747,715	33	2,369,635	$24.94
2009 1q	13,514	210,845,197	9,480,127	10,092,386	4.8%	(1,150,798)	17	323,278	52	2,386,350	$24.40
2008 4q	13,506	210,586,445	8,286,924	8,682,836	4.1%	(45,582)	14	617,299	45	1,597,315	$24.98
2008 3q	13,493	209,990,237	7,778,502	8,041,046	3.8%	545,396	13	272,611	51	1,886,671	$25.86
2008 2q	13,481	209,727,820	8,045,050	8,324,025	4.0%	484,698	23	798,019	50	1,935,388	$26.17
2008 1q	13,459	208,940,575	7,688,900	8,021,478	3.8%	1,091,045	52	2,050,115	55	2,434,055	$25.42
2007 4q	13,409	206,899,316	6,700,928	7,071,264	3.4%	756,415	25	901,275	92	3,873,199	$27.58
2007 3q	13,384	205,998,041	6,509,628	6,926,404	3.4%	1,062,449	17	661,400	100	4,526,033	$27.76
2007 2q	13,369	205,342,020	6,781,143	7,332,832	3.6%	1,037,808	25	1,136,282	80	4,211,241	$27.30
2007 1q	13,347	204,249,612	6,826,976	7,278,232	3.6%	740,254	56	1,410,211	79	4,081,794	$26.54
2006	13,293	202,924,340	6,402,703	6,693,214	3.3%	2,660,479	108	3,356,659	112	4,551,770	$26.21

Source: CoStar Property®

The overall Washington DC market appears to be stabilizing following increases in vacancy and net negative absorption in the 1st and 3rd quarters of 2009. The 2.4 million square feet of positive absorption in the past 4 quarters should apply downward pressure on vacancy rates and upward pressure on rental rates.

The largest lease signings occurring in 2010 included: a 148,000 square foot Costco lease at Westfield Wheaton Shopping Center in Wheaton, MD, a 55,696 square foot lease to Bed, Bath and Beyond at 2051 Chain Bridge Road in Tyson's Corner, the 35,683-square-foot-lease signed by Nordstrom Rack at 12179 Fair Lakes Promenade Dr.; the 33,913-square-foot deal signed by HH Gregg at Winchester Station; and the 32,652-square-foot lease signed by My Beauty at 8511 Landover Road.

General Retail Market

The General Retail sector of the market includes all freestanding retail buildings, except those contained within a center. The general retail market in Washington currently consists of 10,726 buildings containing a total of 76,941,387 square feet of retail space.

GENERAL RETAIL MARKET STATISTICS — Third Quarter 2010

	Existing Inventory		Vacancy			Net	Deliveries		UC Inventory		Quoted
Period	# Blds	Total GLA	Direct SF	Total SF	Vac %	Absorption	# Blds	Total GLA	# Blds	Total GLA	Rates
2010 3q	10,726	76,941,387	3,155,051	3,330,075	4.3%	57,980	5	47,381	12	200,812	$25.25
2010 2q	10,721	76,894,006	3,174,091	3,340,674	4.3%	160,318	4	213,589	17	248,193	$26.11
2010 1q	10,717	76,680,417	3,115,355	3,287,403	4.3%	187,113	6	91,115	15	402,971	$26.09
2009 4q	10,711	76,589,302	3,208,460	3,383,401	4.4%	118,277	2	151,087	12	315,187	$26.38
2009 3q	10,709	76,438,215	3,174,306	3,350,591	4.4%	(218,317)	5	218,000	12	447,589	$27.07
2009 2q	10,706	76,226,680	2,711,347	2,920,739	3.8%	148,678	9	235,199	11	441,472	$27.60
2009 1q	10,698	75,995,238	2,638,293	2,837,975	3.7%	(247,903)	7	125,468	20	676,671	$28.15
2008 4q	10,700	75,934,296	2,475,810	2,529,130	3.3%	(128,000)	3	125,115	19	593,622	$29.37
2008 3q	10,698	75,830,272	2,256,174	2,297,106	3.0%	252,783	5	45,616	19	679,539	$30.99
2008 2q	10,694	75,794,850	2,492,561	2,514,467	3.3%	273,433	8	81,361	18	622,774	$31.52
2008 1q	10,687	75,724,263	2,695,907	2,717,313	3.6%	481,625	26	639,294	21	679,104	$30.82
2007 4q	10,663	75,093,825	2,555,562	2,568,500	3.4%	85,583	9	164,403	43	999,864	$29.48
2007 3q	10,654	74,929,422	2,443,525	2,489,680	3.3%	542,004	10	258,280	43	1,050,829	$30.66
2007 2q	10,646	74,676,521	2,700,302	2,778,783	3.7%	708,209	14	556,317	35	1,061,706	$31.43
2007 1q	10,635	74,164,078	2,913,701	2,974,549	4.0%	392,941	24	517,378	39	1,283,573	$31.49
2006	10,613	73,731,639	2,880,235	2,935,051	4.0%	976,659	49	1,020,590	50	1,620,407	$29.92

Source: CoStar Property®

The general retail market in Washington DC has been remained strong over the past 4 years with vacancy rates below 4.5% since 2006. Vacancy reached a low of 3.0% in the 3rd quarter of 2008. However, with the downturn of the economy in 2008, the general retail market experienced negative absorption for three of the next 4 quarters. Vacancy rates increased to 4.4% in the 4th quarter 2009 and have fluctuated only 0.1% until the 3rd quarter 2010. Absorption has been positive since the 4th quarter 2009. Asking rates have decreased steadily since the 1st quarter of 2007 to 3rd quarter 2010 rate of $25.25 per square foot.

Suburban Virginia Retail Market

The nearly forty million square foot Suburban Virginia neighborhood and community shopping center market experienced 598,000 square feet of negative net absorption for 2009 according to Reis. Prior to 2008, Reis had never recorded negative net absorption for a full year in Suburban Virginia. Year-to-date 2010 has been a significant improvement in absorption as the market has absorbed over 300,000 square feet as of the end of the third quarter.

Despite limited new supply, the 2009 year end vacancy rate of 6.4% was up 170 basis points from a year earlier. The vacancy rate dipped to 6.0% as of the end of the first quarter; however, vacancy increased in the second and third quarters of 2010.

The Suburban Virginia retail market (neighborhood and community centers only) is comprised of approximately 39,388,000 square feet, according to REIS. The following chart illustrates the age of the Suburban Virginia inventory.

Inventory By Center Age

Year Built	Percent
Before 1970	23.0%
1970-1979	23.0%
1980-1989	22.0%
1990-1999	17.0%
After 1999	15.0%
All	**100/0%**
	As of 3Q2010

Source: REIS, 3rd Quarter 2010

As shown, the majority of inventory in the area was constructed before 1990, with only 15.0% having been constructed after 1999. The average size of the neighborhood and community centers in the Suburban Virginia market is 85,000 square feet and, on average, the centers are located close to highways, with the average distance from a highway of 0.5 miles.

Vacancy

According to the REIS *Retail Asset Advisor Report* (third quarter 2010), vacancy in the Suburban Virginia market increased from 4.7% in 2008 to 6.4% at the end of 2009 and is currently at 6.1%. Vacancy in the Metro began trending upward in 2008, from a low of 2.6% in 2007. In 2009, vacancy continued to trend upwards before declining in the first quarter of 2010. Vacancy has slowly climbed back up throughout the 2nd and 3rd quarters of 2010. The following chart illustrates the trends and forecast within the Suburban Virginia market.

	Vacancy Rates						
	Quarterly			Annualized			
	3Q10	2Q10	YTD Avg	1 Year	3 Year	5 Year	5 Yr Forecast
Suburban Virginia	6.1%	6.2%	6.1%	5.6%	4.3%	3.9%	6.1%
South Atlantic	10.8%	10.7%	10.7%	9.5%	8.2%	7.7%	10.7%
United States	10.9%	10.9%	10.9%	9.8%	8.5%	8.0%	10.9%
Average Over Period Ending	9/30/10	09/30/10	9/30/10	12/31/09	12/31/09	12/31/09	12/31/14

Source: REIS, 3rd Quarter 2010

As shown, the Suburban Virginia market has had fairly consistent levels of vacancy over the past five years. The data illustrates the upward trend that began in 2008 and continued into 2009. Reis is projecting further vacancy rates to hold fairly steady over the next five years, with a projected average annual vacancy of 6.1%. Further, REIS is projecting overall vacancy to conclude at 6.1% for 2010, 6.5% in 2011 and 6.7% in 2012. In 2013, REIS projects vacancy to begin a downward trend, declining to 6.2% in 2013 and to 5.3% in 2014.

Rental Rates

With the increase in vacancy, there should be an expected decrease in rental rates, as landlords try to attract tenants and avoid growing vacancy. However, in comparison to much of the nation, the Suburban Virginia market has experienced minimal overall rate loss. The PriceWaterhouseCoopers/Korpacz Survey (Third Quarter, 2010) found that national power center investors are projecting market rents to decline (0.70%) in the coming year. Within the national strip center market, investors are projecting rents to increase a modest 0.61% in the coming year.

According to REIS, asking rents for community and neighborhood shopping centers in the Suburban Virginia area declined in 2008 and 2009.

Year	Asking Rent Change
2006	5.9%
2007	3.4%
2008	-0.1%
2009	-2.8%

Source: REIS, 3rd Quarter 2010

In 2008, asking rent growth was modest (approximately 0.5%) for three quarters, and negative (0.9%) in the fourth quarter. In the first quarter 2009, asking rents in the region declined 1.2%, followed by a decline of 1.9% in the second quarter before a slight turnaround with a 0.3% increase in the third quarter. In 2010, rates fell 0.2% in the first quarter and fell an additional 0.3% in the second quarter. In the third quarter, asking rates turned positive with an increase of 0.3%.

For the year 2010, REIS projects asking rental rates to increase 0.5%. Effective rents are projected to decrease (0.2%) in 2010, meaning an increase in concessions is anticipated. In 2011, REIS projects asking rents to decline by (0.1%), and effective rents to fall (0.6%). In 2012, Reis projects a turnaround with positive rent growth in both asking and effective rents.

Absorption

The Suburban Virginia neighborhood and community shopping center market experienced 595,000 square feet of negative net absorption in 2009 according to Reis. In the fourth quarter of 2008, the market was able to absorb 317,000 square feet, which tempered the negative absorption in 2008 to 48,000 square feet of negative absorption. In the first quarter of 2009, negative absorption returned with 73,000 square feet of negative absorption which accelerated in the second and third quarter to negative 82,000 square feet in the second quarter and negative 367,000 square feet in the third quarter. In the fourth quarter of 2009, negative absorption slowed to negative 45,000 square feet. Absorption in 2010 has been much better. The market absorbed 208,000 square feet in the first quarter before giving back 76,000 square feet in the second quarter. In the third quarter absorption turned positive again with the absorption of 70,000 square feet. As of the end of the third quarter the market had absorbed 202,000 square feet. The following chart illustrates the absorption trends.

Year	Net Absorption (SF)
2004	675,000
2005	1,138,000
2006	443,000
2007	1,211,000
2008	3,000
2009	-598,000
First 3 Quarters 2010	202,000

Source: REIS, 3rd Quarter 2010

Construction

As of the end of 2009, a total of only 50,000 square feet was added to the Suburban Virginia market. According to discussions with developers in the Washington and Northern Virginia areas, construction projects that were not already well under way were essentially halted in late 2008 and 2009. In the first quarter of 2010, 82,000 square feet was delivered to the market. There have been no additional deliveries in 2010.

Year	Completions (SF)
2004	543,000
2005	1,296,000
2006	550,000
2007	928,000
2008	828,000
2009	50,000
First 3 Quarters 2010	82,000

Source: REIS, 3rd Quarter 2010

Based on projects currently under construction, REIS projects a total of 225,000 square feet to be added to the Suburban Virginia market in 2010. Over the next four years (2010-2014) Reis projects the addition of 1.6 million square feet to the Northern Virginia market. These statistics only include neighborhood and community centers.

Suburban Fairfax County Submarket

The subject is within the Suburban Fairfax County retail submarket according to Reis. The submarket includes the area within the county west of the Capital Beltway and northwest of Interstate 95. The Suburban Fairfax County submarket (neighborhood and community centers only) is comprised of 12,829,000 square feet, according to Reis, Inc. Neighborhood centers make up 44.4% of the market inventory, while community centers account for 55.6%.

Inventory By Center Age

Year Built	Percent
Before 1970	20.0%
1970-1979	29.0%
1980-1989	25.0%
1990-1999	21.0%
2000-2009	6.0%
After 2009	0.0%
All	100.0%

As of 09/30/10

Source: REIS, 3rd Quarter 2010

As shown, 94% of the inventory in the submarket was constructed before 2000, with 21% having been constructed in the 1990s. There have been no centers added after 2009. The average size of the neighborhood and community centers in the Suburban Fairfax County submarket is 105,261 and, the average center was constructed in 1980.

Vacancy

In the Suburban Fairfax County retail market, as defined by Reis, the vacancy rate for neighborhood and community shopping centers is 5.3% as of the third quarter 2010. The vacancy rate increased in 2009 to 4.9%, up from 3.6% in 2008.

	Vacancy Rates						
	Quarterly			Annualized			
	3Q10	2Q10	YTD Avg	1 Year	3 Year	5 Year	5 Yr Forecast
Suburban Fairfax Co.	5.3%	5.0%	5.0%	4.2%	2.9%	2.5%	5.3%
Suburban Virginia	6.1%	6.2%	6.1%	5.6%	4.3%	3.9%	6.1%
South Atlantic	10.8%	10.7%	10.7%	9.5%	8.2%	7.7%	10.7%
United States	10.9%	10.9%	10.9%	9.8%	8.5%	8.0%	10.9%
Period Ending:	09/30/10	06/30/10	09/30/10	12/31/09	12/31/09	12/31/09	12/31/14

Submarket Rank Compared to:	Total Subs	Submarket Ranks						
		3Q10	2Q10	YTD	1 Year	3 Year	5 Year	5 Yr Forecast
Suburban Virginia	5	3	3	3	2	1	1	3
South Atlantic	110	7	5	5	4	1	1	6
United States	386	31	28	26	20	6	3	27

Source: REIS, 3rd Quarter 2010

In the second quarter 2010, vacancy increased to 5.0%, the highest vacancy rate reported by Reis at that time. Vacancy has continued to increase, finishing the third quarter at 5.3%, and is expected to decrease to an annualized rate of 5.2% for 2010.

Still, the current vacancy rate is well below Suburban Virginia (6.1%) and the South Atlantic region (10.8%), as well as the national vacancy rate for neighborhood and community centers (10.9%). Vacancy is expected to remain elevated through 2012, between 5.2% and 6.1%, before beginning a downward trend to 4.3% by 2014.

Vacancy Rate By Age

Year Built	Vac. Rate
Before 1970	2.6%
1970-1979	4.2%
1980-1989	5.3%
1990-1999	2.9%
2000-2009	0.6%
After 2009	n/a
All	3.9%

As of 09/30/10

Source: REIS, 3rd Quarter 2010

As shown, although there are relatively few newer properties in the market, the vacancy rate among those built after 1990 is well below the average. This is fairly typical as newer properties tend to attract tenants at the expense of older properties.

Rental Rates

The average asking rent for neighborhood and community centers in the Suburban Fairfax County retail market is $31.21/SF, as of the third quarter 2010. This figure is up 0.2% from the previous quarter. The following chart highlights non-anchor rent growth in the market.

	Asking Rent Growth						
	Quarterly			Annualized			
	3Q10	2Q10	YTD Avg	1 Year	3 Year	5 Year	5 Yr Forecast
Suburban Fairfax Co.	0.2%	0.2%	- 0.1%	- 2.0%	0.4%	2.7%	0.7%
Suburban Virginia	0.3%	- 0.3%	- 0.1%	- 2.8%	0.2%	2.4%	0.9%
South Atlantic	0.1%	- 0.3%	- 0.2%	- 2.3%	0.2%	1.7%	0.8%
United States	0.0%	- 0.3%	- 0.2%	- 2.0%	0.4%	1.7%	0.8%
Period Ending:	09/30/10	06/30/10	09/30/10	12/31/09	12/31/09	12/31/09	12/31/14

Submarket Rank Compared to:	Total Subs	Submarket Ranks						
		3Q10	2Q10	YTD	1 Year	3 Year	5 Year	5 Yr Forecast
Suburban Virginia	5	4	2	3	1	3	2	5
South Atlantic	110	51	36	49	59	46	12	64
United States	386	151	136	179	210	185	49	219

Source: REIS, 3rd Quarter 2010

According to Reis, asking rents for community and neighborhood shopping centers in the submarket area increased 4.1% in 2007, following growth of 6.5% in 2006 and 6.3% in 2005. In 2008, asking rents declined 0.8%. In 2009, asking rents in the market declined in the first half of the year, before increasing 1.2% in the third quarter. For the year, asking rents decreased 2.0%. For the year 2010, Reis projects asking rental rates to increase 0.4%.

Effective rents are projected to decrease 0.3% in 2010. In 2009, effective rents declined by 1.3%, following a decrease of 2.3% in 2008. In the previous three years, effective rents were relatively steady, up between 0.2% and .06%.

For 2011 and 2012, the projection is for relatively flat asking and effective rents, with a decrease of 0.3% projected for asking rents in 2011 and an increase of 0.6% projected for 2012. Effective rents are projected to follow a similar path, with a 0.3% decrease in 2011 and a 0.9% increase in 2012. Rent growth for asking and effective rents is projected to trend upward modestly, with growth in asking rents between 0.6% and 1.7% and growth in effective rents between 0.9% and 2.5% over the next three years.

According to CoStar, there are 66 retail properties within a one mile radius of the subject. These properties are generally older, smaller centers or single-tenant facilities. The average lease rate reported by CoStar is $22.57/SF. There are three properties that either were constructed after 2005 or are under renovation. Two are retail condos and one is the Shoppes at Merrifield, on Lee Highway east of Gallows Road. This is a 21,914 square foot multi-tenant building under renovation, with asking rents in the mid $30/SF range.

The subject's retail component will be anchored by a 168,900 square foot Target. Other tenants already signed for the property include Angelika, which will operate a 40,100 square foot motion picture theater available for public screening of First Run Films. The theater will include a minimum of eight screens with stadium type auditoriums containing approximately 1,800 theater seats. Mom's Organic Grocery will operate a 12,000 square foot organic grocery store at the property, and the developers have signed two sit-down restaurant tenants: Black's Restaurant Group and Matchbox. Other signed tenants include Red Apron, MyEyeDr, and Taylor Gourmet.

Absorption/Construction

The Suburban Fairfax County retail market experienced 158,000 square feet of negative net absorption in 2009 according to Reis, bucking the regional trend. In the first three quarters of 2010, net absorption was again negative, at -51,000 square feet.

Year	Net Absorption (SF)
2005	46,000
2006	23,000
2007	81,000
2008	-280,000
2009	-158,000
First 3 Quarters 2010	-51,000

Source: REIS, 3rd Quarter 2010

Net absorption is projected to be negative in 2010, at -41,000 square feet, and negative in 2011, at -39,000 square feet. Beginning in 2012, net absorption is projected to be positive, at 114,000 square feet, and remain positive for the next three years.

Following a period of little construction activity over the past several years (149,000 square feet delivered between 2005 and 2011), Reis projects delivery of 203,000 square feet in 2011, 116,000 square feet in 2013 and 152,000 in 2014. This space is projected to be well-received accounting for the increase in absorption over historical levels. In the subject's retail market, there are no properties under construction, and one property under renovation, Shoppes at Merrifield, as previously mentioned.

Recent Retail Sales

Until recently there was an active market for similar properties throughout the region.

Recent Sales of Shopping Centers in the Baltimore and Washington Area						
Property	Sale Date	Year Built	NSF	$/PSF	%/Leased	Cap Rate
Gunston Plaza, Lorton, VA	Nov-10	1989	203,712	$140.39	96%	8.69%
Brandywine Crossing, Brandywine, MD	Oct-10	2008	197,884	$227.91	95%	7.72%
Rosewick Crossing, LaPlata, MD	Oct-10	2008	116,095	$214.48	90%	8.25%
Village at Waugh Chapel, Gambrills, MD	Feb-10	2001	390,000	$184.62	93%	8.75%
Burwood Village Center, Glen Burnie, MD	Sep-09	1980-2004	105,804	$123.34	90%	8.0%
Pear Tree Village, Alexandria, VA	Jun-09	1985	32,064	$124.75	95%	9.5%
270 Center, Gaithersburg, MD	Apr-09	1993	232,717	$279.31	100%	7.56%
San Souci Plaza, California, MD	Feb-09	1986-2000	264,199	$120.36	95%	8.0%
Stone House Square, Hagerstown, MD	Nov-08	2008	113,057	$252.09	90%	8.25%
Metro Square Owings Mills, MD	Oct-08	2000	71,896	$212.11	100%	7.50%
Northway, Millersville, MD	May-08	1987	98,016	$150.98	100%	7.70%
Station Plaza, Woodbridge, VA	Mar-08	1974	174,128	$109.12	100%	7.00%
Southbridge Plaza, Woodbridge, VA	Feb-08	2006	33,515	$331.19	100%	6.75%-7.0%
West Springfield Center, Springfield, VA	Nov-07	1979	98,620	$250.46	95%	6.50%
Woodberry Square SC, Temple Hills, MD	Nov-07	1988/R 01	53,110	$208.06	95%	6.30%
Prosperity Center, Leesburg, VA	Sep-07	1988	64,448	$282.40	100%	6.0%-6.2%
Hillcrest Heights, Temple Hills, MD	Jul-07	1953/R 04	83,301	$102.03	100%	12.84%
Bellwood commons, Leesburg, VA	Apr-07	1988	61,544	$360.72	97%	5.80%
Somerset Crossing, Gainesville, VA	Mar-07	2003	104,128	$320.29	100%	6.00%
Free State Center, Bowie, MD	Feb-07	1971/R 05	281,071	$228.03	97%	6..1%
Backlick Plaza, Springfield Plaza	Jan-07	1980	85,392	$264.74	100%	6.50%
Travilah Square, Rockville, MD	Oct-06	1988	62,000	$356.45	98%	6.97%
Penn Station Center, District Heights	Aug-06	1989	244,815	$180.71	97%	6.60%
Aerpospace Center, Lanham, MD	Apr-06	2001	24,333	$325.07	100%	7.20%
Centre at Laurel, Laurel, MD	Feb-06	2005	139,622	$210.47	99%	6.50%

Source: CoStar, Comps, Joseph J. Blake and Associates

The preceding sales suggest a range in overall capitalization rates of roughly 5.8% to 12.84%. The most recent sales data shows a range of approximately 7.75% to 8.75%. Capitalization rates vary based on a number of attributes including location, physical characteristics, tenancy, and anticipated rollover, and relationship between rents in-place and market level rents.

Sales activity for retail properties slowed significantly in late 2008 and continued to be limited through three quarters of 2010. Our survey of property owners and developers indicated that sales activity has stopped based on the current market, as investors are waiting to see the beginning of a recovery in the retail market. We note an increase in sales activity for the current quarterly valuation, although two of the sales in the above chart, Brandywine Crossing and Rosewick Crossing, were sold by the same developer, Faison.

As of mid-year 2010, the *Korpacz* survey of national retail markets indicated that investors believe that market conditions were beginning to stabilize. As of the second quarter 2010, the average overall cap rate decreased by 11 basis points from the previous quarter, following a 4 basis point decline as of the first quarter. For the third quarter survey, *Korpacz* reports an increase in investor activity nationally, and a 29 basis point decrease in overall rates. In each quarter of 2009, the average increased, with a total annual increase of 121 basis points.

Retail Market Summary

Conditions for retail properties in the market area have been declining over the past twelve to 18 months. Overall vacancy has increased significantly; however, as shown, this increase in vacancy is driven by older product in the market. While there have been few recent developments, newer properties show a significantly lower vacancy rate. As noted, the subject's retail component is substantially pre-leased/sold approximately two years prior to delivery of the initial improvements. The subject's lease rates are well above the submarket in general, as the property will be a unique development for the area. Based on the available data, we project the subject to be well received upon development.

Apartment Market – Regional Overview

The Northern Virginia apartment market as defined by Reis consists of 161,577 units. The vacancy rate as of the end of the third quarter 2010 is 5.3%. As of the second quarter 2010, the vacancy rate in Northern Virginia was 5.9%, up from 5.7% as of the first quarter. In 2009, vacancy in the first quarter was 6.2%, before decreasing to 5.8% in both the second and third quarters. For the fourth quarter 2009, vacancy increased to 6.0%, and the 2009 annualized vacancy rate was also 6.0%. Between January 2004 and the fourth quarter of 2007, vacancy in Northern Virginia was below 5.0%. In 2008, annualized vacancy was 5.6%. Between 2010 and 2014, Reis projects a downward trend in annualized vacancy, from 5.4% (2010) to 4.6% for 2014.

Asking rents increased 0.1% in the first quarter 2010 and another 1.0% in the second quarter. In the third quarter 2010, asking rents increased 1.9%. The annual increase for 2009 was 0.2%, with moderate decreases in the first half of the year and moderate gains in the second half of the year. For 2010, Reis projects an increase in asking rents of 3.3%. In 2011, rates are projected to increase again by 3.3%. Beginning in 2012, asking rents are projected to trend upward significantly, from 2.7% in 2012 to 4.3% in 2014.

Effective rents increased 0.5% in the first quarter 2010 and 1.6% in the second quarter. In the third quarter 2010, effective rents increased 2.1%. The annual change for 2009 was negative, at -0.5%. Effective rents were flat in the 1st quarter, down in the 2nd and 3rd quarters, and up moderately in the 4th quarter. For 2010, Reis projects an annual increase in effective rents of 4.7%. In 2011, rates are projected to increase 3.8%. Beginning in 2012, effective rents are projected to trend upward, from 3.1% in 2012 to 4.1% in 2014.

Construction levels in Northern Virginia spiked in 2007, with 5,731 units added to the inventory. The previous three years saw inventory growth of an average of 2,135 units. In 2008, another 1,927 units were added to the market, and 2,700 units were completed in 2009. Reis projects a total of 3,398 units to be completed in 2010, with an average of 2,386 units added on an annual basis between 2011 and 2014.

Submarket Overview – Tyson's Corner/Fairfax City Submarket

The Tyson's Corner/Fairfax City submarket is comprised of 12,019 units, according to Reis.

Inventory By Building Age

Year Built	Percent
Before 1970	38.0%
1970-1979	32.0%
1980-1989	10.0%
1990-1999	6.0%
2000-2009	9.0%
After 2009	4.0%
All	100.0%

As of 09/30/10

Source: REIS, 3rd Quarter 2010

As shown, only 4% of the market inventory is of recent construction. The subject is not projected for completion until 2014.

The newest properties in the market area are The Vantage at Merrifield which was constructed in 2007, and is located immediately east of the subject. The 279,167 square foot project offers one-bedroom units at $1,615/month, two-bedroom units beginning at $2,305/month, and three-bedroom units beginning at $4,200/month.

Hallstead at the Metro was also completed in 2007 and is located adjacent to the Dunn Loring Metro station, a few blocks north of the subject. This is a condominium property with units between $199,000 and $349,950 for two-bedroom units.

Dunn Loring Metro Apartments is also located adjacent to the Metro Station, on the east side of Gallows Road. This property was completed in 2009. This property offers two-bedroom, two-bath units starting at $1,800/month, and three-bedroom units beginning at $3,200/month.

The average year-of-construction of the properties tracked by Reis in the submarket is 1978. The average size of the apartment properties in the area is 329 units and, on average, apartment communities are located close to highways, with the average distance from a highway of 0.4 miles.

Vacancy

The current vacancy rate in the Tyson's Corner/Fairfax City submarket is 6.7%, well above the Northern Virginia vacancy rate (5.3%). Annualized vacancy for 2009 in the submarket was 5.6% and vacancy increased to 7.5% in the second quarter 2010.

	Vacancy Rates						
	Quarterly			Annualized			
	3Q10	2Q10	YTD Avg	1 Year	3 Year	5 Year	5 Yr Forecast
Tysons Cor/Fairfax	6.7%	7.5%	6.4%	5.8%	4.7%	4.1%	3.4%
Suburban Virginia	5.3%	5.9%	5.6%	5.8%	5.6%	5.2%	4.9%
South Atlantic	8.0%	8.9%	8.7%	8.7%	7.6%	7.2%	7.1%
United States	7.1%	7.8%	7.6%	7.4%	6.6%	6.5%	6.3%
Period Ending:	09/30/10	06/30/10	09/30/10	12/31/09	12/31/09	12/31/09	12/31/14

Submarket Rank Compared to:	Total Subs	Submarket Ranks						
		3Q10	2Q10	YTD	1 Year	3 Year	5 Year	5 Yr Forecast
Suburban Virginia	14	12	10	10	8	3	2	1
South Atlantic	243	96	91	63	49	28	19	4
United States	834	432	429	321	267	186	123	50

Source: REIS, 3rd Quarter 2010

Vacancy in the submarket was impacted by the recent construction activity, as is common in smaller submarkets. Vacancy in the fourth quarter 2008 increased to 6.0% following delivery of the Hallstead at Metro and Dunn Loring Metro properties. Vacancy has increased to 7.5% at the current time, but is projected to decrease quickly to below 4% in 2011, and trend downward to 2.6% in 2014. At the same time, REIS projects an average delivery of 315 units per year over the next five years.

The data indicates that the submarket is changing, with the expected delivery of 1,476 units over the next five years. As shown above, the newest properties in the market are vastly different from the existing product in terms of rental rates.

Rental Rates

Apartment asking rents in the Tyson's Corner/Fairfax City submarket increased 2.3% in the third quarter 2010, following a decrease of 0.1% in 2009.

	Asking Rent Growth						
	Quarterly			Annualized			
	3Q10	2Q10	YTD Avg	1 Year	3 Year	5 Year	5 Yr Forecast
Tysons Cor/Fairfax	2.3%	1.3%	1.2%	- 0.1%	1.8%	2.7%	4.2%
Suburban Virginia	1.9%	1.1%	1.1%	0.2%	2.6%	3.1%	3.4%
South Atlantic	0.6%	0.2%	0.4%	- 0.9%	1.5%	2.0%	2.4%
United States	0.5%	0.4%	0.4%	- 2.3%	1.5%	2.2%	2.5%
Period Ending:	09/30/10	06/30/10	09/30/10	12/31/09	12/31/09	12/31/09	12/31/14

Submarket Rank Compared to:	Total Subs	Submarket Ranks						
		3Q10	2Q10	YTD	1 Year	3 Year	5 Year	5 Yr Forecast
Suburban Virginia	14	4	6	4	8	10	7	2
South Atlantic	243	16	36	21	87	100	64	6
United States	834	38	142	52	250	370	215	10

Source: REIS, 3rd Quarter 2010

The current average asking rent in the submarket is $1,548/month. This figure is 3.68% above the average of the submarket posted for 2009. For 2011, asking rents are projected to increase 3.5%, followed by 4.2% growth in 2012, 4.9% in 2013 and 4.7% in 2014. Effective rents are projected to follow a similar pattern with growth of between 4.3% and 6.0% over the next five years. The reason for the growth in the market is the new construction coming on-line.

Construction/Absorption

Net absorption in the subject's submarket was 278 units for the year in 2009, and 63 units in 2008. A total of 381 units were added to the market in 2008 (as previously described) and 246 units were added in 2009. The reserve at Tyson's Corner is projected to be completed in 2010, adding 478 units. The following chart highlights the complexes that have recently been completed or are projected to be completed in the next few years in the submarket.

Name	Address	Units	Status	Apt./Condo.
Mosaic at Merrifield	Eskridge Rd @ Lee Highway Merrifield, Va 22031	900	Planned	Subject (Apt)
Square 1400	Dorr Ave @ Merrifield Ave Fairfax, Va 22031	305	Planned	Apartment
Reserve at Tysons Corner	2141 Tannin Pl @ Science Applications Vienna, Va 22182	478	Complete	Apartment
The Falls at Flint Hill	10520 Rose Haven St. @ Chain Bridge Rd/I 66 Fairfax, Va 22030	246	Complete	Apartment

Source: REIS, 3rd Quarter 2010

Reis is projecting an average annual net absorption in the submarket of 377 units over the next four years (2011 through 2014). The historical data for the submarket indicates that the market has successfully absorbed new projects as they have come to market. The properties that were delivered in 2009 and 2007 were well-received and achieved stabilization within one year of delivery. In addition to the apartment units coming on-line, there are 1,730 condominium units planned or proposed for the submarket. Depending on market conditions, these units could be changed to rental apartments, as has been done throughout the Metro area over the past few years.

Regional Apartment Sales

Based on current market conditions, capitalization rates for Class A and B apartment properties in the Washington, D.C. and Baltimore areas have decreased significantly in 2010. Sales activity in 2009 was substantially lower as compared with prior years, based on the severe economic recession which deepened in late 2008 and 2009, and the credit crisis that developed at the same time. However, activity has increased in 2010. The following chart summarizes recent sales of suburban multi-family properties within the region.

Name/Location	# Units	Yr. Built	Occup.	Sale Date	Price/Unit	Cap Rate
Residences at Congressional Village, Rockville, MD	404	2005	95%	10/10	$168,317*	5.5%*
Concord at Park Russett, Laurel, MD	335	2001	94%	9/10	$219,701	5.3%
Town Square at Millbrook, Alexandria, VA	272	2001	95%	9/10	$246,324	5.0%
Metropolitan at Pentagon City, Arlington, VA	325	2002	95%	8/10	$384,615	4.34%
The Portico, Silver Spring, MD	151	2008	90%	4/10	$285,563	5.4%
Middlebrook Apts., Westminster, MD	208	1974	86.5%	4/10	$83,413	6.3%
Westbrooke Apts., Westminster, MD	110	1960	88.8%	4/10	$57,727	6.3%
Avalon Knoll, Germantown, MD	300	1985	96%	2/10	$125,000	7.17%
1400 East-West Highway, Silver Spring, MD	406	1992	93%	2/10	$189,655	6.85%
Avalon Rothbury, Gaithersburg, MD	204	2005	95%	2/10	$153,186	6.4%
The Palatine, Arlington, VA	261	2008	96%	2/10	$451,724	5.20%
Vista on Courthouse, Arlington, VA	220	2008	96%	1/10	$386,364	5.90%
Woodway at Trinity, Centreville, VA	504	1995	92%	12/09	$148,810	6.75%-7.0%
Crystal Park, Frederick, MD	314	1990	90%	11/09	$89,172	7.00%
The Hermitage Apts., Fairfax, VA	491	1987	94%	11/09	$144,603	6.25%
Lighthouse at Twin Lakes, Beltsville, MD	700	1968	1968	N/A	$81,429	6.90%
Beacon Place, Gaithersburg, MD	240	1991	97%	10/09	$143,750	6.9%
Fireside Park, Rockville, MD	236	1966	95%	10/09	$109,322	7.00%
Metropolitan at Pent. Row, Arlington, VA	326	2004	95%	10/09	$305,092	5.75%
Wesley/Woodberry Park, Silver Spring, MD	199	1960s	95%	10/09	$110,552	7.2%
1025 N. Fillmore St., Arlington, VA	114	2008	100%	7/09	$454,298	5.2%
The Point at Fairfax, Fairfax, Virginia	364	1990	95%	7/09	$157,967	7.5%
Warwick House, Arlington, Virginia	533	2000-02	90%	4/09	$205,441	6.4%
Cambridge Court, White Marsh, Maryland	544	1999-02	90%	4/09	$119,485	7.5%

*This sale has a ground lease payment of approximately $1,500,000 annually
Source: CoStar, Comps, Joseph J. Blake and Associates

Sales of Class A and B apartment properties in the Washington area over the past two years demonstrate going-in capitalization rates between 4.34% and 7.5%. In 2009 cap rates increased through most of the year, with the uncertainty in the market caused by the credit crisis and economic recession. However, recent sales and conversations with area brokers indicate that investment parameters have become more aggressive in the last 12 months with asking cap rates for well-located, good-quality assets falling to the 4.5%-5.5% level.

Multi-Family Land Sales

Over the past two years, the demand for multifamily land has subsided significantly. While the market for improved sales has recovered significantly in 2010, the recovery has yet to translate into a significant amount of land sale activity. In the valuation section of this report, we describe the most recent sale activity that would be comparable to the subject. Prior to adjustment, the sales presented indicate a range in value of $58,000/unit to $86,333/unit, with an average of $70,235/unit.

As noted, a significant portion of the subject's multi-family component is under contract of sale. Based on information provided by the developer, Avalon Bay has executed a contract to purchase a site in order to develop an apartment community consisting of 522 units, or 488,070 square feet of net rentable area (NRA). We have estimated the gross building area of the multi-family components based on information provided by the developer, and applied a FAR of 564,925 square feet to the Avalon Bay contract. The contract price is $33,000,000 ($63,218/unit, or $58.41/SF of FAR), with a projected close date of September, 2011 and a unit delivery date of early 2013. The Avalon Bay contract amounts to 61.9% of the multi-family component of the overall development.

Conclusion – Apartment Market

With the recession less severe in the Washington area than in the nation at large, and with construction running at a relatively subdued pace in the recent term, the Northern Virginia apartment market has avoided the worst effects of the general downturn. Vacancy has increased but is not high compared to other regions or the nation as a whole. Rents have declined in recent quarters but they have not been severe. An increase in construction now underway, however, could challenge the market in the coming term. The near-term performance of the market will depend chiefly on two factors: the increases in new supply arriving on line and the pace of economic recovery. Based on the uncertainty of the economic recovery, rents are expected to remain relatively flat in the near term, and vacancy is projected to increase.

Our analysis indicates that the subject's submarket is changing, with the expected delivery of 1,476 units over the next five years. As described, the newest properties in the market are vastly different from the existing product in terms of rental rates and overall quality. Reis is projecting an average annual net absorption in the submarket of 377 units over the next four years (2011 through 2014). The historical data for the submarket indicates that the market has successfully absorbed new projects as they have come to market. The properties that were delivered in 2009 and 2007 were well-received and achieved stabilization within one year of delivery.

The current average asking rent in the submarket is $1,548/month. This figure is 3.68% above the average of the submarket posted for 2009. For 2011, asking rents are projected to increase 3.5%, followed by 4.2% growth in 2012, 4.9% in 2013 and 4.7% in 2014. Effective rents are projected to follow a similar pattern with growth of between 4.3% and 6.0% over the next five years. The reason for the growth in the market is the new construction coming on-line. With a projected decrease in market vacancy, Reis is projecting the new product to be well-received.

Residential Market Analysis

The following statistical data was compiled from a Second Quarter - 2010 Hanley Wood Market Intelligence Report on the Washington D.C. Region. The market for residential units has slowed dramatically in many parts of the region, due largely to overbuilding. A reduced number of projects in progress as well as development withdrawn from the pipeline indicate an appropriate market response to the glut of housing and further demonstrate market corrections are in place. One builder observed that they are not seeing buyers come in to purchase lots and start new construction but are buying speculative homes, which are nearing completion. The financing for both buying and developing vacant land is difficult to obtain in today's marketplace.

Second Quarter 2010 Net Sales

In the second quarter of 2010, homebuilders sold 2,063 new homes in the Washington, D.C. market, a decrease of 38% from 3,351 new homes sold in the same period last year. The Virginia submarket recorded the largest volume with 1,219 sales, representing a 34% decrease from one year earlier. In Maryland, total net sales in the quarter were 760 units, down 38% from the same period last year. In Fairfax County, Virginia, a quarterly total of 103 sales were posted, which is 46.6% below the total last year.

There were 1,159 newly built detached homes sold in the second quarter 2010, a decrease of 32% from the 1,709 sold in the same period last year. The Virginia submarket recorded the largest volume with 663 sales, representing a 33% decrease from one year earlier. In Maryland, detached home sales were 33.1% below the previous year's volume, with 471 homes sold. In Fairfax County, the decrease in detached home sales was 31.3% below the previous year's total. In the second quarter 2010, only 46 detached homes were sold in the county.

In the second quarter, there were 904 newly built attached homes sold in the Washington, D.C. market, a decrease of 45% from 1,642, seen in the same period last year. The Virginia submarket recorded the largest volume with 556 sales, representing a 36% decrease from one year earlier. Maryland posted a larger decrease in sales volume, with 289 units sold. That figure is 44.5% below the previous year's total. In Fairfax County, 57 attached units were sold in the second quarter, a sales volume 54.8% below the volume posted in the second quarter 2009.

Monthly Sales Rate Per Project, Year to Date

The monthly sales rate for active detached projects came to 0.8 in the year to date period, which is an approximate 15% decrease from the 0.9 sales per project seen in the same period in 2009. The Virginia submarket recorded the highest monthly sales rate of 1.0 sale, which represented a decrease of 13% from a year earlier. In Maryland, the monthly sales rate is 0.75 sales per project, down 13.8% from one year ago. In Fairfax County, a 1.2% increase was posted, with a year-to-date sales rate of 0.87 per project as of mid-year 2010.

Absorption for active attached projects in the Washington, D.C. market decreased 17.6% year to date to 1.3 monthly sales per project, from 1.6 sales per project seen the same period the previous year. The Virginia submarket recorded the highest monthly sales rate of 1.9 sales, which represented a decrease of 6% from a year earlier. Maryland posted monthly sales of 1.07 per project, down 27.5% from the second quarter 2009. In Fairfax County, monthly sales were down 24.0% from the prior year, at 1.52 sales per project.

Median Price Trends

The median sales price of single-family detached homes in the Washington, D.C. market came to $401,275 in the second quarter of 2010, a decrease of 2% from the same period last year. The Virginia submarket recorded the highest median sales price during the quarter at $450,017, while the Jefferson, WV submarket recorded the lowest at $237,990. The median sale price in Maryland was $394,273, a decrease of 2.3% from the prior year. In Fairfax County, the median base sales price was $749,990, which is up 3.4% from the prior year. Fairfax City has the highest median sales price in the Metro area at $1,171,990, followed by Alexandria at $1,077,900. Fairfax County is third, at $749,990.

The sales price per square foot value for detached products decreased by 1.4% in the second quarter of 2010 to $143 per square foot. The highest median price per square foot was recorded in the Virginia submarket at $156 per square foot, with the median sales price in Maryland at $141 per square foot. In Fairfax County, the median sales price per square foot is also the third highest in the region, at $237 per square foot. The current median price is 3.0% above the prior year.

In the second quarter, the attached median sales price in the Washington, D.C. market decreased by 2.7% to $311,250. The Washington D.C. submarket recorded the highest median sales price during the quarter at $510,000 while the Jefferson, WV submarket recorded the lowest at $158,990. Virginia posted a median base sale price of $375,720, which is up 15% from the prior year. In Maryland, the median base price for attached homes was down 3.5% from the previous year, at $297,798. The attached median sales price in Fairfax County increased by 38.8% to $494,900. This is the fifth highest price in the region.

In the second quarter, the median sales price per square foot for attached product decreased by 3.6% to $163 from $169 seen the previous year. The highest median price per square foot value was recorded in the District of Columbia submarket at $480. The median sales price per square foot in Virginia was $195 for the second quarter 2010, and in Maryland, the median sales price was $145 per square foot. These figures represent decreases of 1.5% and 2.9%, respectively. In Fairfax County, the decrease was larger, at 13.4%, with a median sales price of $213 per square foot. Over the period, the median size of an attached home in Fairfax County increased from 2.323 square feet to 1,449 square feet.

Active Projects and Inventory

There were 802 actively selling new home projects in the Washington, D.C. market at the end of the second quarter 2010, down 72 projects from the same period last year. Active detached projects totaled to 508 at the end of June 2010, down 39 projects from the end of June 2009. There were a total of 294 active attached projects recorded in the second quarter 2010, and this represents a net loss of 33 projects from the same period last year.

Standing/Unsold Inventory

At the end of the second quarter of 2010, there were 283 units of standing detached inventory in the Washington area representing a relative supply of 0.7 months at the current annualized sales rate, down from the 0.9 months' supply seen the same period last year. Detached speculative inventory in the Washington area reached 439 units at the end of the second quarter, representing a 1.1 months' supply at the current annualized sales rate, down from the 1.2 months' supply seen in the same period the previous year. There were 18,838 units of total unsold detached inventory at the end of the second quarter, compared to the 22,407 units seen the same time last year. Total unsold detached inventory represented 48.5 months of relative supply at the end of the second quarter 2010.

In Virginia, there were 112 units of standing detached inventory representing a relative supply of 0.5 months at the annualized sales rate as of mid-year 2010. Detached speculative inventory in Virginia reached 186 units at the end of the second quarter, representing a 0.9 months' supply at the current annualized sales rate. There were 7,218 units of total unsold detached inventory at the end of the second quarter, representing 33.9 months of relative supply at the end of the second quarter 2010.

In Fairfax County, detached standing unsold inventory as of mid-year 2010 is 7 units, with speculative inventory of 13 units. Total unsold detached inventory is 192 units and represents 11.9 months of supply according to Hanley-Woods.

At the end of the second quarter 2010, there were 2,330 units of attached standing inventory, up 626 units from the same time last year. At the current annualized sales rate, this amount represents a 6.2 months' supply. Attached speculative inventory totaled 2,718 units at the end of the second quarter, up by 321 units from the same period last year, and representing 7.2 months of relative supply at the current annualized rate. At the conclusion of the second quarter of 2010, inventory of total unsold attached new homes in the Washington area market totaled 14,605 units, down 1,245 units from the 15,581 units in June 2009. Total unsold attached inventory represented 38.6 months of relative supply at the end of the second quarter 2010.

In Virginia, there were 1,342 units of standing attached inventory representing a relative supply of 6.2 months at the annualized sales rate as of mid-year 2010. Attached speculative inventory in Virginia reached 1,405 units at the end of the second quarter, representing an 6.5 months' supply at the current annualized sales rate. There were 6,856 units of total unsold attached inventory at the end of the second quarter, representing 31.9 months of relative supply at the end of the second quarter 2010.

In Fairfax County, attached standing unsold inventory as of the end of second quarter 2010 is 535 units, with speculative inventory of 535 units. Total unsold detached inventory 883 units and represents 32.9 months of supply according to Hanley-Woods.

The data indicates that there have been significant drops in residential pricing and the pace of sales in the Washington Area, while the subject's Fairfax County market saw price increases during the past year for both attached and detached homes. In most of the closer-in market areas, price increases are occurring, while the outer market areas still are seeing price decreases based on over-supply.

According to Hanley-Woods, there are no active new town house developments in the subject's immediate market area. There is one active single-family development in Dunn Loring just north of Merrifield. The Cedar Lane development is being constructed by NV Homes, with pricing in the $950,000 to $1.2 MM range and home sizes between 3,111 square feet and 4,576 square feet.

Residential Land Sales

Despite the oversupply of residential units in the area, there continues to be some market activity involving residential development. Pricing varies significantly, due to differences in location, approval status, availability of utilities and finishing costs.

Specific to the subject property, we analyzed recent sales of large sites deemed comparable to the subject. We examined the greater Washington and Baltimore areas for comparable land sale data, and found very little activity. The land sales presented include two sales of sites planned for both single-family and townhome development and one sale of land for townhome development. Although the sales for mixed product contain a significantly lower percentage of townhomes than the subject, the sales presented are considered the best available data for a residential site with strong market fundamentals such as the subject. The unadjusted sales range from $42,241/Unit to $114,151/Unit.

As noted, the subject's entire town house component is under contract of sale. Based on information provided by the developer, EYA Homes has executed a contract to purchase 114 finished town house lots situated on Parcel I of the development. The contract with EYA calls for finished lots, at a price of $100,000 per lot, plus 25% of finished price over $1.75 million. The contract with EYA is projected to close in September, 2011.

We are also aware of a land sale executed in Suburban, Maryland, at a development that will include town homes in the $300,000 to $400,000 range. Beazer Homes has executed a contract for 34 finished townhouse lots at $100,000 per lot in this new development, and NVR has executed a contract for 34 finished townhouse lots at $100,000 per lot. Due to confidentiality agreements, we are unable to reveal any further details regarding the development and the contracts, which were executed in December, 2010. The location of the development is inferior to the subject's Merrifield location, based on access to employment centers and neighborhood amenities.

Conclusion – Residential Market

Despite soft market conditions for residential land and improved residential property, there continues to be development activity in the subject's immediate neighborhood. While the County and surrounding, outlying suburbs have been hit hard by the recent housing slump, the fundamentals of the subject neighborhood, with excellent transportation and proximity to employment centers, continue to drive sales. Although caution is still prudent, these factors suggest that there should be continued demand for residential development in the area over the next few years.

Hotel Market Discussion

Washington D.C. is one of the country's largest hotel markets featuring considerable demand segments including corporate demand, leisure demand, government demand and both corporate and leisure group demand. Much of this demand is somewhat insular, allowing the D.C. lodging market to relatively sustain the economic downturn.

According to an analysis published by the Korpacz Real Estate Investor Survey (Third Quarter 2010), even as the momentum of the U.S. economic recovery slows, lodging demand has continued to grow at a brisk pace, creating cautious optimism for the industry. Perhaps the most important contribution to the recent step-up in lodging demand came from the return of business travelers. During the recession, many companies took steps to reduce travel spending due to falling sales expectations, heightened financial uncertainty, and the consideration of stakeholder views on corporate spending.

As the impact of these factors has passed, the drivers for business travel have returned in many markets and are providing an important short-term boost to demand. Long-term demand growth, however, will require a sustained recovery of the broader U.S. economy.

Information pertaining to this section of the hotel market analysis was obtained from Smith Travel Research.

Hotel Performance Measures

The following measures include the hotels within the Fairfax/Tyson's Corner Area, for both full service and limited service hotels. According to Smith Travel Research, overall occupancy for Fairfax/Tyson's Corner Area's hotels decreased in 2008 by 2.38%, to 69.7% from 71.4% in 2007.

Year	Total Year Occupancy
2004	75.2%
2005	75.4%
2006	68.4%
2007	68.3%
2008	67.2%
2009	63.8%
2010	
Avg	69.6%

Source: Smith Travel Research

Overall market occupancy decreased in 2006 and again in 2009, with an average occupancy over the past seven years of 69.6%. The data for 2010 through November indicates improved occupancy in the market. Beginning in February, the monthly occupancy rate reported in the submarket was between 0.1% and 6.7% above the monthly rate from the previous year.

According to the Smith Travel data, the highest occupancy occurs in the month of June, with an average over the past seven years of 79.9%. Between November and February, occupancy averages between 50% 65%. The most consistently high occupancy rates are between March and July (70% to 80% average).

The average daily Room rate (ADR) in the subject's Fairfax/Tyson's Corner market area is $130.91.

	Total Year Occupancy
2004	$111.63
2005	$127.07
2006	$139.16
2007	$142.95
2008	$141.01
2009	$128.02
2010	
Avg	$131.46

Source: Smith Travel Research

Through 2007, ADR had increased substantially since 2004. In 2009, ADR decreased 9.2%. The November year-to-date ADR average is $124.58, down 3.4% from last year. However, in the months of September, October and November 2010, ADR is up over the previous year.

Revenue per available room (RevPAR) is $75.46 as of November, 2010. The November year-to-date figure is $86.12. This figure is an increase from the previous year of 2.37%. In 2009, RevPAR decreased 13.7% from the previous year, after declining 3.08% the previous year. In 2005, RevPAR increased 14.07%, and remained steady through 2006 before increasing 2.66% in 2007. The current November YTD figure is 0.63% above the November YTD figure from 2004.

The Fairfax/Tyson's Corner Area contains a total of 2,765,216 annual room nights as November, 2010 according to Smith Travel Research, an increase in supply of 2.4% from the previous year. Supply has increased by an average of 1.1% on an annual basis over the past seven years. Over the same period, demand has decreased by an average of 2.2% on an annual basis. After falling for two straight years, demand annualized through November for 2010 is up 8.5%. Demand increased between 13.0% and 1.35% during the three months of June, July and August, 2010.

The demand for hotel rooms in the nation's capital is heavily influenced by the tourism industry and the federal government. The Washington, D.C. region experiences heavy domestic and international air travels activity as a result of the numerous tourist draws and cultural attractions. As a result, the region's lodging market ranked among the top 3 in the nation over the past several years.

In terms of proximity to the subject, the last hotel added to the neighborhood was Courtyard Dunn Loring Fairfax, two blocks north of the subject. The property was completed in 2005 and according to information provided by Smith Travel Research, achieved ADR and RevPAR well above the average for the submarket.

Conclusion

The submarket in which the subject property will operate comprises leisure, government/military, and corporate travel related to tourism- segments that are all supported by the area's strong demand generators. In our opinion, the primary demand generator for hotel development within Mosaic will be from the office and residential development within the development and the surrounding market. This decreases the impact of the planned construction in the overall market area.

<u>Comments on the Office Market</u>

The Merrifield office market consists of 126 buildings and 9.8 million square feet of space, according to *CoStar*. The overall vacancy rate in the submarket is 17.0%, having increased from 10.3% in the first quarter 2008. Prior to that quarter, vacancy had ranged between 4.5% and 6.9% since the second quarter of 2005. The Merrifield submarket saw increased vacancy following the recession of 2002-03, that lasted to the second quarter 2005. Prior to that recession, vacancy remained below 5.0% for approximately five years.

Merrifield is one of the most centrally located and easily accessible business areas of Fairfax County, situated along the Capital Beltway (I-495) between Interstate 66 and Arlington Boulevard (U.S. Route 50). Additionally, the Dunn Loring-Merrifield Metrorail station is located on the northern edge of the submarket.

As the fourth largest office submarket in Fairfax County with more than 10 million square feet of space, Merrifield has a wide range of real estate options in a variety of settings. With nearly 3 million square feet of space, Fairview Park is the largest business park in Merrifield and can accommodate an additional 1 million square feet of office development.

Merrifield is home to Exxon Mobil's headquarters for "downstream" operations including marketing, refining, government relations, research and engineering. The largest postal facility in the mid-Atlantic region and Inova Fairfax Hospital, the largest hospital in northern Virginia, also are in Merrifield. Other major employers include Capital Hospice, CSC, Dewberry, DynCorp. Fairfax Water, General Dynamics, ICF Consulting, NCS, Noblis, Paychex, Perot Systems, Raytheon and SERCO Group.

In terms of new deliveries, there have been six office buildings added to the Merrifield submarket in the past three years. Within these properties, the current vacancy rate is 66%, with an average lease rate of $38.53/SF, full service.

The size of the subject’s office component (65,000 square feet) renders the surrounding market data somewhat unreliable. We would expect there to be above-market interest in the subject’s office component based on its surrounding uses. The neighborhood amenities associated with the Mosaic Town Center development would enhance demand for the office space, and the relatively small size of the component will heighten demand.

Estimates for Exposure and Marketing Time

The estimated marketing period is a prediction of how long it should take to sell the subject property at the indicated market value/price level, in the period immediately following the effective date for sale. The exposure time estimate is intended to reflect the estimated marketing period that should be anticipated for the subject property to sell at the estimated market value level, prior to a hypothetical sale as of the effective date of appraisal.

The prediction of a marketing/exposure time is a function of both price and time. For instance, a property could be listed at an unreasonable price for 18 months. If the price is then dropped to a reasonable level, which results in a sale of the property six months later, the reasonable marketing time would be six months, rather than two years.

There have not been many recent sales of large acreage residential land. Market evidence suggests that the subject site would take 9 to 18 months to sell. In accordance with Korpacz 2nd quarter 2010 Real Estate Market Survey, investors anticipate a wide range of marketing times of 12 to 240 months with an average of 67 months. The most recent sale utilized in the sales comparison approach was marketed for only 4 months prior to the sale. Therefore, we have estimated an exposure and marketing time of 12 months.

Description of the Site

The following description of the subject site is based on a physical inspection and a review of public records.

Property Identification: The land within the CDA District is comprised of eight contiguous tax parcels. According to public records the site contains a combined total of 30.92 acres (1,346,741 square feet) of vacant land:

Tax ID	House #	Street	Land SF
0493 01 0081A	8231	Lee Highway	23,818
0493 T01 0081A	8231	Lee Highway	71,452
0493 01 0082A	8235	Lee Highway	18,023
0493 T01 0082A	8235	Lee Highway	54,068
0493 01 0082B			2,314
0493 01 0080E	2905	District Ave.	156,837
0493 01 0080F	3001	Merrifield Cinema Dr.	150,254
0493T01 0080E	8223	Lee Highway	869,975

The subject property of this appraisal is the land within the CDA district excluding the land that will support the proposed Target store. The Target store site has not yet been separately designated by tax parcel, and we have excluded the portion of the proposed development based on the approved floor area ratio (FAR) size of the proposed Target store (168,900 square feet).

Location: The subject property is situated on the south side of Lee Highway (U.S. Route 29) and the east side of Eskridge Road, one block west of Gallows Road and on the north side of Luther Jackson Middle School, in the Merrifield neighborhood of Fairfax County, Virginia.

Shape/Size: The site is irregular in shape. The assemblage of the subject property essentially surrounded an adjacent parcel that fronts Eskridge Road, with the subject fronting Eskridge Road on the north side of the adjacent parcel and the south side of the adjacent parcel. The subject extends south from Lee Highway to the adjacent Middle School, adjacent to parcels on the east side of the subject that front Gallows Road.

Frontage: The site has frontage on Lee Highway extending from Eskridge Road to Yates Way. Frontage on Eskridge Road extends south from Lee Highway to the adjacent parcel.

Access: The site is currently under construction and is accessed from Lee Highway and from Eskridge Road.

Topography: The site is at-grade with the surrounding streets, having been graded essentially level.

Utilities: All necessary utilities are available to the site, including public water/sewer service, electricity, cable TV and telephone.

Conditions/Easements: We assume there are typical utility easements associated with the property. We also assume that none of these easements have a negative impact on the market value of the subject property. An Engineer's Report prepared by VIKA Virginia, LLC dated December 22, 2010 did not identify any factors that would inhibit the proposed development.

Flood Plain: Upon review of the Flood Insurance Rate Map Panel No. 51059C 0280 E dated September 17, 2010, it appears that the subject is located within Zone X. This is outside of the flood hazard areas.

Proposed Improvements: The subject property is a portion of the proposed Mosaic-Merrifield Town Center. The project was approved for approximately 1,000 dwelling units, a multiplex theatre, 125,000 square feet of office space, 500,000 square feet of other non-residential uses and a 150 room hotel. Since the original approval process, the development plans have changed to reflect the following densities and uses.

	GBA SF	Units/Rooms
Total Retail	504,100	
Multi-Family	900,018	853
Town House	218,994	114
Hotel	205,000	300
Office	65,000	
Total	1,893,112	1,267

Excluding the planned Target store, the subject property includes a total retail development of 335,200 square feet, and an overall development total of 1,724,212 square feet.

Construction of the 114 townhouse units is contingent on approval of one of two Proffer Condition Amendments (PCA) submitted to the Board by the developer. The layouts of Parcel G and H would also be altered by the amendment, which the developer anticipates approval of in mid 2011.

The development's retail component will be anchored by a 168,900 square foot Target. Target has placed under contract a site at the northeast end of the development, on Lee Highway, in order to purchase the land and completed building. Other tenants already signed for the property include: Angelika, which will operate a 40,100 square foot motion picture theater available for public screening of First Run Films. The theater will include a minimum of eight screens with stadium type auditoriums containing approximately 1,800 theater seats.

Mom's Organic Grocery will operate a 12,000 square foot organic grocery store at the property, and the developers have signed two sit-down restaurant tenants; Black's Restaurant Group and Matchbox. Other signed tenants include Red Apron, MyEyeDr, and Taylor Gourmet.

As planned, the multi-family component of the development includes 853 apartment units and 900,018 gross square feet of gross floor area (GFA). A significant portion of the subject's multi-family component is under contract of sale. Based on information provided by the developer, Avalon Bay has executed a contract to purchase a site on Parcel H of the development in order to develop an apartment community consisting of 522 units. The Avalon Bay contract amounts to 61.2% of the total multi-family component of the development.

The hotel component of the development consists of two planned properties, each totaling 150 rooms. A total of 48.8% of the planned hotel component of the subject is under contract of sale for a finished pad site. LodgeWorks will construct and operate a Hotel Sierra on a site on Parcel A, which fronts Lee Highway at Eskridge Road. The building will contain a total of 100,000 square feet.

The planned single-family residential (town house) component of the subject will consist of a total of 114 units, and 218,994 square feet. The subject's entire town house component is under contract of sale. Based on information provided by the developer, EYA Homes has executed a contract to purchase 114 finished town house lots situated on Parcel G (57 units) and on Parcel I (57 units) of the development. Construction of the 114 townhouse units is contingent on approval of Proffer Condition Amendments (PCA) submitted by the developer.

Finally, the development is planned for an office component totaling 65,000 square feet, all of which is included on Parcel A.

The following site plan depicts the various development parcels as designated by the developer (not the official tax parcel designations).

Parcel A		GBA SF	Units/Rooms	% In Place
Total Retail		54,100		36.6%
Multi-Family		0		
Town House		0		
Office		65,000		0.00%
Hotel		100,000	150	100.00%
Total		219,100	150	54.7%
Parcel B		GBA SF	Units/Rooms	% In Place
	Retail	67,700		4.6%
	Target	168,900		100.00%
Total Retail		236,600		72.7%
Multi-Family		-	-	-
Town House		-	-	-
Office		-	-	-
Hotel		-	-	-
Total		236,600	0	72.7%
Parcel C		GBA SF	Units/Rooms	% In Place
Total Retail		35,000		0.00%
Multi-Family		135,658	127	0.00%
Town House		0		0.00%
Office		0		0.00%
Hotel		0	0	0.00%
Total		170,658	127	0.00%
Parcel D		GBA SF	Units/Rooms	% In Place
Total Retail		73,400	-	63.5%
Multi-Family		-	-	-
Town House		-	-	-
Office		-	-	-
Hotel		-	-	-
Total		73,400	0	63.5%
Parcel E		GBA SF	Units/Rooms	% In Place
Total Retail		35,000		0.00%
Multi-Family		135,658	128	0.00%
Town House		-	-	-
Office		-	-	-
Hotel		-	-	-
Total		170,658	128	0.00%
Parcel F		GBA SF	Units/Rooms	% In Place
Total Retail		30,000		0.00%
Multi-Family		81,872	76	0.00%
Town House		-	-	-
Office		-	-	-
Hotel		-	-	-
Total		111,872	76	0.00%
Parcel G		GBA SF	Units/Rooms	% In Place
Total Retail		20,000		0.00%
Multi-Family		-	-	-
Town House		92,208	57	100.00%
Office		-	-	-
Hotel		105,000	150	0.00%
Total		217,208	207	42.5%
Parcel H		GBA SF	Units/Rooms	% In Place
Total Retail		20,000		0.00%
Multi-Family		546,830	522	100.00%
Town House		-	-	-
Office		-	-	-
Hotel		-	-	-
Total		566,830	522	96.5%

Parcel I	GBA SF	Units/Rooms	% In Place
Total Retail	-	-	-
Multi-Family	-	-	-
Town House	126,786	57	0.00%
Office	-	-	-
Hotel	-	-	-
Total	126,786	57	100.00%

On an overall basis, the proposed development is 58.3% pre-leased/sold. The developer, Edens & Avant, will retain a significant portion of the retail component of the planned development following completion. The remaining portions of the development, including the Target anchor, are planned as sales of finished lots to end users/developers.

Horizontal Budget: Land development costs vary significantly from project to project. The following chart summarizes the budget for the horizontal development as provided for our analysis.

Horizontal Public Infrastructure Improvement Costs ($000s)	Total Budget	Spent to Date	Cost to Complete	Estimated Series A Proceeds	Net Developer Funds to Complete (Surplus)
Road Improvements	$27,955	$16,521	$11,434	$31,226	($19,793)
Parks	$7,317	$1,943	$5,375	$8,174	($2,799)
Utility Infrastructure and Other	$7,617	$13	$7,604	$2,600	$5,004
Parking	$18,342	$15,359	$2,984		$2,984
Other Horizontal Costs	$27,105	$21,333	$2,933		$2,933
Total Horizontal Budget	$85,498	$55,169	$30,329	$42,000	($11,671)

The horizontal budget of approximately $85.5 million (excluding interest carry costs) includes approximately $46.5 million of horizontal public improvements, $42 million of which will be reimbursed by proceeds from the issuance of the Series A Bonds.

As of February 25, 2011, the Developer has spent $55.2 million of the total horizontal budget, leaving approximately $30.3 million in costs to complete the horizontal development.

At the closing of the Series A bonds, it is assumed that the Developer will be reimbursed for Series A Bond-financed expenditures spent to date and will draw the additional financing as it incurs costs related to those improvements in completing the horizontal development.

Horizontal site work began in May 2010. The Developer anticipates being substantially complete with all horizontal site work, including the horizontal public improvements, by August 2012.

Zoning: The adoption of the Community Development Authority (CDA) created the zoning guidelines and restrictions applicable to the subject property. All approved uses, setbacks, density requirements, open space requirements, parking requirements, etc., are governed by the development approval process. It is our understanding from officials of the Fairfax County Planning Department that the proposed use of the subject property represents a legal, conforming use of the site, and that no other use not consistent with the development as currently planned would be permitted without county approval.

Conclusion: The site is well-positioned in the market area, with good access and visibility. It would adequately support the proposed improvements.

Real Estate and Tax Assessments

As with all jurisdictions in the Commonwealth of Virginia, Fairfax County is required to re-assess real property annually at 100% of the perceived market value. The tax year is commensurate with the calendar year, extending from January through December.

The following chart summarizes the current tax assessment of the respective parcels comprising the subject.

Number	Tax ID	House #	Street	Land SF	Land	Building	Total
1	0493 01 0081A	8231	Lee Highway	23,818	$1,081,340	$0	$1,081,340
2	0493 T01 0081A	8231	Lee Highway	71,452	$3,243,920	$0	$3,243,920
3	0493 01 0082A	8235	Lee Highway	18,023	$818,240	$0	$818,240
4	0493 T01 0082A	8235	Lee Highway	54,068	$2,454,690	$0	$2,454,690
5	0493 01 0082B			2,314	$105,060	$0	$105,060
6	0493 01 0080E	2905	District Ave.	156,837	$7,120,400	$0	$7,120,400
7	0493 01 0080F	3001	Merrifield Cinema Dr.	150,254	$6,821,530	$0	$6,821,530
8	0493T01 0080E	8223	Lee Highway	869,975	$39,496,870	$0	$39,496,870

The total assessed value of the site according to public records is $61,142,050. As noted earlier in this report, the site was acquired by the current owners for a combined total of $30,625,000. The sales closed in 2006 ($12,000,000) and 2009 ($18,625,000), respectively. As of February, 2011, ownership has incurred $13,169,000 in site improvement costs not associated with the CDA funded improvements.

The tax rates applicable to the subject for the 2010 tax year are as follows:

Tax District	General	Storm water	Pest	Trans.	Total
Providence Mosaic CDA	$1.090	$0.015	$0.001		$1.106
Providence Trans. Mosaic CDA	$1.090	$0.015	$0.001	$0.110	$1.216

According to public officials, the parcels that comprise the CDA District are or will be listed as within the Providence Transportation Mosaic District, which includes the additional tax of $0.11/$100 of assessed value. For the purposes of estimating the subject's tax liability, we have assumed that all parcels will be within the Providence Transportation Mosaic District.

Applying the Providence Transportation Mosaic District tax rate to the current assessment results in a tax liability of $743,487, or $0.39/SF of development FAR. Applying this liability to the subject (which excludes the Target portion of the development) results in a liability of $677,155.

In our sell-off analysis, we have applied a tax liability of $0.39/SF of development FAR in year one, escalated by 3.0% in year two. Our projection is for a two-year sell-off. Thus the tax liability is shifted to the end users after year two.

Highest and Best Use

Highest and best use may be defined as:

"That reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value."[1]

In arriving at the highest and best use of the subject property, it was necessary to carefully examine the area in which the property is located and the actions of the market, past, present and future. The highest and best use of a property generally sets the parameters within which that property is valued or evaluated.

The subject is the land within the Mosaic Community Development Authority District of Fairfax County, Virginia, excluding the land which will support the planned Target store. The site is situated on the south side of Lee Highway (U.S. Route 29) and the east side of Eskridge Road, one block west of Gallows Road and on the north side of Luther Jackson Middle School, in the Merrifield neighborhood of Fairfax County, Virginia.

The land within the CDA is proposed for development with the Mosaic-Merrifield Town Center. The project was originally approved for approximately 1,000 dwelling units, a multiplex theatre, 125,000 square feet of office space, 500,000 square feet of other non-residential uses and a 150 room hotel. Since the original approval process, the development plans have changed to reflect the following densities and uses (a portion of which consisting of 114 townhouses remains subject to approval by the Board).

	GBA SF	Units/Rooms
Total Retail	504,100	
Multi-Family	900,018	853
Town House	218,994	114
Hotel	205,000	300
Office	65,000	
Total	1,893,112	1,267

The subject excludes the planned retail anchor, Target, and includes a total development of 1,724,212 square feet. The property is located in a neighborhood that is designated for significant development in the coming years. The proposed development of the subject is the only permitted use of the property based on the creation of the CDA. It is our opinion that the proposed development will be well-received and will effectively continue the process of revitalization of the surrounding neighborhood as designated by Fairfax County.

Physically Possible: The size, shape, location, utility, availability, and terrain impose physical restraints upon the type of uses possible for the subject properties. Any use incompatible with the utility, capacity or constraints imposed by the size, shape, or terrain would not be considered physically possible.

1 The Appraisal Of Real Estate, Tenth Edition, Appraisal Institute, 1992. Page 45.

The subject site is vacant. The site could physically support a wide variety of property types. The current development plans are the only permitted use until and unless they are altered by Fairfax County. Physically, the site could support the current development as planned.

Legally Permissible: As noted, proposed development of the subject is the only permitted use of the property based on the creation of the CDA. The current development plans are the only permitted use until and unless they are altered by Fairfax County.

Financially Feasible: Any use of the subject site which provides a financial return in excess of the cost of land and the amortized cost of capital limits those uses which are financially feasible.

It is our opinion that the proposed development will be well-received and will effectively continue the process of revitalization of the surrounding neighborhood as designated by Fairfax County. On an overall basis, the development is 58.3% pre-leased/sold almost two years prior to the scheduled opening of the initial components of the development. The developer, Edens & Avant, will retain a significant portion of the retail component of the planned development following completion. The remaining portions of the development, including the Target anchor, are planned as sales of finished lots to end users/developers.

Maximally Productive: Taking all of the aforementioned factors into consideration. The maximally productive use of the subject property *"as vacant"* is for development of a mixed-use project as currently planned. No other use would comply with the current zoning of the property, and the success of the subject and recent surrounding developments bodes well for the planned use.

S E C T I O N IV –

V A L U A T I O N O F T H E P R O P E R T Y

Appraisal Process

The valuation process is applied to develop a well-supported estimate of a defined value based on an analysis of pertinent general and specific data. Appraisers estimate property value with specific appraisal procedures, which reflect three distinct methods of data analysis—cost, sales comparison, and income capitalization. One or more of these approaches are used in all estimations of value; the approaches employed depend on the type of property, the use of the appraisal, and the quality of data available for analysis.[1]

The Income Capitalization Approach is an approach which, "...consists of methods, techniques and mathematical procedures that an appraiser uses to analyze a property's capacity to generate benefits (i.e. the monetary benefits of income and reversion) and convert these benefits into an indication present value".[2]

In the Sales Comparison Approach, "market value is estimated by comparing the subject property to similar properties that have recently sold, are listed for sale or under contract. A major premise of the Sales Comparison Approach is that the market value of the property is directly related to the prices of comparable, competitive properties".[3]

In applying the Cost Approach, an appraiser attempts to estimate the difference in worth to a buyer between the property being appraised and a newly constructed building with optimal utility. The appraiser estimates the cost to construct the improvements (including direct costs, indirect costs, and an appropriate entrepreneurial profit), then deducts all accrued depreciation in the property being appraised from the cost of the new structure as of the effective appraisal date. When the value of the site is added to this figure, the result is an indication of the value of the fee simple interest in the property.[4]

In all approaches, the most important source of data is the marketplace for comparable and competing properties. This applies not only to comparable sales, but also in the determination of rent levels, vacancy rates, expenses, yield rates and capitalization rates; as well as in the estimating of construction costs, accrued depreciation and remaining economic life. At the conclusion of the applicable approaches, the value indicators are correlated into a final value estimate with the type of property appraised and the adequacy of the available data.

As mentioned, the purpose of the assignment is to derive the market value (as is) of the fee simple interest of the subject property. In addition, the purpose of this appraisal is to derive the hypothetical market value assuming completion of the Public Improvements (bond financed). Finally, we have been asked to derive the hypothetical market value of the site excluding the portion of the development under contract to Target, assuming completion of the Public Improvements (bond financed).

In the valuation scenarios, we exclusively considered the Subdivision Development Analysis. The subdivision development analysis is a technique that employs parts of the Sales Comparison and the Income Capitalization Approaches. In this valuation method, a discounted cash flow analysis is performed by projecting net sales receipts over an anticipated sell-off period, then discounting the net income estimates, in order to derive an indication of present value.

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[1] Appraisal Institute, The Appraisal of Real Estate, Eleventh Edition page 90, Chicago, 1996.
[2] Ibid, page 449.
[3] Ibid, page 397.
[4] Ibid, page 335.

The Development Method

The subdivision development method is applicable to a tract of land or a building where the highest and best use is to subdivide into smaller ownership parcels or units in order to facilitate a sell-off. The process of the development approach projects the anticipated sell-off of the individual land bays. All applicable expenses are deducted from the anticipated revenues, resulting in net proceeds to the developer. These proceeds are discounted back, at a market-derived rate, to arrive at a present value indication of the property to a potential investor/developer on a bulk basis. Specifically, the development approach involves the following steps:

1. Estimate the potential market value of the typical finished land bay via the sales comparison approach. This process involves the analysis of comparable sales in the subject's competing market and results in an estimated value of the individual parcels by use (retail, multi-family, townhouse, hotel and office).

2. Estimate the direct and indirect costs associated with delivering finished pad sites. To date, the developer has incurred horizontal site costs totaling approximately $55.2 million. This figure includes certain public improvement costs which will be reimbursed through the Series A Bonds issued by the CDA. The developer has budgeted additional horizontal site costs of $30.3 million, a portion of which will be financed with proceeds from the Series A Bonds.

3. Estimate the necessary cost of ownership and sales expenses that may be incurred during the sell-off period. These costs include marketing costs, sales commissions, real estate taxes, and administration or oversight costs.

4. Estimate the marketing (sell-off) period required to sell all of the individual parcels. This will determine the timing of the costs and revenues associated with the development.

5. Discount the net income streams by an appropriate yield (discount) rate, and sum the cash flows to arrive at a net present value estimate.

It is important to note that the developer, Edens & Avant, will retain a significant portion of the retail component of the planned development following completion. Therefore, the development method does not precisely mirror the development as currently planned, since this method projects a sell-off of all land bay components. However; projecting the development to its ultimate completion adds significant subjectivity to the valuation, based on the subjectivity of allocating hard development costs to the respective land bay components. The method utilized allows the appraisers to allocate all development costs for the various components and derive the as-is value of the subject, which is effectively vacant land. By projecting a market-oriented value for the portion of the site that will be retained by the developer, the net result is the same value, and is a projection of what another investor would pay for the property on a bulk basis as of the effective date(s) of value.

Subject Summary

The subject's ownership has projected development including retail, multi-family, single-family town house, hotel and office development for the Mosaic Merrifield Town Center, as outlined in the following chart.

		FAR SF	Units/Rooms	In Place	Units/Rooms	% In Place (FAR)
	Retail	335,200		69,500		20.7%
	Target	168,900		168,900		100.0%
Total Retail		504,100		238,400		47.3%
Multi-Family		900,018	853	546,830	522	60.8%
Town House		218,994	114	218,994	114	100.00%
Hotel		205,000	300	100,000	150	48.8%
Office		65,000				0.0%
Total		1,893,112	1,267	1,125,837	786	58.3%

The subject property includes all of the land within the Mosaic Community Development Authority District with the exception of the portion of the development under contract to Target. Thus, the subject includes a total development potential of 1,724,212 square feet.

The project was originally approved for approximately 1,000 dwelling units, a multiplex theatre, 125,000 square feet of office space, 500,000 square feet of other non-residential uses and a 150 room hotel. Since the original approval process, the development plans have changed to reflect the above densities and uses and certain of the development plans are contingent on approval by the Board. Among the improvements are construction of two parks, the realignment and widening of Eskridge Road, the widening of Lee Highway, improvements to the Lee Highway/Gallows Road intersection and construction of a grid of streets. Virtually all parking will be provided in structures.

Site work at the subject began in May, 2010. The developer projects the horizontal site work to be complete by August, 2012 and the built development to be complete by the end of 2015. The project has achieved significant pre-leasing/sales activity, as shown in the following chart.

Use	Type	Size (SF)	Status	Occupancy/Close
Full-Line Target	Land/Building Sale	168,900	Signed May 2010	3/1/2012 (open 10/12)
Movie Theater	Building Lease	40,100	Signed Feb. 2010	3Q 2012
Restaurant	Building Lease	6,000	Signed Apr. 2010	3Q 2012
Restaurant	Building Lease	6,500	Signed May 2010	3Q 2012
Grocery	Building Lease	12,000	Signed Apr. 2010	3Q 2012
Deli	Building Lease	1,800	Signed Aug. 2010	3Q 2012
Butcher	Building Lease	1,800	Signed Nov. 2010	3Q 2012
Eyeglass Retailer	Building Lease	1,300	Signed Dec. 2010	3Q 2012
Residential	114 Town Homes	114 Units	Signed May 2010	Sept. 2011
Hotel	Land Sale	150 Rooms, 100k SF	Signed May 2010	Mar. 2011
Multi-Family	Land Sale	522 Units, 546,830 SF	Signed	Sept. 2011

The following pages initiate the development method with our projection of the current market land value of the respective components of the development.

Retail Land Sale #1

Property Identification:	
Property Address:	Brickhead Road (Village South at Waugh Chapel) Gambrills, MD
Tax Identification:	04-883-90232634
Sale Data:	
Grantor:	WCS Properties Business Trust (Greenberg Gibbons)
Grantee:	Target Corporation
Closing Date:	August, 2010
Doc. Number:	22537/0195
Sale Price:	$7,301,500
Land Data:	
Zoning:	MXDC (Mixed Use)
Gross Land Size:	8.35 acres or 363,726 SF
Planned FAR:	137,000 SF
Indicators:	
Sale Price/SF Land:	$20.07
Sale Price/SF/FAR:	$53.30
Verification:	County records, Comps and Grantor

Comments:

This property is located off of Crain Highway at Brickhead Road, approximately two miles southwest of the intersection of Crain Highway, Maryland Route 32 and Interstate 97, in Gambrills, Maryland. Gambrills is just north of Crofton, and approximately five miles north of Bowie, Maryland.

Target purchased the site for the development of a 137,000 square foot store, which will anchor the Village at Waugh Chapel. Wegmans and Dick's Sporting Goods are also anchoring the center. The mixed-use development also planned for 95,000 square feet of main street retail space, 50,000 square feet of pad sites, 165,000 square feet of junior anchor box retail, 130,000 square feet of office development, and 427,800 square feet of residential development.

The site was finished land at the time of sale. Utilities (water and sewer) are to the site line.

Retail Land Sale #2

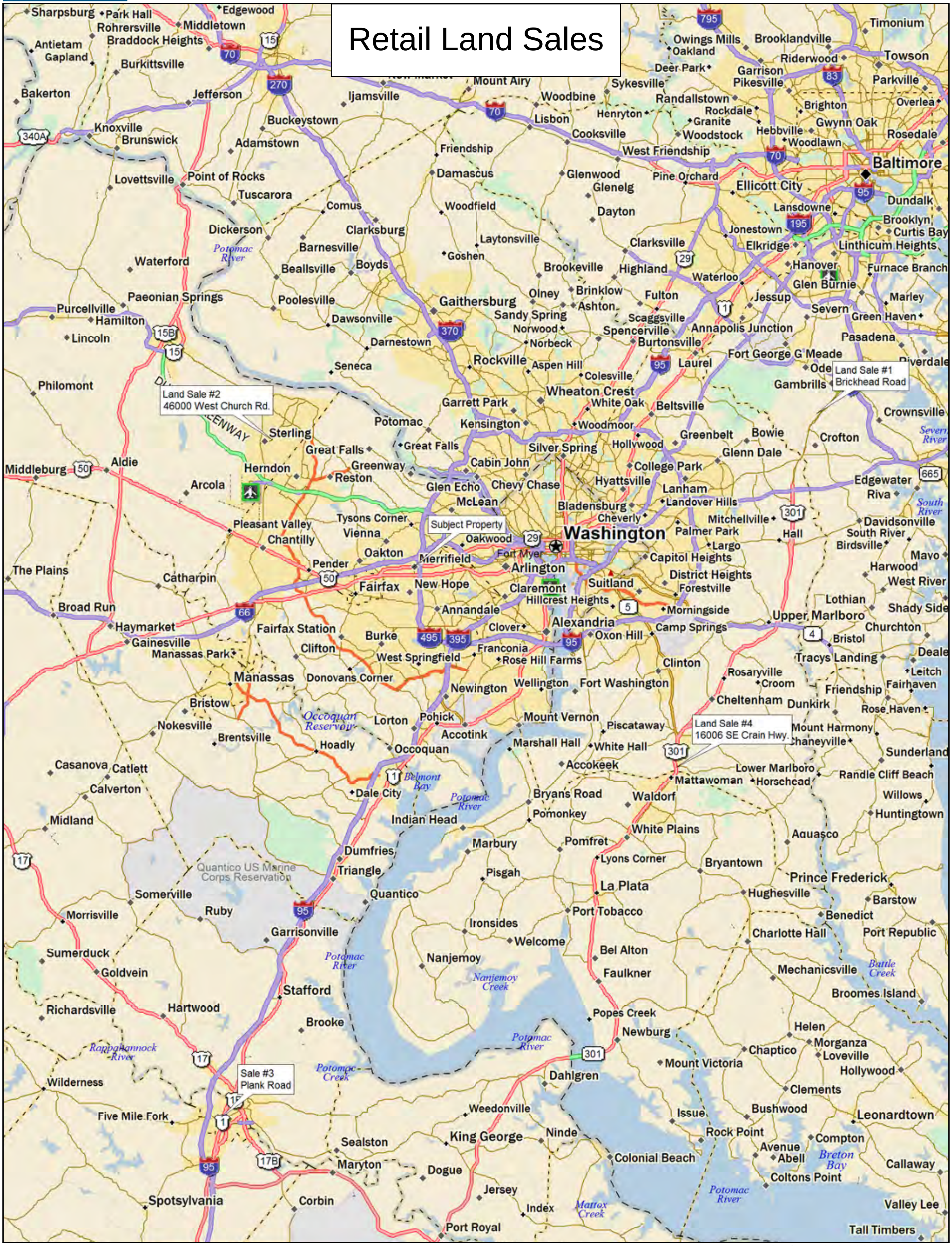
Property Identification:	
Property Address:	46000 West Church Road Sterling, Virginia
Tax Identification:	031-19-0215
Sale Data:	
Grantor:	KB Infantry Land LLC
Grantee:	Abdul Quddoos
Closing Date:	July, 2010
Doc. Number:	20100628/0037689
Sale Price:	$1,315,000
Land Data:	
Zoning:	PD-CC
Gross Land Size:	3.41 acres or 148,540 SF
Planned FAR:	26,682 SF
Indicators:	
Sale Price/SF Land:	$8.85
Sale Price/SF/FAR:	$49.28
Verification:	County records, Comps and Grantor
Comments:	This property is located on Cascades Boulevard at Church Road in Sterling. Church Road extends between Route 28 and Sterling Boulevard, approximately 0.25 miles south of Route 7. The buyer purchased the site with approvals for a 26,682 square foot retail development. The sale was at auction, but the sale price was reported to be at market by the seller. The site was raw land at the time of sale. Utilities (water and sewer) are to the site line.

Retail Land Sale #3

Property Identification:	
Property Address:	Plank Road Fredericksburg, Virginia
Tax Identification:	012-24-00-3
Sale Data:	
Grantor:	Harrison Crossing Place LLC
Grantee:	Smbc Leasing & Fin. Inc.
Closing Date:	September, 2009
Doc. Number:	19342
Price:	$958,061
Land Data:	
Zoning:	C3
Gross Land Size:	3.15 acres or 137,214 SF
Planned FAR:	20,500 SF
Indicators:	
Sale Price/SF Land:	$6.98
Sale Price /SF/FAR:	$46.73
Verification:	CoStar, Public Records
Comments:	This property is a pad site within the Harrison Crossing Shopping Center on Plank Road Fredericksburg. The site is not yet separately addressed and is approved for up to 20,500 square feet of retail development. The site was cleared and graded at the time of sale, with utilities available to the site line.

Retail Land Sale #4

Property Identification:	
Property Address:	16006 SE Crain Highway Brandywine, Maryland 20613
Tax Identification:	11-3934106
Sale Data:	
Grantor:	Faison Brandywine LLC
Grantee:	Costco Wholesale Corporation
Closing Date:	July, 2008
Doc. Number:	29831/252
Price:	$7,233,000
Land Data:	
Zoning:	C-S-C
Gross Land Size:	17.01 acres or 740,956 SF
FAR (GBA):	154,118 SF
Indicators:	
Sale Price/SF Land:	$9.76
Sale Price /SF/FAR:	$46.93
Verification:	Public Records, Grantor
Comments:	This is the sale of a finished pad within the Brandywine Crossing power center, developed by Faison. The center includes a total of 720,000 square feet, anchored by Costco, Target, Safeway and Jo-Ann, with 70,000 square feet of shop space. The Costco pad was finished at the time of sale, with the buyer to construct the improvements to their specifications. The store opened in November, 2009.



TN

MN (10.6°W)

Scale 1 : 600,000

1" = 9.47 mi

Data Zoom 8-4

<u>*Retail Land Analysis*</u>

In the subject market, retail land is typically valued on the basis of price per square foot of developable floor area ratio (FAR). Prior to adjustment, the sales presented indicate a range in value of $49.28/SF of FAR to $53.30/SF of FAR, with an average of $49.06/SF.

The development's retail component will be anchored by a 168,900 square foot Target. Target has placed under contract a site at the northeast end of the development, on Lee Highway, in order to purchase the land and completed building. The appraisers have reviewed the terms of the Target contract, as well as all other contracts in place for the development, and have considered them in their analysis. Other tenants already signed for the property include Angelika, which will operate a 40,100 square foot motion picture theater available for public screening of First Run Films. The theater will include a minimum of eight screens with stadium type auditoriums containing approximately 1,800 theater seats. Mom's Organic Grocery will operate a 12,000 square foot organic grocery store at the property, and the developers have signed two sit-down restaurant tenants; Black's Restaurant Group and Matchbox. Other signed tenants include Red Apron, MyEyeDr, and Taylor Gourmet.

<u>*Initial Adjustment Criteria*</u>

Initially, adjustments are considered for factors such as financing, conditions of sale, property rights conveyed and changes in market conditions. All of the comparables transferred with market oriented financing, and no adjustments are required. No adjustments were required for property rights transferred. In regard to conditions of sale, each of the sales was an arm's length transaction. Further, we note that none of the sales involved the use of any bond debt.

Market Conditions

In terms of market conditions we have previously discussed the current economic environment as compared to the investment parameters prior to the recession and credit crisis beginning in late 2008. Retail development activity slowed significantly in 2009 when credit became scarce resulting in significant declines in value. Vacancy in the retail market increased as several large chains closed stores or folded completely. As of mid-year 2010, the *Korpacz* survey of national retail markets indicates that investors believe that market conditions are beginning to stabilize. As of the third quarter 2010, the average overall cap rate decreased by 29 basis points from the previous quarter, following an 11 basis point decline as of the second quarter and a 4 basis point decline as of the first quarter. In each quarter of 2009, the average increased, with a total annual increase of 121 basis points.

Based on these factors, we have applied no adjustments to sales one and two, which closed in August and July 2010, respectively. Sale three closed in the fall of 2009, and requires an upward adjustment. The average going-in cap rate reported by *Korpacz* for the third quarter 2009 was 32 basis points above the third quarter 2010. Sale four occurred under more aggressive market conditions, and requires downward adjustment.

Primary Adjustment Criteria

In the following analysis, adjustments to these unit prices will be made to account for the different value influencing characteristics such as location, physical characteristics, size, and density.

Location

Location adjustments are based on proximity to major roads and population, as well as lease rates in the respective market areas.

The subject site is located south of Lee Highway/Route 29, west of Yates Way, east of Eskridge Road and north of the Luther Jackson Middle School, in Merrifield, Virginia. With the Dunn Loring-Merrifield Metro station (two blocks north of the subject) and proximity to Interstate 495 (two blocks east) and Interstate 66 (two blocks north), Merrifield is one of the most centrally located and easily accessible areas in Fairfax County.

Sale #1 is located in a well developed area of Gambrills, Maryland, with dense residential development surrounding retail and office concentrations. However, lease rates in the market are significantly below those achieved at the subject through pre-leasing. In addition, the population density in the neighborhood of the comparable is significantly below the subject's neighborhood, and average household income levels in Gambrills are 7% below those in the subject's neighborhood. The property has inferior access and visibility from main roadways to the subject. Overall, an upward adjustment for location is applied to comparable one.

Sale #2 is located in Sterling, Virginia, with dense residential development surrounding retail and office concentrations. Lease rates in the Sterling market generally range above $30/SF range in newer properties, which is below those achieved at the subject. In addition, the population in the subject neighborhood is more dense and has an average household income almost 10% above that in the neighborhood of the comparable. The property has inferior access and visibility to the subject.

Sale #3 is located in Fredericksburg, Virginia, which is overall an inferior market area. Lease rates for retail properties along Plank Road are in mid to high $20/SF range, well below the rates achieved at the subject. Household income and population density are both significantly below the subject neighborhood, and the property has inferior access and visibility to the subject. These factors require significant upward adjustment.

Sale #4 is located in Brandywine, Maryland. This area in Prince George's County has seen substantial residential and retail development in recent years, but is still a significantly inferior market area compared with Merrifield, based on lease rates, population density and household income levels. These factors require upward adjustment, as does as the subject's superior access and exposure.

Size/Density

The comparable sales show a range in proposed building area between 20,500 and 154,118 square feet. Based on the sizes of the retail component of the subject, we have applied modest downward adjustments to sales two (26,682 SF) and three (20,500 SF) for this factor.

Condition

The subject is being valued as finished land, as the developer will deliver finished pads with all utilities in place. Sale two was raw land at the time of sale, requiring an upward adjustment. Sale three was partially finished, requiring a modest upward adjustment. Sales one and four were finished sites requiring no adjustments for this factor.

In order to quantify the previously noted adjustments, we have presented an adjustment grid below.

	Comp #1	**Comp #2**	**Comp #3**	**Comp #4**
Sales Price Per SF-FAR	**$53.30**	**$49.28**	**$46.73**	**$46.93**
Property Rights Conveyed	0%	0%	0%	0%
Adjusted Sales Price Per SF-FAR	**$53.30**	**$49.28**	**$46.73**	**$46.93**
Financing	0%	0%	0%	0%
Adjusted Sales Price Per SF-FAR	**$53.30**	**$49.28**	**$46.73**	**$46.93**
Conditions of Sale	0%	0%	0%	0%
Adjusted Sales Price Per SF-FAR	**$53.30**	**$49.28**	**$46.73**	**$46.93**
Market Conditions	0%	0%	5%	-5%
Adjusted Sales Price Per SF-FAR	**$53.30**	**$49.28**	**$49.07**	**$44.58**
Physical Characteristics				
Location	25.0%	20.0%	30.0%	30.0%
Access / Exposure	10.0%	10.0%	10.0%	10.0%
Physical Condition	0.0%	10.0%	10.0%	0.0%
Size	0.0%	-5.0%	-5.0%	0.0%
Parking	0.0%	0.0%	0.0%	0.0%
Net Adjustment	35.0%	35.0%	45.0%	40.0%
Adjusted Sales Price Per SF-FAR	**$71.96**	**$66.53**	**$71.15**	**$62.42**

After adjustment, the sales illustrate a range in value of $62.42/SF to $71.96/SF of FAR, with an average of $68.01/SF-FAR.

We are also aware of another land sale which we have considered applicable to the subject. In Fredericksburg, Virginia, an 11.44 acre site adjacent to a planned Target store was purchased in April, 2008 for the development of a 105,000 square foot strip center (to be shadow-anchored by the Target). This finished site sold for $57.62/SF of FAR. After adjusting downward for market conditions (-10%), the sale requires upward adjustment for location (+25%), indicating an adjusted value of $64.82/SF.

Based on the comparable data, a value of **$70.00 per square foot of FAR** is considered to be appropriate for the subject's developable retail space. Applying the unit price to the total FAR (335,200 square feet) results in a value of $23,464,000; rounded to **$23,500,000**.

Multifamily Residential Land Sale #1

Location:	1200 North Rolfe Street Arlington, Virginia
Grantor:	Dale & Luella Weed
Grantee:	North Rolfe LLC (Insight Property)
Date of Sale:	June, 2010
Deed Reference:	4371-1617
Land Area:	79,279 SF, 1.82 acres
Zoning:	RA6-15
# Of Units:	72 (all market-rate units)
Consideration:	$6,216,000
Financing:	Cash to the seller
Unit Price:	$86,333 per unit
Verification:	Public Record, Comps, Grantee
Comments:	This is the sale of a previously developed site that is proposed for the construction of a 72 unit class A apartment project. The site was developed with a multi-family building at the time of sale, which will be razed. The property is five blocks from the Court House Metro Station in the Clarendon neighborhood of Arlington County, Virginia.

Multifamily Residential Land Sale #2

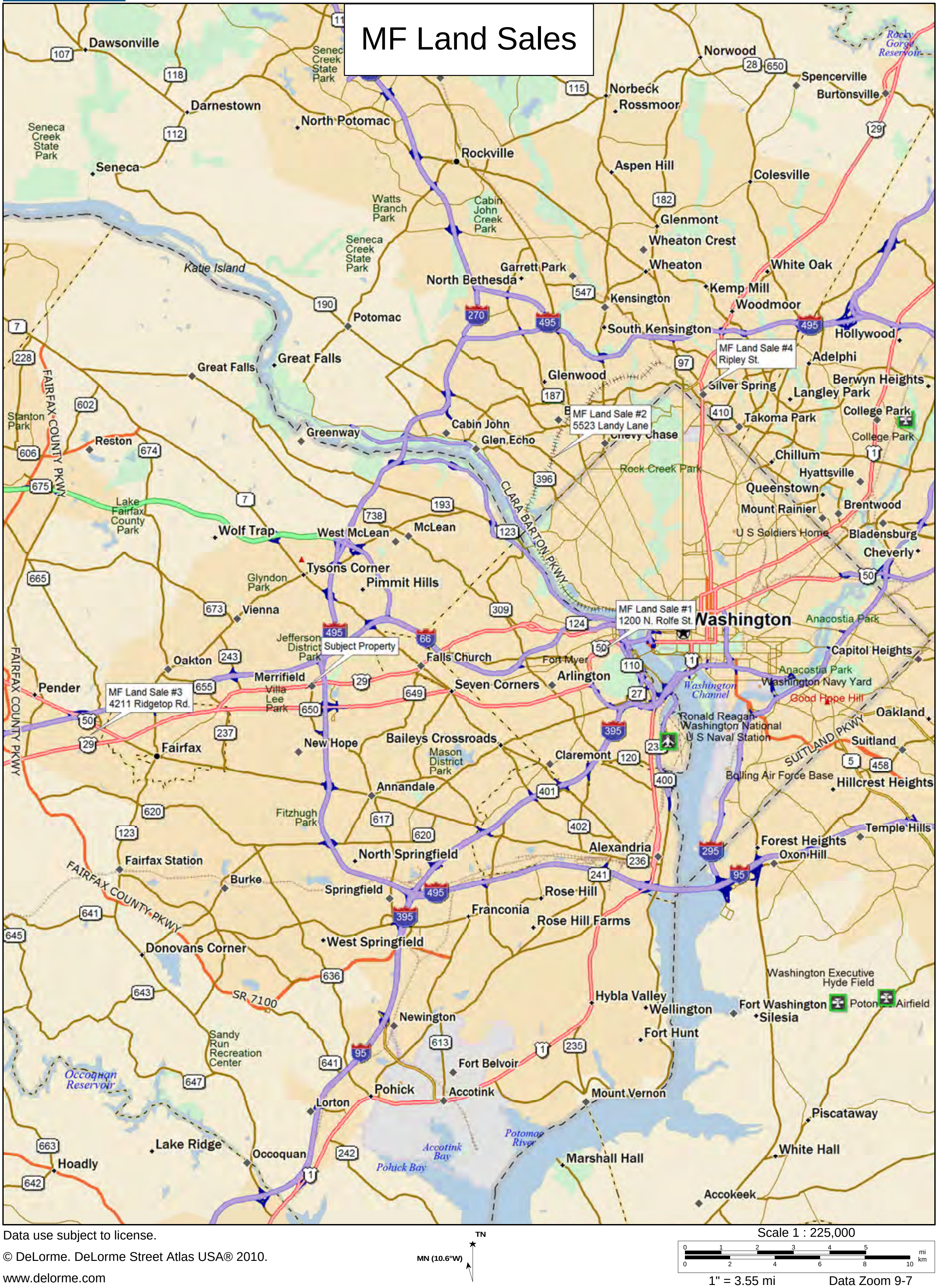
Location:	5523 Landy Lane Bethesda, Maryland
Grantor:	Washington Episcopal Day School
Grantee:	HWSI LLC (Harvey Property Management)
Date of Sale:	March, 2010
Deed Reference:	39086-0001
Tax Reference:	07-03374317
Land Area:	43,560 SF, 1.00 acres
Zoning:	PD-28
# Of Units:	121 (including 15 affordable (MPDU) units)
Consideration:	$9,000,000
Financing:	Cash to the seller
Unit Price:	$74,380 per unit
Verification:	Public Record, Comps, Grantee
Comments:	This is the sale of a previously developed site that is proposed for the construction of a 121 unit multi-family building that will be dedicated to senior housing. The property is located on the north side of River Road just west of Little Falls Parkway, in the Friendship Heights neighborhood of southern Montgomery County. The development includes 12.5% Moderately Priced Dwelling Units (MPDUs) as per Montgomery County requirements.

Multifamily Residential Land Sale #3

Location:	4211 Ridgetop Road Fairfax, Virginia
Grantor:	Midland Road, LLC
Grantee:	WPPI Fairfax I, LLC and WPPI Fairfax II, LLC
Date of Sale:	September 2008
Recorded:	20126-1071 and 1074
Land Area:	9.12 acres (total)
Zoning:	PRM
Number of Units:	484 units (including 16 ADUs and 24 live-work units) and 20,000 square feet of retail space
Consideration:	$29,700,000
Financing:	Cash to seller
Price Unit:	$66,892 per market rate unit
Verification:	Seller, Public Record
Comment:	This is the sale of two parcels; one lot has site plan approval for 292 units, including 40 ADU or live-work units, to be constructed on podium parking deck. The other lot has a proffered density for 192 all market rent units over structured parking. The site has not been graded but all utilities are available to the site. The comparable is located in a mixed-use development which will also include office and townhomes.

Multifamily Residential Land Sale #4

Location:	Ripley Street and Colonial Avenue Silver Spring, Maryland
Grantor:	Ripley Street Land, LLC
Grantee:	Home Props Ripley Street, LLC
Date of Sale:	April 2008
Recorded:	354090485
Land Area:	1.60 acres
Zoning:	CBD2
Number of Units:	310 units (270 market rate units)
Consideration:	$15,660,000
Financing:	Cash to seller
Price Unit:	$58,000 per market rate unit
Verification:	Buyer, Public Record
Comments:	This is the sale of a vacant site that is proposed for the construction of a 310 unit Class A apartment project (including 40 affordable units) and approximately 5,500 SF of retail space. The development will include structured parking. The site was previously developed with a small automotive oriented business.


MF Land Sales
MF Land Sale #1
1200 N. Rolfe St.
MF Land Sale #2
5523 Landy Lane
MF Land Sale #3
4211 Ridgetop Rd.
MF Land Sale #4
Ripley St.
Subject Property
Washington
Dawsonville
Darnestown
North Potomac
Rockville
Seneca
Norwood
Norbeck
Rossmoor
Spencerville
Burtonsville
Aspen Hill
Colesville
Glenmont
Wheaton Crest
Wheaton
White Oak
Garrett Park
North Bethesda
Kensington
Kemp Mill
Woodmoor
South Kensington
Hollywood
Adelphi
Potomac
Great Falls
Glenwood
Silver Spring
Berwyn Heights
Langley Park
Takoma Park
College Park
Cabin John
Glen Echo
Chevy Chase
Greenway
Reston
Chillum
Hyattsville
Queenstown
Mount Rainier
Brentwood
Bladensburg
Cheverly
Wolf Trap
West McLean
McLean
Tysons Corner
Pimmit Hills
Vienna
Oakton
Merrifield
Falls Church
Fort Myer
Arlington
Seven Corners
Pender
Fairfax
New Hope
Baileys Crossroads
Annandale
Claremont
Capitol Heights
Oakland
Suitland
Hillcrest Heights
Temple Hills
Forest Heights
Oxon Hill
Alexandria
Fairfax Station
Burke
Springfield
North Springfield
Franconia
Rose Hill
Rose Hill Farms
West Springfield
Donovans Corner
Newington
Hybla Valley
Wellington
Fort Washington
Silesia
Fort Hunt
Fort Belvoir
Pohick
Accotink
Lorton
Mount Vernon
Piscataway
Lake Ridge
Occoquan
Hoadly
Marshall Hall
White Hall
Accokeek
Katie Island
Rock Creek Park
Ronald Reagan Washington National
U S Naval Station
Bolling Air Force Base
Washington Navy Yard
Good Hope Hill
Anacostia Park
Washington Channel
U S Soldiers Home
Washington Executive Hyde Field
Potomac Airfield
Occoquan Reservoir
Potomac River
Accotink Bay
Pohick Bay
Rocky Gorge Reservoir
CLARA BARTON PKWY
FAIRFAX COUNTY PKWY
SUITLAND PKWY
SR 7100
Scale 1 : 225,000
1" = 3.55 mi
Data Zoom 9-7
TN
MN (10.6°W)

Multi-Family Land Analysis

In the subject market, multi-family land is valued on the basis of price per developable unit. Prior to adjustment, the sales presented indicate a range in value of $58,000/unit to $86,333/unit, with an average of $71,401/unit.

As noted, a significant portion of the subject's multi-family component is under contract of sale. Based on information provided by the developer, Avalon Bay has executed a contract to purchase a site in order to develop an apartment community consisting of 522 units, or 546,830 square feet of FAR. The Avalon Bay contract amounts to 61.2% of the total multi-family component of the development in units. The appraisers have reviewed the terms of the contract and considered them in our analysis.

Initial Adjustment Criteria

Initially, adjustments are considered for factors such as financing, conditions of sale, property rights conveyed and changes in market conditions. All of the comparables transferred with market oriented financing, and no adjustments are required. No adjustments were required for property rights transferred. In regards to conditions of sale, each of the sales was an arm's length transaction. Further, we note that none of the sales involved the use of any bond debt.

Market Conditions

In terms of market conditions we have previously discussed the current economic environment as compared to the investment parameters prior to the recession and credit crisis beginning in late 2008. Current market conditions both on a regional and local level are showing signs of improvement. Market vacancy has decreased in the third quarter 2010, and is projected to decrease sharply in 2011 in the subject's Tyson's Corner/Fairfax submarket, according to Reis. Asking and effective rents in the subject's submarket are projected to increase for 2010 at a greater pace than the region as a whole, with significant increases of between 4.3% and 6.0% expected in effective rents over the next five years.

Based on current market conditions, capitalization rates for Class A and B apartment properties in the Washington, D.C. area have decreased significantly in 2010. Sales activity slowed substantially in 2009 based on the severe economic recession which deepened in late 2008 and 2009, and the credit crisis that developed at the same time. Also in 2009 cap rates increased through most of the year, with the uncertainty in the market caused by the credit crisis.

Sales of Class A and B apartment properties in the Washington area over the past two years demonstrate going-in capitalization rates between 4.34% and 7.5%. However, recent sales and conversations with area brokers indicate that investment parameters have become more aggressive in the last few months with asking cap rates for well-located, good-quality assets falling to the 4.5%-5.5% level.

Comparable one and two occurred in the first and second quarter of 2010. Market conditions have continued to improve throughout 2010, warranting an upward adjustment to both sales. Comparables three and four were sold in the second and third quarter of 2008. Rental rates and vacancy were somewhat similar to the current trends, having deteriorated in 2009 and recovered in 2010. The Korpacz survey at that time indicated average capitalization rates of 5.86% in the third quarter and 5.75% in the second quarter, well below the current rates cited by Korpacz. However, as indicated above, current cap rates for well-located, good-quality assets have fallen to the 4.5%-5.5% level according to our most recent survey. This would suggest that a modest upward adjustment is appropriate to sales three and four.

Primary Adjustment Criteria

In the following analysis, adjustments to these unit prices will be made to account for the different value influencing characteristics such as location, physical characteristics and status.

Location

Location adjustments are based on proximity to major roads and employment centers, as well as neighborhood amenities. The subject site is located south of Lee Highway/Route 29, west of Yates Way, east of Eskridge Road and north of the Luther Jackson Middle School, in Merrifield, Virginia. With the Dunn Loring-Merrifield Metro station (two blocks north of the subject) and proximity to Interstate 495 (two blocks east) and Interstate 66 (two blocks north), Merrifield is one of the most centrally located and easily accessible areas in Fairfax County.

Sale #1 is located in Arlington, Virginia in the Clarendon neighborhood, proximate to the Courthouse Metro Station. Rental rates in the Clarendon neighborhood are among the highest found in the entire Washington D.C. metro area. As such, the location is considered superior, warranting a downward adjustment. Sale #2 is located in Bethesda, Maryland. Similar to Comparable #1, rental rates in the Bethesda market are among the highest in the D.C. Metro area. Therefore, a downward adjustment is warranted.

Sale #3 is located in the Fair Oaks submarket of Fairfax County. High-end properties in the Fair Oaks market achieve similar rents to Merrifield, with no adjustment required. Sale #4 is located in downtown Silver Spring, Maryland, within a few blocks of the Metro station. The comparable requires no adjustment for location, based on rents, neighborhood amenities and access to public transportation.

Condition/Physical Characteristics

Comparable #1 required the demolition of an existing multi-family development, warranting an upward adjustment to account for the costs of demolition. Comparable #2 also required the demolition of an existing improvement, warranting an upward adjustment. Sale #3 was not graded at the time of sale but had all utilities present, requiring a modest upward adjustment. Comparable #4 required a small building to be razed prior to development, requiring an upward adjustment.

Use/Approvals

The subject and each of the comparables are proposed for medium to high density multifamily developments with additional amenities. Therefore, each of the comparables has a similar use to the subject. Prior to sale, each of the comparable properties was approved for multifamily development. However, Comparable #3 and #4 include retail space in the sales price. Although the subject will include retail space, it is being valued separately in our analysis. Therefore, we have adjusted these sales downward for this factor. The adjustment is based on the amount of retail planned.

Parking

Upon development of the subject property the developer will be required to build structured parking, which is typical of apartment communities in the urban markets. Each of the comparables required structure parking; therefore, no adjustment is necessary.

In order to quantify the previously noted adjustments, we have presented an adjustment grid below.

	1	2	3	4
Sale Price/Unit	$86,333	$74,380	$66,892	$58,000
Conditions of Sale	0.0%	0.0%	0.0%	0.0%
Adjusted Price/Unit	$86,333	$74,380	$66,892	$58,000
Market Conditions	2.5%	2.5%	5.0%	5.0%
Adjusted Price/Unit	$88,491	$76,240	$70,237	$60,900
Location	-25.0%	-20.0%	0.0%	0.0%
Physical Characteristics	5.0%	5.0%	2.5%	5.0%
Ground Floor Retail	0.0%	0.0%	-5.0%	-2.5%
Approval/Use	0.0%	0.0%	0.0%	0.0%
Parking	0.0%	0.0%	0.0%	0.0%
Net Adjustments	-20.0%	-15.0%	-2.5%	2.5%
Indicated Value	$70,793	$64,804	$68,481	$62,423

After adjustment, the sales illustrate a range in value of $62,423/unit to $70,793/unit, with an average of $66,625/unit. Each of the sales is given equal weight in our analysis.

Based on the comparable data, a value of **$70,000 per developable unit** is considered to be appropriate for the subject's multi-family component. Applying the unit price to the total number of units (853) results in a value of $59,710,000; rounded to **$59,700,000,** or $66.33/SF of FAR.

Residential Land Sale #1

Location:	42776-42800 Waxpool Road Ashburn, Virginia
Grantor:	Waxpool Land Development LLC (Oak Ridge)
Grantee:	M/I Homes of DC, LLC
Date of Sale:	July, 2010
Deed Reference:	20100721-004603
Tax Reference:	156-37-9429; 156-38-2955, 5975, 8441 and 9938; 156-39-3445
Land Area:	13.21 acres, 575,428 SF
Zoning:	PD-H4
# Of Units:	53 (all market-rate units)
Consideration:	$6,050,000
Financing:	Cash to the seller
Unit Price:	$114,151 per unit
Verification:	Public Record, Comps, Grantor
Comments:	This is the sale of a raw land in the Ashburn neighborhood of Loudoun County, Virginia. Zoning and preliminary plans were approved at the time of sale for 53 total lots, with 24 lots designated as townhomes. Single-family homes in Ashburn are currently marketed at between $550,000 and $600,000 on average in active subdivisions marketing homes on smaller lot sizes. Townhomes are currently being marketed at approximately $375,000 on average. M/I Homes is not marketing homes on the above site at this time.

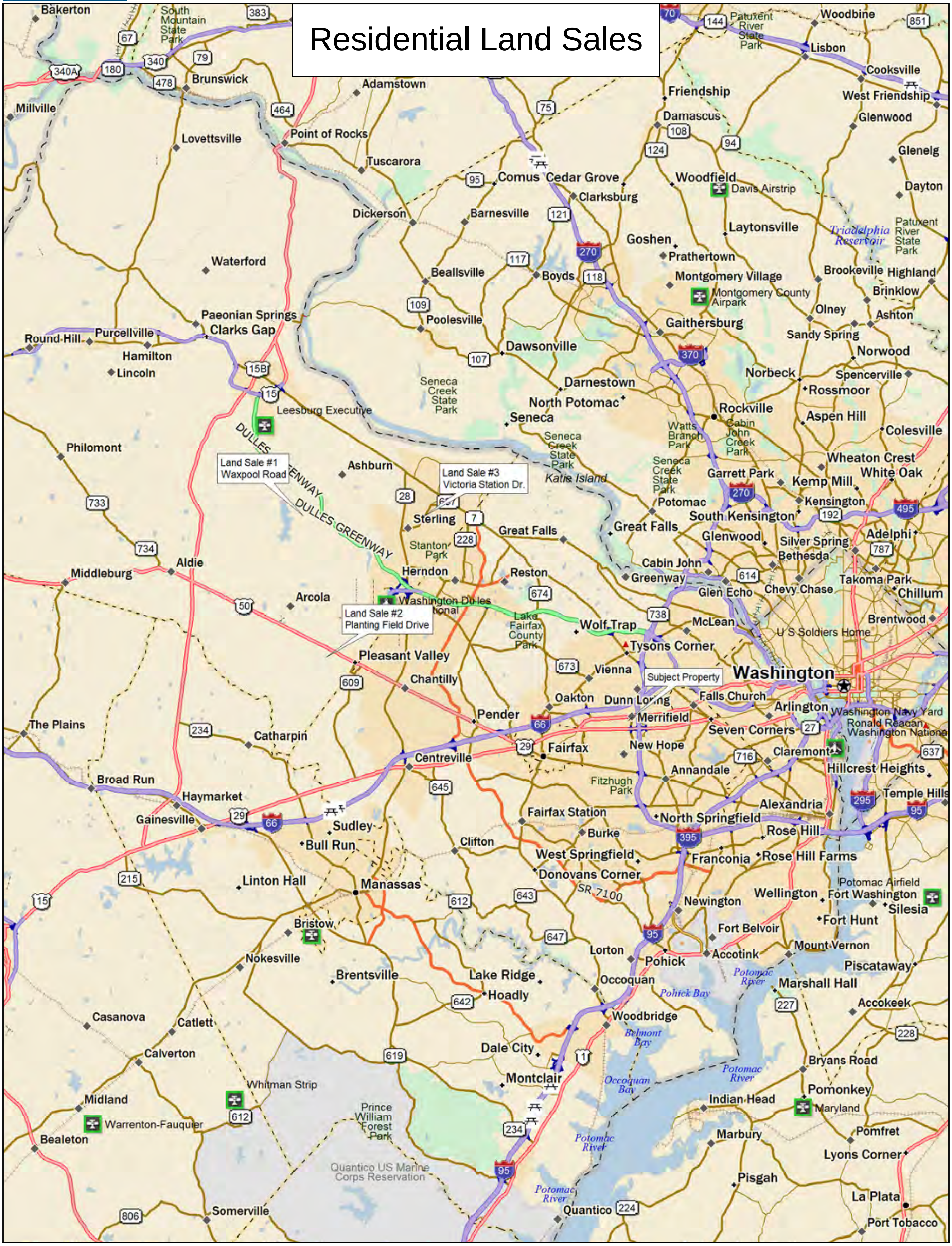
Residential Land Sale #2

Location:	Planting Field Drive Chantilly, Virginia
Grantor:	Loudoun Tall Cedars (Oak Ridge)
Grantee:	M/I Homes of DC, LLC
Date of Sale:	July, 2010
Deed Reference:	201000721-0042601
Tax Reference:	128-28-9249; 128-29-4749 and 6257; 128-38-1746
Land Area:	26.36 acres, 1,148,242 SF
Zoning:	R-8
# Of Units:	96 (all market-rate units)
Consideration:	$7,481,000
Financing:	Cash to the seller
Unit Price:	$77,927 per unit
Verification:	Public Record, Comps, Grantor
Comments:	This is the sale of a raw land in the Chantilly neighborhood of Loudoun County, Virginia. Zoning and preliminary plans were approved at the time of sale for 96 total lots, with approximately 40% designated for townhomes. Single-family homes in this neighborhood (Reserve at South Riding) are currently marketed at approximately $600,000 on average in active subdivisions marketing homes on smaller lot sizes. Townhomes are currently being marketed at approximately $375,000 to $400,000 on average. M/I Homes is not marketing homes on the above site at this time.

Residential Land Sale #3

Location:	Victoria Station Drive Sterling, Virginia
Grantor:	Victoria Station REO LLC (Alliance Bank)
Grantee:	The Ryland Group, Inc.
Date of Sale:	July, 2010
Deed Reference:	201000728-0044138
Tax Reference:	031-48-4527 and 031-37-8798
Land Area:	14.93 acres, 650,259 SF Net Usable
Zoning:	R-16
# Of Units:	116 (all market-rate units)
Consideration:	$4,900,000
Financing:	Cash to the seller
Unit Price:	$42,241 per unit
Verification:	Public Record, Comps, Grantor
Comments:	This is the sale of a raw land in the Sterling neighborhood of Loudoun County, Virginia. Zoning and preliminary plans were approved at the time of sale for 116 townhome lots. There are no active townhome developments at this time, but recent developments were marketed at approximately $500,000 to $600,000 on average. Ryland is not marketing homes on the above site at this time.

Residential Land Sales



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MN (10.5°W)

Scale 1 : 400,000
1" = 6.31 mi
Data Zoom 9-0

Town House Land Analysis

In order to obtain a market value indication for the subject's residential town house component, the comparable land sales are denominated into the appropriate unit of comparison and compared to the subject property for variances that would be perceived in the marketplace. Typically, this type of data is analyzed on the basis of dollars/SF of FAR, or dollars/developable unit. In this analysis, the primary unit of comparison is on the basis of dollars/developable unit. The unadjusted sales range from $42,241/Unit to $114,151/Unit.

As noted, the subject's entire town house component is under contract of sale. Based on information provided by the developer, EYA Homes has executed a contract to purchase 114 finished town house lots situated on Parcel G (57 units) and on Parcel I (57 units) of the development.

EYA was established in 1992 with the vision of building innovative urban neighborhoods to the highest standards. The company has made its name and reputation by creating high quality, lifestyle friendly, residential communities throughout the Washington Metropolitan Area. Consequently, no other homebuilder in the region has received more residential building and land planning awards. In eighteen years, EYA has constructed more than 3,000 homes in the cities of Alexandria and Washington D.C., and in Arlington, Montgomery, Prince George's, and Fairfax counties.

The appraisers have reviewed the terms of the contract of sale, and have considered it in our analysis. The contract with EYA is projected to close in September, 2011.

Initial Adjustment Criteria

The initial adjustment criteria include such quantitative factors as rights conveyed, financing, conditions of sale and market conditions over time. No adjustment is required for financing or property rights conveyed. Sale three was an REO sale, with the seller indicating that the sale price was affected by the status of the property. In this case, an upward adjustment for condition of sale is appropriate for this factor.

Adjustments for market conditions are applied when significant changes have occurred over the period of time the sales occurred. Prior to mid-year 2008, conditions in the residential market were improving on an annual basis. In the fourth quarter of 2008, the economy of the nation and in the Washington area, fueled by a collapse in the housing market, deteriorated significantly and the credit markets essentially froze. Only in strong market sectors has the housing market begun to show modest signs of recovery. The sales utilized reflect current market conditions, having closed in mid 2010, rendering modifications for this factor unnecessary.

Primary Adjustment Criteria

The primary adjustment criteria consist of overall location, access/visibility, development costs, zoning/approval status, size and economic characteristics (such as the inclusion of retail space or affordable housing). Quantitative adjustments are applied to those criteria where the adjustment can be quantified.

All of the sales were acquired for single-family development, with sales one and two including both detached and attached homes, and sale three planned for attached (townhome) units. Each of the sales complied with existing zoning requirements at the time of sale and was approved for the proposed development density as described. No adjustments for these factors are required. None of the developments include retail uses or affordable units, and no adjustments are required for these factors as well. Although the subject includes retail development, it is being valued separately in our analysis.

Location

Location adjustments are based on proximity to major roads and employment centers, as well as neighborhood amenities. The subject site is located south of Lee Highway/Route 29, west of Yates Way, east of Eskridge Road and north of the Luther Jackson Middle School, in Merrifield, Virginia. With the Dunn Loring-Merrifield Metro station (two blocks north of the subject) and proximity to Interstate 495 (two blocks east) and Interstate 66 (two blocks north), Merrifield is one of the most centrally located and easily accessible areas in Fairfax County.

Comparable sale #1 is located in the Ashburn neighborhood of Loudoun County, Virginia. Ashburn is located southeast of Leesburg and south Route 7, and is one of the more desirable residential neighborhoods in Northern Virginia. Home pricing varies widely, but on smaller lots that would be comparable to the subject, current home pricing for detached homes is in the $550,000 to $600,000 range. For townhomes, current pricing averages approximately $375,000 for standard units. Based on pricing no adjustment for location is warranted. Neighborhood amenities and access to employment centers are also considered in this adjustment, and require upward adjustment to the comparable.

Comparable sale #2 is located in the Chantilly neighborhood of Loudoun County, Virginia. Chantilly extends between southern Loudoun and western Fairfax Counties. Home pricing varies widely, but on smaller lots that would be comparable to the subject, current home pricing for detached homes is in the $600,000 range. For townhomes, current pricing averages approximately $375,000 to $400,000 for standard units. Based on pricing, we have not applied an adjustment; however, neighborhood amenities and access to employment centers require upward adjustment to comparable #2.

Comparable sale #3 is located in the Sterling neighborhood of Loudoun County, Virginia. Sterling is east of Ashburn in eastern Loudoun County. Home pricing varies widely, but for townhomes in Sterling, current pricing among resales suggests an upward adjustment compared the Merrifield market. Neighborhood amenities and access to employment centers are deemed to be inferior at the comparable, requiring upward adjustment for this factor.

Condition

Each of the sales was raw land at the time of sale, with similar availability of utilities. Each site will require similar infrastructure costs and none of the sites required extraordinary clearing and grading. As the subject is being valued as finished land, upward adjustments for this factor are required.

Site Plan Approvals

As is, the subject has preliminary approval for the entire development, although final site plan approval will be required for each component in the development process. Each of the comparables was at a similar stage of approval, with no adjustment required for this factor.

Size/Density/Affordable Units

The subject includes a total capacity of 114 residential units. The sales are similar in unit count to the subject, with sale one including 53 units, sale two including 96 units and sale three including 116 units.

Sales one and two include detached and attached units, while comparable three is all attached units. In this case, we have applied downward adjustments to these sales based on the higher price paid for detached units.

In order to quantify the previously noted adjustments, we have presented an adjustment grid below.

	Comp #1	**Comp #2**	**Comp #3**
Sales Price Per Unit	**$114,151**	**$77,927**	**$42,241**
Property Rights Conveyed	0%	0%	0%
Adjusted Sales Price Per Unit	**$114,151**	**$77,927**	**$42,241**
Financing	0%	0%	0%
Adjusted Sales Price Per Unit	**$114,151**	**$77,927**	**$42,241**
Conditions of Sale	0%	0%	25%
Adjusted Sales Price Per Unit	**$114,151**	**$77,927**	**$52,801**
Market Conditions	0%	0%	0%
Adjusted Sales Price Per Unit	**$114,151**	**$77,927**	**$52,801**
Physical Characteristics			
Location	20.0%	20.0%	25.0%
Access / Visibility	0.0%	0.0%	0.0%
Physical Condition	10.0%	10.0%	10.0%
Size	0.0%	0.0%	0.0%
Density	-10.0%	-10.0%	0.0%
Net Adjustment	20.0%	20.0%	35.0%
Adjusted Sales Price Per Unit	**$136,981**	**$93,512**	**$71,282**

After adjustment, the sales illustrate a range in value of $71,282 per lot to $136,981 per lot, with an average of $100,592 per lot. Each of the sales is given equal weight in our analysis.

We are also aware of a land sale executed in Suburban Maryland, at a development that will include town homes in the $300,000 to $400,000 range. Beazer Homes has executed a contract for 34 finished townhouse lots at $100,000 per lot in this new development, and NVR has executed a contract for 34 finished townhouse lots at $100,000 per lot. Due to confidentiality agreements, we are unable to reveal any further details regarding the development and the contracts, which were executed in December, 2010. The location of the development is inferior to the subject's Merrifield location, based on access to employment centers and neighborhood amenities.

Based on the comparable data, a value of **$100,000 per developable lot** is considered to be appropriate for the subject's single-family town house component. Applying the unit price to the total number of units (114) results in a value of **$11,400,000** or $52.06/SF of FAR.

Hotel Land Sale # 1

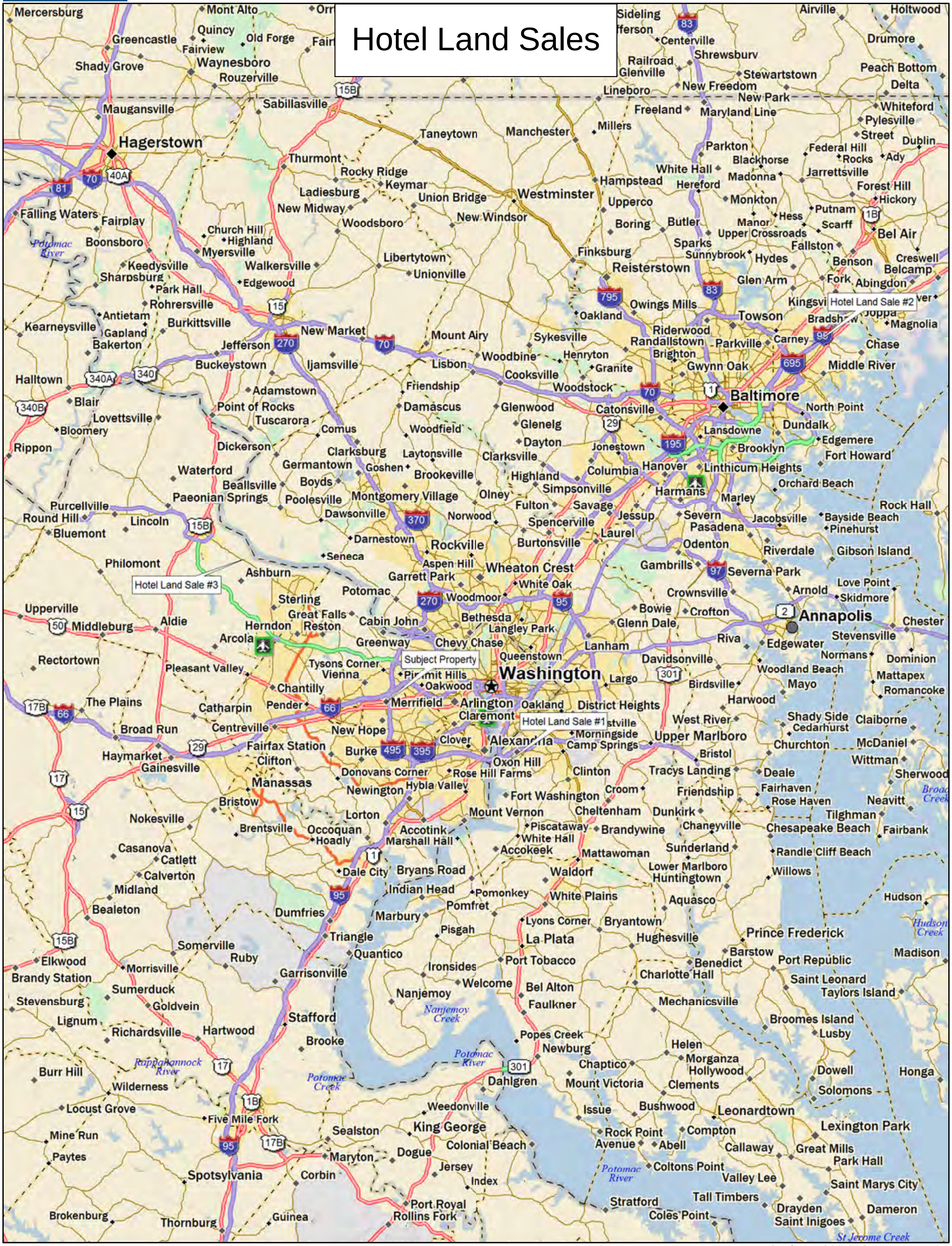
Project Identification:	Disney Hotel/Resort
Location:	National Harbor Waterfront Street Oxon Hill, Maryland
Grantor:	National Harbor Waterfront LC (Peterson Companies)
Grantee:	DNH Holdings LLC
Date of Sale:	May, 2009
Deed Reference:	30626-0156
Tax Reference:	12-4002887
Land Area:	15 Acres
# of Keys:	500
Consideration:	$11,000,000
Financing:	Cash to the seller
Unit Price:	
Price per Acre:	$733,333
Price per SF (Land):	$16.84
Price per Key:	$22,000
Verification:	Grantor, Comps and Public Record
Comments:	This site is located within the National Harbor complex, on the Potomac River just off of the Wilson Bridge in Prince George's County, Maryland. National Harbor is a 300-acre, multi-use waterfront development that is being built by the Peterson Companies. In addition to the Gaylord National Resort & Convention Center, which opened on April 1, 2008, National Harbor will contain five new hotels, waterfront condos, offices, retail stores, nightspots, a marina, and a new location for the National Children's Museum.

Hotel Land Sale # 2

Project Identification:	Hilton Garden Inn
Location:	4965-4967 Campbell Boulevard Baltimore, Maryland
Grantor:	Retail Properties Business Trust
Grantee:	Taymax LLC; Skye Hospitality LLC
Date of Sale:	June, 2009
Deed Reference:	28329-0317
Tax Reference:	14-2200025469; 14-2300001519; 30-0001519
Land Area:	4.27 Acres
# of Keys:	155
Consideration:	$2,125,000
Financing:	Cash to the seller
Unit Price:	
Price per Acre:	$497,658
Price per SF (Land):	$11.42
Price per Key:	$13,710
Verification:	Grantee, Comps and Public Record
Comments:	This property is located just off of Interstate 95 on the east side of White Marsh Mall, in Baltimore County, Maryland. White Marsh is approximately five miles north of Baltimore City, and is a regional retail hub.

Hotel Land Sale # 3

Project Identification:	Marriott Springhill Suites
Location:	University Center Harry Byrd Highway Ashburn, Virginia
Grantor:	MRP/TBG Associates, LLC
Grantee:	Palmetto Hospitality of Sterling I LLC
Date of Sale:	September, 2008
Deed Reference:	28329-0317
# of Keys:	125
Consideration:	$4,000,000
Financing:	Cash to the seller
Unit Price:	
Price per Acre:	$1,365,887
Price per SF:	$31.36
Price per Key:	$32,000
Verification:	Grantee, Comps and Public Record
Comments:	This site is located within the University Center development, which is on the north side of Harry Byrd Highway (VA Route 7), in Ashburn, Loudoun County, Virginia. Lakeview at University Center features up to 400,000 square feet of Class-A office space, two hotels, restaurants, shops, and services in a suburban campus setting. The property borders Route 7 and the Loudoun County Parkway, and is located next to such prominent neighbors as the Janelia Farm Research Campus and the Howard Hughes Medical Institute.



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Scale 1 : 800,000

1" = 12.63 mi

Data Zoom 8-0

Prior to adjustment, the sales presented indicate a range in value of $13,710 to $32,000 per developable key, with an average of $22,570 per key.

As noted, 48.8% of the planned hotel component of the subject is under contract of sale for a finished pad site. LodgeWorks will construct and operate a Hotel Sierra on a site on Parcel A, which fronts Lee Highway at Eskridge Road. The appraisers have reviewed the terms of the contract, and considered it in our analysis. The contract was signed in May, 2010, and the sale is expected to close in March, 2011.

Initial Adjustment Criteria

The initial adjustment criteria include such quantitative factors as rights conveyed, financing, conditions of sale and market conditions over time. No adjustment is required for financing or property rights conveyed. In addition, no atypical conditions of sale were reported, and no adjustment is required for this factor.

Market Conditions

Based on the development plan for the subject property, we would expect the primary demand generators for the hotel component to be within surrounding employment centers and residential developments in Merrifield.

The *Korpacz Real Estate Investor Survey* published by PriceWaterHouseCoopers publishes a survey of the hospitality market on a semi-annual basis. As of the third quarter 2010, the survey reported mixed results, with occupancy improved in 2010 but room rates continuing a downward trend.

"The recent recovery in lodging demand has improved the context for price recovery. Though occupancy rates remain substantially below normal, even during recessionary periods, stronger demand is expected to stem the decline in ADR. After a year of transition in 2010 that will result in slightly lower ADR than in 2009, PricewaterhouseCoopers Hospitality & Leisure expects industry-wide ADR to recover 4.1% in 2011. As a result, RevPAR growth is projected to be 4.1% in 2010 and 6.7% in 2011."

In terms of investment parameters, discount rates are up 46 basis points from the previous year, while overall rates are down 34 basis points and residual rates are down 33 basis points. The most recent sale data available from the Washington and Baltimore markets is utilized in our analysis. These sales occurred in mid 2009 and late 2008. Based on the market conditions reported in the *Korpacz* survey and in interviews conducted for this assignment, we have applied an upward adjustment to each of the comparable sales for market conditions. This is based on the most recent indications that the hospitality market is beginning to show signs of recovery.

Primary Adjustment Criteria

The primary adjustment criteria consist of overall location, access/visibility, development costs, zoning/approval status, size and economic characteristics. Quantitative adjustments are applied to those criteria where the adjustment can be quantified.

Location

Location adjustments are based on visibility from major traffic arteries and proximity to demand generators. Sale #1 is located within the National Harbor complex on the Potomac River just south of Washington D.C. This is a high-profile, upscale development and considered a premier location in the Washington Area. Downward adjustment for location is applied to sale #1.

Sale #2 is located just off of Interstate 95 in the Baltimore Metropolitan Area, adjacent to the White Marsh Mall. Although this property benefits from visibility on Interstate 95 and the area is a premiere retail location in Baltimore, upward adjustment is applied based on the real estate markets in the respective market areas.

Sale #3 is located within the University Center development on Route 7 in Ashburn, Virginia. The development includes a total of 400,000 square feet of planned office space and approximately 80,000 square feet of retail space. This development is home to the George Washington University Virginia Campus, and includes approximately 500,000 square feet of existing office space. Although the surrounding office, residential and retail markets are relatively strong demand generators, and this location is considered similar to the subject based on ADR rates, requiring no adjustment.

Condition

The subject is projected to be delivered as finished land ready to be developed with utilities available. The comparable sales were raw land at the time of sale, with upward adjustment required. Sale #1 also requires an upward adjustment for size.

In order to quantify the previously noted adjustments, we have presented an adjustment grid below.

	Comp #1	Comp #2	Comp #3
Sales Price Per Key	**$22,000**	**$13,710**	**$32,000**
Property Rights Conveyed	0%	0%	0%
Adjusted Sales Price Per Key	**$22,000**	**$13,710**	**$32,000**
Financing	0%	0%	0%
Adjusted Sales Price Per Key	**$22,000**	**$13,710**	**$32,000**
Conditions of Sale	0%	0%	0%
Adjusted Sales Price Per Key	**$22,000**	**$13,710**	**$32,000**
Market Conditions	10%	10%	10%
Adjusted Sales Price Per Key	**$24,200**	**$15,081**	**$35,200**
Physical Characteristics			
Location	0.0%	35.0%	0.0%
Physical Condition	10.0%	10.0%	10.0%
Size	10.0%	0.0%	0.0%
Net Adjustment	20.0%	45.0%	10.0%
Adjusted Sales Price Per Key	**$29,040**	**$21,867**	**$38,720**

After adjustment, the sales illustrate an average of $29,875/Developable Key. More weight is given to comparables #1 and #3 based on their respective locations. Based on the comparable data, a value of **$35,000 per dev developable key** is considered to be appropriate for the subject's developable hotel space. Applying the unit price to the total number of rooms (300) results in a value of **$10,500,000** or $43.90/SF of FAR.

Office Land Sale #1

Property Address:	1716 Wilson Boulevard Arlington, Virginia
Tax Map:	17010030
Sale Data	
Grantor:	George Contis
Grantee:	1716 Wilson LLC (Skanska USA Commercial Development)
Date of Sale:	May, 2010
Sale Price:	$10,000,000
Recorded:	4365-1933
Land Data	
Land Area:	1.05 acres – 45,738 SF
FAR:	127,000 square feet (planned development)
Zoning:	C-2 Commercial
Indicators	
Price per SF FAR:	$78.74 per square foot
Price per SF/ Land	$219.68 per square foot
Verification:	CoStar, Public Records, Grantee
Comments:	This property is located on Wilson Boulevard in the Rosslyn area of Arlington. The site is three blocks from the Court House Metro station at North Quinn Street on Wilson Boulevard. Office rental rates in this area are as high as $55.00/SF, full service, at premium locations. The buyer is planning a 127,000 square foot development, with 108,753 square feet of office space and 27,996 square feet of ground-floor retail space.

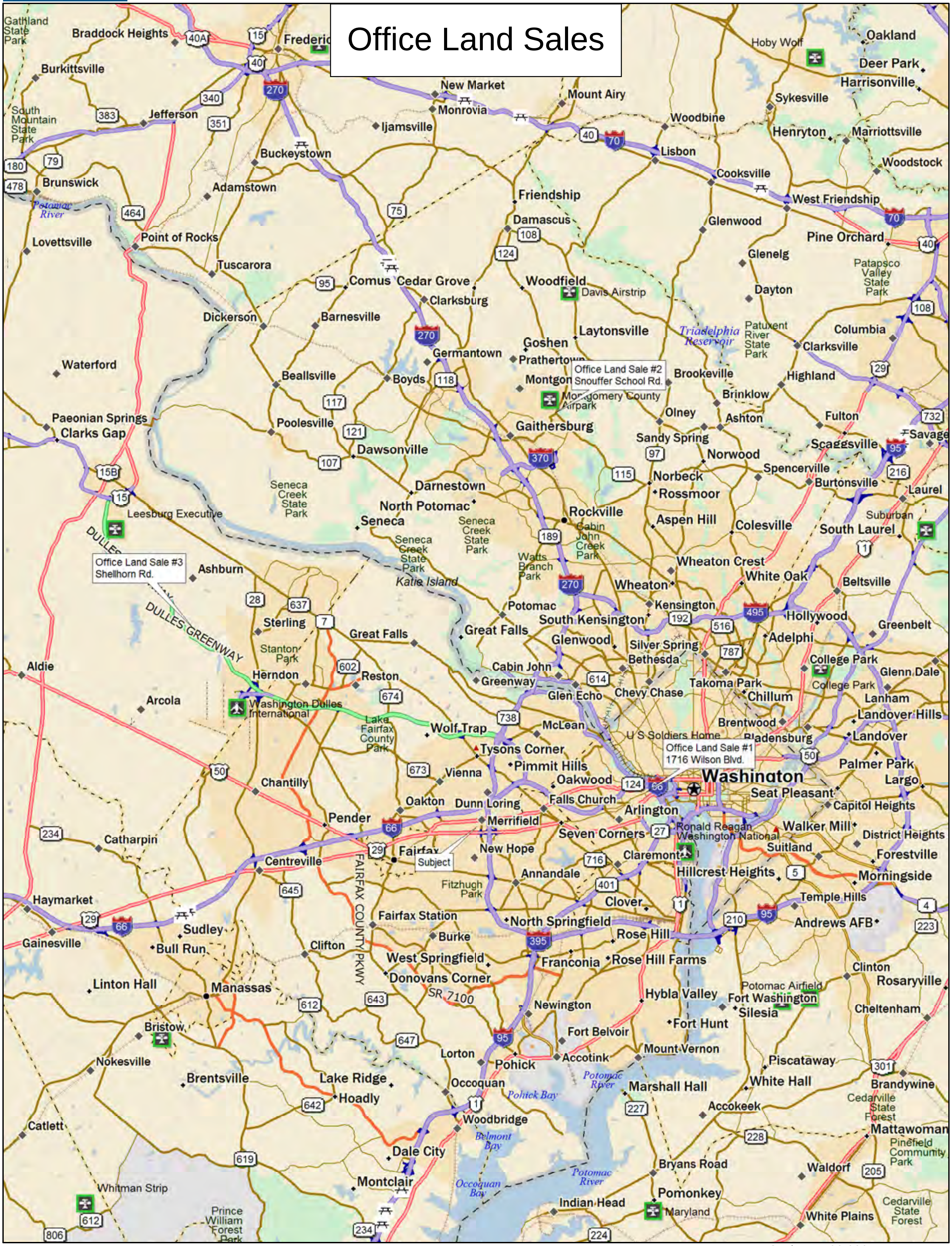
Office Land Sale #2

Property Address:	8787 Snouffer School Road Gaithersburg, Maryland
Tax Map:	14 Parcels in District 01
Sale Data	
Grantor:	Webb Tract, LLC; Centerpark West, LLC; Centerpark East, LLC
Grantee:	Montgomery County Government
Date of Sale:	October 2009
Sale Price:	$49,496,400
Recorded:	38122-0036
Land Data	
Land Area:	127.40 acres – 5,549,544 SF
FAR:	1,200,000 square feet (planned development)
Zoning:	I-4 Industrial
Indicators	
Price per SF FAR:	$38.75 per square foot
Price per SF/ Land	$8.38 per square foot
Verification:	CoStar, Public Records, Press Articles
Comments:	This property is located on Snouffer School Road in the planned community of Montgomery Village. The site is adjacent to residential uses to the north and east (Montgomery Village), with the Montgomery Air Park industrial/flex complex just to the south. The site is approximately three miles east of Interstate 270. At the time of sale, the site was cleared with all utilities to the lot line. According to the county, the site was purchased as part of the County Executive's Smart Growth Initiative. There is no structured parking planned for the site. The parking ratio will be above 3.0 per 1,000 square feet. The site is approved for 1,200,000 square feet of industrial, research and development and commercial uses.

Office Land Sale #3

Property Address:	Shellhorn Road Ashburn, Virginia
Tax Map:	089-37-1858; 089-37,6138; 089-38,2215; 089-39-0840
Sale Data	
Grantor:	Digital Loudoun II, LLC
Grantee:	Archon Group, L.P.
Date of Sale:	May 2009
Sale Price:	$20,250,000
Recorded:	20090519-0031761
Land Data	
Land Area:	34.2 acres – 1,489,752 SF
FAR:	400,000 square feet (planned development)
Zoning:	PDH-24
Indicators	
Price per SF FAR:	$50.62 per square foot
Price per SF/ Land	$13.59 per square foot
Verification:	CoStar, Public Records, Purchaser
Comments:	The purchaser bought this land for the development of 400,000 square feet of Data Center facilities. The purchase includes four separate parcels, a 9.81 acre parcel adjacent to the subject property; a 6.65 acre parcel adjacent to the 9.81 acre parcel; an 8.20 acre parcel which is across Devin Shathon Drive from the other two parcels and a 9.539 acre parcel which is located across Shellhorn Road. According to a press release by the purchaser "the addition of the property contributes to our existing facilities in Ashburn and allows us to create a data center campus environment that will deliver significant operating economies of sale and sufficient inventory to meet the ongoing demand." It was noted that one of the parcels contained a power sub-station on the property. Further, we note that data centers are typically one-story developments which negatively impacted the potential FAR of the site. The planned development will include surface parking.

Office Land Sales



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MN (10.6°W)

Scale 1 : 400,000

1" = 6.31 mi

Data Zoom 9-0

In order to obtain a market value indication for the subject site, the comparable land sales are denominated into the appropriate unit of comparison, than compared to the subject property for variances that would be perceived in the marketplace. In this analysis, the primary unit of comparison is on the basis of dollar per square foot of FAR.

Initial Adjustment Criteria

Initially, adjustments are considered for factors such as financing, conditions of sale, property rights conveyed and changes in market conditions. All of the comparables transferred with market oriented financing, no adjustments are required. No adjustments were required for property rights transferred. In regards to conditions of sale, each of the sales was an arms length transaction. The following paragraphs describe the adjustments necessary for market conditions.

Market Conditions

In terms of market conditions we have previously discussed the current economic environment as compared to the aggressive investment parameters of 2007 and early 2008. Sales activity slowed significantly after September of 2008 when credit became scarce resulting in significant declines in value. These decreases were most acutely seen in the value of land, as construction costs remained relatively consistent. However, the most recent transactions in improved sales in the subject's market area demonstrated more aggressive pricing, indicating a stabilization or improvement in the market conditions. Although this improvement has not resulted in land sales activity, indications are that the market is improving.

Based on these factors, we have applied no adjustment to sale one which closed in mid-2010. Sales two and three require upward adjustments as these sales closed in 2009.

Primary Adjustment Criteria

After consideration of the above-cited factors, we have analyzed the sales relative to the subject property with regard to the primary adjustment criteria. In this instance, adjustments were considered for the following factors.

Location

This adjustment criteria accounts for variances in overall location, with factors such as rental rates, access and visibility and proximity to public transportation considered. Comparable One is located in the Rosslyn-Ballston Corridor, which is one of the premier suburban office submarkets in the Washington Area. This submarket achieves superior office rents to Merrifield, and the proposed development has superior access to Metro. In our analysis, downward adjustment is applied to comparable One for location. Comparable Two is located in Gaithersburg, Maryland. The location is inferior based on rental rates, access, proximity to major employment centers and neighborhood amenities. Comparable sale Three is located in the Ashburn area. Ashburn has a significant office market, but is inferior to Merrifield in terms of rental rates.

Access/Visibility

The subject office component will have adequate access and visibility, being within the overall development. Comparable Two has inferior access and visibility from major corridors. As such, an upward adjustment is required. The remaining properties have slightly superior access and visibility; however, based on the surrounding uses and the prominent market position of the subject development, we have not applied an adjustment for this factor.

Physical Characteristics

The subject is valued as a finished site. Sales One and Two were also finished sites. The remaining sales were raw land. These properties require upward adjustment. Comparable Three included a utility substation on the property, which was desirable to the user, warranting a downward adjustment.

Size

Market evidence generally suggests that small sites will exhibit higher unit pricing ($/SF) when compared to larger sites. The subject consists of approximately 65,000 square feet of FAR potential. Comparables Two and Three are significantly larger and requires an upward adjustment.

In order to quantify the previously noted adjustments, we have presented an adjustment grid below.

	Comp #1	**Comp #2**	**Comp #3**
Sales Price Per SF-FAR	**$78.74**	**$38.75**	**$50.62**
Property Rights Conveyed	0%	0%	0%
Adjusted Sales Price Per SF-FAR	**$78.74**	**$38.75**	**$50.62**
Financing	0%	0%	0%
Adjusted Sales Price Per SF-FAR	**$78.74**	**$38.75**	**$50.62**
Conditions of Sale	0%	0%	0%
Adjusted Sales Price Per SF-FAR	**$78.74**	**$38.75**	**$50.62**
Market Conditions	0%	5%	5%
Adjusted Sales Price Per SF-FAR	**$78.74**	**$40.69**	**$53.15**
Physical Characteristics			
Location	-20.0%	20.0%	15.0%
Access / Exposure	0.0%	5.0%	0.0%
Physical Condition	0.0%	0.0%	-20.0%
Size	0.0%	10.0%	10.0%
Parking	0.0%	0.0%	0.0%
Net Adjustment	-20.0%	35.0%	5.0%
Adjusted Sales Price Per SF-FAR	**$62.99**	**$54.93**	**$55.81**

After adjustment, the sales illustrate an average of $57.91/SF. Each of the sales is given equal weight in our analysis. Based on the comparable data, a value of **$60.00 square foot of developable FAR** is considered to be appropriate for the subject's developable office space. Applying the unit price to the development potential (65,000 SF) results in a value of **$3,900,000**.

Valuation Summary

Prior to the estimate of absorption/discount rate, we have summarized the previous value conclusions for each Section of the subject. The following table summarizes the value conclusions that will be incorporated within the development approach.

	FAR SF	Units/Rooms	Concluded Value	PSF of FAR	Per Unit of Value
Total Retail	335,200		$23,500,000	$70.00	
Multi-Family	900,018	853	$59,700,000	$66.33	$70,000
Town House	218,994	114	$11,400,000	$52.06	$100,000
Office	65,000		$3,900,000	$60.00	
Hotel	205,000	300	$10,500,000	$51.22	$35,000
Total	1,724,212	1,267	$109,000,000	$63.22	

Based on this analysis, the sum of all retail values is $109,000,000 (In current dollars), including all of the subject development potential. This does not represent the current market value. The value estimates for each of the components will be utilized in the following sell-off analysis. Unless otherwise specified, we have assumed 3.0% annual price inflation and expense growth.

Development Approach - Expenses

The next step is to determine the appropriate costs involved with the development of the property from the current stage through the development and sell-off process. The expenses can be broken down into six categories: land development costs, sales and marketing, commissions, real estate taxes administrative/miscellaneous, interest and developers profit (part of "overall return"). Each expense category is discussed below.

Horizontal Development Costs

Land development costs vary significantly from project to project. The following chart summarizes the budget for the horizontal development as provided for our analysis.

Horizontal Public Infrastructure Improvement Costs ($000s)	Total Budget	Spent to Date	Cost to Complete	Estimated Series A Proceeds	Net Developer Funds to Complete (Surplus)
Road Improvements	$27,955	$16,521	$11,434	$31,226	($19,793)
Parks	$7,317	$1,943	$5,375	$8,174	($2,799)
Utility Infrastructure and Other	$7,617	$13	$7,604	$2,600	$5,004
Parking	$18,342	$15,359	$2,984		$2,984
Other Horizontal Costs	$27,105	$21,333	$2,933		$2,933
Total Horizontal Budget	$85,498	$55,169	$30,329	$42,000	($11,671)

The horizontal budget of approximately $85.5 million (excluding interest carry costs) includes approximately $46.5 million of horizontal public improvements, $42 million of which will be reimbursed by proceeds from the issuance of the Series A Bonds.

As of February 25, 2011, the Developer has spent $55.2 million of the total horizontal budget, leaving approximately $30.3 million in costs to complete the horizontal development. The remaining total includes the entire development. The subject property excludes the portion of the development under contract to Target.

In our sell-off model, we have deducted $2,300,000 from the remaining site costs to be spent. This figure is an estimate by the developer of the horizontal costs attributable to the Target pad site. Therefore, the total remaining cots applied in our model is $28,029,000. In our sell-off model, we have included these costs equally over the two-year sell-off period.

At the closing of the Series A bonds, it is assumed that the Developer will be reimbursed for Series A Bond-financed expenditures spent to date and will draw the additional financing as it incurs costs related to those improvements in completing the horizontal development. The bond financing is treated as a credit in our sell-off model, as the proceeds from the bond financing will be utilized to reimburse the developer for costs spent. However, the bond financing proceeds are for the entire development. Thus, only the allocated portion of the bond financing reimbursement is included in the sell-off model. Based on the overall development FAR, the amount allocated to the 168,900 square foot Target store is $3,747,163. The total reimbursement applied in the sell-off model excluding the portion of the development under contract to Target is $38,252,836.

Based on the information provided, the site work (including CDA funded and developer-funded) for Parcel A (intersection of Lee Highway and Eskridge Road), Parcel B (immediately east of A at the north end of the site), Parcel D (immediately south of B), Parcel I (south end of the site on Eskridge Road) and Parcel G (immediately east of I) will be completed first. Parcels C, E F and H (north to south at the rear of the development) will be completed after the initially completed parcels.

Based on the information provided for our analysis, the Series A bond-funded site improvements will be completed in August, 2012. In the sell-off model, growth assumptions are not applied, as these escalations are assumed to be accounted for in the developer's calculations.

Real Estate Taxes

As discussed in the Real Estate and Tax Assessments section of this report, we have applied a tax liability of $0.39/SF of development FAR in year one of the sell-off model, and increased the tax liability by 3.0% in year two. Our projection is for a two-year sell-off. Thus the tax liability is shifted to the end users after year two.

Commissions and Closing Costs

Commissions must be paid as portions of the site are sold. An average commission's expense of 1% to 3% is considered reasonable based upon conversations with area leasing and brokerage firms working in the area. Our survey suggests that a common fee for properties similar to the subject would be 2.0% on average to be paid by the seller. Therefore, the closing costs are estimated to be two percent within our analysis based on information collected and discussed in the market participant/investor survey.

Administrative and Marketing

This expense is for the general administration and marketing of the project throughout the sell-out period. In our experience, developers estimate this figure to be 1.0% to 3.0% of gross revenues. Based on the current status of the development, we have estimated this expense to be 1.0% of gross revenues.

Absorption Pace

To date, the subject property has been well-received. As noted, the overall development is just under 60% pre-leased or sold more than two years before projected opening of the initial tenants. The retail anchor (Target) is signed, along with Angelika movie theater (40,100 SF) and Mom's Organic Market, which will serve as junior anchors. Five additional retail tenants have been signed. The property has a total of 265,700 square feet of retail space to lease/sell.

The multi-family component of the property is 61.2% pre-sold, the town house component is 100% pre-sold, and the hotel component is just under 49% pre-sold. Only the office component (3.4% of the overall development) is 100% available. In total, the subject has 788,888 square feet of development potential available.

It is typical in large-scale, mixed-use developments for the pace of leasing/sales to increase following the initial tenant announcements. The high-profile nature of the subject property, the first CDA district established in Fairfax County, the high-end nature of the signed tenancy, and the excellent location of the property would support the assumption that the remaining development capacity will be well-received.

There are no other developments of a comparable nature to the subject in the immediate market area. In terms of recent developments in Merrifield, there has been limited retail activity. Halstead at the Metro is a 62,660 square foot mixed-use building (office with ground-level retail) that delivered in April, 2007 and was stabilized in less than one year. The Shoppes at Merrifield is a 21,914 square foot center under renovation that is being marketed for lease. There have been three multi-family properties delivered in the neighborhood since 2007, each of which leased to stabilized occupancy within one year of delivery. Courtyard Dunn Loring was delivered in 2005.

There have been five office properties delivered in 2009 and 2010 within less than one mile from the subject. These properties currently have a 50% vacancy rate, with approximately 160,635 square feet absorbed since delivery. The subject's office component makes up a very small portion of the development (3.4%), and will benefit from the surrounding development greatly.

Based primarily on the success of the development to-date, we have projected a sell-off of the remaining development components over a two-year period, as summarized in the following chart:

	Year Ending	December-11	December-12
	Initial Inventory FAR	1st Year	2nd Year
Market Unit Inventory Absorption	1,724,212		
Retail	335,200	175,000	137,100
Multi-Family	900,018	571,543	351,575
Town House	218,994	218,994	0
Office	65,000	0	65,000
Hotel	205,000	100,000	105,000
Inventory Sold	0	1,065,537	658,675
Remaining Market Inventory	1,724,212	658,675	0

In terms of the contracts in-place, we have assumed the closing dates projected by the developer, which are based on the pace of infrastructure improvements. All of the contracts in place are fully executed contracts to the best of our knowledge.

Discounted Cash Flow Analysis

The final step in the development method is to correlate the net income streams into an indication of market value for the property. The development method is typically performed as a discounted cash flow analysis, with monthly or quarterly periods. Due to the size of the subject and the required sell-off period based on current market conditions, annual cash flows are utilized in this case. In this scenario, the annual cash flows and the expected reversionary value are discounted to a present value indication through the application of an appropriate yield rate (IRR). In a sell-off analysis, the yield rate accounts for the time value of money and the part of the risk/profit to the investor.

Developer's Profit

In this market, we have found that developer's profit is accounted for through a variety of methods when performing a subdivision development analysis. Depending on the size of the inventory and the investor, a potential purchaser might perform a straight-line analysis or through the Subdivision Development Method. In the discounted sell-off analysis, profit requirements are either incorporated into the discount/yield rate (IRR), or there is a line item deduction applied in conjunction with a more conservative yield rate.

In the subdivision development method, we are allocating the developer's profit to the appropriate discount rate (IRR) for use in valuing the prospective cash flows.

In order to determine the appropriate profit for use in this analysis, we have consulted the most recent land development survey by the Korpacz Real Estate Investor Survey (Second Quarter 2010), published by PriceWaterhouseCoopers. We also surveyed several local market participants.

PriceWaterhouseCoopers Korpacz Real Estate Investor Survey (2Q-2010)		
Free & Clear Developer's Profit	Range Average	12.00% - 30.0% 21.25%

As indicated, the investor's responding to this survey are reporting a wide array of profit expectations. This is not surprising as development projects tend to vary greatly in terms of risk. One factor to consider is that many of these responses may be geared towards development of raw land, which would typically require more profit, due to higher risk. Another factor that should be considered is that the profit expectations cited above are based on cost (including land), rather than the sales receipts.

The appropriate overall profit for use in the valuation of the subject should fall within this range on an as-is basis, between 15% and 25%.

Survey of Local Developers

In addition to the market-extracted data, we consulted with several active developers in the area pertaining to profit expectations for a proposed subdivision. The following chart summarizes comments from several local market participants who have recently been involved with subdivision developments.

Developer/Investor	Indicated Discount Rate
Washington Real Estate Investment Trust	10%-25%
Trammell Crow Realty	15% - 20%
O'Neill Development	15%-25%
Winchester Homes	20%-25%
Concordia Group	10%-20%
Beazer Homes	18%-25%
Madison Homes	18%-20%
Alex Brown Realty, Inc.	19.2% - 25.5%
Avanti Investment Advisors	16.0% - 20.0%
Richmond American Homes (NVR)	15.0% - 20.0%
National Capital Homes	15.0% - 21.0%
Ryland Group	20%
Joseph Diegart	20% - 30%

The following factors regarding the subject property have influenced the selection of a discount rate:

Positive:

1) The subject benefits from an excellent location, with high visibility from major traffic routes. The intersection of Lee Highway and Eskridge Road at the north end of the development has a daily count of 61,000 vehicles. One block east of the subject, the intersection of Lee Highway and Gallows Road has a daily count of 80,000 vehicles. One block south of the subject, the intersection of Arlington Boulevard and Gallows Road has a daily count of 265,000 vehicles. The Capital Beltway (198,000 vehicles per day) is three blocks east of the subject and Interstate 66 (173,000 vehicles per day) is four to five blocks to the north. The Dunn Loring Metro Station is also only a few blocks north of the property.

2) The neighborhood is targeted for growth by Fairfax County. The subject is within the first Community Development Authority (CDA) approved by the county, and the development as proposed conforms to the master plan of the area.

3) The development is nearly 60% pre-leased/sold almost two years before any of the development is scheduled to open.

Negative:

1) Based on the current economic and credit crisis, much of the large-scale development in the commercial sectors has either come to a halt or slowed considerably. Although positive signs are occurring in the office and multi-family markets in the form of more aggressive investment parameters for improved sales, this activity has not translated into land sale activity. Still, the status of the subject (59.5% pre-leased/sold) mitigates this risk considerably.

Based on the information from regional investors, the current state of the commercial and residential markets, a discount rate of between 20% and 25% appears reasonable. In this case, we have applied a discount rate of 20.0%. The as-is discounted sell-off is presented on the following page.

Subject Property
Winthin the
Mosaic CDA, Merrifield, VA
Selloff Analysis - As-Is
As Of January 1, 2011

	Year Ending Initial Inventory FAR	December-11 1st Year	December-12 2nd Year	Total Sales
Market Unit Inventory Absorption	1,724,212	1,724,212	658,675	
Retail	335,200	175,000	137,100	312,100
Multi-Family	900,018	571,543	351,575	923,118
Town House	218,994	218,994	0	218,994
Office	65,000	0	65,000	65,000
Hotel	205,000	100,000	105,000	205,000
Inventory Sold	0	1,065,537	658,675	1,724,212
Remaining Market Inventory	1,724,212	658,675	0	
Land Unit Sales				
Retail		$12,250,000	$9,884,910	$22,134,910
Multi-Family		$37,910,447	$23,319,970	$61,230,417
Town House		$11,400,828	$0	$11,400,828
Office		$0	$3,900,000	$3,900,000
Hotel		$5,122,000	$5,539,443	$10,661,443
Total Gross Sales		$66,683,275	$42,644,323	$109,327,598
Development Costs				
Site Finish	$28,029,000	$14,014,500	$14,014,500	$28,029,000
Public Improvements (CDA)	$38,252,836	-$19,126,418	-$19,126,418	-$38,252,836
Total Development Costs		-$5,111,918	-$5,111,918	-$10,223,836
Expenses:				
Real Estate Taxes		$672,443	$264,590	$937,032
Commissions	2.0%	$1,333,665	$852,886	$2,186,552
Administrative/Marketing	1.0%	$666,833	$426,443	$1,093,276
Total Expenses		$2,672,941	$1,543,919	$4,216,860
Net Cash Flow		$69,122,252	$46,212,321	$115,334,573
Present Value Factor @	20.0%	0.83333	0.69444	
Net Present Value		$57,601,877	$32,091,890	$89,693,766

Present Value Summary

Value Indication "As-Is"	$89,693,766
Rounded to	**$89,700,000**
Per Development SF/FAR	**$52.02**

Based upon our findings, and in conformity with the Code of Professional Ethics and Standards of Conduct of the Appraisal Institute, and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation, it is our opinion that the estimated “as is” market value of the fee simple interest of the subject property assuming the uses approved for development within the Mosaic CDA District, as of the 1st day of January, 2011, is:

EIGHTY-NINE MILLION SEVEN HUNDRED THOUSAND DOLLARS
$89,700,000*

***We are valuing the subject site based on the proposed development plan provided by ownership.**

FINAL RECONCILIATION

After considering all of the relevant valuation techniques, the value indications are correlated into a final estimate of market value for the property.

The purpose of the appraisal is to estimate the as is market value of the fee simple interest of the subject property as of a current date. The land is currently vacant, with infrastructure improvements under construction.

We have determined that the most appropriate method of valuation is the development method, which incorporates elements from all three approaches to value (Income Capitalization, Sales comparison and Cost). The process of the development approach projects the anticipated sell-off of the individual land bays. All applicable expenses are deducted from the anticipated revenues, resulting in net proceeds to the developer. These proceeds are discounted back, at a market-derived rate, to arrive at a present value indication of the property to a potential investor/developer on a bulk basis. Market evidence suggests that investors rely on similar methodologies in their analysis of large tracts of land.

The sales comparison approach reflects an estimate of value as indicated by the sales market. In this approach, the appraisers search the local market for transfers of similar type properties. These transfers are analyzed for comparative units of value based upon the most appropriate market indicators (i.e. $/Acre, $/lot, $/SF). Aspects of this approach were used in conjunction with the development model.

A derivation of the income capitalization approach, the development method was employed using discounting methodology in order to derive a wholesale value indication for the "as is" value of the subject to a single purchaser. The development or subdivision method involves a series of reductions from the gross sell-out pricing to account for the appropriate costs of ownership, marketing, carry and costs to finish. This technique requires several assumptions regarding lots pricing, absorption, development costs, carrying costs and discount/profit rates.

As the subject is vacant land area, the cost approach is not considered applicable, although costs to finish the lots were accounted for in our analysis. Furthermore, in the projection of the value for the hotel as complete, we considered the Cost Approach as well as the Income Capitalization and Sales Comparison Approaches.

Based upon our findings, and in conformity with the Code of Professional Ethics and Standards of Conduct of the Appraisal Institute, and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation, it is our opinion that the market value of the fee simple interest in the subject property, in its as-is condition, as of January 1, 2011 is:

EIGHTY-NINE MILLION SEVEN HUNDRED THOUSAND DOLLARS
$89,700,000*

***We are valuing the subject site based on the proposed development plan provided by ownership.**

A D D E N D A

ENGAGEMENT LETER

2010/392
736.3.12

STONE &
YOUNGBERG

October 28, 2010

Thomas J. Shields
Joseph J. Blake and Associates, Inc.
Canal Square
1054 31st Street NW, Suite 530
Washington, DC 20007

RE: Market Value Appraisal for the Real Property in the Mosaic District Community Development Authority

Dear Mr. Shields:

By this letter, I hereby request you to prepare an appraisal of the real property (the "Property") in the Mosaic District Community Development Authority located in the County of Fairfax, Virginia (collectively, the "District"). The appraisal should estimate the following values:

(a) The "as is" market value of the Property as of the date of the appraisal;

(b) The "as is" market value of the land as of the date of the appraisal;

(c) The prospective market value of the Property, assuming completion of the improvements funded by bond proceeds as of the date of completion of those improvements; and,

The Property includes 31.31 acres approved for approximately 1,000 dwelling units, a multiplex theatre, 125,000 square feet of office space, 500,000 square feet of other non-residential uses and a 150 room hotel.

The purpose of this appraisal will be for inclusion in a limited offering memorandum for the issuance of tax increment/special assessment revenue bonds (the "Bonds") to be issued by the District for the purpose of financing portions of the public facilities. Incremental County real property taxes will be used to repay the Bonds. If these tax revenues are insufficient to meet the debt service requirements on the Bonds, the property owners will be responsible for the payment of special assessments in the amount of the deficiency. The offering document will be provided to potential buyers of the bonds, and the appraisal will provide the investors with information on the property and its estimated value.

The scope and content of the appraisal should be prepared in conformity with the Uniform Standards of Professional Appraisal Practice and presented in the Uniform Appraisal Report Form. In arriving at the appraised value, please utilize all three standard approaches to value (cost, income, and sales comparison); if one of these approaches is not applicable, explain your reasons for not using that specific approach.

The findings, analysis, supporting data and documentation, and conclusions should be conveyed in a written appraisal format that is self-contained and logically leads the reader to the value conclusion.

The report must be signed by an appraiser who is a Member of the Appraisal Institute (MAI) must sign the report and take full responsibility for its contents. Any individuals who provide significant assistance with its preparation should also sign the report. The MAI Appraiser must certify that the assignment and remuneration was not based on a requested minimum or specific valuation or the approval of any financing.

The appraisal should include a detailed specific description of the property being appraised. The appraisal report should thoroughly address the characteristics of the property and its environment. Any neighborhood or area influences that affect the property's marketability or value should be identified and reflected in your analysis. The appraisal should report any prior sales of the property in the preceding three years. The person preparing the report should be familiar with the market data used in the valuation and should verify sales prices of comparable properties. The marketing period presumed in the report should be stated. Any market conditions or trends that may affect the absorption period or the value of the property should be reported. The report should include and describe appropriate deductions and discounts for the subject property compared to comparable properties.

I will see that you are provided with the following information:

(i) The identity of the parcels included in the District;

(ii) The improvements to be financed by the bonds;

(iii) Construction cost estimates for and a description of the proposed development in the District;

(iv) Pro forma financial projections for the proposed development in the District;

(v) Purchase prices paid by the buyer for the parcels in the District; and

(vi) Other information you may request.

Please provide me with a list of the additional information you will need. You should review cost estimates and income projections but rely on your own judgment or research as to their veracity.

The schedule I hope you can meet for the preparation of the appraisal is as follows:

12/10/10	**Distribution of first draft of the appraisal;**
12/15/10	**Meeting or conference call to review the first draft;**
12/27/10	**Distribution of second draft of the appraisal;**
12/28/10	**Meeting or conference call to review the second draft; and,**
01/14/10	**Completion of the appraisal report.**

Please address the appraisal report to the Mosaic District Community Development Authority, c/o Ramiro Albarran, Stone & Youngberg, 390 Park Avenue, 15th Floor, New York, NY 10022. We will need electronic copies of the draft and final appraisal. The final report must be in a format that can be reproduced in the bond offering document.

As with most costs incurred by the Mosaic District Community Development Authority, these costs will be paid by Edens & Avant, the Developer of the property.

Your fee of fourteen thousand dollars ($14,000.00), and if necessary for court testimony in this matter, the fee would of two hundred and seventy five dollars per hour ($275.00) should be invoiced to Mark Garside, Managing Director, Edens & Avant, 1221 Main Street, Suite 1000, Columbia, SC 29201. In the event it is requested to terminate this assignment prior to its completion, a fee for services rendered will be based upon a per diem rate of seven hundred and fifty dollars ($750.00), plus expenses, not to exceed the total fee. If the report is late at the fault of the appraisers, the fee will be reduced by $200 per business day. Payment will be due 30 days from completion and receipt of the final draft of the appraisal report.

Very truly yours,

Ramiro Albarran
Stone & Youngberg, LLC

Acknowledged and agreed in regards to the payment terms stated herein:

Thomas J. Shields
Principal/Regional Manager
Joseph J. Blake and Associates, Inc.

QUALIFICATIONS OF THE APRAISERS

QUALIFICATIONS OF THOMAS J. SHIELDS, MAI

Thomas J. Shields tshields@blakeglobal.com has been employed since 1985 by the firm of Joseph J. Blake and Associates, Inc., Professional Real Estate Appraisers and Consultants. Mr. Shields is currently the Principal/Regional Manager of the Mid-Atlantic Regional Office, located in Washington, D.C.

MEMBER:

Appraisal Institute, MAI - #9784

STATE CERTIFICATION:

Commonwealth of Virginia, Certified General Appraiser (#4001 002330)
District of Columbia, Certified General Appraiser (#GA00010248)
State of Maryland, Certified General Appraiser (#4892)
State of North Carolina, Certified General Appraiser (#A4207)
State of Tennessee, Certified General Appraiser (#00002196)

EDUCATION:

Gettysburg College
Gettysburg Pennsylvania
B.A. Degree
Major: Business Administration
Minor: History

APPRAISAL EDUCATION

AIREA Courses for MAI:

Course 1A1	-	Real Estate Appraisal Principles
Course 1A2	-	Basic Valuation Procedures
Course 1B-A	-	Capitalization Theory and Techniques - Part A
Course 1B-B	-	Capitalization Theory and Techniques - Part B
Course 2-1	-	Case Studies in Real Estate Valuation
Course 2-2	-	Report Writing and Valuation Analysis
Course SPP	-	Standards of Professional Practice
Demonstration Appraisal		
Comprehensive Examination		
Continuing Education	-	Currently certified under the Continuing Education Program and the Appraisal Institute

APPRAISAL EXPERIENCE:

One/Four Family Residential Dwellings;
Cooperative and Condominium Units;
Narrative appraisal assignments including Industrial Properties; Retail Properties; Office Facilities; Apartment Complexes; Hotels and Motels; Condominium Conversions; Nursing Homes; Assisted Living Facilities; Mixed- Use Facilities; Vacant Land and Proposed Subdivisions; and Medical Office Condominiums. Expert Witness for trials in Virginia, Maryland, West Virginia and Washington, D.C.

QUALIFICATIONS OF THOMAS J. SHIELDS, MAI

Continued...

PROFESSIONAL ACTIVITIES:

Board Member	-	Appraisal Institute (2008)
Board Member	-	Mortgage Bankers Association (2007-2008)
Chairman	-	Commercial Real Estate Finance Council of the Washington Mortgage Bankers Association

PARTIAL LIST OF CLIENTS:

-Carr Properties - Washington, D.C.
-Chase Manhattan Bank - New York, NY
-Calpers - San Francisco, CA
-Turner Construction - New York, NY
-Citicorp Real Estate - New York, NY
-DIHC Management - Atlanta, GA
-Bank of America - San Francisco, CA
-Equitable Real Estate - Washington, D.C.
-European American Bank - Uniondale, NY
-JE Robert Co. - McLean, VA
-GE Capital - Washington, D.C.
-General Services Administration - Philadelphia, PA
-John Hancock Realty - Boston, MA
-La Salle Properties - Chicago, IL
-The L&B Group - Dallas, TX
-Mass Mutual - Washington, D.C. and Springfield, MA
-Mellon Bank - Pittsburgh, PA
-Metropolitan Life - Atlanta, GA
-Prudential Realty - Newark, NJ
-Raymond James Properties - Atlanta, GA
-The Staubach Company - McLean, VA
-TA Associates - Boston, MA
-Urdang Advisors - Philadelphia, PA
-Trammell Crow Company - Washington, D.C.
-SSR Realty Advisors – White Plains, NY
-Capmark – Vienna, VA
-Holiday Fenoglio, LP – Houston, TX
-Heller Financial – Chicago, IL
-Continental Wingate – Boston, MA
-National Realty Funding – Kansas City, MO
-Main America Capital – Atlanta, GA
-Central Park Capital – Atlanta, GA
-Fidelity & Trust – Washington, D.C.
-Sovereign Bank – Brooklyn, NY
-Banc One Capital – Reston, VA
-Forest City - Cleveland, OH
-Wachovia - Winston Salem, NC
-CIBC – New York, NY
-AT&T Investment Mgmt.– New York, NY
-Suburban Capital - Rockville, MD
-CS First Boston – New York, NY
-Metric Realty - San Francisco, CA
-Nomura - New York, NY
-Lehman Brothers – New York, NY
-New York Teachers' Pension Fund - Albany, NY
-TransAtlantic Capital, New York, NY
-Lincoln Property Co. - Rosslyn, VA
-Illinois State Teachers' Retirement - Springfield, IL
-Columbia Bank -
-National Cooperative Bank - Washington, DC
-Citizens Bank - Laurel, MD
-Midland Loan Services - Kansas City, MO
-The Gunwyn Company - Boston, MA
-Prentiss Properties - Dallas, TX
-Westmark Realty Advisors - Los Angeles, CA
-Wells Fargo Realty Advisors-Washington, DC
-PNC Bank – Pittsburgh, PA
-American Bank – Bethesda, MD
-Providence Funding – South Bend, IN
-Columbia Bank – Columbia, MD
-National Valuation Consultants – Princeton, NJ
-Eagle Bank – Bethesda, MD
-Commerce Bank – Harrisburg, PA
-CB Richard Ellis – Orlando, FL
-MMA Financial – St. Paul, MN
-Fulton Bank – Herndon, VA
-Johnson Capital – Vienna, VA
-Washington Mutual –Irvine, CA

DEPARTMENT OF PROFESSIONAL AND OCCUPATIONAL REGULATION
COMMONWEALTH OF VIRGINIA

EXPIRES ON
06-30-2011

9960 Mayland Dr., Suite 400, Richmond, VA 23233
Telephone: 1 (804) 367-8500

NUMBER
4001 002330

REAL ESTATE APPRAISER BOARD
CERTIFIED GENERAL REAL ESTATE APPRAISER

THOMAS J SHIELDS
1054 31ST STREET NW #530

WASHINGTON DC 20007

Jay W. DeBoer
Jay W. DeBoer, Director

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QUALIFICATIONS OF JOSEPH B. YATES

Joseph B. Yates is an associate of the Mid-Atlantic Office of the national real estate appraisal and consultation firm Joseph J. Blake and Associates, Inc. located at

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Prior to joining Blake and Associates, Mr. Yates worked in the Market and Investor Research division of the Commercial Real Estate Finance Department at Chase Manhattan Bank in New York. Other related work experience includes six years in the banking industry in the Eastern Panhandle of West Virginia.

EDUCATION:

Bachelor of Arts Degree in History and Theater, May, 1987
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RECENT APPRAISAL ASSIGNMENTS INCLUDE:

Office properties including multi-tenant, single tenant and mixed-use facilities; retail buildings including shopping centers, strip centers and free-standing; industrial buildings including warehouse and mixed-use facilities; apartments including garden-style and townhouse properties; and vacant land.