Johns Hopkins University

Carey School of Business: Real Estate

Development and Investment Proposal

Twinbrook Lofts

Class A Residential Tower

1800 Chapman Avenue Rockville, MD 20852

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December 15th, 2011

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Part I – Executive Summary

Sachs, LLC is offering an attractive opportunity to invest in a transit oriented, ground up development of a 10 story mixed use apartment complex located at 1800 Chapman Avenue. The project is strategically located adjacent to the Twinbrook Metro Station and one block from Rockville Pike. The proposed project would capitalize on the recent zoning change from I-4 to MXTD high density zoning. The project delivery would parallel many area developments and economic initiatives further maximizing potential returns. The goal of the project is to create a cohesive, work, play and live environment.

The 230,000 square foot project is comprised of multifamily apartment units with first floor retail as prescribed by the zoning code. The luxury apartments will be designed with a range of studio to three bedroom contemporary units. The timing of the development is opportunistic; allowing Sachs, LLC to access inexpensive debt and deliver ahead of JBG's stage second and third phase Twinbrook plan. Furthermore, to foster a smart growth and sustainable community, Sachs LLC will build to a minimum LEED-NC GOLD certification providing 20% green space.

The MXTD zoning approved by MCPD allows for maximum density with no FAR requirement under the 2009 Twinbrook Sector Plan. The building model is determined by height recommendations and lot coverage ratios for the site. Sachs, LLC has thoughtfully designed the site to create a cohesive and consistent site line while simultaneously maximizing investor returns. Sachs, LLC has implemented various cost control methods throughout the development process to ensure budget and delivery are on schedule.

Investment Highlights

- Location (adjacent to Twinbrook metro) First privately owned site outside JBG-WMATA joint venture partnership
- Strategic proximity to developing Biotechnology corridor. In addition, positioned in a growing economic area with sounds macroeconomic indicators.
- Ideal access to public transportation, Rockville Pike and major commuter routes (I-270 & I-495)
- Low vacancy rates, increasing residential rents and positive net absorption

Financing:

Sachs, LLC is seeking 80% loan to cost on the construction loan through Phillips Capital Realty with permanent financing based upon an 80% loan to value at capitalization from GE Capital. Sachs, LLC is seeking an investor for 90% of the equity portion of the investment with an 8% preferred and all remaining cash flows pari-passu.

Development Figures:

Total Development Cost-	$44,454,949 ($192.95/foot)
Required Equity:	
- General Partner	$ 889,099 (10%)
- Limited Partner	$8,001,891 (90%)
Total Investment:	**$8,890,990**

Investment Horizon:	**10 Years**
Estimated IRR:	
Leveraged:	23.60%
Unleveraged:	10.11%

Part II- Salient Investment Features

Site Area:	28,800 square feet (.66 acres)
Proposed Use:	Class A Apartment Building
Proposed Building Area:	230,400 – Gross Square Feet
	198,144 – Net Rentable Square Feet
Current Zoning:	I-4 (light industrial)
Rezoning Required for Proposed Use:	No. Already designated MXTD with approved plan
Maximum Height:	10 Stories
Maximum Lot Coverage:	80%
Total Development Cost:	$ 44,454,949
Proposed Debt:	$ 35,563,959
Required Equity:	$ 8,890,990
Cap Rate at disposition:	5.5%
Investment Horizon:	10 years

Loan Structure:

20% Equity

10% Sachs, LLC - $889,099
90% Private Equity Investor - $8,001,891

80% Debt

1 Construction Loan- Commercial (Interest Only)
   a. LIBOR + 250 Basis Points Floating = .94 + 250= 3.44% IO
      i. 3-4 year term
      ii. Loan Amount- $35,563,959

2 Stabilized Debt- Commercial
   a. Fixed Rate
   b. 10 Year Treasury + 225 Basis Points = 2.07 + 225 = 4.32% Fixed
   c. 10 Year Term

d. 30 Year Amortization
e. Non-Recourse
OR

1.) Construction Perm Loan
    a. 10 year Treasury + 325 Basis Points = 2.07 + 325 = 5.32%

Property Overview:

The proposed development and investment is a redevelopment of 1800 Chapman Avenue from an I-4 zoned parcel currently housing a single story industrial facility to a 10 story multifamily building zoned MXTD. The proposal will evaluate market demand, financial feasibility and returns for interested parties.

The Site:

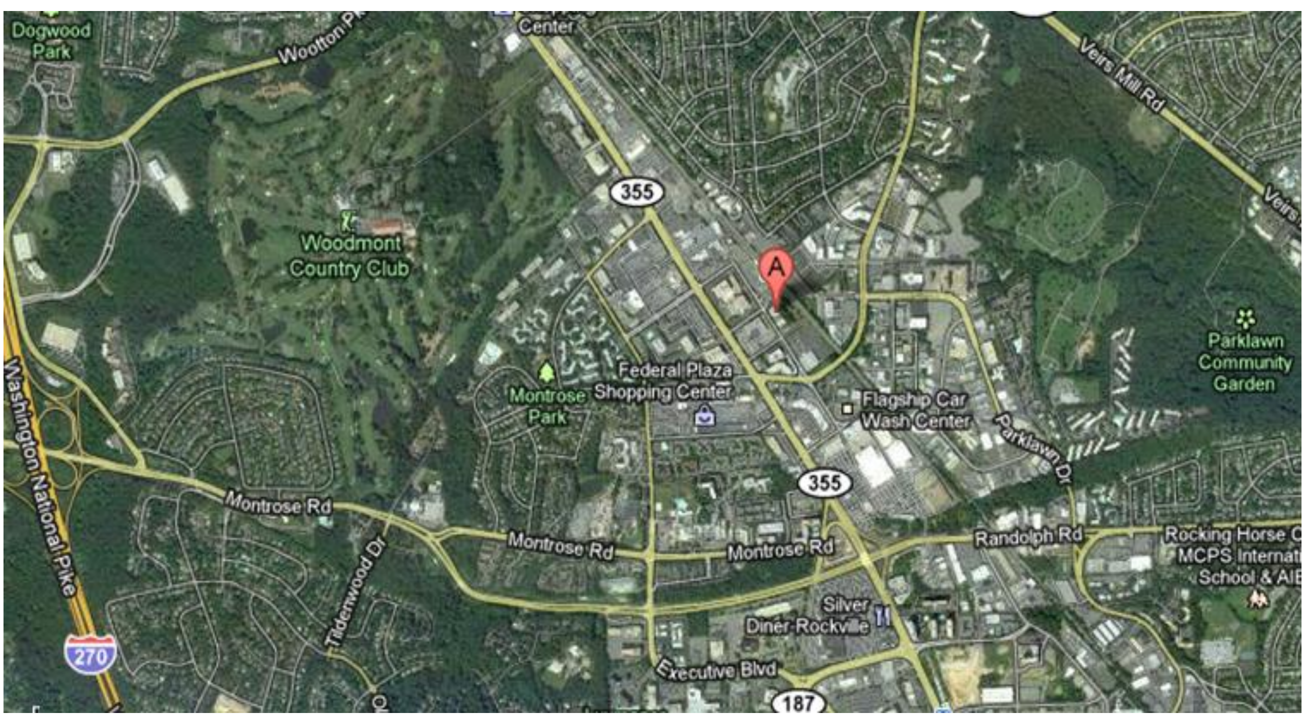
The address of the site is 1800 Chapman Avenue Rockville, MD 20852. The total lot area is 28,800 square feet. The property is situated less than ¼ mile from the Twinbrook metro station and well positioned to benefit from the approved JBG development partnership with City Of Rockville. This is the first available privately held plat of land zoned MXTD available beyond the scope of the proposed plan. The Twinbrook metro location is well positioned to attract DC Commuters as well as employees of the growing biotech sector in Montgomery County. The site is currently privately held by 456 Halpine, LLC. The current owner was also the operator of the site and the principal is Arthur Hamlin. The site has been owned since 1990 by this company. The property is now vacant and for sale (off market). The existing conditions of the site include concrete and gravel surfaces, poorly maintained building, overgrown landscaping, a chaotic mix of uses with no visual connection between developments and no integration with the surrounding community. Most importantly the existing use does not adhere to the approved sector plan for Twinbrook Station. The existing facility has no value add potential and will be torn down as part of the proposed development plans. There are already two existing curb cuts on the premises allowing for optional garage design and service alley access without significant City oversight.

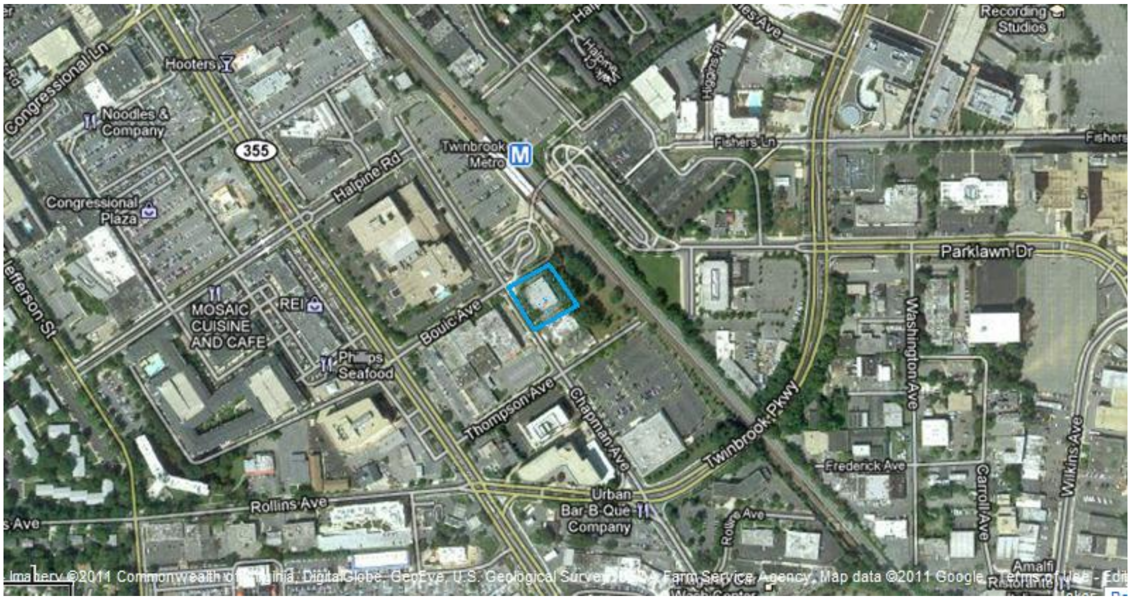
Proposed Plan and Use:

It is the recommendation of Sachs, LLC that the full buildable area be maximized at 80% lot coverage and maximum height attained (120 feet before concessions). 20% green space will be taken on the North side of the site abutting a commercial measuring 160"x 36". The existing zoning of I-4 (light industrial) had already been approved for an overlay of MXTD. The buildable floor plate will be 23,040 sq. ft. with a 14% core factor on ten floors or 198,144 GLA. The building will be built as multifamily live/work environment.

Site Map

This aerial image depicts the location of 1800 Chapman Ave. ideally located along metro access, but also a short distance from shops, entertainment and major commuter routes. Image two shows the perimeter of the site and proximity to Twinbrook Metro.

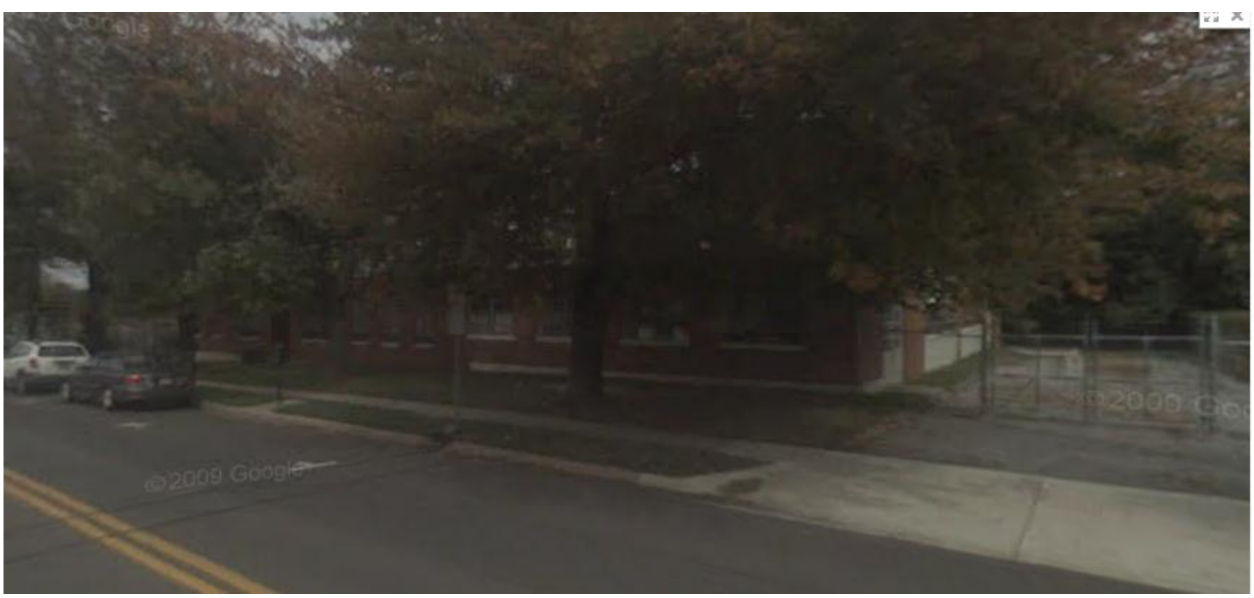




Site Photographs:

Ideal proximity to Twinbrook Metro. To the left is the Metro monument and the property line for 1800 Chapman is designated by the row of hedged mid-center photo. Also features are one of two existing curb cuts for property access.

Existing structure is a one story light industrial engineering and manufacturing facility.



South Side of property abutting neighboring auto body shop. Also shown is the car access that will become the garage entry point for the building.

Proposed Building Elevation:

Part III - Financial Information

1.) Pro Forma Notes

a. **Scheduled Gross Income**: Rents are forecasted based upon Q3 2011 market data for average rents across class A space at $2.02/foot. Calculated by taking the average asking rent for Rockville at $1,753 and dividing by the average unit size for the Rockville submarket. The units at Twinbrooks Lofts will be larger on average than market (a competitive advantage).
b. **Absorption and Turnover Vacancy**: Based upon the data collected from REIS for the Rockville submarket, the lease up period to achieve stabilization is 4 quarters or 1 years time. Pre-leasing will begin prior to build completion so a 65% starting occupancy is assumed with a 35% lease up spread over the course of the next year. There will be a 5% vacancy rate to account for unit rollover and general vacancy impact.
c. **Building Operating Expenses:** The average operating expense for high rise multifamily buildings in the Rockville submarket run an average of 41% of revenue. We are building the Class A multifamily to adhere to LEED GOLD certification and standards (as reflected in the build costs analysis premium). Therefore, it can be assumed operating expenses will be reduced from utility aspect by 2-3%. Therefore a 38% total operating expense ratio is used for projection purposes.
d. **Management Fee:** A 4% management fee is included in the pro forma. This 4% fee is a portion of the 38% total operating expense ratio.
e. **Real Estate Taxes:** Real Estate assessed value assumes a valuation of 85% of buildable costs. Real Estate taxes will be projected to increase at a rate of 3% per annum.
f. **Cap Ex:** Sachs, LLC is projecting $.10 PSF escalating at 3% per annum
g. **Retail TI and rental rate**: The rate of $23.80/foot for the 9,000 of proposed ground floor retail space is net of the TI concessions. They are factored on a 75/25 renewal probability.
h. **Unit Mix and Income:**
Unit mix was predicated by averages for the Rockville submarket across both apartment and condo spaces. Furthermore, proximity to metro factored into the process resulting in a larger percentage of studio units from 12% or 25 units. The majority of the units (80%) are one and two bedroom models averaging 850 and 1100 square feet respectively. There will be increases in rent based upon floor level of the unit. However, averages factor the high and low floor offsetting rents.

					Rent Summary- 2011 Pricing					
					Base Model					
Unit Type	% Mix	# of Units	Unit SF	Weighted	Total SF	Rent/SF	Monthly Rent	Total Monthly	Total Annual
Studio	12%	25	550	66	13,883	$ 2.35	$ 1,293	$ 32,624.35	$ 391,492.16
1 BR/1 BA	40%	74	850	340	62,577	$ 2.15	$ 1,828	$ 134,541.25	$ 1,614,494.98
2 BD/2 BA	40%	74	1100	440	80,982	$ 2.06	$ 2,266	$ 166,823.79	$ 2,001,885.43
3 BD/ 2BA	8%	17	1200	96	20,193	$ 1.98	$ 2,376	$ 39,982.18	$ 479,786.13
Subtotal Market Rent Units	**1**	**189**	**925**	**942**	**175,111**	**$ 2.14**	**$ 1,941**	**$ 373,971.56**	**$ 4,487,658.70**
MPDU									
1BD/1 BA (@12.5%)	12.5%	11	850	425	8,940	$ 1.37	$ 1,165	$ 12,252.54	$ 147,030.42
2BD/2BA (@12.5%)	12.5%	11	1100	550	11,569	$ 1.27	$ 1,400	$ 14,724.08	$ 176,688.92
Subtotal MPDU Units		**21.0**	**975**	**975**	**20,509**	**$ 1.32**	**$ 1,282.50**	**$ 26,976.61**	**$ 323,719.34**
Total Units		**210**	**975**	**945.3**	**195,620**	**$ 2.05**	**$ 1,874.70**	**$ 400,948.17**	**$ 4,811,378.04**
Total Parking		**247**	**350**	**N/A**	**86,450**	**0.42**	**$ 36,309**	**$ 36,309**	**$ 435,708**
Total Development Income								**$ 437,257.17**	**$ 5,247,086.04**

- Total number of units is 210 with 21 being MPDU units. Potential Gross Revenue including residential leases, retail space and parking is $5,202,989.54 excluding vacancy and loss.

	Year 2014	Year 2015	Year 2016	Year 2017
REVENUE (3%growth)	**65% Occupancy**	**Stabalized**		
RESIDENTIAL RENTS	$3,317,854	$ 5,257,523	$ 5,415,248	$ 5,577,706
RETAIL RENTS	$121,344	$227,245	$234,062	$241,084
POTENTIAL GROSS INCOME	**$3,439,198**	**$5,484,767**	**$5,649,310**	**$5,818,790**
LESS VACANCY ALLOWANCE	$0	($274,238)	($282,466)	($290,939)
OTHER INCOME				
PARKING	$300,458	$476,110	$490,393	$505,105
RETAIL REIMBURSEMENTS	$34,650	$63,000	$64,890	$66,837
EFFECTIVE GROSS INCOME	**$3,439,198**	**$5,749,639**	**$5,922,128**	**$6,099,792**
EXPENSES (3% growth)				
REAL ESTATE TAXES	$275,136	$459,971	$473,770	$487,983
OTHER (PAYROLL)	$171,960	$287,482	$296,106	$304,990
UTILITIES	$240,744	$402,475	$414,549	$426,985
REPAIRS/MAINTENANCE	$171,960	$287,482	$296,106	$304,990
INSURANCE	$154,764	$258,734	$266,496	$274,491
OTHER	$154,764	$258,734	$266,496	$274,491
MANAGEMENT	$137,568	$229,986	$236,885	$243,992
TOTAL OPERATING EXPENSES	**$1,306,895**	**$2,184,863**	**$2,250,409**	**$2,317,921**
NET OPERATING INCOME	**$2,132,303**	**$3,564,776**	**$3,671,719**	**$3,781,871**

- NOI at Stabilization with 38% expense ratio is $3,564,776

MPDU Requirements: Montgomery County requires 12% of new garden and high rise rental apartment complexes to be MPDU offerings. The Director may set different rent limits for units in high rise buildings if the Director determines that there is no other reasonable means available to finance the building of all required MPDUs at a specific development. Rents in high rise apartment buildings may be calculated using an income set at 70 percent of the median income for the Washington, DC PMSA (as opposed to 65 percent of the median, as is used for garden apartment developments). The type of unit and coinciding rental requirements are provided below.

MPDU Maximum Rents for 2011*
High Rise Apartment

Unit Size	**0 BR**	**1 BR**	**1 BR + Den**	**2 BR**	**2 BR + Den**	**3 BR**
Household Size	1	1.5	2	3	3.5	4.5+
a) MPDU Maximum Annual Gross Income	$52,000	$55,750	$59,500	$67,000	$70,750	$77,250
b) Monthly Gross Income	$ 4,333	$ 4,646	$ 4,958	$ 5,583	$ 5,896	$ 6,438
c) 25% of Monthly Gross (rounded up to the next highest $5) = MPDU Rent	**$ 1,085**	**$ 1,165**	**$ 1,240**	**$ 1,400**	**$ 1,475**	**$ 1,610**

<u>Part IV- Partnership Agreement</u>

The total cost for the development is projected at $44,454,949. The equity portion will constitute 20% or $8,890,990. The chart below depicts the equity partnership arrangement:

Partnership Breakdown			**Backend Promote**
Investor 1- Equity Partner	90%	$ 8,001,891	70%
Investor II- Sachs, LLC	10%	$ 889,099	30%
Total Equity	100%	$ 8,890,990	100%

The proposed partnership breakdown reflects cash flow resulting from operations and reversion of Twinbrook Lofts.

Sharing Cash Flow during Operations:

It's imperative to clearly define the expectations of the equity investors and ensure clarity with respect to cash flows. Funds from Operations (FFO) are defined by NOI plus other income (parking, etc.), minus overhead, interest payments but before taxes and depreciation. Sachs, LLC will pay an 8% preferred return on all cash flows generated by the asset. If, after paying the 8% return additional cash flows remain, additional distributions will be available to the partnership with a pari-passu structure. (50/50)

Cumulative Non-compounding Return

Sachs, LLC has structured the equity investment for Twinbrook Lofts as a non-compounding cumulative return. Meaning, if the 8% preferred return is not fully realized in a stated period, the remaining balance will roll over to the following period without carrying interest charges on the balance. Any unpaid balance will be paid in the next available period.

Sharing Promote

Upon the sale or refinance of the property, all cash flows shall be shard 50/50 after the 8% preferred is realized by the equity partner.

Below is a predicted cash flow return for both investors:

	Year 0		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10 (Reversion)
CFBT			($0.00)	$0.00	$2,430,095.83	$1,468,886.62	$1,576,462.19	$1,687,265.01	$1,801,391.93	$1,800,895.65	$1,945,113.39	$56,086,535.24
Investor 1 (8% pref)			$ (640,151.26)	$ (640,151.26)	$1,920,453.77	$ 640,151.26	$ 640,151.26	$ 640,151.26	$ 640,151.26	$ 640,151.26	$ 640,151.26	$640,151.26
Cash Flow to Partnership			($640,151.26)	($640,151.25)	$509,642.05	$828,735.36	$936,310.93	$1,047,113.75	$1,161,240.67	$1,160,744.39	$1,304,962.13	$55,446,383.98
Investor I (50%)			0	0	$254,821.03	$414,367.68	$468,155.46	$523,556.88	$580,620.33	$580,372.20	$652,481.06	$27,723,191.99
Total to Investor I	$	(8,001,891)	0	0	$2,175,274.80	$1,054,518.94	$1,108,306.72	$1,163,708.14	$1,220,771.59	$1,220,523.46	$1,292,632.32	$28,363,343.25
Investor II- Sachs, LLC (50%)	$	(889,099)	0	0	$254,821.03	$414,367.68	$468,155.46	$523,556.88	$580,620.33	$580,372.20	$652,481.06	$27,723,191.99
Investor I IRR		20%										
Investor II- Sachs, LLC (50%)		48%										

Based upon the partnership terms and predicted cash flows, the IRR for the equity partner will be 20%. The return for Sachs, LLC will be a very lucrative 48%.

Debt Financing:

Sachs, LLC consulted with Jon Mullen of Phillips Realty Capital who recommended we utilize Wells Fargo for the construction loan. Typically, construction financing is more expensive due to risk. However, because of current market conditions the construction pricing is arbitrarily low pricing at 250 basis points above LIBOR (one year maturity) OR .94% + 2.5% = 3.44%. The construction loan will be a 3 to 4 year, IO Term with 30 year amortization. Total financing will be $35,563,959.

Upon stabilization of the property (year 3), the construction loan will be taken out for permanent debt. The permanent loan will be through FNMA and all applicable refinancing fees and origination points paid from operating cash flows. The permanent loan will be based off the 10 yr Treasury plus a 225 basis point float OR 2.05% + 2.25% = 4.3%. The permanent loan will be a 10 year, non-recourse loan amortized over 30 years.

Part V: Site Design, Zoning, Building Costs

Building Situs

The land parcel designated for the Twinbrook Lofts development is 28,800 square feet or .66 acres. The existing zoning is I-4 (light industrial), but the approved overlay for the area within .7 miles of the Twinbrook Metro station is designated MXTD (Mixed Use Transit District Zone). This new zoning classification is most favorable for maximizing density and use with the fewest restrictions. The zone was intentionally developed to encourage smart growth and transit oriented development opportunities.

There is no maximum FAR designated in the MXTD zone. However, there are restrictions on lot coverage, setbacks, and height limitations. It should be noted that zoning code encourages zero lot line development in the MXTD zone assuming retail space is utilized. Sachs, LLC will be offering 9,000 square feet of retail space divided into 3 x 3,000 SF bays. The intended use will be dry cleaning, coffee shop, etc. with no major restaurant installations nor applicable parking requirement (to be discussed later).

1800 Chapman Avenue has no abutting residential property lines and, consequently, the only required setback is a 25' requirement from the rear property (East side of parcel). This 25' setback also addresses 15% of the necessary 20% green space or 80% buildable lot ratio. In order to satisfy the remaining 5%, the rear setback was increased from 25' to 32' feet across a rear span of 180' or 5,760 TSF. A copy of the existing building (to be demolished) and lot survey are attached in the appendage.

Elevation

The architectural firm selected to work on the project is Cunningham Quill Architects. They have a proven and established track record working not only in multifamily mixed use development, but also with loft style modern living. The material construction of the building is a combination of concrete and steel. By combining the two uses, we are able to achieve the aesthetic result desired and also control our construction costs.   The skin of the building will be primarily large floor to ceiling windows offset by steel beam with brick fascia to compliment the contemporary loft living.

Twinbrook Loft Amenities

The amenities for Twinbrook Lofts will feature all the modern luxuries including:

- Secure garage parking
- Fitness Room with flat screen interactive TV monitors
- Concierge desk
- Ground Floor Retail (Convenience)
- Free Lobby WIFI
- Executive office Suite
- Rooftop Pool
- Party Facility
- Ground level grilling stations and patio

Garage Parking

Structured underground parking is a necessity of the proposed site. The lot size isn't large enough to accommodate surface parking and above grade structured with residential above it (Midtown Condominiums) is discouraged through the zoning ordinance. However, being within immediate proximity to the Twinbrook Station affords a parking reduction. Below is the parking matrix requirements based upon MXTD requirements.

Unit Type	# of units	Req.	Spaces
Studio	25	0.5	13
One Bedrooms	84	1	84
Two Bedrooms	84	1	84
Three Bedrooms	17	2	34
Subtotal Residential	**210**		**215**
Retail Space	**Square Feet**	**Req.**	**Spaces**
Tenant A	3,000	(@1/800 ft)	3.75
Tenant B	3,000	(@1/800 ft)	3.75
Tenant C	3,000	(@1/800 ft)	3.75
Subtotal Retail	**9,000**	**1/800 ft**	**11.25**
Total Required Parking			**226**

The total required parking is 226 spaces. The proposed development will have a total of 247 spaces on three levels of parking. This was computed based upon 28,800/floor x 3 = 86,400 TSF. The parking requirement per space (factoring drive aisles, etc.) is 350 ft/space. The resulting number of spaces is 247. Sachs, LLC is very confident the additional spaces will rent at an average of $150/month and also drive additional rent for the retail spaces.

MPDU: Moderately Priced Dwelling Units

The Montgomery County MPDU program was tasked with determining the rental rates that can be charged for MPDU's. MPDU rent is set at a level so that qualified household pays no more than 25% of their monthly gross income on rent. Rental rates are computed using the maximum income limits for the MPDU program in effect at the time the MPDUs are offered for rent. The maximum annual gross income levels that are used are derived by taking 65% of the median income level for the Washington Metropolitan Statistical Area. Furthermore, maximum rents are segmented based upon unit type (i.e.- townhomes, garden style apartments, high rise). The chart below shows the Montgomery County approved 2011 high rise MPDU rate structure.

MPDU Maximum Rents for 2011*
High Rise Apartment

Unit Size	0 BR	1 BR	1 BR + Den	2 BR	2 BR + Den	3 BR
Household Size	1	1.5	2	3	3.5	4.5+
a) MPDU Maximum Annual Gross Income	$52,000	$55,750	$59,500	$67,000	$70,750	$77,250
b) Monthly Gross Income	$ 4,333	$ 4,646	$ 4,958	$ 5,583	$ 5,896	$ 6,438
c) 25% of Monthly Gross (rounded up to the next highest $5) = MPDU Rent	**$ 1,085**	**$ 1,165**	**$ 1,240**	**$ 1,400**	**$ 1,475**	**$ 1,610**

Land Value

Sachs, LLC has approached the owner of 1800 Chapman Street regarding the purchase of the site. Although negotiations are ongoing, a price of $3.4 M has been agreed upon for the land and existing buildings. At .66 acres, that equates to $5.15M/acre. The land cost/unit breaks out to $16,190.

Development Timeline

After speaking with consultants at Davis Construction, AvalonBay, Hines, and Boston Properties the following development plan was created for the completion of this project.

Development Timeline		
	Start	Finish
Development Plan Modification	1/1/2012	3/1/2012
Site Plan Approval	3/1/2012	8/1/2012
Close Construction Loan		8/1/2012
Construction	8/1/2012	12/31/2013
Delivery		1/1/2014
Stabilization		1/1/2015
Close Permanent Loan		1/1/2015
Reversion		12/31/2025

As previously stated, the site is already approved for MXTD zoning. The initial development plan modification timeframe allows the developer and architect to finalize site specifications and submit to planning and zoning for any final refinements. The process takes approximately a month. The architect will then have a month to resubmit changes for final approval. The five month window allows for final approvals and another three months for final constructions documents to be prepared to start construction. Construction is estimated to commence immediately to take advantage of the weather. The only time in the build that could provide "known unknown" inclement weather delays would be January-February of 2013. Sachs, LLC believes the 1.5 year construction timeline is realistic and attainable. Early deliver will further increase bottom line profitability.

Delivery of the building will occur on 1/1/2014, but preleasing will take place 6-8 months ahead of delivery to ensure the building can cover debt. Sachs, LLC projects a 65% occupancy rate within three months of delivery with stabilization realized over four quarters. Stabilization will occur on 1/1/2015 with a 5% market vacancy factor. At time of stabilization, construction loan will be taken out by perm loan at roughly 4.52% (10 year treasury +225 basis points).

Building Costs:

Below Grade:

APARTMENTS OR CONDOS: A/C?	A					
LEED: Y/N?	Y					
Below Grade	86,400	Sf			**Below Grade - Loaded Costs**	
Floors below grade	3	Ea			$77.76	Per Sf
Length of one side of floor	180	Lf			350	Sf per car
Width of one side of floor	160	Lf			247	Cars
SF per floor	28,800	Sf			$27,216	Per car
Depth per level	12.00	Ft				
Total perimeter per level	680	Lf				
Foundations (Ftgs, Deep, Mat): F/D/M ?	D					
Slab-on-grade: Y/N?	Y					
Sheeting/shoring: Y/N?	Y					
Elevators - traction	3	Ea				
Elevators - hydraulic/ shuttle		Ea				

Below grade construction (based upon parking calculations) will be three levels of structured parking at 28,800 SF per level. The breakdown per vehicle is $27,216 per vehicle buildable cost. The following spreadsheet shows the specific cost breakdown for the garage construction and total costs.

			QUANTITY	UNIT	COST RATE	COST EXTENSION	CURRENT ESTIMATE
GARAGE	86,400	Sf	$69.45	Sf			
Sheeting & Shoring			25,160	Sf	$35.00	880,600	
Additional sheeting & shoring at mat			0	Sf	N/A	0	
Excavation			43,413	Cy	$18.00	781,440	
Additional excavation (for mat or no shoring)			0	Cy	$18.00	0	
Dewatering (1 wp per 40Lf of perimeter)			17.0	Wp	$8,000	136,000	
Foundations	F		28,800	Sf	$22.00	633,600	
Slab-on-grade & pits			28,800	Sf	$4.50	129,600	
Foundation walls			25,500	Sf	$23.00	586,500	
Suspended slabs, drops, stairs, beams and columns			86,400	Sf	$14.00	1,209,600	
Misc concrete			86,400	Sf	$1.50	129,600	
Concrete premium for podium slab			0	Sf	$1.00	0	
Waterproofing - foundation walls			25,500	Sf	$5.00	127,500	
Waterproofing - under/ around mat			0	Sf	N/A	0	
Waterproofing - plaza level			5,761	Sf	$5.75	33,123	
Interior finishes and partitions			86,400	Sf	$2.00	172,800	
Residential storage			50	Ea	$350.00	17,500	
Shower/ Locker Rooms (for LEED)	LEED		2	Ea	$50,000	100,000	
Stick-pinned insulation under occupied space			23,040	Sf	$1.50	34,559	
Elevators - traction (cab w/ above grade)			9	Stp	$23,000	207,000	
Elevators - hydraulic/ shuttle			0	Stp	$30,000	0	
Elevators - cabs for hydraulic/ shuttle			0	Ea	$20,000	0	
Mechanical/Plumbing			86,400	Sf	$3.50	302,400	
Sprinkler			86,400	Sf	$1.75	151,200	
Electrical			86,400	Sf	$3.75	324,000	
Electrical consumption charges			86,400	Sf	$0.50	43,200	6,000,222

The final costs on the garage include excavation, sheeting and shoring and foundation work. It should be noted that the cost estimate above factors in additional projected foundation requirement because the site is located within close proximity of a rail line. Additional precautions will be taken in the construction process to ensure the building is properly insulated from any indirect seismic activity. The total costs for below grade work is $6,000,222. This represents 21.45% of the direct costs of the project.

Residences:

			QUANTITY	UNIT	COST RATE	COST EXTENSION	CURRENT ESTIMATE
RESIDENCES	232,395	Sf	$92.83	Sf			
Concrete structure			232,395	Sf	$18.00	4,183,110	
Hybrid structure			0	Sf	$21.00	0	
Wood structure			0	Sf	$16.00	0	
Units with balconies	40.0%		84	Units	$6,000	504,000	
Façade - average cost	$37.20		76,480	Sf			
Façade: punched windows	30.0%		22,944	Sf	$52.00	1,193,081	
Façade: storefront/ window wall	10.0%		7,648	Sf	$60.00	458,877	
Façade: curtainwall	0.0%		0	Sf	$80.00	0	
Façade: brick & framing	40.0%		30,592	Sf	$29.00	887,163	
Façade: precast & framing	10.0%		7,648	Sf	$40.00	305,918	
Façade: metal panels & framing	20.0%		15,296	Sf	$50.00	764,795	
Roofing and pavers			23,040	Sf	$10.00	230,395	
Green roof - premium (for LEED)	15.0%		3,456	Sf	$16.00	55,295	
Interiors	$29.46	avg.					
Cabinets	Medium		210	Units	$3,500	735,000	
Countertops	Medium		210	Units	$2,000	420,000	
Appliances	Medium		210	Units	$3,500	735,000	
Other residence interiors	Medium		232,395	Sf	$17.00	3,950,715	
Lobby (percentage of one floor)	6.0%		1,382	Sf	$155.00	214,267	
Amenity space (percentage of one flr.)	15.0%		3,456	Sf	$75.00	259,194	
Back of House (dock, service, etc.)	15.0%		3,456	Sf	$12.00	41,471	
Retail areas (cold, dark shell)	39.1%		9,000	Sf	$8.00	72,003	
Penthouse finishes			2,000	Sf	$6.00	12,000	
Pool w/ related structure, pavers, etc.			1	Ea	$155,000	155,000	
QA/QC, 3rd party inspections, etc.	Apartments		210	Units	$1,200	252,000	
Elevators - traction (one to Roof)			22	Stops	$23,000	506,000	
Cab finishes			2	Ea	$25,000	50,000	
Mechanical/Plumbing			210	Units	$13,000	2,730,000	
Mechanical/Plumbing - LEED premium	LEED		210	Units	$1,500	315,000	
Sprinkler			232,395	Sf	$2.00	464,790	
Electrical			210	Units	$8,500	1,785,000	
Electrical consumption charges			210	Units	$1,000	210,000	
Electrical - LEED premium	LEED		210	Units	$400	84,000	21,574,074

Total above ground construction costs including interior construction, MEP, façade, elevator systems and unit finishes total $21,574,074. That's the bulk of the hard costs construction fees representing roughly 78% of the total direct costs for the project. Medium finishes were selected for all units which would include granite, stainless steel appliances, wood flooring, etc. which is in line with consumer expectations for the Rockville submarket at the designated rent levels.

Indirect Costs:

				COST		CURRENT
		QUANTITY	UNIT	RATE	EXTENSION	ESTIMATE
General Conditions		77	Wk	$20,000	1,540,000	5.5%
Estimating Contingency				3.00%	881,151	
General Liability	Apartments			0.40%	127,909	
Builder's Risk Insurance		0.084%	/ year	0.124%	39,905	
GC Fee	Apartments			3.00%	918,095	
Gross Receipts Tax				N/A	N/A	
Payment and Performance Bond				0.63%	198,717	
Escalation				0.00%	0	
GRAND TOTAL					**31,537,469**	3,705,777

The indirect costs include fees for payment and performance bonds, risk insurance, general liability, the GC Fee and a 3% estimating contingency for change orders. The total overhead hard costs associated with the construction project are $3,331,792. The total hard costs for the project are $31,163,483 or $148,398/unit. This figure is in line with market construction starts and estimates.

Soft Costs:

Soft Costs are such items as marketing, legal, engineering, closing costs, insurance and architectural fees. A development fee of 3% is also included. Developer fees can range from 1-4% depending on the structure of the development process. The soft costs for the Twinbrook Lofts total $10,923,655 or 24% of the total development budget. Managing these costs effectively will be crucial to the success of the project. Softs Costs are more difficult to properly track and can therefore lead to exceeding budgetary requirements without proper management. The chart below depicts the break out of hard and soft costs for the development project. It should be noted that the site work costs are delineated from the construction expenses at $291,667. At $1.26/foot, the site work costs include demolition, but more importantly any environmental phase testing and remediation requirements. Because the prior use was I-4 light industrial, Sachs, LLC is building this in as a contingency.

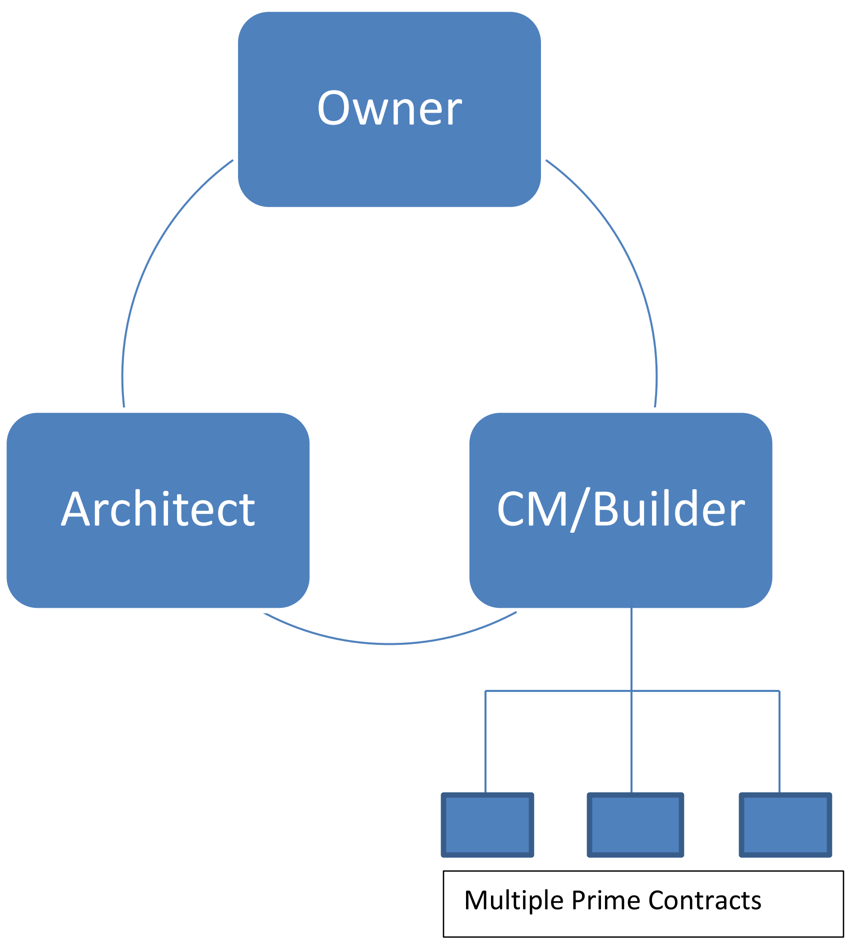
PRELIMINARY BUDGET ESTIMATE

Project: Twinbrook Lofts
Location: Rockville, MD
Date: 6-Nov-11

CODE	DESCRIPTION	ESTIMATED VALUES	ACTUAL COST	NET
LAND				
	Land	$ 3,400,000	$ -	$ 3,400,000
HARD COSTS				
	Office Building and Garage	$ 30,871,816	$ -	$ 30,871,816
	Sitework	$ 291,667	$ -	$ 291,667
SOFT COSTS				
	Architect Fee	$ 950,000	$ -	$ 950,000
	Civil Engineering Fee	$ 350,000	$ -	$ 350,000
	Site Plan Submission Fee	$ 50,000	$ -	$ 50,000
	Building Permit/Site Permit	$ 325,000	$ -	$ 325,000
	Payment & Performance Bond	Included in Construction Cost	$ -	$ -
	Appraisal	$ 45,000	$ -	$ 45,000
SOFT COSTS (CONT.)				
	Legal - Owner	$ 125,000	$ -	$ 125,000
	Legal - Settlement	$ 25,000	$ -	$ 25,000
	Legal - Other	$ 15,000	$ -	$ 15,000
	Title	$ 125,000	$ -	$ 125,000
	Lender Plan Cost Review	$ 5,000	$ -	$ 5,000
FINANCING & DEVELOPMENT				
	Financing Fees- Construction Loan (1.25%	$ 525,000	$ -	$ 525,000
	Financing Fees- Perm Loan	$ 250,000	$ -	$ 250,000
	Flood & Liability Insurance	$ 45,000	$ -	$ 45,000
	Construction Loan Interest	$ 1,850,000	$ -	$ 1,850,000
	Travel Expenses	$ 2,000	$ -	$ 2,000
	Interest Carry ($230,000 @ 18 Months)	$ 4,140,000	$ -	$ 4,140,000
	Contingency (included in construction cost)	$ -	$ -	$ -
	Lender Engineering Inspection	$ 50,000	$ -	$ 50,000
	Lender Commissions	$ 975,000	$ -	$ 975,000
	Developers Fee	$ 918,095	$ -	$ 918,095
	SUBTOTAL	$ 45,333,579	$ -	$ 45,333,579
	TOTAL	$ 45,333,579	$ -	$ 45,333,579
	Construction Loan Amount		**$ 36,266,863**	
	Cost In Excess of Loan (equity needed)		$ 9,066,716	
	Reality Check			
	Hard Cost	$ 34,563,483	76.24%	
	Soft Cost	$ 10,770,095	23.76%	
	Total	**$ 45,333,579**	**100.00%**	

Construction Controls:

Sachs, LLC will be pursuing the Twinbrook Lofts development as a Construction Management as Builder At-Risk approach. This approach utilizes the Builder/GC as an agent of the owner/developer, but the Builder holds the contracts with all sub-contractors. This approach will save valuable time vs. a design-bid-build model which is crucial for project success. Furthermore, it will allow Sachs, LLC to carefully monitor costs and also confirm a Guaranteed Maximum Price (GMP) at 75% construction documentation completion. This method also allows input from owner regarding design because contract is held separately. Model of proposed CM Builder method below:



Part VI - Market and Feasibility Analysis

The purpose of the market and feasibility analysis is to determine the highest and best use for the prospective development site and also provide demographic and economic date to support the findings. The overlay zoning of MXTD will allow for almost any mix type. However, the three evaluated as most practical are office, retail and multi-family. The zoning code does establish that ground floor retail is encouraged in the highest density areas of the rezoning plans. Specifically, the areas around the Twinbrook Metro Station.

National Economic Conditions

The painful 2007-2009 recession came to an end in June 2009, but its reverberations are still being felt. Real GDP declined 4.1 percent from peak to trough, the most severe in the post-war period, eclipsing the previous record of 3.7 percent experienced in the 1957–1958 recession. While virtually no sector of the economy went unscathed, the magnitude of the contraction in business investment and manufacturing explains much of the severity in the recent period relative to other recessions. However, what triggered the recession was the bursting of the housing and mortgage finance bubble as it cascaded throughout the financial system, ultimately leading to government intervention to stave off an even more serious economic contraction.

Overextended consumers facing heavy debt-servicing burdens on mortgages and credit cards, paired with wealth declines from losses in the stock market and the collapse in home values, deferred purchases of discretionary items such as cars and other consumer durables. Services tied to travel and tourism also witnessed a severe retrenchment. Foreign purchases of U.S. products and services fell, and a massive destocking of inventories combined with the fall in business investment caused industrial production to contract 14.8 percent from December 2007 to June 2009. The peak-to-trough decline in orders for manufacturing was 27.2 percent.

The ultimate measure of the severity of the recession is its impact on labor markets, and here the toll of the “Great Recession” was devastating and continues to this day. Based on the Bureau of Labor Statistics establishment survey, a total of 8.4 million jobs were lost during the recent recession, and the unemployment rate hit 10.1 percent. Small businesses accounted for a disproportion share of the losses, and few hired new workers during the recession. In most recessions, a number of small establishments continue to expand payrolls despite cutbacks at others.

Washington Metro –Economic Outlook

Marylanders have a lot to look forward to economically considering the financial stresses plaguing the majority of our country these days. The Columbia/Ellicott City area was ranked #2 (up from #8 in 2008) in this year’s CNNMoney.com ‘Best Places to Live’ report. Gaithersburg was ranked #25 and Rockville landed at #31. On top of that, Maryland is expected to close the fiscal 2010 budget with an excess $300 million budget surplus.

The unemployment rate is 7.1% as of July, compared to a national rate of 9.5%. These figures are likely to improve with continued development in the state and the intentions of the government to relocate loads of jobs and military to the area. Maryland is also attracting families due to its diverse make up. Within the proposed development area (Bethesda-Rockville corridor) unemployment is lower than the state average at only 5.6%.

The Washington DC Metropolitan Market was the top-performing metro among the 10 largest metros based on population and ranked sixth overall on this year's list. The federal government was by far the primary driver of the region's job growth from 2008 to 2009, adding nearly 11,000 positions. Last year's stimulus package, known as The American Recovery and Reinvestment Act of 2009, provided a significant boost to the metro's economy. Of the awards distributed, D.C. received nearly 10 times as much stimulus per capita as the national average.

Demographics

Demographic information includes characteristics on the population and socio economic conditions within the population of the Rockville Maryland and North Bethesda/ Twinbrook region. The chart below depicts the various demographic data and compares it the state figures for comparison. These statistics are based off of City of Rockville geographic area which encompasses the Twinbrook Metro Station.

Worth noting in the chart (next page) are the education and income levels for The City of Rockville. Based upon 2010 Census data, the median HHI was $93,774.In comparison, Moody'sEconomy.com posted second quarter 2011 HHI for suburban Maryland at $152,236. The second highest sub-metro area in the country had a HHI of $122,167. Montgomery County is, per capita, one of the most educated geographic areas in the country. In Rockville along, over 56% of the population has a bachelor's degree or higher compared to only 27.5% Nationally. This translates to more jobs as companies relocate to retain qualified workforce. Northrop

Grumman recently announced they are moving their headquarters to Northern Virginia. This is expected to create 300+ executive positions alone. In addition, it’s also why Twinbrook was slated to become the jumping point for the biotechnology field and where additional growth is strongly encouraged and incentivized. Also impressive is the median value of owner occupied homes (70%) in the area at $487,500. Both the median income and home value are well above the National average. (National Average $185,400)

Living in same house 1 year & over, 2005-2009	85.2%	85.5%
Foreign born persons, percent, 2005-2009	29.6%	12.3%
Language other than English spoken at home, pct age 5+, 2005-2009	35.8%	14.9%
High school graduates, percent of persons age 25+, 2005-2009	91.1%	87.5%
Bachelor's degree or higher, pct of persons age 25+, 2005-2009	56.1%	35.2%
Veterans, 2005-2009	54,855	461,622
Mean travel time to work (minutes), workers age 16+, 2005-2009	33.0	31.1
Housing units, 2010	375,905	2,378,814
Homeownership rate, 2005-2009	70.0%	69.6%
Housing units in multi-unit structures, percent, 2005-2009	32.1%	25.3%
Median value of owner-occupied housing units, 2005-2009	$487,500	$326,400
Households, 2005-2009	344,099	2,092,538
Persons per household, 2005-2009	2.72	2.63
Per capita money income in past 12 months (2009 dollars) 2005-2009	$46,122	$34,236
Median household income, 2009	$93,774	$69,193
Persons below poverty level, percent, 2009	6.7%	9.2%

People QuickFacts	Montgomery County	Maryland
Population, 2010	971,777	5,773,552
Population, percent change, 2000 to 2010	11.3%	9.0%
Population, 2000	873,341	5,296,486
Persons under 5 years, percent, 2010	6.6%	6.3%
Persons under 18 years, percent, 2010	24.0%	23.4%
Persons 65 years and over, percent, 2010	12.3%	12.3%
Female persons, percent, 2010	52.0%	51.6%
White persons, percent, 2010 (a)	57.5%	58.2%
Black persons, percent, 2010 (a)	17.2%	29.4%
American Indian and Alaska Native persons, percent, 2010 (a)	0.4%	0.4%
Asian persons, percent, 2010 (a)	13.9%	5.5%
Native Hawaiian and Other Pacific Islander, percent, 2010 (a)	0.1%	0.1%
Persons reporting two or more races, percent, 2010	4.0%	2.9%
Persons of Hispanic or Latino origin, percent, 2010 (b)	17.0%	8.2%
White persons not Hispanic, percent, 2010	49.3%	54.7%

Rockville Maryland Submarket:

As throughout the greater Washington, D.C., region, the federal government and its private-sector connections play major roles in the Suburban Maryland economy. Until recently, the roles have been positive: growth in federal and related employment stood as a bulwark against National economic cycles. Unlike neighboring Northern Virginia, where defense-related business has supported strong growth cycles, however, Maryland's government connections have been rooted significantly in bioscience. Major federal agencies such as the National Institutes of Health (NIH), along with major private entities, is located along the I- 270 corridor in Montgomery County. While growth in bioscience has been slower than was hoped, an August report by Kiplinger.com notes that "Maryland is investing in bioscience research and development." Under the governor's BioMaryland 2020 strategy, "the state plans to bolster the sector with more private investment and increased commercialization of basic R&D work. It's sinking $1.3 billion into programs over 10 years.

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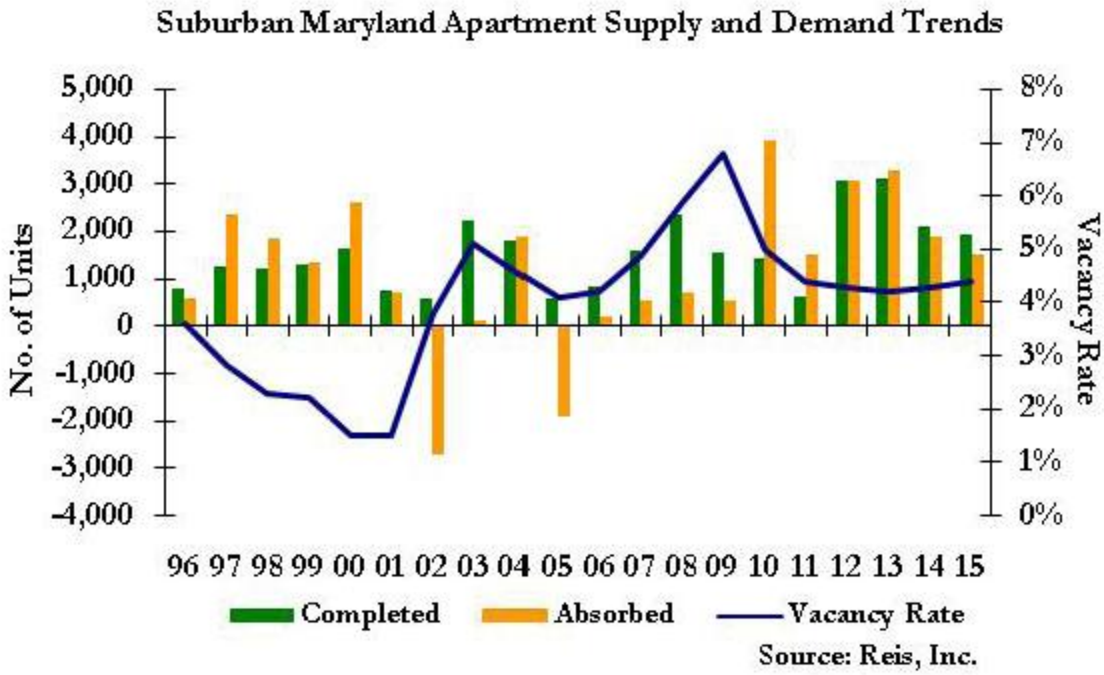
Rockville Apartment Market:

Sachs, LLC consulted Kevin Rivest of Bentall Kennedy and associates along with REIS data to analyze and assess the multifamily market in Washington DC and the suburban market. Furthermore, particular focus was paid to the Rockville submarket and pertinent data relating to unit mix, average rents, cap rates, etc. to properly assess the feasibility of the project.



While the local market passed through the period of recession without a single year of negative net absorption, demand was weak and trailed same-term new supply by substantial margins, driving the vacancy rate upward. On the other hand, with low vacancy standard fare here, the rate during the downturn rose no higher than second quarter 2009's 7.2%. Since then, recovery has commenced. Abetted by the release of pent-up demand in 2010 and continuing positive absorption in 2011, vacancy has dropped substantially. Accordingly, net absorption of 809 units through the first half of the year lowered the vacancy level to 4.9%, a return to pre-recession rates. With absorption minimally negative over the next two months, no change in the vacancy number had occurred as of August. Preliminary third-quarter reporting indicates a slight decline to 4.8%.

Developers, meanwhile, added 621 market-rate apartments during the first half of the year, all in two projects in Montgomery County that delivered during second quarter. The first to finish was the 345-unit White Flint Crossing, in April, in Rockville. The 276-unit Highland Square followed in Gaithersburg in May. Still under construction as of October, for delivery by the end of the year, was the 187-unit second phase of the Camden Summerfield property in Landover (Prince George's County). Apartment construction, however, has increased—in Suburban Maryland as throughout greater Washington, D.C. Reis's October report on construction cites 2,468 market-rate units in nine named projects under way or in planning stages for delivery in 2012 and 2013. Others remain in the pipeline.

Rent growth came to a halt in 2009; losses of note, however, were avoided. The revival of demand that followed brought the return of growth. Gains of 3.1% and 3.6% were calculated for the asking and effective averages for 2010. Growth rates of similar proportion are expected for 2011. At $1,318 and $1,257 per month, respective averages for second quarter were up 1.2% and 1.3% since year-end. Gains of 0.6% followed for both over the next two months. Preliminary reporting indicates a third-quarter asking average of $1,330 per month.

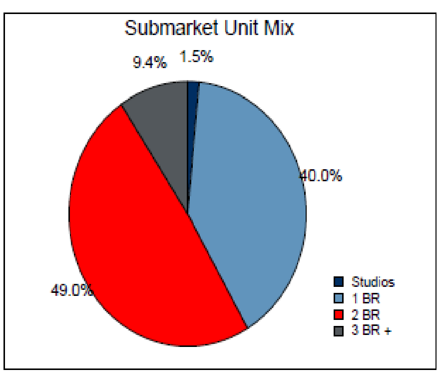
The submarket snapshot below breaks out the various submarkets of suburban Maryland into specific areas. Rockville has the second highest average asking rent at $1,753/unit with a vacancy rate of 6.5%. The vacancy factor is across all classes of multifamily property. The data would suggest that class A vacancy is actually closer to 4.8% with rents remaining level. Looking at submarkets adjacent to Rockville (Kensington, Gaithersburg, Takoma Park) vacancy rates are quite low ranging from 2.4-3.6% reinforcing the belief that demand is strong and more people are opting to rent vs. buy given current economic conditions.

Section 1 - Submarket Snapshot

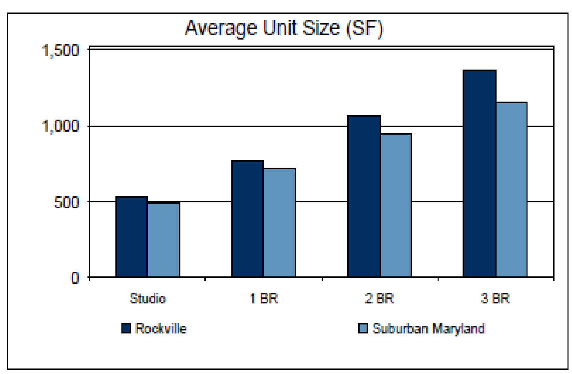
Submarket	Inventory (Buildings)	Inventory (Units)	Asking Rent $	Vac %	Free Rent (mos)	Expenses % (Apartment)
Rockville	36	10,603	$1,753	6.5%	0.9	41.7%
NE Montgomery	22	8,660	$1,325	4.4%	0.8	42.9%
Gaithrsbrg/Grmntwn	57	16,090	$1,390	3.6%	0.6	39.1%
Bethesda/Chvy Chas	44	8,545	$1,997	3.9%	0.5	43.1%
Kensington/Wheaton	37	8,081	$1,425	2.5%	0.5	43.2%
Takoma Park	46	10,845	$1,222	2.4%	0.6	43.3%
Laurel	39	12,064	$1,270	5.1%	0.3	41.6%
College Pk/Grnblt	26	12,345	$1,330	7.0%	0.7	42.3%
Hyattsville	42	13,214	$1,167	3.4%	0.4	42.5%
Forest Heights	40	13,894	$1,081	5.8%	0.3	43.5%
District Heights	28	10,379	$1,057	6.6%	0.7	43.0%
Landover	38	10,258	$1,138	5.4%	0.3	42.4%
Silver Spring	41	9,536	$1,533	4.8%	0.6	45.5%
Frederick Co	23	5,075	$1,034	4.7%	0.7	36.8%

In comparison to the suburban DC submarket, Rockville is outperforming on revenue per square foot basis, YOY rent increases and lower vacancy rates. In a comparison of Rockville average rents vs. Suburban Maryland (unit mix from Studio to 3 bedroom units) rents are between 15-22% higher for the Rockville submarket. Consumer and market demand dictate larger average unit sizes and coinciding buildable cost per unit in the Rockville submarket.

Section 6 - Submarket Unit Mix Inventory Details



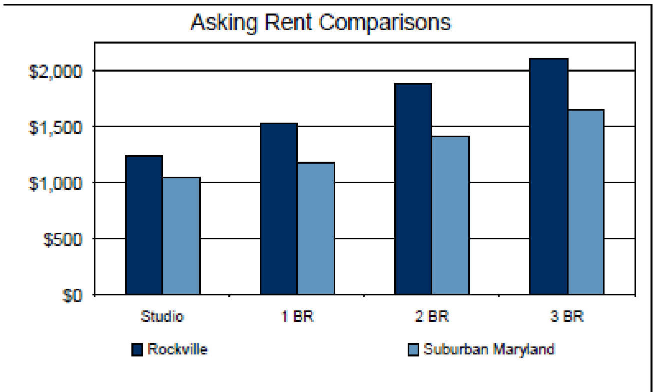
As of 09/30/11

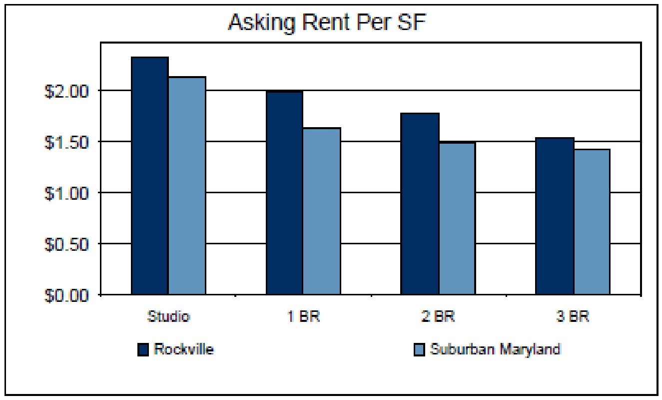


As of 09/30/11

Section 5 - Submarket Unit Mix Rent Details

Current Submarket Average Rents and Sizes				Asking Rent Growth					
	3Q 2011			Quarterly			Annualized		
	Rent	Avg. SF	Avg. Rent PSF	3Q11	2Q11	YTD	1 Year	3 Year	5 Year
Studio/Efficiency	$1,233	530	$ 2.33	5.7%	1.2%	6.6%	- 5.2%	4.1%	4.8%
One Bedroom	$1,529	771	$ 1.98	4.3%	1.8%	5.3%	- 0.6%	- 0.1%	2.1%
Two Bedroom	$1,883	1062	$ 1.77	1.3%	2.8%	3.7%	2.3%	1.3%	2.5%
Three Bedroom	$2,105	1369	$ 1.54	- 1.0%	- 0.4%	- 0.6%	- 2.8%	- 0.5%	1.2%
			Average over period ending:	09/30/11	06/30/11	09/30/11	12/31/10	12/31/10	12/31/10





	Studio	1 BR	2 BR	3 BR
Rockville	$1,233	$1,529	$1,883	$2,105
Suburban Maryland	$1,053	$1,174	$1,412	$1,654

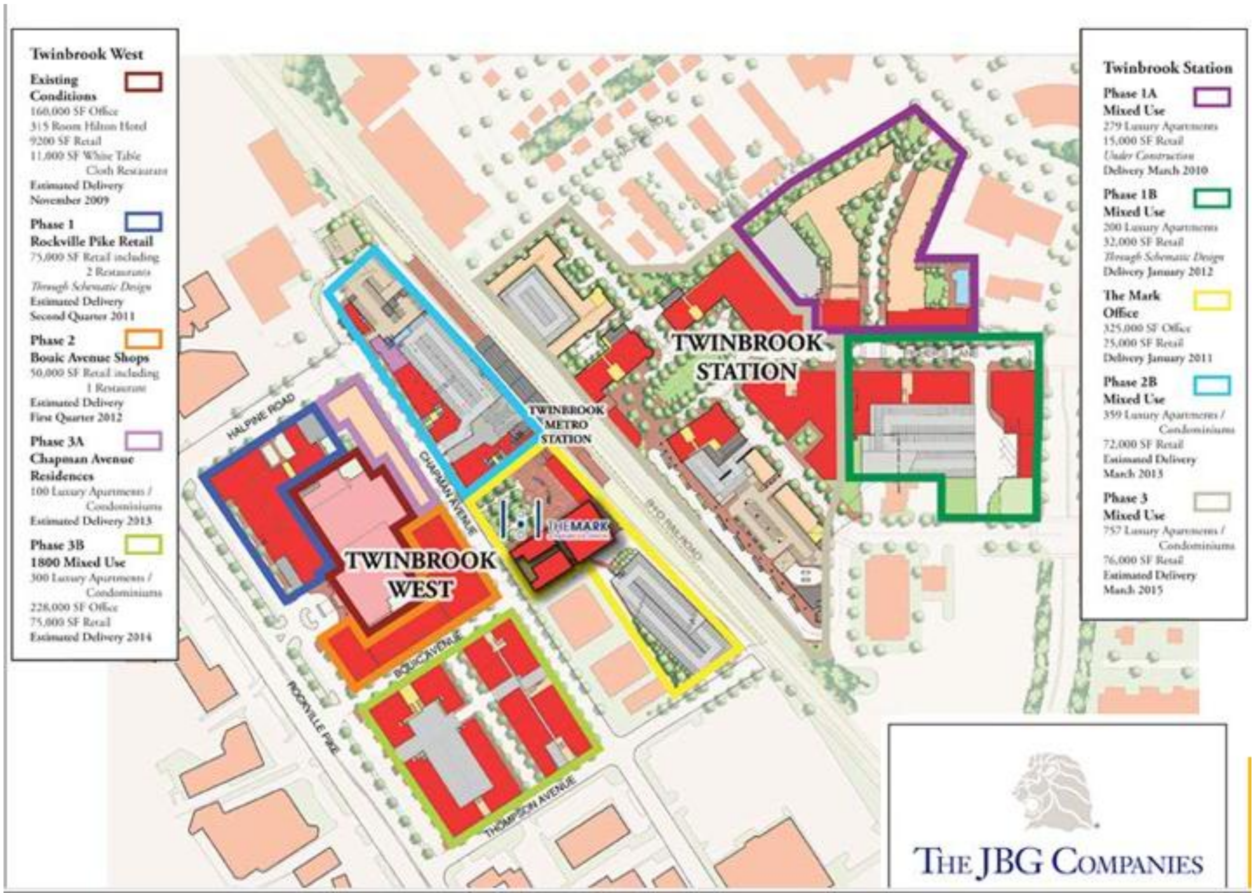
As of 09/30/11

	Studio	1 BR	2 BR	3 BR
Rockville	$ 2.33	$ 1.98	$ 1.77	$ 1.54
Suburban Maryland	$ 2.13	$ 1.63	$ 1.49	$ 1.43

As of 09/30/11

The rates depicted in the chart above are tabulated across all asset classes of multifamily properties. Sachs, LLC believes rental rates will be higher than these averages reflecting a unit mix more heavily weighted towards transit friendly studio and one bedroom units and maximizing the revenue/foot. Furthermore, the cost breakdown for the proposed development was based upon a Class A facility with full amenities, structured parking and above average grade finishes.

<u>Multifamily Pipeline:</u>



The map above depicts Twinbrook Station, a joint development with the Washington Metropolitan Area Transit Authority. The approved proposal will transform the 26 acres of under-utilized, asphalt-surfaced commuter parking lots at the Twinbrook Metro into a vibrant, transit-oriented, pedestrian-friendly community. The plan both emphasizes and celebrates public transportation through its key Metro location, its substantial transit program and its arrangement of primary public spaces. The first phase of the project, consisting of 279 luxury apartments and 15,000 square feet of retail, is currently under construction and was initially expected to deliver in the Spring of 2010. Upon full completion, the project will feature the Mark, a 325,000 square foot Class A office building, 1,595 multifamily residential units, 220,000 square feet of street front retail space, and acres of public open space with multiple parks and courtyards.

The numbers at first sound overwhelming from an absorption perspective. However, the total development timeline is being segmented into three phases with an outside delivery of late 2015. The first phase, as mentioned above, is the Alaire Apartments. These are garden style units started delivering this Spring 2011, nearly a year behind schedule. Although touted as the luxury apartments, The Alaire only receives a 37% on apartmentratings.com. Sachs, LLC believes our product to be superior in construction, situs and design. The phase 2 development will bring 320,000 feet of office directly next to our sight enhancing value. We are also on the West side of the metro line and within walking distance, not only of all the future Twinbrook amenities, but the amenities of Rockville Pike. Our projected delivery is scheduled to deliver January 2014 or sooner. Based upon JBG delays, we don't anticipate Phase 3 delivering until after 2015.

Rockville Retail Market:

Sachs, LLC utilized information provided by the 3rd Quarter Costar Group. The Twinbrook Metro and the proposed development site fall into the I-270 Corridor submarket. In addition, research data was pulled from REIS for the Suburban Maryland subset including the Rockville-North Bethesda sector.

A cutback in Construction helped the community and neighborhood center space market weather three years of negative net absorption (2008 through 2010), which ran to 1.55 million square feet, without incurring unduly high vacancy. Only 234,000 square feet completed construction during the period. Also helping, however, was the market's typically high occupancy profile: vacancy rates in this sector prior to the recession ran consistently below 5.0%. After peaking at 9.1% in third quarter 2010, the rate, sliding downward, ended second quarter 2011 at 8.7%. The national rate for the quarter for this property category was notably higher at 11.0%. Much of the 44,000 square feet of net absorption achieved during the first half of the year, a modest total in any case, was eliminated by the negative 32,000 recorded for the following two-month span—a total made more troublesome by the 28,000 square feet of new supply that completed construction in the Montgomery Village Marketplace neighborhood center in that town in August. Vacancy ended that month at 9.0%, where it will end the year as well, according to the latest forecast. (Preliminary reporting indicates a third quarter rate of 8.9%.) Rents reflect the sluggish demand. At $25.11 psf and $22.14 psf, asking and effective averages for second quarter were down 0.6% and 0.5% from the end of the year. Preliminary data indicate a third-quarter asking average of $25.09 psf; small losses—0.8% for both asking and effective lease —are expected for the year as a whole.

Construction Activity **Markets Ranked by Under Construction Square Footage**

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total GLA	Preleased SF	Preleased %	All Existing	U/C
Manassas/Route 29/I-66	3	101,670	101,670	100.0%	17,950	33,890
Greater Fairfax County	3	83,593	62,477	74.7%	20,730	27,864
S Prince Georges County	1	79,371	79,371	100.0%	14,070	79,371
Northeast/Southeast	2	73,000	3,000	4.1%	5,632	36,500
E Prince Georges County	3	57,582	21,586	37.5%	25,285	19,194
Leesburg/Route 7 Corridor	1	30,607	23,261	76.0%	15,604	30,607
Bethesda/Chevy Chase	1	22,737	22,737	100.0%	14,111	22,737
Georgetown/Uptown	1	18,000	0	0.0%	5,496	18,000
SE Fairfax County	1	4,321	4,321	100.0%	21,699	4,321
I-270 Corridor	1	3,867	3,867	100.0%	25,682	3,867
All Other	2	5,542	5,542	100.0%	14,640	2,771
Totals	19	480,290	327,832	68.3%	14,685	25,278

Source: CoStar Property®

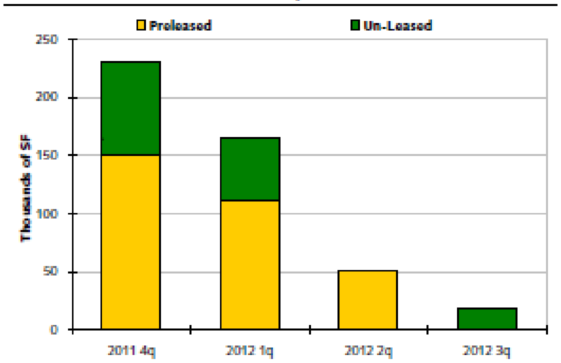
Recent Deliveries

Leased & Un-Leased SF in Deliveries Since 2007

Source: CoStar Property®

Future Deliveries

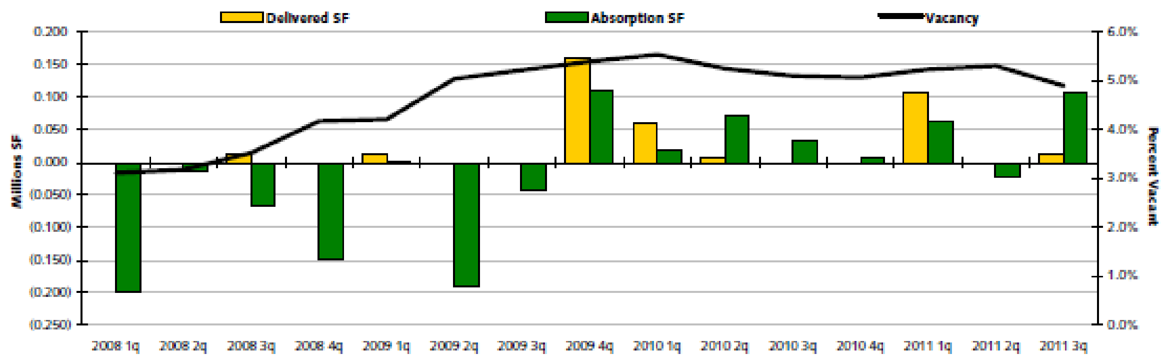
Preleased & Un-Leased SF in Properties Scheduled to Deliver



Source: CoStar Property®

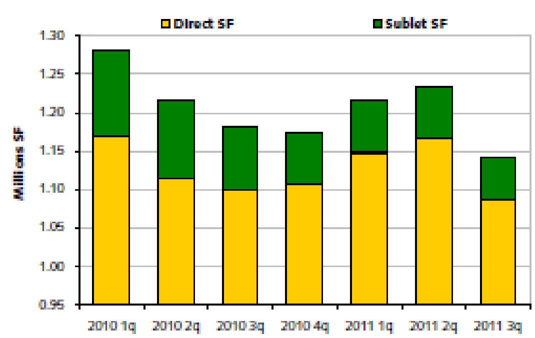
The first of the three charts above indicated construction activity for the various submarkets. The I-270 corridor only has 3,867 square feet of new retail in the pipeline scheduled for completion. Furthermore, it's 100% pre-leased. This isn't meant to be misleading. There is ample retail space planned for development in the I-270 corridor forecasted through 2016, but that will track with employment and population growth as well. In the near term, these figures are encouraging.

DELIVERIES, ABSORPTION & VACANCY **Historical Analysis, All Classes**



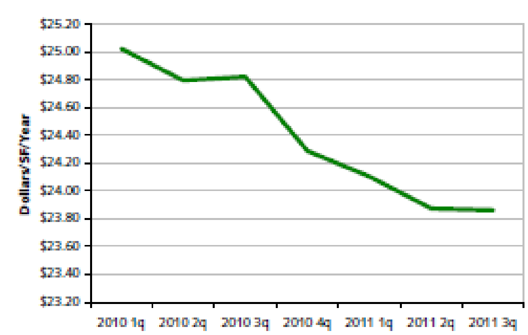
Source: CoStar Property®

VACANT SPACE
Historical Analysis, All Classes



Source: CoStar Property®

QUOTED RENTAL RATES
Historical Analysis, All Classes

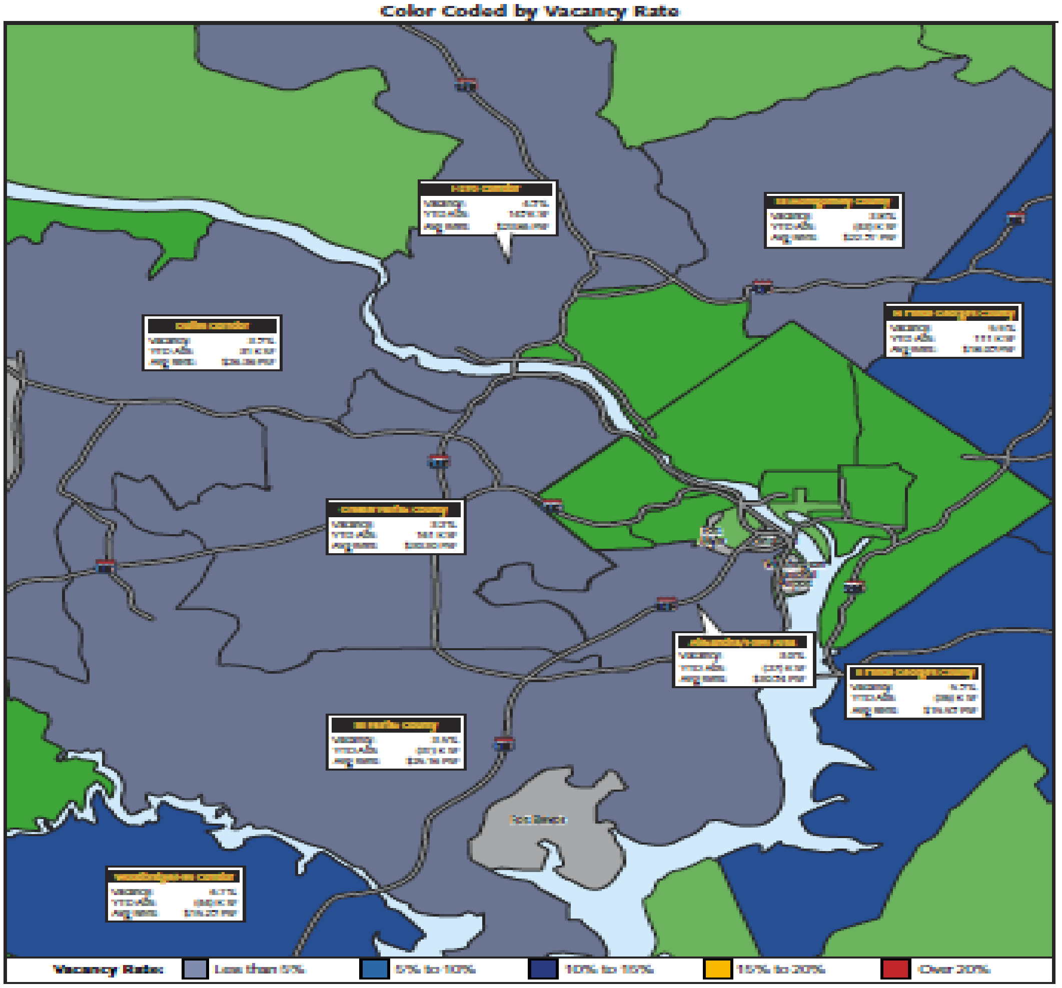


Source: CoStar Property®

Retail vacancy rates are currently hovering around 4.7% for retail space in the sector. There was a decline in market rents due to economic conditions. The result was a decrease from $25/ft in the first quarter 2010 to about $23.80/ft 3Q 2011. That represents a 4.8% drop in rental rates.

However, the past two quarters show leveling in the rates and absorption exceeding 100,000 square feet. It's important to note the retail space is delineated into sectors.

LEASING HIGHLIGHTS IN SELECT COSTAR MARKETS
Color Coded by Vacancy Rate



The map above is color coded for vacancy rates in the DC Metro submarket. The I-270 corridor has a 4.7% vacancy rate with an average rent of $23.86/foot. The YTD absorption for the sector is 149,000 sq. ft. As previously noted, in the 2011 Q3 only 3,867 feet were delivered and it was 100% preleased on delivery.

- ENTERTAINMENT
- GROCERY
- RESTAURANTS
- SHOPPING
- OTHER

1 Twinbrook Shopping Center
- Safeway

2
- Best Buy

3 Woodmont Station Shopping Center
- A & J Restaurant
- Entenmann's Bakery
- India Garden
- Ledo Pizza & Pasta
- Thrive Yoga

4 Congressional North Shopping Center
- Bed Bath & Beyond
- Michaels
- Mykonos Grill
- PETCO
- Staples

5 Congressional Plaza
- Ann Taylor Loft
- Baja Fresh
- Baskin-Robbins
- buybuy BABY
- The Children's Place
- The Container Store
- Harry & David
- Lebanese Taverna
- Performance Bicycle Shop
- Robeks
- Starbucks

6
- Fuddruckers
- Pier 1 Imports
- Taipei Tokyo Village
- Three Brothers

7 The Alaire On-Site Retail
- Capital One Bank
- Green Bamboo Asian Bistro
- LA Nails
- Pilates Center of Rockville
- Subway

8 Congressional Village
- Armand's Chicago Pizzeria
- Balance Yoga & Pilates
- LA Boxing
- REI
- Verizon Wireless

9 Twinbrook Square
- Bassett Furniture
- International Carpet and Rugs
- Ethan Allen

10
- Urban Bar-B-Que Company
- El Patio Argentine Cafe
- Gilly's Craft Beer & Fine Wine

11 Federal Plaza
- Great Harvest Bread Co.
- Lane Bryant
- Mamma Lucia
- Music & Arts Center
- Panera Bread
- Ruby Tuesday
- Ross
- Sprint Store
- T.J. Maxx
- Trader Joe's

12 Towne Plaza
- AT&T

13 Pike Center Shopping Center
- Bagel City
- Office Depot
- T.G.I. Friday's

14 Montrose Crossing
- Barnes & Noble
- Giant Food
- Hudson Trail Outfitters
- Marshalls
- Old Navy
- Sports Authority
- Starbucks
- Tara Thai
- Target
- Timpano Chophouse

15 Loehmann's Plaza Shopping Center
- Boston Market
- Buffalo Wings & Beer
- Chuck E. Cheese
- Loehmann's
- Parcel Plus
- Safeway
- Subway
- U.S. Royal Martial Arts

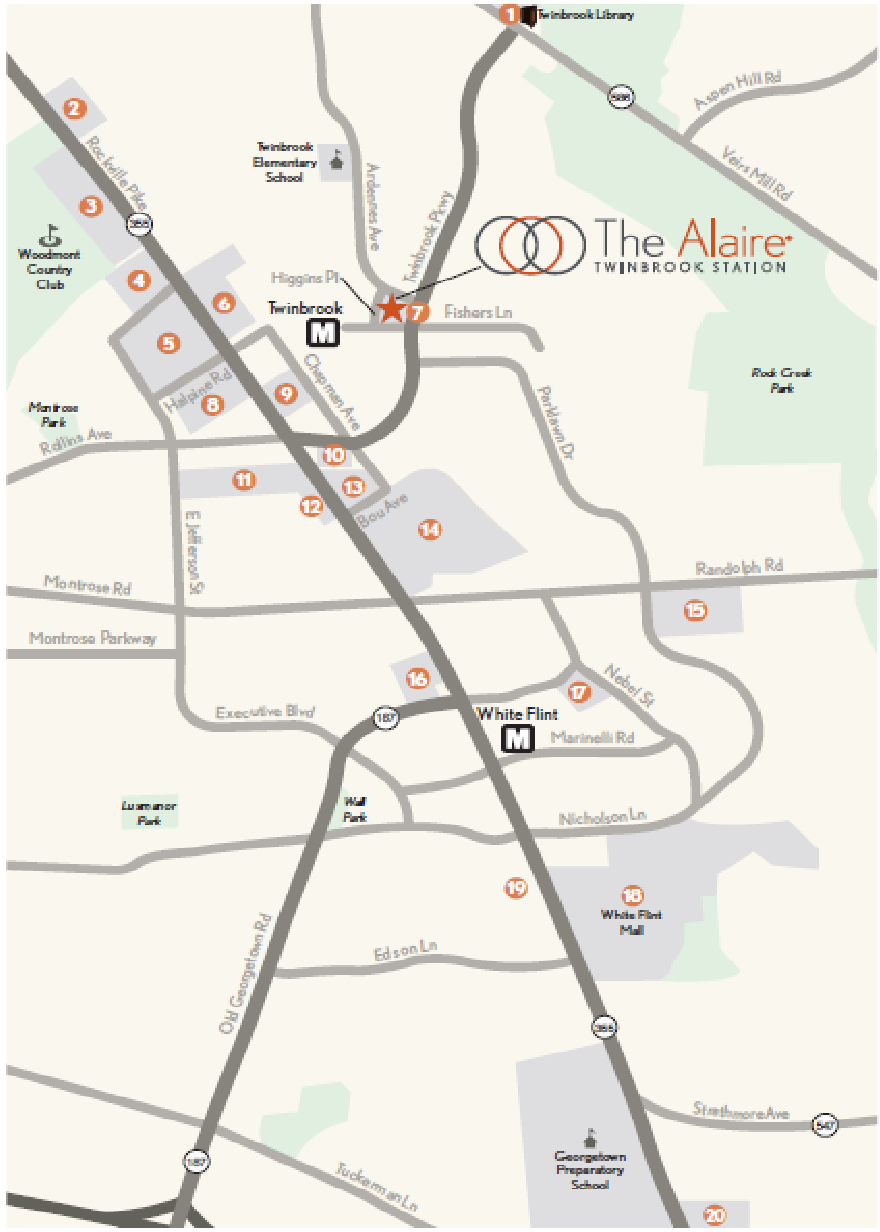
16 Mid-Pike Plaza
- A. C. Moore
- Bally Total Fitness
- Chipotle Mexican Grill
- Filene's Basement
- G Street Fabrics
- La Madeleine
- Silver Diner
- Toys"R"Us
- World Market

17
- Harris Teeter

18 White Flint Mall & Plaza
- AMC Loews Theaters
- American Eagle Outfitters
- Ann Taylor
- Banana Republic
- Bath & Body Works
- Bertucci's
- Bloomingdale's
- The Cheesecake Factory
- Dave & Buster's
- Lord & Taylor
- P.F. Chang's
- Pottery Barn
- The Sharper Image
- Talbots
- Williams-Sonoma

19 North Bethesda Market
- Arhaus
- LA Fitness
- Seasons 52
- Whole Foods Market

20
- Strathmore Arts Center



The area map and associated retail designations show the concentrations and type of retail property in and around the Twinbrook Station along with areas North and South along the 355 corridor. Also noted on the map is the Phase 1 multifamily development by JBG called The Alaire. The highest concentration of retail is and will continue to be along the Pike with highest vehicle traffic. The intent of the ground floor retail for the purposes of the proposed building will be for convenience minded tenants (i.e.- dry cleaning, coffee shop, etc.)

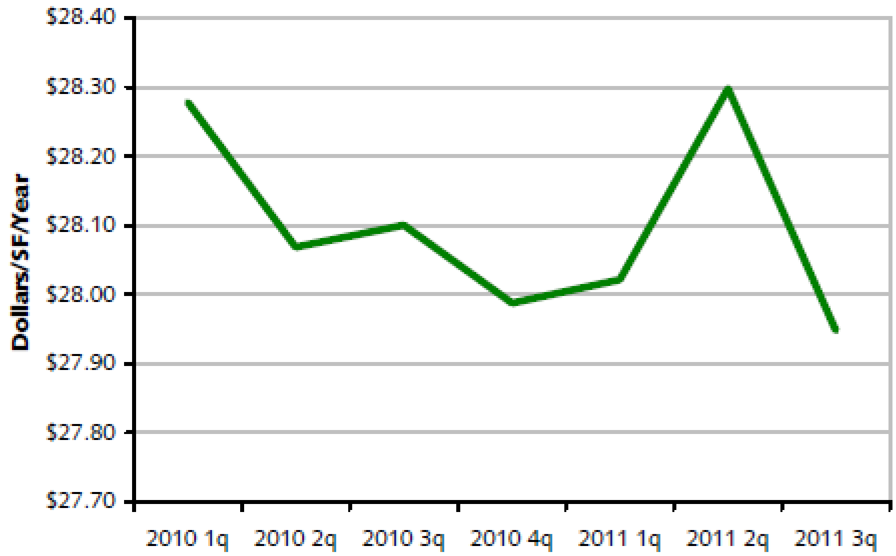
Rockville Office Market:

The Rockville office market is stable relative to the National landscape, but there are concerns regarding employment growth, declining rents and a substantial amount of inventory scheduled for delivery over the next couple years. The figures and charts below do not even factor the potential for large scale relocation and alignment (consolidation). In addition, the delivery charts are not factoring proposed development. Currently, the site abutting our prospective development is slated for a massive office/hotel complex called The Mark by JBG. This building alone is set to deliver 325,000 feet of office and another 25,000 feet of retail use (none conflicting). In conjunction with this development, another redevelopment of an existing site is slated for an additional 228,000 square feet of office. Both of these projects would be Class A office space, which according to CoStar currently represents 57% of all vacant space. This is on top of an existing 160,000 Class B building already within a block of our proposed site with a 14% vacancy rate.

Sachs, LLC has recently discovered that one of the largest area tenants (Department of Health and Human Services) located at 5600 Fischer Ln in Rockville representing 935,386 feet of office space is under investigation along with the GSA for unfair assignment practice. The result could be a reevaluation of developer bids and the potential for HHS to move. That amount of space in conjunction with new delivery would create a large oversupply. Given the current economic conditions and relatively low upside to an office deal vs. other sector types, Sachs LLC has opted to pursue more protected asset classes.

Quoted Rental Rates

Historical Analysis, All Classes



Source: CoStar Property®

The chart above shows effective rent for the 1-270 corridor over the last 7 quarters of market activity. It's clear office rents and coinciding demand have dropped since the 2nd quarter of 2011. Contributing to these declines is the higher vacancy rate among class A space in the sector.

The Suburban office space market had a strong net absorption rate in the first three quarters of 2011 with 2,033,493 square feet of space. However, as noted above, that absorption was tied to declining rent levels. There is another 3,855,428 feet of space still to be delivered. The quoted rate via CoStar is an average rate of $32.40/foot. However, the effective rate within the I-270 corridor is closer to 28.40 after TI concessions. To make a direct comparison to the residential rate, that's $2.36/foot/month.

Class A Market Statistics

Third Quarter 2011

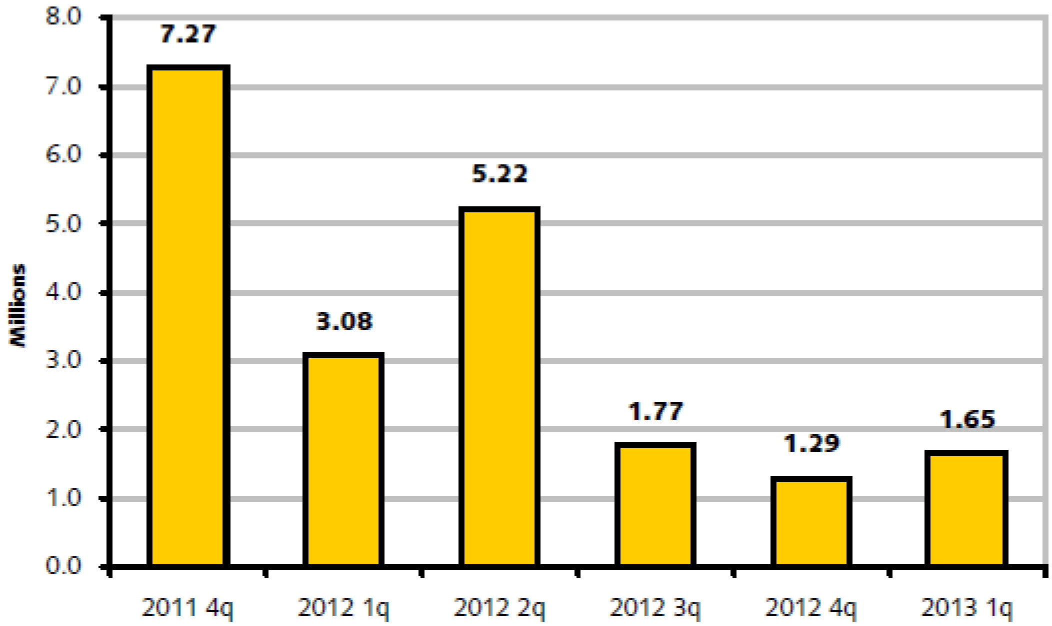
Market	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
	# Blds	Total RBA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
CBD	306	81,304,638	9,615,061	10,494,627	12.9%	1,209,579	572,900	1,294,914	$52.98
Suburban	964	158,761,599	21,431,463	23,491,568	14.8%	2,033,493	978,568	3,855,428	$32.40
Totals	**1,270**	**240,066,237**	**31,046,524**	**33,986,195**	**14.2%**	**3,243,072**	**1,551,468**	**5,150,342**	**$38.46**

Source: CoStar Property®

The Future Space chart below depicts the delivery of office space in the DC Metro area over a projected 2 year period. Between now and Q1 2013, there is 15.06 million feet of under construction space hitting the market. These figures don't encapsulate the proposed office developments. Many of which are located along the Rockville Pike corridor and North towards the Shady Grove Metro Station.

Future Space Available

Space Scheduled to be Available for Occupancy*



** Includes Under Construction Spaces* *Source: CoStar Property®*

Office* Employment Growth

Cumulative Growth in Office* Jobs Over the Past 5 Years

Market	Employment Growth	Inventory Growth	Difference
Atlanta	-10.30%	3.50%	-13.80%
Boston	-3.70%	2.50%	-6.20%
Chicago	-9.40%	2.90%	-12.30%
Dallas/Ft Worth	0.00%	4.70%	-4.70%
Denver	-6.40%	3.90%	-10.30%
Los Angeles	-12.30%	2.10%	-14.40%
New York City	-2.70%	1.20%	-3.90%
Seattle/Puget Sound	-3.10%	8.50%	-11.60%
Tampa/St Petersburg	-12.50%	3.40%	-15.90%
Washington	-0.90%	5.40%	-6.30%

Source: Department of Labor, Bureau of Labor Statistics

The chart above depicts the employment growth in Washington (down roughly 1%), but a 5.4% growth in office inventories. Although Washington has one of the lowest overall unemployment figures of 6.1%, the growing inventory and declining rents can't be ingnored.

Period	Existing Inventory		Vacancy		Net	Delivered Inventory		UC Inventory		Quoted
	# Bldgs	Total RBA	Vacant SF	Vacancy %	Absorption	# Bldgs	Total RBA	# Bldgs	Total RBA	Rates
2011 3q	766	42,471,496	6,353,485	15.0%	276,094	0	0	3	750,560	$27.95
2011 2q	766	42,471,496	6,629,579	15.6%	237,095	1	115,000	3	750,560	$28.30
2011 1q	765	42,356,496	6,751,674	15.9%	(104,666)	0	0	3	671,160	$28.02
2010 4q	765	42,356,496	6,647,008	15.7%	(5,232)	1	20,000	3	671,160	$27.99
2010 3q	764	42,336,496	6,621,776	15.6%	308,852	0	0	4	691,160	$28.10
2010 2q	765	42,415,834	7,009,966	16.5%	17,956	0	0	4	691,160	$28.07
2010 1q	765	42,415,834	7,027,922	16.6%	503,096	0	0	3	332,720	$28.28
2009 4q	765	42,415,834	7,531,018	17.8%	163,110	1	140,774	1	197,720	$28.68
2009 3q	764	42,275,060	7,553,354	17.9%	(426,580)	2	201,794	2	338,494	$28.91
2009 2q	762	42,073,266	6,924,980	16.5%	(236,112)	3	521,635	4	540,288	$28.65
2009 1q	759	41,551,631	6,167,233	14.8%	(165,164)	0	0	7	1,061,923	$28.80
2008 4q	759	41,551,631	6,002,069	14.4%	28,117	1	156,508	7	1,061,923	$29.08
2008 3q	758	41,395,123	5,873,678	14.2%	21,417	1	200,405	8	1,218,431	$29.59
2008 2q	758	41,239,532	5,739,504	13.9%	(154,816)	2	245,499	8	1,410,241	$29.47
2008 1q	756	40,994,033	5,339,189	13.0%	83,558	3	286,788	10	1,655,740	$29.29
2007 4q	754	40,725,571	5,154,285	12.7%	(202,797)	4	488,544	10	1,434,555	$28.60

Source: CoStar Property®

Reis's data and analysis indicate a sustainable recovery in progress for the Suburban Maryland office market following last year's 98,000 square feet of negative net absorption, first half 2011 brought 296,000 on the positive side, a friendly companion to the period's 116,000 square feet of new supply. While the negative 20,000 square feet that followed over the next two months reduced the total, positive absorption is expected to be the trend overall for the remainder of the year. Vacancy has begun its gradual descent. After peaking at 15.7% in first quarter 2011, the rate had decreased to 15.2% a quarter later. Reis's First Glance data indicate a third-quarter rate of 15.3%; a year-end rate of 15.0% is anticipated. The modest rent growth trend that began in 2010 has continued. At $27.91 psf and $22.86 psf, asking and effective averages per second quarter were down and up 0.1%, respectively, since year-end. Each rate had seen a one-cent increase by the end of August; preliminary reporting indicates a third-quarter asking average of $27.94 psf. The figures and reports suggest tenant friendly conditions will persist until employment figures begin to improve; especially considering the forecasted inventory still expected to come online in the coming years.

A quick BOE using the $27.94 psf figure translates to $2.32/month. That's less than the forecasted rent on the studio and one bedroom mix for the proposed Twinbrook Loft development site. The decision to move forward with the multifamily development is optimal given forecasted inventory and market speculation.

Part VII – Exit Strategy

Sachs, LLC is considering three strategies for possible implementation depending on project success and holding period

1.) **Refinancing the Project**

   Refinancing the project would allow Sachs, LLC to utilize the built up cash flow stream to "cash out" additional equity without selling the property and continue to capitalize in a market with growing rents. A refinance is less likely given the historically low cost of debt for both construction and permanent financing at stabilization. A refinance would probably only make sense if a substantial cash out were possible based upon an attractive LTV and stable market conditions.

2.) **Selling the Project**

   The current investment philosophy for Sachs, LLC involves holding the property for a 10 year period. However, if an opportunistic scenario presents itself, Sachs, LLC must consider the return component seriously. Cap rate compression will be continually monitored along with the impact of interest rates on buying power and return requirements. Sachs,LLC will diligently predict the impact of these variables and execute a sale if conditions prove favorable.

3.) **1031 Starker Exchange**

   Upon Sale, Sachs, LLC would exercise a partial or whole 1031 exchange of the proceeds on Twinbrook Lofts. By pursuing a 3031 exchange, Sachs, LLC would avoid paying any capital gains tax on the proceeds of the sale. (as long as the basis in the property is carried over into a "like kind" investment vehicle)

Part VIII: Project Management Plan

Proposed Development Team

Law Firm

Holland & Knight

We participate as members and leaders of numerous industry trade associations, such as the International Council of Shopping Centers (ICSC), the Urban Land Institute (ULI), Association of Foreign Investors in Real Estate (AFIRE), and Commercial Real Estate Women (CREW), which furthers our industry knowledge, allows us to act as industry advocates, and expands the network of resources available to support our clients.

Today more than ever, multifamily housing developers, owners and management companies are faced with multiple opportunities to increase property revenues. Our team of dedicated multifamily housing attorneys works with you to manage and build earnings. We offer guidance on supplemental income opportunities such as building and operating – or partnering with suppliers for – in-demand telecommunications and cable services. We also assist in the development of "standard contracts" or "master" contract terms for vendor agreements to control operating costs.

Architectural Firm

CUNNINGHAM | QUILL ARCHITECTS

Cunningham | Quill Architects PLLC creates architecture that recognizes the individuality of every project. When approaching a new design problem, instead of imposing a predetermined style we strive to discover the qualities unique to each specific project. This approach applies to projects of any scale from interior renovations to master plans for entire towns.

Our design process involves close examination of every aspect of a project. In order to build sensitively within a particular place, we study its natural features as thoroughly as the surrounding built environment. Also important to the spirit of a place are history, culture, and the people who make up the surrounding community. Cunningham | Quill has done extensive community outreach in order to create architecture that serves not only the client but everyone affected by the project. Because both partners are natives of the Washington area, their goal of enriching the local built environment is a personal commitment.

Builder

James G. Davis Construction Corporation (DAVIS) has provided construction services in Maryland, Virginia, and Washington, DC since 1966. We have completed base buildings, renovation, and interior construction projects of all sizes for corporate headquarters, the public sector, law firms, associations, technology companies, telecommunications firms, mission critical facilities, schools, broadcast facilities, restaurants, retail, and many other clients. Many of these projects are LEED certified at the Platinum, Gold, or Silver levels.

Lender

We offer project, entity and corporate level financing for construction of all commercial property types. We can also provide recourse, partial recourse or non-recourse funding. Loans may be held on the bank's books, syndicated or participated with other lenders, or sold in secondary markets. Typical loan size starts at $2 million, but we can work with you, no matter how much you need to borrow.

Construction and Rehabilitation Loans – We offer short-term loans for both middle market and large commercial investors and developers for construction and substantial rehabilitation of commercial properties.

Structured Financing – Find on-balance sheet structured finance solutions covering a broad range of property types.

Specialty Mortgages – Locate FHA-insured mortgages for substantial rehabilitation or new construction in addition to permanent financing of multifamily apartment properties, manufactured home communities, and healthcare facilities.

Leasing and Property Management Firm

KETTLER
INSPIRATION. FROM THE GROUND UP.

Kettler Management is an experienced third-party property manager and can provide professional management for residential, commercial, retail and mixed-use properties. Kettler provides:

- Financial Reporting and Accounting
- Staffing and Recruiting/Proprietary Employee Training
- Operating Expense Review/Service Contract Renegotiation
- Insurance and Real Estate Tax Analysis
- Affordable Housing/Tax Credit Compliance Oversight

KETTLER Management provides management services to over 16,000 apartment homes in New Jersey, Virginia, Maryland, and the District of Columbia. KETTLER manages communities from high-rise urban apartment buildings to open garden style communities. These communities range from high-end conventional communities to affordable housing. KETTLER has vast experience managing all types of apartment communities.

Part VIV- Investment Summary

Sachs, LLC is excited to offer potential equity partners this high return investment opportunity. The projected returns justify the risk in a market defined by negligible, in fact, negative returns after inflation for savings accounts and money markets where many funds have money stashed away avoiding the volatile equities markets. With an influx in international and institutional capital being deployed, domestic real estate investments is once again receiving attention.

In our projections, we made every attempt to realistically project cost, interest rates, growth models, existing market conditions and rents. In addition to the 3% contingency we built into the construction budget, we also conservatively projected our figures believing in a philosophy of under promising and over delivery upon execution. We strongly believe returns could exceed the projected development goals for Twinbrook Lofts.

Twinbrook Lofts capitalizes on several very important criteria. The already approved MXTD zoning overlay provides the highest and most efficient use of land effectively allowing Sachs, LLC to generate the most favorable return for investors and the company. Furthermore, an institutional buyer upon project reversion will look favorably upon the private ownership without ground rents or partnerships with a government agency. The transit oriented location, within an incentive laden corridor for biotech expansion and job employment, is a key economic driver that can translate into stable rent growth. In addition, the LEED GOLD-NC efficiency designation (reflected in construction budget) should also decrease long term operating expenses and reduce required CapEx exposure.

We are very confident that based on a combination of location, cutting edge amenities and rent offerings, the project will compete in the marketplace. However, we also have a very competent and capable management team that will be diligently and creatively marketing our units and also ensuring the satisfaction of existing tenants.

The leveraged project IRR for Twinbrook Lofts is a very respectable 24%. As previously stated, Sachs, LLC believes this return is achievable. Furthermore, the equity position return for our investor will be 20% over the ten year holding period. If Twinbrook Lofts were sold sooner than the ten year timeline, the IRR would still be 18.9% for a 5 year holding. Sachs, LLC would consider a larger equity position upwards of 30%. This would increase the equity partners return by 3.5% on the 10 year position and 6.2% on the 5 year position. Currently, Sachs LLC would benefit from a 48% IRR on the proposed 10 year reversion.

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