WASHINGTON DC METRO AREA

Prepared for J.P. Morgan I December 5, 2012

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WASHINGTON DC METRO AREA

Market Overview

- The Washington DC area is a top-ranked real estate market with strong fundamentals. It is the 4th largest metro economy behind New York City, Los Angeles and Chicago.
- Federal spending drives the economy.
- Apartment, retail and office vacancy rates are consistently lower than national averages.
- Unemployment is consistently lower than national averages mostly due to high concentration of Federal employment.
- New job growth averages 36,000 per year.
- The Washington Metropolitan Area is the most educated and by some measures, the most affluent metropolitan area in the United States.
- Strong job growth, high household incomes, top rated school systems, broad amenities and rapidly improving infrastructure has resulted in steady population growth from domestic as well as international immigration.

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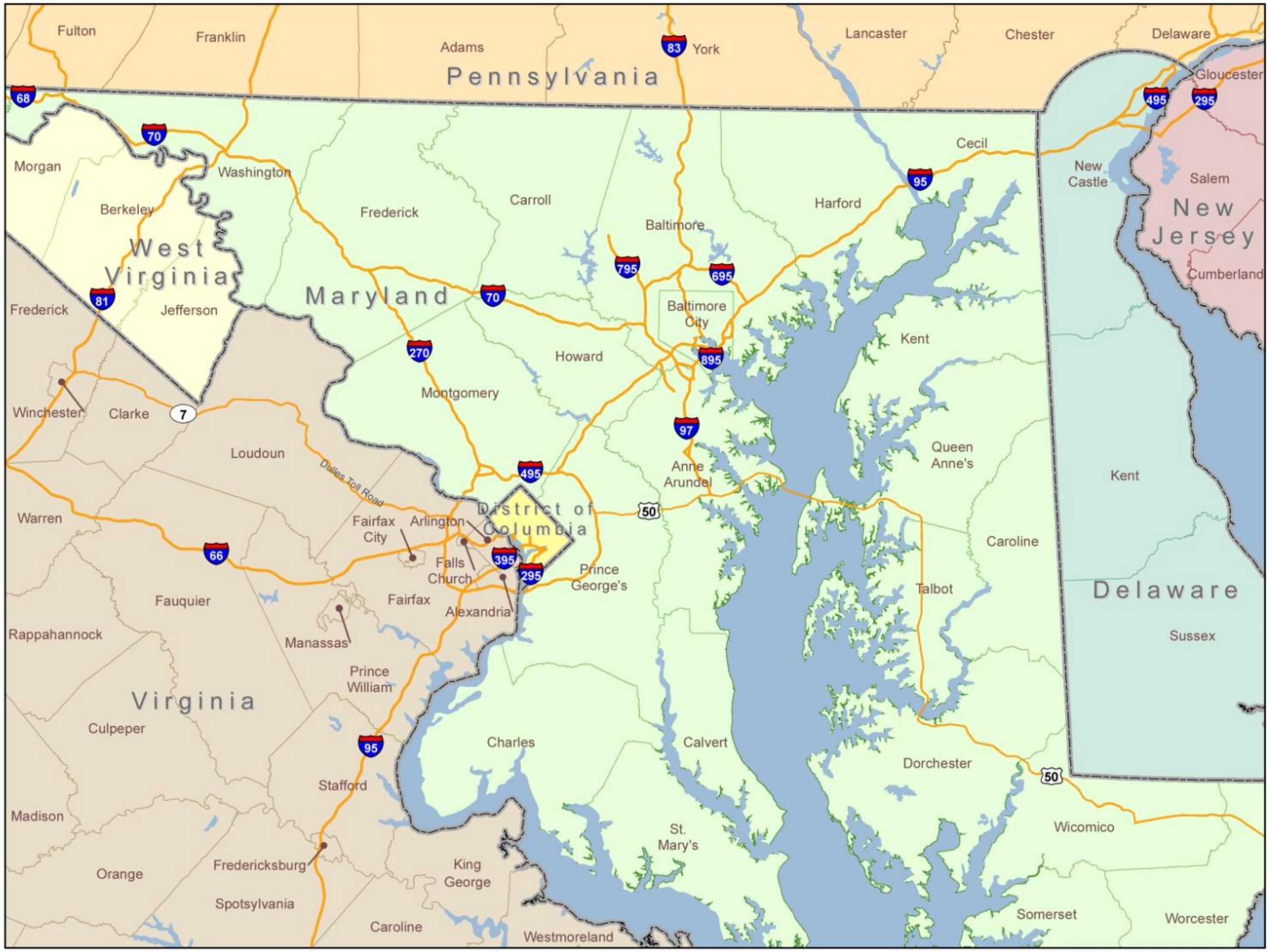

- The DC Area can be geographically divided into three distinctive active submarkets,
    - Northern Virginia,
    - Suburban Maryland
    - Washington DC
- We define the housing submarkets as “core” or “non-core” within the local area MSAs.
- Transportation and employment hubs create most of the distinction.

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Washington DC Metro Area

Market Overview

Core Counties

Virginia:
Alexandria
Arlington
Fairfax
Fauquier
Loudoun
Prince William
Stafford

Maryland:
Anne Arundel
Howard
Montgomery
Prince Georges

Non-Core Counties

Virginia:
Clarke
Culpepper
Frederick
Spotsylvania
Warren

Maryland:
Calvert
Charles
Frederick

West Virginia:
Jefferson

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Market Overview - Population

- The Washington DC Metro Area, also known as the National Capital Region, currently houses 5.5million people in three states (VA, MD, WVA) and the District of Columbia.
- The population has risen 3% per year for the past couple of years. Predictions are for continued growth. The area is considered to be about 5,600 square miles and is the seventh largest metropolitan area in the country.

Rank	Metropolitan Statistical Area	2011 Estimate	2010 Census
1	New York-Northern New Jersey-Long Island, NY-NJ-PA MSA	19,015,900	18,897,109
2	Los Angeles-Long Beach-Santa Ana, CA MSA	12,944,801	12,828,837
3	Chicago-Joliet-Naperville, IL-IN-WI MSA	9,504,753	9,461,105
4	Dallas-Fort Worth-Arlington, TX MSA	6,526,548	6,371,773
5	Houston-Sugar Land-Baytown, TX MSA	6,086,538	5,946,800
6	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA	5,992,414	5,965,343
7	**Washington-Arlington-Alexandria, DC-VA-MD-WV MSA**	**5,703,948**	**5,582,170**
8	Miami-Fort Lauderdale-Pompano Beach, FL MSA	5,670,125	5,564,635
9	Atlanta-Sandy Springs-Marietta, GA MSA	5,359,205	5,268,860
10	Boston-Cambridge-Quincy, MA-NH MSA	4,591,112	4,552,402

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Market Overview - Employment

The economic engine for the DC Area is largely the Federal government, with sizable numbers working for defense security and other contractors as well.

Science and various engineering related positions are the highest in the country.

Technology based jobs are second only to Silicon Valley.

Tourism also drives the economy given the number of national landmarks located in DC.

DC has much lower unemployment rates as compared to the nation.

Top Employers

1. Federal Government
2. Lockheed Martin……………………….Aerospace/Defense…Bethesda, MD
3. General Dynamics …………………….Aerospace/Defense…Falls Church, VA
4. Fannie Mae……………………………..Financial Services…..Washington, DC
5. CSC Corp……………………………….Information Tech…….Falls Church, VA
6. AES Corp……………………………….Energy……………….Arlington, VA
7. Capital One……………………………..Financial Services…..McLean,VA
8. Marriott Int'l …………………………….Hospitality/Travel……Bethesda, MD
9. Daneher Corp…………………………..Manufacturing……….Washington, DC
10. Freddie Mac…………………………….Financial Services…..McLean,VA
11. Coventry Health………………………...Health Care…………Bethesda, MD

12. Pepco……………………………..Energy…………………Washington, DC
13. Sallie Mae………………………...Financial Services……Reston,VA
14. Gannett……………………………Media…………………McLean,VA
14. Host Hotels……………………….Hospitality/Travel……..Bethesda, MD
16. The Wash Post…………………...Media…………………Washington, DC
17. NII Holdings………………………Telecomm……………..Reston,VA
18. NVR, Inc.………………………….Real Estate…………...Reston,VA
19. Discovery Comm…………………Media…………………Silver Spring, MD
20. WR Grace…………………………Manufacturing………..Columbia, MD
21. WGL Holdings…………………….Energy………………..Washington, DC

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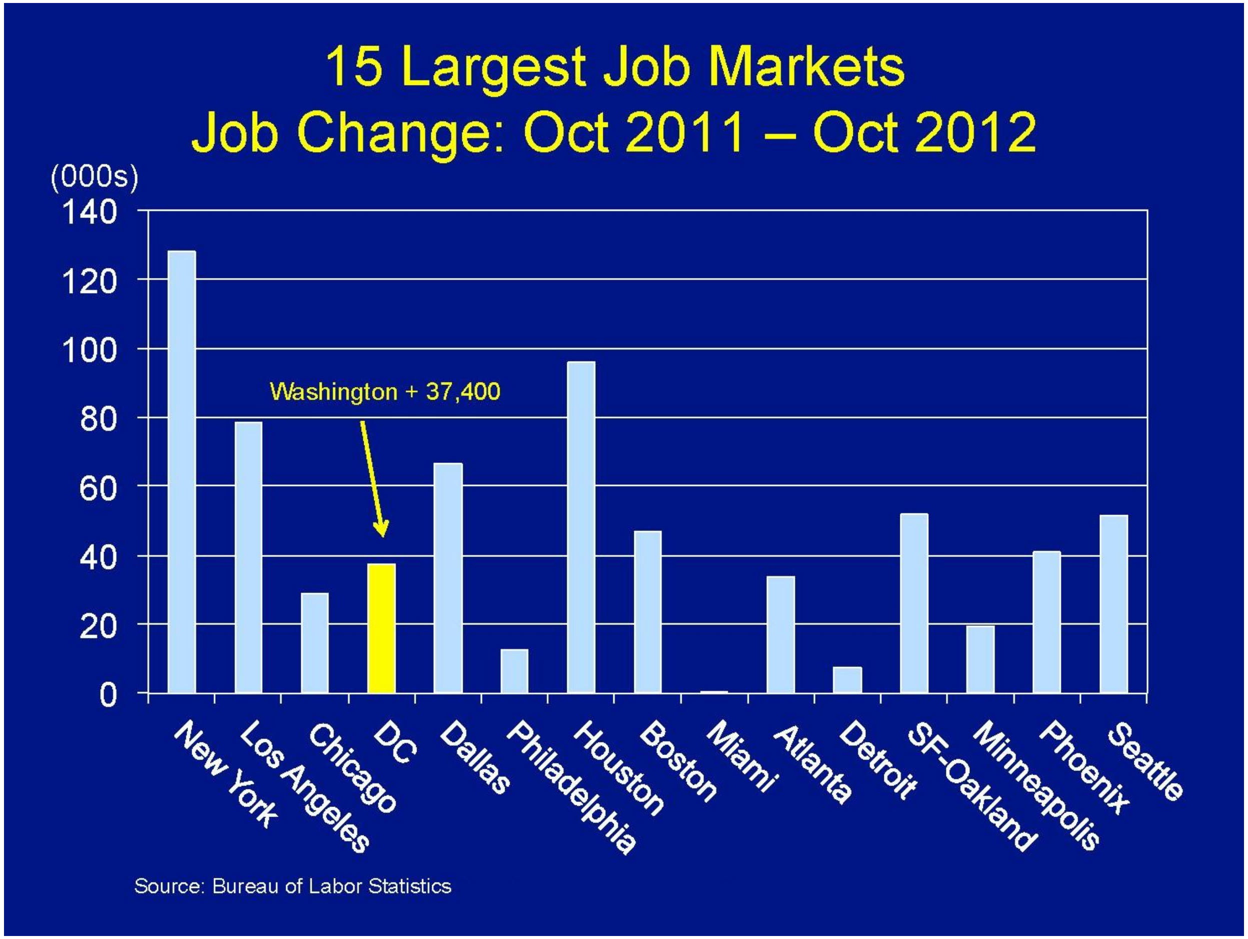

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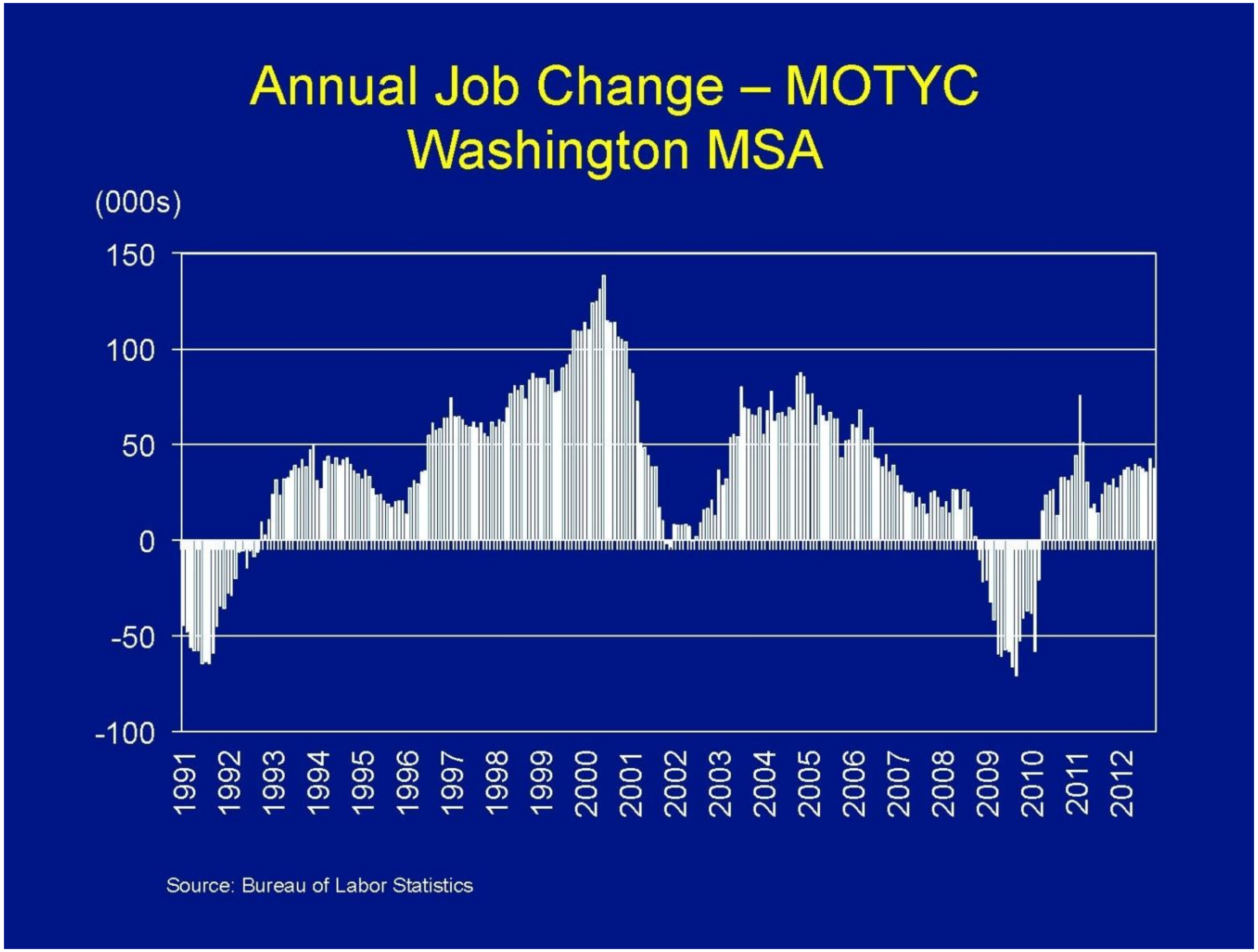

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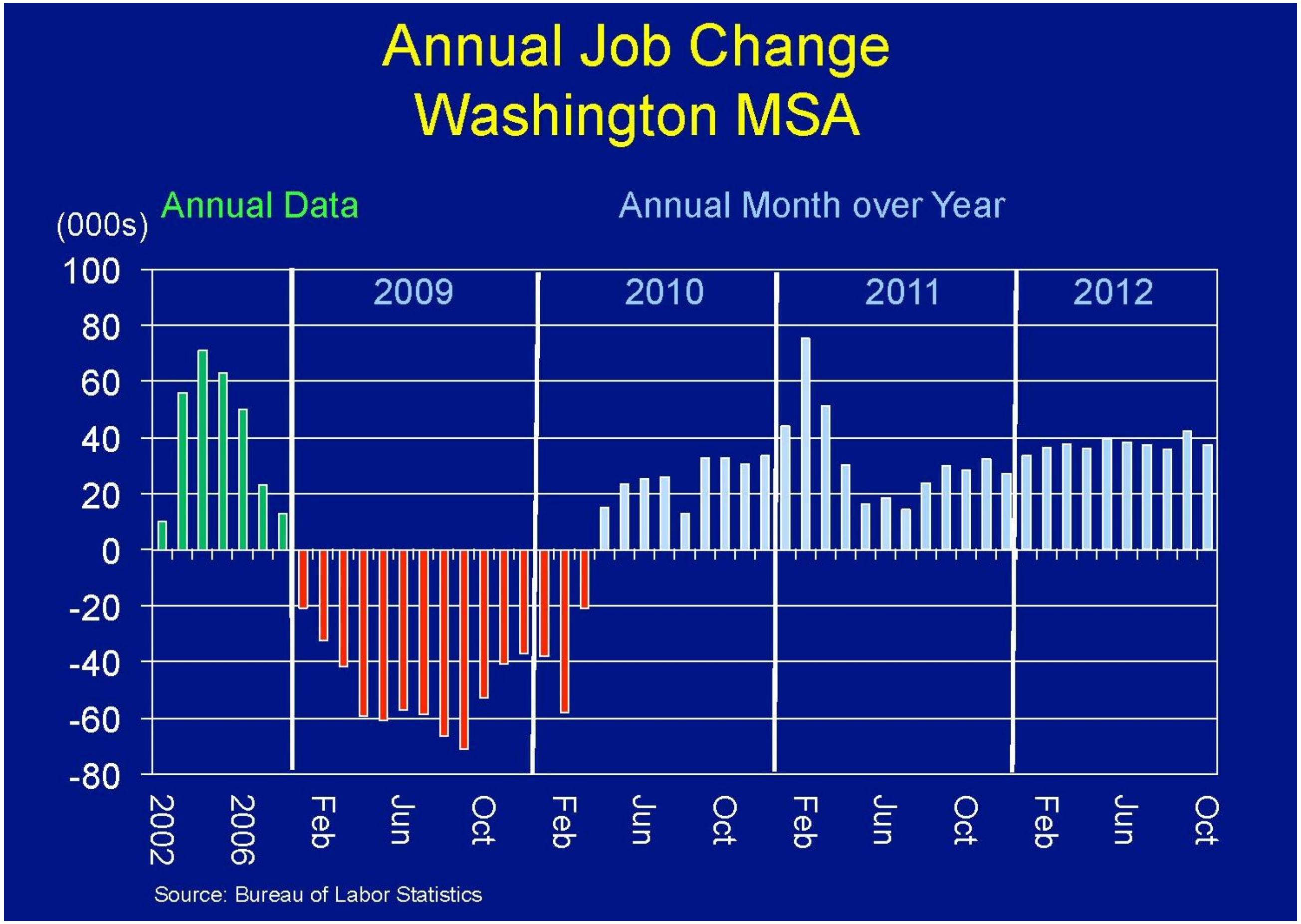

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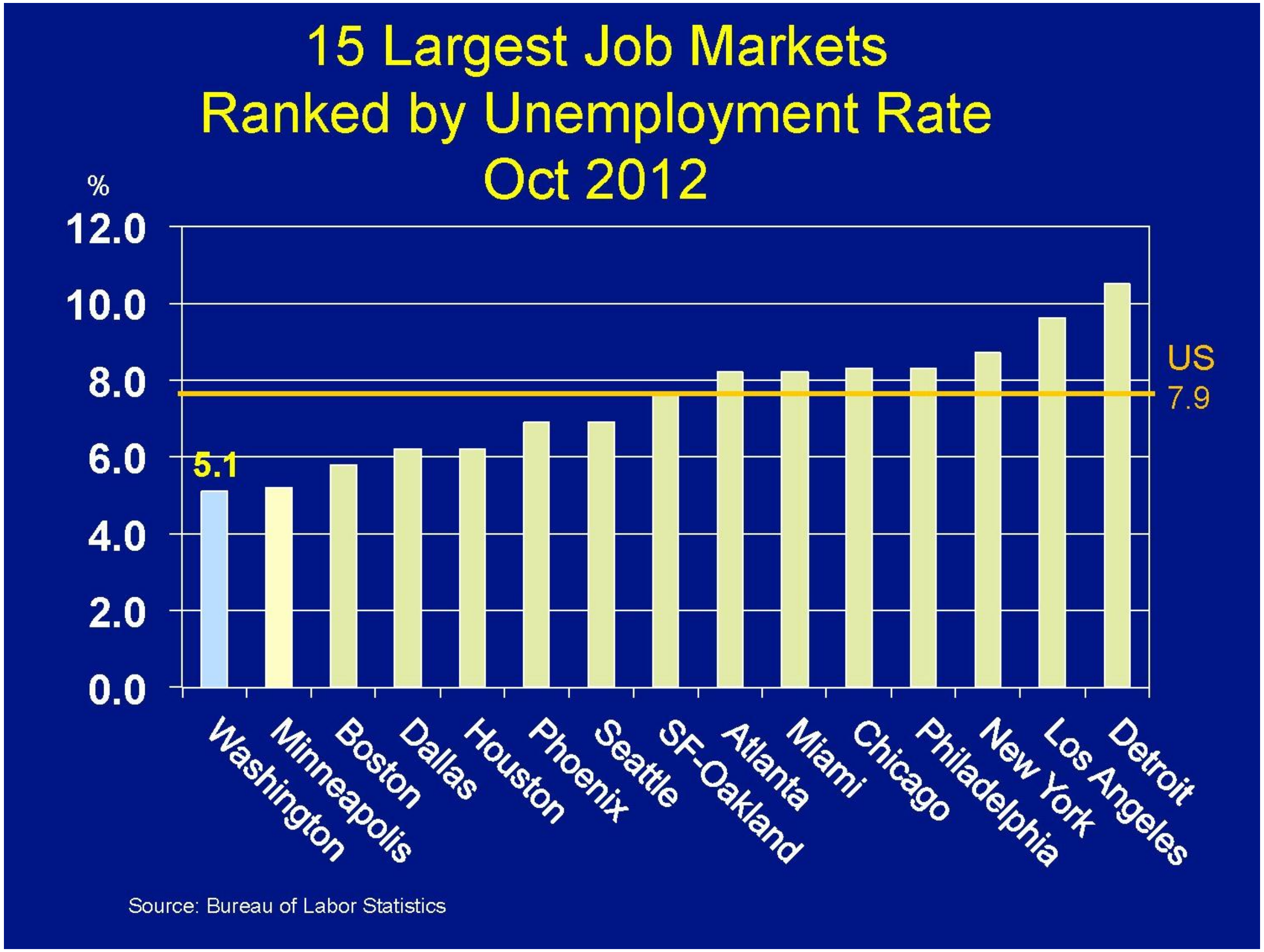

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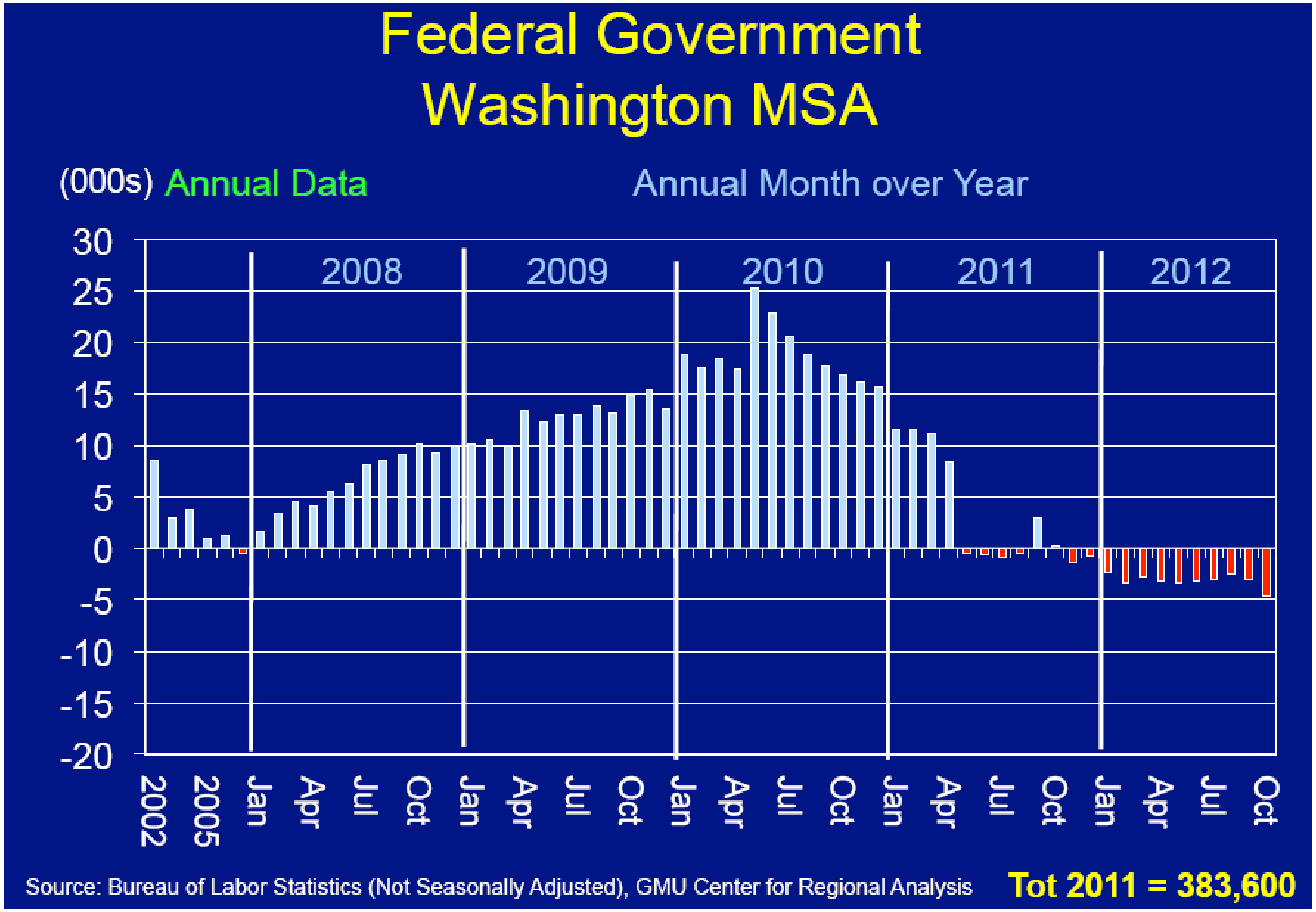

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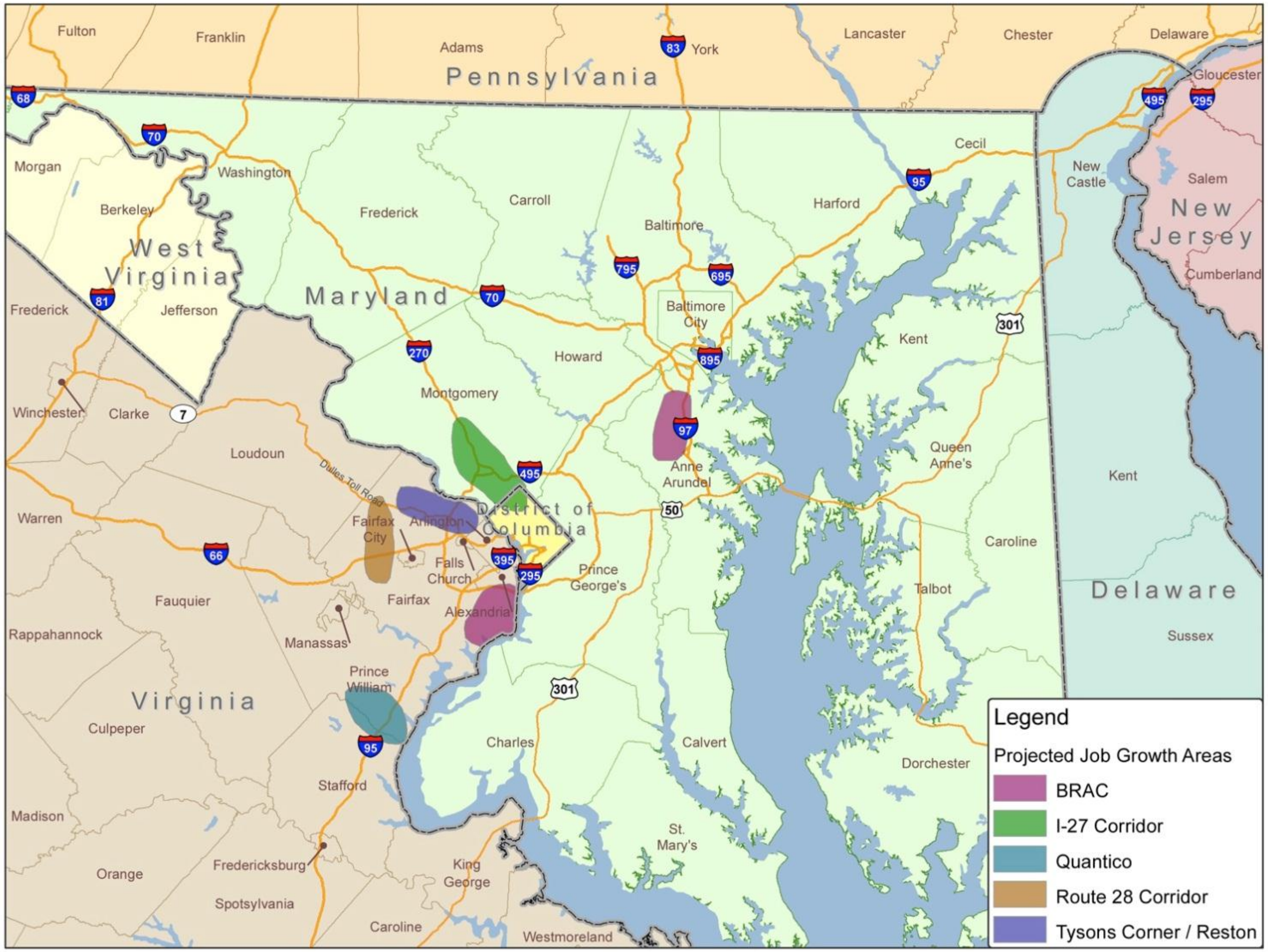

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Market Overview - Employment

Base Realignment and Closure Facilities (B.R.A.C.)

What is BRAC?

Loosely, BRAC is the process by which the Department of Defense (DOD) is reducing the number and size of its installations in the U.S. and around the world. DOD makes recommendations to the independent BRAC commission, and the commission makes the final recommendations to Congress. Congress passes a law codifying the changes, and DOD begins implementation.

What does 'realignment' mean?

'Realignment' encompasses all types of changes to military installations other than closure. For example, it could refer to the combination of two or more existing installations, the movement of particular functions or divisions from one base to another, or the co-location of services in different branches of the military that are performing the same function.

What is BRAC 2005?

BRAC 2005 is shorthand for Base Realignment and Closure Act of 2005, the federal law dictating the reductions the Department of Defense is currently making.

Have there been other BRACs?

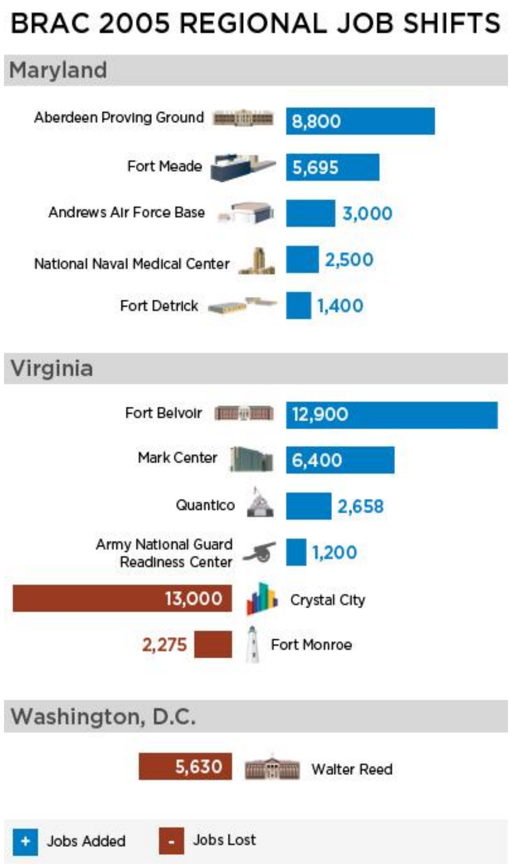
Yes. The first BRAC law was passed in 1988, and others followed in 1991, 1993, and 1995. BRAC 2005 includes the longest list of closures and changes undertaken to date. Prior to 1988, the Department of Defense made decisions about base changes unilaterally.

What is the Timing?

All BRAC job relocations were originally required to be completed by September 15, 2011. DOD subsequently revised its requirement to give some agencies flexibility to extend this deadline to 2015. While significant closures or relocations have already occurred, it is estimated that 5-10,000 jobs (gains or losses) remain to take place in Virginia alone.

What are the Conclusions?

The chart to the right are estimates and include both direct DOD employees as well as contractors who are required to locate in proximity to agencies they serve. Overall, the effect of job shifts in the greater DC area (excluding Aberdeen and Ft. Monroe) is to add approximately 15,000 net new jobs. Additionally, a significant number of jobs will be relocating from “downtown” locations such as Crystal City and Walter Reed to more suburban locations, especially along the I-95 Corridor in in Eastern Prince William, Stafford and Eastern Howard. These “transfer” jobs are likely to initially just alter commuting patterns of existing employees/residents however longer term, are likely to add to housing demands in these sub-markets.



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Market Overview - Employment

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Market Overview-Household Income

According to Forbes Magazine, five of the top ten highest household incomes are in the Washington DC Metro Area.

Rank	County or City	Median Household Income
1	Falls Church, Virginia	$113,313
2	Loudoun County, Virginia	$112,021
3	Fairfax County, Virginia	$104,259
4	Hunterdon County, New Jersey	$102,500
5	Howard County, Maryland	$101,003
6	Los Alamos County, New Mexico	$100,423
7	Douglas County, Colorado	$99,522
8	Morris County, New Jersey	$96,316
9	Somerset County, New Jersey	$96,233
10	City of Fairfax, Virginia	$96,233

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Market Overview – Building Permit Activity

Historical and Estimated Residential Permit Activity for the Washington DC Metro Area
Source: US Census Bureau

Year	All Units
1990	24,621
1991	18,146
1992	23,987
1993	30,357
1994	31,965
1995	29,051
1996	31,015
1997	30,843
1998	37,603
1999	37,957
2000	38,763

Year	All Units
2001	38,111
2002	40,691
2003	38,696
2004	36,881
2005	35,600
2006	27,708
2007	22,970
2008	13,926
2009	12,123
2010	12,955
2011	19,657
2012	17,583 (YTD October 2012)

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Market Overview – Housing Demand

Northern Virginia

- The region saw sales that were up 13% compared to September 2011, with listings down 22% over the same period.
- The total number of available listings in the region came in at 9,078 units, up by 11% from the start of the year, and still most comparable to the levels seen in the spring of 2005.
- Inventory in the region remains unchanged at 3.1 months of supply, remaining tighter than the same time last year by one month of supply.
- Inventory levels decreased in the GPAAR region, Berkeley, Frederick, and Spotsylvania. Loudoun, Prince William and Jefferson maintained their levels from last month.
- NVAR and Stafford increased their MOS slightly. The Prince William and NVAR areas continue to have a shortage of inventory.

Suburban Maryland

- The region saw sales even versus September 201.
- The total number of listings on the market was up to 9,552, holding at late 2005 levels. Months of supply of listings inched up to 3.8 months for the
- region. Most areas (Washington, Calvert, DC, and Charles) slightly increased months of supply.
- Frederick and Montgomery maintained their MOS and St. Mary's and Prince George's tightened further.
- Contracts were down in Charles and Prince George's.
- All areas in the region except Washington and Charles posted price increases, with St. Mary's County showing the biggest gains for the month.

As we expected to see, prices increased in 16 of the 22 counties in the region on a year over year basis. The region's average sales prices this month have risen 11% compared to January. The biggest price gains of the year were seen in July where overall prices were 12.7% higher than they were at the start of the year. The region as a whole has seen the average price of a resale home increase by 6.5% compared to September of 2011. An increased number of tightening markets were identified by their strong ratios of sold prices to original list prices, as follows:

Prince William 97.7%	Stafford 97.1%
NVAR 97%	DC and Loudoun 96.5%

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Number of Lots: 4,809
Entitled: 4,562
Unentitled: 247

Project Name	Total Lots	Entitled Lots	Unentitled Lots
Avendale	295	295	-
Brookside, Saranac	44	44	-
Heritage Shores	1,472	1,472	-
Little River Preserve	34	34	-
Preserve at Goose Creek	244	244	-
Snowden Bridge	1,126	1,126	-
Swan Point	765	765	-
Waterford Manor	32	32	-
Woodstream	259	259	-
Other	538	291	247


Woodstream


Goose Creek

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ARISTA COLLECTION

HEIRLOOM COLLECTION

HERITAGE COLLECTION

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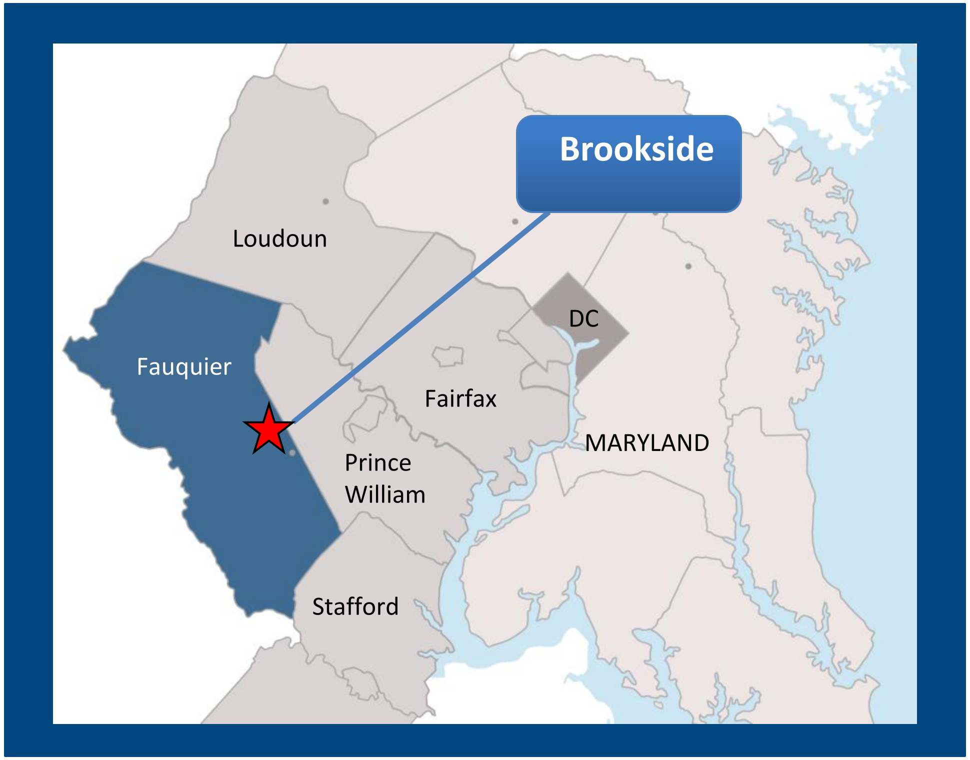

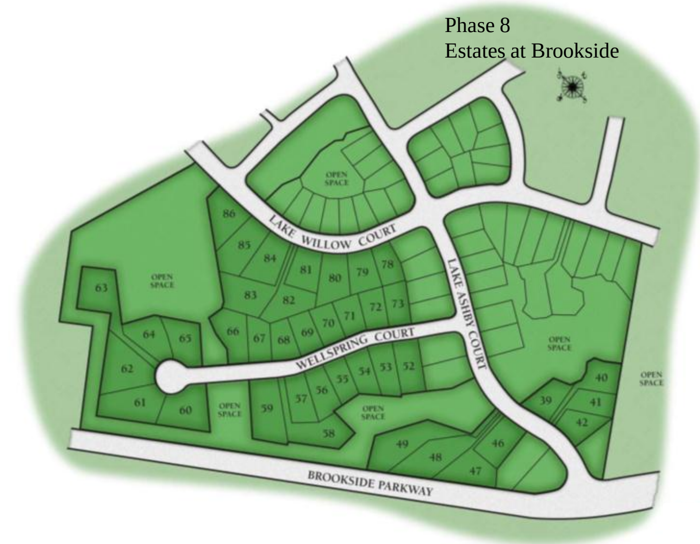

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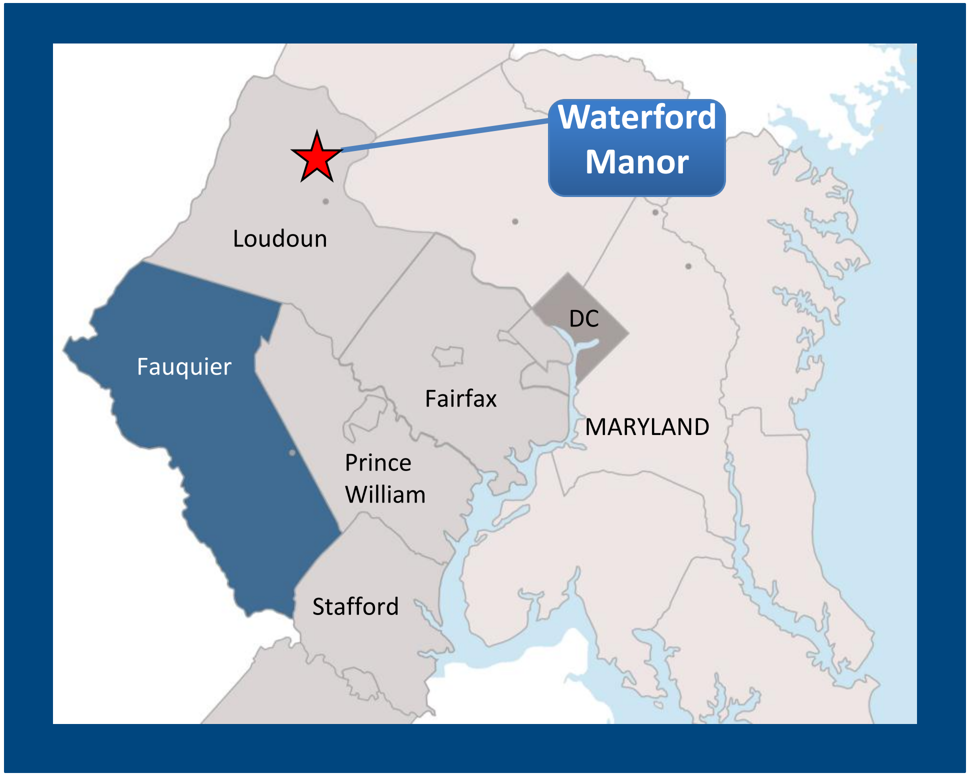

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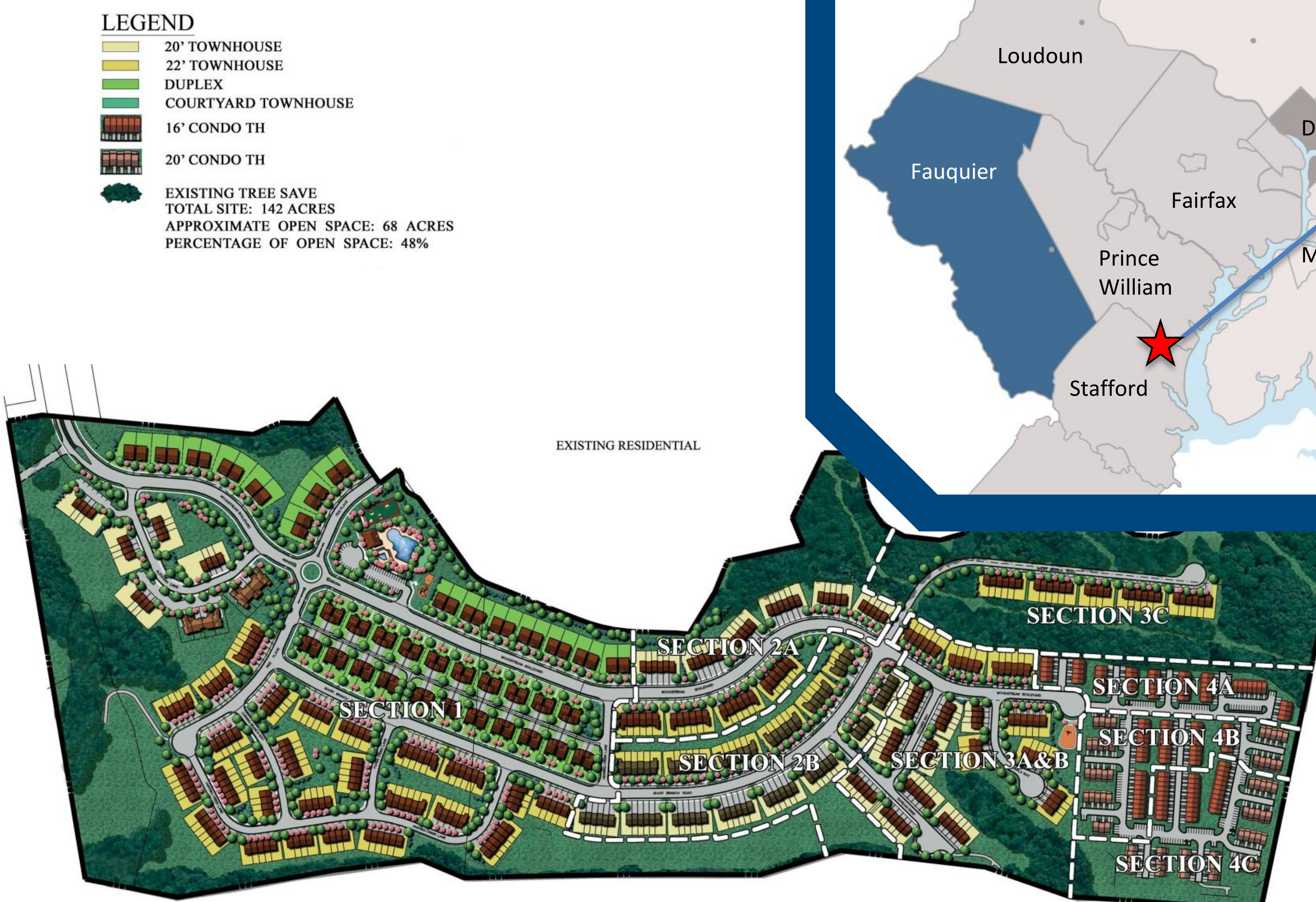

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