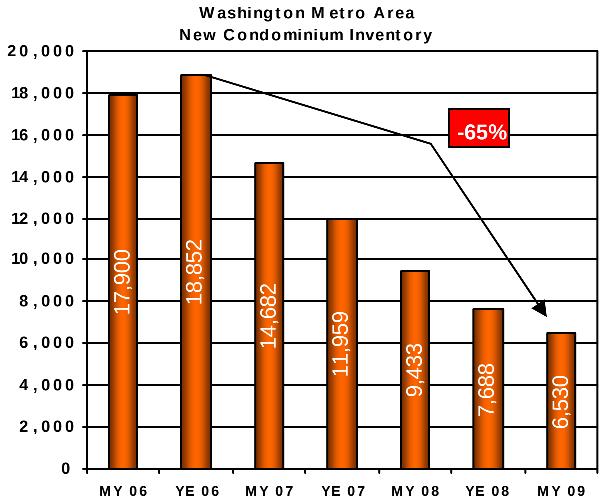
Remaining Inventory Analysis

In looking at the overall market and the health of the market, the sales figures tend to send mixed signals. However when looking at the near term available inventory, the situation is consistently more positive. New condominium supply is declining at a steady pace, paving the way for price stabilization and possible increases in some submarkets. In the next 12-18 months, there are multiple submarkets where new home supply will simply run out. With no new product planned for these submarkets, demand for existing resale inventory will put upward pressure on prices.

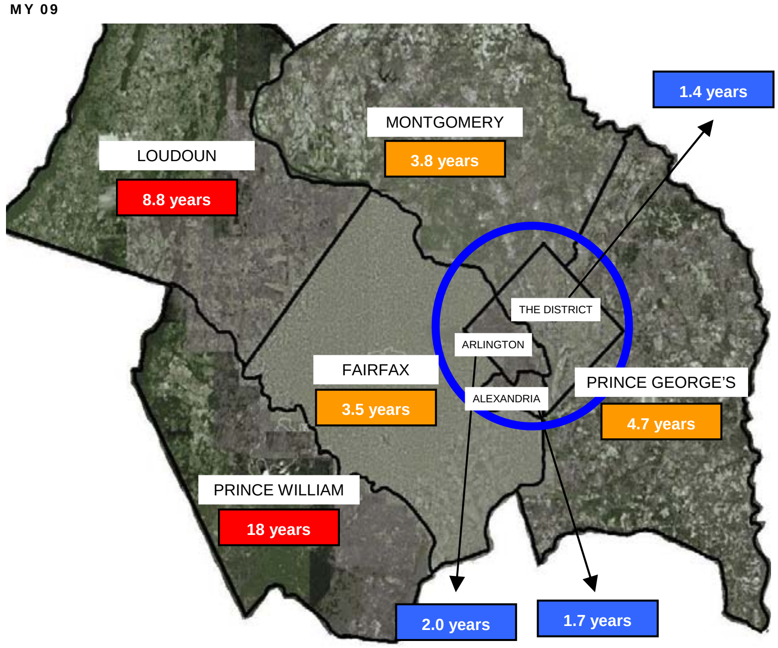
Overall, **6,530 units** remain on the market, the first time inventory has been below 7,000 units in over five years. Based on gross sales pace for the first half of the year, there are **2.9 years of supply** remaining in the Metro Area. Two years or less is generally considered a healthy level, but separating the different jurisdictions will show that some closer-in submarkets are at or below this level. It is farther-out markets (those outside the Beltway) that inflate this figure.

It is McWilliams|Ballard's opinion that the Metro Area may see a supply shortage in the next 6-18 months, especially in some select submarkets. In the following pages we analyze some of those submarkets in order to demonstrate that new condominium supply is relatively scarce in specific areas. We believe that these markets will be targets for new condominium development as developer's try to meet newfound supply shortages in markets with healthy demand.



COUNTY/CITY	UNITS REMAINING
The District	1,449
Prince William	1,131
Montgomery	1,029
Fairfax	799
Prince George's	758
Arlington	668
Loudoun	508
Alexandria	188
OVERALL	6,530

Years of Supply Remaining
Based on First Half 2009 Gross Sales Pace



Remaining Inventory Analysis - Submarket Focus

The Rosslyn-Ballston Corridor

PROJECT	INTERSECTION	DEVELOPER	SALES START	DELIVERY	TOTAL UNITS	REMAIN
The Phoenix at Clarendon Metro	N. Highland St. & Washington Blvd.	Keating Partners	Q2 2005	Q2 2007	181	2
Wooster/Mercer Lofts	Clarendon Blvd. & N. Pierce St.	Abdo	Q3 2006	Q1 2007	87	4
The Park at Courthouse	Barton & Fairfax	Bush Construction	Q4 2005	Q4 2007	98	22
Vista on Courthouse	N. Courthouse Rd. & Fairfax Dr.	Suburst Hospitality Corp.	Q2 2008	Q4 2008	32	24
Waterview	N. Lynn St. & N. 19th St.	JBG	Q1 2007	Q1 2008	133	31
1001 Eastview/Westview	Fairfax Dr. & N. Vermont/N. Randolph	Wills Companies	Q2 2005	Q3 2005	454	58
The Residences at Liberty Center	9th St. & N. Quincy St.	Shooshan Companies	Q2 2005	Q2 2007	234	112
Turnberry Tower	Key Blvd. & N. Nash St.	Turnberry, Ltd.	Q3 2005	Q4 2009	247	129
						382

Based on sales pace in the first half of 2009, there are two years of supply remaining in the RB Corridor. Excluding Turnberry Tower, which has sold slowly because of its high prices and pending delivery, there are only 18 months of supply. This is a positive sign. As discussed later, the RB Corridor is currently one of the most active development submarkets because of its desirability and limited supply. It has been one of the first submarkets to recover from the recent turmoil and it is highly likely that some of the multifamily units under construction will deliver as for-sale condominiums.

Old Town Alexandria

PROJECT	INTERSECTION	DEVELOPER	SALES START	DELIVERY	TOTAL UNITS	REMAIN
Abingdon Row	N. Royal & 1st St.	Holladay	Q1 2007	Q2 2008	53	6
The Duke	Duke St. & N. Payne St.	Marquis Homes	Q2 2008	Q1 2010	58	51
900 North Washington	N. Washington St. & Montgomery St.	Lawrence N. Brandt Inc.	Q1 2008	Q2 2009	57	52
The Jamieson	Jamieson Ave. & Dulaney St.	Regent Partners	Q1 2007	Q3 2007	79	59
						168

Based on sales pace in the first half of 2009, there are 2.2 years of supply remaining in this submarket. While not as strong as other submarkets, a closer look shows that the Old Town/Carlyle market is one of the healthier in the Metro Area. The Duke is under construction and will deliver in early 2010. Excluding this project, there are less than two years supply in the market. 900 North Washington began sales in early Spring and saw stronger sales in the second quarter over the first. The Jamieson came back to the market in March of this year with adjusted pricing of $465 psf (compared to $580 psf at sales start). The Prescott recently sold out and Abingdon Row has a limited number of units remaining. We anticipate that the current Old Town inventory will absorb quickly in the second half of 2009.

Logan Circle - U Street

PROJECT	INTERSECTION	DEVELOPER	SALES START	DELIVERY	TOTAL UNITS	REMAIN
The Beauregard	11th St. & V St., NW	Robertson Development	Q1 2005	Q4 2006	45	1
Moderno	12th St. & U St., NW	Lakritz | Adler	Q4 2006	Q1 2009	19	1
CityScape on Belmont	Belmont St. & 13th St. NW	Bogdan Builders	Q4 2008	Q4 2008	28	5
The Warehouses at Union Row	14th & V St., NW	PN Hoffman	Q4 2005	Q4 2006	59	6
Murano	10th St.& V St. NW	Robertson Development	Q3 2007	Q3 2007	12	6
Citta 50	Church St. & 14th St. NW	DC Hampton LLC	Q1 2008	Q1 2009	27	8
Solea	14th St. & Florida Ave., NW	Jair Lynch Companies	Q2 2008	Q1 2009	41	17
The Flats at Union Row	14th & V St., NW	PN Hoffman	Q4 2004	Q3 2007	208	21
Metropole	15th St. & P St., NW	Metropolis	Q1 2005	Q4 2008	90	54
The Floridian	Florida Ave. & W St., NW	Kady Development	Q3 2005	Q2 2008	118	80
						199

Remaining Inventory Analysis - Submarket Focus

Logan Circle - U Street continued

Based on sales pace in the first half of 2009, there are only nine months of supply remaining in this submarket. The sales pace of these projects is the result of timely adjustments in price. High profile projects like Union Row, Solea and Metropole have all adjusted prices considerably, resulting in improved sales pace. CityScape on Belmont entered the market in late 2008 (one of only five new projects to begin sales in the second half of the year) with a strong marketing campaign and sensible pricing resulting in steady absorption. This is another submarket that is ripe for new development, especially projects of more reasonable size - less than 100 units. The delivery of the View14 apartments will add 180 multifamily units to the market in the second half of the year. An additional 1,400 multifamily units are currently planned in this submarket, some of which will likely deliver as condominiums.

Mount Vernon Triangle - Penn Quarter

PROJECT	INTERSECTION	DEVELOPER	SALES START	DELIVERY	TOTAL UNITS	REMAIN
Lofts 11	11th St. & Massachusetts Ave., NW	Taurus Development	Q2 2005	Q3 2006	25	3
TenTenMass	10th & Massachusetts Ave., NW	Faison / RCP	Q4 2005	Q2 2007	163	4
Yale Steam Laundry	New York Ave. & 4th St., NW	IBG Partners	Q4 2005	Q1 2008	149	50
The K at City Vista	5th & K St., NW	Lowe Enterprises	Q2 2006	Q2 2008	234	67
Madrigal Lofts	4th St. & Massachusetts Ave., NW	Quadrangle & The Wilkes Co.	Q2 2005	Q4 2007	259	86
						210

Based on sales pace in the first half of 2009, there are only 11 months of supply remaining in this submarket. Aside from Lofts 11, all projects in this submarket delivered within 12 months of each other and each experienced default rates on presale contracts of 40% or more. In response to the flood of supply, each project was forced to lower their prices in order to meet the market and generate sales pace. The K at CityVista was the fastest selling project in the Metro Area in the first half of the year because of quick and aggressive price cuts. The other projects in the submarket followed suit, resulting in average sales prices well below $500 psf (including parking) with average sales paces between four and 12 units per month. This result has shown that the District's fundamentals are strong and recovery is foreseeable, albeit at a price.

One large question mark remains in this submarket. In early 2009, The Dumont returned all deposits and canceled the contracts of approximately 140 purchasers awaiting settlement. Lenders foreclosed on the property and are in the process of determining the fate of the project. Both buildings (401 and 425 Massachusetts Ave.) are complete and comprise 560 total units that would be a significant component of the supply in the submarket. At this time, it is not known which, if either, building will be offered for sale as condominiums or when sales will commence.