

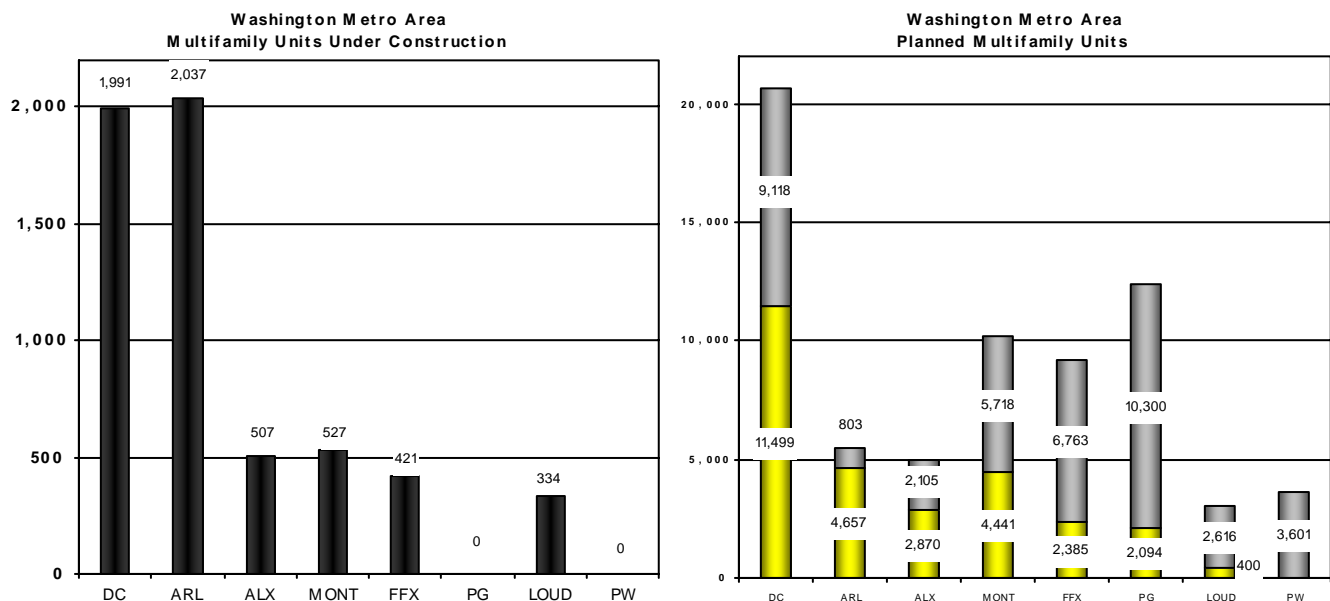
Pipeline Analysis - Possible Supply Shortage in 12-18 Months

Following our last post where we looked at the remaining inventory in the Metro Area as well as select sub markets, it is our belief that, based on current absorption trends and lack of anticipated deliveries, many submarkets are facing a shortage of new condominium supply within 12-18 months. As we highlighted in the previous post, there are submarkets where new condominium supply may not last more than a year and buyers will be forced to wait or purchase existing units. This allows for the possibility that some projects currently under construction as rental may switch to condominium in order to fill the void.

Currently, ninety-nine percent of units currently under construction are being built as rental and nearly all prospective projects are either being planned and financed as rental, are uncertain of their financing/construction start, or both. Identifying specific projects that may convert to condominium is difficult, but we believe these switches will take place in the next 12-18 months. Beyond these rental switches, no new condominium product is expected to break ground until later this year at the earliest. As such, we will attempt to take broader view of the market and analyze all multifamily housing units that are planned or under construction. In today's climate, the beginning of construction is the only sure sign that a project is progressing.

Currently, there are **5,817 multifamily units** under construction (and not for sale) in the Washington Metro Area. The bottom-left graph outlines the number of units under construction by jurisdiction.

In light of the uncertainty in the market, McWilliams|Ballard has ranked each planned community by its likelihood of moving forward. Projects classified '1' are approved, entitled and awaiting financing and construction start, or have strong enough support by local and federal governments that they are more likely to progress. These projects are reasonably expected to deliver by the end of 2012. Projects classified '2' are still conceptual and are not likely to begin construction in the next two years. The bottom-right graph shows the planned projects in each jurisdiction (1 - yellow, 2 - gray). Not surprisingly, the four strongest sales markets also have the majority of projects likely to progress. Fairfax and Prince George's Counties have some activity - mostly driven by their size and land availability. Prince William and Loudoun Counties have the least planned development.



Pipeline Analysis - Submarket Focus

This section focuses on three specific submarkets in the Washington Area in order to highlight areas where development activity is higher than the rest of the region.

The Rosslyn-Ballston Corridor

The RB Corridor experienced the recent real estate cycle in an accelerated fashion. The building boom began there early, creating a massive supply of new condominiums. Prices appreciated faster in the Corridor than in the rest of the Metro Area. As the market began to slow, substantial numbers of defaults occurred and several projects converted to rental. The RB Corridor has responded well to the correction. Sales pace has picked up at remaining condo communities and prices have hit bottom. Strong demand for multifamily product in the area has allowed for a robust development pipeline. There are 433 units under construction in the Corridor, but more importantly, there are 2,572 units expected to start in the near future. McWilliams|Ballard expects a substantial portion of this inventory to deliver as condo.

PROJECT	STATUS	SUBMARKET	INTERSECTION	EST DELIVERY YEAR	UNITS
Founder's Square	PLANNED	Ballston	North Randolph St. & Wilson Blvd.	2011	362
The Fairmont	PLANNED	Ballston	N. Fairfax & N. Glebe Rd.	2012	237
Clarendon Center	UNDER CONSTRUCTION	Clarendon	N. Garfield & Clarendon Blvd.	2010	244
The Waverly at Clarendon Station	PLANNED	Clarendon	N. Irving St. & Wilson Blvd.	2011	155
Garfield Park at Clarendon Village	PLANNED	Clarendon	N. Garfield St. & Washington Blvd.	2011	141
2201 N. Pershing Dr.	PLANNED	Clarendon	Rt. 50 & N. Pershing Dr.	TBD	188
Hilltop House 100	UNDER CONSTRUCTION	Courthouse	N. Queen St. & N. 12th St.	2010	100
Rhodes Hill Square	UNDER CONSTRUCTION	Courthouse	Rhodes St. & 14th St.	2010	89
Washington View	PLANNED	Courthouse	Clarendon Blvd. & Wilson Blvd	2011	141
1900 Wilson Boulevard	PLANNED	Courthouse	Wilson Blvd. & N. Troy St.	TBD	175
2009 14th St. N	PLANNED	Courthouse	14th St. N & N. Troy St.	TBD	247
Gaslight Square	PLANNED	Rosslyn	Clarendon Blvd. & N. Quinn St.	2011	117
Central Place	PLANNED	Rosslyn	N. Lynn St. & Wilson Blvd.	2012	355
Rosslyn Commons	PLANNED	Rosslyn	N. Ode. St. & Clarendon Blvd.	2012	454

Southeast/Southwest Waterfront

The Southeast/Southwest Waterfront is another submarket with a deep development pipeline. Many projects are currently stalled, but given this submarket's location, MB believes that the once-promised, vibrant, waterfront community will actually come to fruition. In the last year, 1,200 rental units delivered, another 800 multifamily units are under construction and 2,900 more are planned to start in the near future. Only two projects are currently selling in the submarket - Capitol Hill Tower and Velocity. Capitol Hill Tower is a co-op and has limited inventory remaining. Velocity will deliver this fall and is likely to face difficulty settling units because of declining values and current presale requirements in the end-loan market. The lack of available end-loan financing could prove troublesome for Velocity, unless the presale requirements are lowered.

PROJECT	STATUS	INTERSECTION	EST DELIVERY YEAR	UNITS
Marina View - Conv. Bldg. 1	UNDER CONSTRUCTION	6th St. & M St., SW	2010	98
Marina View - Conv. Bldg. 2	UNDER CONSTRUCTION	6th & M St., SW	2009	128
Foundry Lofts	UNDER CONSTRUCTION	M & 5th St., SE	2010	170
Waterfront Station	UNDER CONSTRUCTION	4th & M St., SW	2010	400
400 Tingey	PLANNED	Tingey St. & M St. SE	2011	180
Akridge - Half Street	PLANNED	Half St. & M St. SE	2012	280
23 Eye at Capitol Yards	PLANNED	I St btwn S Capitol St & Half St SE	TBD	421
Factory 202	PLANNED	M St. & 5th St. SE	TBD	271

Pipeline Analysis - Submarket Focus

continued

PROJECT	STATUS	INTERSECTION	EST DELIVERY YEAR	UNITS
Half Street	PLANNED	Half & N St. SE	TBD	170
Marina View - North Tower	PLANNED	6th & M St., SW	TBD	168
Marina View - South Tower	PLANNED	6th & M St., SW	TBD	156
RiverFront on the Anacostia	PLANNED	Potomac & S. Capitol St., SE	TBD	275
Southwest Waterfront	PLANNED	Waterfront & 6th St., SW	TBD	770
St. Matthews Redevelopment	PLANNED	Delaware Ave. & M St., SW	TBD	200

Bethesda

Bethesda has maintained its luxury status through the downturn and attracts a higher level of development activity than other submarkets. There are no projects currently under construction in Bethesda, and nothing is expected to commence in the near term. However, most projects in the area are planned as condominiums because of higher prices they can achieve. The table below outlines the projects that have been approved and should begin first.

One important thing to note about Bethesda is the building moratorium that took effect in the city in June 2009. The county's growth laws forced the planning board to invoke the moratorium in order to prevent school overcrowding. As of this writing, officials are attempting to find a way to lift the moratorium, but nothing has been done yet. Already approved projects should not be affected by the moratorium, however.

PROJECT	STATUS	INTERSECTION	EST DELIVERY YEAR	UNITS
Lot 31	PLANNED	Bethesda Ave. & Woodmont Ave.	2011	250
Holladay at Edgemore	PLANNED	West Lane & Montgomery Lane	TBD	48
The Monty	PLANNED	Old Georgetown Rd. & Fairmont Ave.	TBD	200
Woodmont East	PLANNED	Woodmont Ave.	TBD	230
Woodmont View	PLANNED	Woodmont Avenue & Battery Lane	TBD	46
Arlington Road	PLANNED	Arlington Rd. & Bethesda Ave.	TBD	105