EISLEN
Benchmark

REPORT

Washington DC - Suburban Maryland
May/June 2010 Survey

Note: During the May/June survey period, Pierce-Eislen moved to a system more accurately categorizing reduced rents, rather than assigning them as concessions. Consequently, rents and concessions may appear to decline in respect to prior rents and concessions.

Benchmark Methodology

The Eislen Benchmark Report surveys the entire market-rate universe of 50+ unit properties during three periods annually – January/February, May/June, and September/October. Rental rates and rental concessions are surveyed by telephone surveyors represented as prospective renters. Rental rate definitions are weighted mean average rents, representative of all floorplans included in all market-rate properties.

How We Categorize Rental Properties

Rental household categories – Workforce Housing, Low Mid-Range, Upper Mid-Range, and Discretionary Households – are composed from the Pierce-Eislen Context® Improvements rating categories as:

Category	Household Type
A/A+	Discretionary
A-/B+	Upper Mid-Range
B/B-	Low Mid-Range
C+/C/C-/D	Workforce

Terminology – Development properties are classified as *under construction, planned,* or *prospective* :

Under Construction – Properties are under construction until final certificate of occupancy issuance.
Planned – A planned apartment community is actively progressing through the city approval process.
Prospective – A level of uncertainty regarding when, or if, a property will be developed as apartments. Examples include: Properties requiring entitlement approvals; properties shelved by the developer; inclusion into mixed use developments, or undeclared as to whether the property will be sold as condominiums, or rented as apartments.

Secondary Research Sources

Subject	Source
Employment Base	U.S. Bureau of Labor Statistics
	State Department of Economic Security
Median Home Price	Secondary Media Sources/National Association of Realtors
Median Household Income	United States Bureau of Labor Statistics
Interest Rate	United States Federal Reserve
Public Transportation	County and State Transportation Agencies
Multi-Family Sales	County Recorder Sites/Trade Publications
Development Pipeline	City and County Planning Departments/Trade Publications

Note – For more definitive information regarding methodologies, please see **Our Methods** at http://www.pi-ei.com/.

Executive Summary

The May/June Washington DC - Suburban Maryland apartment market survey illustrated strengthening rental market conditions.

May/June 2010 Washington DC - Suburban Maryland apartment market conditions, compared with the same 2009 period, illustrated indicator category changes as:

- *The average monthly rental rate* increased 2.7% ($37.21) from the prior year.
- *Concession participation rates* reduced from a prior period 31.9% participation, to 16.1% during the current period.
- *Investor market transactions* increased 53.8% in number of properties sold; by 28.5% in total dollar sales.
- *Twelve-month period development added* eighteen properties – 4,203 units.

Market Inventory

Inventory of 50+ unit fully affordable and market rate (competitive) properties:

	Market Properties		Market Units	
Category	Number	Share of Total	Number	Share of Total
Discretionary	25	2.4 %	9,089	3.8 %
Upper Mid-Range	107	10.2	29,877	12.3
Low Mid-Range	282	26.9	87,193	36.0
Workforce	380	36.3	75,538	31.2
Affordable	253	24.2	40,263	16.6
Total	1,047	100.0 %	241,960	100.0 %

Among the apartment market's three primary segments – *Rental, Development,* and *Investor* – activity illustrated:

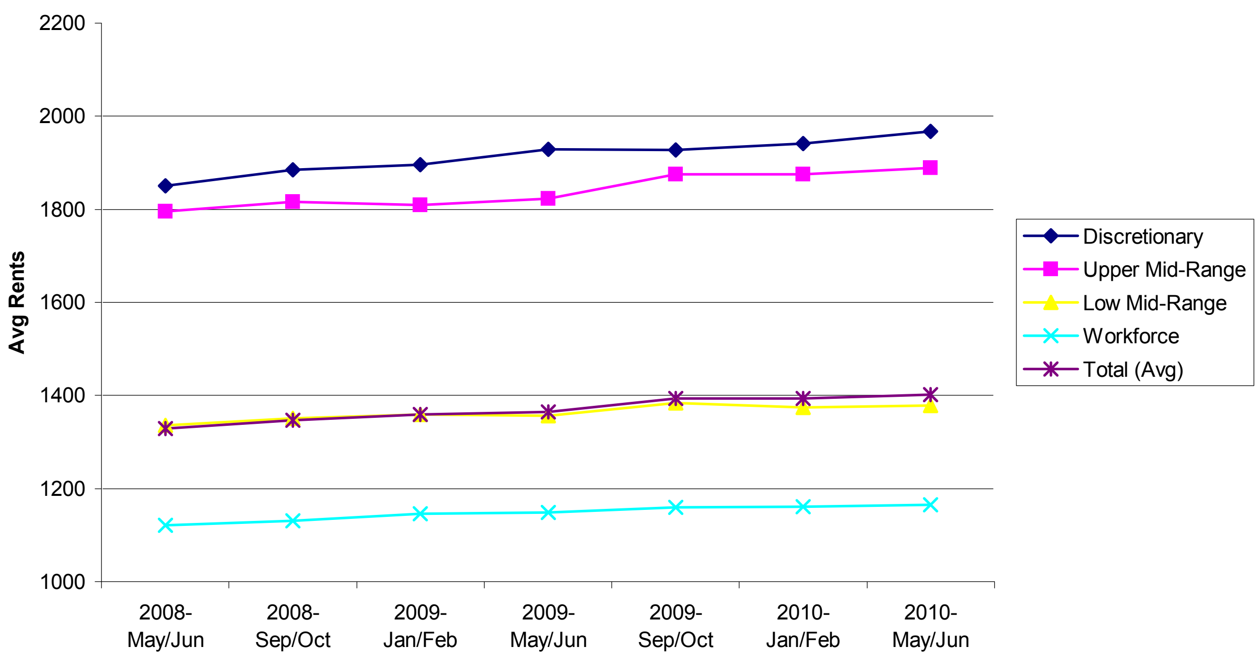
Rental Market Conditions

Rental Rate Change

Market average rents, comparing May/June 2009 with same-period 2010, increased on average by $37.21 – 2.7% – with the rate of change ranging among rental categories as:

	Average Rental Rate		Change – 2009/2010	
Rental Household Type	2009	2010	Dollars	Percentage
Discretionary	$1,928.90	$1,968.00	$39.11	2.0 %
Upper Mid-Range	1,822.88	1,889.50	66.62	3.7
Low Mid-Range	1,356.32	1,378.92	22.60	1.7
Workforce	1,148.89	1,165.64	16.75	1.5
Total	$1,364.67	$1,401.88	$37.21	2.7 %

Period-to-period change among surveys (January/February; May/June; and September/October) during the 24-month period extending from May/June 2008, through May/June 2010 illustrated rental category rental rate change as:



Rental Market Conditions *(continued)*

Of Washington DC - Suburban Maryland's 50 submarkets, five were distinguished by rental rate average increases well above the metropolitan area average:

Submarket	Inventory (Units)	Metro Area Average Rents 2009	Metro Area Average Rents 2010	Change – 2009/2010 Dollars	Change – 2009/2010 Percentage
21 – North Capitol	1,006	$1,720.24	$2,144.51	$424.27	24.7 %
18 – Brentwood/Trinidad/Woo	2,628	1,357.04	1,635.69	278.65	20.5
26 – West Foggy Bottom	3,835	2,157.61	2,344.42	186.81	8.7
31 – Columbia Heights	1,791	1,467.18	1,645.39	178.20	12.1
27 – Georgetown/Wesley Heig	2,701	1,502.54	1,652.21	149.67	10.0

At the other end of the rent spectrum, five submarkets illustrated average rental rate change below the metropolitan area averages:

Submarket	Inventory (Units)	Metro Area Average Rents 2009	Metro Area Average Rents 2010	Change – 2009/2010 Dollars	Change – 2009/2010 Percentage
33 – North Connecticut Avenu	3,434	$1,780.89	$1,664.13	($116.76)	(6.6) %
2 – California/Leonardtown/Pr	1,021	1,187.10	1,133.28	(53.83)	(4.5)
40 – College Park	8,185	1,198.97	1,154.27	(44.70)	(3.7)
22 – Penn Quarter	2,841	2,220.84	2,182.88	(37.96)	(1.7)
16 – West Greenbelt/East Rive	4,843	1,221.78	1,187.28	(34.50)	(2.8)

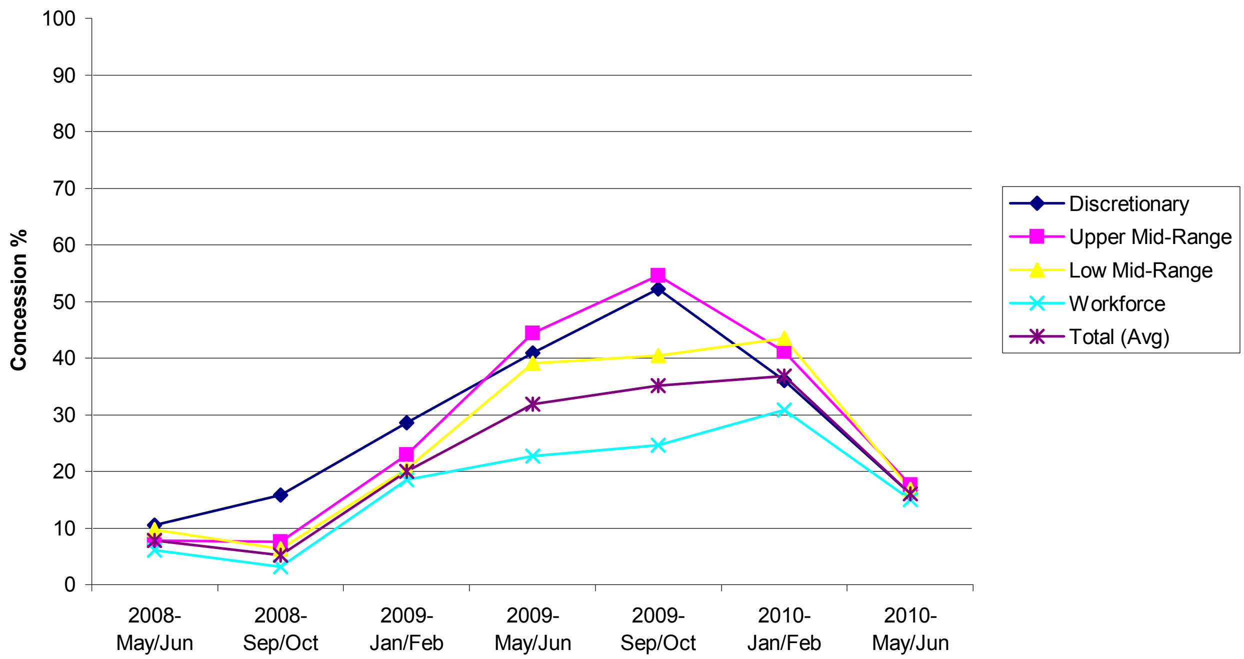
Rental Concessions

Rental concessions participation during the period reduced among rental categories as:

Rental Household Type	Concession Participation Rate 2009	Concession Participation Rate 2010	Concession Participation Rate Change – 2009/2010
Discretionary	40.9 %	16.0 %	(24.9) %
Upper Mid-Range	44.4	17.6	(26.9)
Low Mid-Range	39.1	16.8	(22.2)
Workforce	22.7	15.1	(7.6)
Total	31.9 %	16.1 %	(15.8) %

Rental Market Conditions *(continued)*

A thirty-six month illustration of concessions participation illustrated significantly improving rental market conditions in the most recent periods:



Five submarkets reported the market's highest concession participation:

Submarket	Property Inventory	Concessions Participation	Concessions Depth
3 – St. Charles/Waldorf	15	66.7 %	12.6 %
4 – Camp Springs/Fort Washi	9	33.3	9.1
28 – West Cleveland Park/Wis	20	30.0	3.8
45 – Downtown Bethesda	20	30.0	8.3
44 – Chevy Chase/Potomac	25	28.0	7.3

In contrast, seven submarkets reported no concession participation:

Apartment Development Market

Twelve month period Washington DC - Suburban Maryland apartment completions included 4,203 units among eighteen apartment communities, illustrating considerable emphasis on the Upper Mid-Range category:

Rental	Completions					
	2009		2010		Change – 2009/2010	
Household Type	Properties	Units	Properties	Units	Properties	Units
Discretionary	4	1,498	2	604	(2)	(894)
Upper Mid-Range	11	3,327	10	2,377	(1)	(950)
Low Mid-Range	5	677	4	734	(1)	57
Workforce	2	384	2	488	—	104
Total	22	5,886	18	4,203	(4)	(1,683)

Washington DC - Suburban Maryland apartment development in process included 6,010 units under construction among twenty-four properties; 132 properties were included in planning and preplanning:

Development Status	Properties	Units
Under Construction	24	6,010
Planned	64	22,848
Prospective	68	32,370
Total	156	61,228

The metropolitan area's most active developers included:

	Developments Under Construction	
Developer	Properties	Units
William C. Smith & Company	2	196
Archstone	1	469
Stonebridge Associates	1	440
JBG Companies	1	397
George Washington University	1	335
Saba Group, The	1	316
Fairfield Residential	1	315
Total	8	2,468

Investor Market Activity

Seven more properties – 53.8% – were sold during the 12-month period versus the prior year same-period:

Rental Household Type	Property Sales 2009	Property Sales 2010	Share of Total	Change – 2009/2010 Numeric	Change – 2009/2010 Percentage
Discretionary	—	3	15.0 %	3	— %
Upper Mid-Range	3	7	35.0	4	133.3
Low Mid-Range	4	5	25.0	1	25.0
Workforce	6	5	25.0	(1)	(16.7)
Total	13	20	100.0 %	7	53.8 %

Total metropolitan area dollar sales increased by a factor of 28.5% from the prior year:

Rental Household Type	Dollar Sales (000) 2009	Dollar Sales (000) 2010	Share of Total	Change – 2009/2010 Dollars (000)	Change – 2009/2010 Percentage
Discretionary	$ —	$233,300	25.4 %	$233,300	— %
Upper Mid-Range	254,200	461,012	50.2	206,812	81.4
Low Mid-Range	389,250	178,084	19.4	(211,166)	(54.2)
Workforce	71,050	45,683	5.0	(25,367)	(35.7)
Total	$714,500	$918,080	100.0 %	$203,580	28.5 %

The metropolitan average selling price per unit increased from the prior period:

Rental Household Type	Average Selling Price Per Unit 2009	Average Selling Price Per Unit 2010	Change – 2009/2010 Dollars	Change – 2009/2010 Percentage
Discretionary	$ —	$263,318	$263,318	— %
Upper Mid-Range	194,789	230,276	35,486	18.2
Low Mid-Range	106,121	99,879	(6,242)	(5.9)
Workforce	77,991	95,572	17,581	22.5
Total	$121,431	$178,302	$56,871	46.8 %

Average per-square-foot selling prices also increased from the prior period:

Rental Household Type	Average Selling Price Per Square Foot 2009	Average Selling Price Per Square Foot 2010	Change – 2009/2010 Dollars	Change – 2009/2010 Percentage
Discretionary	$ —	$361.13	$361.13	— %
Upper Mid-Range	195.58	241.84	46.26	23.7
Low Mid-Range	113.34	107.24	(6.11)	(5.4)
Workforce	101.94	142.36	40.42	39.6
Total	$131.56	$202.50	$70.93	53.9 %

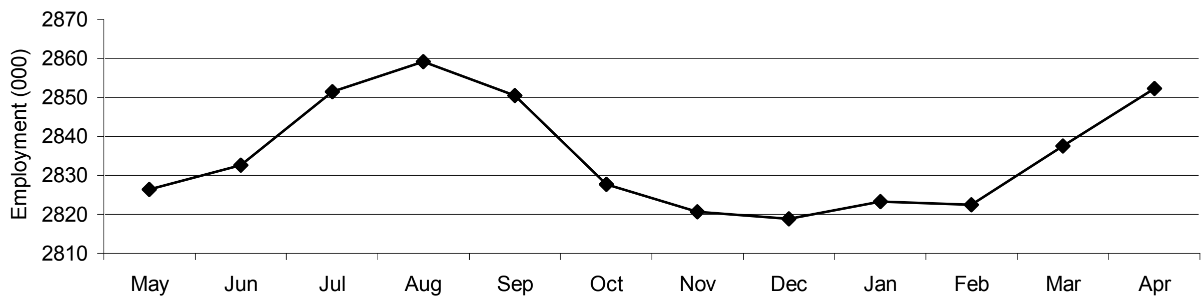
Employment

Washington DC non-agricultural employment during the three-year period extending from 2006 through 2009 year-end reduced 95,500 jobs – a 3.3% decrease.

		Change	
Period Ending	Employment (000)	Jobs (000)	Percentage
12/2006	2,905.0	–	–
12/2007	3,027.0	122.0	4.2
12/2008	2,862.7	<164.3>	<5.4>
12/2009	2,809.5	<53.2>	<1.8>

Source: United States Bureau of Labor Statistics

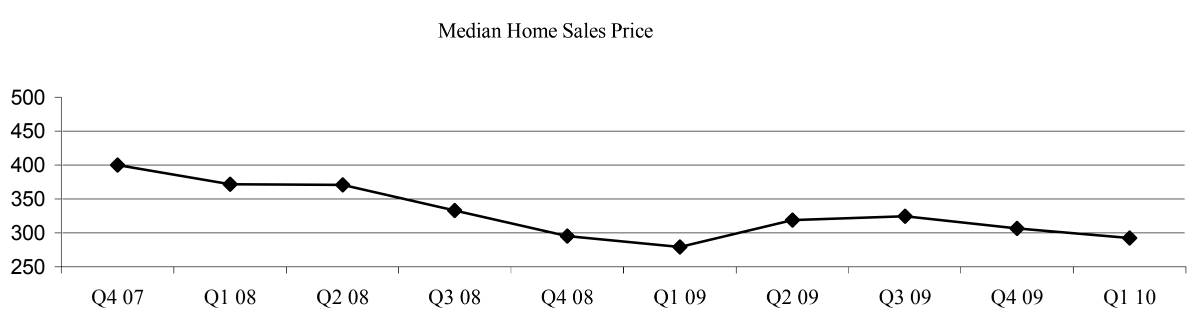
Metropolitan area three-month average employment illustrated a strengthening employment condition during the most recent periods:



Source: United States Bureau of Labor Statistics

Single Family Housing Activity

Metropolitan area home sales prices continued to decline into the first quarter of 2010:



Source: National Association of Realtors

Single Family Housing Activity *(continued)*

Recent Affordability Index change illustrated continuing improvement in the median income households' ability to purchase a median-priced home.

Quarter		Affordability Index
2009	1	148
	2	172
	3	175
	4	158
2010	1	154
	2	166
	3	
	4	

Sources:

Median Home Price: National Association of Realtors
Median Household Income: United States Dept of Housing & Urban Development
Interest Rate (applied to affordability index calculation): U.S. Federal Reserve

Public Transportation

DC Streetcar Project

The DC Streetcar Project – The streetcar will run along the west side of South Capitol Street between the Bolling Air Force Base and Navy Annex stops. The project is being proposed again.

Source: Maryland Department of Transportation

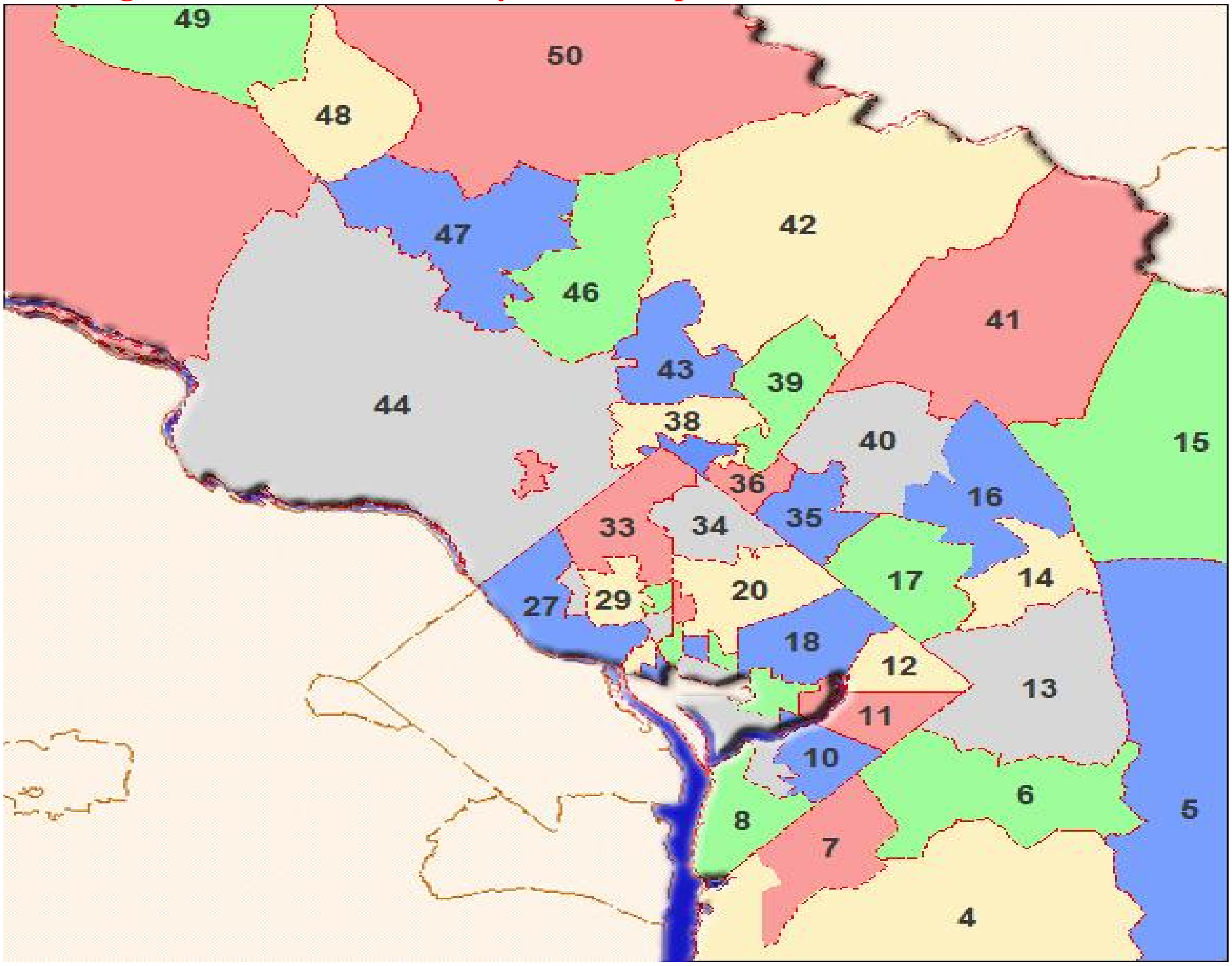
Freeway Development

The Intercounty Connector – The ICC will be an eighteen-mile toll road that begins at I-370 close to Gaithersburg and ends in Laurel near Route 1. The ICC will have three lanes in each direction between I-370 and I-95 and two lanes in each direction from I-95 to Route 1. Completion is scheduled in 2012.

I-95/I-495, Capital Beltway Project – This project will convert the I-95/I-495 interchange at Arena Drive from a part time interchange to a full time The location of the project is at Arena Drive from MD 202 to MD 214. Completion is scheduled in Summer 2009.

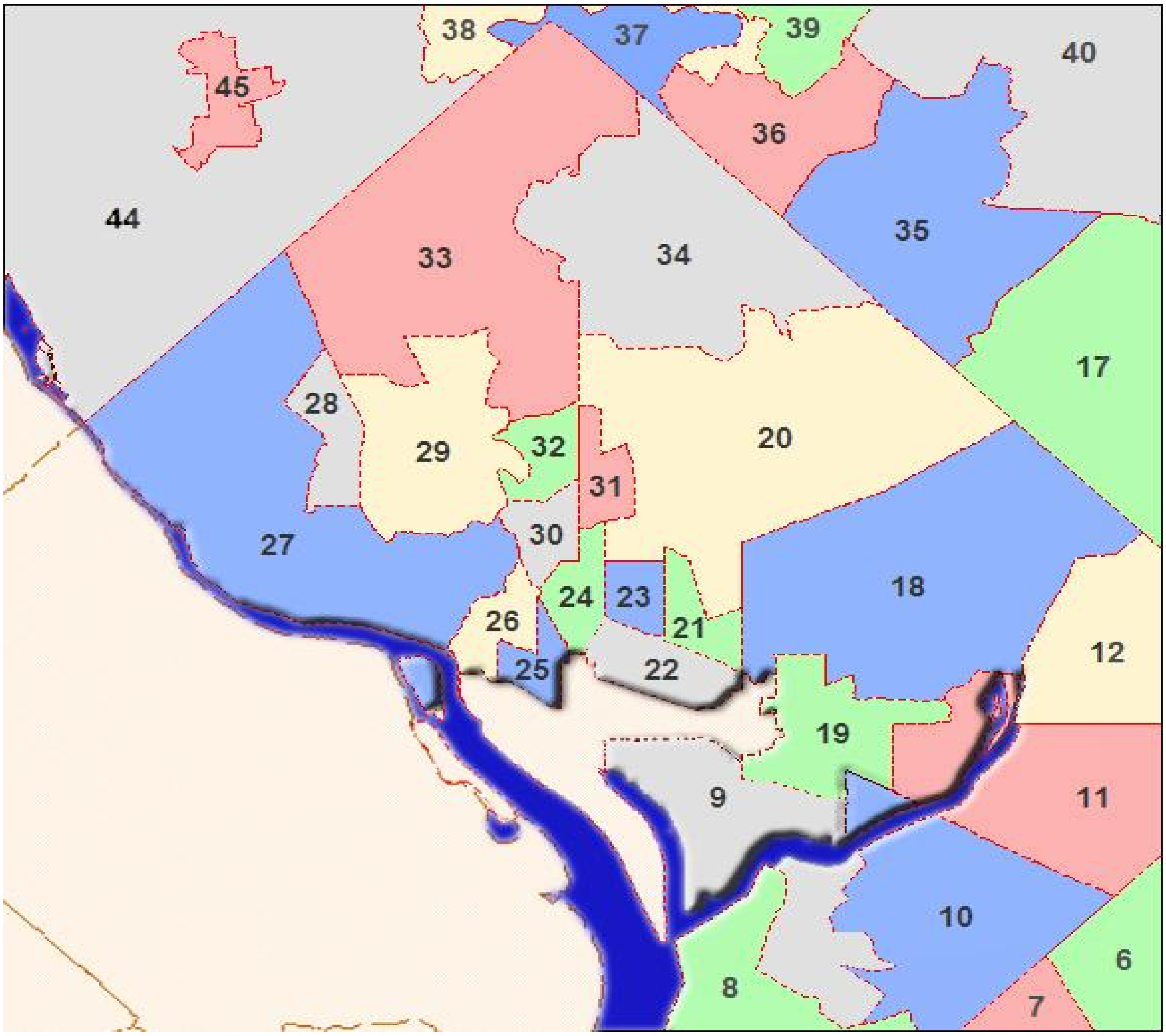
Source: Maryland Department of Transportation

Washington DC & Suburban Maryland Metropolitan Area Submarkets



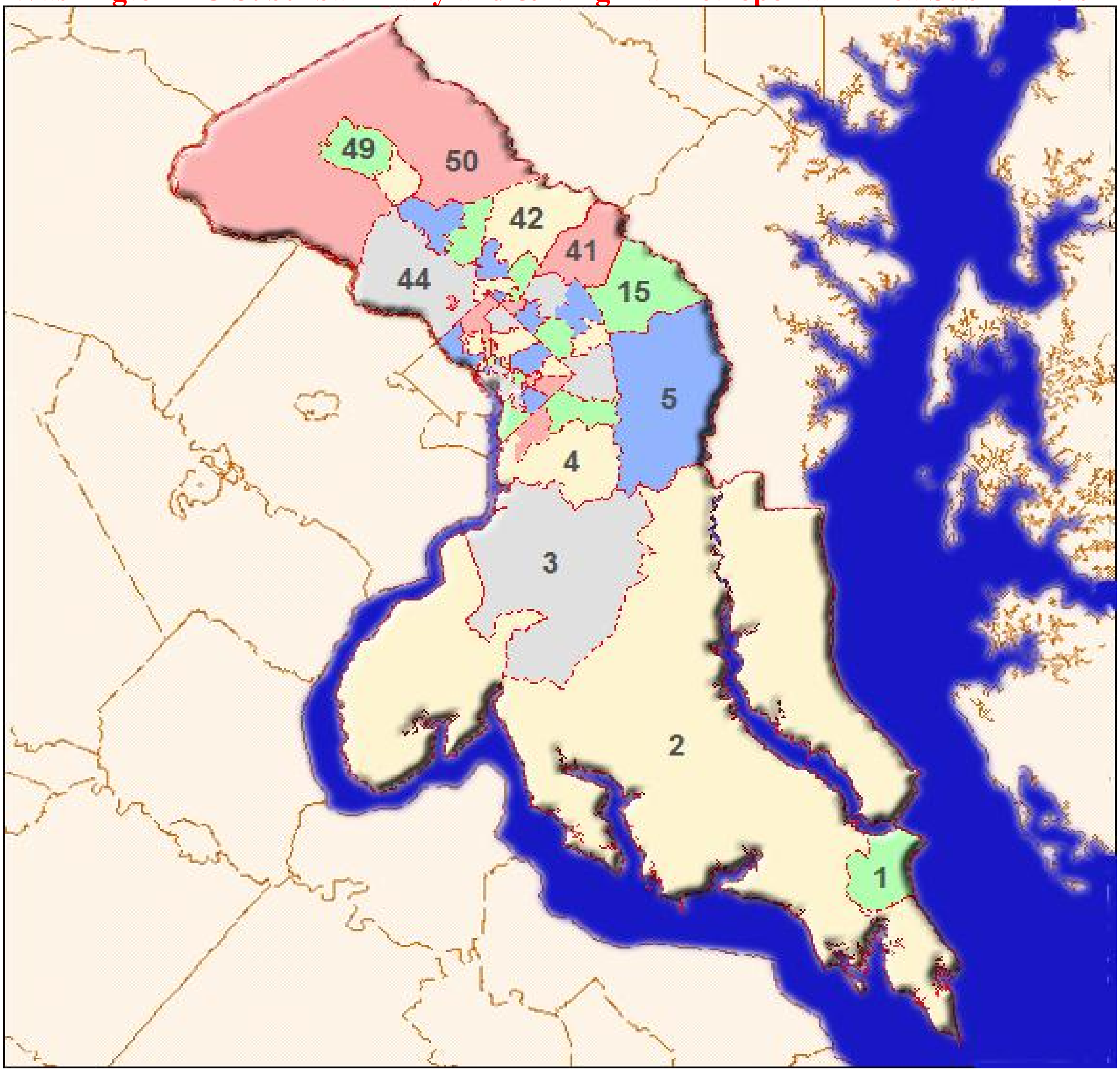
4 - Camp Springs/Fort Washingto	16 - West Greenbelt/East R	39 - East Silver Spring/White Oak
5 - Bowie/Lake Arbor/Largo	17 - Bladensburg/Riverdale	40 - College Park
6 - Forestville/Suitland	18 - Brentwood/Trinidad/Wo	41 - Beltsville/Laurel/South Laurel
7 - Hillcrest Heights/Marlow Heig	20 - Brookland/South Petwo	42 - Fairland
8 - Congress Heights/Congress F	27 - Georgetown/Wesley He	43 - Wheaton
10 - Anacosta/Garfield Heights	29 - East Cleveland Park/W	44 - Chevy Chase/Potomac
11 - Fort Dupont Park/Marshall He	33 - North Connecticut Ave	46 - Aspen Hill/Roosmoor
12 - Deanwood	34 - Brightwood/16th Street	47 - East Rockville
13 - Seat Pleasant/Walker Mill	35 - Chillum/Queens Chape	48 - East Gaithersburg/Redland
14 - Cheverly/Glenarden/Landove	36 - Takoma Park	49 - Germantown/Montgomery Vill
15 - Goddard/Glenn Dale	38 - West Silver Spring	50 - Olney/West Gaithersburg

Washington DC Urban Area Submarkets



6 - Forestville/Suitland
7 - Hillcrest Heights/Marlow Heig
8 - Congress Heights/Congress F
9 - Barry Farms/Saint Elizabeths
10 - Anacosta/Garfield Heights
11 - Fort Dupont Park/Marshall He
12 - Deanwood
17 - Bladensburg/Riverdale Park
18 - Brentwood/Trinidad/Woodridg
19 - Capitol Hill
20 - Brookland/South Petworth
21 - North Capitol
22 - Penn Quarter
23 - Logan Circle/West Mou
24 - South 16th Street/Scot
25 - East Foggy Bottom
26 - West Foggy Bottom
27 - Georgetown/Wesley H
28 - West Cleveland Park/V
29 - East Cleveland Park/W
30 - Adams Morgan/North D
31 - Columbia Heights
32 - Mount Pleasant
33 - North Connecticut Avenue Co
34 - Brightwood/16th Street Height
35 - Chillum/Queens Chapel
36 - Takoma Park
37 - Downtown Silver Spring
38 - West Silver Spring
39 - East Silver Spring/White Oak
40 - College Park
44 - Chevy Chase/Potomac
45 - Downtown Bethesda

Washington DC Suburban Maryland & Virginia Metropolitan Area Submarkets



1	- Lexington Park	5	- Bowie/Lake Arbor/Larg	44	- Chevy Chase/Potomac
2	- California/Leonardtown/Prince	15	- Goddard/Glenn Dale	49	- Germantown/Montgomery Vill
3	- St. Charles/Waldorf	41	- Beltsville/Laurel/South	50	- Olney/West Gaithersburg
4	- Camp Springs/Fort Washingto	42	- Fairland		