Year-End 2013

Annual Survey of the Washington Region's Market Makers

Prepared November 22, 2013

DELTA ASSOCIATES

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WASHINGTON REGION
MARKET MAKER SURVEY REPORT
YEAR-END 2013

DELTA ASSOCIATES

INTRODUCTION

Following is Delta Associates' 18th annual Market Maker Survey Report. Each year we survey those who shape the real estate industry, including developers and financial experts, here in the Washington region. The survey addresses property performance, cap rate trends, investment returns, development costs, and business outlook. The tables that follow provide the results of the survey with comparison to prior years. In summary:

INVESTMENT WORTHINESS INDEX DOWN TO LOWEST LEVEL SINCE 2008 – BUT WASHINGTON AREA ASSETS CONTINUE TO APPEAL TO INVESTORS

The average investment worthiness score was 5.5 in 2013, down slightly from 5.7 in 2012. Scores ranged from 4.5 to 6.5, as all product types scored above the benchmark 5.0 investment worthiness line with the exception of suburban office. The significant shifts since last year include the rise of CBD office as an investment choice and the decline in the investment appeal of suburban hotels.

The most outstanding investment opportunities appear to be:

- Industrial Distribution – driven by robust absorption led by a revolution in retailing and data centers
- Grocery Anchored Shopping Centers – due to the nation's lowest vacancy rate
- Class B Garden Apartments – a value add play for those who serve the flight to quality that is so prevalent in the region's apartment market

INVESTMENT WORTHINESS INDEX

Washington Region | 2009 – 2013 | (Score: 10 = Best Opportunity; 0 = Worst Opportunity)

PRODUCT TYPE	SCORE 2013	SCORE 2012	SCORE 2011	SCORE 2010	SCORE 2009
Office: Suburban – Class A	4.9	5.5	5.8	6.1	6.1
Office: Suburban – Class B	4.5	4.8	4.5	5.1	5.4
Office: CBD – Class A	5.6	5.2	6.4	6.1	6.6
Office: CBD – Class B	5.4	4.8	6.2	5.4	6.1
Industrial/Distribution: Class A	6.5	6.3	6.3	6.5	6.2
Shopping Center: Grocery Anchored – Class A	6.4	6.4	6.1	6.6	6.2
Apartments: Suburban Garden – Class A	5.5	5.6	7.0	6.4	7.1
Apartments: Suburban Garden – Class B	5.9	6.0	6.6	6.7	6.5
Apartments: High-Rise – Class A	5.8	5.6	7.3	6.3	6.8
Hotels: Suburban – Class A	5.1	6.3	6.1	6.5	5.3
Overall Average	**5.5**	**5.7**	**6.2**	**6.2**	**6.2**

Note: A score below 5.0 is considered to have more interested sellers than interested buyers. Transaction volume may not correspond with investment worthiness score because of substantial bid/ask spreads for some product types.

TARGETED CASH-ON-COST RETURNS: DOWN FOR ALL BUT OFFICE

Targeted cash-on-cost returns for new development decreased 11 basis points in 2013, after increasing 13 basis points in 2012. Although targeted returns have decreased over the past year, return expectations remain slightly above targets of 2011. The most notable decline occurred for Grocery Anchored Shopping Centers.

TARGETED CASH-ON-COST RETURN

PRODUCT TYPE	YEAR-END 2013	YEAR-END 2012	YEAR-END 2011
Office	9.16%	8.60%	8.38%
Industrial	8.57%	8.75%	8.31%
Grocery Anchored Shopping Center	8.17%	8.75%	9.10%
Apartments	6.91%	7.14%	6.93%
Unweighted Average	**8.20%**	**8.31%**	**8.18%**

CAPITALIZATION RATES: ALL PRODUCT TYPES DECLINE EXCEPT APARTMENTS

The average cap rate is 6.35% for all product types at year-end 2013 – a decrease of 32 basis points in 2013. Cap rates increased 20 basis points for Apartment product during 2013, as demand for this asset waned, likely due to a robust pipeline of new construction. This rise in cap rates was offset by declining cap rates for all other property types, as a result of low interest rates and increased demand for quality Washington metro real estate assets. Hotels and Office property types experienced the greatest cap rate declines during 2013, at 102 and 59 basis points, respectively, due to strong demand from investors for core assets in these classes. Federal austerity measures have reduced expectations some, but overall investor interest in Washington real estate assets remains solid.

Of note, cap rates remain well below the cyclical peak of 8.19% achieved in 2009.

We expect demand for high-quality Washington area assets to continue, as global investors value the relative safety of this market. Given the uncertain nature of the economy, however, we believe any further decline in cap rates during 2014 is likely to be modest. Most price increases will likely be earned from property performance improvement.

AVERAGE CAP RATE: BASIS POINT CHANGE

PRODUCT TYPE	OCTOBER 2012 VS. OCTOBER 2013
Hotels	-102
Office	-59
Industrial/Distribution	-26
Grocery Anchored Shopping Center	-25
Apartments	+20

Class A High-Rise Apartments and Class A CBD Office have the lowest cap rates at year-end 2013, indicating that the investment community believes they are the safest investments amid today's market conditions. Although the average cap rate edged up slightly between 2012 and 2013 for Class A High-Rise Apartments, they remain the lowest cap rate among Washington's commercial real estate options. As consumers remain concerned about employment security, many continue to be cautious about purchasing a home – or cannot meet down payment requirements. This caution bodes well for the apartment market, as those seeking housing find this product type desirable by comparison. However, cap rates could edge up further for this product type in the near-term, as this asset class has a robust pipeline set to deliver in 2014 – increasing competition among property owners. As office tenants look to occupy energy-efficient space and a more modern floor plate with collaborative and flexible work spaces, Class A CBD Office space is in high demand. Of note, the Class B office product that is most in demand is well-located product that can be rehabilitated into Class A space. Demand for commodity Class B office product is limited.

AVERAGE CAP RATES AT YEAR-END 2013

PRODUCT TYPE	ALL RESPONDENTS	DEVELOPERS/INVESTORS OF THIS PROPERTY TYPE
Apartments: High-Rise - Class A	5.11%	5.11%
Office: CBD - Class A	5.39%	5.39%
Apartments: Suburban Garden - Class A	5.70%	5.70%
Shopping Center: Grocery Anchored - Class A	6.14%	6.30%
Office: CBD - Class B	6.24%	6.24%
Apartments: Suburban Garden - Class B	6.39%	6.36%
Industrial/Distribution: Class A	6.74%	6.38%
Office: Suburban - Class A	6.90%	6.90%
Hotels: Suburban - Class A	6.98%	7.38%
Office: Suburban - Class B	7.88%	7.88%

Note: Please see Exhibit I-C following for cap rate comparisons to prior years.

THE REGIONAL ECONOMY: OUTLOOK FOR THE COMING YEAR IS SOMEWHAT MORE OPTIMISTIC

About half of respondents expect business condition in the coming year will be similar to the current year – a sentiment unchanged since last year's survey. However, 28% of respondents this year believe next year will be improved compared to only 17% who were so inclined in last year's survey.

AVERAGE DEVELOPMENT COSTS UP FOR APARTMENT AND OFFICE

The average development cost for CBD Office properties is $414/SF, continuing to increase since the recession at 9.9% per year. The average cost to build High-Rise Apartments is $322,000/unit, up 7.3% per year since the low point of the recession. These average costs include hard and soft costs, but exclude land.

SEQUESTRATION

Automatic across-the-board Federal budget cuts, totaling $1.2 trillion over ten years, went into effect in March 2013. This dagger has been looming over the heads of businesses and consumers since November 2011, hampering economic growth due to uncertainty. However, the overall impacts of sequestration have been modest compared to expectations – largely due to Federal government austerity getting a head start in 2011, the outsized performance of the private sector, and the deferral of furloughs. Despite Federal austerity and related budget cuts, the Washington metro area continues to experience growth, although lackluster compared to previous recovery cycles. Given the uncertainty related to the continuing effects of sequestration, we felt this was an important topic to explore in this year's Market Maker survey.

Washington area payroll employment increased by 33,400 net new positions during the 12 months ending in August 2013. Although we are in an expansion cycle, we project that job growth will be modest compared to previous recovery cycles, with 40,000 to 60,000 new payroll jobs created on average each year from 2013 through 2017. The average job growth associated with prior expansion cycles is 60,000 to 100,000 new payroll jobs annually.

62% of respondents think that sequestration will reduce the Washington area's job growth by 1-5% in 2014. 11% of respondents think that sequestration will reduce the Washington area's job growth by more than 10% in 2014.

LEED-CERTIFIED OFFICE SPACE

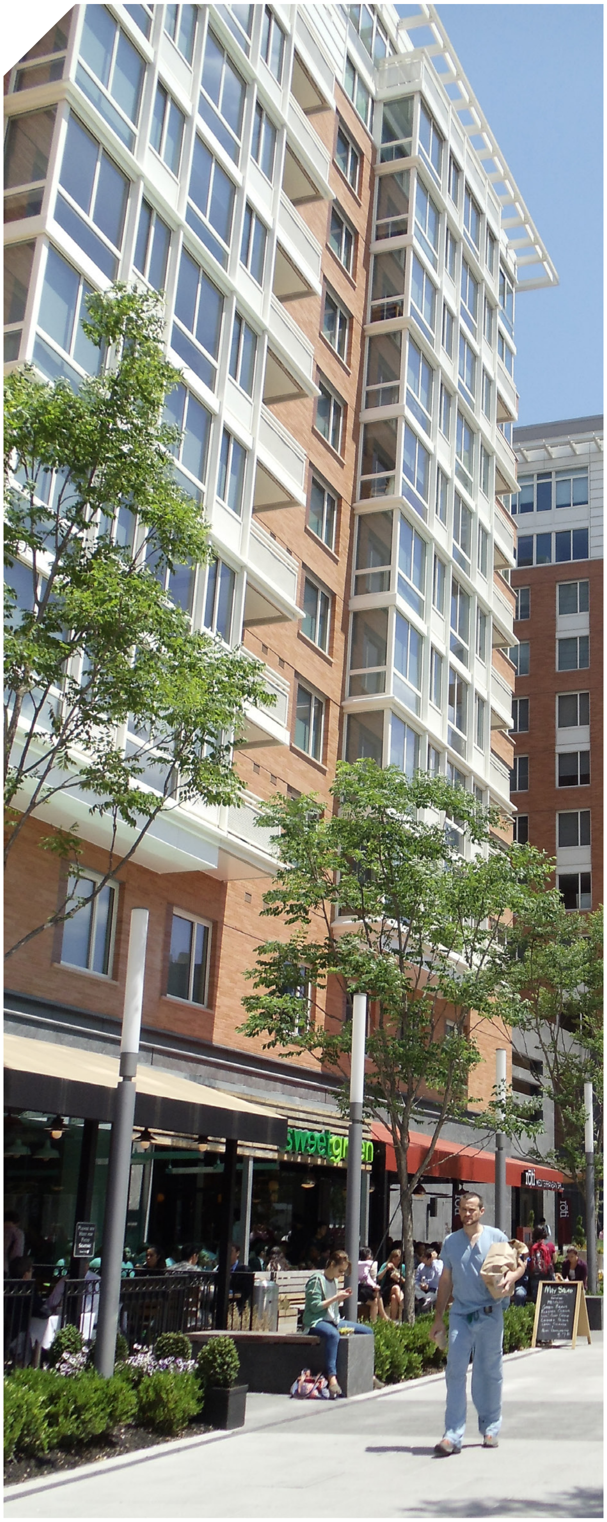
The trend of tenants seeking "green" office space remains prominent. In this year's Market Maker survey we took a look at what type of rent premium office tenants are willing to pay for LEED-Certified space along with what share of office tenants are demanding LEED-Certified space. Sustainability practices are viewed by some tenants as a way to increase the bottom line; by others, as part of their mission statement. Investors are responding to the demand for sustainable office space. More than half of respondents said that 1-25% of office tenants are demanding LEED-Certified space.

Although demand for green space is on the rise, the rent premium tenants are willing to pay to lease such space remains less clear. 59% of respondents with office expertise believe that office tenants will pay some type of premium for LEED-Certified space, which compares to 41% who believe office tenants will not pay any premium. Only 6% of respondents with office expertise believe that tenants will pay a rent premium of greater than 10% for LEED-Certified space.

A BRIEF OVERVIEW OF THE SURVEY RESULTS BY PROPERTY TYPE

Office: The average investment worthiness score for Washington area Office product was 5.1, unchanged from 5.1 in 2012. CBD office properties scored above 5.0 – the investment worthiness benchmark – while suburban properties did not. Office properties closer to the core are in high demand from investors and are attractive to lenders. Out of all office product types, Class A CBD and Class B CBD properties ranked the highest, climbing to an average worthiness score of 5.6 and 5.4, respectively. Class A CBD properties outpaced Class B CBD properties slightly, as demand for Class A product is strongest. 45% of Office Building Developer/Owner respondents feel investment potential for Class A CBD Office product is moderate to high over the next four years, which compares to 33% for Class B CBD Office product.

Industrial/Distribution: The investment worthiness score was 6.5 during 2013, up from 6.3 during 2012. With the highest investment worthiness score out of all product types, Industrial/Distribution properties moved up two spots in the rankings, topping the list for the first time since the Market Maker survey has been conducted in 17 years. Large retailers such as Amazon are seeking to capture a greater share of the region's high disposable incomes by setting up local distribution operations. At the same time, industrial investors are reaping the benefits of high-credit national tenants. Also, investors are increasingly interested in data centers. As more individuals and businesses depend on the internet, the infrastructure that supports the internet needs to expand. This in turn increases additional demand for data centers. We expect this trend to continue – with particular focus on Northern Virginia.



Grocery Anchored Shopping Centers: This product type scored 6.4 for investment worthiness, unchanged from 6.4 in 2012. This product type was edged out of its top spot from last year's rankings and is now in second place for investment worthiness. Grocery anchored shopping centers are typically a favorite with investors during soft economic periods, since consumers still need groceries and basic goods during lean times. Overall, consumers are starting to spend money again, albeit slowly. Well-located Class A shopping centers with a dominant grocery anchor managed well during the recent downturn, as these centers were able to keep and lure quality tenants from Class B centers. 78% of Shopping Center Developer/Owner respondents believe that this sector's investment potential is moderate to high over the next four years, up from 50% one year ago.

Apartments: The average investment worthiness score for Washington area Apartment product was 5.7, unchanged from 5.7 in 2012. Despite this lull, all apartment product types scored above 5.0 – the investment worthiness benchmark. Class B Suburban Garden ranked the highest of all apartment product types with an average score of 5.9. Class A High-Rise and Class A Suburban Garden scored 5.8 and 5.5, respectively, in 2013. Suburban Class B Apartments are a target for value-add investors looking to renovate and appeal to the move-up market.

Following the drought of units built in 2009 and 2010 due to tightened credit markets and poor property performance metrics, construction came roaring back in 2011, plateauing in 2012. Construction remains robust in 2013, putting downward pressure on rents over the next 24 months. However, demographic trends paint a bright future for the apartment marketplace, as a large group of Millennials will demand the flexible housing arrangements that apartments provide, and those in the Millennial cohort who are currently doubling up or living with their parents will eventually "age out" (or be nudged out) and look for their own place, further enhancing demand over the long term. The greater down payments now required to buy a home also play to the advantage of the rental market, particularly for this younger age group.

Hotels: Suburban Class A Hotel product declined six spots to eighth place in 2013. This product type scored 5.1 for investment worthiness, down from 6.3 in 2012. Despite this slip, Hotels scored above 5.0 – the investment worthiness benchmark. This property type is currently experiencing a decline in investor interest due to the limiting effects on travel of Federal austerity measures and a significant construction pipeline of new units.

DELTA ASSOCIATES' MARKET MAKER SURVEY
WASHINGTON, D.C. REGION
YEAR-END 2013

I. A. INVESTMENT WORTHINESS INDEX AT YEAR-END 2013 (SCORE: 10 = BEST OPPORTUNITY; 0 = WORST OPPORTUNITY)

PRODUCT TYPE	YEAR-END 2008		YEAR-END 2009		YEAR-END 2010		YEAR-END 2011		YEAR-END 2012		YEAR-END 2013		CHANGE IN RANK:
	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	'12-'13
Office: Suburban - Class A	4.2	8	6.1	8	6.1	8	5.8	9	5.5	7	4.9	9	-2
Office: Suburban - Class B	3.8	9	5.4	9	5.1	10	4.5	10	4.8	9	4.5	10	-1
Office: CBD - Class A	5.0	3	6.6	3	6.1	7	6.4	4	5.2	8	5.6	5	3
Office: CBD - Class B	4.9	4	6.1	7	5.4	9	6.2	6	4.8	10	5.4	7	3
Average Office Investment Worthiness	**4.5**		**6.0**		**5.7**		**5.7**		**5.1**		**5.1**		
Industrial/Distribution: Class A	5.1	2	6.2	6	6.5	3	6.3	5	6.3	3	6.5	1	2
Shopping Center: Grocery Anchored - Class A	4.3	7	6.2	5	6.6	2	6.1	8	6.4	1	6.4	2	-1
Apartments: Suburban Garden - Class A	4.8	5	7.1	1	6.4	5	7.0	2	5.6	6	5.5	6	0
Apartments: Suburban Garden - Class B	4.3	6	6.5	4	6.7	1	6.6	3	6.0	4	5.9	3	1
Apartments: High-Rise - Class A	5.3	1	6.8	2	6.3	6	7.3	1	5.6	5	5.8	4	1
Average Apartment Investment Worthiness	**4.8**		**6.8**		**6.5**		**7.0**		**5.7**		**5.7**		
Hotels: Suburban - Class A	2.7	10	5.3	10	6.5	4	6.1	7	6.3	2	5.1	8	-6
Average All Property Types	**4.4**		**6.2**		**6.2**		**6.2**		**5.7**		**5.5**		

I. B. TARGET CASH-ON-COST RETURN REQUIREMENTS (BY AREAS OF EXPERTISE)

PRODUCT TYPE	2008	2009	2010	2011	2012	2013
Office	9.30%	9.90%	9.48%	8.38%	8.60%	9.16%
Industrial	9.75%	11.10%	8.65%	8.31%	8.75%	8.57%
Grocery Anchored Shopping Center	9.65%	10.97%	9.50%	9.10%	8.75%	8.17%
Apartments	8.32%	8.95%	7.67%	6.93%	7.14%	6.91%
Unweighted Average: All Industries	**9.26%**	**10.23%**	**8.83%**	**8.18%**	**8.31%**	**8.20%**

Note: Some respondents had more than one area of expertise and were included in more than one category.

I. C. TRENDS IN AVERAGE CAP RATE (AFTER RESERVES)

PRODUCT TYPE	DATE OF SURVEY						BASIS POINT CHANGE				
	Oct-08	Oct-09	Oct-10	Oct-11	Oct-12	Oct-13	Oct '08- Oct '09	Oct '09- Oct '10	Oct '10- Oct '11	Oct '11- Oct '12	Oct '12- Oct '13
Office: Suburban - Class A	7.57%	8.54%	7.56%	6.89%	7.25%	6.90%	97	-99	-66	36	-35
Office: Suburban - Class B	8.28%	9.44%	8.44%	7.73%	8.37%	7.88%	116	-100	-71	64	-49
Office: CBD - Class A	6.69%	7.25%	5.83%	5.80%	6.12%	5.39%	56	-142	-3	32	-73
Office: CBD - Class B	7.47%	8.16%	6.86%	6.77%	7.01%	6.24%	69	-130	-9	24	-77
Average Office Cap Rate	**7.50%**	**8.35%**	**7.17%**	**6.80%**	**7.19%**	**6.60%**	**85**	**-118**	**-37**	**39**	**-59**
Industrial/Distribution: Class A	**7.79%**	**8.91%**	**7.92%**	**7.23%**	**7.00%**	**6.74%**	**112**	**-99**	**-69**	**-23**	**-26**
Shopping Center: Grocery Anchored - Class A	**7.46%**	**8.51%**	**7.12%**	**6.42%**	**6.39%**	**6.14%**	**105**	**-139**	**-70**	**-3**	**-25**
Apartments: Suburban Garden - Class A	6.65%	7.09%	5.79%	5.95%	5.36%	5.70%	44	-130	16	-59	34
Apartments: Suburban Garden - Class B	7.17%	7.75%	6.42%	6.40%	6.17%	6.39%	58	-133	-2	-23	22
Apartments: High-Rise - Class A	6.44%	6.61%	5.29%	4.94%	5.06%	5.11%	17	-133	-35	12	5
Average Apartment Cap Rate	**6.76%**	**7.15%**	**5.83%**	**5.76%**	**5.53%**	**5.73%**	**39**	**-132**	**-7**	**-23**	**20**
Hotels: Suburban - Class A	**8.66%**	**9.66%**	**8.31%**	**8.44%**	**8.00%**	**6.98%**	**100**	**-135**	**13**	**-44**	**-102**
Average All Property Types	**7.42%**	**8.19%**	**6.95%**	**6.66%**	**6.67%**	**6.35%**	**77**	**-124**	**-30**	**2**	**-32**

Source: Delta Associates, November 2013.

DELTA ASSOCIATES' MARKET MAKER SURVEY

WASHINGTON, D.C. REGION

YEAR-END 2013

I. D. BUSINESS CONDITIONS THIS YEAR WERE:

	DATE OF SURVEY			
	Oct-10	Oct-11	Oct-12	Oct-13
Better Than Prior Year	76%	28%	42%	37%
About the Same as Prior Year	22%	60%	33%	34%
Worse Than Prior Year	2%	13%	25%	29%
Total	**100%**	**100%**	**100%**	**100%**

Note: Annual figures may not add to 100% due to rounding.

I. E. EXPECT BUSINESS CONDITIONS NEXT YEAR TO BE:

	DATE OF SURVEY					
	Oct-08	Oct-09	Oct-10	Oct-11	Oct-12	Oct-13
Better Than Prior Year	5%	44%	66%	31%	25%	25%
About the Same as Prior Year	32%	43%	32%	52%	56%	50%
Worse Than Prior Year	63%	13%	2%	17%	19%	25%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Note: Annual figures may not add to 100% due to rounding.

I. F. EXPECT BUSINESS CONDITIONS TO CHANGE IN:

	EXPECT CONDITIONS TO IMPROVE	EXPECT CONDITIONS TO DECLINE	EXPECT CONDITIONS TO IMPROVE	EXPECT CONDITIONS TO DECLINE	EXPECT CONDITIONS TO IMPROVE	EXPECT CONDITIONS TO DECLINE	EXPECT CONDITIONS TO IMPROVE	EXPECT CONDITIONS TO DECLINE	EXPECT CONDITIONS TO IMPROVE	EXPECT CONDITIONS TO DECLINE	EXPECT CONDITIONS TO IMPROVE	EXPECT CONDITIONS TO DECLINE
Year	2008		2009		2010		2011		2012		2013	
2008	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2009	NA	5%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2010	33%	11%	1%	0%	NA	NA	NA	NA	NA	NA	NA	NA
2011	50%	0%	56%	10%	10%	0%	NA	NA	NA	NA	NA	NA
2012	1%	0%	22%	0%	55%	3%	0%	3%	NA	NA	NA	NA
2013	NA	NA	10%	0%	20%	5%	32%	21%	0%	10%	0%	5%
2014	NA	NA	NA	NA	8%	0%	29%	11%	40%	15%	38%	14%
2015	NA	NA	NA	NA	NA	NA	5%	0%	25%	5%	24%	0%
2016	NA	NA	NA	NA	NA	NA	NA	NA	5%	0%	10%	0%
2017	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	5%	0%
2018	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	0%	5%
Total	**84%**	**16%**	**90%**	**10%**	**93%**	**8%**	**66%**	**34%**	**70%**	**30%**	**76%**	**24%**

Note: Question was the respondent's choice of either: "I expect business conditions to improve in..." or "I expect business conditions to worsen in..."
Figures for each year may not add to total due to rounding.

Source: Delta Associates, November 2013.

DELTA ASSOCIATES' MARKET MAKER SURVEY

WASHINGTON, D.C. REGION

YEAR-END 2013

II. A. AT OCTOBER 2013, HOW RESPONDENTS VIEW BUSINESS CONDITIONS OVER THE NEXT YEAR COMPARED TO PRIOR YEAR.

	PRIMARY EXPERTISE OF RESPONDENTS			
	APARTMENTS	OFFICE	ALL OTHERS	ALL RESPONDENTS
Will Be Better in 2014	17%	17%	35%	25%
Will Be About the Same in 2014 as in 2013	25%	83%	50%	50%
Will Be Worse in 2014	58%	0%	15%	25%
Total	**100%**	**100%**	**100%**	**100%**

Note: Respondents who had more than one area of expertise, expertise outside of the apartment or office markets, or general market knowledge were included in the "All Others" category.
Totals may not add to 100% due to rounding.

II. B (i). AT OCTOBER 2013, WHEN RESPONDENTS EXPECT BUSINESS CONDITIONS TO IMPROVE, BY AREA OF EXPERTISE (AMONG THOSE WHO EXPECT THEM TO IMPROVE OVER THE NEXT SEVERAL YEARS).

	PRIMARY EXPERTISE OF RESPONDENTS			
	APARTMENTS	OFFICE	ALL OTHERS	ALL RESPONDENTS
2013	0%	0%	0%	0%
2014	14%	100%	45%	38%
2015	29%	0%	18%	24%
2016	14%	0%	9%	10%
2017+	0%	0%	9%	5%
Total	**57%**	**100%**	**82%**	**76%**

Note: Respondents who had more than one area of expertise, expertise outside of the apartment or office markets, or general market knowledge were included in the "All Others" category.
Totals may not add to 100% due to rounding.

II. B. (ii) AT OCTOBER 2013, WHEN RESPONDENTS EXPECT BUSINESS CONDITIONS TO DECLINE, BY AREA OF EXPERTISE (AMONG THOSE WHO EXPECT THEM TO DECLINE OVER THE NEXT SEVERAL YEARS).

	PRIMARY EXPERTISE OF RESPONDENTS			
	APARTMENTS	OFFICE	ALL OTHERS	ALL RESPONDENTS
2013	14%	0%	0%	5%
2014	29%	0%	9%	14%
2015	0%	0%	0%	0%
2016+	0%	0%	9%	5%
Total	**43%**	**0%**	**18%**	**24%**

Note: Respondents who had more than one area of expertise, expertise outside of the apartment or office markets, or general market knowledge were included in the "All Others" category.
Totals may not add to 100% due to rounding.

Source: Delta Associates, November 2013.

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III. TOTAL DEVELOPMENT COSTS (INCLUDING HARD AND SOFT COSTS, BUT EXCLUDING LAND)

Product Type	2009			2010			2011			2012			2013		
	Hard Costs	Soft Costs	Total Costs	Hard Costs	Soft Costs	Total Costs	Hard Costs	Soft Costs	Total Costs	Hard Costs	Soft Costs	Total Costs	Hard Costs	Soft Costs	Total Costs
Office - All Locations (per SF)	$213	$75	$288	$196	$64	$260	$268	$78	$346	$239	$90	$329	$286	$95	$381
CBD Office (per SF)	$261	$108	$369	$235	$84	$319	$313	$115	$428	$313	$125	$438	$313	$101	$414
Industrial/Distribution - All Locations (per SF)	$49	$26	$75	$33	$10	$43	$35	$15	$50	NA	NA	NA	$68	$52	$120
Apartment - All Locations (per unit)	$177,000	$43,000	$220,000	$157,000	$48,000	$205,000	$166,000	$48,000	$214,000	$160,000	$51,000	$211,000	$211,000	$61,000	$272,000
High-Rise Apartment (per unit)	$243,000	$54,000	$297,000	$203,000	$61,000	$264,000	$219,000	$53,000	$272,000	$207,000	$66,000	$273,000	$256,000	$66,000	$322,000

NA = not enough data to draw meaningful conclusions.

Source: Delta Associates, November 2013.

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WASHINGTON, D.C. REGION

YEAR-END 2013

IV. A. BY HOW MUCH DO YOU EXPECT SEQUESTRATION WILL REDUCE THE WASHINGTON AREA'S JOB GROWTH IN 2014:

	ECONOMIC INDICATOR JOB GROWTH
0%	11%
1-5%	62%
6-10%	16%
Greater than 10%	11%
Total	**100%**

Note: Totals may not add to 100% due to rounding.

Source: Delta Associates, November 2013.

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V. A. HOW MUCH OF A PREMIUM WILL OFFICE TENANTS PAY FOR LEED-CERTIFIED SPACE (ALL RESPONDENTS):

	PERCENT PREMIUM				
	0%	1-5%	6-10%	More than 10%	Total
LEED-Platinum Space	38%	48%	14%	0%	100%
LEED-Gold Space	45%	45%	5%	5%	100%
LEED-Silver Space	50%	40%	5%	5%	100%
LEED-Certified Space (Regardless of Certification Level)	**44%**	**44%**	**8%**	**3%**	**100%**

Note: Figures may not add to 100% due to rounding.

V. B. HOW MUCH OF A PREMIUM WILL OFFICE TENANTS PAY FOR LEED-CERTIFIED SPACE (RESPONDENTS WITH OFFICE EXPERTISE):

	PERCENT PREMIUM				
	0%	1-5%	6-10%	More than 10%	Total
LEED-Platinum Space	33%	50%	17%	0%	100%
LEED-Gold Space	45%	36%	9%	9%	100%
LEED-Silver Space	45%	36%	9%	9%	100%
LEED-Certified Space (Regardless of Certification Level)	**41%**	**41%**	**12%**	**6%**	**100%**

Note: Figures may not add to 100% due to rounding.

V. C. WHAT SHARE OF OFFICE TENANTS TODAY IS DEMANDING LEED-CERTIFIED SPACE

	SHARE DEMANDING LEED-CERTIFIED SPACE					
	0%	1-25%	26-50%	51-75%	More than 75%	Total
Share of Office Tenants Demanding LEED-Certified Space	12%	65%	6%	12%	6%	100%

Note: Figures may not add to 100% due to rounding.

Source: Delta Associates, November 2013.

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WASHINGTON, D.C. REGION

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VI. A. OFFICE: SUBURBAN - CLASS A

		Survey At October 2008		Survey At October 2009		Survey At October 2010		Survey At October 2011		Survey At October 2012		Survey At October 2013	
		All Respondents	Office Building Developers/Owners	All Respondents	Office Building Developers/Owners	All Respondents	Office Building Developers/Owners	All Respondents	Office Building Developers/Owners	All Respondents	Office Building Developers/Owners	All Respondents	Office Building Developers/Owners
A.	Percent of Respondents Who Feel Investment Potential Is Moderate To High Over The Next 4 Years.	32%	33%	54%	57%	56%	56%	45%	50%	45%	50%	36%	33%
B.	Average Cap Rate (Past 12 Months NOI after Reserves).	7.57%	7.57%	8.54%	8.53%	7.56%	7.59%	6.89%	6.89%	7.25%	7.27%	6.90%	6.90%

VI. B. OFFICE: SUBURBAN - CLASS B

		Survey At October 2008		Survey At October 2009		Survey At October 2010		Survey At October 2011		Survey At October 2012		Survey At October 2013	
		All Respondents	Office Building Developers/Owners	All Respondents	Office Building Developers/Owners	All Respondents	Office Building Developers/Owners	All Respondents	Office Building Developers/Owners	All Respondents	Office Building Developers/Owners	All Respondents	Office Building Developers/Owners
A.	Percent of Respondents Who Feel Investment Potential Is Moderate To High Over The Next 4 Years.	28%	29%	39%	41%	30%	30%	25%	28%	38%	42%	27%	24%
B.	Average Cap Rate (Past 12 Months NOI after Reserves).	8.28%	8.27%	9.44%	9.40%	8.44%	8.50%	7.73%	7.73%	8.37%	8.39%	7.88%	7.88%

Source: Delta Associates, November 2013.

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VI. C. OFFICE: CBD - CLASS A

	Survey At October 2008		Survey At October 2009		Survey At October 2010		Survey At October 2011		Survey At October 2012		Survey At October 2013	
	All Respondents	Office Building Developers/Owners	All Respondents	Office Building Developers/Owners	All Respondents	Office Building Developers/Owners	All Respondents	Office Building Developers/Owners	All Respondents	Office Building Developers/Owners	All Respondents	Office Building Developers/Owners
A. Percent of Respondents Who Feel Investment Potential Is Moderate To High Over The Next 4 Years.	33%	33%	58%	62%	60%	60%	55%	47%	40%	44%	43%	45%
B. Average Cap Rate (Past 12 Months NOI after Reserves).	6.69%	6.60%	7.25%	7.18%	5.83%	5.85%	5.80%	5.88%	6.12%	6.13%	5.39%	5.39%

VI. D. OFFICE: CBD - CLASS B

	Survey At October 2008		Survey At October 2009		Survey At October 2010		Survey At October 2011		Survey At October 2012		Survey At October 2013	
	All Respondents	Office Building Developers/Owners	All Respondents	Office Building Developers/Owners	All Respondents	Office Building Developers/Owners	All Respondents	Office Building Developers/Owners	All Respondents	Office Building Developers/Owners	All Respondents	Office Building Developers/Owners
A. Percent of Respondents Who Feel Investment Potential Is Moderate To High Over The Next 4 Years.	29%	21%	47%	50%	40%	40%	71%	67%	35%	39%	37%	33%
B. Average Cap Rate (Past 12 Months NOI after Reserves).	7.47%	7.40%	8.16%	8.08%	6.86%	6.95%	6.77%	6.77%	7.01%	6.95%	6.24%	6.24%

Source: Delta Associates, November 2013.

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VI. E. INDUSTRIAL/DISTRIBUTION: CLASS A

	Survey At October 2008		Survey At October 2009		Survey At October 2010		Survey At October 2011		Survey At October 2012		Survey At October 2013	
	All Respondents	Industrial/Distribution Developers/Owners	All Respondents	Industrial/Distribution Developers/Owners	All Respondents	Industrial/Distribution Developers/Owners	All Respondents	Industrial/Distribution Developers/Owners	All Respondents	Industrial/Distribution Developers/Owners	All Respondents	Industrial/Distribution Developers/Owners
A. Percent of Respondents Who Feel Investment Potential Is Moderate To High Over The Next 4 Years.	35%	38%	65%	65%	62%	64%	61%	58%	55%	63%	77%	75%
B. Average Cap Rate (Past 12 Months NOI after Reserves).	7.79%	7.79%	8.91%	9.07%	7.92%	7.90%	7.23%	7.34%	7.00%	6.75%	6.74%	6.38%

VI. F. SHOPPING CENTER: GROCERY ANCHORED - CLASS A

	Survey At October 2008		Survey At October 2009		Survey At October 2010		Survey At October 2011		Survey At October 2012		Survey At October 2013	
	All Respondents	Shopping Center Developers/Owners	All Respondents	Shopping Center Developers/Owners	All Respondents	Shopping Center Developers/Owners	All Respondents	Shopping Center Developers/Owners	All Respondents	Shopping Center Developers/Owners	All Respondents	Shopping Center Developers/Owners
A. Percent of Respondents Who Feel Investment Potential Is Moderate To High Over The Next 4 Years.	29%	31%	59%	64%	76%	73%	61%	56%	56%	50%	69%	78%
B. Average Cap Rate (Past 12 Months NOI after Reserves).	7.46%	7.39%	8.51%	8.42%	7.12%	7.10%	6.42%	6.49%	6.39%	6.37%	6.14%	6.30%

Source: Delta Associates, November 2013.

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VI. G. APARTMENTS: SUBURBAN GARDEN - CLASS A

	Survey At October 2008		Survey At October 2009		Survey At October 2010		Survey At October 2011		Survey At October 2012		Survey At October 2013	
	All Respondents	Apartment Building Developers/Owners	All Respondents	Apartment Building Developers/Owners	All Respondents	Apartment Building Developers/Owners	All Respondents	Apartment Building Developers/Owners	All Respondents	Apartment Building Developers/Owners	All Respondents	Apartment Building Developers/Owners
A. Percent of Respondents Who Feel Investment Potential Is Moderate To High Over The Next 4 Years.	39%	44%	79%	83%	70%	76%	73%	78%	43%	45%	44%	42%
B. Average Cap Rate (Past 12 Months NOI after Reserves).	6.65%	6.63%	7.09%	7.10%	5.79%	5.75%	5.95%	6.00%	5.36%	5.36%	5.70%	5.70%

VI. H. APARTMENTS: SUBURBAN GARDEN - CLASS B

	Survey At October 2008		Survey At October 2009		Survey At October 2010		Survey At October 2011		Survey At October 2012		Survey At October 2013	
	All Respondents	Apartment Building Developers/Owners	All Respondents	Apartment Building Developers/Owners	All Respondents	Apartment Building Developers/Owners	All Respondents	Apartment Building Developers/Owners	All Respondents	Apartment Building Developers/Owners	All Respondents	Apartment Building Developers/Owners
A. Percent of Respondents Who Feel Investment Potential Is Moderate To High Over The Next 4 Years.	33%	38%	70%	74%	78%	81%	78%	83%	50%	52%	54%	56%
B. Average Cap Rate (Past 12 Months NOI after Reserves).	7.17%	7.17%	7.75%	7.77%	6.42%	6.37%	6.40%	6.41%	6.17%	6.17%	6.39%	6.36%

Source: Delta Associates, November 2013.

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VI. I. APARTMENTS: HIGH-RISE - CLASS A

	Survey At October 2008		Survey At October 2009		Survey At October 2010		Survey At October 2011		Survey At October 2012		Survey At October 2013	
	All Respondents	Apartment Building Developers/Owners	All Respondents	Apartment Building Developers/Owners	All Respondents	Apartment Building Developers/Owners	All Respondents	Apartment Building Developers/Owners	All Respondents	Apartment Building Developers/Owners	All Respondents	Apartment Building Developers/Owners
A. Percent of Respondents Who Feel Investment Potential Is Moderate To High Over The Next 4 Years.	42%	46%	73%	76%	55%	61%	68%	70%	43%	41%	63%	61%
B. Average Cap Rate (Past 12 Months NOI after Reserves).	6.44%	6.37%	6.61%	6.62%	5.29%	5.25%	4.94%	5.00%	5.06%	5.06%	5.11%	5.11%

VI. J. HOTELS: SUBURBAN- CLASS A

	Survey At October 2008		Survey At October 2009		Survey At October 2010		Survey At October 2011		Survey At October 2012		Survey At October 2013	
	All Respondents	Hotel Developers/Owners	All Respondents	Hotel Developers/Owners	All Respondents	Hotel Developers/Owners	All Respondents	Hotel Developers/Owners	All Respondents	Hotel Developers/Owners	All Respondents	Hotel Developers/Owners
A. Percent of Respondents Who Feel Investment Potential Is Moderate To High Over The Next 4 Years.	5%	10%	39%	50%	45%	67%	55%	43%	77%	75%	40%	43%
B. Average Cap Rate (Past 12 Months NOI after Reserves).	8.66%	8.86%	9.66%	10.18%	8.31%	8.70%	8.44%	8.83%	8.00%	8.20%	6.98%	7.38%

Source: Delta Associates, November 2013.

DELTA ASSOCIATES THANKS ALL OF OUR 2013 MARKET MAKER SURVEY PARTICIPANTS, AMONG WHOM ARE THE FOLLOWING:

Akridge Companies
AvalonBay Communities
Boston Properties
Clark Realty Capital
Donohoe Companies
DRI Development Services LLC
First Centrum Corporation
George Mason University
GID Companies
Gimbert Associates LLC
Hines Interests Ltd. Partnership
IBUS Management & Development Inc.
J Street Companies
John B. Levy & Co.
John Hancock Real Estate Finance Group
Kettler Management
LCOR
Monument Realty
Northwood Investors
Panattoni Development Company
Paradigm Development Co.
Penrose Group
Quadrangle Development Corporation
Rappaport Companies
RCP Development Company
Rosenthal Properties
Seaton Benkowski & Partners
Starr Capital
Transwestern
Velsor Properties
Washington Real Estate Investment Trust