



MEMORANDUM

TO: KEITH WEAVER, EDSA
FROM: KYLE TALENTE, RKG ASSOCIATES
SUBJECT: MARKET SCENARIO DRAFT FRAMEWORK
DATE: MARCH 15, 2010
CC: MATT RENAULD, DIRK GERATZ, KARL MORITZ, SANDRA MARKS, PAT MANN

MARKET SCENARIO COLLABORATION MEETING RESULTS

The following memorandum provides the results of the “market scenario” collaboration meeting held on Friday, March 12th at City Hall. These results reflect the draft recommendation for the market scenario build out for the Beauregard Study Area in year 2035. Further detail about RKG Associates’ analysis methodology and/or more specific description of the discussions held at this meeting can be made available, if necessary.

Residential

The group present agreed to utilize the results of the Council of Governments (COG) 8.0 submission from the City of Alexandria to determine the development delivery schedule for this scenario. Given the relatively strong residential market demand levels, the group acknowledged that additional residential delivery will more likely be constrained by physical and financial issues than development interest or market support. As such, the market scenario should use COG 8.0 development levels for each of the TAZ within the Beauregard Study Area.

Retail

RKG Associates’ analysis revealed that full build out of the proposed development projects within the Beauregard Study Area will yield enough demand to support approximately 150,000 to 250,000 square feet (SF) of additional retail space (beyond current construction and space proposed within the BRAC 133 building). Based on this assessment, the Client and Consultant Team propose to reduce the proposed commercial development levels (approximately 450,000 SF of space) to 215,000 SF of space. This space is proposed to be allocated:

| Transportation Analysis Zone | Dedicated NEW Square Footage (2035) |
|------------------------------|-------------------------------------|
| 1556 | 5,000 |
| 1558 | 0 |
| 1563 | 200,000 |
| 1564 | 5,000 |
| 1566 | 5,000 |
| 1568 | 0 |

Office

There are approximately 2.1 million square feet of office space approved, but not built within the Bearegard Study Area. This total includes 1.7 million square feet in the BRAC 133 building and 350,000 to 400,000 square feet in new buildings at the IDA site. While there is uncertainty in whether IDA plans on utilizing this space or offering it for lease, it constitutes a substantial increase over the existing 1.3 million square feet of space existing in the Study Area.

In addition, there are more than 1.2 million square feet of space proposed within the Study Area. The construction of the Kenmore Office Building is most likely going to occur, given it is a by-right project and addresses an existing demand in the market. This development is slated to add approximately 105,000 square feet of medical office to the market. The remainder is space proposed in the remaining three large redevelopment plans west of I-395 being discussed as part of this effort. Duke Properties is considering the redevelopment of the Clyde's area of Mark Center, with current drafts resulting in a net increase of approximately 650,000 square feet. JBG Properties is proposing 450,000 square feet as part of their concept. Finally, Hekemian is proposing an additional 80,000 square feet at the Fairbanks-Foster location.

The market analysis indicates the level of proposed development likely will exceed projected demand through 2035. The entire Bailey's Crossroads/I-395 submarket historically has absorbed approximately 120,000 annually. Given the relative competitiveness of this area to locations such as Bailey's Crossroads (proposed net increase of 1.5 million square feet) and Landmark Mall (proposed 2.5 million square feet) and a market vacancy of more than 900,000 square feet, it is unlikely the total proposed new office square footage will be realized during the study period. As such, the Client and Consultant Team have proposed the following development for the Study Area through 2035 (less the approved, but undeveloped space):

| Transportation Analysis Zone | Dedicated NEW Square Footage (2035) |
|------------------------------|-------------------------------------|
| 1556 | 0 |
| 1558 | 0 |
| 1563 | 500,000 |
| 1564 | 50,000 |
| 1566 | 35,000 |
| 1568 | 105,000 |

Hospitality

Although the Consultant Team has not been tasked with testing the lodging market, a scan of the market potential within the Bearegard Study Area indicates that the property located on the Bearegard Street/Seminary Road intersection is the most logical place to plan for hotel development. In addition to having good visibility, these locations best support the conference facility at the Hilton on the same corner. As such, any planning for a hotel(s) should be placed in either the 1564 or 1566 TAZs. The current developer concepts include approximately 200,000 square feet of hotel space, or approximately 400 to 450 hotel rooms.