



THE SHOPPES AT FREDERICK LANDING

Senemeh Akwei



PALS - Partnership for Action Learning in Sustainability
An initiative of the National Center for Smart Growth

Gerrit Knaap, NCSG Executive Director
Uri Avin, PALS Director

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I. EXECUTIVE SUMMARY

Introduction

The Shoppes at Frederick Landing is a 155,000 sq. ft. retail neighborhood/community center situated on a 32-acre parcel in Frederick, MD. The site is adjacent to the Frederick Municipal Airport and works in partnership with a mixture of commercial offerings, including retail, office, and light industrial.

Key Challenges/Risks

- Population growth of 15,174 is expected by 2020 with the addition of 1,500 new residential units
- Monocacy River 100-year flood plain occupies approximately 15 percent of the northern portion of the site
- Underdeveloped bus transportation in East Frederick anticipated to become fully functional by 2018
- Undeveloped area around site isolates project from general traffic

Key Opportunities

- Project can capture over 1,500 residential units upon completion of Renn Farm and Nicodemus site by 2018
- Required open sustainable areas will be placed close to river to mitigate potential flooding hazards
- New public transportation routes will connect to downtown Frederick, Baltimore, and Washington, DC
- Construction has begun on Nicodemus site and will result in enhanced project visibility and increases traffic from 37,790 daily to possibly 40,000 on nearby E. Church St.

Market Context and Market Opportunities

- Gross revenue/unit is expected to increase by \$0.46 annually, from \$19.23 to \$21.55 by 2019
- Vacancy rates are estimated to remain between 7-8 percent by 2019 when adding 30,750 sf. per year
- Effective rents are estimated to increase to \$21 from \$19 through 2019

Suburban Maryland Retail 4Q 2014 Submarket Trend Futures								
Comm./Neigh.	Year	Quarter	Inventory (SF/Units)	Vac %	Net Absorption	Asking Rent \$	Asking Rent % Chg	Gr Rev/Unit \$
Comm./Neigh.	2010	Y	2,862,000	6.9	20,000	\$19.94	-3.9	\$17.57
Comm./Neigh.	2011	Y	2,862,000	7.1	-5,000	\$19.90	-0.2	\$17.57
Comm./Neigh.	2012	Y	2,862,000	6.4	18,000	\$19.94	0.2	\$17.61
Comm./Neigh.	2013	Y	3,017,000	7.5	112,000	\$20.35	2.1	\$18.06
Comm./Neigh.	2014	Y	3,041,000	8.4	-5,000	\$21.00	3.2	\$18.65
Comm./Neigh.	2015	Y	3,051,000	8.0	22,000	\$21.58	2.8	\$19.10
Comm./Neigh.	2016	Y	3,071,000	7.7	28,000	\$22.05	2.2	\$19.42
Comm./Neigh.	2017	Y	3,102,000	7.3	41,000	\$22.47	1.9	\$19.71
Comm./Neigh.	2018	Y	3,136,000	7.0	40,000	\$22.87	1.8	\$20.01
Comm./Neigh.	2019	Y	3,174,000	7.4	24,000	\$23.26	1.7	\$20.31

Source: Reis

- Primary draw will come from a one mile radius, while secondary will reach Frederick Memorial Hospital, Hood College, and Fort Detrick three miles away
- Frederick County population and households of 243,675 and 89,935 will grow to 258,849 and 96,471, respectively, by 2019

Frederick County					
Population	Count	Total Growth	Total Growth %	Annual Change	Annual Change%
2000	195,277				
2010	233,385	38,108	16.3%	3,811	2.0%
2014	243,675	10,290	4.4%	5,145	2.2%
2020	258,849	15,174	6.2%	3,035	1.2%
Households					
2000	70,060				
2010	84,800	14,740	17.4%	1,474	2.1%
2014	89,935	5,135	6.1%	2,568	3.0%
2020	96,471	6,536	7.3%	1,307	1.5%

- City has a plan to revive all areas around airport through economic growth, infrastructure and investment, and livable streets
- The City's airport will receive \$4.7m to expand its runways, creating more traffic in and around the airport and more visibility for The Shoppes at Frederick Landing
- Anticipate competition from retail development on Renn Farm site and existing retail two miles away

Financial Information

- Total Development Cost will be just over \$24m, cost/sq.ft at \$155, and a stabilized Net Operating Income (NOI) of \$3.02m
- Acquisition is \$822,878 with a construction cost of \$20.2m
- Returns are 22 percent, Debt Service Cover Ratio of 2.11, Debt Yield Ratio (Annual NOI/Loan Balance) 17 percent
- Project will be a 75 percent leveraged deal at 6.5 percent interest rate, amortized over 25 years
- Investor/Sponsor equity will be 80/20 with an investor preferred return of 15%
- Investor provides equity of \$4.8m while the developer provides \$1.2m
- IRR for the project is 30.2 percent
- Returns to the investor are \$22.5m and \$14.7m for sponsor at sale in year ten after debt payoff

II. MARKET STUDY

A. Introduction

i. Subject Overview

The subject of this report, the Shoppes at Frederick Landing, is a proposed development of a mixed-use commercial project that will include 155,000 s.f. of retail space in Frederick, MD. The proposed project will consist of mostly single-story retail spaces with anchor tenants on the ends and 500 parking spaces. The site is within walking distance to Frederick Municipal Airport and about 1 mile of Interstate 70 & 270, a major arterial in the Washington, DC metropolitan area.

ii. Purpose

The purpose of this market study is to determine the feasibility for the project through a comprehensive examination of the economic context, demographic trends, a competitive retail analysis and a quantification of net demand relevant to the proposed project.

iii. Client

The report is intended for the City of Frederick to consider for their vacant lot adjacent to Frederick Municipal Airport.

iv. Report Limitations

The conclusions reached in our assessment are inherently subjective and should not be relied upon as a determinative predictor of results that will actually occur in the marketplace. There can be no assurance that the estimates made or assumptions employed in preparing this report will in fact be realized, or that other methods or assumptions might not be appropriate. The conclusions expressed in this report are as of the date of this report; an analysis conducted as of another date may result in different conclusions. The actual results achieved will depend on a variety of factors, including the performance of management, the impact of changes in general and local economic conditions and the absence of material changes in the regulatory or competitive environment.

B. SITE ANALYSIS

i.Site Location

The Shoppes at Frederick Landing is located in the eastern section of Frederick, Maryland. The site is 44 miles west of Washington, D.C. and 52 miles northwest of Baltimore. The overall site is 32 acres; it is surrounded by Frederick Municipal Airport directly to the east, Monocacy Boulevard to the west and Frederick City Golf Course to the north. Directly south is Hartz Business Center Rd. and Hughes Ford Rd. Interstate-70 is located approximately one mile to the south.

Open fields, low shrubs, and patches of dense vegetation cover the site along with Monocacy River due north. For public access to the site, one must cross Monocacy Blvd or walk from the Airport.

ii.Existing Uses

The Shoppes at Frederick Landing is an abandoned open site as of March 2015.

iii.Size, Shape, and Topography

The subject site is approximately 32 acres in size, or 1,393,920 sq.ft. The site is directly adjacent to Frederick Municipal Airport and closely resembles that of an oval shape with Monocacy Blvd to the west, airport to the east & south, and Monocacy River to the north. The site contains various sizes of rolling hills with the steepest drop located north next to the river. Portions of the site that do not contain hills are very flat and open.

iv.Description of Land uses surrounding the Subject Site

Clustered Spires Golf Course – a city owned golf course—is located north of the site, across Monocacy River. The course is open year-round and has 27 holes. Industrial parks and small retail shops mostly surround the site. Retail shops include Nicolock Paving Stones, Straightline Direct Marketing LLC, PVI Office Furniture Plus, Kim Mid-Atlantic Engineers, Frederick Flight Center and That Auto Shop. Other commercial shops around the site are the Aircraft Owners & Pilots Association, Bramati Marble & Granite, and Airways Inn of Frederick. Wegmans Grocery Store (north) and Super Walmart (south) are located two miles from the site.

A vacant site currently sits across from The Shoppes on Monocacy Blvd., but according to public records, is currently slated for a mixed-use development consisting of over 1,000 residential units, called Renn Farm. Once across Monocacy Blvd, the street then becomes E Church St., where patrons traveling from downtown pass by. Renn Farm is

currently vacant with rolling grass hills. Other residential properties within a mile of the site are Fredericktown Village Park, Monocacy Village Park, and Nicodemus.

Map 1 shows a rough market area boundary and distance from subject:

- **North:** Monocacy River & Route 26 (3.0 miles)
- **East:** Monocacy River (1.0 to 2.0 miles)
- **South:** Interstate 270, Francis Scott Key Mall (2.0 to 3.0 miles)
- **West:** Interstate 70, Kemp Lane, Christopher Crossing (3.5 to 4.5 miles).

Map 1: Site Location – Frederick, MD

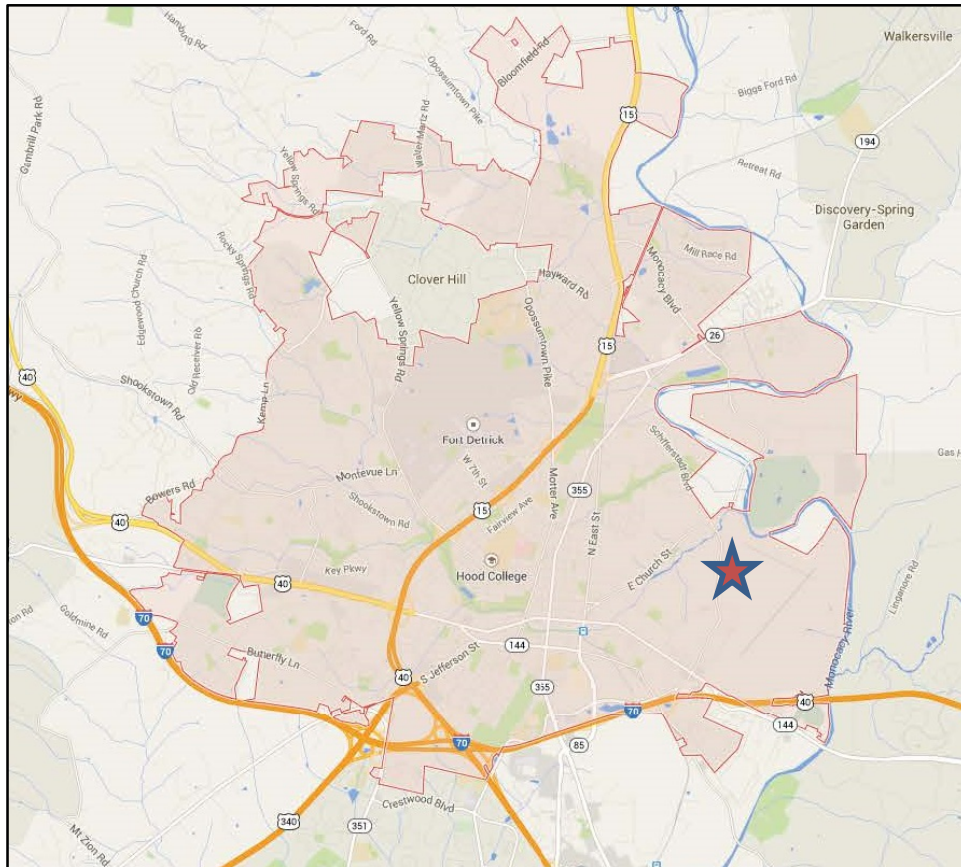


Figure 1 - Views of Subject Site and Surrounding Land Uses



Site – South along Monocacy Blvd



Site – North along Monocacy Blvd



Site – SW across Monocacy Blvd



Site – West across Monocacy Blvd



Site – E towards airport runway



Site – NE towards treatment plant

C. Neighborhood Analysis

1. General Character of East Frederick

The neighborhood of East Frederick is generally comprised of multifamily housing, industrial parks and retail shopping. Middle-income residents populate the neighborhood and use all of its amenities. Area amenities include Frederick Municipal Airport, Clusters Golf Course, Frederick Marc Train Station and Interstate 70.

i. Airport Area

Smaller and more local retail shops are located within ½ mile – 1 mile away. Airways Inn motel is directly south of the site, along with Frederick Flight Center and Motor Vehicle Administration. Eastgate Shopping Center is located roughly 1 mi south and contains a gas station, fast food restaurants, banks and an auto body shop.

ii. Density

Densities for the neighborhood vary from high-density for residential to small neighborhood retail centers.

iii. Development Patterns

Development for the area is on the rise and has seen mixed-use centers pop up throughout since the economy recovered. The Shops at Monocacy and Clemson Corner are direct examples of local attractions that have ample dining and retail options.

2. Site Visibility and Accessibly

a. Visibility

The site is directly visible from all points south of the airport along Monocacy Blvd and along E. Church St. Patrons visiting the airport can see the site when departing and landing. Signage at the correct height can be visible from as far away as I-70.

b. Vehicular Access

Access to the proposed community will be from Monocacy Blvd, a major arterial in the City of Frederick that provides local connections to North Frederick, Spires Golf Course and nearby industrial buildings to the south. E. Church St. runs west to northeast, starting in the downtown area, and turns in Monocacy Blvd directly

next to the subject site. This street is a direct connection to all of the business districts in the downtown area as well as individuals that will reside at the new Nicodemus & Ren Farm Sites. South of the site, perpendicular to Monocacy Blvd., is E. Patrick St. This street is the major arterial that bisects I-70 at its ending point to the east and turns into Rt. 40 in the west. E. Patrick St. runs through the southern portion of downtown and passes Frederick Marc Train Station and East Street Transit Center, home of Greyhound and Amtrak Stations.

c. Availability of Public Transit

Transportation around the airport is limited to the Bayrunner Shuttle. This is a transportation shuttle service that connects patrons to Amtrak, Greyhound stations in Baltimore and all airlines at Baltimore/Washington International Airport. In reference to public transportation, bus route 40 runs southeast to northwest of the site in a loop along E. Patrick Street. This route is a direct connection to the Amtrak and Marc Stations at Transit Center (Image 1). Transit Center is a major station that connects the numbers 40, 50, 51, 60, 61, and 65 bus routes. Running north to south and parallel to the site a mile away is East Street. Traveling along East St. are the 60 and 65 bus routes that travel to Frederick Community College and Walkersville.

Map 2 – Frederick Public Transportation Bus Route

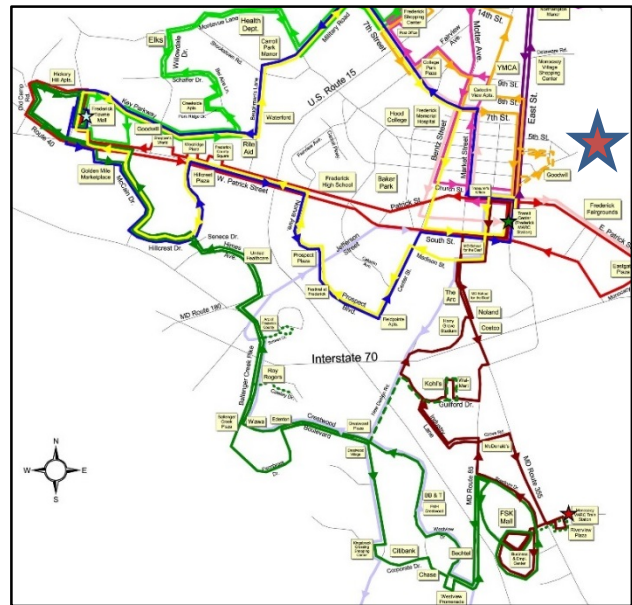
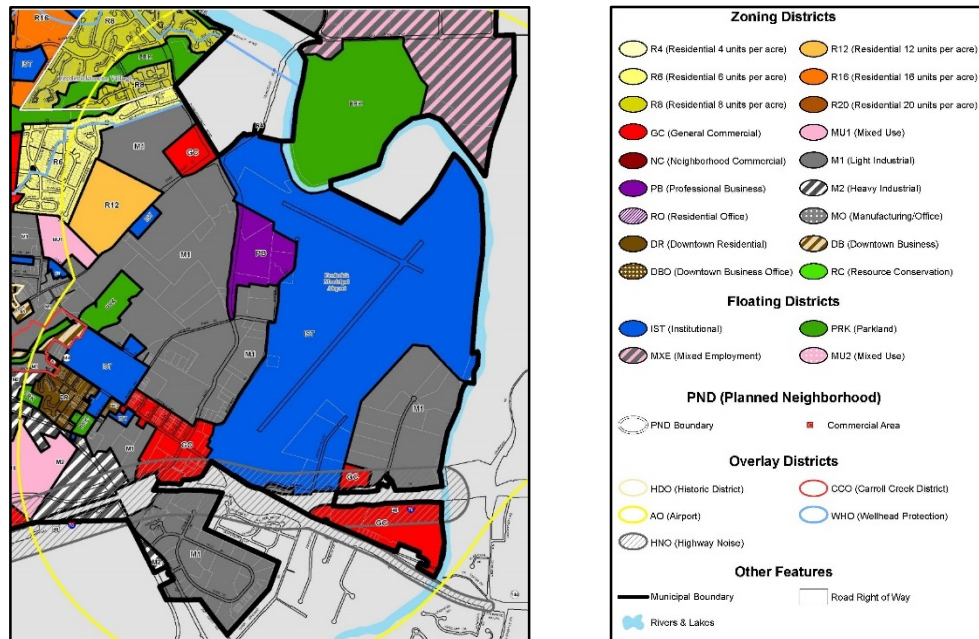


Image 1 – Transit Center

d. Land Use & Zoning

Land uses for the neighborhood include institutional, commercial, residential, and mixed-use. Residential land uses are medium density (R12, R16, DR), Light and Heavy Industrial (M1 & M2), General Commercial (GC) and Mixed-Use (MU1). Additional land uses around the area include Institutional (IST), Parkland (PRK), Downtown Business (DB) and Professional Business (PB), the current designation of the site.

Map 3 – East Frederick Zoning Map

**e. Pedestrian Access**

Pedestrian access is good; an overhead walkway that connects the Renn Farm Site to the Shoppes at Frederick Landing is in development. Other existing sidewalks connect the site to Nicodemus, which has direct access to downtown and Marc Train Station.

3. Retail Support Network

a. Key Facilities and Services near Subject Site

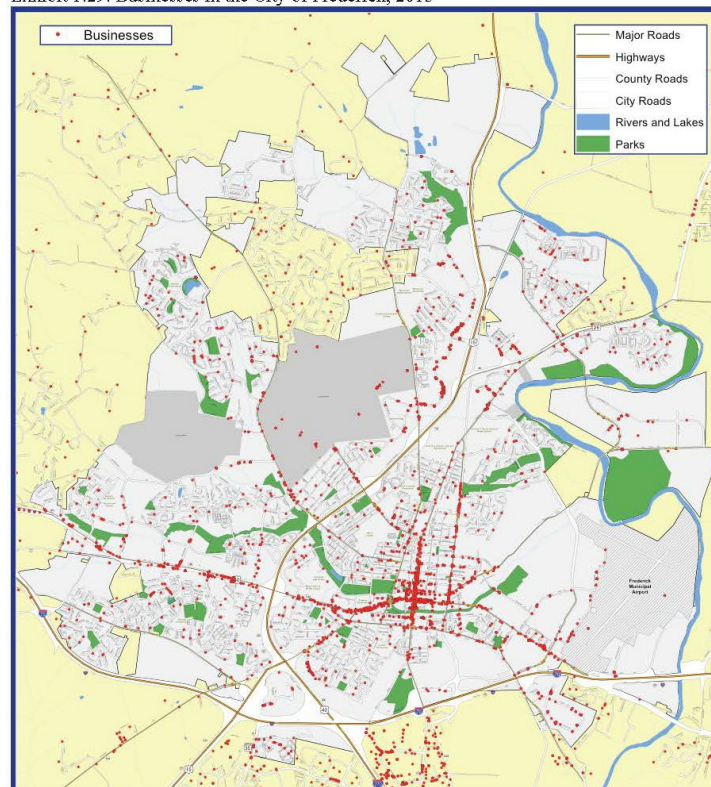
The appeal of any given community is often based in part to its proximity to those facilities and services required on a daily basis. Key facilities and services are listed in Table 1. The location of those facilities is plotted on Map 2.

b. Healthcare

The closest medical center to the site is Frederick Memorial Hospital, located 1.8 miles to the west. Frederick Memorial Hospital is a 308 bed general medical and surgical community hospital located in the City of Frederick.

Frederick Regional Outpatient Center is located within Children's National Health System in Frederick, MD. The Regional Outpatient Centers' administrative offices support outreach to the community and facilitates hospital department participation in the program. The Regional Outpatient Centers offer Children's specialists in a neighborhood setting around the region and is approximately 2.5 miles away from the subject site.

Exhibit 1.29. Businesses in the City of Frederick, 2013



Source: City of Frederick.

Map 4 – Business Map

Figure 2 - Views of Subject Site and Surrounding Land Uses

Area – Hughes Ford Rd & Monocacy Blvd



Area – Hartz Business Center on Hughes Ford



Airport – 411 Aviation Way Office Building



Airport – Runway/Airplane Hangers



Airport – Parking/Tower/Airways Inn Rest.



Airport – Landmark Aviation



Airport – Southern Research Institute



Airport – Frederick Flight Center

c. Amenities

Residents currently living around the airport do not have many amenities to choose from, especially in walking distance. Within a half mile, and in what one would consider walkable, there is only the Frederick Municipal Airport and a small local restaurant called Airways Inn. Clusters Golf Course is directly north of the site but does not have pedestrian access from the airport. The other amenity close to the site is The Great Frederick Fair Grounds. This venue hosts local farmer's markets, art & crafts, fairs, and festivals. Located within the grounds is E-ventplex, which is used to host indoor events.

Future plans show new development across the street at the Renn Farm site. Traveling beyond the two-mile radius east houses Hood College and Fort Dedrick, both on the western side of the city. Other amenities within a three-mile radius are listed below:

Establishment	Address	Type	Dist (miles)
Frederick Municipal Airport	310 Aviation Way	Public Building	.25 E
Ren Farm Site	1300 Farm Ln	Development Site	.27 W
Maryland State Police Aviation Command	110 E Airport Dr	Police	.42 SE
Wastewater Treatment Plant	Treatment Plant Rd	Public Building	.43 N
Nicodemus Site	7992 E Church St	Development Site	.80 W
E-ventplex	797 E Patrick St	Public Recreation	.82 S
Eastgate Shopping Center	1201 E Patrick St	General Retail	.87 S
PNC Bank	9 Monocacy Blvd	Bank	.85 S
Clustered Spires Golf Course	8415 Gas House Pike	Public Recreation	.85 N
East Frederick Elementary School	100 Storage Way	Public School	.91 S
Fredericktowne Village Park	821 Schifferstadt Blvd	Residential	1 NW
Aldi	8751 Gas House Pike	Grocery	1.32 NE
Marc Train Station	2001 S East St	Transportation	1.32 SW
Riverside Corporate Park	8500 Progress Dr	Office	1.42 N
Wells Fargo	Stage Coach Circle	Bank	1.44 N
Governor Thomas Middle School	1799 Schifferstadt Blvd	Public School	1.5 NW
Whitesell's Pharmacy	236 N Market St	Drug Store	1.53 W
Governor Thomas High School	1501 N Market St	Public School	1.6 NW
Costco	10 Monocacy Blvd	General Retail	1.83 SW
Walmart	1811 Monocacy Blvd	General Retail	2.0 N
The Shops at Monocacy (Cold Stone Creamery, Five Guys, Giant Food, Panera Bread, Scottrade, Starbucks)	1700 Kingfisher Dr	Comparison Retail	2.0 N
Hood College	401 Rosemont Ave	Higher Education	2.08 W
Capital One Bank	1701 Kingfisher Dr	Bank	2.09 N
Market Square & Clemson Corner (Advance Auto Parts, Home Goods, Petsmart, Pier 1 Imports, Sport & Health, Coal Fire Pizza, Marshalls, Lowes, Wegmans)	2400 Osprey Way 7800 Wormans Mill Rd	Comparison Retail	2.16 NW
Frederick Shopping Center (Ashley Furniture, Bone Fish Grill, CVS, Giant Eagle, Glory Day, GNC, Hallmark, Maggie Moo's)	1305 W 7th St	Comparison Retail	2.17 W
Super Walmart	7400 Guilford Dr	General Retail	2.2 SW
Evergreen Square Shopping Center	5728 Buckeystown Pike	General Retail	2.38 SW
Frederick Crossing (AC Moore, Arby's, Bassett Furniture, Best Buy, Chuck E. Cheese's, Dollar Tree, Dressbarn, Kohl's, Ross)	7210 Guilford Dr	Comparison Retail	2.33 SW
Francis Scott Key Mall	5500 Buckeystown Pike	Mall	2.77 sw
Fort Dedrick	810 Schreider St #100	Armed Forces	2.8 W

Table 1 – Major Frederick Amenities Table

4. ECONOMIC CONTEXT

A. Introduction

This section of the report focuses primarily on economic trends and conditions in Frederick County, the jurisdiction in which the Shoppes at Frederick Landing and the City of Frederick are located. For purposes of comparison, national economic trends are also discussed.

B. Labor Force, Resident Employment, and Unemployment

1. Trends in County Labor Force and Resident Employment

Since 2008, the labor force size in Frederick County has steadily risen, increasing by 3,668 workers, or 2.8 percent, from 124,410 workers in 2010. The county experienced a slight decrease in labor force between 2010 and 2014 of 428 workers or 0.3 percent (Table 2).

2. Trends in County Unemployment Rate

Unemployment in Frederick County has generally remained below the statewide and national rate every year since 2008. Between 2008 and 2014, the county's unemployment rate fluctuated between 3.6 and 5.0 percent, peaking in 2010. As the nation's unemployment rate rose during 2010, Frederick County's rate also rose to 6.7 percent by year-end. It's rate ended up being 0.9 percent lower than the state and 1.9 percent below the nation. In 2014, Frederick County's unemployment rate stood at 5.0 percent, lower than the state's rate of 5.8 and the national rate of 6.2 percent (Graph 1).

C. Commuting Patterns

According to American Community Survey (ACS) data from 2013, 21 percent of the workers residing in Frederick County spent less than 15 minutes commuting to work (Table 3). Over 29 percent of workers commuted somewhere between 15-29 minutes, while over 49 percent of patrons living in Frederick County commuted 30 minutes or more to work.

Approximately 58 percent of workers residing in Frederick County worked in the county in which they live. Another 32 worked in another Maryland county, while only 10 percent worked outside the state.

Table 2 - Labor Force and Unemployment Rates

Annual Unemployment Rate							
Frederick County Unemployment	2008	2009	2010	2011	2012	2013	2014
Labor Force	124,410	124,142	128,078	128,517	128,703	128,836	127,650
Employment	118,950	116,345	119,474	121,036	121,298	121,298	121,251
Unemployment	4,460	7,797	8,604	8,052	7,667	7,383	6,399
Unemployment Rates							
Frederick County	3.6%	6.3%	6.7%	6.3%	6.0%	5.7%	5.0%
Maryland	4.4%	7.1%	7.6%	7.1%	6.9%	6.5%	5.8%
United States	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	6.2%

Graph 1 – Unemployment Rates

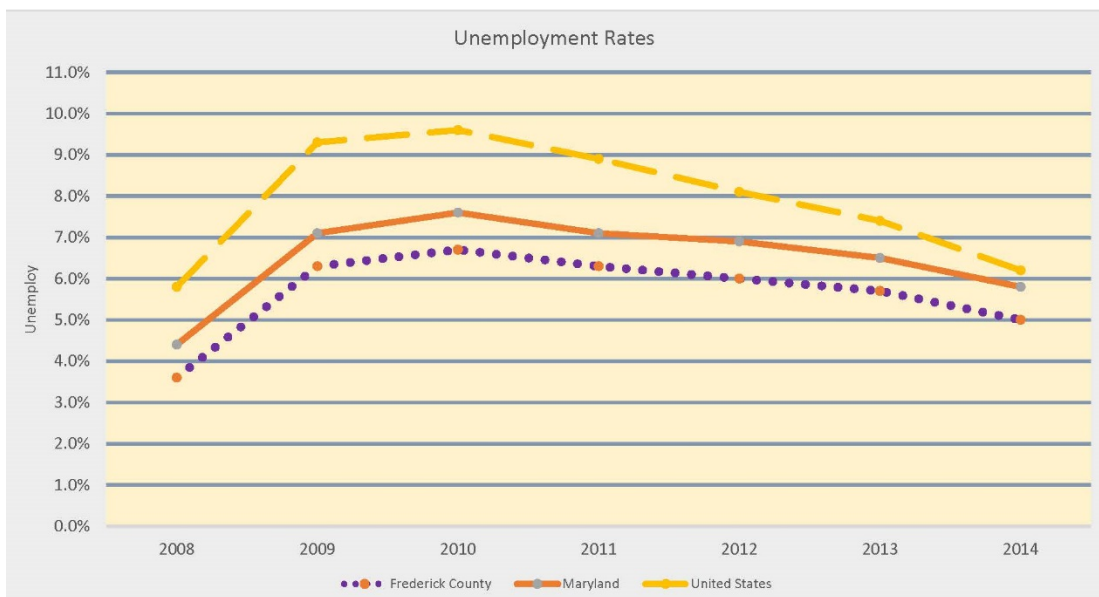
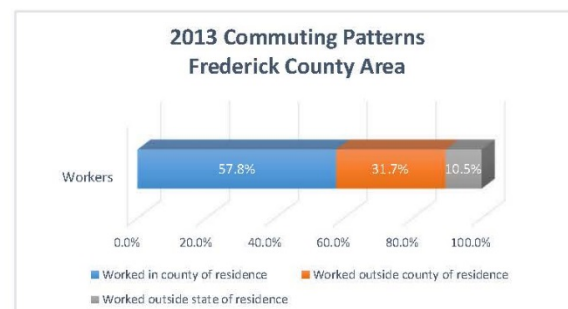


Table 3 - Commutation Data

Travel Time to Work		
Workers 16 yrs and over	Number	Percent
Did not work at home:	116,325	95.5%
Less than 5 minutes	12,447	10.7%
10 to 14 minutes	12,796	11.0%
15 to 19 minutes	17,449	15.0%
20 to 24 minutes	11,749	10.1%
25 to 29 minutes	5,002	4.3%
30 to 34 minutes	10,702	9.2%
35 to 44 minutes	7,445	6.4%
45 to 59 minutes	13,261	11.4%
60 or more minutes	25,475	21.9%
Worked at home	5,467	4.7%
Total	121,792	

Place of Work		
Workers 16 yrs and over	Number	Percent
Worked in state of residence	109,004	89.5%
Worked in county of residence	70,396	57.8%
Worked outside county of residence	38,608	31.7%
Worked outside state of residence	12,788	10.5%
Total	121,792	100.0%



D. At-Place Employment

1. Trends in Total At-Place Employment

Between 2004 and 2007, Frederick County's job base remained relatively stable at the 97,000 level, increasing by 4,071 jobs despite some fluctuations in the intervening years (Graph 2). In 2008, the job base decreased by 2,809 (2.9 percent loss) as the full impact of the recent economic downturn took its toll. Since 2010, Frederick's economy has rebounded nicely, increasing by 4,596 jobs or 4.9 percent. Since 2004, the county has lost a total of 218 jobs, a decline of only about .25 percent.

Graph 2 - At-Place Employment



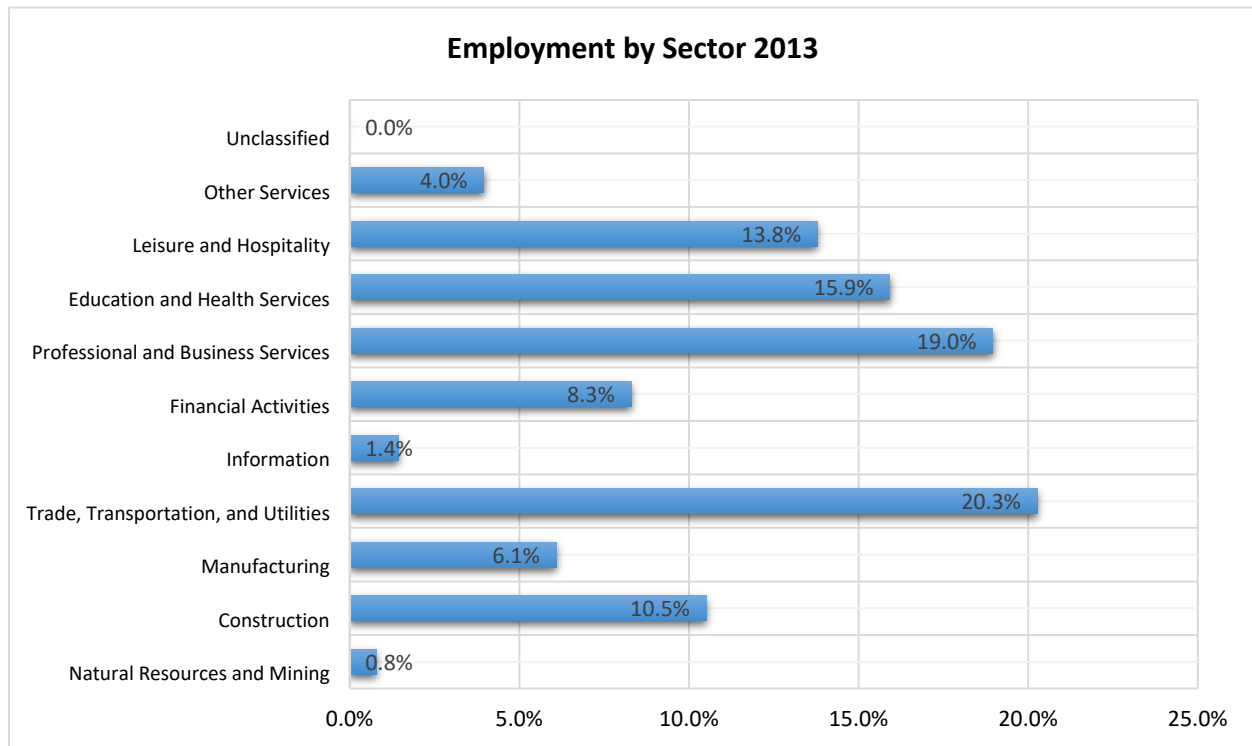
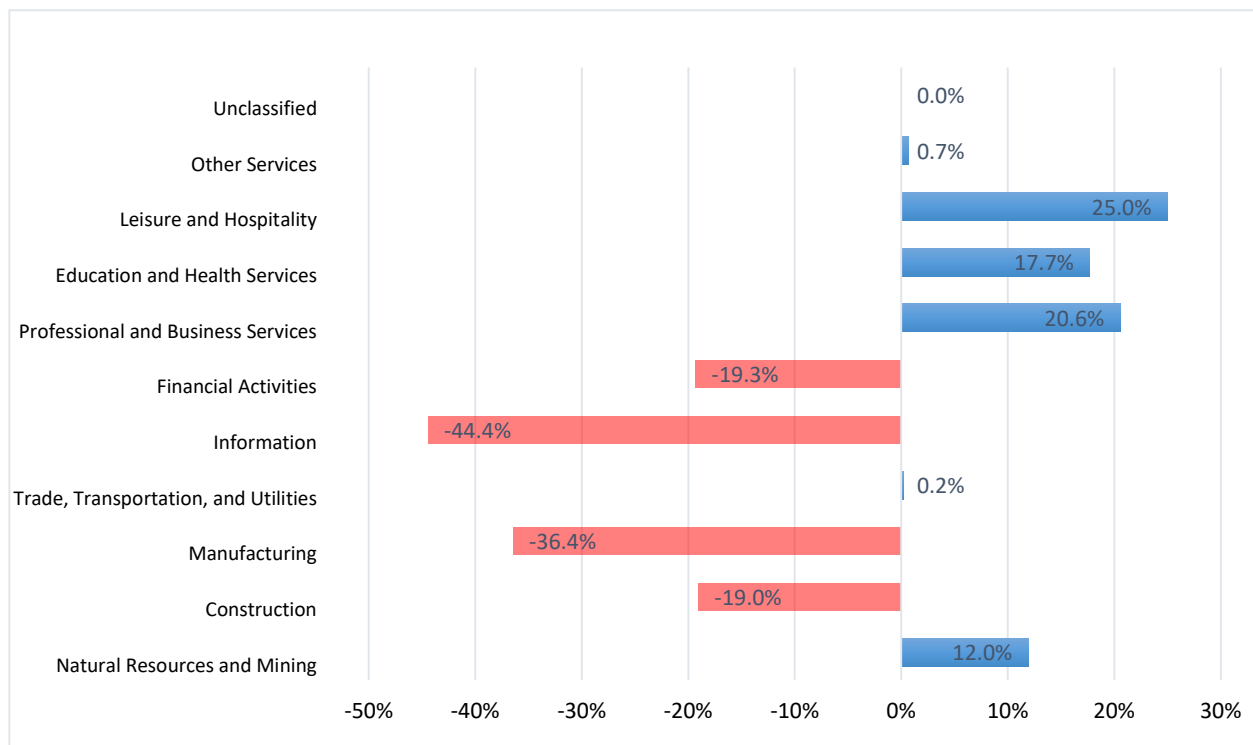
2. At-Place Employment by Industry Sector

The Frederick economy is well balanced with five sectors representing between 10 and 20 percent of total employment. The two largest sectors are Trade/Transportation/Utilities, which accounts for 14.6 percent and Professional/Business Services, which holds 19 percent of total employment. Education and Health Services come in at 15.9 percent followed by Leisure/Hospitality with 13.8 percent share. Rounding out the bottom are Construction with 10.5 percent, Financial Activities with 8.3 percent, Manufacturing with 6.1 percent, Other Services 4 percent, and Information with 1.4 percent (*Graph 3*).

Job base change figures for the last five years provide a more up-to-date picture of what is occurring in the county. *Graph 5* shows the change in jobs by industry sector since 2008 and clearly displays the impact of the recent recession. The strength of the Professional Business and Education/Health Services were the only sectors to demonstrate positive growth between 2008 and 2013. Most other job sectors lost jobs; Construction (15 percent), Manufacturing (17 percent), and Information (27 percent) all experienced double-digit losses since 2008 of their bases. Trade/Transportation/Utilities, Financial Activities, and Unclassified are the only sectors that didn't experience double-digit losses.

3. Major Employers (city only)

The top major employers in Frederick City are Fort Detrick with 6,400 employees, Frederick County Public Schools with 5,650 employees and Frederick Memorial Healthcare with 2,232 employees (table 4). The Frederick County Government comes in fourth with 1,937, Leidos Biomedical Research with 1,836 and sixth is Wells Fargo Home Mortgage at 1,742. Other employers to note are Frederick Community College (992), City of Frederick Government (842), State Farm Insurance Corporation (832), United Health Care (635) and AstraZenca (600).

Graph 3 - Total Employment and Employment Change by Sector 2004 to 2013Graph 4 – Annualized Employment Change by Sector 2004 to 2013

Graph 5 - Total Employment and Employment Change by Sector 2008 to 2013

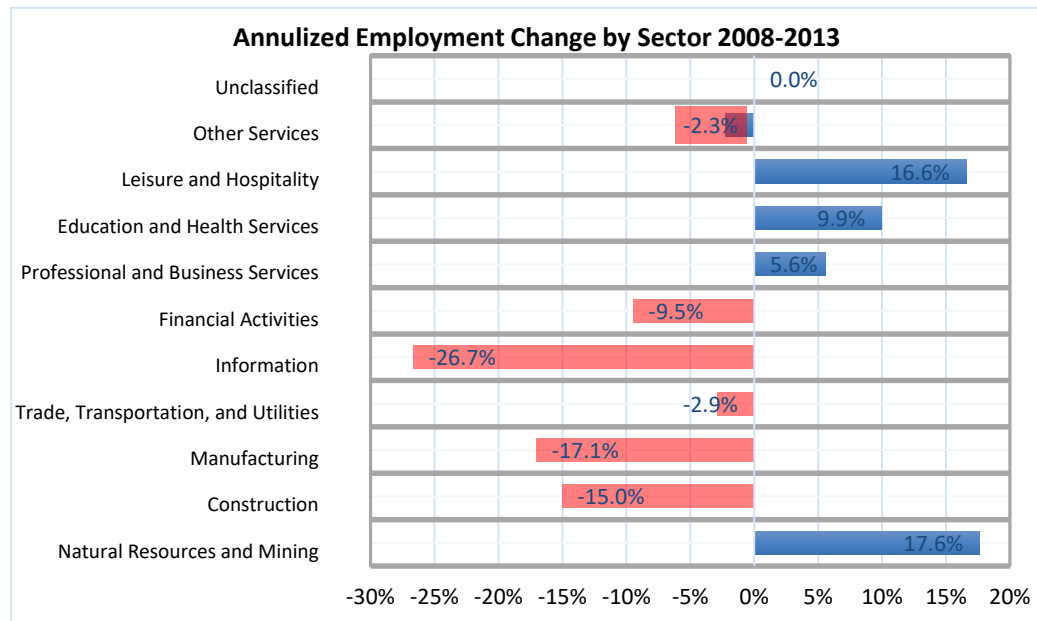


Table 4 – City of Frederick Major Employers

City of Frederick Employers			
Business	# of Employees	Percentage	Industry Sector
Fort Detrick Campus	6,400	17.7%	Military, bioscience, communications
Frederick County Public Schools	5,650	15.6%	Public Education
Frederick Memorial Healthcare	2,232	6.2%	Comprehensive Health Care
Frederick County Government	1,937	5.3%	County Government
Leidos Biomedical Research	1,836	5.1%	Medical Research
Wells Fargo Home Mortgage	1,742	4.8%	Mortgage Loans and Service Center
Frederick Community College	992	2.7%	Two-year College
City of Frederick Government	842	2.3%	Municipal Government
State Farm Insurance Corporation	832	2.3%	Regional Headquarters - Insurance
United Health Care	635	1.8%	Health Insurance Provider
AstraZeneca	600	1.7%	Biotech Manufacturing
Hood College	427	1.2%	Four-year College
Wegman's	400	1.1%	Retail Supermarket
YMCA of Frederick County	395	1.1%	Non-profit, full service fitness & health facility
Stulz Air Technology Systems	388	1.1%	Manufacturer of precision A/C equipment
Homewood Retirement Center	306	0.8%	Retirement Community
Maryland School for the Deaf	300	0.8%	Educational Institution for the Hearing Impaired
Fountain Rock Management Services	285	0.8%	Restaurant Management
Frederick News-Post	189	0.5%	Regional Newspaper
Morgan Keller	175	0.5%	
Home Depot	140	0.4%	General Contractors
Total Employees	26,703		

4. Wages

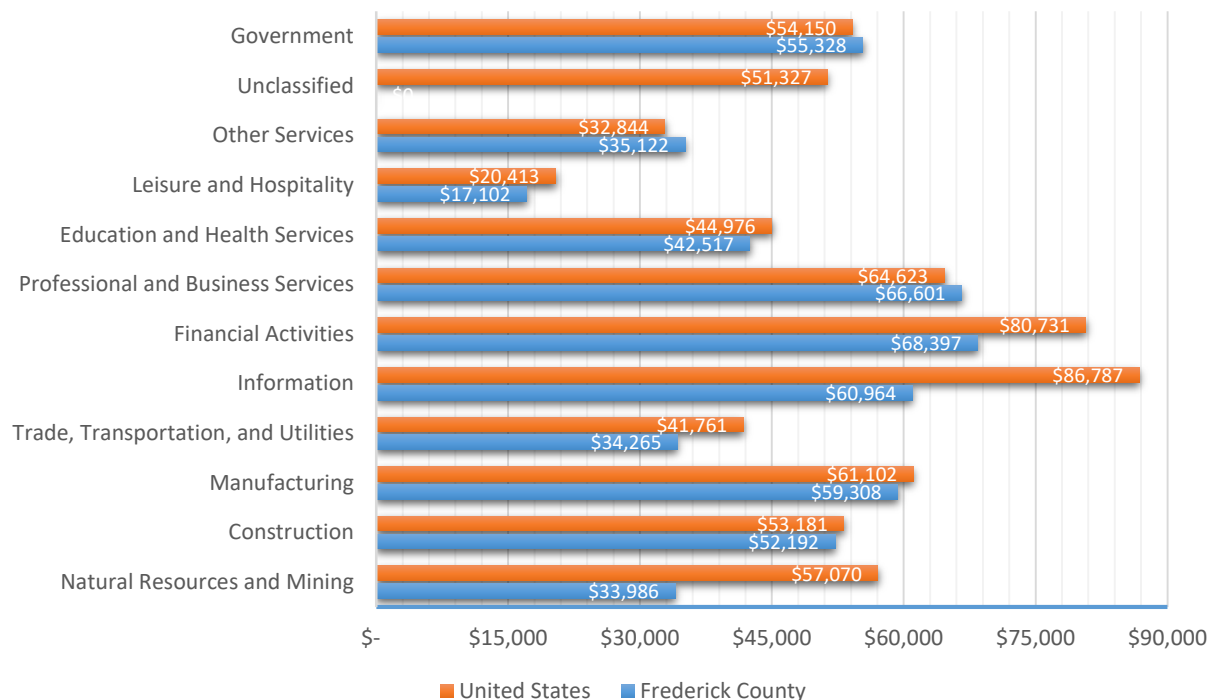
The average annual wage in 2013 for Frederick County was \$47,373, 13 percent less than the \$54,052 average for the state of Maryland, but only 4.9 percent less than the \$49,808 national average. Frederick County's average wage in 2013 represents an increase of \$9,581 or 20.2 percent increase since 2004 (Table 5).

The average wage in Frederick is slightly lower than the national average for nine of the twelve identified economic sectors, including the county's two largest industries, Financial Activities and Information (Graph 6). The highest paying sector in Frederick County is financial activities with an average wage of \$68,397, substantially lower than the national average of \$80,731. Other high paying sectors include Professional/Business Services (\$66,601), Information (\$60,964) and Manufacturing (\$59,308).

Table 5 – Average Annual Pay

Average Annual Pay										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Frederick County	\$ 37,792	\$ 38,546	\$ 40,288	\$ 42,418	\$ 43,919	\$ 45,301	\$ 46,161	\$ 46,732	\$ 48,019	\$ 47,373
Maryland	\$ 42,579	\$ 44,368	\$ 46,162	\$ 48,241	\$ 49,535	\$ 50,579	\$ 51,739	\$ 53,008	\$ 54,035	\$ 54,052
United States	\$ 39,354	\$ 40,677	\$ 42,535	\$ 44,458	\$ 45,563	\$ 45,559	\$ 46,751	\$ 48,043	\$ 49,289	\$ 49,808

Graph 6 – Average Annual Pay by Sector



5. HOUSING MARKET AREA

A. Introduction

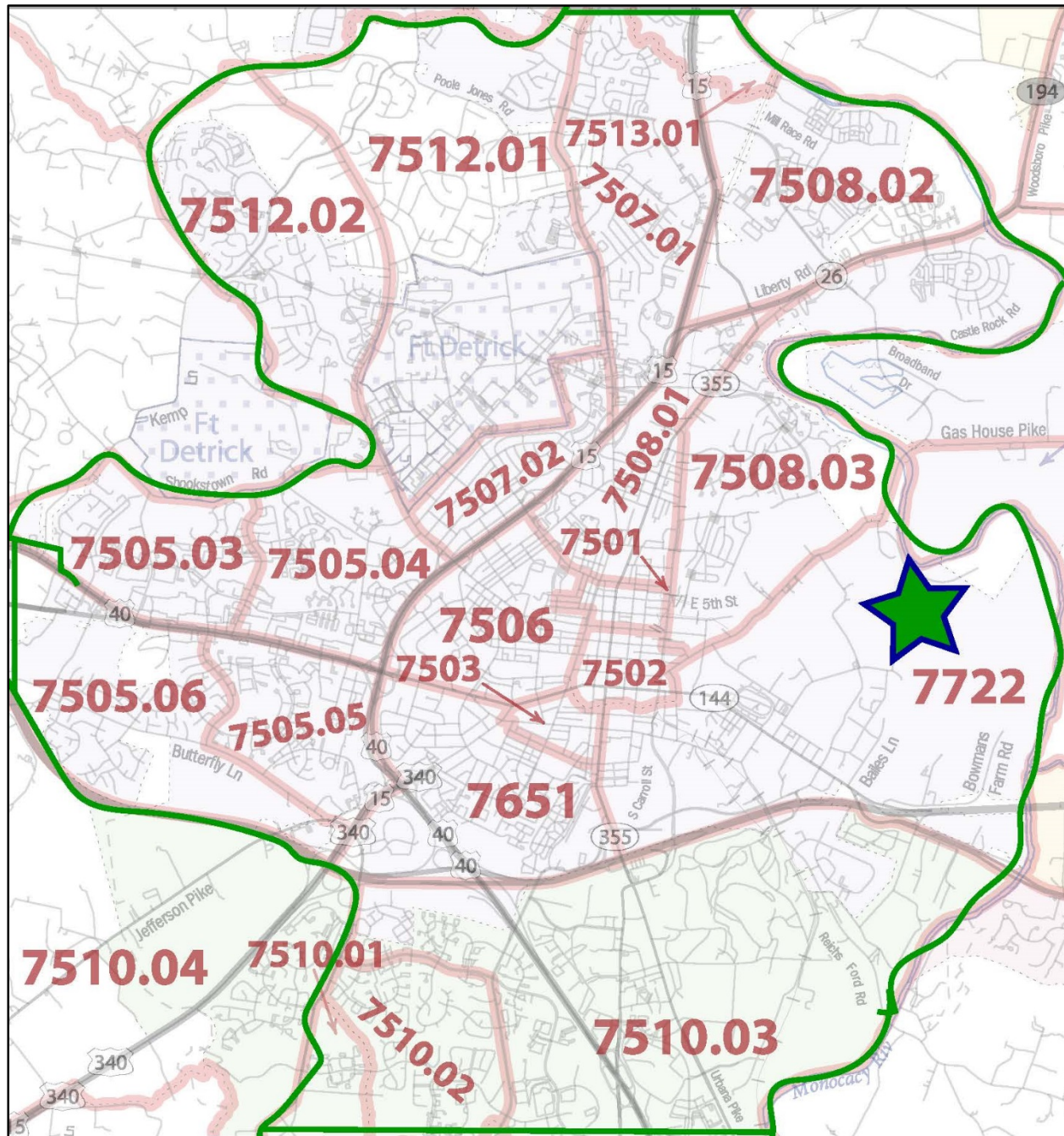
The primary market area for the proposed subject is defined as the geographic area from which future patrons of the center would primarily be drawn and in which competitive retail alternatives are located. In defining the market area, we sought to accommodate the joint interests of conservatively estimating retail demand and reflecting the realities and dynamics of the local retail marketplace.

B. Delineation of Market Area

The primary market area for the proposed Shoppes at Frederick Landing shopping center has been defined by the location of the site in relation to the surrounding areas in the City of Frederick: East Frederick, North Frederick, and South Frederick. The surrounding suburb area, called Linganore-Bartonsville, has been incorporated into the analysis to determine feasibility. The area is predominantly suburban in character or has remained as farmland over the past century. The more urbanized areas of the City are separated by Carroll Creek and represent a different, discreet set of residential options for home owners. The market area consists of areas north, south, east (location of the subject), west and center of the City of Frederick. The eastern boundary is defined by Monocacy River and west at Fort Detrick. The northern boundary is defined as Monocacy River and the intersection of Monocacy Blvd & Routes 15 & 26. The southern boundary is defined as right below Interstate-70, above the Francis Scott Key Mall area.

The primary market area defined is depicted in Map 5; the 2013 census tracts that comprise the market area are listed on the map. As appropriate for this analysis, this market area will be compared to Frederick County in its entirety and will be referred to as Frederick County or county in this report.

Map 5 – Census Tract Map



6. DEMOGRAPHIC ANALYSIS

A. Demographic Methodology

Using several sources, recent trends in population and households in the Frederick County area were analyzed. For small area estimates, projections of population and households were examined. We looked at several regional and state sources, such as Maryland Department of Labor, Licensing and Regulation (DLLR) and REIS. As a result, we used estimates and projections from sources that incorporated data from the 2010 US Census and compared these forecasts to actual growth over the last ten years. Table 6 presents a series of panels that summarize the data, estimates, and projects.

B. Trends in Population and Households

1. Recent Past Trends

Based on information provided by the US Census, the population in Frederick County increased by an unheard of 16.3 percent between 2000 and 2010, growing from 195,277 to 233,385 (an annual increase of 2.0 percent or 38,108 persons)(Graph 7). Over the same period, Maryland experienced only a 6.8 percent growth, an increase of 382,000 people. On an annual basis, the national population gain was 0.7 percent. As of 2014, the county's population stood at 243,675.

Household growth trends are a better indicator of demand for new retail development than population data. The household base in the market area grew by 38,108 households between 2000 and 2010, an increase of 16.3 percent. Annually, households in the market grew at a good pace of 2.0 percent or 3,811 households. On a statewide basis, households also grew nicely. Maryland's household base increased by 175,552, or 8.1 percent. The annual gain was 0.9 percent (17,555 households).

2. Recent Past Trends

As indicated above, household growth during the 2000's grew at an annual rate of 2.1 percent in the county and 0.9 percent at the state level. We estimate that Frederick County's area population and households grew at an annual rate of 16.3 and 17.4 percent, respectively, between 2010 and 2014. Furthermore, we project that the market area's population will increase by 10,290 persons (an annual average increase of 5,145 persons or 2.2 percent) between 2014 and 2020, bringing the total population to 258,849 persons by 2020. The number of

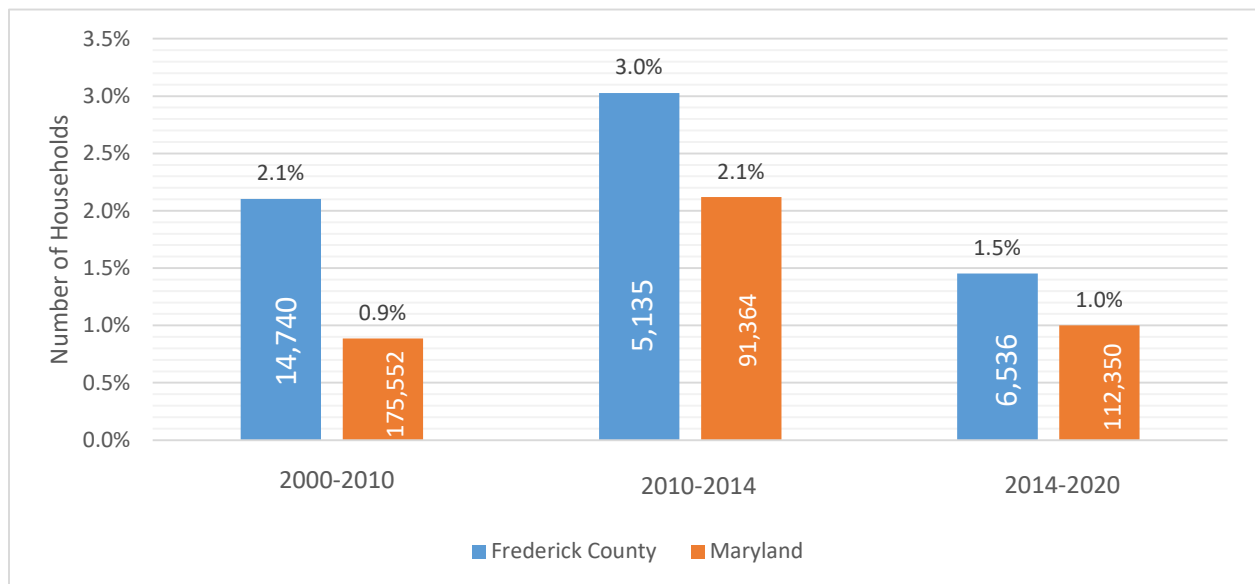
households will increase at a rate of 3.0 percent or 2,568 per annum, resulting in a projected total of 96,471 households in 2020.

Maryland's population base is projected to grow at a negative pace, losing 22,800 annually (a rate of -0.4 percent). The household base is projected to increase at a rate of 1.0 percent per year.

Table 6 - Population and Household Projections

Frederick County						Maryland					
Population	Count	Total Growth	Total Growth %	Annual Change	Annual Change%	Population	Count	Total Growth	Total Growth %	Annual Change	Annual Change%
2000	195,277					2000	5,275,000				
2010	233,385	38,108	16.3%	3,811	2.0%	2010	5,657,000	382,000	6.8%	38200	0.7%
2014	243,675	10,290	4.4%	5,145	2.2%	2014	5,976,000	319,000	5.6%	159500	2.8%
2020	258,849	15,174	6.2%	3,035	1.2%	2020	5,862,000	(114,000)	-1.9%	-22800	-0.4%
Households						Households					
2000	70,060					2000	1,980,859				
2010	84,800	14,740	17.4%	1,474	2.1%	2010	2,156,411	175,552	8.1%	17555	0.9%
2014	89,935	5,135	6.1%	2,568	3.0%	2014	2,247,775	91,364	4.2%	45682	2.1%
2020	96,471	6,536	7.3%	1,307	1.5%	2020	2,360,125	112,350	5.0%	22470	1.0%

Graph 7 – Annual Change in Number of Households



C. Demographic Characteristics

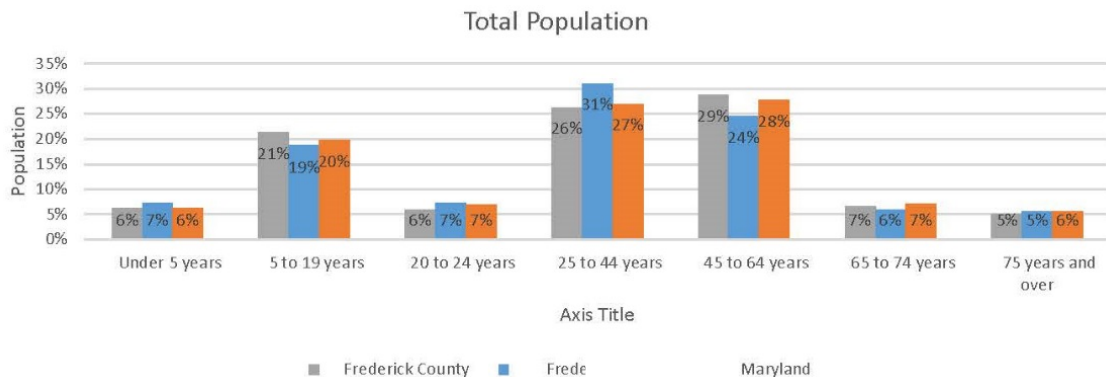
1. Age Distribution

Performing the necessary analysis of the area yielded a conclusion that our shopping center would appeal to patrons of all ages. Statistics show a higher percentage of individuals living in the City of Frederick are between the ages of 25-44 than in Frederick County or State of Maryland (*Table 7*). This can be an indicator of growth in the area of young professionals or persons that might start having families soon. With a median age of 34.6, which is lower than the County of nearly 39 and State at 38, Frederick City has a young demographic that follows the trend of having necessary retail stores within walking distance to their residence.

Table 7 - Population by Age

Total Population by Age (2013)	Frederick County		Frederick City		Maryland	
	Estimate	Percent	Estimate	Percent	Estimate	Percent
Total population	236,668	100%	66,292	100%	5,834,299	100%
Under 5 years	14,749	6%	4,825	7%	366,354	6%
5 to 19 years	50,316	21%	12,350	19%	1,147,012	20%
20 to 24 years	14,051	6%	4,796	7%	398,106	7%
25 to 44 years	62,172	26%	20,514	31%	1,569,748	27%
45 to 64 years	67,869	29%	16,237	24%	1,614,407	28%
65 to 74 years	15,531	7%	3,942	6%	411,214	7%
75 years and over	11,980	5%	3,628	5%	327,458	6%
Median age (years)	38.7		34.6		38	
18 years and over	177,926	177,926	50,193	50,193	4,485,506	177,926
Male	86,393	49%	24,019	48%	2,136,890	48%
Female	91,533	51%	26,174	52%	2,348,616	52%
65 years and over	27,511	27,511	7,142	7,142	738,672	738,672
Male	11,944	43%	2,858	40%	314,508	43%
Female	15,567	57%	4,284	60%	424,164	57%

Graph 8 – Age Distribution



2. Income Characteristics

Household median incomes reveal the Frederick County area is a more affluent area within a middle-income region. According to income distributions, households in the market area have a 2013 median of \$98,259, 10 percent higher than at the State's level of \$88,738 and 52 percent higher than the City's \$64,351. A strong 40 percent of market area households earn income in the \$100,000 to \$199,999 range, the target income range for the subject (Table 8).

Table 8 – Family Household Incomes

Subject	Maryland		Frederick County, Maryland	
	Estimate	Percent	Estimate	Percent
Families	1,438,269	1,438,269	62,940.0	62,940.0
Less than \$10,000	44,761	3.1%	1,169	1.9%
\$10,000 to \$14,999	26,593	1.8%	828	1.3%
\$15,000 to \$24,999	68,333	4.8%	1,980	3.1%
\$25,000 to \$34,999	84,862	5.9%	3,135	5.0%
\$35,000 to \$49,999	138,564	9.6%	5,207	8.3%
\$50,000 to \$74,999	236,519	16.4%	10,061	16.0%
\$75,000 to \$99,999	206,687	14.4%	9,569	15.2%
\$100,000 to \$149,999	306,768	21.3%	16,223	25.8%
\$150,000 to \$199,999	159,082	11.1%	8,460	13.4%
\$200,000 or more	166,100	11.5%	6,308	10.0%
Median family income (dollars)	88,738	(X)	98,259	(X)
Mean family income (dollars)	111,740	(X)	111,651	(X)
Per capita income (dollars)	36,354	(X)	36,917	(X)
Nonfamily households	707,971	707,971	23,397	23,397
Median nonfamily income (dollars)	45,696	(X)	48,891	(X)
Mean nonfamily income (dollars)	59,835	(X)	63,284	(X)
Median earnings for workers (dollars)	40,331	(X)	42,843	(X)
Median earnings for male full-time,	59,601	(X)	67,130	(X)
Median earnings for female full-time,	50,101	(X)	51,040	(X)

7. RETAIL MARKET

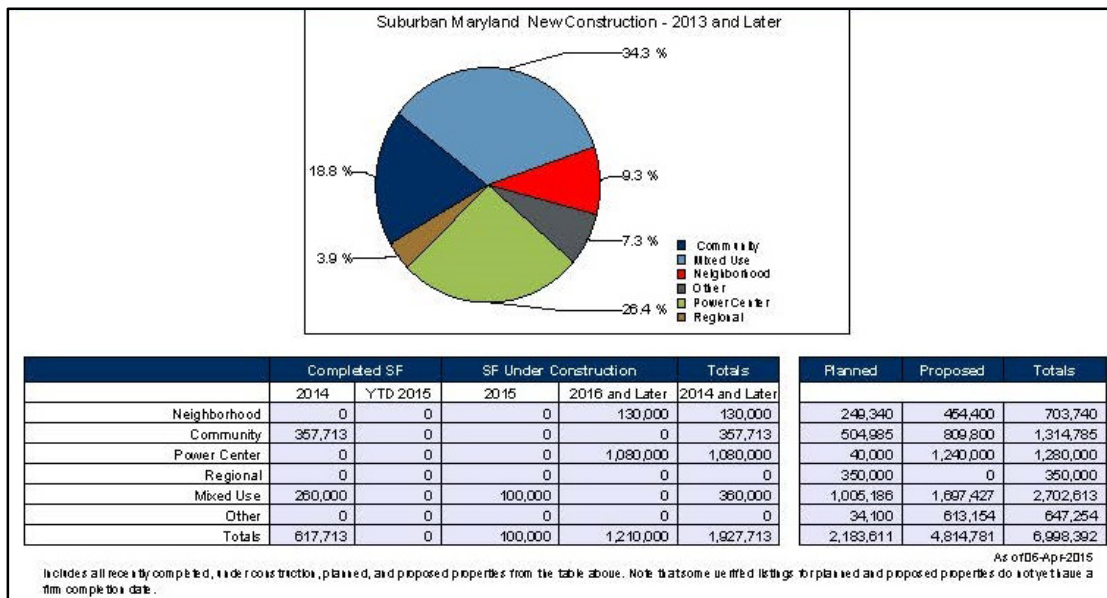
A. Introduction and Sources of information

This section presents data and analyses pertaining to the retail supply in the Frederick County market area. We pursued several avenues of research in an attempt to identify retail projects that are actively being planned or that are under construction within the Frederick County area.

B. Overview of Market Area Retail Stock

1. **Retail Stock Characteristics** Based on a 2014 Reis report, the Suburban Maryland new construction market area is diverse with representations of all retail types (Figure 3). Leading with 34.3 percent of new construction are Mixed-Use Centers, followed by Power Centers with 26.4 percent, and Community Centers with 18.8 percent. Neighborhood Centers account for 9.3 percent and will be the type of retail used for the subject property. Other centers account for 7.3 percent and Regional centers account for 3.9 percent.

Figure 3 – New Retail Construction by Type



C. Regional Destinations and the Frederick Retail Market

1. Introduction to the Retail Market

Retail for the City ranges from the central business district to the outer borders of town. Retail in the downtown area remains relatively strong despite a lack of retail in nearby East Frederick. According to the Sage Policy Group's report, 2014 estimates for downtown Frederick total retail sales are \$223,567,341 with \$508,525,007 within a one-mile radius (Table 9). This data will be used as a lack of retail information is available in East Frederick, the location of the subject site.

Table 9 – Total Retail Sales

Exhibit 3.16. Total Retail Sales (Supply) in Downtown Frederick and Downtown Market Areas (1), 2014 Estimates				
	Downtown Frederick	1-Mile Radius	PMA (15-Mile Radius)	SMA (45-Mile Radius)
Total Retail Sales	\$223,567,341	\$508,525,007	\$5,375,663,970	\$94,555,915,212

Source: Sage; The Nielsen Company; Notes: 1. Excluding sales of non-store retailers.

Table 10 – Total Household Incomes

Estimates of Households and Income within Primary Market Area							
	Actual 2010	Estimated 2014	Forecast 2019	Change, 2010 -2014		Change, 2014 -2019	
				Number	Share	Number	
Households	834,020	852,520	904,440	18,500	2	51,920	
Avg. household income	\$ 148,943	\$ 165,711	\$ 195,384	\$ 16,768	10	\$ 29,673	
Total Available household income	\$ 124,221,440,860	\$ 141,271,941,720	\$ 176,713,104,960	\$ 310,208,000	12	\$ 1,540,622,160	

A breakdown of sales show Food and Beverage Stores dominating total Primary Market Area (PMA) retail sales of \$63,111,052, or 40 percent. Food and Beverage also leads in Non-PMA retail sales in the downtown area with \$27,047,594 or 40 percent (Table 11).

Table 11 – Downtown Retail Sales

Exhibit 3.23. Downtown Frederick Retail Sales by Market Source (1), 2014 Estimates

Retail Category	PMA Sales	Non-PMA Sales
Motor Vehicle and Parts Dealers	\$8,035,143	\$3,443,633
Furniture and Home Furnishings Stores	\$3,667,231	\$1,571,670
Electronics and Appliance Stores	\$4,189,288	\$1,795,409
Building Material, Garden Equip Stores	\$8,637,513	\$3,701,791
Food and Beverage Stores	\$63,111,052	\$27,047,594
Health and Personal Care Stores	\$1,997,900	\$856,243
Gasoline Stations	\$2,018,379	\$865,020
Clothing and Clothing Accessories Stores	\$9,060,584	\$3,883,108
Sporting Goods, Hobby, Book, Music Stores	\$2,846,183	\$1,219,793
General Merchandise Stores	\$2,805,710	\$1,202,447
Miscellaneous Store Retailers	\$9,329,165	\$3,998,213
Foodservice and Drinking Places	\$40,798,991	\$17,485,282
Total Retail Sales	\$156,497,139	\$67,070,202

Source: Sage; The Nielsen Company; Notes: 1. Excluding sales of non-store retailers.

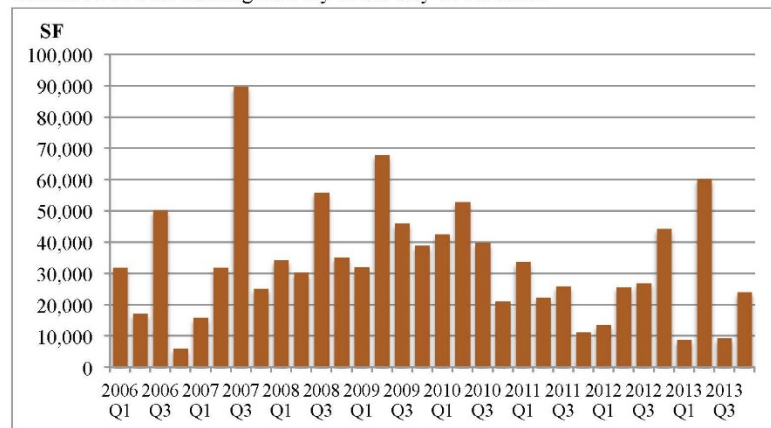
Retail capture rates show a percentage of how much a specific category in an area captures the total expenditures available. According to figure 4, total retail sales are only capturing 3.1 percent of the total expenditures available in the downtown region, showing a leakage of sales to other areas. These areas could include Frederick County or East Frederick, location of the subject site. Similar to the before mentioned retail sales chart, Food and Beverage Stores capture the highest percentage at 10.4 percent, displaying the area's lively dining scene.

Figure 4 – Downtown Retail Sales Capture Rate

Retail Category	Total Retail Sales	Sales to PMA	PMA Expenditures (Demand)	Capture Rate
Motor Vehicle and Parts Dealers	\$11,478,776	\$8,035,143	\$1,092,287,436	0.7%
Furniture and Home Furnishings Stores	\$5,238,901	\$3,667,231	\$120,901,074	3.0%
Electronics and Appliance Stores	\$5,984,697	\$4,189,288	\$103,736,538	4.0%
Building Material, Garden Equip Stores	\$12,339,304	\$8,637,513	\$581,108,640	1.5%
Food and Beverage Stores	\$90,158,645	\$63,111,052	\$606,919,783	10.4%
Health and Personal Care Stores	\$2,854,143	\$1,997,900	\$290,223,148	0.7%
Gasoline Stations	\$2,883,399	\$2,018,379	\$493,727,141	0.4%
Clothing and Clothing Accessories Stores	\$12,943,692	\$9,060,584	\$275,999,287	3.3%
Sporting Goods, Hobby, Book, Music Stores	\$4,065,976	\$2,846,183	\$108,522,921	2.6%
General Merchandise Stores	\$4,008,157	\$2,805,710	\$623,679,355	0.4%
Miscellaneous Store Retailers	\$13,327,378	\$9,329,165	\$144,025,916	6.5%
Foodservice and Drinking Places	\$58,284,273	\$40,798,991	\$569,952,092	7.2%
Total	\$223,567,341	\$156,497,139	\$5,011,083,331	3.1%

Source: Sage; The Nielsen Company.

Exhibit 3.5. Retail Leasing Activity in the City of Frederick



Source: Costar; Notes: 1. Includes sub-leasable space.

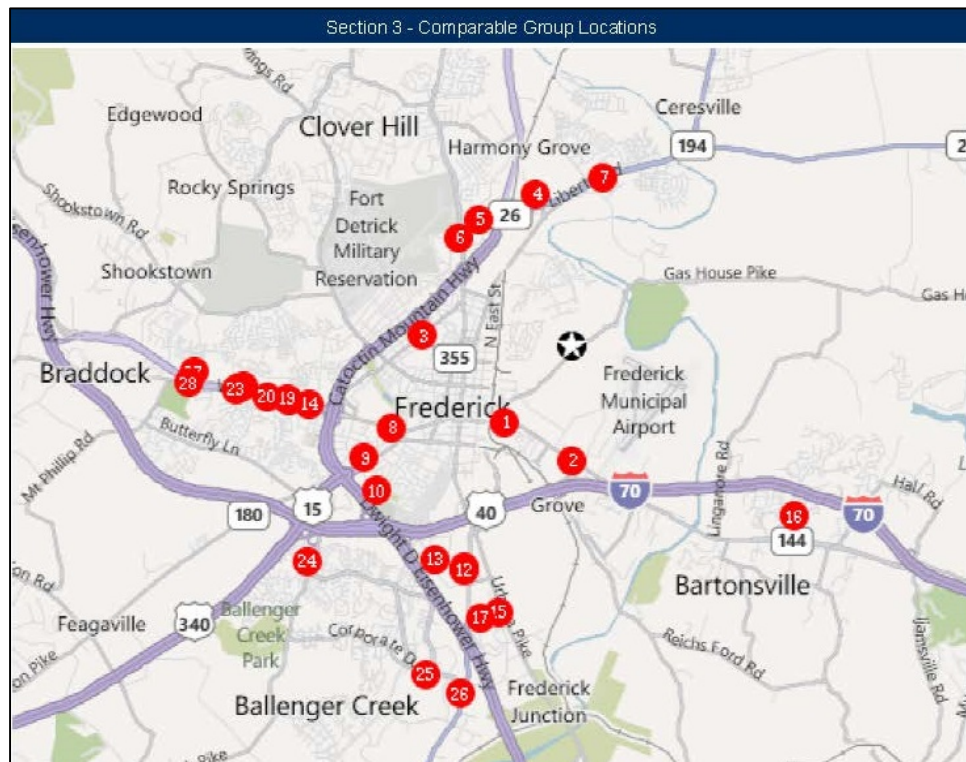
Exhibit 3.6. Retail Space Inventory in Select Geographic Areas, 2013

Area	RBA	Total Available SF
Frederick County	3,926,027	582,827
Frederick Planning Region	3,420,114	494,879
City of Frederick	2,309,740	361,817
Downtown	153,156	47,951
Golden Mile	870,813	129,830
East Frederick Rising	7,380	1,230

2. Location of Retail Sites

Locations of retail sites in East Frederick are scattered throughout the area, without many near the subject site. According to Reis' 2014 report, there are a total of 28 retail rent comps in Frederick City, but after further investigation, one will notice the distance from the subject site (Map 6).

Map 6 - Market Area Retail Communities Summary



The two closest retail locations are Fairground and Eastgate Shopping Centers, which are not considered direct competitors, as the subject site is a Community Center. Fairground Center provides patrons with small convenience items while Eastgate has available office space.



Fairground Center

3. Age of Shopping Centers

The median age of retail centers in Frederick County is 27 years, most of which were built in or around 1988 (Table 12). The oldest retail center, Frederick Shopping Center, was built in 1957 and the newest center is Market Square at Frederick which was built in 2013. Thirty-three percent of retail inventory was built before 1970, 39 percent between 1970 and 1989, 25 percent between 1990 and 2009 and three percent after 2009.

4. Shopping Center Type

In the Frederick County area, there are a total of two Power Centers according to a 2014 Reis report. The two centers are Francis Scott Key Mall and Riverview Plaza. Remaining retail centers include Neighborhood, Community, and combinations of Neighborhood/Community Centers.

Table 12 – Shopping Centers Information

Property Name	Size (SF)	Year built	Nonanchor Rent	Anchor Rent	Vacancy Rate (%)	Center Type	Nonanchor Size	Anchor Size
FAIRGROUND CENTER	7,380	1987	\$14.00		30.5	Neighborhood	7,380	0
EASTGATE SHOPPING CENTER	40,000	1986	\$18.93		0.0	Neighborhood	40,000	0
FREDERICK SHOPPING CENTER	231,500	1957	\$37.03	\$18.37	1.9	Community	82,736	148,764
MARKET SQUARE AT FREDERICK	179,000	2013	\$32.16	\$20.21	5.0	Community	87,651	91,349
THOMAS JOHNSON SHOPPING CENTER	18,768	1986	\$16.50		30.6	Neighborhood	18,768	0
ROSE HILL PLAZA	60,500	1984	\$18.28	\$13.68	0.0	Neighborhood	26,000	34,500
THE SHOPS AT MONOCACY	109,144	2004	\$32.72	\$18.24	2.1	Neighborhood	51,904	57,240
PATRICK SHOPPING CENTER	45,311	1966	\$9.00		3.7	Neighborhood	45,311	0
PROSPECT PLAZA	107,108	1965	\$21.91	\$12.44	26.1	Neighborhood	10,608	96,500
FESTIVAL AT FREDERICK	136,911	1990	\$16.93	\$12.93	14.2	Neighborhood	65,269	71,642
EVERGREEN SQUARE	100,000	1960	\$29.88	\$17.58	3.0	Neighborhood	55,000	45,000
EVERGREEN SQUARE	100,000	1991	\$30.00	\$18.00	5.1	Neighborhood	44,300	55,700
FREDERICK CROSSING I - II	294,724	1999	\$31.60	\$21.79	0.8	Community	59,699	235,025
FREDERICK COUNTY SQUARE	227,000	1992	\$31.98	\$9.05	2.7	Community	55,912	171,088
RIVERVIEW NORTH	50,190	2001	\$25.00	\$16.93	7.1	Community	13,000	37,190
SPRING RIDGE SHOPPING CENTER	18,912	2002	\$20.63		0.0	Neighborhood	18,912	0
FSK GATEWAY SHOPPES	18,600	2010	\$35.00		0.0	Neighborhood	18,600	0
GOLD MYLE PLAZA	13,500	1988	\$25.13		26.7	Neighborhood	13,500	0
WESTRIDGE SQUARE SHOPPING CENTE	255,000	1986	\$22.50	\$15.00	32.9	Community	90,700	164,300
ROCKLEDGE PLAZA	20,636	1988	\$19.00		53.2	Neighborhood	20,636	0
WILLOWTREE PLAZA	47,000	1986	\$14.00		4.5	Neighborhood	47,000	0
FREDERICK SHOPPERS WORLD	127,000	1972	\$25.96	\$16.23	2.6	Community	27,000	100,000
GOLDEN MILE MARKETPLACE	110,000	1991	\$23.24	\$18.05	2.2	Community	54,000	56,000
BALLINGER CREEK PLAZA	75,475	1996	\$24.37	\$9.34	15.0	Neighborhood	34,991	40,484
WESTVIEW CORNER SHOPPING CENTER	25,500	2008	\$25.00		40.3	Neighborhood	25,500	0
WESTVIEW PROMENADE	143,000	2002	\$33.23	\$25.87	3.2	Community	77,000	66,000
WAVERLEY CENTER	20,000	1988	\$15.83		16.1	Neighborhood	20,000	0
WEST POINTE PLAZA	40,000	1988	\$20.50		3.1	Neighborhood	40,000	0

5. Size

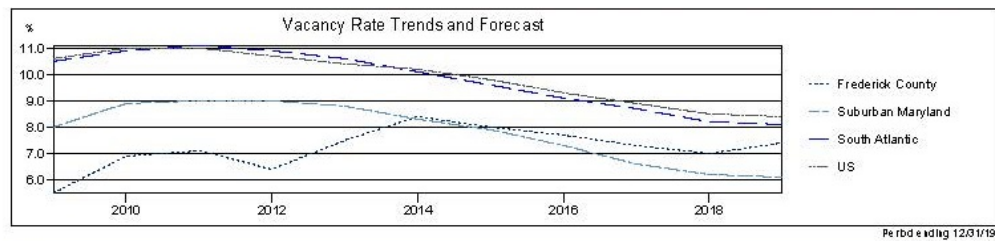
The average size of neighborhood/community retail centers in Frederick City is 93,659 sq. ft., ranging from 7,380 at Fairground Center to 294,724 at Frederick Crossing I-II. Five retail centers are larger than 150,000 sq. ft. (Frederick Shopping Center, Market Square at Frederick, Frederick Crossing I-II, Frederick County Square, and Westridge Square Shopping Center), and 22 are smaller (Table 10).

6. Vacancy Rates

The overall vacancy rate for community/neighborhood retail centers in Frederick City is 11.9 percent, and 8.4 percent for Frederick County. That rate is estimated to decline over the next five years.

Figure 5 – Vacancy Rates Comparison

	Vacancy Rates						
	Quarterly			Annualized			
	4Q14	3Q14	YTD Avg	1 Year	3 Year	5 Year	5 Yr Forecast
Frederick County	8.4%	6.2%	7.6%	8.0%	7.4%	7.0%	7.5%
Suburban Maryland	8.3%	8.3%	8.4%	8.6%	8.8%	8.7%	6.8%
South Atlantic	10.1%	10.3%	10.3%	10.3%	10.7%	10.7%	8.7%
United States	10.2%	10.3%	10.3%	10.3%	10.6%	10.6%	9.0%
Period Ending:	12/31/14	09/30/14	12/31/14	12/31/14	12/31/14	12/31/14	12/31/19



Section 23 - Submarket Inventory Details

Inventory By Center Age

Year Built	Percent
Before 1970	17.0%
1970-1979	4.0%
1980-1989	25.0%
1990-1999	33.0%
2000-2009	12.0%
After 2009	8.0%
All	100.0%

As of 12/31/14

Shopping Center Stock Traits

	Submarket			
	Low	Mean	Median	High
Year Built	1957	1990	1988	2013
Size (sq. ft.)	7,380	89,280	67,988	294,724
Distance to Highway (miles)	6.5	10.6	10.8	14.7
Distance to CBD (miles)	32.9	36	36.2	39.7
Distance to Landmark (miles)	10.7	13.5	13.4	19.8

As of 12/31/14 Landmark = Potomac River

7. Lease Concessions

Rent discounts for anchors (a) are -8.2 percent and -4.3 percent for non-anchors (n), with free rents at 2.7 months and 4.4 months respectively (Table 13). Average lease terms are 10.3 years (a), 5.3 years for (n), Tenant Improvement (TI) at \$16.32 psf (a) and \$20.92 (n). Commissions are 4.1 percent (a) and 6 percent (n).

Table 13 – Submarket Lease Terms

Average Submarket Lease Terms					
	Contract Rent Discount (%)	Free Rent (months/lease)	Avg Lease Terms (years)	Tenant Improvements PSF (\$)	Commissions (%)
Anchor	-8.2	2.7	10.3	16.32	4.1
Nonanchor	-4.3	4.4	5.3	20.92	6

Average Submarket Lease Terms

Anchor/Nonanchor	CRD %	Free Rent (mos)	Expenses \$ (Commercial)	Lease Term (yrs)	Leasing Commission %	Tenant Improvements \$
A	-8.2%	2.7	\$4.73	10.3	4.1%	\$16.32
N	-4.3%	4.4	\$4.46	5.3	6.0%	\$20.92

As of 12/31/14

8. Absorption History

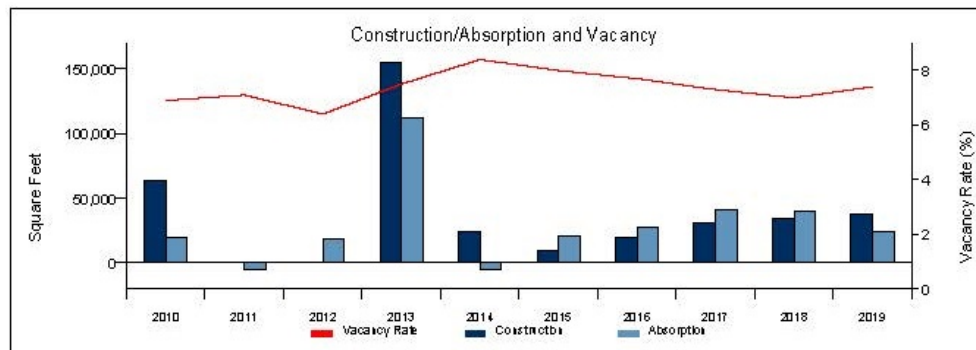
As of 2014, construction in Frederick City was negatively absorbed at -4.8 percent, the first time since 2008 when its absorption rate was -0.5 percent. Although 2014 posted a negative absorption rate, it is estimated that from 2015 to 2019 the market will absorb 0.9 percent annually. Absorption/Occupancy stock percentage posted a slightly negative percentage in 2014 at -0.2 percent, but is estimated to rebound to an average of 1.1 percent annually between 2015 and 2019.

Table 14 – Construction and Absorption

Construction and Absorption

	Quarterly								
	4Q14			3Q14			YTD Avg		
	Sq Ft Built	Sq Ft Absorbed	Con/Abs Ratio	Sq Ft Built	Sq Ft Absorbed	Con/Abs Ratio	Sq Ft Built	Sq Ft Absorbed	Con/Abs Ratio
Frederick County	0	-67,000	0.0	0	51,000	0.0	6,000	-1,200	-5.0
Suburban Maryland	0	-3,000	0.0	334,000	334,000	1.0	89,500	120,500	0.7
Average over period ending:	12/31/14	12/31/14	12/31/14	09/30/14	09/30/14	09/30/14	12/31/14	12/31/14	12/31/14

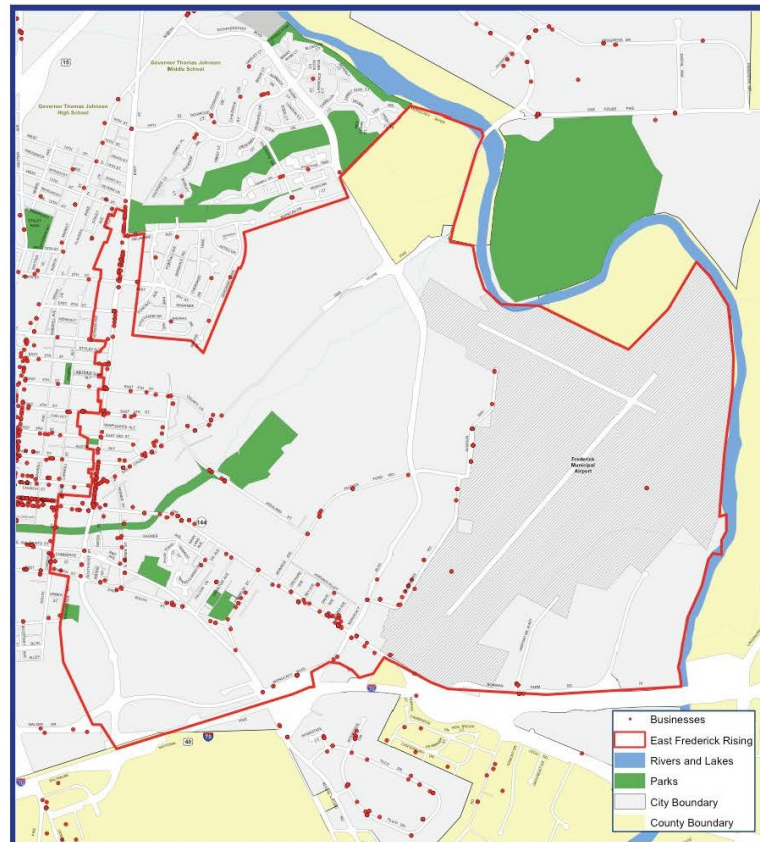
	Annualized								
	1 Year History			3 Year History			5 Year History		
	Sq Ft Built	Sq Ft Absorbed	Con/Abs Ratio	Sq Ft Built	Sq Ft Absorbed	Con/Abs Ratio	Sq Ft Built	Sq Ft Absorbed	Con/Abs Ratio
Frederick County	24,000	-5,000	-4.8	60,000	42,000	1.4	49,000	28,000	1.8
Suburban Maryland	358,000	482,000	0.7	234,000	285,000	0.8	187,000	150,000	1.2
Average over period ending:	12/31/14	12/31/14	12/31/14	12/31/14	12/31/14	12/31/14	12/31/14	12/31/14	12/31/14



D. East Frederick Retail Market

Retail accounts for approximately 23 percent, or 83 establishments, in East Frederick, while Industrial dominates with 151 establishments, or 33 percent. Most retail centers are located on Patrick Street and closer to downtown areas.

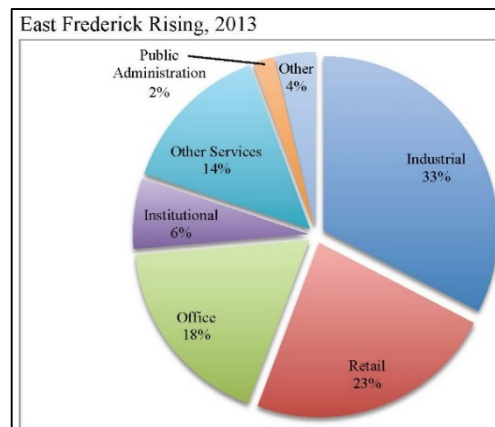
Map 7 – East Frederick



Source: City of Frederick.

Type of Establishment	Number of Establishments
Industrial	151
Retail	107
Office	83
Institutional	30
Other Services (except Public Administration)	66
Public Administration	9
Other (1)	17
Total	463

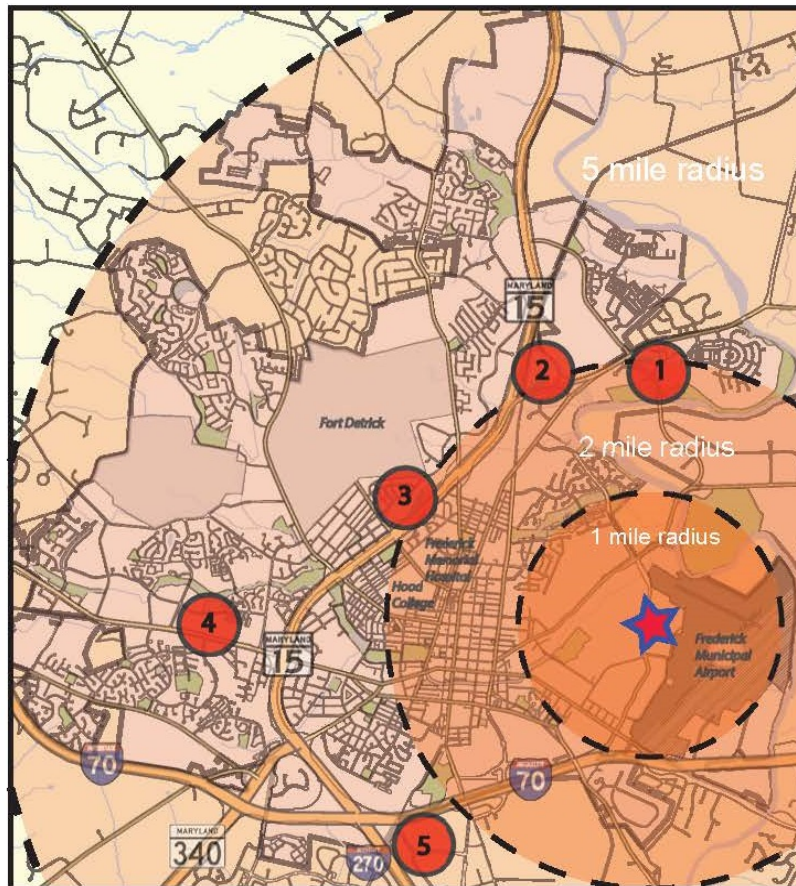
Source: InfoUSA; Notes: 1. Includes 1 utility.



E. Retail Market Conclusions

The retail market in the City of Frederick has witnessed good growth over the past five years and has remained around the eight percent vacancy rate. With a total supply of 3.04 million s.f. and an estimated growth of five percent by 2019, one can expect more retail to be introduced to the area. Projects such as Renn Farm Development and Nicodemus Site are major contributors to the growth of East Frederick. Developers should take into account that since 2010, effective rents have increased on average by 20 percent annually, from \$17.57 in 2011 to \$18.65 in 2014, and is expected to increase to \$20.31 by 2019.

Our research has shown a median shopping center size of 89,280 sq.ft., with anchor around \$17.47 psf, and non-anchor at \$28.78 psf. Further research also shows four major competitors in the market area, however, all of their locations are over two miles away. The Map below shows the subject site along with the four competitors previously mentioned.



Retail Comparable

Shopping Center: **Market Square at Frederick**

Map ID#: 1

Address: 7830 Wormans Mill Rd.
Frederick, MD 21701

Description: Market Square at Frederick is a new 179,000 sq.ft. community shopping center located over two miles away from the subject site in Northern Frederick, at the intersection of Routes 15 & 26.



Name	Market Square at Frederick	Current Asking Rent (Nonanchor)	\$32.16
Address	7830 Wormans Mill Rd	Current Asking Rent (Anchor)	\$20.21
City	Frederick	Current Vacancy Rate	5.0%
State	MD	Distance from Subject (miles)	2.29
ZIP	21701	Property Size (SF)	179,000
County	Frederick	Year Built	2013
Submarket	Frederick County	Most Recent Renov/Expansion	
Center Type	Community	Anchor/Major Tenants	
Data As Of	12/31/14		
		Advance Auto Parts	6,743 SF
		Candle Day Spa	2,787 SF
		Homegoods	24,920 SF
		Petsmart	14,154 SF
		Pier 1 Imports	10,000 SF
		Sleepy's	6,500 SF
		Sport & Health	42,275 SF

Retail Comparable

Shopping Center: **The Shops at Monocacy**

Map ID#: 2

Address: 1700 Kingfisher Dr.
Frederick, MD 21701

Description: The Shops at Monocacy is a new 179,000 sq.ft. neighborhood shopping center located two miles north from the subject site along Route 26.



Name	The Shops at Monocacy	Current Asking Rent (Nonanchor)	\$32.72
Address	1700 Kingfisher Dr	Current Asking Rent (Anchor)	\$18.24
City	Frederick	Current Vacancy Rate	2.1%
State	MD	Distance from Subject (miles)	2.0
ZIP	21701	Property Size (SF)	109,144
County	Frederick	Year Built	2004
Submarket	Frederick County	Most Recent Renov/Expansion	
Center Type	Neighborhood	Anchor/Major Tenants	
Data As Of	12/31/14		
		Cold Stone Creamery	1,327 SF
		Five Guys	2,200 SF
		Giant Food	S 57,240 SF
		Panera Bread	4,770 SF
		Scottrade	2,000 SF
		Starbucks	1,386 SF
		Sunset Tans	2,049 SF
		Weight Watchers	2,000 SF

Retail Comparable

Shopping Center: **Frederick Shopping Center**

Map ID#: 3

Address: 901 W Seventh St.
Frederick, MD 21701

Description: Frederick Shopping Center is a 231,000 sq.ft. neighborhood shopping center located over two miles away from the subject site in West Frederick, parallel to Route 15.



Name	Frederick Shopping Center	Current Asking Rent (Nonanchor)	\$37.03
Address	901 W Seventh St	Current Asking Rent (Anchor)	\$18.37
City	Frederick	Current Vacancy Rate	1.9%
State	MD	Distance from Subject (miles)	2.08
ZIP	21701	Property Size (SF)	231,500
County	Frederick	Year Built	1957
Submarket	Frederick County	Most Recent Renov/Expansion	
Center Type	Neighborhood	Anchor/Major Tenants	
Data As Of	12/31/14	Ashley Furniture	62,000 SF
		Bank	O 3,000 SF
		Bone Fish Grill	
		CVS	D 13,348 SF
		Giant Eagle	S 49,303 SF
		Glory Day	
		Gnc	
		Hallmark	
		Maggie Moo's	
		Radio Shack	

Retail Comparable

Shopping Center: **Frederick Crossing I-II**

Map ID#: 4

Address: 7400 Guilford Rd.
Frederick, MD 21704

Description: Frederick Crossing is a 294,000 sq.ft. community shopping center located over two miles away from the subject site in South Frederick, between I-70 & I-270.



Name	Frederick Crossing I-II	Current Asking Rent (Nonanchor)	\$31.60
Address	7400 Guilford Rd	Current Asking Rent (Anchor)	\$21.79
City	Frederick	Current Vacancy Rate	0.8%
State	MD	Distance from Subject (miles)	2.56
ZIP	21704	Property Size (SF)	294,724
County	Frederick	Year Built	1999
Submarket	Frederick County	Most Recent Renov/Expansion	
Center Type	Community	Anchor/Major Tenants	
Data As Of	12/31/14		
		AC Moore	20,425 SF
		Arbys	O 3,500 SF
		Bassett Furniture	12,100 SF
		Best Buy	45,000 SF
		Chuck E. Cheese's	OG 11,000 SF
		Dollar Tree	9,500 SF
		Dressbarn	8,500 SF
		Kohl's	86,000 SF
		Ross Dress for Less	32,000 SF
		Unknown	9,000 SF

Retail Comparable

Shopping Center: **Renn Farm Development Site**

Map ID#:

Address:

Description: Renn Farm will introduce over 1,000 new residential units to East Fredrick, giving our project the density it needs to flourish.



Residential Contributor

Shopping Center: **Nicodemus Site**

Map ID#:

Address:

Description: Nicodemus site will introduce over 500 new residential units to East Fredrick, helping our project achieve the density it needs to flourish.



III. REGULATORY CONTEXT & PUBLIC APPROVALS

A. Introduction

The subject site that we are considering for our project is located directly adjacent to Frederick Municipal Airport, and falls within the airport overlay. Since we are considering partnering with another developer on the site, our shopping center will be built on 15 out of 32 acres and will need to be rezoned. We believe the regulatory process will take approximately 14 to 21 months, taking into consideration the City encourages development in the area.

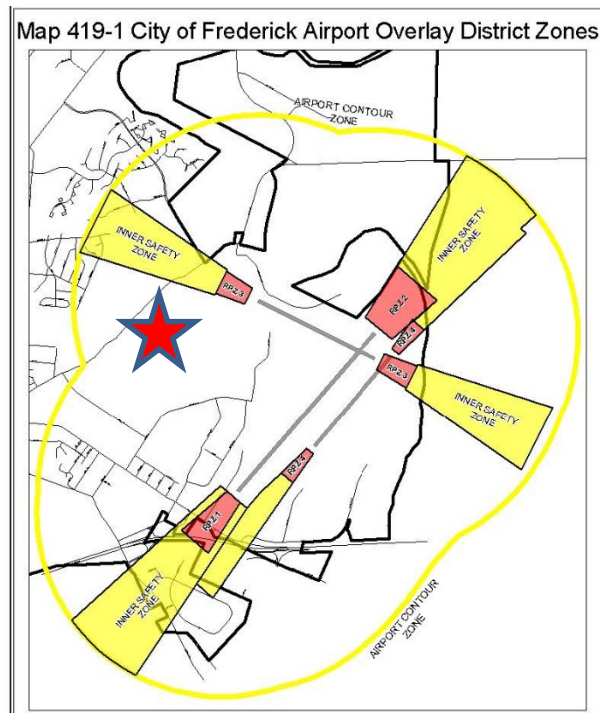


Figure 419-1 Airport Overlay Zones

B. Presentation to the City: 2-3 months

Similar to every new development project, we will present our idea to City Council with the hopes of gaining quick approval. We will argue that our new project will not only bring a tax base to the area, but also help create over 200 new jobs. We have been made aware of the City's vision for East Frederick through their literature "East Frederick Rising" and the Sage Policy Group's report. We have followed all of the guidelines and believe our project should gain approval.

C. Acquisition Process: 2-3 months

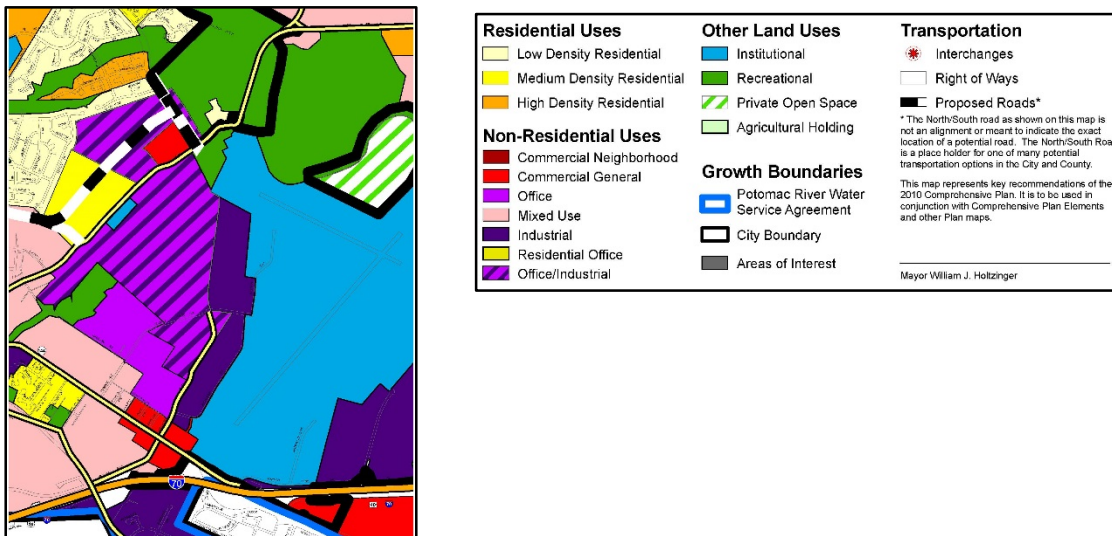
Currently, the site is vacant, having been put up for sale recently. We believe that, with support from the City, we can acquire the 15 acres of the site needed for our shopping center. We believe this process should take only four months.

D. Community Association: 2-3 months

East Frederick is made up of mostly industrial and retail centers, with not much residential makeup. As a result, we believe local Advisory Neighborhood Commissions (ANC) and Home Owner Associations (HOA) will be in support of the project. We will take into consideration possible delays or disapprovals with a conservative two-month period.

E. Zoning Variance: 4-6 months

Zoning might be the toughest challenge we face in the process, as the site is currently zoned as PB (Professional Business) and we want to change it to commercial mixed-use. We believe the City has an interest in our project and understand that it can become the area's cornerstone. To anticipate any delays, we are allotting four months for the zoning to be changed.

**F. Site Plan & Review Process: 4-6 months**

As previously explained, we do not anticipate a lengthy Site Plan & Review process, taking into consideration the City's cooperation along with an expeditor.

IV. DESIGN & ENVIRONMENTAL REGULATIONS

A. Introduction

The Shoppes at Frederick Landing will be constructed of sustainable materials locally sourced when available. The project will offer a combination of office, retail, and a future hotel site. It will be one of the first commercially mixed use sites in East Frederick, close to one of the City's major attractions. With the implementation of this project, East Frederick can become the destination the City envisions as well as help make the airport the area's main transportation hub.

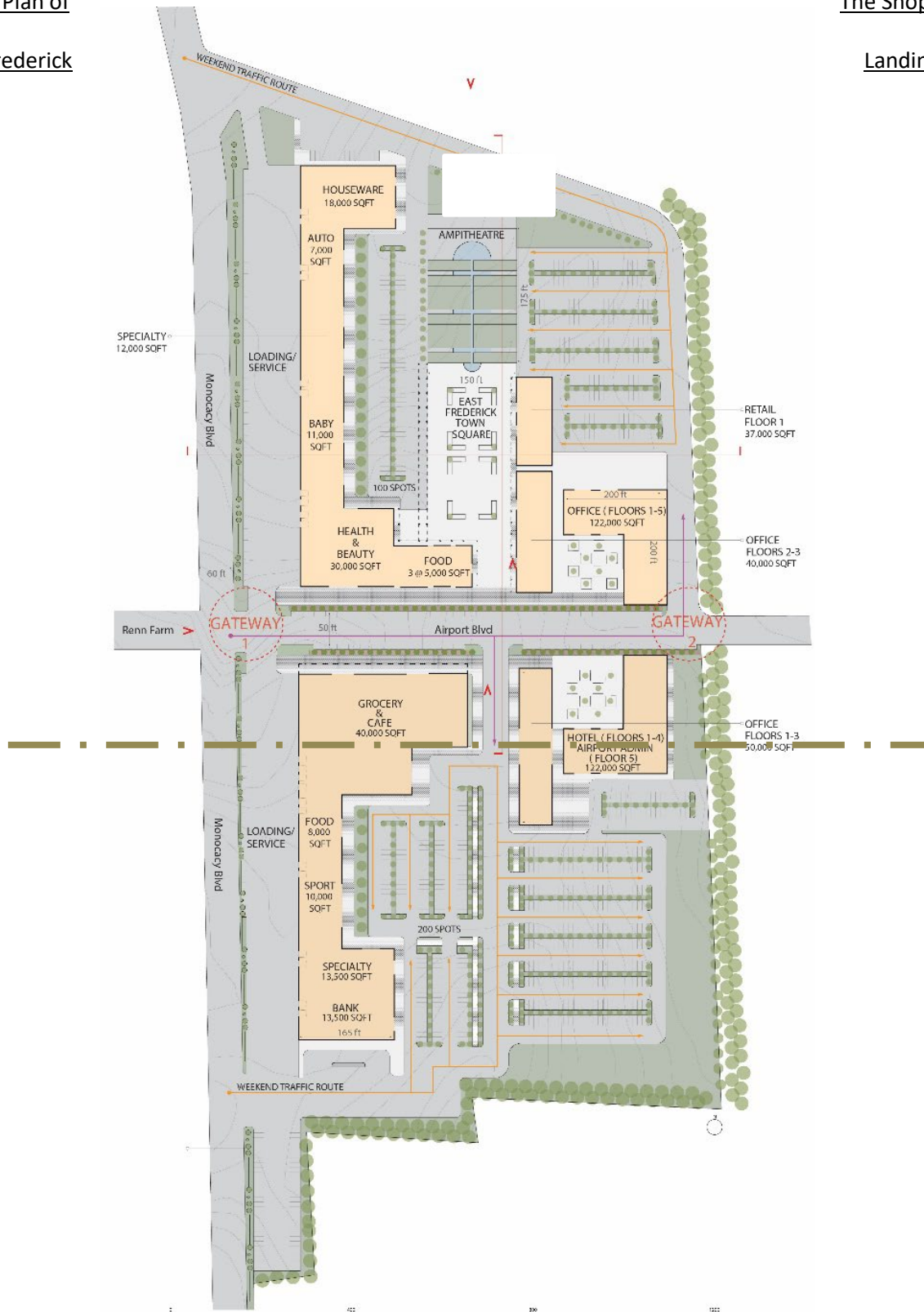


B. Retail Construction

The Shoppes at Frederick Landing will have 155,000 sq. ft. of single story retail space adjacent to Frederick Municipal Airport and Monocacy Blvd. Two tenants, each with an average footprint of 35,500 sq.ft., will anchor the development, most likely consisting of supermarket or houseware tenants. The Shoppes at Frederick Landing will be marketing to residents in the area, patrons using airport amenities, and individuals traveling along E. Church St. The key focus is on the Renn Farm Development, which plans to implement over 1000 residential units and the Nicodemus site, which already began construction on 500 new townhouses. We believe by being one of the only retail centers in the area, we can capture over 75 percent of the East Frederick retail market.

Site Plan of
at Frederick

The Shoppes
Landing



C. LEED & Building Sustainability

Some of the challenges we anticipate facing include the leveling of the site along Monocacy Blvd and how to deal with part of the site located within Monocacy River's 100 year floodplain. To overcome these issues, we plan to design with the site in mind, following the land's contours and building with it. We plan to install a green wall along Monocacy Blvd and having the backs of the building face out. We believe this will bring attention to drivers, catch their eyes and encourage them to drive in. To mitigate our risk in the floodplain, we will keep areas around the river free and clear, utilizing the area as designated green space.

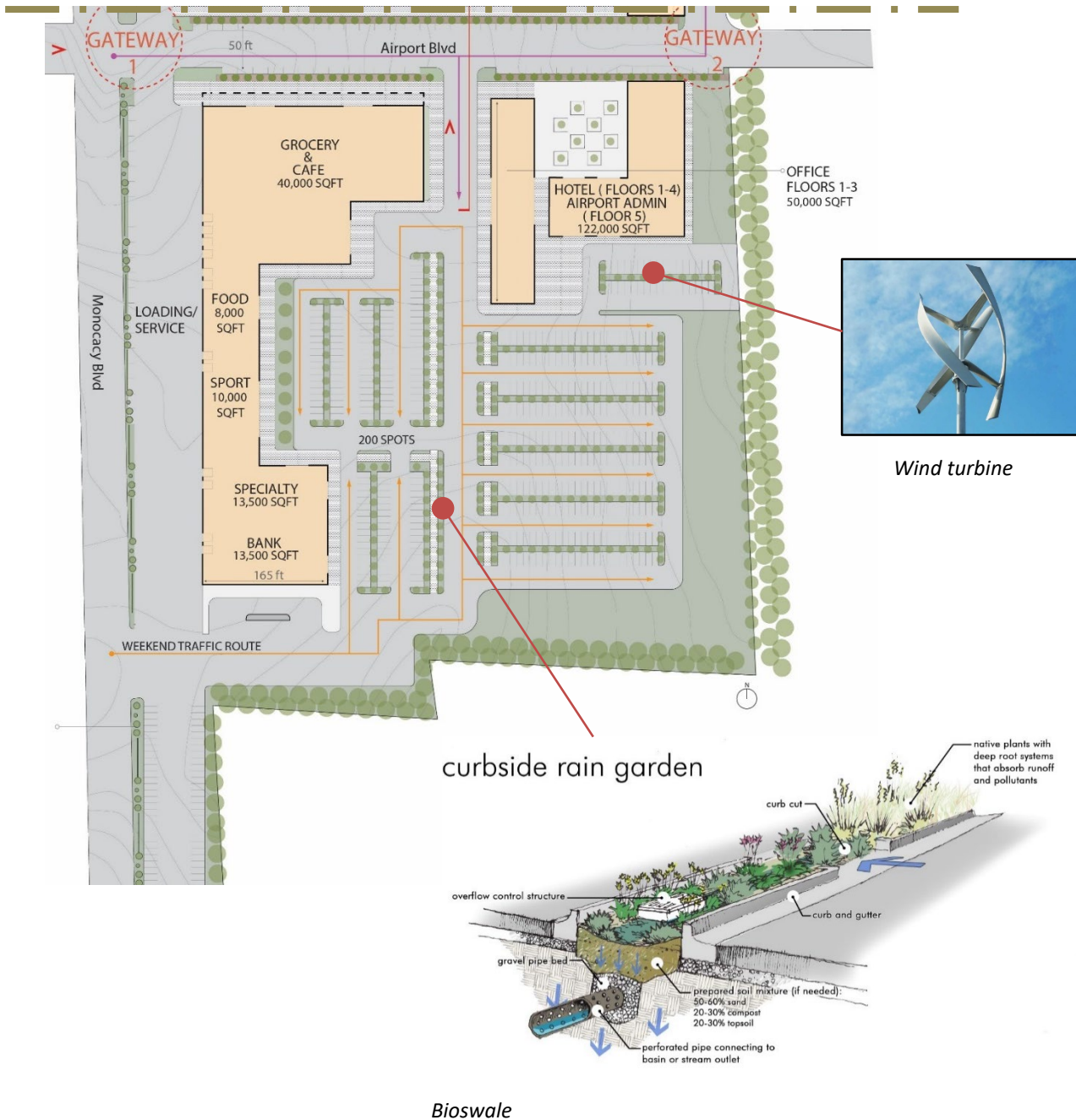


A) Green Wall



B) Solar Panels

We plan to install solar panels on the rooftops of all the stores and mount wind turbines on the tops of every light post. We will incorporate bioswales in the parking lots, which will help filter water runoff before it enters the water table. To encourage customer interaction, we've planned a town square for patrons and street vendors and to offer entertainment and special programming on the weekends. For the children, there will be an amphitheater and outdoor movie theatre, and public air shows during summer months.



V. FINANCIAL ANALYSIS

Introduction

The Shoppes at Frederick Landing is a 155,000 sq.ft. neighborhood/community retail center located in Frederick, MD. The project is an attractive opportunity for an investor looking for a good return on investment in ten years. Upon land acquisition, earnings potential could be very lucrative. The expected return on equity is 22 percent with a 30 percent IRR and estimated exit cap rate of 7.5 percent upon sale in year 10. A sale price of \$49.4 million with year 10 cash flow will yield \$37.3 net proceeds.

Acquisition

For The Shoppes at Frederick Landing to become a great destination shopping center, we, the developer, will need to purchase the land for \$776,300 with \$46,578 closing in costs. Total acquisition by the Developer will be \$822,878 from the City of Frederick.

Construction Costs

Construction costs for the project, or total hard costs, are estimated at \$20.1 million or \$130.25 psf. Hard costs include all actual building materials such as concrete for foundations, infrastructure, utility tapping fees and permits. We are striving to become a leader in sustainability in East Frederick and estimate the solar panels, the green wall along Monocacy Blvd, wind turbines and bioswales will cost \$750,000.

Being that The Shoppes at Frederick Landing is a retail project, we have to take into consideration the type of shell we will provide for the tenant. We will provide the tenant with a warm dark shell and will set aside \$3m for tenant allowance. This amount was derived from the first full year of potential gross income. We will provide a monumental sign at the entrance along Monocacy Blvd. for visibility and estimate that cost to be around \$75,000.

Code for retail parking in the City of Frederick requires one space for every 300 square feet of retail space. Using a formula of 155,000 total retail space divided by 300, yields approximately 500+ spaces at a cost of \$2000/space. Total parking will cost \$1.03 million or \$6.67/sq. ft. While we do not anticipate any delays, we will set aside reserve money just in case that does occur. We will conservatively set aside an additional \$1m, or 7 percent, of building, signage, and parking construction costs. Adding in the soft costs and fees yields a total development cost of \$24.1m or \$155.67 psf.

AKWEI DEVELOPMENT, LLC

Washington, DC

Project Cost Schedule**SOURCES**

Debt	75%	\$18,096,296	\$116.75
Equity	25%	\$6,032,099	\$38.92
Total Sources		\$24,128,394	\$155.67

LAND ACQUISITION COSTS

Land Purchase		\$776,300	\$5.01
Closing costs	6%	\$46,578	\$0.30
		\$822,878	\$5.31

Hard Costs

Retail	155,000 sq.ft.	\$	13,970,150	\$90.13
Signage			75,000	\$0.48
Parking	517 spaces @ \$2,000/space		1,033,333	\$6.67
Contingency (Retail+Signage+Parking)	7%		1,055,494	\$6.81
Sewer Tap Fees			110,000	\$0.71
Water Tap Fees			50,000	\$0.32
Site Permits			25,000	\$0.16
Building Permits			25,000	\$0.16
Sustainability Construction			750,000	\$4.84
Insurance (during construction)			18,000	\$0.12
Consultants (Construction Management)			55,000	\$0.35
Utilities (during construction)			13,500	\$0.09
Tenant Allowance			3,008,500	\$19.41
Construction Loan Total		\$	20,188,977	\$130.25

Soft costs

Architecture & Engineering	5%	\$	753,924	\$4.86
Environmental Studies			10,000	\$0.06
Leasing	gross income 5%		150,425	\$0.97
Feasibility Study			10,000	\$0.06
Survey			6,500	\$0.04
Appraisal			12,500	\$0.08
Legal			55,000	\$0.35
Loan Points & Fees			100,945	\$0.65
Interest Expense			710,820	\$4.59
Taxes (during construction)			8,100	\$0.05
Other			59,500	\$0.38
Soft Cost Contingency	5%		93,886	\$0.61
			\$1,971,600	\$12.72

PERM LOAN

Permanent Financing Fees	0.50%	\$	79,803	\$0.51
Reserves		\$	100,000	\$0.65
Development Fees	4.00%	\$	965,136	\$6.23

TOTAL DEVELOPMENT COST

\$ 24,128,394 \$155.67

Income

The Shoppes at Frederick Landing will have triple net (NNN) leases, therefore expenses will be passed down to its tenants. We will have 18 tenants including a grocery store tenant and houseware tenant. Derived from other shopping centers in the area and from our findings on Reis, we anticipate our anchor tenants to have a price per square foot (psf) at \$16, almost \$1.50 lower than the average. We understand that the project is new and comes with inherent risks and to attract possible tenants; we don't want to price ourselves out. We anticipate non-anchor tenants to pay on average \$23 psf for the same reason, almost \$5 less per foot. To compensate for the low base rent, we will put in rent increases and percentage rent in our leases. We did not add the additional rent into our financial calculations, assuming during negotiations it might not be accepted. Upon becoming fully stabilized, we anticipate receiving slightly over \$3 million annual in Gross Income. We took a conservative approach to our calculations.

Tenant	Sq. ft.	Rental Per Units/Yr.	Total Rent Monthly	Total Rent Yearly	Monthly Rent/SF	Job Creation
Income						
Harris Teeter (Anchor)	40,000	\$ 16.00	\$ 53,333	\$ 640,000	\$ 1.33	30
Bed Bath Beyond (Anchor)	31,000	\$ 16.00	\$ 41,333	\$ 496,000	\$ 1.33	20
Carters/Osh Kosh	4,000	\$ 24.00	\$ 8,000	\$ 96,000	\$ 2.00	5
Patient First	7,000	\$ 21.00	\$ 12,250	\$ 147,000	\$ 1.75	10
O'Reilly Auto Parts	7,000	\$ 24.00	\$ 14,000	\$ 168,000	\$ 2.00	10
Corner Bakery	5,000	\$ 23.00	\$ 9,583	\$ 115,000	\$ 1.92	15
Chili's	5,000	\$ 23.00	\$ 9,583	\$ 115,000	\$ 1.92	15
Pizza Store	1,500	\$ 24.00	\$ 3,000	\$ 36,000	\$ 2.00	5
Modell's	8,000	\$ 22.00	\$ 14,667	\$ 176,000	\$ 1.83	10
Walgreens	13,000	\$ 21.00	\$ 22,750	\$ 273,000	\$ 1.75	10
Ace Hardware	8,000	\$ 22.00	\$ 14,667	\$ 176,000	\$ 1.83	10
Pet Supply Plus	12,000	\$ 21.00	\$ 21,000	\$ 252,000	\$ 1.75	15
Sport Cuts	1,500	\$ 25.00	\$ 3,125	\$ 37,500	\$ 2.08	10
Hair Salon	1,000	\$ 25.00	\$ 2,083	\$ 25,000	\$ 2.08	5
Cleaners	1,500	\$ 25.00	\$ 3,125	\$ 37,500	\$ 2.08	10
Froyo	1,000	\$ 25.00	\$ 2,083	\$ 25,000	\$ 2.08	5
Dentist Office	2,500	\$ 23.00	\$ 4,792	\$ 57,500	\$ 1.92	5
Anytime Fitness	4,000	\$ 23.00	\$ 7,667	\$ 92,000	\$ 1.92	10
TD Bank	2,000	\$ 22.00	\$ 3,667	\$ 44,000	\$ 1.83	5
	155,000		\$ 250,708	\$ 19.41 \$/s.f		205
Gross Income				\$ 3,008,500		

Sources & Uses

The Shoppes at Frederick Landing will utilize traditional financing with 75 percent debt and 25 percent equity. With a total development cost of \$24.1m, \$18m will come in the form of a loan (debt), and \$6m will be equity. We are assuming a 10-year permanent loan at 6.5% interest rate amortized over 25 years.

Sources			Uses		
Equity	25%	\$ 6,032,099	Acquisition:	\$	822,878
Debt	75%	18,096,296	Hard Costs:		20,188,977
TDC	100%	\$24,128,395	Soft Costs:		2,051,403
Equity			Reserves:		100,000
Investor:	80%	\$ 4,825,679	Development Fee:		965,136
Sponsor:	20%	1,206,420			
Tot. Equity:	100%	\$ 6,032,099	TDC:		\$24,128,395

Investor Returns

The Shoppes at Frederick Landing has an attractive return on equity for investors, which we feel is a strength of the project. Over the 10-year holding period, we expect a total cash flow over **\$18m**, project **IRR of 30 percent**, and a net present value of **\$11.4m** using a 12 percent discount rate. To calculate investor returns, our \$6m equity breakdown will be a 80/20 split between investor and developer, with an investor preferred return of 15 percent. Upon the sale in year 10, our **lender** will receive the remaining balance of the loan of **\$13.4m**. Our **investor** will receive **\$22.5m**, and **developer** **\$14.7m**.

ASSUMPTIONS	
Project Size (sq.ft.)	155,000
Total Development Cost	\$24,128,394
Year One NOI	\$ 2,850,554
NOI Annual Growth	3.0%
Year One Cash Flow	\$ 1,361,045
Leverage	75.0%
Interest Rate	6.5%
Amortization (years)	25
Loan	\$18,096,296
Annual Debt Service	1,432,509
Exit Cap Rate	7.5%
Avg Gross Rents (psf)	\$ 19.41
Investor Equity	80%
Sponsor Equity	20%

SOURCES OF EQUITY		
Investor	80%	\$4,825,679
Sponsor	20%	1,206,420
Total Sources	100%	\$6,032,099

RESULTS		
	Total Profits	IRR
Unlevered	\$59,714,846	16.0%
Gross Levered	\$47,315,137	30.2%
Investor	\$28,885,188	27.0%
Sponsor	\$18,429,949	39.2%

VII. APPENDIX

Income and Expenses

INCOME & EXPENSE		Partial Year 0	Stabilized Year 1	Year 2	Year 3	Year 5	Year 10
Period Beginning Date		Apr-17	Jan-18	Jan-19	Jan-20	Jan-22	Jan-27
Period Ending Date		Dec-17	Dec-18	Dec-19	Dec-20	Dec-22	Dec-27
		Partial Yr.	1st Full yr.				
INCOME		75%					
Potential Rental Income	3.00%	\$ 2,256,375	\$ 3,008,500	\$ 3,098,755	\$ 3,191,718	\$ 3,386,093	\$ 3,925,410
Vacancy & Credit Loss	5.25%	\$ 682,553	\$ 157,946	\$ 162,685	\$ 167,565	\$ 177,770	\$ 206,084
Effective Rental Income		\$ 1,573,822	\$ 2,850,554	\$ 2,936,070	\$ 3,024,152	\$ 3,208,323	\$ 3,719,326
Other Income		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gross Operating Income		\$ 1,573,822	\$ 2,850,554	\$ 2,936,070	\$ 3,024,152	\$ 3,208,323	\$ 3,719,326
EXPENSES	3.25% Annual Increase	\$ (743,853)	\$ (991,804)	\$ (1,024,037)	\$ (1,057,319)	\$ (1,127,161)	\$ (1,322,624)
Reimbursements		\$ 743,853	\$ 991,804	\$ 1,024,037	\$ 1,057,319	\$ 1,127,161	\$ 1,322,624
Net Operating Income (NOI)		\$ 1,573,822	\$ 2,850,554	\$ 2,936,070	\$ 3,024,152	\$ 3,208,323	\$ 3,719,326
Yearly Reserves		\$ 42,750	\$ 57,000	\$ 57,000	\$ 57,000	\$ 57,000	\$ 57,000

Financial Report

Period Beginning Date		Partial Year 0	Year 1	Year 2	Year 3	Year 5	Year 10
Period Ending Date		Apr-17	Jan-18	Jan-19	Jan-20	Jan-22	Jan-27
		Dec-17	Dec-18	Dec-19	Dec-20	Dec-22	Dec-27
	75.00%	Partial Yr.	1st Full Yr.				
Potential Rental Income	3.00%	\$ 2,256,375	\$ 3,008,500	\$ 3,098,755	\$ 3,191,718	\$ 3,386,093	\$ 3,925,410
- Vacancy&Credit Loss	5.25%	\$ 682,553	\$ 157,946	\$ 162,685	\$ 167,565	\$ 177,770	\$ 206,084
= Effective Rental Income		\$ 1,573,822	\$ 2,850,554	\$ 2,936,070	\$ 3,024,152	\$ 3,208,323	\$ 3,719,326
+ Misc. Income		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
= Gross Operating Income		\$ 1,573,822	\$ 2,850,554	\$ 2,936,070	\$ 3,024,152	\$ 3,208,323	\$ 3,719,326
- Operating Expenses	annual growth 3.25%	\$ (743,853)	\$ (991,804)	\$ (1,024,037)	\$ (1,057,319)	\$ (1,127,161)	\$ (1,322,624)
+ Reimbursements		\$ 743,853	\$ 991,804	\$ 1,024,037	\$ 1,057,319	\$ 1,127,161	\$ 1,322,624
= Total Expenses		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Operating Income		\$ 1,573,822	\$ 2,850,554	\$ 2,936,070	\$ 3,024,152	\$ 3,208,323	\$ 3,719,326
ANNUAL CASH FLOW ANALYSIS							
Net Operating Income		\$ 1,573,822	\$ 2,850,554	\$ 2,936,070	\$ 3,024,152	\$ 3,208,323	\$ 3,719,326
- Annual Debt Service		\$ (1,074,381)	\$ (1,432,509)	\$ (1,432,509)	\$ (1,432,509)	\$ (1,432,509)	\$ (1,432,509)
- Reserves		\$ (42,750)	\$ (57,000)	\$ (57,000)	\$ (57,000)	\$ (57,000)	\$ (57,000)
= Cash Flow Before-Tax		\$ 456,690	\$ 1,361,045	\$ 1,446,562	\$ 1,534,644	\$ 1,718,815	\$ 2,229,817

Proforma & Cash Flow

PROFORMA		Year 0	Year 1	Year 2	Year 3	Year 5	Year 10
		2017	2018	2019	2020	2022	2027
NOI		\$ 1,573,822	\$ 2,850,554	\$ 2,936,070	\$ 3,024,152	\$ 3,208,323	\$ 3,719,326
Interest Expense		843,495	1,107,379	1,086,466	1,064,208	1,015,305	862,721
Principal Payments		230,886	325,129	346,042	368,300	417,204	569,787
Reserves		42,750	57,000	57,000	57,000	57,000	57,000
Total Debt Service		1,117,131	1,489,509	1,489,509	1,489,509	1,489,509	1,489,509
Net Cash Flow from Operations		456,690	1,361,045	1,446,562	1,534,644	1,718,815	\$2,229,817
Sale Price							49,591,015
Closing Cost							-991,820
Loan Payoff							-13,491,966
Net Cash Flow from Sale							35,107,228
Total Distributable Cash Flow		\$456,690	\$1,361,045	\$1,446,562	\$1,534,644	\$1,718,815	\$37,337,045
Allocate Distributable Cash Flow to Parties							
Investor		\$365,352	\$1,086,891	\$1,027,230	\$1,076,556	\$1,179,692	\$22,573,605
Sponsor		91,338	274,154	419,332	458,088	539,123	14,763,441
Total Distributable Cash Flow		\$456,690	\$1,361,045	\$1,446,562	\$1,534,644	\$1,718,815	\$37,337,045
Cash Flows for IRR Calculations							
Gross Levered	-\$6,032,099	\$456,690	\$1,361,045	\$1,446,562	\$1,534,644	\$1,718,815	\$37,337,045
Investor	-\$4,825,679	\$365,352	\$1,086,891	\$1,027,230	\$1,076,556	\$1,179,692	\$22,573,605
Sponsor	-\$1,206,420	\$91,338	\$274,154	\$419,332	\$458,088	\$539,123	\$14,763,441

ASSUMPTIONS	
Total Development Cost	\$24,128,394
Year One NOI	\$ 2,850,554
Year One Cash Flow	\$ 1,361,045
NOI Annual Growth	3.0%
Leverage	75.0%
Interest Rate	6.5%
Amortization (years)	25
Loan Fees	\$79,803
Annual Debt Service	1,432,509
Exit Cap Rate	7.5%
Closing Costs	2.0%
Investor Equity	80%
Sponsor Equity	20%
Sponsor Promote	30%
Preferred Return	15%

SOURCES AND USES	
Sources	
Equity	25% \$6,032,099
Debt	75% 18,096,296
Total Sources	100% \$24,128,394
Uses	
Purchase Price	\$24,128,394
Other	0
Total Uses	\$24,128,394