RCLCO REAL ESTATE CONSULTING

(DRAFT) HISTORY OF DOWNTOWN ECONOMY, PLANNING, AND INVESTMENTS

RESEARCH SUMMARY

DOWNTOWN D.C.

Prepared for DowntownDC BID and Golden Triangle BID
September 11, 2023

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Since 1967, RCLCO has been the "first call" for real estate developers, investors, the public sector, and non-real estate companies and organizations seeking strategic and tactical advice regarding property investment, planning, and development.

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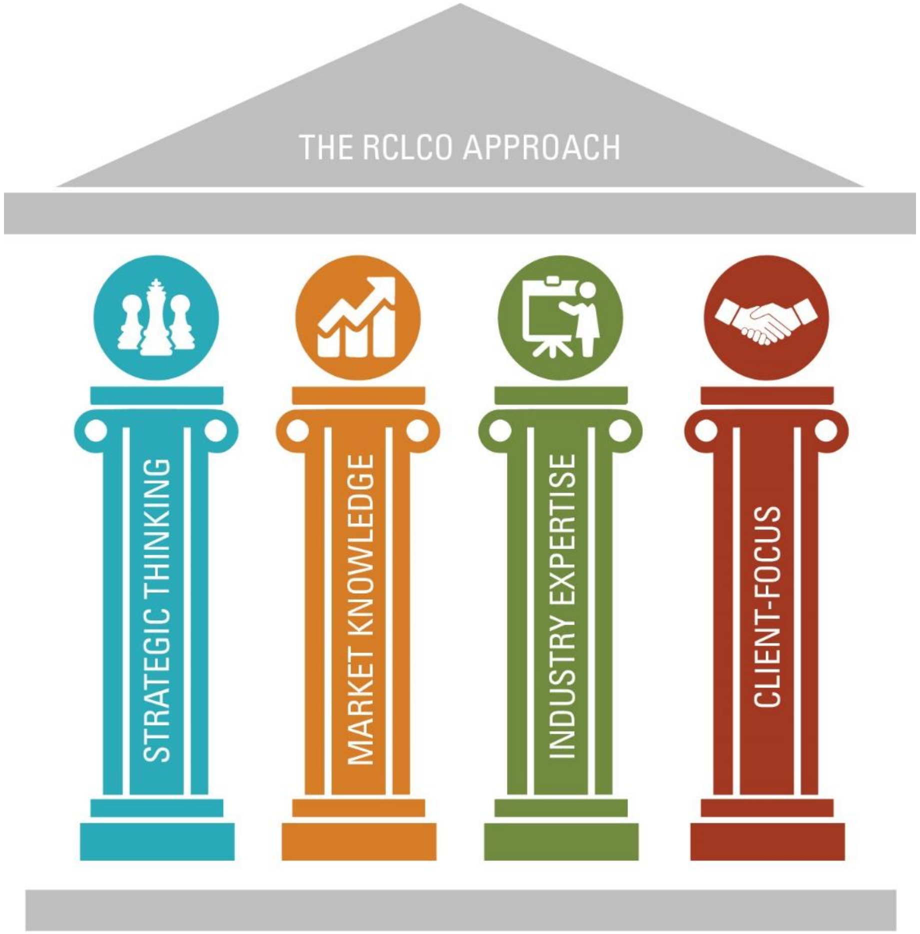

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KEY TAKEAWAYS

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- **Prior Downtown D.C. plans have prioritized more mixed-use and residential, with limited success because of the strong and stable office market**. While the "big questions" facing stakeholders in Downtown D.C. might seem unprecedented in terms of scale and urgency, Downtown D.C. has faced similar questions before—how to take advantage of future market opportunities, how to leverage unique cultural assets, and how to bring a greater diversity of people with different needs and motives to Downtown D.C. by enabling mixed-use development. The Downtown Action Plan should learn from past experience in what remain barriers to change and what the pandemic may have changed.
- **Downtown planning has an inherent tension of federal and local priorities, which may be more reconcilable today than they have been in the past as the GSA seeks to address underutilized buildings.** However, past planning efforts have often fallen victim to poor timing, conflicting stakeholder needs (e.g., the federal government, District residents, etc.), longstanding regulatory constraints (e.g., building height regulations), and/or competition for resources (e.g., other neighborhoods vying for public dollars), and these challenges have historically limited the ability of the District to accomplish its goals for Downtown D.C. Moving forward, it will be important for the District to learn from these challenges, by proactively seeking input from relevant stakeholder groups, and by better understanding the federal-local and regulatory environments that place particular comprehensive planning goals within—or out of—reach.
- **Public financing can unlock significant value**, particularly when market conditions are favorable, and can **stimulate much-needed private investment** in neighborhoods that have not benefited from as much from broader regional growth. With that said, **public-private partnerships will be difficult to underwrite until office values reset and stabilize**. As repricing continues in the near to mid term, D.C. can plan for major partnerships while recognizing execution on these investments may be longer term. While this repricing may limit opportunities for conventionally structured public-private deals (e.g. TIF, which may not be the optimal structure for developers until property values have reached their lowest points), Downtown D.C. could still benefit from more creatively structured public investments related to parks, arts, and cultural amenities less impacted by real estate capital markets.

HISTORY OF DOWNTOWN D.C.

HISTORY OF DOWNTOWN D.C.

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1800s - Early 1900s: Birth of the Federal Capital

Today's Downtown D.C. is the product of many purposeful and impactful investments and planning efforts. The visionary L'Enfant Plan of 1791—the first of many such efforts—laid the foundation for the city's grid layout and strategically placed important civic buildings and spaces, including the iconic National Mall. This open and welcoming space served as the centerpiece of a young nation, embodying ideals of equality and democratic values.

However, building a downtown area that lived up to L'Enfant's original vision proved difficult. As the District matured, revitalizing previously underinvested areas of Downtown D.C. necessitated development of unprecedented scale. The completion of the Old Post Office Building in 1899 marked the beginning of the transformation of the area known as the Federal Triangle. Today, the Old Post Office has been reimagined as the luxurious Waldorf Astoria Hotel, highlighting how the repositioning of historic buildings has been an important tool for diversifying land use in Downtown D.C..

The McMillan Plan of 1902 aimed to restore the grandeur of L'Enfant's vision by expanding the public park system, focusing on the National Mall's greenway, and creating a cohesive center for the nascent downtown area. Among its key provisions were allowing the Smithsonian museums between the Capitol Building and the Washington Monument, as well as relocating the existing rail station over to a site north of the Capitol Building, where Union Station stands today. Albeit never officially adopted, the Plan continues to guide major planning decisions in the District today.

However, the mission of growing Downtown D.C. and broadening its appeal were in many ways counteracted by preservationist efforts that cited the importance of Downtown D.C.'s unique Neoclassical architecture and less dense built environment. The height restrictions implemented in the Height Act of 1910 ensured the preservation of Downtown D.C.'s distinctive skyline, allowing historic buildings to maintain their dominating presence—while also setting a ceiling on Downtown D.C.'s future growth ambitions.

By the early 20th century, most development in Downtown D.C. involved federal office buildings, concentrated east of the White House. In 1912, the relocation of George Washington University ("GWU") to Foggy Bottom brought a new and dynamic educational hub to Downtown D.C.. The university's presence expanded over the years, adding a mix of uses that included student housing, academic facilities, and public spaces. GWU's pivotal role in the Downtown D.C. built environment highlights the synergy between educational institutions and urban centers; universities create bases of local talent and a setting where learning, arts, and culture flourish.

Additionally, the opening of the Warner Theater in 1924 brought entertainment to Downtown D.C. as the first theater to open in the area. Today, theaters in Downtown D.C. continue to draw hundreds of thousands of visitors each year, contributing to the vibrant cultural scene and supporting local businesses. However, at this time, Downtown D.C. still largely functioned as a center for the federal government. The construction of the Federal Triangle in 1926 further anchored the federal presence in Downtown, cementing its identity as a center for civic and political activity.

1940s - 1960s: Early Comprehensive Planning

In the post-war period, planners and policymakers struggled to develop a new, more holistic vision of what Downtown D.C. could be. Many pre-war planning efforts had steered growth outside of the original L'Enfant Plan boundaries, leading to an abundance of commercially zoned land that was subject to Height Act limits. In 1945, the National Capital Planning Commission (then, the National Capital Park and Planning Commission) was tasked with developing the District's first Comprehensive Plan, which was unprecedented in scope, touching on everything from highways, parks, and libraries to schools and housing. However, at the same time, federal agencies were contemplating a monumental plan to relocate new federal buildings outside of the District and cap federal employment in Downtown D.C. for security purposes. By the time these conflicting visions were reconciled and NCPC published the 1950 Comprehensive Plan, the data contained in plan was mostly outdated, and the focus of planners had turned to regional connectivity (amid the rise of interstate highways) and federal decentralization.

Source: NCPC; NPS; GWU; RCLCO
Image Source: Library of Congress

1970s - Early 1990s: Imagining a More Livable Downtown

By the 1970s, Downtown D.C. began to receive renewed attention, with the advent of Home Rule in 1973 granting District residents representation in local governance. Additionally, the opening of the Metro system in 1976 greatly improved Downtown D.C.'s connectivity. This change cemented Downtown D.C.'s role as a regional hub, drawing people from all over the metropolitan area. Widespread commercial development in Farragut and the Golden Triangle brought a more diverse mix of public and private sector employment to Downtown D.C. and dramatically accelerated its overall development trajectory. More than a third of all development that exists in Downtown D.C. today was completed between 1970 and 1990.

At the same time, the District government, vested with new powers following the implementation of Home Rule, began charting a new vision for Downtown D.C., one that emphasized livability and the mixture of land uses at a neighborhood scale. The 1985, 1989, and 1994 Comprehensive Plan amendments added individual ward plans and land use elements, greatly increasing the plan’s size and identifying more specific gaps in the District’s urban fabric. Still, a central tension persisted, between planning the District as a capital city and preserving the planning legacy and monumentality that were critical to supporting its federal presence. The Commemorative Works Act of 1986 serves as an example of this tension, effectively barring the District from making substantive changes to existing conditions on federally owned land without specific approval, and limiting its ability to make public space improvements and advance its own planning goals.

Late 1990s - 2010s: Taking Advantage of D.C.’s Growth Stride

Emerging from the financial woes of the early 1990s, the District began focusing on channeling public investment into specific projects to stimulate economic growth. The opening of MCI Center (now Capital One Arena) in 1997 improved the regional pull of Downtown D.C., attracting sports fans and concertgoers from outside of the District. In addition, the completion of the Walter E. Washington Convention Center in 2003 further enhanced Downtown D.C.'s role as a destination for events, meetings, and sports, supporting local businesses and fostering economic growth. These investments coincided with a continued push on the planning front to emphasize mixed-use development. The Downtown Action Agenda of 2000 (updated in 2006) established housing production goals for Downtown D.C., and the subsequent Housing Act of 2002 created a residential tax abatement for new development along Massachusetts Avenue and in other high-cost areas surrounding Downtown D.C. The District also issued a retail TIF in 2002 to prop up the Downtown retail market.

However, these planning goals were difficult to execute for a variety of reasons. The September 11 attacks led the federal government to implement heightened security standards, which limited the ability to integrate local-serving uses on federal blocks. This tension in the Downtown D.C. built environment ultimately coincided with meaningful growth in many surrounding neighborhoods, where a large amount of growth and public investment occurred during the 2000s and 2010s, in such areas as the Capitol Riverfront (e.g., The Yards), the Southwest Waterfront (e.g., The Wharf), Shaw (e.g., City Market at O), NoMa (e.g., Union Market), and Brentwood (e.g., Bryant Street). The timing of growth and investment in these other neighborhoods allowed them to capture much of the economic lift the District started to experience during the 2000s, while Downtown D.C. continued to face challenges that limited its ability to become the livable, mixed-use neighborhood it was planned to be.

Looking Forward: A Renewed Commitment to Downtown

While recent investments and planning decisions reflect continued interest in enhancing different facets of Downtown D.C.’s built environment and promoting a more balanced and integrated mixture of uses and experiences, it has been difficult to square these goals with longstanding constraints on growth and jurisdictional issues. Most recently, a 2021 update to the District’s Comprehensive Plan included a number of policy priorities pertaining to Downtown D.C., centering on critical issues such as housing, equity, and sustainability. The plan’s Central Washington Area Element emphasized mixed-use living, cultural preservation, and improved public spaces as the ideal path forward for Downtown D.C. As Downtown D.C.’s planning history shows, this vision is not necessarily new, but executing on it has proven elusive—and taking stock of the many barriers that have prevented this vision from becoming a reality is becoming an increasingly urgent task.

Source: The In Towner (archived); NCPC; D.C. Office of Planning; RCLCO
Image Source: D.C. Office of Planning

The land use regulations governing development in Downtown D.C. reflect a **tenuous relationship with density**, one that frames Downtown D.C.'s economic competitiveness as fundamentally at odds with its historic civic importance.

Uniquely restrictive height limit

The Height Act of 1910 placed stringent limits on the heights of both commercial and residential structures throughout the District, restrictions which remained essentially untouched even as Downtown D.C. experienced significant growth pressures throughout the latter half of the 20th century.

"Monumentality" as a primary motivator of density skepticism

Subsequent efforts to more exhaustively plan for growth in Downtown D.C., including the **1920 Zoning Plan**, and the **1950 Comprehensive Plan**, acknowledged Downtown D.C.'s medium-rise urban form as a means of bringing attention to D.C.'s distinctive monuments and political identity.

Recent consensus-building on mixed-use development

Recent planning endeavors and investments have all recognized the importance of a denser, fine-grained mixture of uses for creating a more vibrant urban experience. The **2021 Comprehensive Plan Update** cited this as a key priority for Downtown D.C. going forward, but past efforts to increase this kind of development have tended to fall flat.

Source: RCLCO

Throughout Downtown D.C.'s history, major plans and investments have confronted a similar challenge—**how best to serve a local audience** while simultaneously **preserving Downtown D.C.'s broader appeal**.

Signaling national importance with a grand civic core

The original planning documents that shaped Downtown D.C., including the **L'Enfant Plan** and subsequent **McMillan Plan**, laid out an ambitious vision for the new City of Washington, and while never fully realized, these plans did succeed in establishing a Monumental Core that positioned Downtown D.C. as an area of international importance.

Prioritization of regional multi-modal accessibility

In the post-war boom period, as growth spread to far-flung suburbs, Downtown D.C. became the core of an increasingly large region. The **opening of the Metro system** in 1976 was the start of a series of improvements to Downtown D.C.'s regional accessibility. Recent developments, including **Capital One Arena**, have strengthened Downtown's regional pull.

Recent focus on serving District residents

Downtown D.C. has struggled to develop a household base of its own as a result of longstanding land use regulations. Recent plans, including the **updated Comprehensive Plan**, acknowledge these barriers, and underscore the need for Downtown D.C. to serve residents of the broader District by diversifying its housing and retail supply.

Source: RCLCO

THEMATIC TAKEAWAYS

INCREASED IMPORTANCE OF TARGETED INVESTMENT

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Project-specific public investments have historically served as key drivers of growth and economic activity in Downtown D.C., particularly because unanticipated challenges have limited the ability of large-scale planning efforts to achieve their stated ambitions.

Unrealized promises of comprehensive planning

Issues with timing, scope, and conflicting visions have hamstrung planning efforts throughout Downtown D.C.'s history. The **1950 Comprehensive Plan** conflicted with federal dispersal plans. More recent planning guidance (e.g. the **Downtown Action Agenda of 2000**) has emphasized mixed-use development, but execution has proven difficult.

Critical role of public investment

As Downtown D.C. has approached full build-out, large-scale projects (e.g. the **Convention Center**, and **Capital One Arena**) have relied on public dollars to cover site acquisition, transit connectivity, and other development costs, which have helped these developments reach their fullest potential and prop up the Downtown D.C. economy.

Importance of seizing on growth opportunities

Timing has proven critical in successful public-private partnerships in Downtown D.C. For example, the **Convention Center** delivered into a growing market with plenty of momentum, which resulted in great interest from the business community. Recent investments have catalyzed growth, but almost entirely outside of Downtown D.C. (see Page 12).

Source: RCLCO

PUBLIC INVESTMENT ANALYSIS

RCLCO EVALUATED SIX CASE STUDIES TO UNDERSTAND THE DEMONSTRATED IMPACTS OF PUBLIC INVESTMENTS ON DEVELOPMENT TRAJECTORIES AND PRIVATE INVESTMENT PATTERNS

Lessons Learned from Public Investment Case Studies; Washington, D.C.

TOPIC	LESSON LEARNED	IMPLICATIONS FOR DOWNTOWN
Importance of Market Timing	The most successful public-private partnerships, particularly those relying on tax increment financing (TIF), depend on market cycles to create the lift needed to support sufficient increases in property values. The Wharf, for instance, delivered into prime mid-cycle market conditions, which ensured rapid absorption of preliminary deliveries.	As market conditions are currently uncertain and office values are poised to decline, it may be difficult to underwrite TIF deals in Downtown D.C. in the near term. However, as conditions fluctuate, policymakers should be ready to seize on future growth opportunities.
Alleviating Early Constraints on Development	An infusion of public dollars often clears initial barriers to development that might otherwise prevent development from getting off the ground. For instance, the District covered site acquisition costs for Capital One Arena as part of a deal struck with the arena's prospective owners, allowing development to proceed without delay.	Major projects in Downtown D.C. are almost exclusively combined lot developments, especially given height limit constraints. Site assembly and infrastructure challenges are optimal targets for public funding, as they are decisive barriers to large-scale development in Downtown.
Transformative Potential in Underinvested Neighborhoods	A recurring theme to major public investments in the District is their potential to bring much-needed development to neighborhoods that have not experienced the same lift as other areas of D.C. As part of the Skyland Town Center project, for instance, Southeast D.C. added its first full-service supermarket (Lidl) in more than a decade.	Targeted investments in the Convention Center and Capital One Arena have created enormous positive spillover effects in their surrounding neighborhoods, bringing unprecedented levels of private investment to Downtown D.C. Future investment can and should focus on filling gaps in Downtown D.C.'s inventory to enhance its competitiveness.
Creation of Regional Destinations	Public investments can be transformative locally, but they can also enhance an area's regional appeal, drawing traffic (and spending) from further afield. The Convention Center and Capital One Arena have both grown Downtown D.C.'s daytime population and diversified its user base, supporting retail and other uses in the surrounding area.	Downtown D.C.'s regional pull is particularly relevant as the area continues to recover from the pandemic and policymakers strategize about how best to bring a variety of market audiences back to Downtown D.C.


Convention Center (2003)

NoMa Metro Station (2004)


The Wharf (2017-2022)

Image Source: BLUR Workshop; DC Fray; The Wharf
Source: RCLCO

CAPITAL ONE ARENA

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DESCRIPTION

Completed in 1997, Capital One Arena generated significant activity in the Gallery Place/Chinatown neighborhood, which previously suffered from disinvestment. While the arena was largely privately financed, the District of Columbia funded site assembly and transit connectivity, yielding substantial private investment in the surrounding area.

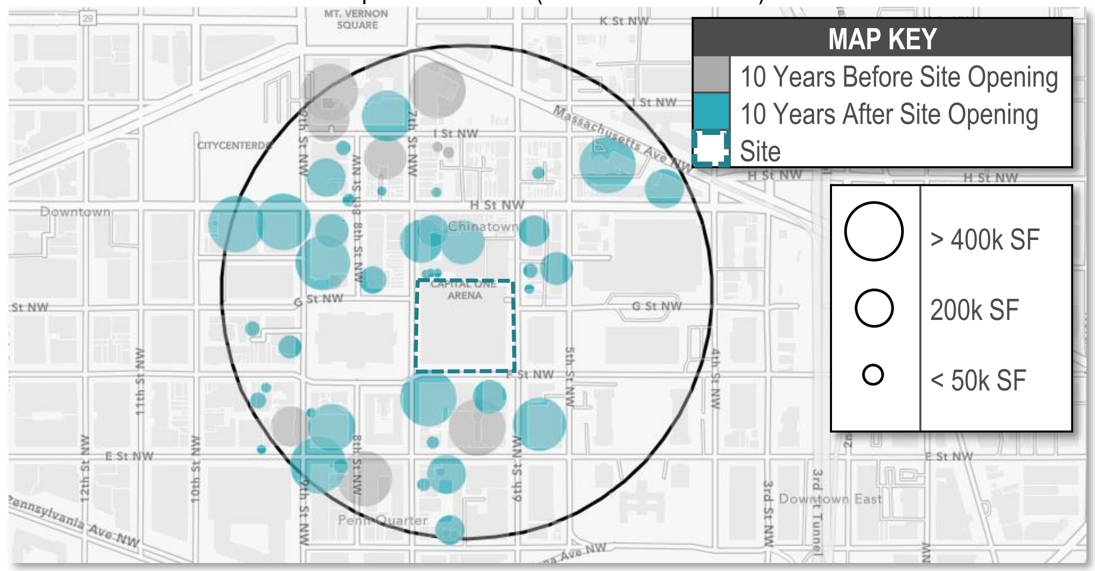
KEY COMPONENTS OF PUBLIC INVESTMENT[1]

- Land Acquisition ($34 million)
- Metrorail Connection and Site Improvement ($18 million)
- TIF for Subsequent Improvements ($44 million – not included below)

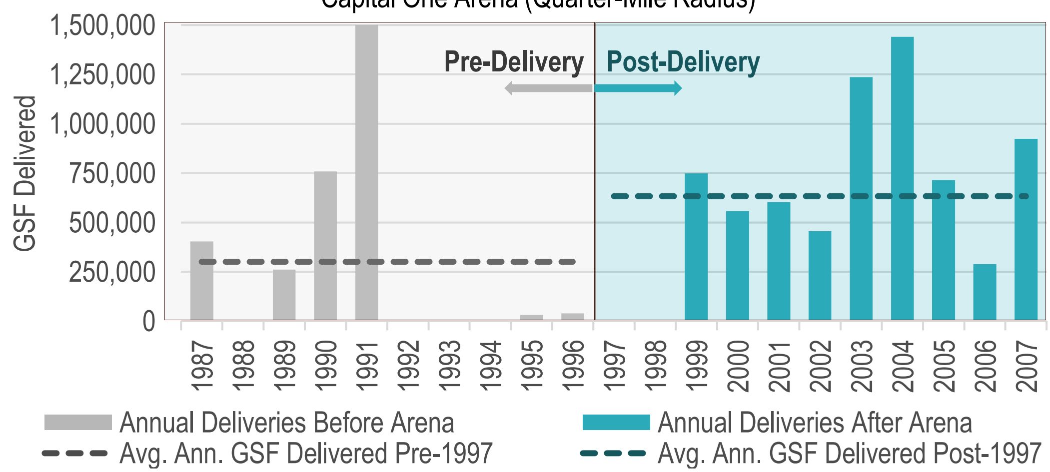
TOTAL INITIAL PUBLIC INVESTMENT[1]	TOTAL PROJECT COST
$59 million (23% of total cost)	**$260 million**

LAND USES	1987-1996 DELIVERIES	1998-2007 DELIVERIES
Residential	**386 Units**	**1,826 Units**
Office	**2,214,089 SF**	**4,360,988 SF**
Retail[2]	**0 SF**	**780,469 SF**
Hotel	**807 Rooms**	**0 Rooms**

Map of Deliveries by Gross Square Footage, 1998-2007;
Capital One Arena (Quarter-Mile Radius)



Total Deliveries by Gross Square Footage, 1987-2007;
Capital One Arena (Quarter-Mile Radius)



[1] *Limited to direct expenditures incurred by District of Columbia.*
[2] *May exclude some retail spaces located on the ground-floor of multifamily, office, or hotel buildings.*

Source: CoStar; RCLCO
Image Source: Washington Times

DESCRIPTION

Completed in 2003, the Walter E. Washington Convention Center is located adjacent to Mount Vernon Square in Downtown D.C. It hosts many major events, such as official inaugural balls, political summits, and industry conventions. It is operated by an independent arm of the D.C. government, Events DC, and was entirely funded by the District.

KEY COMPONENTS OF PUBLIC INVESTMENT[1]

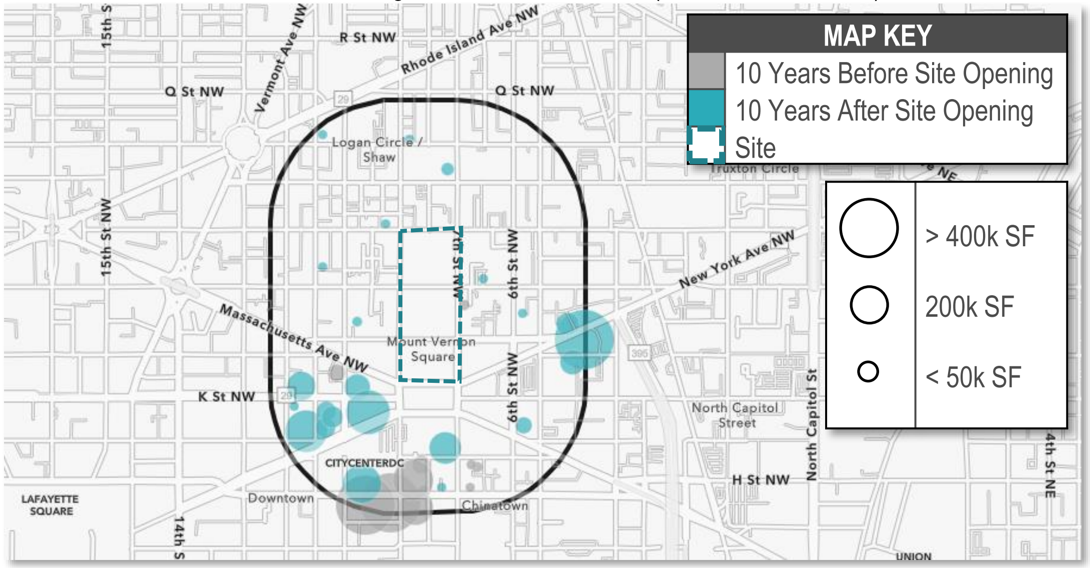
- Tax Revenue Bonds ($524 million)
- Soil Remediation and Hazardous Material Removal ($16 million)
- Soft Costs ($129 million)
- Other Costs ($181 million)

TOTAL PROJECT COST[1]

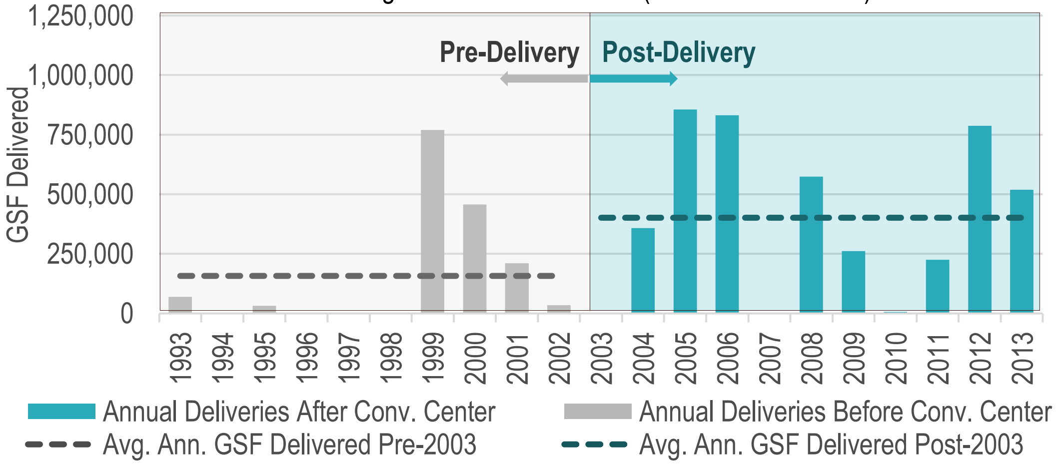
$850 million (100% D.C. funded)

LAND USES	1993-2002 DELIVERIES	2004-2013 DELIVERIES
Residential	0 Units	1,724 Units
Office	1,545,343 SF	2,313,036 SF
Retail[2]	26,923 SF	72,623 SF
Hotel	0 Rooms	616 Rooms

Map of Deliveries by Gross Square Footage, 1993-2013;
Walter E. Washington Convention Center (Quarter-Mile Radius)



Total Deliveries by Gross Square Footage, 1993-2013;
Walter E. Washington Convention Center (Quarter-Mile Radius)



[1] *Limited to direct expenditures incurred by District of Columbia.*
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Source: CoStar; ULI; RCLCO
Image Source: Washington DC

NOMA METRO STATION

DESCRIPTION

Completed in 2004, the NoMa Metro Station was the city's first infill station, adding in a stop on the Red Line to connect the area to Downtown D.C. It was constructed with a combination of District funds and indirect private investment via taxes on adjacent businesses and land donations. The station was crucial to the revitalization of the surrounding area, which had previously struggled from disinvestment.

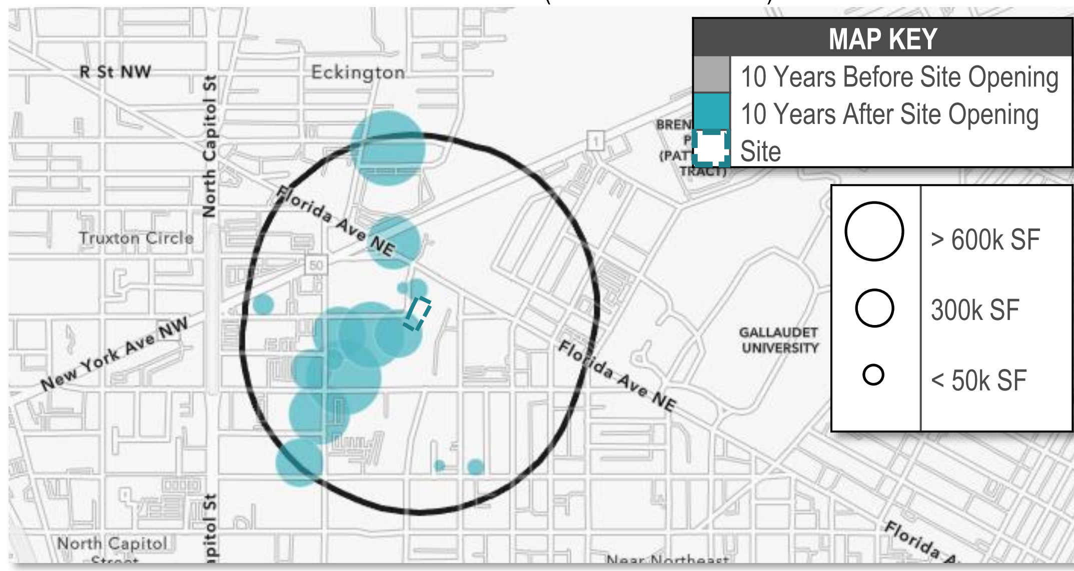
KEY COMPONENTS OF PUBLIC INVESTMENT[1]

- Planning and Environmental Assessment ($9 million)
- Municipal Bonds ($25 million)
- Coverage of Unforeseen Cost Overruns ($20 million)

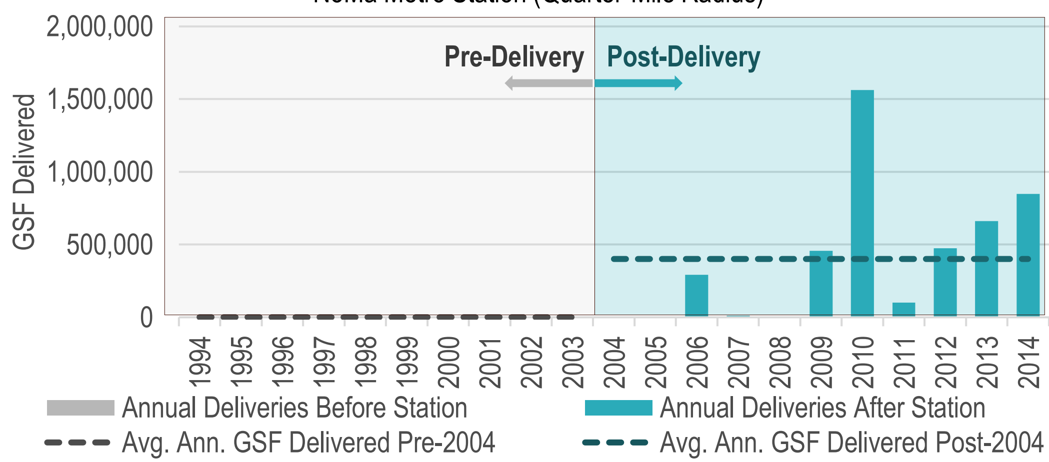
TOTAL INITIAL PUBLIC INVESTMENT[1]	TOTAL PROJECT COST
$54 million (45% of total cost)	**$120 million**

LAND USES	1994-2003 DELIVERIES	2005-2014 DELIVERIES
Residential	**0 Units**	**2,173 Units**
Office	**0 SF**	**1,914,446 SF**
Retail[2]	**0 SF**	**12,000 SF**
Hotel	**0 Rooms**	**622 Rooms**

Map of Deliveries by Gross Square Footage, 1994-2014;
NoMa Metro Station (Quarter-Mile Radius)



Total Deliveries by Gross Square Footage, 1994-2014;
NoMa Metro Station (Quarter-Mile Radius)



[1] Limited to direct expenditures incurred by District of Columbia.
[2] May exclude some retail spaces located on the ground-floor of multifamily, office, or hotel buildings.

Source: CoStar; RCLCO
Image Source: FHWA

SKYLAND TOWN CENTER

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DESCRIPTION
A project led by WC Smith and The Rappaport Companies, Skyland Town Center is a first-of-its kind, 18-acre mixed-use development in Southeast D.C. The development is currently under construction, and the District has committed funds over the last decade with the understanding that a project of this scale in its area would likely not have materialized without it.

KEY COMPONENTS OF PUBLIC INVESTMENT[1]

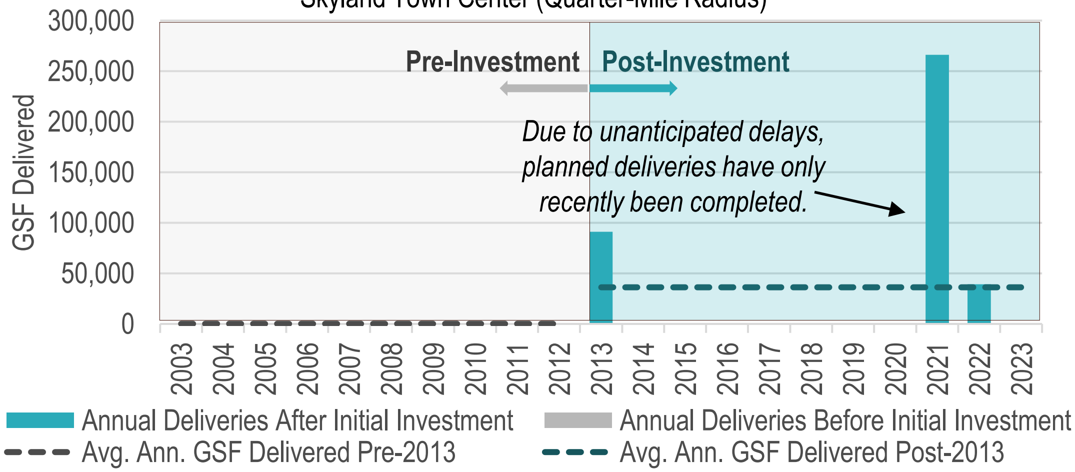
- TIF ($40 million)
- D.C. Grant ($7 million)

TOTAL INITIAL PUBLIC INVESTMENT[1]	TOTAL PROJECT COST
$51 million (46% of total cost)	**$110 million**

LAND USES	2003-2012 DELIVERIES	2014-2023 DELIVERIES
Residential	0 Units	264 Units
Office	0 SF	0 SF
Retail[2]	0 SF	41,260 SF
Hotel	0 Rooms	0 Rooms

Map of Deliveries by Gross Square Footage, 2003-2023;
Skyland Town Center (Quarter-Mile Radius)

Total Deliveries by Gross Square Footage, 2003-2023;
Skyland Town Center (Quarter-Mile Radius)

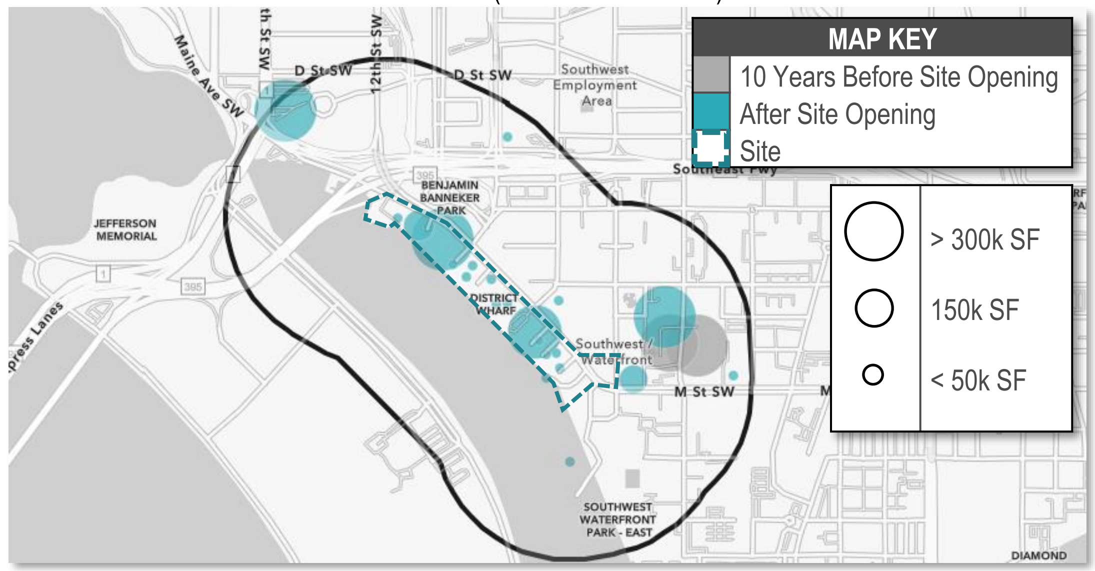


[1] *Limited to direct expenditures incurred by District of Columbia.*
[2] *May exclude some retail spaces located on the ground-floor of multifamily, office, or hotel buildings.*

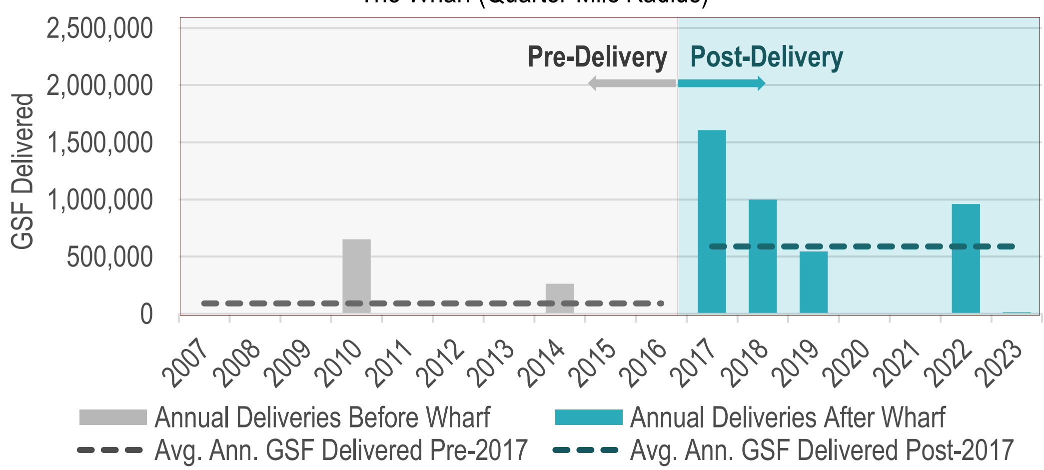
Source: CoStar; DMPED; RCLCO
Image Source: Axios

DESCRIPTION		
The Wharf is a 1-mile stretch of retail, residential, and entertainment space along the Potomac. The first phase opened in 2017, and the final phase was completed in 2022. In addition to funding infrastructure improvements with a TIF, the District also leased the city-owned land to the development team under a free 99-year ground lease, which effectively amounted to a $95 million land subsidy at the time.		
KEY COMPONENTS OF PUBLIC INVESTMENT[1]		
• TIF ($198 million) • Workforce Training for Residents ($1 million) • *+ Land via Ground Lease (valued at $95 million at time of disposition)*		
TOTAL INITIAL PUBLIC INVESTMENT[1]		**TOTAL PROJECT COST**
$199 million (6% of Phase 1 & 2 cost)		**$3.6 billion (Phase 1 & 2)**
LAND USES	**2007-2016 DELIVERIES**	**2018-2023 DELIVERIES**
Residential	**263 Units**	**1,264 Units**
Office	**652,594 SF**	**1,159,840 SF**
Retail[2]	**0 SF**	**29,400 SF**
Hotel	**0 Rooms**	**131 Rooms**

Map of Deliveries by Gross Square Footage, 2007-2023;
The Wharf (Quarter-Mile Radius)



Total Deliveries by Gross Square Footage, 2007-2023;
The Wharf (Quarter-Mile Radius)



[1] Limited to direct expenditures incurred by District of Columbia; excluding land.
[2] May exclude some retail spaces located on the ground-floor of multifamily, office, or hotel buildings.

Source: CoStar; The Wharf; D.C. OCFO; RCLCO
Image Source: Commercial Observer

ST. ELIZABETHS EAST

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DESCRIPTION

The St. Elizabeths East development is at the site of a former psychiatric hospital. While the western portion of the historic campus is still functional, but the remainder is slated for redevelopment. The District has invested into infrastructure upgrades and the ES Arena to develop the site into a mixed-use district with a diversity of commercial and residential uses.

KEY COMPONENTS OF PUBLIC INVESTMENT[1]

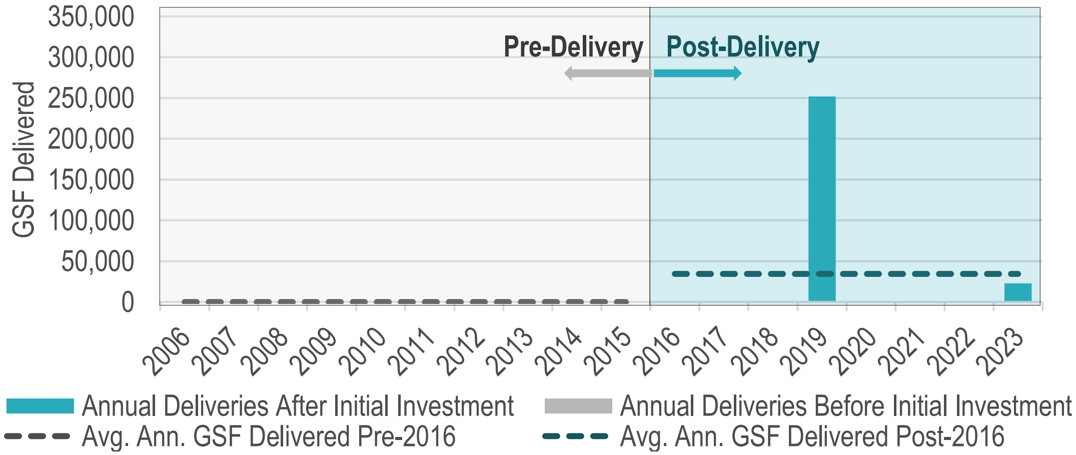
- Infrastructure Upgrades ($114 million)
- ES Arena Funding from District and Events DC ($60 million)

TOTAL INITIAL PUBLIC INVESTMENT[1]	PROJECT COST BY 2023
$174 million (69% of total cost)	**$240 million**

LAND USES	2006-2015 DELIVERIES	2016-2023 DELIVERIES
Residential	**0 Units**	**252 Units**
Office	**0 SF**	**0 SF**
Retail[2]	**0 SF**	**23,000 SF**
Hotel	**0 Rooms**	**0 Rooms**

Map of Deliveries by Gross Square Footage, 1998-2007;
St. Elizabeths East (Quarter-Mile Radius)

Total Deliveries by Gross Square Footage, 1987-2007;
St. Elizabeths East (Quarter-Mile Radius)



[1] Limited to direct expenditures incurred by District of Columbia.
[2] May exclude some retail spaces located on the ground-floor of multifamily, office, or hotel buildings.

Source: CoStar; RCLCO
Image Source: Urban Turf

DISCLAIMERS

CRITICAL ASSUMPTIONS

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Our conclusions are based on our analysis of the information available from our own sources and from the client as of the date of this report. We assume that the information is correct, complete, and reliable.

We made certain assumptions about the future performance of the global, national, and local economy and real estate market, and on other factors similarly outside either our control or that of the client. We analyzed trends and the information available to us in drawing these conclusions. However, given the fluid and dynamic nature of the economy and real estate markets, as well as the uncertainty surrounding particularly the near-term future, it is critical to monitor the economy and markets continuously and to revisit the aforementioned conclusions periodically to ensure that they are reflective of changing market conditions.

We assume that the economy and real estate markets will experience a period of slower growth in the next 12 to 24 months, and then return to a stable and moderate rate in 2025 and beyond. However, stable and moderate growth patterns are historically not sustainable over extended periods of time, the economy is cyclical, and real estate markets are typically highly sensitive to business cycles. Further, it is very difficult to predict when inflection points in economic and real cycles will occur.

With the above in mind, we assume that the long-term average absorption rates and price changes will be as projected, realizing that most of the time performance will be either above or below said average rates.

Our analysis does not consider the potential impact of future economic shocks on the national and/or local economy, and does not consider the potential benefits from major "booms" that may occur. Similarly, the analysis does not reflect the residual impact on the real estate market and the competitive environment of such a shock or boom. Also, it is important to note that it is difficult to predict changing consumer and market psychology.

As such, we recommend the close monitoring of the economy and the marketplace, and updating this analysis as appropriate.

Further, the project and investment economics should be “stress tested” to ensure that potential fluctuations in revenue and cost assumptions resulting from alternative scenarios regarding the economy and real estate market conditions will not cause failure.

In addition, we assume that the following will occur in accordance with current expectations:

- Economic, employment, and household growth
- Other forecasts of trends and demographic and economic patterns, including consumer confidence levels
- The cost of development and construction
- Tax laws (i.e., property and income tax rates, deductibility of mortgage interest, and so forth)
- Availability and cost of capital and mortgage financing for real estate developers, owners and buyers
- Competitive projects will be developed as planned (active and future) and that a reasonable stream of supply offerings will satisfy real estate demand
- Major public works projects occur and are completed as planned

Should any of the above change, this analysis should be updated, with the conclusions reviewed accordingly (and possibly revised).

GENERAL LIMITING CONDITIONS

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Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable. This study is based on estimates, assumptions, and other information developed by RCLCO from its independent research effort, general knowledge of the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent, and representatives or in any other data source used in preparing or presenting this study. This report is based on information that to our knowledge was current as of the date of this report, and RCLCO has not undertaken any update of its research effort since such date.

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