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To Greg Auger
From· Lynn Hackney, President

RE 819 D Street, NE-Conversion of Existing Church Building and Two Adjacent Townhouse Buildings to Residential Condo Units-- Demographic Study and Recommended Unit Size and Mix

As your sales and marketing representative firm having sold more than 100 new construction condo units throughout Capitol Hill in the last few years, we have collected specific data points for all Hill submarkets including this one Our conclusion is that your existing plan for 26 units in the church building, and two units each in the two adjacent townhouses, with your proposed mix of unit sizes and types, is consistent with the existing demand in this submarket Please see below for our analysis of the building's current unit plan and mix, including the number of units and range of unit sizes

- Purchaser Demographics The most likely buyer for this building and location is someone that already lives in the Hill area and enjoys easy access to work being either a Hill staffer or other Federal Government employee The largest group of potential buyers is comprised of individuals who are presently renting and are first time buyers, with a secondary group of potential buyers that currently own condominiums or small townhouses in the vicinity. Based on our research, we have found that in order to be appropriately priced for this segment of the market, the price points should be no greater than $600,000, primarily clustering between $400,000 – $500,000 Currently, 75% of the condominiums being marketed in this submarket are priced at less than $600,000, and 86% are priced at less than $800,000 (see attached chart) There is not a large enough market to support an entire development of large, high-priced, $800,000+ condominiums.
- Increased Competition When condominiums in this submarket exceed $600,000 they are in direct competition with townhomes Buyers in this segment of the market always prefer a townhouse over a multifamily unit; however, most cannot afford those price points There are currently 10 new construction condominium units over $700,000 in this submarket that have been on the market for over 120 days
- Diverse Buyer Pool. The proposed unit mix in your project will attract a variety of buyer categories, both singles and couples, male and female with age ranges between 28 and 55, the majority of whom are currently

renting Approximately 25% of the couples between 33 and 40 will have young children or will be preparing to start a family This allows a wider group of potential buyers to have the opportunity to purchase and continue the diversity of the current community Our experience in neighborhoods across the District is that the existing neighbors preferred living next to new condominium buildings that have a large, diverse mix of buyers, with a range and mix of unit sizes that meet the prevailing market demand, as opposed to a smaller number of larger units, with a smaller elite occupancy that is more uniform in demographic make-up and typically higher income. In the eyes of the existing neighbors, too many new residents from just an upper income bracket changes the make-up of the community and creates a very different dynamic.

- Market Demand. The proposed range of unit sizes and mix of units in the project are consistent with the demand we see from prospective buyers
- Less disruption for existing neighbors Because the proposed range of unit sizes and mix of units is consistent with current market demand, the amount of time that these units are on the market should be relatively short. This is an important consideration not only for you as the developer, but also for the neighborhood as well A smaller number of larger units will increase the total amount of marketing time for the project, as the unit price will of necessity be higher, and consequently the buyer pool is significantly decreased This results in longer disruption for the existing neighbors exhibited by extended periods of open houses and the associated increase in traffic, with completed units sitting vacant, which many view as reflecting negatively on the neighborhood (and consequently upon their home values) With the current unit size, mix and count, we believe that almost all units will be sold by building completion.