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September 2nd, 2014

Chairman Lloyd Jordan
Board of Zoning Adjustment
Suite 210S
Washington, DC 20001
441 4th Street, NW

Dear Chairman Jordan & Members of the Board:

I have been licensed and active in Washington, DC residential real estate since 1973 with involvement in thousands of transactions. Currently, I am an Associate Broker with W.C. & A.N. Miller, consulting on approximately fifty transactions a year. I am a regular contributor to the Federal Reserve Board's Beige Book, providing insights on trends in the Washington, DC residential real estate market.

I have been retained by Newton St Development 3, LLC (the "Applicant") to provide a market analysis for its proposed development project at 1740 New Jersey Avenue NW. I am familiar with the site and I am aware of the Applicant's other residential projects. This letter summarizes my opinion regarding the expected rental income and/or sales prices for residential units at the proposed development.

I have reviewed the rental rates and sales prices that the Applicant has provided to the Board of Zoning Adjustment, and I agree with these expected rental rates and sales prices for a variety of reasons including the market, interest rate fluctuations, delivery time, and potential permitting and construction delays.

My conclusion is that your existing plan for 7 units in the vacant building, with your proposed mix of unit sizes and types, is consistent with the existing demand in this submarket. There is not a large enough market to support an entire development of larger, more expensive, condominiums or rental units. When condominiums or rental units in this submarket exceed $500,000 or $2,500/month, or are larger than 1,000 square feet, they are in direct competition with townhomes.

Furthermore, the location of the Property at the intersection of Rhode Island Avenue NW, Florida Avenue NW, and New Jersey Avenue NW, and proximity to several gas stations across the street, negatively impacts the rental and sales values of those units. Based on the Property's location on a busy, complicated, commercial intersection and traffic artery, the units at the Property will be more difficult rent or sell. These units will take longer to rent or sell and will rent and sell for less than would ordinarily be the case.

Moreover, 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 and renter 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 soon after building completion or rented within a short timeframe.

Based on my analysis of the plans, sales and rental comparables, and knowledge of the area, the rental rates and sales prices that the Applicant has provided are both reasonable and appropriate. Feel free to contact me should you have any questions or require further explanation.

Sincerely,

Bill Stuart
REALTOR Emeritus
BillStuart@LNF.com