

Subject: 106 13th Street SE

To whom it may concern,

My name is Benjamin Wilson and I am a Managing Director with Greysteel Commercial Real Estate Services. I lead a team of commercial real estate brokers in the marketing and sale of mixed-use buildings like 106 13th Street SE.

I am very familiar with 106 13th Street SE as my firm was retained in the fall of 2017 by the previous owner of 106 13th Street SE to represent them in the marketing and sale of the building. Nearly a year later we closed on the sale of 106 13th Street SE to Mr. Gioldasis.

This building is a difficult building to operate as a successful investment. This is evidenced by the long periods of vacancy and series of previous owners, some of which have been foreclosed on. I believe the primary reason that previous owners/operators have had such a difficult time making the building successful is its mixed-use nature. The building has historically be operated as a restaurant on the ground floor and apartments above.

This submarket of Capitol Hill known as Lincoln Park is one of the most desirable neighborhoods of Capitol Hill and possibly DC. For a variety of reasons the homes close to (and especially those with views of) Lincoln Park command a substantial rent premium. Residential tenants interested in living in this neighborhood are often not willing to live above a restaurant unless the space is substantially discounted. This discount in the rental rate necessary to attract a quality residential tenant makes it substantially more difficult for the landlord/operator to cover their expenses and pay their mortgage.

A different but equally negative impact is seen on the ground floor commercial space. In a market like this where rental rates are relatively high, a restaurant operator must be able to offset that additional cost. The most practical way to offset these high costs is by operating a larger dining room and accommodating more customers so that the fixed cost of the lease can be offset by a larger dining room operation.

It is for these reasons that when Mr. Gioldasis articulated his desire to convert the residential space into additional dining room space, my team and I felt that this was the most practical way to be successful at this location. This strategy is not without substantial cost and many operators are not able to make the investment in the property that is necessary to complete the conversion.

Hopefully this letter is helpful in understanding the different elements of this building and why a conversion to full commercial is the most practical path forward.

Sincerely,



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