



DELTA ASSOCIATES' FEASIBILITY PRACTICE

Evaluating market support and testing financial feasibility are critical first steps when undertaking real estate development. Delta Associates has substantial experience in providing clients thorough market and financial analyses on which to base decisions about acquisition, development, repositioning and marketing real estate projects. These assignments are directed by executives of the firm who are Counselors of Real Estate (CRE).

Delta Associates offers comprehensive feasibility evaluations and pre-development/redevelopment services in situations where informed judgments about potential market and economic conditions are required. Assignments undertaken by the firm are diverse, and include office buildings, subdivision and multifamily properties, resort developments, industrial and retail projects, as well as housing for seniors. Clients are varied and include developers, landowners, investors, financial institutions, and government agencies, among others.

Delta Associates provides feasibility services from the initial conceptual stages of a project through the successive phases of development planning and implementation. Services provided include:

- **Market Studies**
- **Demand/Supply Studies**
- **Development Programming**
- **Financial Evaluation**

Services Offered

Market Studies: Information gathered during market research and analysis establishes the basis for evaluating the scale and character of demand for a proposed development or renovation. Market analysis provides the information needed to refine preliminary development concepts or proposals by providing data on existing supply – projects that will be comparable and/or competitive with the proposed development – and demand for the subject project.

Delta Associates undertakes extensive field research to gather market data. This research includes surveys of existing comparable developments, interviews with local experts, and review of planning documents, studies, and other data relevant to the market for the proposed development. This research is often complemented by information obtained in the normal course of the firm's data publishing activities.

Key areas addressed in market studies include:

- General market conditions including the nature and extent of existing and proposed competitive development.
- Demographics and area economic analysis to estimate prospective market support for the proposed development.
- Evaluation of opportunities currently untapped by existing or planned development.
- Identification of market and regulatory factors which affect design and marketability.
- Absorption pace and staging considerations.

Based on the data collected during market analysis, clients are able to make an informed decision on the viability of a proposed development – whether built new or renovated.

Development programming is the analytic step where market opportunities are translated into a specific scale and character of development. The proposed development concept is refined and a development program established based on market analysis.

Development programming includes:

- Specification of product type, scale, and sale price or rent rate.
- Identification of appropriate and optimum physical design and layout.
- Estimation of absorption pace.
- Recommendation of staging.
- Specification of amenities and project features.
- Evaluation of development constraints.

(OVER FOR MORE SERVICES AND EXAMPLES OF PROJECTS & REFERENCES)

Services Offered (Cont'd)

Financial Evaluation: Market support and the resulting development program are evaluated in financial terms to assess financial feasibility. This is accomplished through a variety of analytic techniques.

Cash Flow Statements provide clients with a dynamic financial picture of a project. Revenues and costs are projected over the development period as the initial test of a project's economic feasibility.

Present Value Analysis is the method by which a projected cash flow stream is converted to a present day value, accounting for required investment returns and risk, to facilitate comparison of alternatives which involve different investment and return patterns.

Debt-Equity Analysis presents after-financing cash flow results, often with sensitivity analyses for alternative financing terms.

Post-Tax Analysis addresses the development in "earnings" terms and assesses the impact on cash flow of tax obligations/benefits. This evaluation is often undertaken for a publicly held client.

A Selected List of Recent Projects and Client References

The Potomac Yard is a 350 acre former RF&P rail yard in Arlington and Alexandria, VA, just two miles from downtown Washington, DC. Office, retail, hotel and residential uses are planned, totaling 5 to 10 million S.F. Services provided by Delta Associates include market analysis and development programming for this 20 plus year development project. Special financial evaluation: land use optimization of first two neighborhoods. Fiscal impact modeling.

Client: Mr. Daniel Kohlhepp
Regional Vice President, Mid-Atlantic Region
Crescent Resources, LLC
1156 15th Street, NW, Suite 850
Washington, DC 20005
202/822-4900

Market Intelligence of Downtown Washington, DC office market is maintained annually for this major office developer as part of corporate planning for future projects. Computerized database contains over 300 properties, encompassing 110 million S.F. of existing and planned development. Five year predictive model for vacancy and rent rates, by submarket.

Client: Mr. William B. Alsup, III
Hines Interests Limited Partnership
555 13th Street, N.W., Suite 1020E
Washington, DC 20004
202/347-6337

Condominium Conversion vs. Continued Rental Analysis of Saddle Ridge, an existing 216-unit rental garden apartment project built in 1989 in Ashburn Village, Loudoun Co., VA. Financial analysis focused on results of continued rental operations compared to condominium conversion. Market study conducted of pace and price potential. One of many market and financial analyses undertaken for this client throughout the mid-Atlantic region.

Client: Mr. Tom Bozzuto
The Bozzuto Group
7850 Walker Drive, Suite 400
Greenbelt, MD 20770
301/220-0100