

APPRAISAL SERVICES: MARKET RENT STUDY

**300 Block of 7th St SE – Public Right of Way
WASHINGTON, D.C.**

**Date of Appraisal: September 17, 2017
Date Report Prepared: September 22, 2017**

Prepared For:

**Barry Margeson
Realty Program Specialist
Department of General Services – Portfolio Division
2000 14th Street – 8th Floor
Washington, D.C. 20009**

**Regina Payton
Department of General Services – OCFO
2000 14th Street – 5th Floor
Washington, D.C. 20009**

P.O.: Purchase Order 567512 dated August 11, 2017

Prepared By:

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P.O.: Purchase Order 567512 dated August 11, 2017 .

Appraisal Services/Market Rent Estimate: 300 Block of 7th St SE – Public Right of Way

Dear Mr. Margeson and Ms. Payton:

In accordance with our agreement, Marcus Asset Group, Inc. T/A M&B Appraisal Group, has completed this assignment for the property described herein that is prepared as an Appraisal Report in conformity with the *Uniform Standards of Professional Appraisal Practice (USPAP)* and the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute. The depth of discussion contained in this report is specific to the needs of the intended users and for the intended use stated below. Marcus Asset Group, Inc. T/A M&B Appraisal Group is not responsible for unauthorized use of this report and it is intended only for the client's intended use. The report may not be distributed to or relied upon by other persons or entities without the written permission of the Appraiser.

The intended user of this report is the District of Columbia government. Any D.C. agencies involved in the oversight of the subject property are authorized users of the report.

The intended use of the report is as follows: provide an appraisal report for the portion of the public right-of-way and public space located in the District of Columbia on 7th Street, S.E. between Pennsylvania Avenue, S.E. and C Street, S.E. The subject is currently utilized as a flea/craft market on weekends throughout the year. The appraiser shall determine the upper and lower bound Fair Market Annual Rent range for both vendors and Flea Market Operators, with vendors referring to those who rent space for tents from flea/craft market operators to sell goods, “vendors,” and those who manage the overall operations of the flea/craft market, rent space to vendors, and perform other managerial duties, “Flea Market Operators.” The District intends to use the fair market ranges provided to consider potential rental or license rates for a Flea Market Operator.

The final value conclusion will be stated assuming that two Flea Market Operators will be open one day per weekend, with one market on Saturday, and the other on Sunday. The appraisers assume that each operator will run 4 markets per month, and the rent will be quoted as a per month range.

Property Description

A portion of public right-of-way and public space located in the District of Columbia on 7th Street, S.E. between Pennsylvania Avenue, S.E. and C Street, S.E. currently used as a flea/craft market outside of the Eastern Market, an historic public market in the Capitol Hill neighborhood of Washington, DC. located on the east side of 7th Street between C Street and Pennsylvania Avenue S.E.

Currently, in a space measuring approximately 7,200 sf, approximately 36 vendors line the east side of 7th Street. The number of vendors is expected to be reduced once the new development at the former Hine School (700 Pennsylvania Avenue SE) is complete. The vendors at the market currently sell vintage posters, antiques, clothing, and other items. While there are some food vendors, the market is primarily a non-food market, in contrast to the Eastern Market vendors inside the South Hall and outside tents near the Natatorium.

Zoning:	As a public space, not zoned. Nearby is MU-4 (mixed-use).
Historic status:	Located within the Capitol Hill Historic District
Legal Description:	A portion of public right-of-way and public space located in the District of Columbia on 7 th Street, S.E. between Pennsylvania Avenue, S.E. and C Street, S.E.
Current Use:	Varied market vendors for a flea/craft market.

Definitions of Value, Interest Appraised and Other Terms

The following definitions of pertinent terms are taken from the Dictionary of Real Estate Appraisal, Fourteenth Edition (2013), published by the Appraisal Institute, as well as other sources.

Market Rent - The rental income that a property would most probably command on the open market, indicated by the current rents paid and asked for comparable space as of the date of appraisal.

Scope of Work:

In the process of preparing this report, the following tasks were performed:

- Inspected and photographed the subject property and immediate environs, and rental comparables where feasible;
- Collected and confirmed factual information regarding market management strategies, prices for vendor tents in the DC MSA, cost of expenses for different

management strategies, and current rent paid by other Flea Market Operators in the area;

- Compiled and analyzed economic and demographic trends for the market area;
- Analyzed the subject property for flea/craft market use from a physical and economic standpoint;
- Interviewed Flea Market Operators and other experts to collect operating data where possible;
- Compiled and analyzed rentals of similar vendors in comparable markets including other metropolitan areas;
- Considered comparable data for a projection of typical operating revenue volumes and typical ranges of occupancy costs as a percentage of revenue;
- Compiled and analyzed rents of bricks and mortar stores in the Capitol Hill neighborhood to act as a secondary point of comparison;
- Analyzed market information and developed indications of rental value under valuation approaches determined to be applicable to provide a reasonable and meaningful estimate of rental value for the valuation scenario outlined herein;
- Reconciled value indications within each approach, if applicable, to a final estimate of rental value for the valuation scenarios outlined herein.

Assumptions amending the Scope of work

The value opinion set forth herein is qualified by certain assumptions, limiting conditions, certifications, and definitions, which are set forth in the report. The reader should note the following assumptions and extraordinary assumptions (where noted, if applicable):

1. Assumes condition of the site is as stated in report
2. Tent sizes based on data provided by current operators and data from DGS. DGS manages both a farmer's market and flea market in the 200 block of 7th Street, north of the North Hall of the Eastern Market and north of the public Natatorium.
3. The appraisers found a wide variety of rents being paid by vendors and Flea Market Operators. Often spaces are leased by public, quasi-public entities and private owners to vendors and Flea Market Operators for low rent levels. In some cases the appraisers found that Flea Market Operators area were paid by the owner or manager of the site in order to conduct a flea/craft market. In such cases the goal of the public, quasi-public or private owner is to provide the flea/craft market due to a desire to activate a public space with little consideration of financial remuneration. In other cases, particularly in locations which are able to draw strong business to the vendors, the owner of the site of the market is able to achieve rents commensurate with the volume of business that is achievable. The appraisers are approaching the assignment in that way – to establish a level of rent that reflects the business potential of the market.

Conclusions

Effective Date of Value: **September 17, 2017**

DAILY VENDOR TENT PRICING

**One Hundred Fifteen to One Hundred Twenty-Five Dollars
\$115-\$125 Per Day**

MONTHLY FLEA MARKET OPERATOR PRICING FOR SATURDAY OR SUNDAY

**Two Thousand Nine Hundred Dollars to Three Thousand Three Hundred Dollars Monthly
\$2,800 - \$3,300 Dollars Monthly**

Reasonable Exposure Time: Exposure time is defined as “The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.” The appraisers believe that the unique Eastern Market location would be sought after by many Flea Market Operators in the region.

Two Flea Market Operators already are running flea/craft markets in the subject space. This appraisal estimates the market rent as if the subject space was exposed to the market for a 2 day a week market. It is assumed that the rental rate would not change if the same entity leased for both weekend days vs. 1 weekend day (and therefore 2 separate entities would lease the space as is currently the case). The process to find new Flea Market Operators would involve an RFP, which would take approximately 2 months and require both city approval. An RFP would then be sent to the types of groups currently operating markets in the DC region who would require about one (1) months to respond with a proposal. A decision making process would likely require 2 months. The appraisers estimate an RFP process would require approximately 5 to 6 months.

Miscellaneous

The undersigned hereby certify: (i) that this appraisal conforms to the criteria of the applicable provisions of USPAP and the undersigned holds the requisite license issued by the District of Columbia to be able to perform this report in compliance with D.C. laws and regulations.

The undersigned are solely responsible for the preparation of the report and all conclusions, analyses and opinions. The undersigned have extensive experience in the appraisal of commercial properties in Washington, D.C. and are qualified to conduct this appraisal assignment. The firm’s recent appraisal of the Eastern Market interior vendors provided additional data and exposure to the public markets of Washington and other Metropolitan areas. Likewise, Mr. Marcus is also experienced in retail development, investment and management in the D.C. area and has experience in the creation and management of farmer’s markets in D.C. The appraisers consulted

with both the existing Flea Market Operators – Michael Berman and Carole Wright – and other such operators in the D.C. area. In addition, the appraisers discussed the assumptions and conclusions in the report with Ted Spitzer of Public Market consultant group Market Ventures, Inc. and author of *Public Markets and Community Revitalization* and consultant for public markets throughout the U.S. for additional input, as well as Steve Davies of the Project for Public Spaces in New York, which has set up over three thousand ventures in public spaces around the globe. The appraisal report is impartial and was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

This cover letter does not constitute a full narrative appraisal report and would be considered invalid as an opinion of value if detached from the report. Please give us a call if you should have any questions regarding the report. Thank you for utilizing our services.

Sincerely,



Ernest L. Marcus, MBA
D.C. Certified General Real Property Appraiser
License #10147



Walter L. Bohorfoush, MAI, ASA
D.C. Certified General Real Property Appraisers
License #10043
Review and Concur

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CERTIFICATION OF VALUE

We, the undersigned, do hereby certify that on September 17, 2017 we have personally made a field inspection of the property herein appraised and has afforded the owner or a designated representative the opportunity to accompany me on this inspection. I have also personally made a field inspection of the comparable sales relied upon in making said appraisal. The property being appraised and the comparable sales relied upon in making this appraisal were as represented in the appraisal.

300 Block of 7th Street S.E., Washington, D.C.

To the best of our knowledge and belief, the statements of fact contained in this report and upon which the opinions herein are based are true and correct, subject to the assumptions and limiting conditions presented in the report.

Employment in the compensation for making this report is in no way contingent upon the value reported, and we certify that we have no interest, either present or contemplated, in the subject property. We have no personal interest or bias with respect to the subject matter of this report or the parties involved.

This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

This report identifies all of the limiting conditions (imposed by the terms of the assignment or by the undersigned) affecting the analyses, opinions, and conclusions contained in this report.

The analyses, opinions, and conclusions contained in this report have been developed in accordance with the *Code of Professional Ethics and Standards of Professional Practice* of the Appraisal Institute and OCC (Controller of the Currency) regulations as set forth by FIRREA (Financial Institutions Reform, Recovery and Enforcement Act). This report was prepared in full compliance with the *Uniform Standards of Professional Practice* as published by the Appraisal Foundation.

That any decrease or increase in the fair market value of real property prior to the date of valuation caused by the project for which such property is acquired, or by the likelihood that the property

would be acquired for such project, other than that due to the physical deterioration within the reasonable control of the owner, was disregarded in determining the compensation for the property.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

No one other than the undersigned prepared the analysis, opinions, or conclusions concerning real estate that are set forth in this report. Ernest L. Marcus and Walter L. Bohorfoush, MAI were the primary analysts and investigators involved in the preparation of this report.


This report was not based on a requested minimum valuation, a specific valuation, or approval of a loan.

That I have no direct or indirect present or contemplated future personal interest in such property or in any benefit from the acquisition of such property appraised.

Appraisers have not provided any real estate related services to the client regarding the property in the three years prior to accepting the assignment, unless otherwise noted.



Ernest L. Marcus, MBA
D.C. Certified General Real Property Appraiser
License #10147



Walter L. Bohorfoush, MAI, ASA
D.C. Certified General Real Property Appraisers
License #10043
Review and Concur

LIMITING CONDITIONS AND ASSUMPTIONS

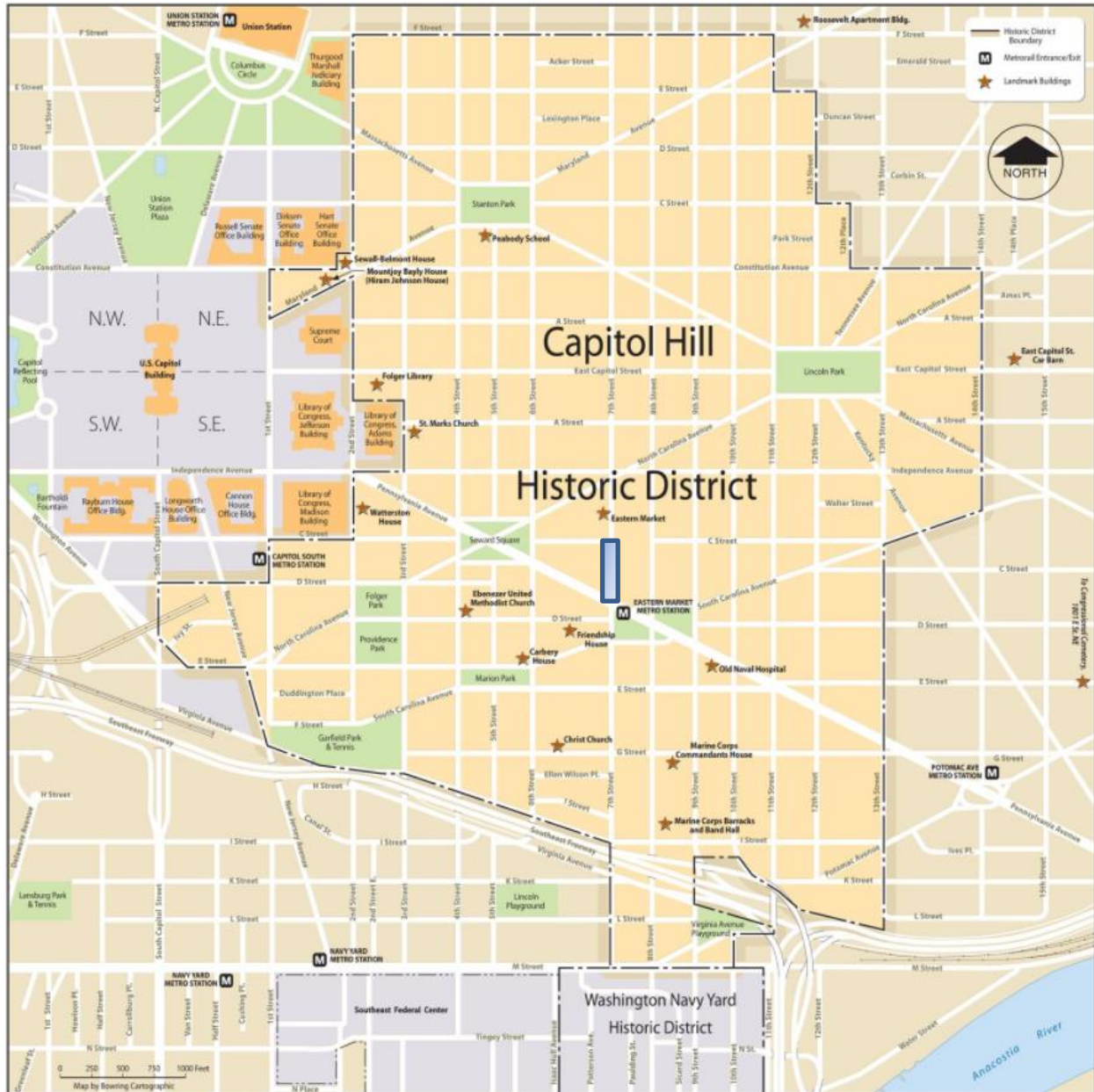
This report has been prepared with the following general assumptions:

1. This property has been appraised as though free of liens and encumbrances except as noted in the report, in responsible ownership and under competent management.
2. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained is based. It is assumed that there is full compliance with all applicable federal, state, and local environmental and zoning regulations and laws unless noncompliance is stated, defined and considered in the report.
3. Title to the property is assumed to be good and marketable and no responsibility is assumed by the appraisers for legal purposes. No responsibility is assumed for the legal description. It is assumed that the utilization of land and improvements is within the boundaries of the lot lines of the property described.
4. The writers are not required to appear in court, at depositions or give or supply oral, written or other testimony regarding any of the contents of this report, without prior arrangement and agreement.
5. Users of this report are cautioned that the report's estimates of value and forecasts are based on historical observations. It must be noted the political and economic situations can change as to affect the value estimate contained herein. The writers recommend periodic update of the report.
6. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media, without written consent and approval of the author, particularly as to valuation conclusions, the identity of the appraiser or firm with which

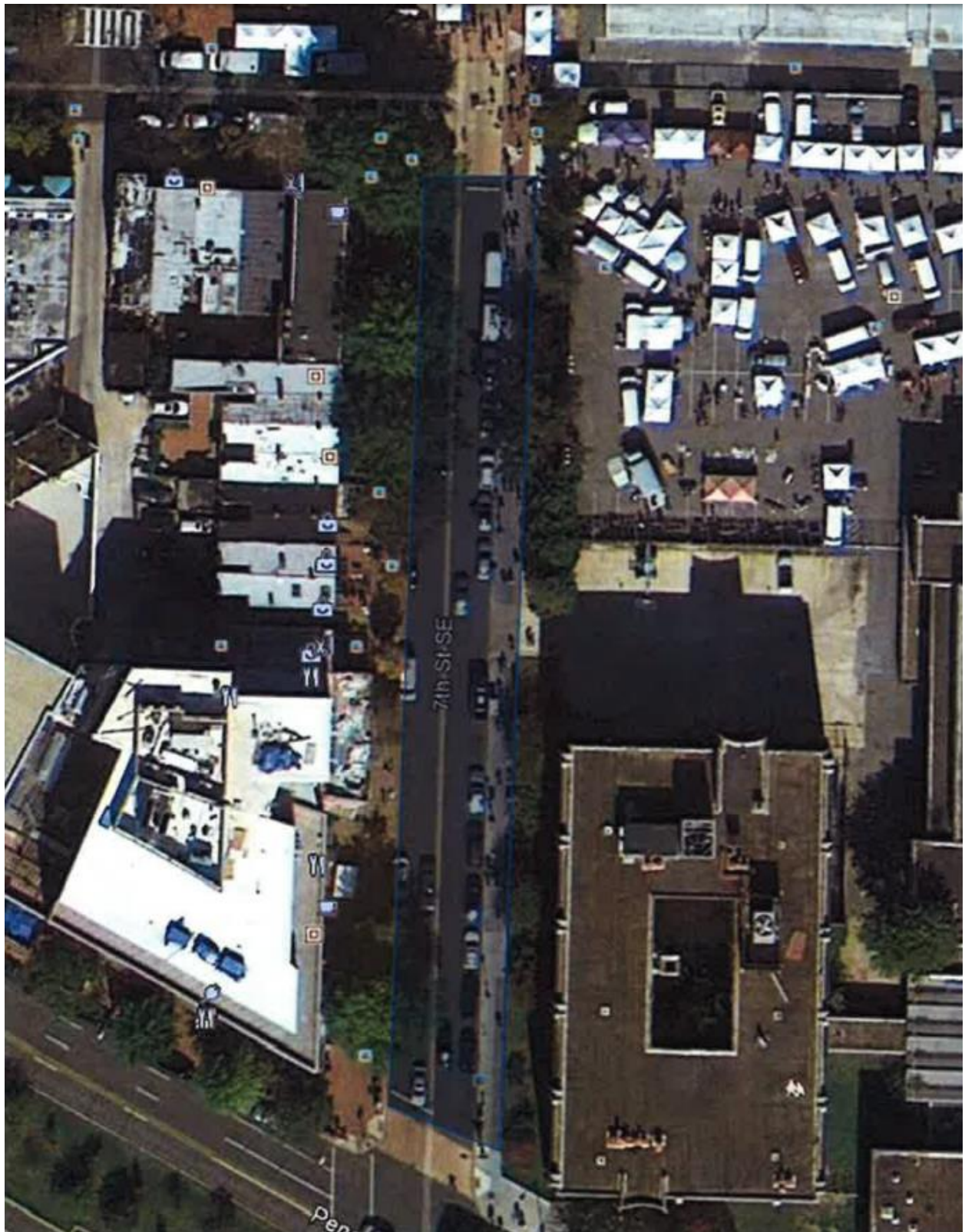
it is connected or any reference to the Appraisal Institute, or their respective professional designations.

7. Possession of any copy of this report does not carry with it the right of publication nor may it be used by any other person or entity except the client without the consent of the appraiser and, in any event, only in its entirety. The report is produced solely for the use by the client.
8. The value of land or improvements, as contained in this report, are a constituent part of the total value reported and neither is (or are) to be used in making a summation report by a combination of values created by another report.
9. Information concerning the property furnished by the client and others is assumed correct. All information provided by engineers and architects is assumed correct.
10. Where the property appraised is proposed or under construction, all assumptions relating to value are based on the satisfactory completion of the structures and/or improvements according to applicable building standards and authority.
11. It is assumed that there are no hidden or inapparent conditions of the property, subsoil or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
12. The appraiser shall not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. However, the appraiser is authorized to disclose all or any portion of this report and related data to appropriate representatives of the Appraisal Institute or other recognized appraisal organizations as required for compliance with their Bylaws and Regulations.
13. We certify that, to the best of our knowledge and belief:
 - The statements of fact contained in this report are believed to be true and correct.
 - The reported analyses, opinions, and conclusions are limited only by the reported limiting conditions and assumptions, and are our personal, unbiased professional analyses, opinions and conclusions.
 - We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
 - Our compensation is not contingent on any action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.
 - Our analyses, opinions, and conclusions were developed, and this report has been prepared in accordance with the standards and reporting requirements of OCC and FIRREA.
 - We have made personal inspections of the property that is the subject of this report.
 - No one provided significant professional assistance to the persons signing this report except as noted.
14. Hazardous Materials: We make no representation regarding the presence or absence of asbestos, radon gas, or other hazardous materials in the property or existing improvements. We have not conducted independent studies to determine the existence of hazardous materials, being neither schooled in such detection nor licensed to investigate the matter further. We would recommend that a firm be employed who is expert in these matters to determine the extent of these conditions, if any. Any discovery of land, building materials, or building design flaws believed to be hazardous would have an immediate impact on the marketability of the property, thereby possibly affecting value and the valuation premise

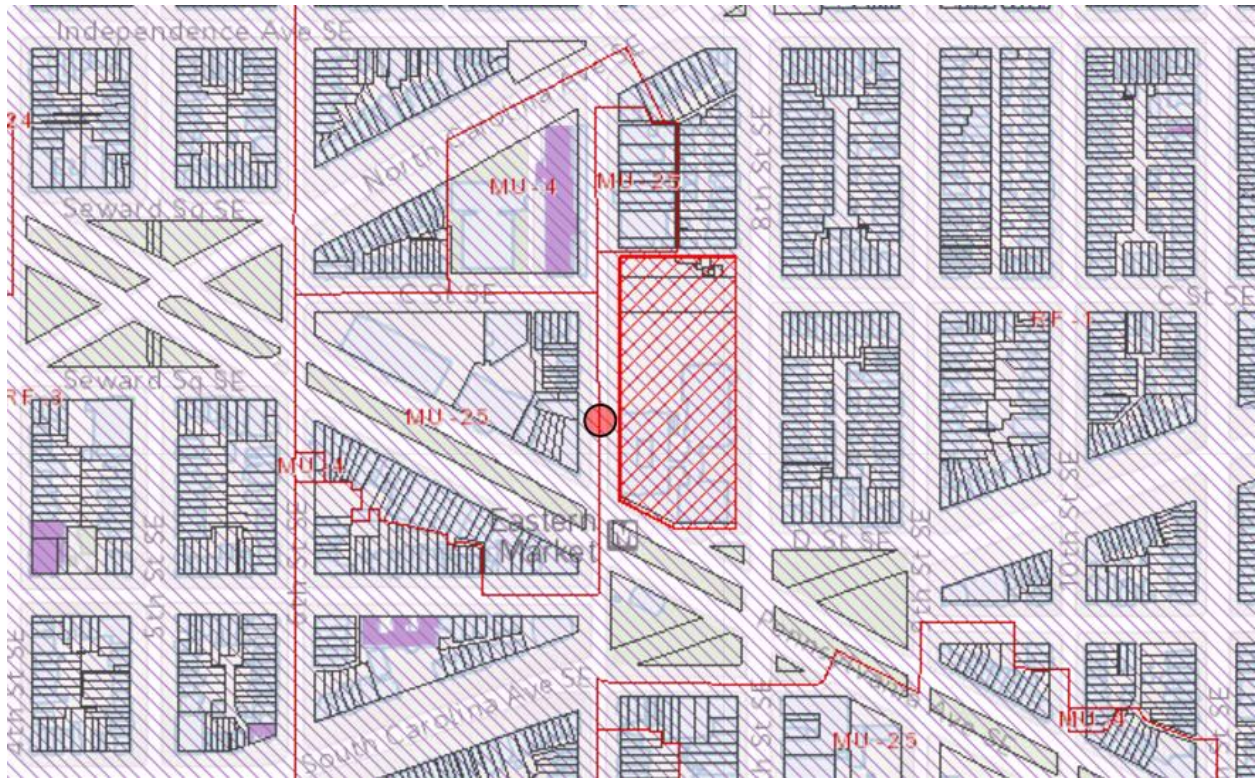
SUBJECT MAPS



Capitol Hill Neighborhood – Subject Shaded Above



Aerial – Site is shaded.



Map of immediate 7th Street area. Subject Space indicated by Red Dot.



EXECUTIVE SUMMARY

Property Description:

A public space currently used as a flea/craft market outside of the Eastern Market along 7th Street between C Street and Pennsylvania Avenue S.E. The market is currently comprised of 36 flea/craft market vendors, but is expected to be reduced down to 30 after the delivery of 700 Pennsylvania Avenue.

Ownership Information:

Record Owner: D.C. Government, Managed by District Department of Transportation

Effective Date of Report:

See Front Letter

Intended Use of Report:

Determine Fair Market Value for Flea Market Operators for both a Saturday and Sunday Market, as well as for Vendors who rent space for tents from the operators.

Intended Users:

See Front Letter

Zoning:

Subject space is not zoned. Nearby properties are zoned MU-4; mixed-use.

Highest and Best Use:	Public Outdoor Market
Valuation Summary:	Refer to Front Letter
Inspection:	The last inspection of the property was performed September 17, 2017
Appraiser's Name(s):	Ernest L. Marcus
Independent Reviewer:	Walter L. Bohorfoush, MAI, ASA
Research Assistant:	Colin Thomas
Appraisers' Telephone #:	(202) 797-2800

SECTION 1:

INTRODUCTION

INTRODUCTION

Identification of the Property:

A public space currently used as a flea/craft market outside of the Eastern Market, an historic public market in the Capitol Hill neighborhood of Washington, DC, located on the West Side of on 7th Street, S.E. between Pennsylvania Avenue, S.E. and C Street, S.E.

Scope of Work:

See Front Letter for Scope of Work.

DATA COLLECTION AND ANALYSIS

Two types of data are gathered: general and specific. **General data** consists of information on the principles, forces, and factors that affect the property value. In the case of the subject properties, data regarding public markets was studied along with area economic indicators. A survey of knowledgeable players in such markets in the D.C. area, Baltimore, portions of Pennsylvania and New York was conducted. An Urban Land Institute publication, “Public Markets and Community Revitalization” was consulted, published in 1995 for general data. Likewise, the author of the book, Ted Spitzer, of Market Ventures Inc., a consultant who has worked on numerous public markets across the country, weighed in on the assumptions made by the appraisers. Further, Steve Davies of the Project for Public Space in New York gave additional input. **Specific data** relates to the subject property and to comparable properties. These data include physical, locational, financial and land use information. A search of D.C. government records was conducted to review zoning, ownership, tax assessments, and land records. Financial, lease and expense data was obtained from the client. Regarding comparable building rentals, lease rates for bricks and mortar stores in the immediate area confirmed with persons directly involved in the transaction. Flea Market Operators at similar projects were interviewed to obtain data on their vendor’s lease date as well as operating data, when available. Locational data was provided from physical inspection, certain city records, and research data. Physical data was obtained by personal inspection and documents and data provided by DGS as well as the current operators of the space. A list of the data provided can be found below:

- 1) Map of the Farmer’s Line at Eastern Market Dated August 6
- 2) License Agreement Between Diverse Markets Management and Eastern Market dated April 4 of 2013.
- 3) The First and Second Amendments to the license agreement.
- 4) License Agreement Between Washington Arts Antiques & Crafts and Eastern Market dated April 4 of 2013.
- 5) The First and Second Amendments to the agreement.
- 6) Memorandum of Agreement between District Department of Transportation (“DDOT”) and the Department of General Services (“DGS”)
- 7) The Eastern Market Vending Agreement
- 8) Map of the North Hall Plaza design for August 19th.
- 9) Summary of Financials at Eastern Market for Fiscal Years of 2011 to 2016.

Intended Use and Intended User of Report

The intended user of this report is the District of Columbia government. Any D.C. agencies involved in the oversight of the subject are authorized users of the report.

The intended use of the report is as follows: provide an appraisal report for the portion of the public right-of-way and public space located in the District of Columbia on 7th Street, S.E. between Pennsylvania Avenue, S.E. and C Street, S.E. The subject is currently utilized as a flea/craft market on weekends throughout the year. The appraiser shall determine the upper and lower bound Fair Market Annual Rent range for both vendors and Flea Market Operators, with vendors referring to those who rent space for tents from flea/craft market operators to sell goods, “vendors,” and those who manage the overall operations of the flea/craft market, rent space to vendors, and perform other managerial duties, “Flea Market Operators.” The District intends to use the fair market ranges provided to consider potential rental or license rates for a Flea Market Operator.

The Appraisers are operating under the assumption that the DDOT Space Permit price will increase from \$52,384.80 annually. The new price is assumed to be \$113,380.80, per an MOA provided by DGS.

The final value conclusion will be stated assuming that two market operators will operate one day per weekend, with one market on Saturday, and the other on Sunday. The appraisers assume that each operator will run 4 markets per month, and will be quoted as a per month range.

Effective Date of Report

The effective date of value is September 17, 2017, which is also the date of inspection.

Market Rent Definition

The following definitions of pertinent terms are taken from the *The Appraisal of Real Estate, 14th Edition* published by the Appraisal Institute, as well as other sources.

Market Rent - The rental income that a property would most probably command on the open market, indicated by the current rents paid and asked for comparable space as of the date of appraisal.

Ownership History/Legal Restrictions

Subject property is a public street owned by the District of Columbia and administered by the District Department of Transportation (DDOT).

SECTION 2:

MARKET ENVIRONMENT

NEIGHBORHOOD DESCRIPTION

Location Area Definition and Description:

Washington D.C. is divided into four quadrants: Northwest, Northeast, Southwest, and Southeast. The U.S. Capitol Building, which is the point of convergence for the north-south and east-west bisecting lines, defines the city's quadrants. The streets that radiate from the U.S. Capitol Building—North Capitol, East Capitol, and South Capitol delineate the four quadrants. The subject property is Eastern Market, one of DC's oldest public markets, located in the heart of the historic Capitol Hill neighborhood. Capitol Hill is situated east of the National Mall, with the Capitol to the west, The H Street Corridor to the north, the Anacostia River to the east, and the Southeast/Southwest Freeway as well as the Washington Navy Yard to the south.



Capitol Hill

Capitol Hill is the largest historic residential neighborhood in Washington, D.C., extending eastward from the United States Capitol. It is one of the oldest residential neighborhoods in D.C. as well as one of the most densely populated, with an average of 35,000 residents within 2 sq. miles. In his 1791 plan to develop the new capitol city, Pierre L'Enfant chose to locate the Capitol at the top of the hill, facing the city, describing it as a "pedestal waiting for a monument". Today, the Capitol Hill neighborhood is situated within two quadrants of the city, Northeast and Southeast. Capitol Hill became a distinct community between 1799 and 1810. Due to the area's proximity to

the Capitol and the Washington Navy Yard, Capitol Hill housed many members of Congress in boarding houses and was home to many craftsmen and laborers who worked at the Navy Yard. The neighborhood continued to grow throughout the nineteenth century. In 1976, the Capitol Hill Historic District was placed on the National Register of Historic Places, and is one of the largest historic districts in the country.

Capitol Hill's landmarks include the United States Capitol as well as the Senate and House office buildings, the Supreme Court Building, the Library of Congress, the Marine Barracks, the Washington Navy Yard, and the Congressional Cemetery. The neighborhood is largely residential, largely made up of historic row houses and filled with numerous parks. Working professionals, singles and families with young children largely populate the neighborhood. The streets are generally tree-lined with brick sidewalks. The main commercial corridor is Pennsylvania Ave, lined with a multitude of shops, restaurants, and bars. Eighth Street SE, named Barracks Row for its proximity to the U.S. Marine Barracks, is one of the districts oldest commercial corridors and dates back to the late 18th century.



The Metro stations within the closest proximity to Capitol Hill are Eastern Market Station, Capitol South Station, and Potomac Avenue Station, all served by the Blue, Orange and Silver Lines, and Union Station, served by the Red Line. On an average weekday, the Eastern Market Metro stop sees about 6,194 passengers, Potomac Avenue sees about 3,783 passengers, Capitol South approximately 6,957 riders, and Union Station sees about 31,186 passengers. There are a multitude of bus routes that serve the area—A11, C40, 30, 32, 34, 36, 90, 92, 93, 96, 97. Capital Bikeshare kiosks are located at 400 East Capitol St. NE, 712 E. Capitol St. SE and 17th St. NW. There are 10,753 Capital Bikeshare arrivals on average per month. There are two DC Circulator Bus routes that serve Capitol Hill: Union Station—Navy Yard Route and Potomac Avenue Metro—Skyland via Barracks Row. A Circulator bus can also be taken to Georgetown from Union Station. The area is also very pedestrian friendly, with a walkscore of 97/100.

Police and fire protection are typical for urban areas with a police station at 500 E Street, SE and fire stations located at 414 8th Street, SE.

Neighborhood development in the area includes the highly anticipated Hine School redevelopment project, located along the 700 block of Pennsylvania Ave. SE across from Eastern Market. Stanton Development and EastBanc are overseeing construction of the site which began in 2015, with scheduled delivery by fall of 2017. The mixed-use development will include 162 mixed-income residential units, with 46 affordable housing units and 116 market-rate units. There will be around 60,000 SF of retail space including specialty shops, boutiques, and restaurants, with an emphasis on locally-owned retail. Renting for 75% of market price, there will be 1,000 SF of retail space dedicated to two local new business owners, or “incubator” tenants. There will also be 150,000 SF of office space which has been branded 700 Penn, and an underground parking garage with 320 spaces. Other specific features include a 199 bike parking facility, a car share program, and electric vehicle charging stations in the parking garage. The project will be designed in accordance with the standards for Leadership in Energy and Environmental Design (LEED) standards for a goal of LEED Gold for both the South and North Buildings. Additionally, a new public plaza will offer space for Eastern Market vendors and community gatherings, and the 700 block of C Street will be re-opened, serving as a permanent home for the Eastern Market Flea Market on weekends. Stanton Development and EastBanc recently announced that Saturday’s Capitol Hill Flea Market and Sunday’s The Flea Market at Eastern Market will return to their original homes this fall at the “Plaza at Hine”. Each market has signed three-year lease agreements for this site.

The north building of the Hine Project is expected to house four street level retail spaces and one large lower level retail space. One of the street level spaces will be reserved for the two “incubator” tenants, one of which will be Trickle Springs, a dairy out of Chambersburg, Pennsylvania, that has operated out of a stall at Union Market for the past several years. The 800 SF store will sell a variety of dairy products including ice cream, milk, yogurt, and cheese. The other tenant will be Antiocha, a Turkish textiles business that currently operates out of the Eastern Market Flea Market on weekends. District Veterinary Hospital is expected to occupy the 5,000 SF retail space on the lower level of the building. The south building of the project will accommodate around ten street level retail tenants, as well as an infant day care center and an 11,000 SF Trader Joe’s anchoring the project.



Demographics:

Within a half-mile radius, Capitol Hill has a population of 14,426. There are 7,201 households with an average size of 1.9. The area is highly educated, with 85% of the population earning bachelor's degrees and 54% with further education. The average household income is \$141,284, but 71% of the population earns 75,000 a year or more. The average household disposable income is \$97,446. The largest portion of the population (39%) is between the ages of 34 and 65 while 32% are between the ages of 20 and 34. Fifteen percent of the population are under the age of 20 and 13% are over the age of 65. The median age is 36.3.

FLEA AND ARTS & CRAFTS MARKETS: DISCUSSION AND RESEARCH ANALYSIS

A unique retail destination on Capitol Hill, Eastern Market serves a wide range of local customers, regional residents and tourists in a circa 1900 environment. Eastern Market includes four separate markets, each with different hours and specialties. From Tuesday through Sunday, longstanding independent vendors inside the South Hall Market offer a range of fresh and prepared foods as well as flowers, baked goods, meats, and many other products. On Tuesdays and weekends at the Farmer's Line, Eastern Market hosts local farmers selling fresh local produce from Maryland, Pennsylvania, Virginia, and West Virginia. The Weekend Outdoor Market, a conglomerate of markets run by different operators, consists of hundreds of local artists and other exhibitors selling antiques, jewelry, clothes, and a variety of arts and crafts. The Subject Market, the Flea Market located on 7th Street SE between C Street and Pennsylvania Ave., is the focus of this discussion.

The appraisers reviewed "Public Markets and Community Revitalization," a publication by the Urban Land Institute whose principal authors were Theodore Morrow Spitzer and Hilary Baum, published in 1995. Phrases in quotes in this section are derived from that publication.

Other resources include an online article from The Spruce, The 2016 Flea Market Industry Report from the Flea Market Zone, and information from the Profitable Venture website. (<http://www.profitableventure.com/flea-market-business-plan/>)

General Discussion

The Merriam-Webster definition of a flea market is "a usually open-air market for secondhand articles and antiques." Today's flea markets have expanded from the traditional definition of a flea market. Flea markets across the country and around the world can be found selling a wide range of merchandise, including mostly used goods but also some new merchandise and handmade goods. Flea markets also often feature local artists and craft-makers. Open-air markets are the traditional setting for a flea market, but today flea markets can be found indoors, outdoors, or both. Several different types of vendors can be found at flea markets. Some bring their own used possessions to the market to sell, while others may be dealers of antique and used goods. Other vendors might also be selling new products such as handmade jewelry, art, or other crafts. According to the National Flea Market Association (NFMA), there are more than 1,100 flea markets in the United States, amounting to annual revenue of around \$30 billion in sales. The markets are estimated to have over 150 million customers visiting each year.

Each year a survey is conducted to monitor the current trends and changes in the flea market industry. In a survey conducted in 2016, the results indicated general stability of the industry, with strong sales and general growth as a result of the improving economy. This stability can be attributed to the longstanding vendors and the permanence of many of the markets. Of the markets surveyed, 70% have been open for over 21 years and 38% of the managers surveyed have been operating that market for over 12 years. Of the vendors surveyed, 50% have been in business for over 10 years. Almost 93% of the vendors surveyed sell some kind of new merchandise at the market. Only 22% of the vendors sell antique, used, or vintage merchandise. However, 68% of flea market owners and managers who also sell at the market sell antique and vintage goods. The

results of the survey also indicated that new merchandise is the most in-demand by consumers, with gift and novelty items holding the top-selling category in 2016, followed by knives and jewelry. However, many market shoppers still expect to find bargains and vintage merchandise at flea markets.

Given the transformation of flea markets over the years to include a wider range of goods, for the purposes of this appraisal we are classifying flea markets as a type of public market. Public markets have traditionally been defined in the U.S. as “a municipally owned and operated building in which vendors sell fresh food from open stalls.” Over time that has changed to a more diverse definition, to include the traditional public market as well as many farmer’s markets, crafts markets, and even some flea markets. Public markets are also defined as including vendors or merchants who meet regularly at the same location, and have a sponsoring entity that is legally and financially responsible for the market and oversees its operation. There are three basic characteristics that characterize public markets and distinguish them from other types of related retail activity. First, public markets have public goals, which “give a defined public purpose to the market activity.” These goals might include attracting market customers to a downtown or neighborhood commercial district, providing affordable opportunities to local small businesses, or activating the use of a public space. Second, a public market is located on a public space in the community, “an inviting, safe, and lively place that attracts a wide range of people.” The third characteristic of public markets is that they are made up of locally owned and independent businesses that are operated by independent owners, and therefore offer unique alternatives to more common commercial retail. This helps promote the local, distinctive feel of the best public markets. Public markets are also described as offering three common benefits to the surrounding community where it is located. They generally tend to create dynamic places, stimulate the local economy, and instill “community spirit and cultural exchange.”

RETAIL MARKET ANALYSIS

The following market analysis includes information pertinent to both the interior vendors in the South Hall of the old Eastern Market structure as well as to the outside vendors along the farmer's line, adjacent to the North Hall, the plaza adjacent to the Natatorium and the portion of 7th Street occupied by vendor tents on weekends, including the subject area. Subject benefits from a healthy customer base and retail traffic for all areas surrounding the Eastern Market.

Trade Area Analysis

The analysis of public markets “must analyze both the supply and demand by vendors who will rent space in the market and the supply and demand by consumers for the products the market might offer.” Unfortunately, reliable information is very difficult to obtain i.e. there is a lack of comparable data. There is also a lack of standardization among markets in how they operate.

The trade area for a retail property is essentially the geographic area from which the stores within a retail center draws their customers. The size of the trade area depends largely on competition in the area. Typically, the primary trade area, from which a retail property draws the majority of its customers, is located in reasonably close geographic proximity. Generally, between 55% and 75% percent of sales are generated within its primary trade area. The secondary trade area, which provides a smaller percentage of the retail sales, is typically further away and involves more competition from other retail properties. On average, an additional 15% to 25% of retail sales will be generated from within the secondary area. The tertiary or peripheral trade area refers to more distant areas in which occasional customers reside. Industry experience shows that between 10% and 15% percent of retail sales are derived from customers residing outside of the trade area. In defining the primary and secondary trade areas for the vendors at Eastern Market, the analyst will review and analyze the following:

- retail market data
- geographic, legal, and physical characteristics of retail market environment
- access
- merchandising mix
- existing and new competition
- customer traffic patterns
- retail spending patterns – potential gaps/oversupply

Retail Market Data

The Eastern Market is a retail destination in the Washington, D.C. region, which is one of the stronger retail markets in the country and is included in the expansion plans by most major retailers. This interest is driven by the region's high household incomes, a continually expanding population base, the presence of the federal government, and the region's per capita and per household income levels, and high retail sales volume per capita and per household. The following chart displays pertinent retail statistics for submarkets in Washington, D.C. as delineated by CoStar Property. The subject property is located in the Capitol Hill submarket. Among the eleven

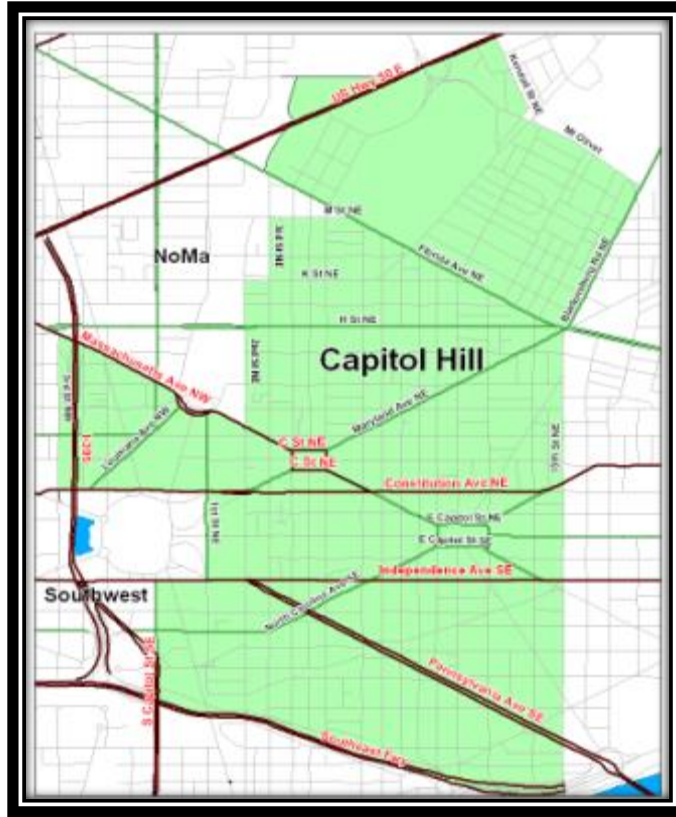
submarkets, Capitol Hill contains the 4th largest concentration of retail space in the city and quoted rental rates rank 5th.

Washington, D.C. Retail Statistics - Year End 2016									
MARKET	EXISTING INVENTORY		VACANCY			YTD NET	YTD	UNDER	QUOTED
	# BUILDINGS	TOTAL GLA	DIRECT SF	TOTAL SF	VACANCY %	ABSORPTION	DELIVERIES	CONSTRUCTION	RATES
Capitol Hill	576	2,262,166	133,212	135,462	6.0%	15,907	4,000	0	\$40.62
Capitol Riverfront	33	370,087	7,318	7,318	2.0%	2,082	0	3,600	\$34.26
CBD	70	473,396	29,251	29,251	6.2%	(18,637)	0	0	\$59.46
East End	243	1,951,336	52,837	61,837	3.2%	21,674	0	80,551	\$54.84
Georgetown	418	2,334,310	150,072	150,572	6.5%	1,730	0	0	\$73.93
NoMa	90	819,114	65,080	65,080	7.9%	33,347	52,000	0	\$35.39
Northeast	563	3,978,339	247,435	247,435	6.2%	109,709	75,534	231,503	\$22.60
Southeast	275	1,574,910	47,972	47,972	3.0%	18,615	0	242,000	\$24.79
Southwest	6	25,498	0	0	0.0%	0	0	0	N/A
Uptown	1,904	9,164,442	341,507	389,960	4.3%	(37,168)	6,000	0	\$42.78
West End	20	328,615	830	830	0.3%	4,170	0	0	#####
Total / Average	4,198	23,282,213	1,075,514	1,135,717	4.9%	151,429	137,534	557,654	N/A
Source: CoStar Property®									

Capitol Hill Submarket

According to CoStar Property, Inc. the Eastern Market is located in the Capitol submarket of Washington, D.C., which encompasses the 20002 and 20003 zip codes east of the U.S. Capitol/Union Station, west of Station Armory/RFK Stadium, north of I-695, and south of New York Avenue in the Northeast and Southeast quadrants. The boundaries of the submarket as defined by CoStar are as follows with a map outlining the area presented thereafter.

- North: New York Avenue/Mount Olivet Road
- East: 15th Street / Bladensburg Road / Kendall Street
- South: Interstate 695
- West: South Capitol Street / 1st Street / 2nd Street / 3rd Street / U.S. Capitol



Inventory

The following chart indicates a total of 2,262,206 square feet of retail space in the Capitol Hill submarket, of which 99.6% is comprised of general retail space. CoStar Property defines general retail as follows: “Typically single tenant freestanding general purpose commercial buildings with parking. Many single retail buildings fall into this use code, especially when they don’t meet any of the more detailed use code descriptions.” This description of retail development is reflective of retail storefront development concentrated in Capitol Hill.

Capitol Hill Submarket									
MARKET	EXISTING INVENTORY		VACANCY			YTD NET	YTD	UNDER	QUOTED
	# BUILDINGS	TOTAL GLA	DIRECT SF	TOTAL SF	VACANCY %	ABSORPTION	DELIVERIES	CONSTRUCTION	RATES
General Retail	574	2,255,108	133,212	135,462	6.0%	14,620	4,000	0	\$40.62
Shopping Center	2	7,098	0	0	0.0%	1,287	0	0	N/A
Total / Average	576	2,262,206	133,212	135,462	6.0%	15,907	4,000	0	N/A
Source: CoStar Property®									

The following chart provided by CoStar Property indicates that total retail inventory increased about 1.9% between 2005 and 2016 with five-year projections indicating a similar increase of 1.8%. The limited growth in retail development is reflective of the nearly 100% built out state and the historic designation of the Capitol Hill neighborhood, which work in concert to serve as barriers to new development as well as redevelopment of existing properties.

SUBMARKET SUPPLY AND DEMAND HISTORY AND FORECAST

Year	Inventory			Net Absorption		
	SF (000)	Growth (000)	% Growth	SF (000)	% Growth	Construction Ratio
2021	2,228	6	0.3%	1	0.0%	5.8
2020	2,222	6	0.2%	4	0.2%	1.5
2019	2,217	5	0.2%	9	0.4%	0.6
2018	2,212	22	1.0%	33	1.6%	0.7
2017	2,190	2	0.1%	3	0.1%	0.5
2016	2,188	4	0.2%	20	1.0%	0.2
2015	2,184	3	0.2%	1	0.1%	2.3
2014	2,181	17	0.8%	14	0.7%	1.3
2013	2,164	1	0.0%	(11)	-0.5%	--
2012	2,163	7	0.3%	10	0.5%	0.7
2011	2,156	4	0.2%	(3)	-0.2%	--
2010	2,152	5	0.2%	(57)	-2.7%	--
2009	2,147	0	0.0%	(9)	-0.4%	--
2008	2,147	0	0.0%	92	4.6%	0.0
2007	2,147	0	0.0%	30	1.5%	0.0
2006	2,147	0	0.0%	(182)	-8.5%	--
2005	2,147	0	0.0%	0	0.0%	--

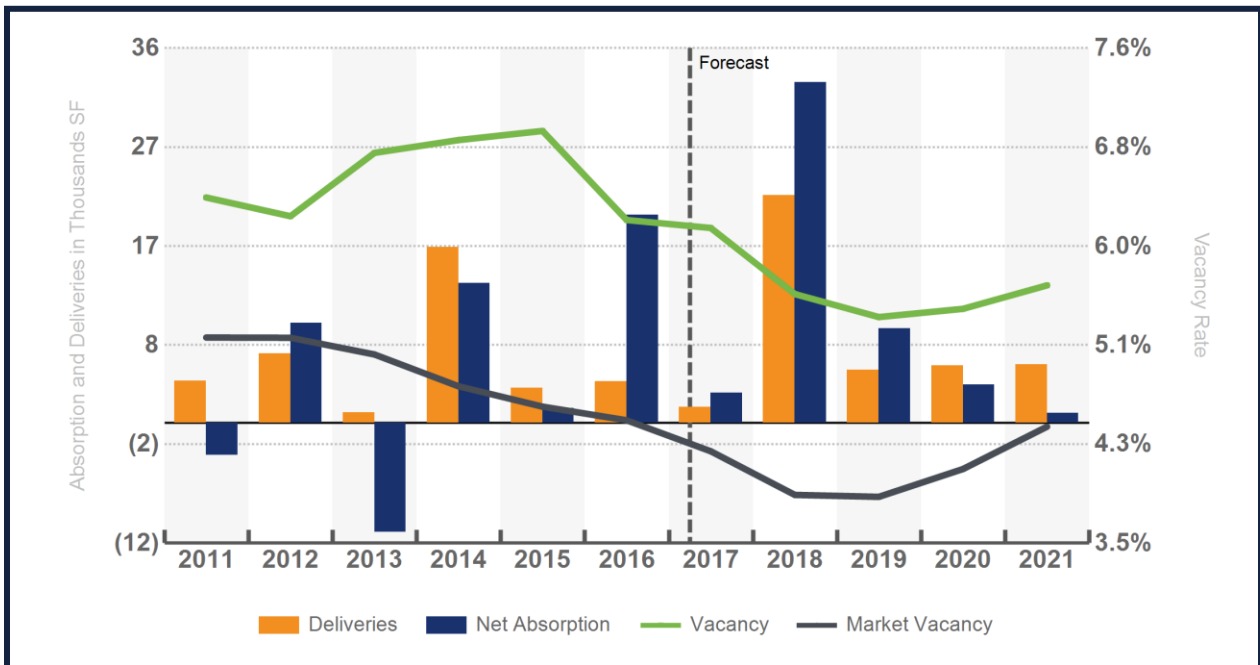
Vacancy

The following chart displays relatively stable average vacancy levels between 6% and 7% between 2010 and 1Q2017. Although a notable increase from 3.2% and 2.8% in 2008 and 2009, vacancy levels are notably lower than 2006 and 2007. Over the next five years, vacancy is projected to decrease nominally to a range of 5.4% to 5.6%.

Rental Rates

Since rebounding from a downturn in the economy, average asking rental rates in the Capitol Hill have shown a steady increase since 2012. Between 2006 and 2016, the average asking rental rate increased 52.2%, which equates to an annual average of 5.2%. The largest increase of 12.5% occurred in 2015 while the largest decreases occurred in 2009 and 2011. Projections indicate increases of 1.4% to 2.9% over the next five years.

SUBMARKET VACANCY AND RENT HISTORY AND FORECAST						
Year	Vacancy			Asking Rent		
	SF (000)	Percent	Ppts Chg	Per Sf	Index	% Growth
2021	126	5.6%	0.2	--	160	1.4%
2020	121	5.4%	0.1	--	158	2.7%
2019	119	5.4%	(0.2)	--	154	2.9%
2018	123	5.6%	(0.6)	--	150	2.1%
2017	134	6.1%	(0.1)	\$38.75	147	0.3%
2016	135	6.2%	(0.7)	\$40.03	146	1.2%
2015	152	6.9%	0.1	\$39.73	144	3.7%
2014	150	6.9%	0.1	\$37.37	139	12.5%
2013	146	6.8%	0.5	\$30.38	124	9.9%
2012	135	6.2%	(0.2)	\$26.01	113	6.7%
2011	138	6.4%	0.3	\$23.64	106	-10.0%
2010	130	6.1%	2.9	\$28.98	117	27.1%
2009	69	3.2%	0.4	\$30.16	92	-7.6%
2008	60	2.8%	(4.3)	\$31.68	100	4.7%
2007	152	7.1%	(1.4)	\$28.49	95	2.3%
2006	182	8.5%	8.5	\$26.30	93	--
2005	0	0.0%	0.0	--	--	--



Legal and Physical Constraints

Eastern Market is located in Capitol Hill, which is a nearly 100% built-out historic designated neighborhood. The historic designation and lack of land available for development work in concert to constrain redevelopment of existing properties and new development as well as provide a barrier to competitive entry.

Geographic Boundaries

Major landmarks and roadways that delineate the Capitol Hill neighborhood are I-695 to the north and U.S. Capitol to the east and the Stadium Armory / RFK Stadium / I-295 to the west. I-695 represents a dividing line between Capitol Hill and the newly developed Capitol Riverfront neighborhood. I-295 represents the boundary line between Capitol Hill and Anacostia neighborhoods. The grounds of the U.S. Capitol mark the boundary line between Capitol Hill and the East End submarket.

Access

With a walkable score of 97/100 and four Metrorail stops within the Capitol Hill neighborhood, pedestrian and public transit access is excellent for local residents. For residents in surrounding competitive locations positioned beyond one mile (i.e. NoMa, Capitol Riverfront) Metrorail access entails a circuitous transfer from the Green or Red line. Regional vehicular access is provided by I-695 and Pennsylvania Avenue and 7th and 8th Streets. Currently, there is limited street parking, but more will be provided at 700 Pennsylvania Avenue and some is already available in the 600 block of C St SE (surface lot and garage).

Merchandising Mix

The merchandising mix provides the basic draw of customers that are likely to patronize the property. The subject is a flea/craft market, which is a public market that accommodates mobile vendors who do not need access to utilities, refrigeration, or storage. Most flea/craft markets contain mostly non-food vendors, but some also have limited fresh-food merchants and prepared food vendors. The Eastern Market Flea/Craft markets certainly fit this mold. While the vast majority of the vendors were non-food vendors selling various assortments of arts, crafts, used goods, jewelry, furniture and collectibles, at least one vendor was selling prepared food. All of the vendors generally take up about the same space, generally a 10 x 10 foot tent.

As one of three major suppliers of convenience goods in the Capitol Hill historic district, Eastern Market primarily draws its regular customers from the local population. In addition to general flea/craft market attendees, more locals are drawn who are seeking convenience as well as quality and variety not offered in chain grocery stores, and thus attend the Eastern Market South Hall Indoor market as well as the Farmer's Line at Eastern Market. On the weekends, the drawing power of the merchandise at Eastern Market extends beyond the local population due to the addition of part-time outside vendors selling fresh produce and arts and crafts. The drawing power of Eastern Market is further enhanced by the concentration of restaurants and supportive retail uses within blocks. The conglomeration is a benefit to all markets, including the indoor market.

DOT SURVEY

A customer survey was provided by DGS that surveyed customers outside of the South Hall. While the results are more relevant to the South Market Hall, it can also be assumed that the volume of people, methods of travel, preferred days of the week, and other data points are relevant to the flea and craft markets outside of the market. Indeed, the fact that the greatest number of Eastern Market South Hall attendees are on flea/craft market days certainly speaks to the volume and attractiveness of the subject space.

Trade Area Conclusion

The following bullet points summarize key points with regard to the Eastern Market's trade area and market potential:

- As the only public market hall in the District of Columbia, Eastern Market has a strong presence and represents a well established retail destination in the city that has strong brand name recognition as evidenced by naming of the nearby metro station for Eastern Market.
- Eastern Market is easily accessible by foot for Capitol Hill residents, which is the most frequent way visitors come to the Market according to the Eastern Market Dot Report.
- Although easily accessible by Metrorail for people throughout the DC area and tourists, a fairly small percentage of those surveyed in the Eastern Market Dot Survey reported using Metrorail. Most of those surveyed indicated they drive to Market versus Metrorail. Therefore, limited parking in the area is an issue that serves to depress sales.
- The merchandising mix at Eastern Market Flea and Craft Markets, along with complementary retail development (i.e. restaurants), outdoor farmer's and indoor market, and communal atmosphere, draw customers beyond the local population base, attracting shoppers from distant locations.
- The neighborhood is a walkable community with easy access to public transportation and major roadways and expressways.
- The subject neighborhood benefits from a growing population base and a concentration of federal government employers concentrated around the Capitol Building.
- Small scale storefronts occupied by single tenants are the predominant type of retail development, which is a function of historic preservation of Capitol Hill that is unlikely to change and serves as a barrier to entry of competitors.

In determining the trade area, the historic designation, competitor location, merchandising mix and customer traffic were key considerations. The Capitol Hill historic neighborhood encompasses about a 0.5 mile to 1.0 mile radius that is walkable and easily accessible via Metrorail. Within Capitol Hill, storefronts are the predominant type of retail development primarily as a function of historic preservation and its built-out nature. Thus, retail development is relatively homogeneous in nature within the Capitol Hill historic district and excludes large retail formats tenanted by category killers. Within one mile there are several competitive specialty food stores and grocery stores. Beyond the boundaries of the Capitol Hill neighborhood, there are a variety of retail formats including large grocery stores, shopping centers and warehouses occupied by specialty food stores. According to the Dot survey provided by Eastern Market, 47% of customers live in

Capitol Hill, 20% from other parts of DC, 16% from MD or VA, and 17% from outside the region. Given this information, Eastern Market draws customers from a broader geographic area than a typical retail property.

Based on the subject's merchandising mix, location of competitors, neighborhood boundaries, and customer traffic patterns, the primary trade area is concluded to be a 1.0 mile radius and the secondary trade area would extend to a 3.0 mile radius. Eastern Market is unique, and a tertiary submarket exists. The aforementioned Dot Survey provided by the market suggested that 47% of customers live on Capitol Hill, 20% from other parts of DC, 16% from MD or VA, and 17% from outside the region. This data suggests that there a tertiary market that exists outside of this three mile radius. However, for the purposes of this report, a three mile radius will be considered the secondary trade area since a larger sample would generate inconclusive data.

CUSTOMER SURVEY (DOT)

Eastern Market management (South Hall) conducted an extensive customer survey, which will be referred to as the Dot Survey. The survey was conducted over a significant period of time and collected robust results, in terms of both quality of content and sheer numbers. With 1,825 respondents, the survey produced some of the relevant data below, and helped inform the appraisers estimations of sales, accessibility, and other factors.

According to the Dot Survey, The Market has a very loyal customer base. In fact, the majority of respondents from Tuesday through Saturday (at least 47%) stated that they attended the market at least once a week or more frequently. About 15% of the customer base comes more than once a month, and an additional 25% come more than once annually.

The most likely way to get to Eastern Market was walking, as 57% of respondents reported doing so. Many others took the Metro or drove their own cars. Very few took a Taxi or Uber.

Furthermore, the vast majority of the visitors live in Capitol Hill. If they don't live on Capitol Hill, they're generally from the District. Virginia and Maryland have lower percentages, with Virginia being slightly higher than Maryland. The notion that Eastern Market is simply a tourist attraction seems unlikely based on this data, especially considering only 7% of visitors reported being from outside of the region in an extremely transient metropolitan area.

The most popular days at the Market are Saturday and Sunday, followed by Tuesday. On these weekend days, much of the traffic is driven by the outdoor markets. Often, double the traffic is seen on weekend days as compared to week days.

Demographics

Demographics are reviewed to add perspective to the dynamics of the retail market of the primary and secondary trade areas. The chart on the following page displays pertinent demographic data for the 1.0-, 2.0 and 3.0-mile radius with a map displaying each radii presented on the page thereafter.

DEMOGRAPHICS			
DESCRIPTION	1.0 MILE RADIUS	2.0 MILE RADIUS	3.0 MILE RADIUS
POPULATION			
2021 PROJECTION	54,561	159,763	304,865
2016 ESTIMATE	49,149	142,303	275,407
2010 CENSUS	43,633	122,199	244,365
GROWTH 2016-2021	11.01%	12.27%	10.70%
GROWTH 2010-2016	12.64%	16.45%	12.70%
HOUSEHOLDS			
2021 PROJECTION	26,596	73,839	138,510
2016 ESTIMATE	24,017	65,684	124,875
2010 CENSUS	21,512	56,440	110,828
GROWTH 2016-2021	10.74%	12.42%	10.92%
GROWTH 2010-2016	11.64%	16.38%	12.67%
AVERAGE HOUSEHOLD SIZE			
2021 PROJECTION	2.00	2.06	2.06
2016 ESTIMATE	1.99	2.05	2.05
2010 CENSUS	1.96	2.03	2.03
GROWTH 2016-2021	0.50%	0.49%	0.49%
GROWTH 2010-2016	1.53%	0.99%	0.99%
2016 MEDIAN HH INCOME	\$109,316	\$72,624	\$64,566
2016 AVERAGE HH INCOME	\$146,395	\$103,996	\$97,367
2016 PER CAPITA INCOME	\$71,801	\$48,608	\$45,102
Source: ESRI			



Population

Patterns of development density and migration are reflected in the current levels of population estimates. The rate of growth or decline in an area's population base has a direct effect on real estate values. Since the supply of land is fixed, the demand for real property will be affected by an increase or decrease in the population base. An increase in population drives demand for new housing, highways, services and products, which in turn, drives up real estate values. A decrease in population may result in a decline in real estate values.

Low density residential development consisting of attached row homes and walk-up apartment buildings are the predominant residential development type in the market area. The proximity of the concentration of federal government offices has a large influence on the daytime population. Higher density multi-family development is concentrated about 1.0 mile to the south in the emerging Capitol Riverfront area and 1.0+ mile north in the burgeoning NoMa submarket.

Between 2010 and 2016, ESRI reports that the population within the 1.0 mile primary trade area increased 12.64% to 49,149 persons. Within the secondary trade area population witnessed a notably similar increase of 12.70%. The five-year trend indicates a slightly lower rate of increase at 11.01% to 54,561 persons by 2021 in the primary trade area. In comparison, the secondary trade is also projected to experience a slightly lower rate of increase at 10.70%.

Households

A household consists of all the people occupying a single housing unit. While individual members of a household purchase goods and services, these purchases actually reflect household needs and decisions. Thus, the household is a critical unit to be considered when reviewing market data and forming conclusions about the trade area as it impacts the retail center.

Several noticeable changes in the way households are being formed have caused the acceleration of household growth, specifically:

- The population is living longer on average. This results in an increase of single and two person households.
- High divorce rate since the 1980s results in steady increase in single person households.
- Many individuals postpone marriage, resulting in more single person households.

Per ESRI, households in the 1.0 mile radius (primary trade area) increased 11.64% to 24,017 units between 2010 and 2016. Once again, the secondary trade area experienced a notably higher rate of growth of 16.38%. Between 2016 and 2021 households in the primary trade area are expected to continue to grow, albeit at a slightly lower rate of 10.74%. A slightly higher growth rate of 10.92% is projected in the secondary trade area.

Trade Area Income

A significant statistic for retailers is the income potential of a trade area's population. Income levels, either on a per capita, per family or household basis, indicate the economic level of the residents of the market area and form an important component of this total analysis. Income levels either on per family or household basis combined with the number of households is a major determinant of an area's retail sales potential.

ESRI reports an average household income of \$146,935 within the primary trade area at year-end 2016. In comparison, the average decreases to \$103,996 within a 2.0 mile radius and to \$97,367 within the 3.0-mile radius (secondary trade area). Based on this information, the trade area income figures support the profile of an upper income market.

Demographic Summary`

The following bullet points outline key observations from a review of demographic data.

- Household income levels are highest in the primary trade area and gradually decline within each radii, which correlates to greater buying power in the primary trade area.
- There has been substantial growth in each trade area and Washington, D.C. as a whole with projections indicating continued growth, albeit at slightly lower growth rates.

- Recent and projected growth rates in population and households in the secondary trade are higher than the primary and tertiary trade areas and Washington, D.C.
- Household size in the primary trade areas is slightly lower than the secondary and tertiary trades and Washington, D.C.

CONCLUSION

The Capitol Hill neighborhood offers a stable retail market environment due to its historic nature, an increasing population base consisting of upper income households, easy access and relatively small-scale retail development. Steady demand from local, regional and national tenants for retail space in Capitol Hill has consistently held vacancy rates at stabilized levels and rental rates show an upward trend over the last 10 years. A review of the projected sales capture of the subject and indoor markets indicate that retail sales levels above most flea/craft markets are achievable for vendors outside Eastern Market in the current market environment. Eastern Market is an established retail destination that will remain a viable venue for small scale vendors into the foreseeable future due to its historic designation, unique shopping experience, and trade area demographics (i.e. household income, growing population, retail sales levels).

SECTION 3:

PROPERTY DESCRIPTION AND BACKGROUND

MARKET AND SUBJECT SPACE DESCRIPTION

The subject market consists of a portion of public right-of-way and public space located in the District of Columbia on 7th Street, S.E. between Pennsylvania Avenue, S.E. and C Street, S.E. currently used as a flea/craft market outside of the Eastern Market, an historic public market in the Capitol Hill neighborhood of Washington, DC. located on the east side of 7th Street between C Street and Pennsylvania Avenue S.E.

Currently, in a space of approximately 7,200 sf, generally around 36 vendors line the east side of 7th Street. The number of vendors is expected to be reduced once the new development at the former Hine School (700 Pennsylvania Avenue SE) is complete. The vendors at the market currently sell vintage posters, antiques, clothing, and other items. While there are some food vendors, the market is primarily a non-food market, in contrast to the Eastern Market vendors on the inside of the South Hall.

Eastern Market History and Description

Eastern Market was completed in 1873, emerging from Pierre L'Enfant's 1791 original plan for three public markets within the city, with Central, Western, and Eastern markets. After the original Eastern Market fell into disrepair, Adolf Cluss, a prominent local German-born architect, designed the current market. He was also responsible for designing the Smithsonian Arts and Industries building. The market was expanded in 1908 with the addition of the Center and North Halls, designed by Snowden Ashford. During this time, Eastern Market was unofficially recognized as the "town center" of Capitol Hill. Eastern Market was in continuous operation as a public market from 1873 until April 30th, 2007, when a fire left the market critically damaged. The day after the fire, Mayor Adrian Fenty pledged to rebuild the market and restore its historic architectural features. The outdoor weekend market was disrupted but never closed. Many of the indoor food vendors re-opened within weeks after the fire, selling outside of the South Hall. The East Hall was built as a temporary home for the merchants until the market reopened on June 26th, 2009. Eastern Market is one of the few historic public market buildings left in DC, and the only one that has retained its original public market function. The Eastern Market building is designated as a National Historic Landmark.



Eastern Market is Washington DC's oldest, continually operating, fresh food public market. It is DC's destination for fresh food, hand-made arts and crafts, and community events. The market serves as a community hub for the Capitol Hill neighborhood and as a cultural destination for visitors. The Market includes the South Hall Market, home to indoor merchants selling fresh produce and flowers, baked goods, meats, poultry, cheese, and deli products. The Fresh Tuesdays Farmers Market, running from 12 pm-7 pm every Tuesday, consists of farmers selling local produce, meat, and cheese on the Farmer's Line. The Weekend Farmer's Market, an open-air venue, is where farmers sell fresh local produce year round. The Weekend Outdoor Flea Market features over 100 local artists selling handmade arts and crafts, jewelry, and antiques.

Flea Market History and Description

Since the 1980's, the Hine School Parking lot was home to two separately managed markets that moved to the subject space when construction at Hine School began. Since the start of construction, these two markets relocated to the subject space, but on different days. Generally known as the Capitol Hill Flea Market, this market features more arts & crafts and handmade objects and operates every Saturday, from 7 am to 6 pm. The market is operated by Carole Wright under the Washington Arts, Antiques, Crafts & Collectible Associates Inc. The Flea Market at Eastern Market operates every Sunday from 10 am to 5 pm, and features a variety of vendors, including antiques and used goods, jewelry, clothing and accessories, special items, as well as arts and crafts. Michael Berman operates the Flea Market at Eastern Market under Diverse Markets Management LLC.

The Flea Market at Eastern Market just celebrated its 34th anniversary in 2017. Tom Rall, who still has an arts and crafts stand at the market, founded the Flea Market at Eastern Market in 1984 as the first exhibitor. The Flea Market was originally located around the North Hall of Eastern Market, and later expanded to the site of the Hine School, where it stayed for 22 years. In May 2015, the Flea Market moved its location off of the Hine School Yard in order to make way for

development of the site. Because the Flea Market has become such an integral part of the Capitol Hill community, the developers included space for the Flea Market and Eastern Market vendors in their plans for the site. In fact, the developers recently announced that the Flea Market Operators just signed a three-year lease on the “Plaza at Hine” site. They are expected to move back to their original home sometime in the Fall of 2017.

Many small businesses started out as exhibitors at the Flea Market, growing and establishing their businesses in a storefront. A few stores and mall kiosks on Capitol Hill, Adams Morgan, and in other areas of DC, also started as a stand at the Flea Market. The Flea Market includes numerous exhibitions painting, photography, and framing; handmade, imported, and vintage clothes and accessories; various crafts, ceramics, glass, and woodworking; handmade, estate, and imported jewelry; and antiques, collectibles, and furniture.

The market now operates on one pedestrian-only block on 7th Street SE, between C Street and Pennsylvania Ave SE. The area is shaded by tree foliage, which allows pedestrians and customers to congregate specifically in this area, allowing a great degree of exposure for the vendors at the subject space. The Flea Market takes place from 7 am to 6 pm every Saturday and from 10 am to 5 pm every Sunday, year round.

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The following is a description of the Flea Market Operators who currently lease on Saturday and Sunday, respectively:

DIVERSE MARKET MANAGEMENT



Description of the Company

Diverse Markets Management (DMM), LLC is a DC-based firm specializing in the development and management of outdoor public exhibitor markets. Principals in the firm are experienced in specialty vending. The DMM team has worked on multiple markets in the DC MSA, but Eastern Market is the most successful and long standing market. Per their website, the team has actual

investments and livelihoods based on vending and deep roots in the city, and thus a personal commitment to a market's success.

Other Markets run by DMM include:

- The Rosslyn Harvest Fest, an arts market and community event will be coming to the new plaza in the heart of Rosslyn at Central Place, 1800 N. Lynn Street, in Arlington, Virginia on October 27th and 28th 2017.
- MarketSW, an arts market in Waterfront Station in SW DC, is a bi-monthly night arts market from 4-10pm each second and fourth Friday of the month beginning on May 12, continuing each second and fourth Friday of the month through October 27, 2017.
- Spring Sparket Market, a market situated on the sidewalk on the 1800 block of Crystal Drive, it is adjacent to the Crystal Shops mall, several popular restaurants and retail establishments. The Market will operate on Thursdays, from 11am to 2pm, launching May 4 and running through June 29. The Fall Sparket Market will run from September 7 through November 16.
- The Downtown Holiday Market (DHM) operates for 30 consecutive days and has 4 weekend dates. Hours will be from Noon to 8 p.m. each day. The festival is located on the wide sidewalk on the north side of F Street, from 7th to 9th Streets NW. Both ends of the market are within view of entrances to the Gallery Place Metro. The Market accommodates 58 vendors each day. A space consists of a 10x10' tent. Electricity is provided to accommodate additional display lighting. A loading area is available at the curbside of the Market. Off-site parking is included in the space fee.

Per the company's website, its executive director, Michael Berman, has experience in the fine arts, art community organizing, land planning, historic preservation, real estate, property management, and the development of outdoor markets. He is a practicing artist and active exhibitor. Mr. Berman has worked with both public and governmental agencies, as well as privately funded companies in arts related programs and exhibiting. He serves as a board member of the Public Space Planning and Management Corporation, which provides the District with advice and oversight concerning vending laws, planning and management. Mr. Berman lives and maintains his studio on Capitol Hill and is a member of many local and city organizations.

Description of Operations at Eastern Market

DMM has operated The Flea Market at Eastern Market on Sundays for 34 years, beginning in 1983. In order to make way for development of the site, on May 17, 2015, the flea market moved its location off of the Hine Jr. High School Yard, on which it operated for 21 years. The market has moved to the 300 Block of 7th Street SE which is currently closed to traffic, creating along with outdoor vending at Eastern Market, a 2 block street festival. Currently, DMM hosts approximately 40 exhibitor spaces.

The Flea Market has served as an incubator of many small businesses. Some have settled in the Flea Market neighborhood and another became a large chain of jewelry stores around the country.

The Flea Market takes place 10 AM to 5 PM every Sunday, year round. It operates on 7th Street SE between C Street and Pennsylvania Avenue SE on Capitol Hill in Washington, DC. The location is ideal, sitting between the Eastern Market metro station on the south and historic Eastern Market itself on the north.

A more detailed focus on business operations can be found in the Valuation Approaches found in Section IV of this report.

Synopsis of Current Licensing Agreement

DIVERSE MARKETS MANAGEMENT LLC

Title: License to Occupy

Effective Date: April 4, 2013

Licensor: The Department of General Services

Licensee: Diverse Markets Management, LLC

Licensor, through the District Department of Transportation (DDOT), controls a portion of public right-of-way and public space located at the Site (7th Street, S.E. between Pennsylvania Avenue, S.E. and C Street, S.E.)

Licensee currently operates a flea market on the parking lot of the Hine School, pursuant to Original License dated June 8, 2010. The Original License expired on December 31, 2011 and Licensee has been occupying the Hine School property pursuant to the terms and condition of the Original License on a month-to-month basis. Site Licensor, through the Deputy Mayor for Planning and Economic Development, plans to dispose of the Hine School to a developer for economic development purposes, which will result in the displacement of the flea market.

Permitted Use for operation of an open-air flea market vending area.

The Licensor and Licensee agree as follows:

1. License Term: Licensee has the right to occupy the Site for Permitted Uses every Sunday from 6:00 am to 7:00 pm (each Sunday is a License Period). The License shall commence on August 1, 2013 and will expire on July 31, 2015. Each Party may terminate this License at any time upon 90 days prior written notice to the other Party. Upon termination, Licensee shall immediately vacate the Site and return Site to Licensor in good order and condition.

2. License Fee: Licensee agrees to pay to Licenser on the first day of each calendar month throughout the term of this license, the license fee of \$2,000.00 per month.
3. Relocation from Hine School: The Parties acknowledge that Licensee will not completely vacate the Hine School on the Commencement Date. Licensee currently occupies approximately 55,000 sf at the Hine School under the Original License and the Site consists of approximately 17,000 sf.
4. Use of the Site: Licensee may provide for not more than three food vendors of not more than 300 square feet total at any given time.
5. No Alterations
6. Representatives: Michael Berman is the Licensee's Representative and is the sole person with authority to communicate with the Licenser regarding any issues. The Licenser designated the Eastern Market Manager as the Licenser's Representative.

First Amendment to License to Occupy

Effective Date: July 31, 2015

Executed as of: September 25, 2015

Licenser: The Department of General Services

Licensee: Diverse Markets Management LLC

The Parties entered into the Original License to Occupy as of April 4, 2013.

Pursuant to the Original License, Licenser allowed Licensee to have a terminable license for the Permitted Use at the Site, and Licensee accepted terminable license.

DDOT Public Space Permit Number 300171146 has been renewed, and the new DDOT Public Space Permit Number is PA10201867.

Licenser and Licensee agree as follows:

1. No Interest In Real Property: No right, title, or interest in real property is being conveyed by licenser to licensee.
2. Modification to Term: The Commencement Date is hereby changed to May 17, 2015. The Expiration Date is extended to July 31, 2017, subject to Licenser's grant of authority ceasing under Mayor's Order 2013-064 and the DDOT Permit ceasing being in effect. Ninety days prior to expiration date, licensee may negotiate a possible extension of the term.

Title: Second Amendment to License to Occupy

Execution Date: August 4, 2017

Effective Date: August 1, 2017

Licensor: The District of Columbia

Licensee: Diverse Markets Management LLC

The Parties entered into the original License to Occupy (Base License) as of April 4, 2013. The First Amendment to License to Occupy was made effective as of July 31, 2015.

Pursuant to the Original License, Licensor allowed Licensee to have a terminable license for the Permitted Use at the Site, and Licensee accepted terminable license.

DDOT Public Space Permit Number 300171146, as renewed by DDOT Public Space Permit Number PA10201867, has been renewed by DDOT Public Space Permit Number PA10452315.

Licensor and Licensee agree as follows:

1. No Interest In Real Property: No right, title, or interest in real property is being conveyed by licensor to licensee.
2. Modification to Term: The Expiration Date is extended to expire at 11:59 pm on October 30, 2017. Forty-five days prior to expiration date, licensee may negotiate a possible extension of the term.

WASHINGTON ARTS, ANTIQUES, CRAFTS & COLLECTIBLE ASSOCIATES INC.

Description of the Company and Operation at Eastern Market

Washington Arts, Antiques, Crafts & Collectible Associates is a small local operation that runs the markets on Saturdays, year round, at the portion of public right-of-way and public space located in the District of Columbia on 7th Street, S.E. between Pennsylvania Avenue, S.E. and C Street, S.E.

This market operator chose not provide further biographical information on the Washington Arts, Antiques, Crafts & Collectible Associates.

Synopsis of Current Licensing Agreement

Title: License to Occupy

Effective Date: April 4, 2013

Licensor: The Department of General Services

Licensee: Washington Arts, Antiques, Crafts, and Collectible Associates Inc.

Licensor, through the District Department of Transportation (DDOT), controls a portion of public right-of-way and public space located at the Site (7th Street, S.E. between Pennsylvania Avenue, S.E. and C Street, S.E.)

Licensee currently operates a flea market on the parking lot of the Hine School, pursuant to Original License dated June 8, 2010. The Original License expired on December 31, 2011 and Licensee has been occupying the Hine School property pursuant to the terms and condition of the Original License on a month-to-month basis. Site Licensor, through the Deputy Mayor for Planning and Economic Development, plans to dispose of the Hine School to a developer for economic development purposes, which will result in the displacement of the flea market.

Permitted Use for operation of an open-air flea market vending area.

The Licensor and Licensee agree as follows:

1. License Term: Licensee has the right to occupy the Site for Permitted Uses every Saturday from 6:00 am to 7:00 pm (each Saturday is a License Period). The License shall commence on August 1, 2013 and will expire on July 31, 2015. Each Party may terminate this License at any time upon 90 days prior written notice to the other Party. Upon termination, Licensee shall immediately vacate the Site and return Site to Licensor in good order and condition.
2. License Fee: Licensee agrees to pay to Licensor on the first day of each calendar month throughout the term of this license, the license fee of \$2,000.00 per month.

3. Relocation from Hine School: The Parties acknowledge that Licensee will not completely vacate the Hine School on the Commencement Date. Licensee currently occupies approximately 55,000 sf at the Hine School under the Original License and the Site consists of approximately 17,000 sf.
4. Use of the Site: Licensee may provide for not more than three food vendors of not more than 300 square feet total at any given time.
5. No Alterations
6. Representatives: Carole Wright is the Licensee's Representative and is the sole person with authority to communicate with the Licensors regarding any issues. The Licensors designated the Eastern Market Manager as the Licensors's Representative.

Title: First Amendment to License to Occupy

Effective Date: July 31, 2015

Execution Date: September 18, 2015

Licensors: The Department of General Services

Licensee: Washington Arts, Antiques, Crafts & Collectible Associates Inc.

The Parties entered into the original License to Occupy as of April 4, 2013.

Pursuant to the Original License, Licensors allowed Licensee to have a terminable license for the Permitted Use at the Site, and Licensee accepted terminable license.

DDOT Public Space Permit Number 300171146, as renewed by DDOT Public Space Permit Number PA10201867, has been renewed by DDOT Public Space Permit Number PA10452315.

Licensors and Licensee agree as follows:

1. No Interest In Real Property: No right, title, or interest in real property is being conveyed by licensors to licensee.
2. Modification to Term: The Commencement Date is hereby changed to May 16, 2015. The Expiration Date is extended to July 31, 2017, subject to Licensors's grant of authority ceasing under Mayor's Order 2013-064 and the DDOT Permit ceasing being in effect. Thirty days prior to the Expiration Date, Licensee may approach Licensee to negotiate a possible extension of the term of the License in the event that construction at the site of the former Hine School is not yet complete.

Title: Second Amendment to License to Occupy: Execution Copy

Execution Date: August 4, 2017

Effective Date: August 1, 2017

Licensors: The District of Columbia

Licensee: Washington Arts, Antiques, Crafts & Collectible Associates Inc.

The Parties entered into the original License to Occupy (Base License) as of April 4, 2013. The First Amendment to License to Occupy was made effective as of July 31, 2015.

Pursuant to the Original License, Licensors allowed Licensee to have a terminable license for the Permitted Use at the Site, and Licensee accepted terminable license.

DDOT Public Space Permit Number 300171146, as renewed by DDOT Public Space Permit Number PA10201867, has been renewed by DDOT Public Space Permit Number PA10452315.

Licensors and Licensee agree as follows:

3. No Interest In Real Property: No right, title, or interest in real property is being conveyed by licensors to licensee.
4. Modification to Term: The Expiration Date is extended to expire at 11:59 pm on October 30, 2017. License is subject to Licensors' grant of authority ceasing and the DDOT Permit ceasing to be in effect.

DESCRIPTION OF SITE: ZONING

Subject as a public street is not zoned. It is located adjacent to real property which is zoned MU-4., a moderate density zoning category.

Historic District: Subject property is located within the Capitol Hill Historic District.

REAL ESTATE TAX ANALYSIS

Subject property is located on a public street which is not subject to real estate assessments.

HIGHEST AND BEST USE

Highest and Best Use is defined as "The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability. Alternatively, the probable use of land or improved property – specific with respect to the user and timing of the use – that is adequately supported and results in the highest present value."

Source: The Appraisal of Real Estate, 14th Edition

Highest and Best Use of the Site as Vacant

The four criteria listed below are utilized in analyzing the Highest and Best Use as if vacant. These criteria are usually considered sequentially so that only if there is a reasonable possibility that one of the prior, unacceptable conditions can be changed is it appropriate to proceed with the analysis.

Legally Permissible: The first test concerns permitted uses. Subject property is located in a public street. Uses are controlled by the owner, the District of Columbia through the DDOT. An agreement is required to utilize such space as described below:

"The purpose of this MOA is to set forth the terms and conditions for the use of certain public space as an outdoor market by DGS. DDOT agrees to issue a public space occupancy permit (Outdoor Market Permit) to DGS for use of the following described public space located at the 200-299 Block of 7th Street SE; 300-399 Block of 7th Street SE; 600-699 Block of C Street SE."

Physically Possible: Since the property is a public right of way and a city street, currently no development is physically possible at the site. However, certain uses are possible, namely street fairs, markets etc.

Financially Feasible and Maximally Productive: Any uses that meet the first two criteria may be further analyzed to determine which uses are likely to produce an income or return greater than the amount needed to satisfy operating expenses, financial obligations and capital amortization. All uses that produce a positive return are financially feasible. Of the financially feasible uses, the use that produces the highest value consistent with the rate of return warranted by the market for that use is considered the highest and best use.

The Capitol Hill neighborhood has supported the nearby public market for over a century and today Eastern Market is in the center of a vibrant commercial and residential neighborhood. The outside farmer's line and the surrounding flea/craft vendors have existed for decades. The coming completion of a new Trader Joes as well as a mixed use development will further strengthen the attraction of shoppers to the vicinity of 7th Street and Pennsylvania Avenue. The appraisers' review of the market area and discussion with various Flea Market Operators and experts indicates there is likely good economic support for the flea/craft market vendors on the subject site

The appraisers were asked to estimate market rents for the individual vendors and for Flea Market Operators who run a flea/craft market on Saturdays and Sundays throughout the year. To be clear, the appraisers are estimating the market rent that would be achievable from any professional Flea

Market Operator, not just the current operators. As part of this analysis the appraisers have reviewed some financial results for current vendors. In considering rents for tents, the appraisers gave some consideration to currently operating vendors but looked beyond them to expected financial results for a typical, well operated business who wants to operate in the subject flea/craft market. New vendors would likely be attracted to the subject space if the opportunity to lease was presented to the general market.

The Highest and Best Use yields the greatest return to the owner of the subject property. Appraisers believe the Highest and Best Use is best achieved from tying into other nearby vendor markets operating on the weekend. From a financial standpoint, as described more fully in the Valuation Section, there are significant fixed operating costs which do not vary greatly with the size of the market (payroll, marketing, administrative etc.). Therefore, a larger market would have a greater profit margin if there is sufficient demand. The Flea Market Operator would likely be able to pay a higher rent for subject area if it also was operating other vendor tents on the weekend. Currently DGS is running vendor tents and the farmer's line in the area surrounding the Eastern Market, as well as the South Hall interior vendors. To maximize operations, consideration should be given to having one entity (DGS or a private operator selected through an RFP process) run the vendor tents on 7th Street and surrounding the Eastern Market. It should also be noted that DMM LLC and Washington Arts, Antiques, Crafts and Collectibles and Associates (Subject's current Flea Market Operators) have recently completed a deal with the developers of 700 Penn to operate a market in the 700 block of C Street. As such, this group also may realize financial benefits from being able to continue to run a market on subject site which could yield higher rents to the D.C. Government.

Most Probable Buyer: Experienced Flea Market Operator with ties to unique and successful vendors.

SECTION 4:

VALUATION APPROACHES

VALUATION APPROACH

The appraisers have considered multiple approaches to the estimate of market rents for the vendors in the market as well as an overall rent that could be achieved from a Flea Market Operator(s) who would operate the market on Saturdays and Sundays.

In terms of market vendor rent, our approaches include:

- Comparative Rent Analysis based on Vendor rent at other flea and farmers markets in the area: How much are Vendors paying at other flea/craft markets?
- Bricks and mortar store comparison: How much are bricks and mortar retailers paying?
- Analysis of Sales Per Square Foot for Vendors: How much can a Vendor pay based on projected sales per square foot?

In terms of the market rent for a Flea Market Operator, our approaches include:

- Comparative Rental Analysis: How much are Flea Market Operators paying in comparable markets?
- Parking Lot Rental Calculation Analysis: How much parking income could be generated from the same space if operated for parking only? Per various discussions, this is a frequent method of evaluation, particularly by public entities, including the D.C. government.
- Residual Income and Expense Analysis: how much could a Flea Market Operator afford to pay based on a business model?

CURRENT OPERATIONS

As of the date of this report, the portion of the public right-of-way and public space located in the District of Columbia on 7th Street, S.E. between Pennsylvania Avenue, S.E. and C Street, S.E is rented by Diverse Markets Management (DMM), LLC on Sunday and by Washington Arts, Antiques, Crafts & Collectible Associates on Saturdays. In an email correspondence dated September 6th, 2017, DGS, the Licensor, disclosed that each Licensee pays approximately \$2,000 per month, or approximately \$500 per market day per month.

Licensor and Licensee agree as follows:

1. No Interest In Real Property: No right, title, or interest in real property is being conveyed by licensor to licensee.
2. Modification to Term: The Expiration Date is extended to expire at 11:59 pm on October 30, 2017. Forty-five days prior to expiration date, licensee may negotiate a possible extension of the term.

Diverse Market Management

Vendors pay: Approximately \$100-\$130, depending on the weather.

Washington Arts, Antiques, Crafts & Collectible Associates

Vendors pay: \$90 to \$160, depending on the location within the market.

FLEA/CRAFT AND FARMER MARKETS COMPARABLE RENTALS - VENDORS

In order for the appraisers to estimate the rent that can be paid by a Flea Market Operator, an estimate must be made of achievable vendor rents. The appraisers researched and did a survey of other markets located in public space both in the District of Columbia Metropolitan Statistical Area as well as other relevant metro areas. While data for vendor tent rental rates was often readily available, data for leases between Flea Market Operators and landlords or municipalities was more difficult to obtain. For this reason, Vendor Rent will be discussed first.

During the research period for this report, the Flea Market Managers for Saturday and Sunday reported the rental rates below to the appraisers. On the dates of inspection within this report, the appraisers asked vendors on site what rents they paid for their tents. Both self reporting and inspection came to the same general rent estimates for vendor at the markets.

Diverse Market Management

Vendors pay: Approximately \$100-\$130, depending on the weather.

Washington Arts, Antiques, Crafts & Collectible Associates

Vendors pay: \$90 to \$160, depending on the location within the market.

The average of these rents is \$115 to \$125. A survey of ten comparable markets was taken in order to confirm that the amount of rent reported by the vendors and the Flea Market Managers was in line with market levels. The following lists some of the criteria in the selection of markets.

Location and Brand: Almost all the markets chosen are located in areas that serve as a central point for their submarket. Most of these markets are also notable, at least known well to locals, and are comparative in that way to a market such as the one located in public space on 7th Street, S.E. between Pennsylvania Avenue, S.E. and C Street, S.E.

Vendor Mix: Almost all of the markets have a Vendor mix at least somewhat comparable to the markets in public space on 7th Street, S.E. between Pennsylvania Avenue, S.E. and C Street, S.E. Most have a mix of different uses. Some of the markets are more farmer's market oriented.

Size and Condition: While the subject space is smaller in size than most markets, the individual vendor space size is in line with the other markets. Both absolute size and vendor size were considered. In terms of condition, all markets needed to be considered adequate for the same use.

Purpose and Management: All of the markets serve the purpose of providing economies of conglomeration, ease, and a unique shopping experience for their customers.

The following discussion provides an overview of comparable vendor rentals.

DGS Market At Eastern Market

Capitol Hill in Washington, DC

Times:

Saturdays from 7 am – 6 pm and Sundays from 10 am – 5 pm

Managed by the D.C. Department of General Services

Vendor Rules: A one-time non-refundable application fee of \$35 is required. Vendors must bring their own tables and chairs as well as overhead protection. Most vendors are assigned permanent spaces. To maintain a permanent space, vendors must exhibit an average of three out of every four market days and communicate with the market managers ahead of time if they will not be attending. No vendor's license is required, but vendors are required to collect and pay appropriate sales tax to the DC government.

Rental Rate: \$22-44/day depending on size and location of space

Types of Vendors:

Arts: collage, painting, photography and framing

Crafts: crafts, ceramics, glass, imported crafts, and woodworking

Clothes & Accessories: handmade, imported, and vintage clothing and accessories

Jewelry: handmade, estate, and imported jewelry

Antiques: antiques, collectibles, and furniture

Special Items: foods, soaps, scents, stationery, and more

Comments: The appraisers believe that since this market is managed by a public manager, DGS, it is not as comparable as some of the other privately run markets. While the location and brand are just as strong, it is clear that the managers are charging less rent than a vendor could be charged at the location. The appraisers believe the rental structure for vendors may be reevaluated by DGS in the future and steps taken to make them more in line with the market level rents.

Georgetown Flea Market

Georgetown in Washington, DC

Every Sunday: 8 am – 4 pm

Started by Michael Sussman and managed by Butch Finch

Vendor Rules: Spaces are assigned to permanent dealers. After 7 am the management will fill the empty spaces with non-permanent vendors.

Rental Rate: Range from \$30-\$60 a day

Vendors sell antiques, Collectibles, Art, Furniture, Rugs, Pottery, China, Jewelry, Silver, Stained Glass, Books and Photographs

<http://www.georgetownfleamarket.com/>

Comments: The appraisers did not consider the rents at this market to be of particular importance in setting a rent, as the manager reported that profit was not a consideration in management of the market at this time. Rather, the Flea Market Operator charges partly based on long standing vendor relationships and operates that market for altruistic purposes (to benefit the small businessmen who operate the vendor tents).

The Arlington Civitan Open Air Market

Arlington, VA

First Saturday of each month from April through November
7 am – 1:30 pm

Around 150 vendors spread out over 5 levels of a 20,000 sf parking garage. The Flea Market has over 1,200 people visit each Saturday of the month.

Rental Rate: \$20 for one parking space

Vendors sell books, clothes, furniture, garden tools, household goods, jewelry, shoes, toys, records and more

http://arlington-fleamarket.com/Home_Page.html

Comments: The fact that the space is in a parking garage and not a part of a historic market make the space considerably less desirable for a vendor. Furthermore, this market is not nearly as long established and well known as the Eastern Market space, which has been around for over 30 years. For the reasons stated, this rent was not closely considered by the appraisers.

Fairgrounds Flea Market

Gaithersburg, MD

Every Saturday and Sunday from 8 am – 4 pm, year round

Rental Rate: \$25 for 20' x 20' space

Vendors do not need to reserve a space; they are assigned a space and pay when they arrive. Vendors bring own tables, chairs, and/or tents. Vendors are responsible for collecting and reporting their Maryland sales tax.

Vendors sell antiques, crafts, collectibles, books, household items, art, jewelry, tools, perfume, clothing, electronics, and other new or used items.

http://johnsonshows.com/?page_id=84

Comments: The population density, incomes, and brand are all considerably less desirable for a vendor in Gaithersburg than at Eastern Market. This rent was not considered comparable.

Hell's Kitchen Flea Market

New York, NY

Every Saturday and Sunday from 9 am – 5 pm

Vendors must have a NY State Tax ID as well as a Temporary Street Fair Vendors Permit or General Vendor License (unless selling in the “Bus Lot”). All vendors must sign and submit a completed Vendor Agreement. Vendors must make a reservation for a spot at least one week in advance.

Tables are \$10/day and tents are \$20/day or \$35 for the weekend. Vendors pay in full by 11 am the day of selling at the market.

Rental Rates:

\$85/day (\$170/weekend) for 10'x10' booth

\$95/day (\$190/weekend) for higher-visibility 10'x10' booth

\$125/day for booth-and-a-half (10'x15')

Vendors sell antiques, historical ephemera, collectibles, decorative arts (antique, vintage, retro, etc.), decorative architectural and industrial salvage, vintage clothing, jewelry, furniture, fine crafts, art, and more.

<http://www.annexmarkets.com/>

Comments: Hell's Kitchen Flea Market was found to be somewhat comparable to Eastern Market. In terms of location and brand, the appraisers felt that while Hell's Kitchen has a potential for more volume due to the population density, the brand of Eastern Market is stronger. Therefore volume is likely similar. Furthermore, the group who runs the organization is very similar to current Flea Markets operating at the subject space, and run a for profit market.

Chelsea Flea Market

New York, NY

Every Saturday and Sunday, 6:30 am – 6 pm

Vendors must have a NY State Tax ID. Vendors must make reservations for spots by Friday of the immediate weekend. Vendors pay the rent by 9 am the day of selling at the market. Tables are available for \$10 and tents are available for \$20/day or \$35 for the weekend. Vendors may bring their own tents, but only 10'x10' white tents in presentable condition are allowed.

Rental Rates:

\$175/day (\$300/Sat. & Sun.) for 10'x10' booth

\$125/day (\$200/Sat. & Sun.) for half of 10'x10' booth

Vendors sell antiques, ephemera, collectibles, decorative art, vintage clothing, jewelry, furniture, art, and more.

<http://www.annexmarkets.com/>

Comments: Chelsea Flea Market was viewed as somewhat comparable to Eastern Market. While their rates are higher than Eastern Market, from \$125 to \$175, the appraisers believe that is because the density gives a greater volume potential. As the most established flea market in New York City, the appraisers felt the volume potential due to notoriety was similar. Furthermore, the group who runs the organization is very similar to current Flea Markets operating at the subject space, and run a for profit market.

Brooklyn Flea DUMBO

New York, NY

Sundays from 10 am – 6 pm

The flea market features 80 vendors, April through October. The flea market is described as “part vintage bazaar, part old-fashioned town square, and part food bonanza”.

Rental Rates: Range from \$150-\$300 per weekend, depending on the size of the space

Vendors sell furniture, vintage clothing, collectibles and antiques, jewelry, art, and crafts by local artisans and designers.

<http://brooklynflea.com/markets/dumbo-2/>

Comments: Eastern Market is a more established and long standing market, but the appraisers still used this market in their consideration of rent confirmation. While the brand is not as strong as this market which started more recently, there is greater population density in the area. Therefore volume is likely similar. Furthermore, the group who runs the organization is very similar to current Flea Markets operating at the subject space, and run a for profit market.

Grand Bazaar NYC

New York, NY

Sundays from 10 am – 5:30 pm

\$80 for outdoors 5’x10’ space

\$140-170 for outdoors 10’x10’ space

\$65 for indoors 4’x6’ space

Local artists, designers, and antique/vintage dealers sell art, antique watches, vintage collectibles and fashion, handmade jewelry and furniture.

<https://www.grandbazaarnyc.org/>

Comments: While the brand is not as strong as this market started more recently, there is greater population density in the area of Grand Bazaar. Therefore volume is likely similar. Furthermore, the group who runs the organization is very similar to current Flea Markets operating at the subject space, and run a for profit market.

A note on New York Flea Markets: The privately run, for profit flea markets in New York had the most similar vendor profile and business models to the private markets that have been run in the subject space. Admittedly, higher incomes and greater density should make rents greater in New York City than Eastern Market. Generally, that was the case. On the other hand, there were a greater number of markets like Eastern Market to serve the greater population. Overall, the research in New York helped to confirm the rents suggested by the Eastern Market Vendors and Flea Market Managers.

Capitolo Flea Market

Philadelphia, PA

Weekend flea market that occurs two to three times a year (typically 9 am – 3 pm). Vendor spaces are first come first serve, and rent must be paid via PayPal or a mailed money order.

Vendors must bring their own tables, chairs, and tents.

\$25 for 6'x6' space

\$45 for two 6'x6' space

<http://capitoloofleamarket.weebly.com/>

Comments: Philadelphia's market has a similar flea market to Eastern Market. They have more vendors and take up approximately half the space. Overall, the brand is not nearly as strong or consistent as Eastern Market, as they only hold markets a few times a year, whereas Eastern Market is a consistent staple in its trade area. It was not clear based on conversations whether the management is seeking to maximize its economic yield or simply cover its costs, and most of the management is made up of volunteer members.

Patapsco Flea Market

Baltimore, MD

Every Saturday and Sunday from 8 am – 5 pm

Vendors are required to reserve spaces in person, either before the weekend they plan to set up or before 7:30 the morning of. Outdoor spaces are allotted on a first come first serve basis. Vendors who want to sell at the flea market for over two weeks must obtain a trader's license.

\$25 for indoor 3'x8' space with table

\$100-300 (7'x18'-24'x32')

Vendors sell a wide range of new and gently used products, including clothing, shoes, perfumes and other personal care products, household items, handmade crafts, and more.

<http://www.patapscomarket.com/>

Comments: The larger space available is a 24' by 32' size, which is almost 3 times the size of the Eastern Market's 10' by 10' tents. While Baltimore is nearby, this market does not have the same notoriety as Eastern Market. It is not clear whether the management is seeking to maximize its economic yield.

Flea Market	Location	Daily or Weekend Rental Rate
DGS Market at Eastern Market	DC	\$22-44 depending on size and location of space
Georgetown Flea Market	DC	\$30-60
Arlington Flea Market	Arlington, VA	\$20 for one parking space (in 5-story garage)
Fairgrounds Flea Market	Gaithersburg, MD	\$25 for 20' space
Hell's Kitchen Flea Market	NYC	\$85/day (\$170/weekend) for 10'x10' booth \$95/day (\$190/weekend) for higher-visibility booth \$125/day for booth-and-a-half (10'x15')
Chelsea Flea Market	NYC	\$175/day (\$300/Sat. & Sun.) for 10'x10' booth \$125/day (\$200/Sat. & Sun.) for half of 10'x10' booth
The Brooklyn Flea, DUMBO	NYC	\$70 for 6'x6' space
Grand Bazaar NYC	NYC	\$80 for outdoors 5'x10' space \$140-170 for outdoors 10'x10' space \$65 for indoors 4'x6' space
Capitolo Flea Market	Philadelphia, PA	\$25 for 6'x6' Space \$45 for two 6'x6' spaces
Patapsco Flea Market	DC	\$100-300 (7'x18'-24'x32')

In conclusion, while rents varied greatly, the appraisers found similar markets in their survey that charged similar rents, and were able to confirm that rents reported in the market were indeed similar to rents charged at other markets. The greatest consideration was given to the current vendor tent rentals whose rent is supported by several of the comparable markets that were surveye.

Rental Estimate on a Per Vendor Basis – Comparable Markets

Potential Rent Conclusion \$115 - \$125
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RENTAL ESTIMATE BASED OFF OF COMPARABLE COMMERCIAL PROPERTIES IN THE IMMEDIATE AREA – VENDORS
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THE FOLLOWING IS A SECONDARY APPROACH TO TEST THE CONCLUSIONS IN THE PRIOR SECTION.

The appraisers reviewed lease comparables for existing buildings (“bricks and mortar stores”) in the immediate area of subject property in order to establish a point of comparison to the small, vendor tents outside of Eastern Market. When comparing market vendors with retail stores, it is important to note that sales per square foot in flea/craft markets can be substantially higher than nearby retail spaces because market tents can be quite small. Furthermore, sales per square foot are calculated on vendor tent areas only, excluding the market’s common areas such as aisles (where customers stand), restrooms, loading docks, and other common spaces. Sales per square foot for market tents are also higher on a daily basis as these establishments are only open on the highest traffic shopping days at the subject space.

The market now operates on one pedestrian-only block on 7th Street SE, between C Street and Pennsylvania Ave SE. The area is shaded by tree foliage, which allows pedestrians and customers to congregate specifically in this area. This allows a great degree of exposure for the vendors at the subject space.

Assuming the flea market has adequate foot traffic and notoriety to support high sales, sales per square foot can see significantly more traffic than nearby retail stores according to the 1995 report entitled *Public Markets and Community Revitalization* authored by Theodore Spitzer and Hillary S. Baum and published by the Urban Land Institute (ULI) . This suggests that rents per square foot for vendor tents can sometimes be substantially higher than nearby retail storefronts, particularly for small, high-profit operations or prepared food.

All vendor tents at subject site are approximately 10 feet by 10 feet, or approximately 100 square feet (and there can be multiple tents). Likewise, the vendors also needed to pay for their pro rata share of the other useable space, approximately 1/30 of the total space at the market. This is comparable to the aisle space, bathrooms, back storage and other spaces that retail stores pay for in terms of square footage that is not directly used to market their merchandise.

To determine this amount of space, the appraisers measured the width of the street, which was estimated to be 36 feet. The appraisers also measured approximately 400 feet from the midpoint between the curbs at 7th Street and Pennsylvania Avenue to C Street. The appraisers multiplied 400 feet by 36 feet to come up with a rentable and useable area of 14,400 square feet. To determine the number of square feet, the appraiser then divided by the 30 expected tents (after 700 Penn opens) that will rent the space. The number of square feet using this methodology is approximately 480 square feet per tent. ($14,400 / 30 = 480$).

Next, the appraisers surveyed nearby retail properties in the neighborhood.

Market Rents in Subject Neighborhood:

Comp #1: Convenience Store. (7-11)
Address : 637-639 Pennsylvania Avenue, SE.
Size: 2,077 sf
Rent/SF: \$58.50 NNN
NNN Pass thru: \$20
Escalations: 10% every 5 years
Lease period: 10 yrs
Options: 3-5 yrs. 10% escalation
Use: Convenience store
Lease signed: 5/2016
Condition: Landlord provided vanilla shell
Confirmation: Broker package

Comp #2: Cell Phone Provider
Address : 637-639 Pennsylvania Avenue, SE.
Size: 1,544 sf
Rent/SF: \$67.00 NNN
NNN Pass thru: \$20
Escalations: 2% per year
Lease period: 17 yrs
Options: 3-5 yrs. TBD escalation (market)
Use: phone store
Lease signed: 1/2016
Condition: Landlord provided vanilla shell
Confirmation: Broker package

Comp #3: Local Creamery
Address : 700 Pennsylvania Avenue, SE.
Size: 722 sf
Rent/SF: \$75.00 NNN
NNN Pass thru: \$20
Escalations: 3% per year
Lease period: 5 yrs
Options: 1-5 yrs. TBD escalation (market)
Use: Creamery
Lease signed: 2017
Condition: Landlord provided vanilla shell
Confirmation: Landlord

Comp #4: Juice Store
Address : 700 Pennsylvania Avenue, SE.
Size: 494 sf
Rent/SF: \$65.00 NNN

NNN Pass thru: \$20
Escalations: 3% per year
Lease period: 5 yrs
Options: 1-5 yrs. TBD escalation (market)
Use: Juicery
Lease signed: 2017
Condition: Landlord provided vanilla shell.
Confirmation: Landlord

IMPORTANT NOTE: THIS LEASE AGREEMENT IS PART OF A PUD PROFFER THAT LANDLORD WOULD SIGN LEASES TO NEW, LOCAL COMPANIES @ 75% OF MARKET.

Comp #4: Turkish Linen Store
Address : 700 Pennsylvania Avenue, SE.
Size: 755 sf
Rent/SF: \$65.00 NNN
NNN Pass thru: \$20
Escalations: 3% per year
Lease period: 5 yrs
Options: 1-5 yrs. TBD escalation (market)
Use: Turkish Linen Store
Lease signed: 2017
Condition: Landlord provided vanilla shell.
Confirmation: Landlord

IMPORTANT NOTE: THIS LEASE AGREEMENT IS PART OF A PUD PROFFER THAT LANDLORD WOULD SIGN LEASES TO NEW, LOCAL COMPANIES @ 75% OF MARKET.

Analysis:

The above comparables reflect that the typical retail rents are in the \$75 psf range in the immediate area, typically for larger store spaces. Typically, these rents are triple net so tenants are paying a typical \$18 per square foot for operating expenses. However, given that vendors bring their own infrastructure, use no utilities, clean their own areas, only a small \$10 adjustment was made for security, common area maintenance, and management fee that the market manager cannot pass though.

Using the mean with a \$10 dollar adjustment, the appraisers estimated \$85 per square foot annually. However, since the tents are only rented per day, the appraiser divided the rent by 365 days ($\$85 / 365 = \0.23) and came to a rent of \$0.23 cents per square foot per day.

The appraisers then considered that Saturdays and Sundays are higher grossing days at Eastern Market in terms of volume. Indeed, almost double the customers attend Eastern Market on Saturdays and Sundays than on the other days of the week. Therefore, flea market operators only have to pay for the premier times for sales and foot traffic that is quite valuable for retail operations. Given the greater number of customers at the market as reported by the dot survey, and assuming

that twice the number of customers will translate into at least 25% more sales, the appraisers applied a 25% premium to the rent. After a 25% premium, the rent is \$0.29 per square foot.

How often do you visit the market?						
	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
Once a week or more frequently	164	56	25	18	309	206
Once a month or more	24	NA	13	4	42	185
Once a year or more	6	7	11	5	248	212
Less often than once a year	NA	3	NA	NA	23	NA
First time here	18	5	5	7	88	153
TOTAL RESPONDENTS	213	71	53	36	652	800

Once the appraiser arrived at a rent of \$0.29 per square foot per day, the appraiser multiplied that number by the number of square feet, 480, to arrive at a fair vendor rent. $\$0.29 \times 480 = \139.73

The appraiser concluded that in comparison to brick and mortar retail, a fair vendor rent is approximately **\$140 dollars per day**.

<p style="text-align: center;"><u>RENTAL ESTIMATE BASED ON A PERCENTAGE OF SALES PER DAY – VENDORS</u></p>

THE FOLLOWING IS A SECONDARY APPROACH TO TEST THE CONCLUSIONS IN THE COMPARABLE RENTAL SECTION.

One method the appraisers used to estimate a market rent for a vendor was to consider rent per day as a percentage of sales per day. In order to estimate a rent, the appraisers surveyed a number of current market operators familiar with the markets surrounding Eastern Market, to estimate the sales per day. The appraisers also spoke with two consultant groups Market Ventures Inc. and The Project for Public Spaces, who are both familiar with Eastern Market and have worked on many similar markets. The appraisers also considered that there will be variability in the sales volume depending on the types of products being sold.

In a survey of relevant vendors, the appraisers asked the following question:

1) How many dollars of goods do vendors at flea markets sell per day?

Diverse Market Management

The appraisers first posed the question to DMM, who runs the Sunday market. This operator suggested that while he did not keep track of sales, he felt that on average, vendors sold about \$500-\$600 of goods per day.

Estimate: \$550

Washington Arts, Antiques, Crafts & Collectible Associates

The appraisers also posed the question to Washington Arts, Antiques, Crafts & Collectible Associates, who runs the Saturday market. This operator suggested that while she did not keep track of sales, she felt that on average vendors sold about \$1,000-\$2,000 of goods per day.

Estimate: \$1,500

Bethesda Farm Market

While the Bethesda Farm Market is primarily a farmer's market, they do have some non food vendors at the market. Furthermore, they also keep track of sales as they charge 7% as a percentage rent to vendors.

Estimate: \$125 per hour, or \$1,000 to \$1,200 per day as calculated by the appraiser assuming an 8 hour day.

Project for Public Spaces

PPS was founded in 1975 to expand on the work of William (Holly) Whyte, author of *The Social Life of Small Urban Spaces*. They have completed over 3,000 projects involving public space, including hundreds of markets. When asked about a potential sales figure for flea market tenants, their representative suggested that \$1,000 - \$1,200 was reasonable at the subject location.

Estimate: \$1,000 - \$1,200

Market Ventures, Inc.

Ted Spitzer of Market Ventures was consulted in order to estimate sales at a craft market. Market Ventures, Inc. is a specialty urban planning and economic development firm that assists public, non-profit, and for-profit clients with planning, creating, and managing public and private markets and programs. They have particular expertise in public markets and farmers' markets. After a discussion about the state of the market, they estimated a significant range between \$600 and \$1,300.

Estimate: \$950

Since most of the data was relatively consistent, **\$1,000 - \$1,200** was adopted by the appraiser as an estimate for flea market vendor sales per market day based on conversations with people knowledgeable with the subject market. Again, there will be variability between the types of vendors but this figure is assumed to be a typical level of sales.

2) What percentage of sales per square foot is reasonable to charge a flea market vendor?

In speaking with the same parties regarding the percentage that vendors could afford to pay, only 3 of the 5 volunteered definitive data on how much was fair to charge. A summary of the relevant amounts can be found below:

Bethesda Market: 7% - 10%

Project for Public Space: Approximately 10%

Market Ventures: Approximate 10% -15%

Since most of the data was relatively consistent, **10% – 12%** was adopted by the appraiser as an estimate for appropriate flea market vendor percentage sales per market day based on conversations with people knowledgeable with the subject market.

Potential Rent Conclusion

The preceding narrative demonstrates that the appraiser's research indicated **10%-12%** as a percentage of sales per day and **\$1,000 to \$1,200** in sales per day. The range indicated between 10% of \$1,000 and 12% of \$1,200 is \$100 to \$144. Therefore, the appraisers felt that as a

percentage of sales, a midpoint of **\$120 per tent** was a reasonable rent based off of a percentage of sales.

<u>Reconciliation of Values – Vendor Tents</u>

In terms of market vendor rent, our approaches include:

- Comparative Rent Analysis based on Vendor rent at other flea and farmers markets in the area: How much are Vendors paying at other flea markets
CONCLUSION: \$115-\$125 PER TENT
- Bricks and mortar store comparison: How much are brick and mortar retailers paying?
CONCLUSION: \$140 PER TENT
- Analysis of Sales Per Square Foot for Vendors: How much can a Vendor pay based on projected sales per square foot?
CONCLUSION: \$120 PER TENT

FINAL RECONCILIATION

In choosing a rent valuation for Vendors near Eastern Market, the appraisers carefully considered the preceding three approaches for value. In choosing one approach, the appraisers considered that flea markets near Eastern Market face a unique situation of having recent and strong data from both the Saturday and Sunday Flea Market Operators, who are private operators and make market deals with vendors. For this reason, the appraisers chose to pick the approach that considered the most comparable properties to subject.

VALUE CONCLUSION \$115-\$125 PER TENT
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COMPARABLE LICENSES & AGREEMENTS FOR FLEA MARKET OPERATORS

The Appraisers were able to obtain some Comparable Licenses and Agreements for Flea Market Operators. Data on flea market space was often withheld by Flea Market Operators and owners, and was very inconsistent. In fact, the appraisers found a wide variety of rents being paid by vendors and Flea Market Operators. Often, spaces are leased by public, quasi-public entities and private owners to vendors and Flea Market Operators for low rent levels. In some cases, the appraisers found that Flea Market Operators are paid by the owner or manager of the site in order to conduct a flea/craft market. In such cases the goal of the public, quasi-public or private owner is to provide the flea/craft market due to a desire to activate a public space. In other cases, particularly in locations which are able to draw strong business to the vendors, the owner of the site of the market is able to achieve rents commensurate with the volume of business that is achievable. The appraisers are approaching the assignment in that way – to establish a level of rent that reflects the business potential of the market.

The appraisers were able to obtain limited and unofficial information on the deal between Eastbanc, Stanton Development and the two Flea Market Operators who operate at Eastern Market for the private space on C Street around the corner from the Subject. While not all points of comparison are the same, this is very relevant data for the subject rental estimate.

A survey of nine competitive spaces was presented. In choosing which markets within the area were most comparable, the appraisers consider a number of factors. These factors include location and brand, size and condition, and purpose.

Below are brief descriptions of the Licensing Data the Appraisers' collected:

Eastern Market – DGS

Important Terms: DGS is permitted to operate an outdoor market in the space. DGS agrees to transfer \$113,380.80 via intra-district transfer pursuant to the terms of the MOA below.



GOVERNMENT OF DISTRICT OF COLUMBIA
DEPARTMENT OF TRANSPORTATION
1100 4TH STREET SW / 2ND FLOOR, WASHINGTON, DC 20024



FARMERS' MARKET – TEMPORARY OCCUPANCY PERMIT

		PERMIT NO:	PA10452315
Location:	200 - 299 BLOCK OF 7TH STREET SE, 300 - 399 BLOCK OF 7TH STREET SE, 600 - 699 BLOCK OF C STREET SE		
Permission Granted To:	DGS	Valet Company	N/A
Off Street Parking Facility:	N/A		
Rte. To Off Street Facility:	N/A		
Rte. To Valet Staging Zone:	N/A		
Permit Fee No:	300789022	Permit Fee Amount:	\$3,900.00 (Waived)
Meter Fee No:	M89023	Meter Fee Amount:	\$113,380.80

Permission is hereby granted to the entity named above to perform the work described herein at the address shown above in strict accordance with all conditions stated on all pages of this permit as well as on the application submitted. The valet staging zone shall be delineated by signs installed and maintained by the District of Columbia Department of Transportation (DDOT)

Event: Farmers' Market	Spaces Occupied: 68						
Meter Numbers (if applicable): 60700291, 60700292, 60700293, 60700294, 60700301, 60700302, 60700303, 60700304, 60700305, 60700306, 60700307, 60700308, 60700309, 60700310, 60700311, 60700312, 60700313, 60700314, 60700315, 60700316, 60700317, 60700318, 60700319, 60700320, 60700321, 60700322, 60700324, 60700328, 60700330, 61260601, 61260603, 61260605							
Approved sets of hours and days:							
	<table><tr><th>Time</th><th>Days</th></tr><tr><td>1:00 PM - 8:30 PM</td><td>Tue</td></tr><tr><td>6:00 AM - 7:00 PM</td><td>Sun Sat</td></tr></table>	Time	Days	1:00 PM - 8:30 PM	Tue	6:00 AM - 7:00 PM	Sun Sat
Time	Days						
1:00 PM - 8:30 PM	Tue						
6:00 AM - 7:00 PM	Sun Sat						

Specific Conditions:

- *"Emergency No Parking" and "Reserved Parking" signs must be posted no less than 72 hours in residential zones and 24 hours in business zones prior to occupancy. Signs must be immediately removed upon completion of work.
 - *All work and occupancy must comply with all District regulations and statutes. Violation may result in revocation of this permit.
 - *If street, alley or sidewalk closures are involved, approved Traffic Control Plan (TCP) is a part of this permit and must be on site at all times and visible from public space.
 - *Must not block any Metro Transit bus stops or Metro entrances without the permission of WMATA and DDOT.
 - *Must not block Fire Hydrants or any important utility structures (e.g. manholes, vault grates, ventilation, traffic signal box, etc...)
 - *Must not occupy Loading Zones and driveways.
 - *No crossing of sidewalk with trucks unless permission is granted and noted on TCP by DDOT.
 - *Only registered commercial vehicles directly needed for construction are permitted to be parked in the area defined by this Permit when applicable.
 - *Permit holder is responsible for all damage to public space as a result of work done under this permit.
 - *Permit holder is responsible for obtaining any additional permits required by statute or regulation including DOH, WASA, FEMS, MPDC, DDOT and DCRA permits.
 - *Prior to street, alley and sidewalk closures Permittee must immediately notify FEMS, MPDC and MPTD.
 - *Renewals require all prior public space permits be on premise.
 - *This permit is revocable at any time at the discretion of FEMS, MPD and/or DDOT.
 - *This permit must be on site at all times and visible from public space.
 - * Person(s) who posts an unauthorized sign or removes an authorized sign is subject to a fine of \$100 per day.
- All street trees located within the work zone shall have a 6' high chain link fence placed around the tree space to the extent of the box (min 4' x 9') or in a continuous planting space to the extent of the dripline. The fence shall be installed prior to work starting and removed after work has been completed.
- * Trash containers and Moving Containers are to be placed in curb lane at the front of this property unless specified elsewhere on the Permit.
 - *No work or construction in public space is authorized by this permit.
 - *No work is permitted before 7am or after 7pm Mon. thru Sat. or all day Sun.. Work before 7am or after 7pm Mon. thru Sat. or all day Sun. requires permit from DCRA.

*Prior to street, alley and sidewalk closures Permittee must immediately notify FEMS, MPDC and MPTD.
 *Renewals require all prior public space permits be on premise.
 *This permit is revocable at any time at the discretion of FEMS, MPD and/or DDOT.
 *This permit must be on site at all times and visible from public space.
 * Person(s) who posts an unauthorized sign or removes an authorized sign is subject to a fine of \$100 per day.
 All street trees located within the work zone shall have a 6' high chain link fence placed around the tree space to the extent of the box (min 4' x 9') or in a continuous planting space to the extent of the dripline. The fence shall be installed prior to work starting and removed after work has been completed.
 * Trash containers and Moving Containers are to be placed in curb lane at the front of this property unless specified elsewhere on the Permit.
 *No work or construction in public space is authorized by this permit.
 *No work is permitted before 7am or after 7pm Mon. thru Sat. or all day Sun.. Work before 7am or after 7pm Mon. thru Sat. or all day Sun. requires permit from DCRA.
 *Permit holder is responsible for contacting DDOT at 202-671-2020 to request the reinstallation of parking meters.
 *Spikes, stakes, nails and/or anchors must never be placed/installed into the pavement in public space unless authorized and observed by a DDOT inspector.
 *All Final details and/or any changes to the approved permit must be coordinated with the Mayors Special Events Task Group (MSETG).
 Permit Effective: 07/24/2017 Permit Expires: 07/23/2018

Domanika Green <hr/> Public Space Permit Staff	Leif Dormsjo <hr/> Director
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Number of Tents: Approximately 100, unless DGS chooses to retain the subject space from Pennsylvania to C Street on 7th SE. If they choose to retain the subject space for DGS use rather then give a flea market operator a license, the appraisers estimate potential for 130 to 140 tents in total.

Licensing Rate: \$9,448.40 per month (\$4,724.20 for each Flea Market Day). Some of this rent will be offset if DGS chooses to sublease the subject space to a Flea Market Operator.

Comments: This market currently subleases to the subject property and is able to recuperate some of their costs per month. Furthermore, this market is open on Tuesday. The method of calculation is the DGS parking lot method is described in this report in the section labeled “PARKING LOT CALCULATION SINGLE LICENSEE ANALYSIS.” The agreement is not considered particularly comparable to the conclusions in this report.

C Street at the Hines School at Eastern Market

Important Terms: Required by the Planned Unit Development (PUD) approval at the time of approval for 700 Penn, a mixed use project described in this report. The appraisers believe it is likely priced “under market” as the Landlord had a strong incentive to reach a deal. Discussions with the Landlord indicates there was not an extensive review of comparable pricing in order to determine the rate that should be charged the Flea Market Operators for their C Street space. The owners of the property at 700 Pennsylvania Avenue have the right to review, deny and restrict certain uses that may conflict with the retailers who lease their property annually.

Number of Tents: 50 per PUD agreement. Likely 38 in practice per Flea Market Operator(s).

Licensing Rate: Estimated at \$3,200, per conversations with parties with knowledge of the transaction.

Comments: This deal was the most recent and comparable data available for the subject analysis. However, it is unclear if this deal is completely an Arm's Length Transaction due to the PUD requirements i.e. the Lessor has an incentive to complete a deal that is not typical. *The Appraisal of Real Estate, 13th Edition*, published by the Appraisal Institute, states that an arm's length transaction is "a transaction between unrelated parties under no duress. The common definitions of market value usually set out the criteria for an arm's length sale in detail." On the page prior to this definition in this text, it reads, "Sales that are not arm's length market transactions (in accordance with the definition of market value used in the appraisal) should be identified and rarely, if ever, used." Since there are PUD requirements for Eastbanc or Stanton Development, it is not certain that the terms reflect an arms length transaction. These parties were required to use the space as directed in the PUD which may not necessarily be the Highest and Best Use.

Certain amenities to the space make the condition slightly better than at the adjacent street (subject location on 7th Street). On the other hand, since the subject is closest to Pennsylvania Ave, it is likely slightly more desirable in that sense. The amount of tents that can fit in the space on 7th Street is also less than on C Street, meaning a Flea Market Operator would have less vendor revenue to spread their fixed costs.

One of the operators noted that the C Street lease was contingent on their continued operation of the subject space – this could not be confirmed with all parties. Since no legitimate evidence was offered, the appraisers assumed that there was no such contingency.

Georgetown Flea Market

Important Terms: None

Number of Tents: 40

Licensing Rate: \$1,200 monthly for the school parking lot.

Comments: This market was not considered comparable because no recent or new methodologies have been applied to determine the rent. This market's rent was also set using the parking lot calculation method previously mentioned in this report.

Per the market's website, this market has the advantage of permanent vendors, which means pre-payment and vacancy protection:

"Spaces are assigned to permanent dealers. Permanent dealers must be in their space no later than 7 AM. Our manager may not know space availability in advance. After 7:00 am the management at their discretion will begin filling spaces with non-permanent vendors. All vendors must be packed up and off the lot by 6 pm."

Website: <http://www.georgetownfleamarket.com/index.shtml>

Bethesda Central Farm Market

Important Terms: Sundays 9am - 1:30pm at 7600 Arlington Rd. at Old Georgetown Road, Bethesda, MD 20814. Runs from April 2 - December 31, 2017

Number of Tents: 40-60

Licensing Rate: \$1,200 monthly for the school parking lot.

Comments: This market was not considered comparable because no recent or new methodologies have been applied to determine the rent. This market's rent was also set using the parking lot calculation method previously mentioned in this report.

Website: <http://www.centralfarmmarkets.com/>

Mosaic Central Farm Market

Important Terms: Occurs Saturday's in Eden's Mosaic District development at 2910 District Avenue, Fairfax, VA 22031. Sundays 9:30am - 2:30pm from April 2 - December 31, 2017

Number of Tents: 40-60

Licensing Rate: No rent or fee charged.

Comments: This market is not charged a fee, as this market is intended to promote nearby retail. Since the purpose of the market is to promote the nearby retail and apartment leases, this market was not considered comparable.

Website: <http://www.centralfarmmarkets.com/>

Pike Central Farm Market

Important Terms: Saturdays 9am - 1:30pm in the REI Rockville Parking Lot at 910 Rose Ave. North Bethesda, MD 20852. Runs from May 6 - November 18, 2017

Number of Tents: 40-60

Licensing Rate: No rent or fee charged.

Comments: This market is not charged a fee, as this market is intended to promote nearby retail. Since the purpose of the market is to promote the nearby retail and apartment leases, this market was not considered comparable.

Website: <http://www.centralfarmmarkets.com/>

Market SW

Important Terms: This market is a bi-monthly night arts market from 4-10pm each second and fourth Friday of the month beginning on May 12, continuing each second and fourth Friday of the month through October 27, 2017.

Number of Tents: 40-60

Licensing Rate: Flea Market Operator receives \$5,000 per month to manage the space and all aspects of those markets, which includes vendors, entertainment and performers, food vendors or trucks, signage, marketing, and other community activation on the site.

Comments: Similar to many of the markets noted above, this market operator is paid to put on the market. Since the sole purpose of the market is to promote public good and community, this market was not considered comparable.

Rosslyn Harvest Fest

Important Terms: 1800 N. Lynn Street, in Arlington, Virginia on October 27th and 28th 2017. Must register in advance.

Number of Tents: Not yet determined.

Licensing Rate: Flea Market Operator paid \$10,000 to produce a 2 day market event.

Comments: This market is not charged a fee but rather pays the manager to put on the event, as this market is intended to promote nearby retail, as well as community activities. Since the purpose of the market is to promote the nearby retail as well as promote public good and community, this market was not considered comparable.

Crystal City

Important Terms: Spring Sparket Market is situated on the sidewalk on the 1800 block of Crystal Drive. The Market will operate on Thursdays, from 11am to 2pm, launching May 4 and running through June 29. The Fall Sparket Market will run from September 7 through November 16.

Number of Tents: Not yet determined.

Licensing Rate: Operate a weekly market in the spring and fall for a \$10,000 contract

Comments: This market is not charged a fee but rather pays the manager to put on the event, as this market is intended to promote nearby retail, as well as community activities. Since the purpose of the market is to promote the nearby retail as well as promote the public good and community, this market was not considered comparable.

Market	Location	Monthly Rate
DGS Market at Eastern Market	DC	\$4,665
C Street at the Hines School at Eastern Market	DC	\$3,200
Georgetown Flea Market	DC	\$1,200
Bethesda	MD	\$1,200
Pike & Rose	MD	\$0
Mosaic	VA	\$0
Market SW	DC	-\$5,000
Rosslyn	VA	-\$10,000
Crystal City	VA	-\$10,000

Potential Rent Conclusion

The following chart demonstrates a summary of the comparable markets and adjustments used in order to determine an appropriate rent for the market.

The preceding chart demonstrates a summary of the comparable markets and adjustments used in order to determine an appropriate rent for the market

Based on a survey of markets, the appraisers selected the private street on C Street as the most comparable market. Therefore, the appraisers estimate that a **rent of approximately \$3,200** would be appropriate based on comparable market licenses.

<p align="center">RENTAL ESTIMATE FOR A SINGLE LICENSEE ON 7th ST BETWEEN PENNSYLVANIA AVENUE AND C STREET \$3,200 PER MONTH</p>
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PARKING LOT CALCULATION - SINGLE LICENSEE ANALYSIS

One common way that schools and other public entities have given licenses to public market operators is to calculate how much income the same space would yield as a parking area. According to a DGS representative, Tonia Proctor, this is the approach used to support the current rent being paid to DGS for the Georgetown space.

The Outdoor Market Permit issued by DDOT to many vendors includes conditions requiring DGS at Eastern Market, or other Flea Markets that rent space in the city, to repair or restore any public space altered or damaged by the occupancy of the public space as an outdoor market, which conditions are subject to the terms of this MOA. Further, Outdoor Market Permits are issued without the payment of permit fees or deposits; however, they do require the payment of all applicable parking meter fees during the permitted period.

The appraisers recognize this approach does not address vendor income potential or comparable rents paid by operators but it appears clear that this is a typical way of analyzing sites so the appraisers felt that it was an important consideration. Therefore, the appraisers tried to answer the following question: How much income might the D.C. government earn if they received the maximum parking income for the hours of operation rather than closing the street for the flea/craft market?

During the appraisal inspection, the appraisers noticed parking meters on only on one side of the street because of construction on the East side. The appraisers observed, from C Street to the Alley, 7 meters in a parking zone that lasted from 7 a.m. to 10 p.m. with a one our max at \$2.30 per hour. Past the alley there was a 4 space loading zone with no parking, and then 4 more meters that required payment for parking from 7 am to 6:30 p.m., at \$2.30 per hour. It appears to the appraisers that once the other side of the street is complete, the number of meters will be 22.

PARKING		
Per Hour	\$	2.30
Sat. hours		10
Sun. hours		10
# meters		22
Saturday	\$	506.00
Sunday	\$	506.00
Weekly	\$	1,012.00
Monthly	\$	4,048.00
Per Market	\$	2,024.00

Both license agreements for Saturday and Sunday state that the streets are closed from 6 a.m. to 7 p.m., or approximately 13 hours per day. However, 1 hour is prior to the meter start time at 7 a.m., so the appraisers considered 10 hours for the analysis. At \$2.30 an hour, each 10 hour market license would cost \$23 per space per day.

Since the other side of the street is still under construction, the appraisers made the assumption that an equal amount of parking meters will be placed on the that side of the street based on the sections of dirt that remain in the sidewalk. That means that a total of 22 meters will be taken by the markets per day that the street is closed. At \$23 per space per day, this equates to \$506 per day. At 4 days per month, the appraisers analysis indicates that \$2,024 is an appropriate rent on a monthly basis for a single Flea Market Operator.

RENT FOR A SINGLE LICENSEE BASED OFF OF A RESIDUAL INCOME AND EXPENSE ANALYSIS

One way to consider the amount of rent that is reasonable to charge a single licensee is to consider the income and expenses of the market, analyze the projections, estimate necessary profit or income for a full time Flea Market Operator, and assume that the residual can be paid as rent. The appraisers surveyed a number of markets to come up with a range of the income and expenses of markets in the area and on the East Coast. The appraisers surveyed the following markets and consultants:

- Project for Public Spaces
- Market Ventures
- Georgetown Flea Market
- DGS Market at Eastern Market
- Flea Market At Eastern Market
- Washington Craft Market at Eastern Market
- The Brooklyn Flea
- The Bethesda Farm Market
- The Mosaic Farm Market
- The Pike & Rose Farm Market

While no market in the appraisers' survey operated precisely in the same manner, there were a number of consistencies between the markets which allowed the appraisers to compile this business model (the pro forma) presented at the end of this section. This business model was then confirmed by both Market Ventures and Project for Public Spaces, who combined have set up thousands of projects and markets. These consultants have extensive knowledge on markets and are both well respected by market operators and landlords alike. The following describes the line items considered for the analysis of a market:

INCOME

Rental Spaces – Rental spaces refer to the number of tents. Currently there are 36, but it is assumed that once the retail stores open on the East side of 7th Street that only 30 tents will fit in the space without unreasonable crowding. This was determined through discussion with Eastbanc, Stanton Development, Washington Arts & Crafts, Diverse Market Management, DGS, and an inspection by the appraisers.

Average Rent – The average rent was calculated three ways:

- Comparative Rent Analysis based on Vendor rent at other flea and farmers markets in the area: How much are Vendors paying at other flea markets
- Bricks and mortar store comparison: How much are brick and mortar retailers paying?
- Analysis of Sales Per Square Foot for Vendors: How much can a Vendor pay based on projected sales per square foot?

As stated earlier in the report, the Comparative Rent Analysis was considered the most comprehensive and relevant approach. The appraisers estimate the most probable rent per tent to be **\$115 to \$125 per tent per weekend day**.

Weather Vacancy – One significant factor that outdoor markets face is the weather. Approximately 113 days in the District of Columbia include rain or snow, though many of those days are very light and a market can still operate. However, some percentage of days will be lost to bad weather, holidays and other issues. Based on a litany of historical data on the site north of the subject, as well as discussion with both market managers at Eastern Market, other market managers, and two consultant groups, the appraisers believe that 5% is a reasonable estimate of the number of days lost in a year due to weather or other issues. The number of market days after weather vacancy is approximately 98 days for both Saturday and Sunday out of the potential of 104 days per year.

The data provided by the DGS Market Manager can be summarized in the chart below.

Date	<u>2014 Thru</u> <u>August 1</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>Historical</u> <u>Average</u>
Market Days	62	99	102	103	86	98	98
Potential Market Days	68	104	104	104	104	104	104
Space Occupancy	91%	95%	98%	99%	83%	94%	93%
Average # Tents	60	64	68	78	84	85	73
Tent Occupancy	60%	64%	68%	78%	84%	85%	73%

Gross Potential Rent to Flea Market Operator – The Gross Potential Rent for a market is the amount of rent if every space is filled and paid for, less weather vacancy. The projected Gross Potential Rent is approximately **\$341,000 to \$371,000** at the subject site.

Tent Occupancy – While weather days have been considered, often during the winter months or on light rain days when the market is still open, some vendors choose not to come to the market, or Flea Market Managers must lower rents to attract them. For a number of months January, February and March - only about 40% of the potential revenue is captured. The rest of the year is closer to 100% except on light rain days. Based on calculations of 40% occupancy for 3 months and 90% for the remaining 8 months, as well as conversations with both market managers and consultants, a reasonable estimate for tent occupancy is approximately 75%.

(See Calculation: $[90\% \times 8 \text{ months} = 8.1 \text{ months}] + [60\% \times 4 \text{ months} = 1.2 \text{ months}] = \text{Approximately months. Divide by 12 months} = 75\%, \text{ rounded.}$)

Further, this conclusion is similar to the historical average of the data provided by DGS, 73%, which is presented the chart above.

Effective Gross Potential Rent – The effective gross potential rent times the tent occupancy lease equals the Effective Gross Potential Rent, which is estimated to be approximately **\$256,000 to \$278,000** at the subject site for both market days.

EXPENSES

General Payroll – For most markets that were surveyed, payroll is the largest expense. Assistants are needed to help monitor set up and market closings, perform security, traffic safety and cleanliness duties, maintain order and collect vendor payments among other functions. Most markets surveyed pay approximately 5 people to perform these duties. Each employee worked for approximately 10 hours at the market at a rate of approximately \$15/per hour. On top of that, benefits must be paid of approximately 22.5%. When multiplied by the number of days that the market is open and considering that employees are not paid on weather days, this expense totals approximately **\$91,000** annually. This expense was confirmed by both market managers and consultants with experience on over 1,000 markets.

Admin/Graphics Payroll – One other employee that a market requires an Administrative and/or Graphics part time employee that works approximately 20 hours a week for \$25 dollars an hour, and must be paid for about 50 weeks despite weather conditions. Based off of the preceding math, $\$25 \times 20 \text{ hours} \times 50 \text{ weeks}$, there is an addition **\$25,000** payroll expense for administrative and/or graphics.

Administrative – In terms of administrative expenses, the appraiser considered that website maintenance is approximately \$2,000 annually for most markets that have websites. This was confirmed individually with market managers as well as a website company, FreshySites, which provided an estimate to the appraisers. Additionally, \$500 dollars can be expected for miscellaneous paperwork and administrative costs for a total of **\$2,500 annually**.

Marketing – An important expense is marketing. There are 4 main types of marketing that the appraisers considered: 1) Newspaper Ads, estimated at \$2,000 annually, 2) Flyers, estimated at \$2,000 annually, 3) Online/Social Media Advertising, estimated at \$2,000 annually, and 4) Memberships in local and tourisms groups and guilds, estimated at \$1,000 annually. The total annual marketing expense is projected to be approximately **\$7,000**.

Licenses – To run a market, a Basic Business License is required which costs approximately **\$375** dollars.

Trash Removal – Based off of an estimate from Tenleytown Trash, as well as confirmation from market managers, trash removal at a typical market is approximately \$100/weekend on average when considering a lump sum annual contract. The annual budget for trash removal is assumed to be **\$5,200**.

Insurance – Insurance has risen in recent years. A general overview of markets in the area suggests that overall insurance costs for a flea market is approximately \$3,500. Since in this scenario there are two markets, the appraisers created an overall budget for Insurance of **\$7,000**.

Management Cost/Incentive – The effort and energy to put together a market and manage it well must be considered when creating a pro forma to analyze such a business. Based off of a survey of market managers, as well as consultation with Market Ventures, the appraisers assumed that

\$25,000 - \$30,000 is appropriate, or about 20% to 25% of gross effective revenue, with 25% being high, and 20% being typical.

Total Expenses – When summing up all of the expenses, the cost to run a market at the subject site is estimated by the appraiser to be between **\$188,000 and \$198,000** or approximately 70% of gross effective revenue.

Potential Rent Residual – To find a Potential Residual available to be paid as rent, the appraisers simply subtracted the expenses and cost of management and income (**\$188,000 to \$198,000**) from the effective gross revenue (**\$256,000 to \$278,000**) to arrive at a range of approximately **\$68,000 to \$80,000 annually for both markets.**

Per market day, that is \$34,000 to \$40,000 annually.

Per market per month, that is approximately \$2,800 to \$3,300 monthly.

Please see the pro forma on the following page.

Revenue Projection	Low End	High End	NOTES:
# Tents:	30	30	Projection by appraiser; currently 36
Average Rent:	\$115.00	\$125.00	\$115-\$125 Projected by appraiser
# days open (Sat + Sun only).	104	104	Note: 100 snow or rain days per year or 27%
Estimate inclement weather - closure - % of all days open	5%	5%	Based off of a survey of the listed markets
Gross Potential - Pj Open Days	98.8	98.8	Projected by appraiser
Gross Potential Rent	\$340,860	\$370,500	Potential Days after vacancy (83.2) X Rate
Less: Tent Occupancy, average on Open Days	75%	75%	Based off of a survey of the listed markets
Effective Gross Potential Rent	\$255,645	\$277,875	This is presented on an annual basis.
Annual Operating Expenses			
Payroll: Assume FT per day	5		Based off of a survey of the listed markets
- # Hours	10		
- Hourly rate	\$ 15.00		
- Benefits	23%		
- Pj Open Days - Sat and Sun	98.8		
- Payroll Projection	\$ 90,773	36% \$ 90,773	
Administrative			1 person * 20 hours * \$25* 50 weeks
- Payroll/Admin/Graphics	\$ 25,000		
- website maintenance	\$ 2,000		
- Admin/paperwork	\$ 500		
- marketing			
- Newspapers	\$ 2,000		
- Flyers	\$ 2,000		
- On Line	\$ 2,000		
- memberships	\$ 1,000		
- licensing/permits	\$ 375		
TOTAL ADMIN/MARKETING PROJECTION	\$ 34,875	\$ 34,875	
Cleaning/trash	\$ 5,200	\$ 5,200	Assumes \$100 trash removal fee/weekend.
- Note: Payroll covers most			
Insurance	\$ 7,000	\$ 7,000	\$3,500 per market
Management/profit incentive			
- As % of Effective Gross	20%	22%	
	\$ 50,000	\$ 60,000	
Less: Total Expenses and Profit Incentive	\$ 187,848	\$ 197,848	
Potential Rent Charge	\$ 67,798	\$ 80,028	
Potential Rent Charge for a Singe Day	\$ 33,899	\$ 40,014	
Potential Rent Charge for a Single Day, on a Monthly Basis	\$ 2,825	\$ 3,334	

Reconciliation of Values – Flea Market Operator

In terms of the market rent for a Flea Market Operator, our approaches include:

- Comparative Rental Analysis: How much are Flea Market Operators paying in comparable markets?

APPROACH CONCLUSION: \$3,200

- Parking Lot Rental Calculation Analysis: How much parking income could be generated from the same space if operated for parking only?

APPROACH CONCLUSION: \$2,024

- Residual Income and Expense Analysis: how much could a Flea Market Operator afford to pay based on a business model?

APPROACH CONCLUSION: \$2,800 to \$3,300

FINAL RECONCILIATION

In choosing a rent valuation for Venders and Flea Market Operators near Eastern Market, the appraisers carefully considered the preceding approaches for each value. In choosing one approach, the appraisers considered that flea markets near Eastern Market face a unique situation of having recent data for a license for a given market. However, due to the circumstances of the PUD creating a non-arms length transaction combined with the fact that none of the parties to the deal provided the document for the appraiser examination, the appraiser felt that this should not be the primary approach from which to derive the final value.

Likewise, the brick and mortar approach is theoretical and does not compare the same business models, as a retail store operator and Flea Market Operator do not serve the same purposes and have many physical and operational differences. Therefore, it was not considered by the appraisers in deriving a final value conclusion.

The Parking Lot Rental Calculation approach was not chosen as the approach considers parking meters rather than a flea/craft market use. Likewise, since meters have not yet been installed on the East Side of the Street, the appraisers did not know for certain how many meters could fit in subject area.

Given the consistencies between the markets which allowed the appraisers to compile the business model presented in the prior section, the appraisers have the highest confidence in this approach. Further, this business model was then confirmed by both Market Ventures and Project for Public Spaces, who combined have set up thousands of projects and markets.

<p>FINAL CONCLUSION: \$2,800 to 3,300 PER MONTH</p>

APPENDICES

APPENDIX A: Subject Photographs



View of Market From Pennsylvania Avenue Looking North



View of Market From C Street Looking South



View of Typical Vendor Stall



View of Typical Vendor Stall



View of Typical Vendor Stall



View of Typical Vendor Stall



View of C Street Looking East – Future Staunton Development Plaza



View of Typical Vendor Stall From Rear & Future Parking Meter



View of Parking Meter on the West Side of 7th Street



View of Typical Vendor Stall

APPENDIX B: Appraisers Qualifications



STATEMENT OF PROFESSIONAL CAPABILITY

M & B Appraisal Group, LLC provides sophisticated valuation services to a wide range of clients - lending institutions, private lenders, business corporations, pension funds, insurance companies, federal and state agencies, non-profit groups and associations, attorneys, investors and developers. M&B was established in 1991 in Washington, DC.

Valuation and Counseling Services

- *Valuation of Real Property*
 - o Financing
 - o Estates
 - o Land assemblage/development studies for public agencies
 - o IRS-related
 - o Foreclosure/Disposition
 - o Portfolio evaluation
 - o Right of way, easements
 - o Establish Market Rents
 - o Market Value Contract Negotiations
 - o Environmentally Impacted Properties
- *Market Analysis and Insight*

The strength of the company rests with the broad real estate business skills and experience of its principals and staff, acquired as active participants in all aspects of commercial real estate, allowing the firm to provide appraisals and analyses which provide insight into the buy-sell strategies of investors, developers and users in the marketplace. Appraisals in today's complex marketplace require more than a perfunctory review of historical data and a standardized valuation technique. Each assignment requires a thorough review of the unique features of the real property and markets being analyzed and use of the proper approach to the valuation. Such advanced knowledge of the market is best gained as a participant in transactions in the local market. Market sensitive analysis requires that the appraiser or analyst have the market knowledge to simulate market behavior, a difficult task for those with more narrowly based real estate backgrounds. Another important strength of the company is the technical expertise of the principals and staff, including sophisticated computer-aided financial analysis and obtaining quality research data, critical to reliable results.

Geographic Focus and Licensure

The primary area of focus is the District of Columbia in non-CBD neighborhoods such as Shaw, Columbia Heights, Petworth, Georgia Avenue corridor, Brightwood, the 14th Street corridor, the U Street corridor, Adams Morgan, East of the River, Capitol Hill, Northeast and Southwest. The principals are Certified General Appraisers in D.C. The primary property types (new construction, existing and renovations) are multi-family (rental and condo), mixed-use, retail, office, industrial and land.

The firm is particularly active in work with D.C. governmental entities (DHCD, DCHFA, D.C. Office of Property Management, Deputy Mayor's Office for Economic Development, OAG); non-profit housing groups (MANNA, SOME, LAYC, Mission First, Development Corporation of Columbia Heights, House of Ruth, Tenant Groups, Micasa); various apartment tenant groups who are purchasing their property under the TOPA regulations; and private lenders/developers.

Skills and Experience

The principals and staff have extensive backgrounds in all aspects of real estate, as well as general management expertise, including:

- ☐ **Valuation** - retail, industrial, office, multi-family, vacant land, large-scale residential, mixed use, special purpose properties.
- ☐ **Real Estate Development** – ownership and/or project management for development of complex mixed-use projects, tract housing, office, retail, industrial, multi-family, hotel, hospitals, nursing homes and service stations.
- ☐ **Asset Management & Leasing** - oversight of property management function for office, retail, industrial and multi-family properties.
- ☐ **Property Acquisition and Disposition** - all property types.
- ☐ **Banking** - real estate loan committee .
- ☐ **Development Officer** - Pennsylvania Avenue Development Corporation.
- ☐ **Corporate Real Estate** - site acquisition and development.
- ☐ **Dept. of the Army - Real Estate** – appraisal and development potential evaluation.
- ☐ **Expert Testimony** - Congressional and regulatory bodies, federal and district court, including bankruptcy court in D.C. and Virginia.

Professional Memberships

Mr. Walter L. Bohorfoush holds the M.A.I. designation from the Appraisal Institute, S.R.A. with former Society of Real Estate Appraisers and A.S.A. Senior Member status with the American Society of Appraisers.

Qualifications

Professional Experience: 35 years of experience in real estate appraisal and consulting, development and investment.

Licensure: Certified General Appraiser - D.C.

Education: B.B.A. - Finance - George Washington U. (1978).
M.B.A. - Real Estate & Urban Development - American University. (1980). Special projects in real estate program included major research papers on the establishment of public controls and incentives to spur development in Chinatown area of D.C.; the development of the historic Apex building within the PADC area, including detailed review of the complex regulatory process and steps to obtain historic tax credits for rehab; marketability study of a condominium conversion project within the Adams Morgan area; office market study of City of Fairfax, Virginia.

Continuing Education: Includes - Real Estate Appraisal, Basic Principles, Methods and Techniques (Course 1-A); Capitalization Theory and Techniques (Course 1-B); Urban Properties (Course 2); Appraisal Standards & Ethics (Course 410, 420); Expert Witness Testimony; Environmental Considerations in Appraising.

Community Activities: Board of Trustees of Edmund Burke School (Chairman of Building Committee, member of Finance Committee); Founding member of Columbia Heights Community Marketplace; Founding member of the Broad Branch Market Community Land Trust, including its related farmer's market in Chevy Chase, DC; former Vice President of the Columbia Heights Area Merchants and Professionals Society.

Experience History: M&B Appraisal Group: (1991 - Current). Director of M & B Appraisal Group. All property types. Major assignments in D.C. have included Downtown office buildings, as well as secondary office markets such as Capitol Hill, Adams Morgan, Shaw, Anacostia, U Street Corridor and Dupont Circle. Suburban office appraisals undertaken in Northern Virginia

and Prince George's County, Md. Retail property appraisals in D.C. have included the neighborhoods of Georgetown, H Street, N.E., Georgia Avenue, Anacostia and Mt. Pleasant. Suburban retail appraisals have been throughout the metro area. Land appraisals have included large undeveloped parcels in the Chinatown area, the U Street corridor and industrial areas along South Capitol Street, S.E. Other substantial land appraisal work in various areas of Northern Virginia. Multi-family property assignments have included areas of Northeast D.C., 14th Street Corridor, Anacostia and Dupont Circle.

LLC Managing Member: (1994 - Current): Managing partner with others of industrial, retail, office and multi-family properties, including new construction and renovation projects, in Washington, D.C., Prince George's County, Md., Montgomery County, Md. and Prince William County, Va.. Particularly active in the Columbia Heights neighborhood of Washington, D.C. Debt obtained of over \$50 million, equity raised of over \$10 million.

Schooler Consulting Ltd.: (1996 - 1999). Sr. Vice President. Preparation of detailed financial analysis and loan packaging for commercial and industrial properties. Provide due diligence services for analysis of potential property acquisitions by clients. Also, provide project management activities for ongoing development projects.

Building Partnerships, Inc.: (1993-1995). Researched affordable and alternative housing, including available federal and local financing programs, low income housing tax credits and other affordable housing initiatives.

GLM Corporation: (1986-1991). Regional developer. Identified, negotiated, analyzed and implemented acquisition of real estate investments, including existing shopping centers (including rehab), industrial buildings, office buildings and raw land, including shopping center land, industrial sites and single-family subdivisions. Work included extensive market and financial analysis. Also, directed asset management of 1 million square foot GLM property portfolio, including existing retail, office and industrial space, developable raw land, four coop apartment conversion projects (200 units) in New York City. Land development project activities included establishing strategies for and implementation of approval

process, including public meetings. Obtained debt and equity for investments totaling \$30 million.

International Partners Group: (1990-1991). Directed and implemented search for investments for major European and Asian investors with a focus on office and multifamily distressed properties in Washington, D.C. and the Southwest United States. Performed financial and market due diligence analyses on selected properties. Produced business plan for planned pool of European funds for investment in distressed U.S. real estate.

Carley Capital Group: (1980-1985). National development firm active in public-private partnerships with local government, States and Universities. Performed complex multi-tiered financial analysis integrating public and private financing, including Tax Incremental Financing Districts, Urban Development Action Grants, Industrial Revenue Bonds and equity syndications.

Directed planning, financing, marketing and development activities for complex mixed-use projects and residential developments, including a 100,000 sf retail - medical office - residential condo project on Capitol Hill, a 120 unit townhouse and condominium apartment complex in Frederick, Maryland and a proposed \$40 million public-private partnership for a mixed use high rise residential and office/retail/public garage project in Bethesda, Md.. Identified, negotiated and implemented purchase of a 250 room hotel located in Washington, D.C., repositioned to maximize convention center business.

QUALIFICATIONS OF WALTER L. BOHORFOUSH, MAI, SRA, ASA

Appraisal Experience: All property types. 40 years of experience in real estate.

Prof. Designations: M.A.I., S.R.A., A.S.A.

Licensure: Certified General Appraiser - D.C., MD

Education: B.S. - University of Maryland

Graduate Work: John Hopkins U., University of Maryland, University of Wisconsin

Experience History: Bohorfoush Appraisal Services: Principal, Vice President. A Minority-Women Owned Business, headed by Barbara Bohorfoush, SRA.

Charles M. Merkle & Associates, Inc.: Partner. Active in appraisal of all property types.

U.S. Army Corps of Engineers: Appraisal review and the evaluation of potential development opportunities, including the Enhanced Use Leasing program.

Chevy Chase Federal Savings Bank: V.P. in charge of large scale multi- and mixed-use projects.

Pennsylvania Avenue Development Corp. (PADC): Structuring and merchandising the financing and construction of office and mixed-use projects as a Development Director. Work included financial analysis and appraisal. Projects involved financial feasibility and appraisal of \$100 million of land and \$1 billion of buildings, including entire city blocks of downtown D.C. Property types included shopping centers, theaters, office buildings and housing. Financial structuring included oversight of preparation of ground leases and purchase agreements, often including complex profit participation by PADC.

Dept. of Medicine and Surgery: Analysis, appraisal and site selection of medical-related facilities, including office buildings, hospitals and nursing homes to be used for clinical and outpatient needs. Prepared leases, purchase agreements and coordinated construction schedules and draws.

B.P. Oil Company: Site analysis, selection, acquisition and development of service stations, shopping centers, hotels, truck stops and free-standing restaurants.

QUALIFICATIONS OF ERNEST L. MARCUS

- Professional Experience: 35 years of experience in real estate appraisal and consulting, development and investment.
- Licensure: Certified General Appraiser - D.C.
- Education: B.B.A. - Finance - George Washington U. (1978).
M.B.A. - Real Estate & Urban Development - American University. (1980). Special projects in real estate program included major research papers on the establishment of public controls and incentives to spur development in Chinatown area of D.C.; the development of the historic Apex building within the PADC area, including detailed review of the complex regulatory process and steps to obtain historic tax credits for rehab; marketability study of a condominium conversion project within the Adams Morgan area; office market study of City of Fairfax, Virginia.
- Continuing Education: Includes - Real Estate Appraisal, Basic Principles, Methods and Techniques (Course 1-A); Capitalization Theory and Techniques (Course 1-B); Urban Properties (Course 2); Appraisal Standards & Ethics (Course 410, 420); Expert Witness Testimony; Environmental Considerations in Appraising.
- Experience History: M&B Appraisal Group: (1991 - Current). Director of M & B Appraisal Group. All property types. Major assignments in D.C. have included Downtown office buildings, as well as secondary office markets such as Capitol Hill, Adams Morgan, Shaw, Anacostia, U Street Corridor and Dupont Circle. Suburban office appraisals undertaken in Northern Virginia and Prince George's County, Md. Retail property appraisals in D.C. have included the neighborhoods of Georgetown, H Street, N.E., Georgia Avenue, Anacostia and Mt. Pleasant. Suburban retail appraisals have been throughout the metro area. Land appraisals have included large undeveloped parcels in the Chinatown area, the U Street corridor and industrial areas along South Capitol Street, S.E. Other substantial land appraisal work in various areas of Northern Virginia. Multi-family property assignments have included areas of Northeast D.C., 14th Street Corridor, Anacostia and Dupont Circle.
- LLC Managing Member: (1994 - Current): Managing partner with others of industrial, retail, office and multi-family properties, including new construction and renovation projects, in Washington, D.C., Prince George's County, Md., Montgomery County, Md. and Prince William County, Va.. Particularly active in the Columbia Heights, Congress Heights and Capitol Hill neighborhoods of

Washington, D.C. Debt obtained of over \$50 million, equity raised of over \$10 million.

Schooler Consulting Ltd.: (1996 - 1999). Sr. Vice President. Preparation of detailed financial analysis and loan packaging for commercial and industrial properties. Provide due diligence services for analysis of potential property acquisitions by clients. Also, provide project management activities for ongoing development projects. Major projects have included due diligence and financing for a \$4 million retail center in Tysons Corner, Va.; financial restructuring of a medical building in D.C.; loan packaging and financing for retail centers and standalone retail buildings in Alexandria, Va., Sterling, Va., City of Fairfax, Va, Bowie, Md. and Rockville, Md.; loan packaging, financing and development activities for construction of a 105,000 square foot warehouse in Prince George's County, Md.; corporate partnership interest evaluation; loan packaging and financing of a 100,000 square foot warehouse in Prince George's County, Md.; due diligence for acquisition and loan packaging of 120,000 sq. ft. warehouse complex in City of Alexandria, Va., a 100,000 sq. ft. Retail Center in City of Gaithersburg, Md., a 50,000 sq. ft. Retail Center in the City of Alexandria, Va.

Building Partnerships, Inc.: (1993-present). Researched affordable and alternative housing, including available federal and local financing programs, low income housing tax credits and other affordable housing initiatives. BP is a partner on LIHTC projects in D.C. with a focus on working with tenant groups who have an opportunity to purchase through the TOPA regs in the District. BP also acts as a consultant to non-profits seeking to develop residential and commercial properties.

GLM Corporation: (1986-1991). Regional developer. Identified, negotiated, analyzed and implemented acquisition of real estate investments, including existing shopping centers (including rehab), industrial buildings, office buildings and raw land, including shopping center land, industrial sites and single-family subdivisions. Work included extensive market and financial analysis. Also, directed asset management of 1 million square foot GLM property portfolio, including existing retail, office and industrial space, developable raw land, four coop apartment conversion projects (200 units) in New York City. Land development project activities included establishing strategies for and implementation of approval process, including public meetings. Obtained debt and equity for investments totaling \$30 million.

International Partners Group: (1990-1991). Directed and implemented search for investments for major European and Asian investors with a focus on office and multifamily distressed properties in Washington, D.C. and the Southwest United States. Performed financial and market due diligence analyses on selected properties. Produced business plan for planned pool of European funds for investment in distressed U.S. real estate.

Carley Capital Group: (1980-1985). National development firm active in public-private partnerships with local government, States and Universities. Performed complex multi-tiered financial analysis integrating public and private financing, including Tax Incremental Financing Districts, Urban Development Action Grants, Industrial Revenue Bonds and equity syndications.

Directed planning, financing, marketing and development activities for complex mixed-use projects and residential developments, including a 100,000 sf retail - medical office - residential condo project on Capitol Hill, a 120 unit townhouse and condominium apartment complex in Frederick, Maryland and a proposed \$40 million public-private partnership for a mixed use high rise residential and office/retail/public garage project in Bethesda, Md.. Identified, negotiated and implemented purchase of a 250 room hotel located in Washington, D.C., repositioned to maximize convention center business.

QUALIFICATIONS OF COLIN J S THOMAS IV

Professional Experience: 2 years of experience in real estate development and investment.

Licensure: Research Assistant

Education: B.B.A. – History & Politics (Government) – The University of Virginia 2015.

Experience History: M&B Appraisal Group: (2017 - Current). Associate. All property types.

Pecar Properties: (2017- Current). Investment Manager. Aiding in the Development of and Investment in Commercial and Residential Property in the Mid Atlantic Region.

Washington REIT: (2015-2016). Real Estate Analyst. Underwriting, Due Diligence, and Forecasting of Office and Multifamily properties in the DC Region.

APPENDIX C: Contract forms for Appraisal Assignment

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF GENERAL SERVICES



Contracts and Procurement

PURCHASE ORDER AGREEMENT
Appraisal Services | 300 Block of 7th St SE, Washington, DC

Date: August 11, 2017

This **PURCHASE ORDER AGREEMENT** is issued by the Government of the District of Columbia, acting by and through its **DEPARTMENT OF GENERAL SERVICES** (the "Department" or "DGS") to the Contractor listed below. Assuming this Purchase Order Agreement is signed by the Contractor without modification of any kind, it shall constitute a binding legal contract between the Department and the Contractor. The terms of this Purchase Order Agreement are as follows:

1. **Contractor.** This Purchase Order Agreement is being issued to *Marcus Asset Group, Inc. T/A M&B Appraisal Group ("Contractor")*.
2. **Services Purchased.** The Contractor shall provide Appraisal Services for licensing the 300 block of 7th St SE Washington, DC in accordance with the Statement of Work (**Exhibit A**).
3. **Price.** The Contractor shall be paid a *Total Not-to-Exceed* amount of **\$8,000.00**. These services shall be paid in accordance with the Contractor's quote dated July 17, 2017 (**Exhibit B**). In no event shall the Contractor be paid more than this amount during the term of the agreement, unless the Contractor is authorized to exceed this limit in advance and in writing by the DGS Contracting Officer.
4. **Delivery/Completion Period of Performance.** The period of performance is from Date of Executed Award through September 30, 2017. This Purchase Order Agreement shall remain in effect until September 30, 2017.
5. **Program Manager.** The Project Manager/COTR for this Purchase Order Agreement is:

Barry Margeson, Realty Program Specialist
Department of General Services – Portfolio Division
2000 14th Street – 8th Floor
Washington, DC 20009
Tele: 202-689-4031
Email: barry.margeson@dc.gov

6. **Billing.** The Contractor shall submit invoices to the Department as provided below. Each invoice shall itemize all goods and services provided and include a valid Purchase Order Number. The Department will no longer accept hardcopy invoice submittals; going forward all invoices must be submitted electronically through the EASI Pay Portal on the Department

2000 14th St. NW, 8th Floor, Washington DC 20009 | Telephone (202) 727-2800 | Fax (202) 727-7283

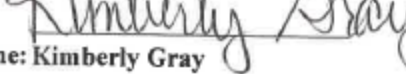
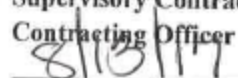
Website at <https://dgs.onbaseonline.com>. The following address should be referenced for all Invoices:

Department of General Services
Office of the Chief Financial Officer
2000 14th Street N.W. | 5th Floor
Washington, D.C. 20001


EASI First time users will be prompted to register for Portal access; for assistance with the registration process, technical assistance and or additional instructions please contact the EASI Pay Portal Help Desk by phone at (202) 715-7589, or by email at DGS.EASIPAYSUPPORT@dc.gov.

7. **Invoices.** All invoices shall be submitted directly to the Department at the address specified above. Properly prepared invoices with the necessary backup shall be paid within thirty (30) days of receipt. Invoices not paid by that date shall bear interest in accordance with the Quick Payment Act.
8. **Terms & Conditions.** The Standard Contract Provisions for use with Specifications for District of Columbia Government Supplies and Services Contracts dated January 14, 2016 are incorporated by **Exhibit C** into this Purchase Order Agreement.
9. **Order of Precedence.** The following documents are incorporated into this Purchase Order Agreement in the following order of precedence:
 1. This Purchase Order Agreement
 2. Statement of Work (**Exhibit A**)
 3. Contractor's quote, dated July 17, 2017 (**Exhibit B**)
 4. Standard Contract Provisions for use with District of Columbia Government Supplies and Services Contracts dated January 2016 (**Exhibit C**)

ISSUED BY:
DEPARTMENT OF GENERAL SERVICES

By: 
Name: Kimberly Gray
Title: Supervisory Contract Specialist |
Contracting Officer
Date: 

ACCEPTED BY:
Marcus Asset Group, Inc. T/A
M&B Appraisal Group

By: 
Name: E.L. MARCUS
Title: Pres
Date: 8/13/17

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF GENERAL SERVICES



ATTACHMENT A

STATEMENT OF WORK
Appraisal Services | Additional Sites at Eastern Market

1. PROJECT SCOPE

The District, through its Department of General Services, seeks the services of an appraiser to provide an appraisal report for the following:

- An appraisal report for licensing the 300 block of 7th St SE for use as an arts and crafts market on Saturdays and Sundays. Rent valuation should consider a license to occupy as the method of disposition.

The Contractor shall provide all management, tools, supplies, equipment, vehicles and labor necessary to successfully perform and complete this project.

2. PROJECT TIMELINE

The Contractor shall be prepared to proceed immediately following notice by the District Representative and to complete the deliverables within the following timeframes:

Submit a Preliminary Format Report	30 days after receipt of order from District Representative
Submit a Final Appraisal Report	10 days after receipt of written comments regarding the Preliminary Format Report from the District Representative

2.1 Preliminary Format Reports

The Contractor shall prepare a Preliminary Format Report, which shall be in a format consistent with the Uniform Standards of Professional Appraisal Practice (USPAP). The Preliminary Format shall be delivered electronically to:

Barry Margeson, Realty Program Specialist | COTR
Department of General Services – Portfolio Division
2000 14th Street – 8th Floor
Washington, DC 20009
Tele: 202-689-4031
Email: barry.margeson@dc.gov and include the following:

STATEMENT OF WORK - 2nd APPRAISAL REPORT FOR EASTERN MARKET

a. Introduction

1. Title Page
2. Letter of Transmittal
3. Table of Contents
4. Summary of Findings
5. Statement of Assumptions, Known/Observed Encumbrances and Limiting Conditions
6. Scope of Appraisal
7. Purpose of Appraisal
8. Summary of Appraisal Problems
9. Statement of Appropriate Fair Market Rent
10. Date of Appraisal Report and Date of Valuation
11. Zoning and Other Land Use Regulations
12. Analysis of Highest and Best Use

b. Subject Stall Report

1. Title Page
2. Table of Contents
3. Appraiser's Certification
4. Summary of Salient Facts and Conclusions
5. Statement of Assumptions and Limiting Conditions
6. Scope of the Appraisal
7. Summary of Appraisal Problem
8. Land Use and Zoning
9. Legal Description/Title Information
10. Stall Data (including present use)
11. Analysis of Highest and Best Use
12. Value Estimate by All Applicable Approaches
13. Correlation and Final Value Estimate

c. General Exhibits and Addenda

1. Detail of Comparative Data (without photographs)

2.2 Final Appraisal Reports

The Final Appraisal Report shall be delivered electronically to barry.margeson@dc.gov and in hard copy to 2000 14th St. NW – Eighth Floor, Washington, DC 20009 and include the addition of the following information to the Preliminary Format Report:

a. Introduction

1. Area, City and Neighborhood Data
2. Discussion of Approaches to Value
3. Special Studies
4. Land Use and Zoning
5. Public Use Analysis
6. Assumptions

STATEMENT OF WORK - 2nd APPRAISAL REPORT FOR EASTERN MARKET

- b. Subject Space Report
 - 1. Photographs of Subject Space
 - 2. Area, City, and Neighborhood Data
 - 3. Exhibits and Addenda
 - 4. Fair Market Annual Rental Value Range/sf
- c. General Exhibits and Addenda
 - 1. Location Map
 - 2. Plan of Site
 - 3. Comparable Data Maps
 - 4. Comparable Photographs
 - 5. Other Pertinent Exhibits
 - 6. Qualifications of Appraiser

2.3 Submission Format

Please provide two (2) hard copies and one (1) electronic copy (via a USB drive only) in Microsoft Word and PDF of the written offers in 12-point font size on 8.5"x 11" paper with respect to each of the Preliminary Format Report and the Final Appraisal Report.

3. PRICE

The Contractor will provide a lump sum firm fixed price for all services (including reports, additional consultation, etc.) for this project.

MARCUS ASSET GROUP T/A M&B APPRAISAL GROUP

APPRAISAL BID: 2nd APPRAISAL REPORT FOR EASTERN MARKET

Client Contact:	Karen Araujo. Karen.araujo@dc.gov
Type of Report:	Appraisal Report
Bid Date:	7/17/17
Client:	DGS
Property:	Eastern Market area – 300 block of 7 th Street SE for an arts and crafts market on Saturdays and Sundays.
Fee Quote:	\$8,000
Appraisal work:	The appraisers will estimate the market rent to a single market manager who will lease space to arts and crafts vendors in the Property area. Appraisers will seek comparable rentals from relevant markets in the Washington, D.C. area. Using that data, the appraisers will analyze the potential rent that could be paid by a single licensor who then subleases to the individual sub-licensees. We will consider any private market licenses with master licensors, if relevant to the conclusions.
Relevant experience:	Appraiser has experience in the creation and operation of farmers and arts and crafts markets in the Columbia Heights and Chevy Chase neighborhoods. Appraiser recently completed a report for DGS on market rents for indoor market vendors at Eastern Market.
Timing:	30 days after receipt of order from client contact for Prelim. Report. Final 10 days after receipt of written comments from Client.
SOW:	See Statement of Work, Attachment A, prepared by DGS. Per email dated 6/22/17. Revisions to SOW are assumed as described in the Fee Quote.
Notes:	1) Report will meet USPAP requirements. 2) Liability to appraiser is limited to the amount of the fee. 3) This appraisal quote assumes that all Appraisal Updates, additional consultation and any deposition or trial testimony noted in 2.3 of the SOW will be at an additional fee, at the

market rates for such services. This bid includes by reference all attachments provide by DC Government in its bid request.

Appraiser Signature:

A handwritten signature in blue ink, appearing to read "E. L. Marcus", is written over a light gray rectangular background.

Ernest L. Marcus, CRA
Counselor of Real Estate
DC Certified General Appraiser #GA10147

APPENDIX D: Local Jurisdiction Analysis

LOCAL JURISDICTION DISCUSSION

Introduction

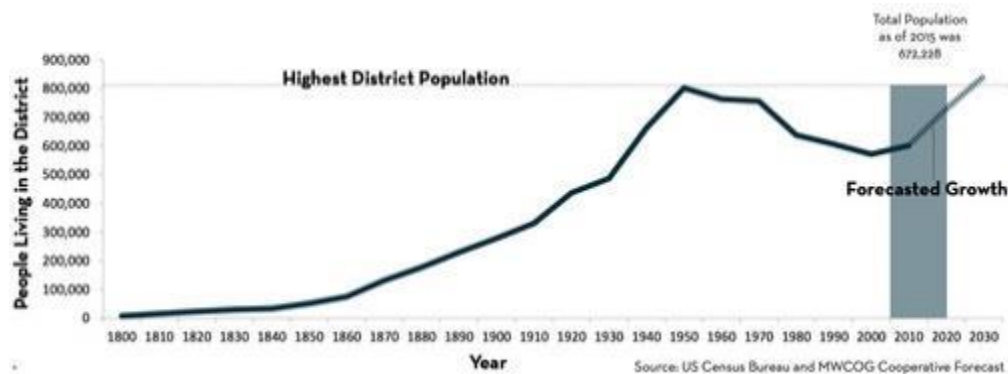
The subject is located in Washington, DC.

The District of Columbia is strategically located midway along the East Coast of the United States and like NY/NJ/CT or Dallas/Fort Worth, it is closely linked with its neighboring states of Virginia and Maryland, together they make up the Washington D.C Metropolitan Area. D.C is 40 miles south of the port city of Baltimore Maryland, providing it with ideal and easy access to all the benefits of a port city. The Mid-Atlantic location and excellent highway infrastructure allows single-day road access to the densely populated Northeast Corridor of the United States. Also, overnight truck access can serve 32% of the nation's population and 34% of the country's manufacturers. No other U.S. market allows commodities to be imported from or exported to retailers and end-users as fast and economically.

The District of Columbia contains a total land area of about 69 square miles and is divided into four quadrants: Northwest, Northeast, Southwest, and Southeast with the nation's capital situated in the southern portion. Washington, DC lies on the east bank of the Potomac River at its confluence with the Anacostia River. The Capitol overlooks the Mall, which includes the Washington Monument, Vietnam Veterans Memorial, World War II Memorial and the Lincoln Memorial at the opposite end. The Mall is flanked by the national museums of the Smithsonian Institution, including the recent notable addition of the African American History Museum. The White House lies to the north of the Mall and is flanked by the Executive Offices and the Department of the Treasury buildings.

Population

Washington, DC is undergoing a significant resurgence. Population has been increasing rapidly since a historic low point in 1998. Since then, neighborhoods that are “close-in” to the central business district have become increasingly attractive to young, urban professionals and have shown particular growth and revitalization. Historical and projected population growth for the District of Columbia are presented in the below graphic.



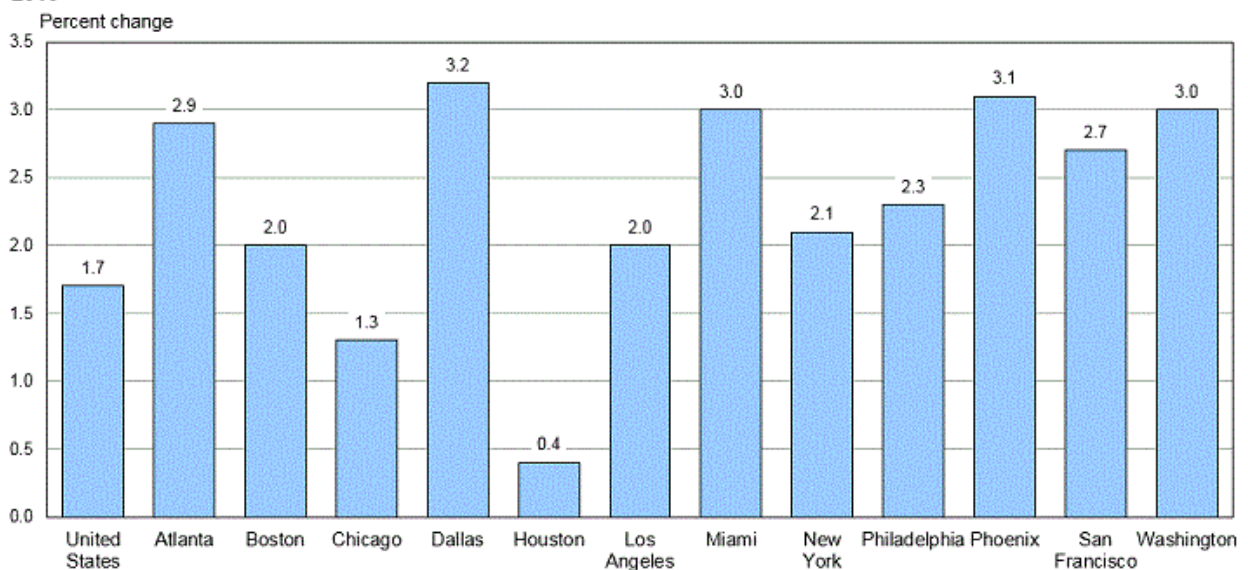
The above graphic demonstrates that the population of the District of Columbia grew by 100,000 between 2000 and 2015 and is projected to increase from its 2015 standing of 687,000 to 987,000 by 2045. With an eye on the future, the most telling statistic is the growth in the proportion of those ages 18-34 in comparison to older and younger residents. While DC has always had a larger proportion of 18-34 year olds than the rest of the country, in the last 13 years that percentage has grown significantly. In 2000, the percentage of DC residents 18-34 was 30.5% compared to a nationwide percentage of 23.7%, a 7.1% difference. In 2014, the percentage had grown 4.5% to 35.0% while the nationwide average has fallen 0.3% to 23.4% making DC 10.6% above the national average.

Employment

Employment gains are a strong indicator of economic health and generally correlate with real estate demand. In mid-2016, the Washington, DC Metropolitan Area had approximately 2.7 million payroll employees from a workforce of 3.3 million, making it the 4th largest in the U.S. historically. While governments at all levels provide the largest block of jobs, this is still only 22% out of the 2.7 million jobs. Due to the presence of the large government sector the District of Columbia has shown itself to be relatively steadfast in economic stability, shedding only 0.1% of jobs during the depth of the recession from January 2008 – January 2009, compared to 3.7% and 2.0% job loss for Los Angeles and New York City respectively. And this in the face of a diversified labor pool, with 78% civilian employment, including the District’s civilian labor force of 390,000, in 2016.

DC has ranked impressively in comparison to the other 11 largest metro areas and the country as a whole. In the graph below, we see DC’s year-over-year employment growth ties for 3rd best with Los Angeles at 3% job growth.

Chart 3. Total nonfarm employment, over-the-year percent change, United States and 12 largest metropolitan areas, July 2016

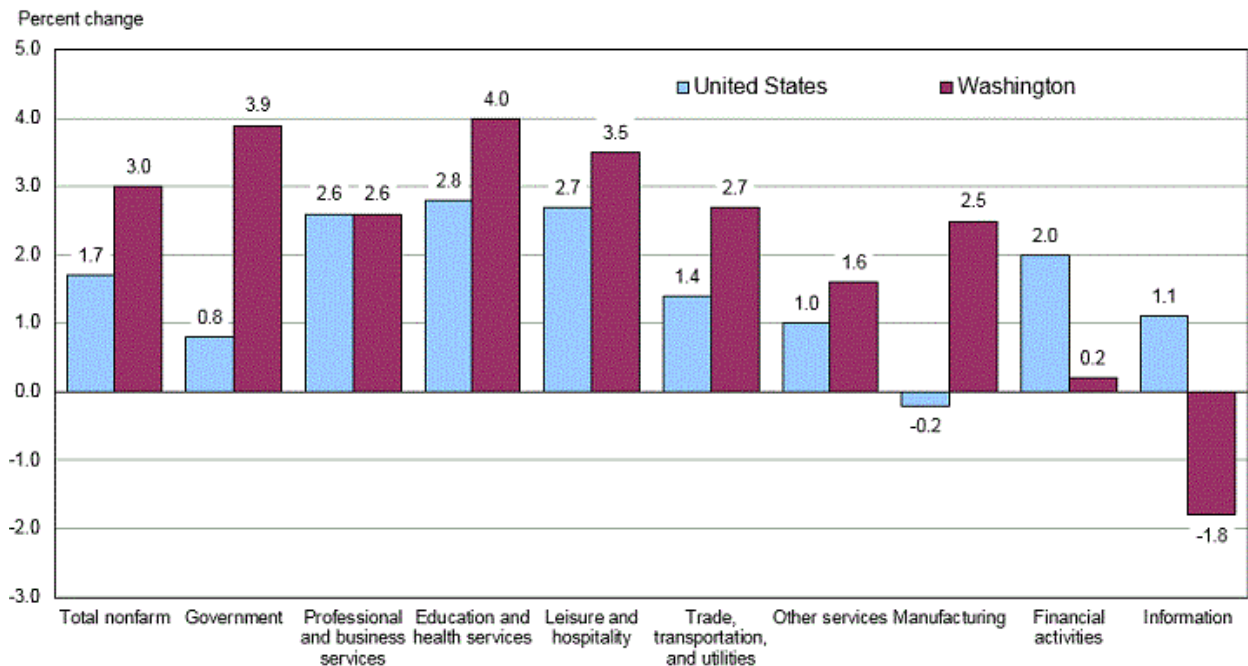


Source: U.S. Bureau of Labor Statistics.

Overall, between 2014 and 2024 the largest employment growth is projected to occur in: Professional Business Services, projecting a 1.18% growth each year, Education and Health Services, projecting a 1.3% growth rate per year and Financial Services, projecting a 1.32% growth each year.

Another encouraging sign is the continued growth of non-Federal government jobs, in relation to the region and the country as whole. In the graph below, Washington Metro Area job increases by selected sectors for July 2016 are shown in comparison to the U.S. overall. As is evident, with the exception of financial and manufacturing services, DC is doing better than the majority of the country.

Chart 2. Total nonfarm and selected industry supersector employment, over-the-year percent change, United States and the Washington metropolitan area, July 2016



Source: U.S. Bureau of Labor Statistics.

This increase in non-Federal government jobs is one of the many positive indicators for young professionals interested in the area. DC and the surrounding areas boast a number of attractive statistics referencing its preferential status for young professionals. Since 2000, nationwide salaries have been on the decline for workers aged 18-34, while in the District's Metropolitan area they have been steadily on the rise. The gap between the median income for this age range and the District Metropolitan area is over \$13,000. In addition, members of this age range are 9.1% less likely to be living in poverty and 6.3% more likely to be employed. A potential hypothesis for this is the Metro Areas continued growth of "Advanced Industrial Sectors", offering high paying, technologically dependent jobs in which young people flourish. This is demonstrated in the graph on the next page.

Washington Metropolitan Advanced Industrial Clusters:				
2014 Employment				
CLUSTER	JOBS	% CHANGE 2013-2014	LOCATION QUOTIENT	METRO/US WAGE RATIO
Advocacy Services	115,731	19	3.5	1.7
Information and Communications Technology	204,489	5.5	2.7	1.4
Science and Security	112,717	10.9	1.8	1.6
Biology and Health Technology	55,396	25.1	2.0	1.6
Business and Financial Services	204,952	43.8	1.0	1.6
Media and Information Services	35,745	-20.1	1.5	1.7
Leisure and Business Hospitality Services	85,919	-1.3	1.1	1.3
All Clusters	729,030	16.8	1.9	1.6
Source: George Mason University Center for Regional Analysis.				

Transportation Network

Washington's transportation network is extensive, as the District is well connected through numerous rail lines, air routes, and interstate highways that manage the vast inflow and outflow of the nation's capital. With regards to tourism alone, approximately 21.3 million people visit the nation's capital in 2016, representing a 69% increase since 2004. Numerous road networks connect Washington to its surrounding region, including Interstates 495, 395, 295, 66, and 95. However, traffic congestion within the metropolitan area is considered to be among the worst in the nation.

The area's three major airports (and the number of passengers that they service annually) include: Washington Dulles International Airport (21.6 million passengers), Baltimore/Washington International Airport (22.3 million passengers) and Ronald Reagan National Airport (23 million passengers).

The Washington Metropolitan Area Transit Authority operates the city's subway and bus lines, Metrorail and Metro bus, which began operations in the mid-1970s. The subway and surface rail tracks form 117 miles of line, while the bus system has 325 routes and 11,500 stops, making it the sixth busiest bus agency in the United States. In total, these transportation systems service a 1,500 square mile area including the District, Alexandria, VA and the Maryland counties of Montgomery and Prince George's, and the Virginia counties of Arlington, Fairfax and Loudoun. A notable recent addition is the Metro Silver Line, currently in the second phase of construction, now encompassing five new stations, which will total 11 upon completion. This 23-mile extension will serve to establish a connection between Dulles International Airport, its surrounding outer suburbs, and the rest of the transit area. Commuter rail lines operate under two systems - Virginia Railway Express (VRE) and Maryland Rail Commuter (MARC). The VRE connects Washington, DC and Virginia, while MARC connects Washington to Baltimore and Perryville, Maryland, and Martinsburg, West Virginia.

The nearest port is the Port of Baltimore, 40 miles north which can service within a 24-hour period one-third of the nation's population, including markets as distant as Boston in New England and Detroit in the Midwest. Approximately 29.5 million tons of cargo passes through the port annually, generating \$2.2 billion in revenue and \$3 billion in wage and salary in its direct support of 13,650 direct jobs and 127,000 jobs indirectly connected to port work.

Quality of Life/Amenities

The region's cosmopolitan, affluent and well-educated population, including a confluence of national leaders, and its position as the nation's capital has contributed toward the presence of world-class cultural facilities, major national treasures, and a full scope of recreational and cultural facilities.

Among the major points of interest for visitors are the national monuments and memorials (such as the Washington and Jefferson Memorials), the Smithsonian Institution and its 10 museums and galleries, the Library of Congress, the U.S. Capitol and the White House, as well as the notable recent addition circa September 2016 of the African American History

Museum. The Smithsonian Institution's Air and Space Museum is the most visited museum in the world. The National Gallery of Art houses one of the finest permanent collections of American and European art in the nation and is the most visited art museum in the U.S. The Library of Congress contains over 100 million items, making it one of the world's largest libraries. Washington, DC also offers numerous performing arts venues including most notably, the Kennedy Center for the Performing Arts, which offers performances in dance, music, as well as opera, and is home to both the Washington Symphony Orchestra and the Washington Opera.

The completion of the Verizon Center in 1997, formerly known as the MCI Center, is home to the National Basketball Association's Wizards, the National Hockey League's Capitals and the Women's National Basketball Association's Mystics and is considered to be a major catalyst for the creation of a downtown arts, sports, entertainment and cultural center. The city is also home to the Washington Nationals baseball team since 2008. The opening of their new stadium on the Capital Riverfront (a 5-minute walk from the Navy Yard Metro Station) in 2008 appears to be having a similar effect on the Capital Riverfront as the Verizon Center had on the downtown area when it was opened in 1997. The Capital Riverfronts population and residential units have been increasing greatly, from 2008 to 2015 the population has risen from 1,000 to 5,067 and the number of residential units has risen from 870 to 3,821. This trend shows no sign of stopping as construction of a new stadium for the area's Major League Soccer Team, DC United, is beginning in 2016 at nearby Buzzard Point, located within walking distance from the Nationals Stadium. The National Football League's Washington Redskins play at FedEx Field within Prince George's County and along with being consistently rated in the top 10 most valuable franchises in sports globally (#6 at \$2.85 billion circa 2016) it is also in preliminary discussions for a new stadium.

All of this growth has resulted in a resurgent dining and entertainment scene across the city. Once concentrated in the Georgetown and Capitol Hill areas, fine and renowned dining can now be found throughout the city's rapidly growing neighborhoods. DC was recently ranked #9 on the Washington Posts list of top Dining Cities in America. This no doubt strengthens its credo as a draw for young affluent millennial: DC was ranked #9 on Forbes list of top cities for millenials, and its neighbors (right across the City limits) of Arlington and Alexandria Virginia were ranked #2 and #3 respectively.

Conclusion

Overall, the economic outlook for the District of Columbia is positive. The District is projected to experience income, employment and population growth due to continued revitalization efforts and the presence of the Federal government. The advent of the baseball stadium in a once dilapidated and abandoned area of the city has proved to be a catalyst for growth, demonstrating the potential across the city. The District Government is successfully focusing on renewal plans for downtown, Mount Vernon Triangle, New York Avenue/Florida Avenue corridors, Georgia Avenue corridor, East of the River, U Street-Columbia Heights, Shaw near the Convention Center, H Street Corridor, and Navy Yard area and Southwest Waterfront. Overall, the expected growth and revitalization throughout the city and the continued attraction for young affluent professionals across the

entire metropolitan area should provide an economic base that supports demand for real estate in the subject area and for the subject property type. These conditions should stimulate increases in general property values in the foreseeable future.