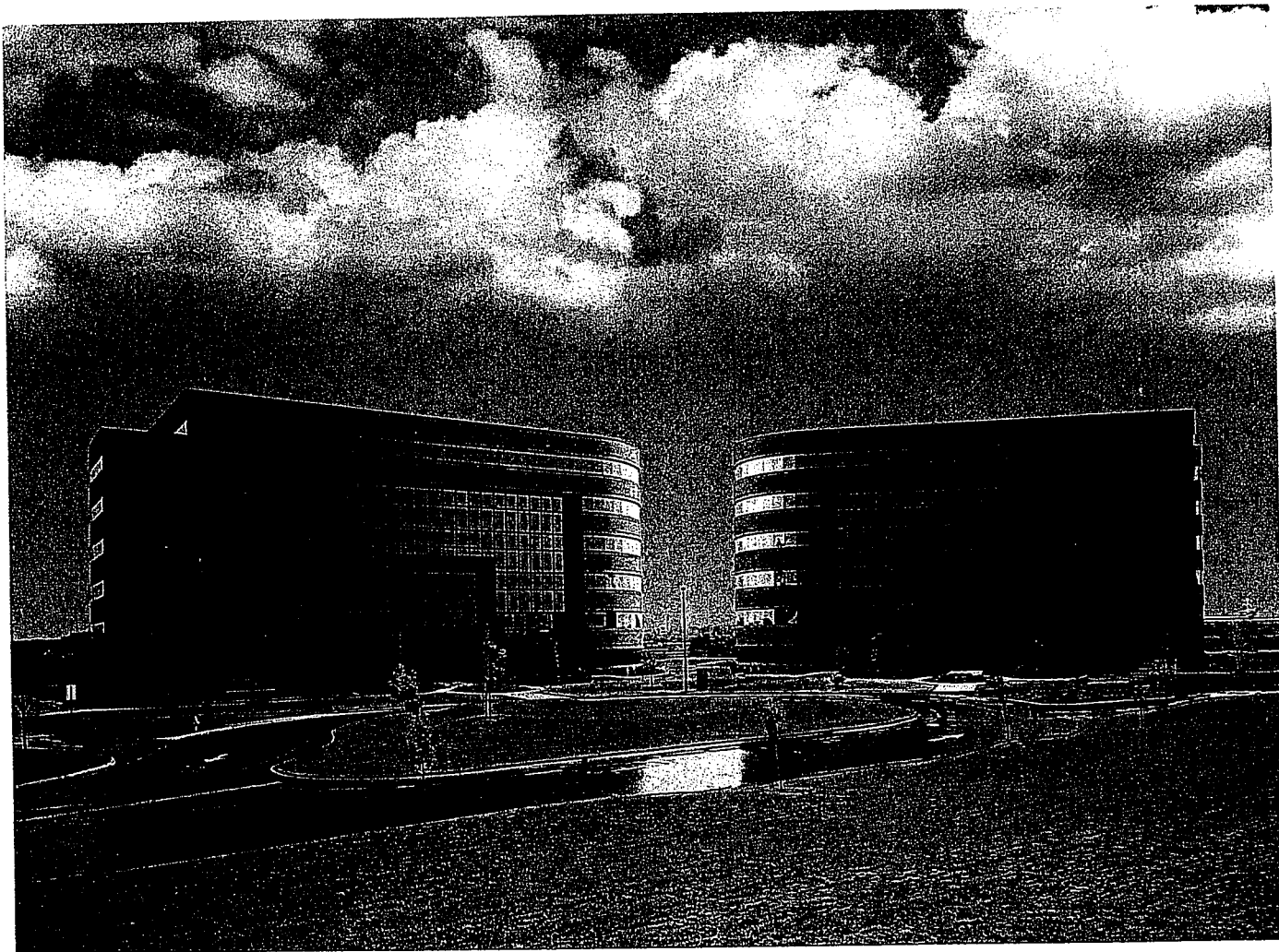


**GREENBRIER TOWER I & II
CHESAPEAKE, VIRGINIA**

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**GREENBRIER TOWERS I AND II
CHESAPEAKE, VIRGINIA**

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CHESAPEAKE, VIRGINIA**

TABLE OF CONTENTS

	PAGE
INTRODUCTION	1
I. PROPERTY	2
A. INTRODUCTION	2
B. LOCATION	2
C. ADJACENT LAND USES	3
D. THE SITE	4
E. THE IMPROVEMENTS	4
II. MARKET	5
A. INTRODUCTION	5
B. HAMPTON ROADS MARKET OVERVIEW	5
C. SOUTH HAMPTON ROADS OFFICE MARKET ..	6
D. CHESAPEAKE/GREENBRIER OFFICE MARKET .	7
E. COMPETITIVE PROPERTY SURVEY	7
III. THE PROPERTY MANAGER, DEVELOPER, AND GENERAL CONTRACTOR	9
IV. THE RISK AND RETURN	9
A. INTRODUCTION	9
B. LEASES	10
C. VALUATION	10
1. PRO-FORMA INCOME AND EXPENSES	10
2. MARKET APPRAISAL	11
D. RETURN	11
1. ANNUAL RETURNS	11
2. CASH PROCEEDS AT SALE	11
3. YIELD ANALYSIS	11
E. RISK	12
1. MARKET RISK	12
2. OPERATIONAL RISK	12
3. FINANCIAL RISK	13
V. CONCLUSIONS AND RECOMMENDATIONS	13

LIST OF EXHIBITS

EXHIBITS		PAGE
1	SUMMARY OF PURCHASE CONTRACT	15-16
2	REGIONAL MAP	17
3	AERIAL PHOTO	18
4	AREA MAP	19
5	SITE VICINITY MAP	20
6	GREENBRIER LAND USE PLAN	21
7	ARMADA/HOFFLER BUSINESS CENTER	22
8	SITE PLAN	23
9A	GREENBRIER TOWERS I & II	24
9B	GREENBRIER TOWER I	25
9C	GREENBRIER TOWER I LOBBY	26
9D	GREENBRIER TOWER II	27
10	CONSTRUCTION SUMMARY	28
11A	FLOOR PLANS (TOWER I)	29-34
11B	FLOOR PLANS (TOWER II)	35-40
12	POPULATION TRENDS	41
	(Norfolk-Va Beach-Newport News MSA)	
13	EMPLOYMENT BY INDUSTRY	42
	(Norfolk-Va Beach-Newport News MSA)	
14	UNEMPLOYMENT TRENDS	43
	(Norfolk-Va Beach-Newport News MSA)	
15	OFFICE SPACE SUPPLY AND ABSORPTION SOUTH HAMPTON ROADS	44
16	HISTORICAL VACANCY RATES - CLASS A SPACE SUBURBAN OFFICE MARKET	45

LIST OF EXHIBITS

EXHIBITS		PAGE
17	SOUTH HAMPTON ROADS OFFICE SUBMARKETS	46
18	COMPETTIVE PROPERTY SURVEY	47
19	COMPETTIVE PROPERTY MAP	48
20	PROPERTY MANAGER TRACK RECORD	49
21	DEVELOPER TRACK RECORD	50-55
22	LEASE SUMMARY - TOWER I & II	56
23	PRO FORMA INCOME & EXPENSE - TOWER I & II	57
24	ASSUMPTION TABLE	58
25	PROJECTED CASH FLOW AND YIELD ANALYSIS	59
26	SENSITIVITY ANALYSIS	60
27	INTEREST RATE SENSITIVITY ANALYSIS	61

APPENDICES:

- A. PURCHASE CONTRACT
- B. OFFICE MARKET STUDY, CHESAPEAKE, VIRGINIA

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October 24, 1988

USF&G/Legg Mason Acquisition Committee Members
c/o United States Fidelity & Guaranty Company
100 Light Street
Baltimore, Maryland 21202

**Re: Greenbrier Towers I and II
Chesapeake, Virginia**

Dear Sirs:

Greenbrier Tower I ("Tower I") and Greenbrier Tower II ("Tower II") are existing office buildings in Chesapeake, Virginia containing 83,039 net rentable square feet and 88,381 net rentable square feet respectively. This proposed investment is in fee-simple and would be an outright acquisition for USF&G/Legg Mason Realty Partners Limited Partnership. The purchase price of Tower I is \$11,714,500, with estimated closing costs of \$125,000 for a total investment of \$11,839,500. The purchase price of Tower II is \$11,925,000, with estimated closing costs of \$125,000 for a total investment of \$12,050,000. The total investment for Towers I and II is \$23,899,500. The property would not be purchased subject to any existing financing. The seller will provide a 36 month income guarantee of \$1,054,322 per year for Tower I and \$1,073,250 per year for Tower II. A Guarantee Escrow of \$1,800,000 reduced by \$20,000 for each 1% of rentable space leased in Tower II in excess of 50% of total rentable space in Tower II will be held back from the purchase price to secure the seller guarantee. A Leasing and Improvements Escrow of \$1,025,000 will be held back from the purchase price for tenant finish work and leasing commissions for unimproved space. Exhibit 1 contains a summary of the purchase agreement, and *Appendix A* is a copy of the purchase agreement currently under negotiation.

Attached as part of this report are Exhibits 1 through 27. Also part of this report but not attached are *Appendices A and B*, the purchase agreement and an office market study. This report and the conclusions reached herein are submitted subject to receipt and satisfactory review of the Engineering/Environmental report, Market Value Appraisal, and Audited Historical Summary of Gross Income and Direct Operating Expenses for both buildings. These additional reports will be commissioned upon approval of this investment by the Committee. Gary Burke will have a complete set of third party reports upon their completion, which he will make available for your review.

I. THE PROPERTY

A. INTRODUCTION

Greenbrier Towers I and II are two office buildings in the Armada/Hoffler Business Center, a development of Armada/Hoffler Enterprises, in Chesapeake, Virginia. The park is at the northeast quadrant of the intersection of Greenbrier Parkway and Interstate 64 in the Greenbrier section of Chesapeake, a high growth, high quality office/industrial/warehouse corridor approximately 4 miles southeast of Norfolk's Central Business District (see Exhibit 2).

Greenbrier Towers I and II are similar in terms of size, architecture, and amenities. Greenbrier Tower I was completed in September 1985 and is now 83% occupied. Greenbrier Tower II was completed in October 1987 and is in lease up, with a 50% occupancy.

B. LOCATION

The subject properties are at the southwest corner of Greenbrier Circle in the Armada/Hoffler Business Center, a 105-acre business park in the northeast quadrant of the Greenbrier Parkway/Interstate 64 interchange in Chesapeake. The property has excellent visibility from Interstate 64, situated off the northeast access ramp of the Greenbrier Parkway/I-64 interchange (see Exhibit 3). The city of Chesapeake is a part of the Norfolk-Virginia Beach-Newport News Metropolitan Statistical area (MSA). The MSA is also known as Hampton Roads, which is further divided into two subregions: South Hampton Roads, in which the subject property is located, and Peninsula. South Hampton Roads is made up of five independent cities: Chesapeake, Norfolk, Portsmouth, Virginia Beach, and Suffolk. The Peninsula consists of the cities of Newport News, Hampton, Williamsburg, and Poquoson, and James City and York counties. Chesapeake is in the south central portion of South Hampton Roads, bordered on the north by Norfolk and Portsmouth, on the west by Suffolk, and on the east by Virginia Beach. The Greenbrier area of Chesapeake is in the northern portion of Chesapeake (see Exhibit 4).

Primary access is provided by Interstate 64, the main east-west highway serving northern Chesapeake. I-64 in northern Chesapeake is the southern portion of Hampton Roads' beltway system, providing direct access to neighboring Suffolk to the west and Virginia Beach to the east. I-64 also provides direct access to Norfolk International Airport (approximately 20 minutes northeast). I-64 originates in western Chesapeake, extends through Norfolk around the Central Business District, crosses the James River into the Peninsula region, and extends through Richmond past Interstate 95 west to the Appalachians. I-64 connects with the north/south Interstate 464 two miles west of the property. I-464 originates at I-64, and extends northward to the southern border of Norfolk. When completed later this year, it will link into Interstate 264 and downtown Norfolk. I-64 also intersects with I-264 northeast of Greenbrier at the Virginia Beach

border, providing excellent access to Virginia Beach. I-264 originates in western Chesapeake, and runs east through Portsmouth and downtown Norfolk to I-64, where it becomes the Virginia Beach Toll Road (Route 44) and runs east to the ocean. Access to western Chesapeake from the Peninsula will be greatly enhanced when the I-664 extension across the James River is completed in the early 1990's. Military Highway (U.S. 13) passes one half mile north of the subject property, extends west to Suffolk then south through the Carolinas, and east paralleling I-64 into Norfolk, then north across the Chesapeake Bay Bridge and Tunnel through the Delmarva into Philadelphia. The subject property's proximity to the I-64/Greenbrier Parkway interchange provides excellent access to the entire Hampton Roads area.

Access to Greenbrier Circle is by Woodlake Drive to the north of the property. Woodlake Drive is a two lane road intersecting with Greenbrier Parkway. Woodlake Drive is currently being widened to five lanes to provide better access to the business park. Improved traffic lights will also be added to the intersection of Woodlake Drive and Greenbrier Parkway. The Woodlake Drive/Greenbrier Parkway intersection is only one block north of the I-64/Greenbrier Parkway interchange (see Exhibit 5).

C. ADJACENT LAND USES

The Greenbrier area is a master planned community within Chesapeake with adjacent land uses that conform with a mixed-use planned community (see Exhibit 6). The Armada/Hoffler Business Center is situated at the northern end of the Greenbrier community (see Exhibit 7). Within the business center to the west and northwest of the property are seven one- and two-story class A office and service center buildings and four vacant parcels of land. These vacant sites are owned by Armada/Hoffler, and they plan to construct one high-rise office building (10-12 stories), one mid-rise office building (5-7 stories), and a service center building on them. However, the purchase contract prohibits Armada/Hoffler from developing any office buildings that are not at least 50% pre-leased on these sites for three years or until Tower II is 80% leased (whichever occurs earlier). Immediately to the north of the subject property on Woodlake Drive is a Holiday Inn hotel and a Red Roof Inn. Farther to the north just below Military Highway is the Greenbrier Business Park, a 210-acre park of mostly class B and C office and warehouse space.

The 880,000 square foot Greenbrier Mall is to the south of the subject property on the opposite side of I-64. It is anchored by Sears, Hess, Leggett's, and Miller & Rhoads. The Greenbrier Mall is bordered on the east and south by residential subdivisions and the Greenbrier Golf and Country Club. Housing prices in these subdivisions range from \$70,000 for townhomes to \$250,000 for single-family homes on the golf course.

To the west of the subject property on the northwest quadrant of the I-64/Greenbrier Parkway interchange is the Greenbrier Industrial Park, an industrial park owned mainly by Norfolk Southern Corporation. To the southwest of the subject property on the southwest quadrant of the I-64/Greenbrier Parkway interchange is the Crossways at Greenbrier

business park. Armada/Hoffler recently completed a 141,000 square foot building largely for the computer operations of Navy Management System Support Group (NAVMASSO) on this site. NAVMASSO is taking 116,000 square feet for 10 years. Mitsubishi recently announced the construction of a copier toner plant in Crossways at Greenbrier. A major retail center directly across from the Greenbrier Mall on Greenbrier Parkway is also planned for Crossways at Greenbrier.

D. THE SITE

The site is an irregularly shaped parcel consisting of approximately 10.9 acres (Tower I - 5.8 acres; Tower II - 5.1 acres) (see Exhibit 8). The site has approximately 150 feet of frontage on Greenbrier Circle and is basically flat with a slight elevation from Greenbrier Circle. Each building has its own access from Greenbrier Circle via paved double entries, and all paving is bound by concrete curbs and gutters.

E. THE IMPROVEMENTS

Greenbrier Tower I is a six-story structure containing 92,839 gross square feet and 83,039 net rentable square feet with two glass-backed hydraulic elevators providing access to all floors (see Exhibits 9A and B). The exterior of the building is constructed of iron spot brick and solar tinted glass, and incorporates radiused and squared corners, highlighted by detailed brickwork along all perimeter glass lines and the main entrance. The interior of Tower I features a 6-story, plant filled atrium accented with water features, two skylights in the atrium ceiling, and sunken seating areas (see Exhibit 9C). The atrium is finished with marble flooring, brass railings, and hardwood trim. All offices along the atrium have options for interior window walls overlooking the lobby. Tenants leasing a full floor may extend offices and/or corridors to the atrium. This option provides added flexibility in office layout design, and natural lighting for interior offices and corridors via the building's skylights.

Greenbrier Tower II is also a six-story structure containing 93,174 gross square feet and 88,381 net rentable square feet with two glass-backed hydraulic elevators and one service elevator providing access to all floors (see Exhibits 9A and D). Tower II is basically a mirror image of Tower I with some minor design changes, most notably a slightly smaller atrium giving Tower II its additional rentable square footage over Tower I. Tower II's atrium is also a 6-story, plant filled atrium, with two waterfalls in the sunken seating area, and 6 skylights in the atrium ceiling. The atrium finish compliments and parallels Tower I, with a different color scheme.

Both buildings are constructed with steel frames and brick veneer with reflective, insulative glass. The first floor is constructed with 4" reinforced concrete, and the second through sixth floors are constructed with 4 1/2" concrete on metal deck with a clear ceiling height of 8'4". The buildings are fully sprinklered and fireproofed. Roofing is single ply membrane. The buildings will have a total of 600 surface parking spaces, or a parking

ratio of 3.5 spaces per 1,000 square feet of office space. There are 452 parking spaces in total for Towers I and II, with an additional 148 spaces to be built by the seller on an unimproved part of the Tower II acreage. The purchase agreement provides that sufficient funds to complete the parking spaces will be escrowed at closing if these additional parking spaces have not been built. The buildings' HVAC is a computer controlled water-to-air heat pump system with approximately 110 zones and a 240 ton capacity. Exhibit 10 contains a brief construction summary of Towers I and II.

Standard interior tenant finish includes either a standard suite entrance of a single, solid core, 8-foot, oak veneer door with a side light of full-height glass, or an upgraded suite entrance (5,000 square foot minimum) of a double oak veneer door with double side lights of full-height glass, customized layouts, HVAC with 2.5 tons provided per 1,000 square feet, 30 ounce cut pile carpeting, 2' x 4' fluorescent light fixtures (13 per 1,000 square feet), suspended acoustical tile ceilings, interior doors (3 per 1,000 square feet), and interior partitions (75 lineal feet per 1,000 square feet). Floor plans for Towers I and II are presented in Exhibit 11.

Greenbrier Towers I and II are well located, high quality office buildings, with access to downtown Norfolk and the surrounding region from Greenbrier superior to that of the competitive suburban submarkets. The buildings are finished with top grade materials and are attractively landscaped. The proximity of the towers to I-64 provides them with unequalled visibility and recognition.

II. THE MARKET

A. INTRODUCTION

The Chesapeake/Greenbrier area is one of the two fastest growing business centers in the South Hampton Roads area. With its excellent accessibility, layout, and complimentary land use plan, Greenbrier (the "downtown" of Chesapeake) is considered to be the next major growth area of South Hampton Roads. Virginia Beach, the other major suburban office market in South Hampton Roads, is currently experiencing traffic congestion problems along the Route 44 business corridor. Limited funding for road improvements is likely to increase the long term appeal of suburban office centers in less congested areas such as Greenbrier.

B. HAMPTON ROADS MARKET OVERVIEW

Chesapeake is part of the Norfolk-Virginia Beach-Newport News MSA, the 28th largest market in the United States. The MSA has successfully diversified from its traditional economic base of military and tourism as over 100 manufacturing and technological firms have facilities in the region, including Ford Motor Company, Proctor & Gamble, Canon Virginia, Mitsubishi, Sunitomo Machinery Corp. of America, Wang, and Sperry. Hampton Roads is home to the country's largest coal port, and is the headquarters of major

corporations such as Norfolk Southern Corporation, Landmark Communications, Sovran Financial Corporation, and Planters Peanut Corporation. The Hampton Roads MSA comprises 25% of Virginia's total population, and has the largest Naval Base in the world. The U.S. Naval Base in Norfolk houses the Atlantic NATO Command and the U.S. Navy Atlantic Fleet, and 25% of the nation's naval force is based in the MSA.

As shown in Exhibit 12, the MSA's population grew 16% from 1.16 million to 1.35 million persons between 1980 and 1987. On a regional level, population growth has been concentrated in a few jurisdictions, with Chesapeake and Virginia Beach showing the greatest annual increases at 2.7% and 4.1% respectively. As Exhibit 13 indicates, trade, service, and governmental sectors dominate the local economy, accounting for 71% of all the MSA's employment in 1987. The sectors with the highest annual growth rates between 1980 and 1987 were construction (6.9%), services (6.1%), trade (4.9%) and finance, insurance and real estate (4.3%). Unemployment in the MSA has been declining steadily since 1982, and now stands at under 5% (see Exhibit 14). The city of Norfolk, long the region's primary employment center, has stagnated in employment growth in recent years while the suburban markets of Virginia Beach and Chesapeake have increased employment markedly since 1980 (39% and 28% respectively). Suburban locations, with better access and proximity to labor, should continue to attract larger shares of new regional employment. The regional outlook for office space demand is good, based on the projected growth in the office-based employment sectors of services, finance, insurance, real estate, and government.

C. SOUTH HAMPTON ROADS OFFICE MARKET

The South Hampton Roads office market is comprised of 13 submarkets divided among the cities of Norfolk, Virginia Beach, Portsmouth, and Chesapeake, containing a total class A and B inventory of 9,346,000 net leasable square feet of office space, with 1,900,000 square feet available for lease, indicating an overall vacancy rate of 20.3%. Suburban class A office space is showing a slightly lower vacancy rate of 18.7% as of July 1988. Although South Hampton Roads has experienced rapid development over the past few years, with the total inventory of class A and B space almost doubling since 1983, absorption has kept pace with this increased development (see Exhibit 15), and vacancy rates have remained relatively constant (see Exhibit 16). With less new product projected for 1989 - 1990, continued strong absorption projected over the same period, and with the continuing trend of users of class B space upgrading to class A space, the class A office market should strengthen in the coming years.

The Central Business District has a total class A and B inventory of 2,867,000 square feet with a current vacancy rate of 22.7% (23.3% for class A space). Tenants include the larger banks, insurance agencies, stock brokerage firms, and major legal and accounting firms. Rental rates for the better buildings in downtown average approximately \$21.00 per square foot, with new product quoted at \$24.00. Rental concessions average one free month per lease year, as it does for the entire South Hampton Roads market.

Virginia Beach has 4,136,000 square feet of class A and B office space, exceeding Norfolk's inventory, which until recently was the largest in Hampton Roads. Between July 1985 and July 1988, approximately 1,800,000 square feet of office space was constructed in Virginia Beach, but only approximately 1,600,000 million square feet was absorbed over the same time period. Vacant space in existing buildings currently totals 788,846 square feet for a vacancy rate of 19.1%. Rents range from \$9.50 to \$17.00 per square foot. Tenants are typically defense contractors, computer firms, and financial service companies. The most prestigious areas in Virginia Beach are located along Route 44, the east-west road running from Norfolk to the oceanfront. Being the prime and only artery serving the area, traffic congestion has become a major problem on Route 44. As Exhibit 17 indicates, eight submarkets comprise the Virginia Beach market, with the majority of the office space concentrated in Newtown/Witchduck, Pembroke, and Lynnhaven (72% of Virginia Beach's 4.1 million square feet class A and B inventory).

D. CHESAPEAKE/GREENBRIER OFFICE MARKET

The Chesapeake/Greenbrier area has 1,054,138 square feet of space, concentrated in the Greenbrier area, with 68.1% of this space built since 1985. Absorption over this period has been strong, with 88% of all new construction for the period absorbed, and an average annual absorption since 1985 of 210,500, up from 75,000 square feet before 1985. Towers I and II have a combined total of 56,800 square feet of available space. There is currently approximately 207,000 square feet of existing vacant space in the Chesapeake submarket and 52,000 square feet of available space in buildings under construction, for a total of 259,000 square feet of available inventory. If absorption remains at present levels and if Towers I and II were equally competitive in the market, their absorption would be 22% of the total yearly absorption in the Greenbrier submarket, or 46,200 square feet per year. At this rate, Towers I and II would be 95% occupied in 14 months. The overall vacancy rate was 19.7% in June 1988, and rents ranged from \$9.00 to \$17.00 per square foot. A significant development for the Greenbrier area is the new building housing the Naval Management Systems Support Office (NAVMASSO) in the Crossways at Greenbrier business park (across the interchange from the subject property). The Navy's presence in the Greenbrier area should attract a significant number of support service firms and government subcontractors. Mitsubishi's new copier toner plant in the Crossways at Greenbrier business park will also attract its own support businesses.

E. COMPETITIVE PROPERTY SURVEY

The properties that compete with Greenbrier Towers I and II are comparable in terms of either quality or location, but not both. None of the competitive properties have the uncongested accessibility and the visibility of Towers I and II. Exhibit 18 is a summary of the competitive property survey, and Exhibit 19 is the competitive property map. Towers I and II's rents are competitive with other class A buildings in the area. Two additional factors are indicative of the subject's relative strength in the market place. First,

USF&G/Legg Mason Acquisition Committee Members
October 24, 1988

concessions on the competitive properties currently average one free month per lease year while concessions on the subject are lower, and second, the subject is currently negotiating CPI increases (and/or scheduled annual increases) and expense stops while the comparables are getting only annual rental increases without expense stops.

The nearest competitive property is One Greenbrier Point, a 65,000 square foot office building developed by Homart Development directly adjacent to the Greenbrier Mall on Greenbrier Parkway. This property was completed in 1986, but occupancy is currently only 35%. Its poor market acceptance is due to poor management, poor design, HVAC design problems, and poor access through the Greenbrier Mall parking lot. Rates are quoted at \$13.50 per square foot full service, with concessions negotiated on a lease by lease basis.

The remainder of the competitive properties are similar in terms of quality and rents, but are in different suburban office submarkets with inferior visibility and/or accessibility, and are generally in areas with significantly higher traffic congestion. The competitive property nearest to the subject is the Riverside Corporate Center, a four story, 92,323 square foot office building located in the Military Circle office submarket in Norfolk. This property opened earlier this year, and is currently 40% occupied. Market acceptance of this property has been lukewarm, due to its poor accessibility. Asking rent is \$16.00 per square foot full service, with concessions negotiated on a lease by lease basis.

Koger Center - Westmoreland and Koger Center - Smithfield are adjacent properties on Kempsville Road off the I-64/I-264 interchange in the Newtown/Witchduck suburban office submarket. These properties are part of the larger Koger Executive Center, an established office park of mostly older, class B office buildings, and were delivered earlier this year. Koger Center-Westmoreland is currently 19% occupied, and Koger Center-Smithfield is currently 50% occupied. Rents are currently \$17.00 per square foot full service, with concessions negotiated on a lease by lease basis.

Another competitive property in the Newtown/Witchduck office submarket is the Expressway Corporate Center, located off of the Virginia Beach Toll Road/Newtown Road interchange on Greenwich Road. Developed by Armada/Hoffler, this high quality building is hidden on a secondary road off a congested interchange. Due to the high quality construction of this property and the reputation of Armada/Hoffler, this 90,188 square foot building has been well received since its May 1987 completion, with a current occupancy of 93%. Rents are in line with those of the subject, at \$15.50 to \$16.50 per square foot full service, with concessions negotiated on a lease by lease basis.

Greenwich Commons is in the Newtown/Witchduck submarket of Virginia Beach on Greenwich Road next door to Expressway Corporate Center. This building was developed by Rowe Development, was completed in 1984, and is currently 98% leased. Rent is at \$15.25 per square feet full service, with concessions negotiated on a lease by lease basis.

Two other properties, Two Columbus Center and Windwood Center One, have been included in the competitive property survey to show the conformity of rental rates in other submarkets located farther away than the other comparables to the rental rates of the subject. Rents in Two Columbus Center run higher than other suburban submarkets because of the Pembroke area's emergence as Virginia Beach's financial district. The rents for Windwood Center One are more in line with those of the subject, however the Lynnhaven submarket is largely dependent on the nearby Oceana Naval Air Station and is fully 15 miles from the subject.

III. THE PROPERTY MANAGER, DEVELOPER, AND GENERAL CONTRACTOR

Armada/Hoffler Enterprises, the seller of the property, will manage the property through the 36 month guarantee period, and thereafter may be retained as property manager at the partnership's option. During the guarantee period, Armada/Hoffler can be removed as property manager for cause. Armada/Hoffler will receive a management fee of 3% of gross rental income, a 3% commission for lease renewals and a 6% commission for new tenants. Armada/Hoffler Property Management Division currently has 24 office buildings under management in the Hampton Roads area, a significant portion of the suburban Hampton Roads class A office market. The head of the division is Charles Lytton, a CPM with over 13 years of property management experience. The Property Management Division's track record is presented in Exhibit 20.

Armada/Hoffler Enterprises was also the developer and general contractor for the property. One of the largest developers of office and flex buildings in the Hampton Roads area, Armada/Hoffler has developed and constructed 42 separate projects since their formation in 1979, mostly in the Hampton Roads area, and has eight more in the planning stages. Exhibit 21 is the track record of Armada/Hoffler's development and construction divisions.

IV. THE RISK AND RETURN

A. INTRODUCTION

The purchase price for both towers is \$23,639,500, with estimated closing costs of \$250,000, for a total investment of \$23,889,500. At this time no financing has been secured. Therefore for purposes of this analysis, a nonamortizing loan of \$13,100,000 at a 10% interest rate has been assumed (approximately 55% leverage). The seller and its principals will guarantee a 9% annual cash return (after payment of all tenant upfit and leasing commissions) on the total purchase price for 36 months after closing. Of the total purchase price, \$1,025,000 will be escrowed in an interest bearing account for tenant finish and leasing commissions on unimproved space in Towers I and II ("leasing and improvements escrow"). An additional \$1,800,000, reduced by \$20,000 for every 1% of rentable space in Tower II leased prior to closing in excess of 50%, will be escrowed in

an interest bearing account to secure payment of the 9% Net Operating Income guarantee ("guarantee escrow"). The leasing and improvements escrow will be disbursed to the seller as unimproved vacant space is leased, and any remaining funds at the end of three years will be returned to the partnership. The guarantee escrow will be disbursed to the partnership monthly to cover any deficiencies in net operating income if the seller has not paid the deficiencies. At the end of the guarantee period, the seller will receive all remaining funds in the guarantee escrow in excess of two times the prior 12 months' net operating income deficiencies. The remainder will revert to the partnership. A parking escrow in an amount necessary to complete the parking for Tower II (to be determined solely by the partnership) will be set up at closing if the seller fails to complete the parking before closing.

B. LEASES

Greenbrier Towers I and II have been able to attract high quality tenants. Among the list of quality tenants are Wang, CIGNA, and Armada/Hoffler in Tower I, and AT&T and NCR in Tower II. The remainder of the tenants are primarily professional and high-tech companies.

The lease rate for both buildings is dependant on the floor being leased and is quoted on a rentable square foot basis. Current rents range from \$15.50 - \$16.50 full service for space in excess of 2,000 square feet and up to \$18.50 full service for space under 2,000 square feet. Most leases have either annual CPI increases or scheduled annual increases. Leases are typically three to five years in length (NCR's lease in Tower II is 10 years), with the tenant paying operating expense increases in most cases. Concessions average under one month free per lease year.

As part of the purchase negotiations, Armada/Hoffler has agreed to new five year leases on the 23,408 square feet they occupy in Tower I. The rental rate will be \$18.25 per square foot, with full annual CPI increases up to 5% per year and a \$3.75 expense stop. Other major leases include: the AT&T lease in Tower II at \$16.00 per square foot with no annual increases and a \$3.74 expense stop, the NCR lease in Tower II at \$14.00 per square foot with scheduled annual increases of 5% per year and a \$2.40 expense stop, and the Wang lease in Tower I at \$14.93 per square foot with annual 95.6% of CPI increases and no expense stop. Exhibit 22 is a detailed lease summary of both buildings.

C. VALUATION

1. Pro-Forma Income and Expenses

The first and second year proforma income and expenses for Towers I and II is presented in Exhibit 23. These projections are based on the lease summary and the assumptions summarized in Exhibit 24. The Net Operating Income is projected to be \$1,628,164 and \$2,051,524 in fiscal years 1989 and 1990 respectively, which would require payments of

\$670,743 in 1989 and \$136,700 in 1990 as part of the 9% NOI Guarantee. Consequently, the return on total costs is 6.89% in 1989 and 8.68% in 1990 while the partnership's return on equity is 7.58% in both years.

2. Market Appraisal

The purchase agreement contains a contingency that the partnership receive an MAI appraisal on the properties of not less than \$25,000,000.

D. RETURN

The returns for this investment are calculated over a ten year holding period. It is assumed that permanent financing in the amount of \$13,100,000, at an interest rate of 10% (interest only) will be obtained by the partnership. The projections are based on the terms of the leases actually in place with a proforma rental rate of \$15.50 used for the remaining space in Towers I and II. Inflation is projected at 5% annually, and appropriate cost numbers have been included for releasing and refitting the space as the leases roll over. The significant assumptions to the projections are summarized in Exhibit 24.

1. Annual Returns

The annual cash returns to USF&G/Legg Mason Realty Partners are presented in Exhibit 25. The estimated cash on equity return to USF&G/Legg Mason Realty Partners in the first stabilized year (fiscal year 1990) is 7.58%. The cash return from operations is 6.31%, and the NOI guarantee increases the yield to 7.58% as the seller contributes \$136,700 to maintain the 9% guaranteed return on total costs. In year three, it is projected that the partnership will receive a partial reversion of the guarantee escrow in the amount of \$303,422, equal to twice the projected year three NOI guarantee payment of \$151,711. The returns on equity fluctuate between 5.0% in 1992 to 12.0% in 1997. The low return in 1992 results from the high projected lease turnover of 39% in that year.

2. Cash Proceeds at Sale

At the time of sale, net proceeds are first used to pay off the outstanding mortgage balance then USF&G/Legg Mason Realty Partners receives all remaining cash. The projected sales price is computed by capitalizing projected net operating income for year 11 at 9%, and subtracting estimated refitting expenditures for year 11, estimated releasing commissions for year 11 and estimated selling expenses (at 3% of total sales price). The estimated cash proceeds to USF&G/Legg Mason Realty Partners from the sale in year 10 is \$19,376,748.

3. Yield Analysis

The nominal yield for the base case (5% inflation; 9% capitalization rate at sale) is estimated to be 12.7%. This represents a real or inflation adjusted return of 7.7%. The

yield on this investment is very sensitive to inflation. For example, if the inflation rate is 7%, the nominal and real rates of return increases to 15.1% and 8.1% respectively, but if the inflation rate is 3%, the nominal and real rates of return decreases to 9.1% and 6.1% respectively. Exhibit 26 graphically presents the nominal yield's sensitivity to changes in inflation and changes in the capitalization rate at sale.

E. RISK

In the proposed purchase, USF&G/Legg Mason Realty Partners is exposed to all of the risks associated with outright ownership of a real estate investment. The structure of the purchase agreement along with the due diligence and underwriting have minimized the major risks by providing seller guarantees, leasing and improvement escrows, guarantee escrows, parking escrows, engineering and environmental reports, prohibitions on the seller and its affiliates from moving tenants to its other buildings for a five year period, restrictions on further development by the seller within a two mile radius of the property for a three year period, and property management operating budgets.

1. Market Risk

A major risk in this investment is the property's ability to continue to lease space at high rental rates and attain a high occupancy level. This risk has been minimized by the substantial leasing which has already occurred and by the leasing and improvements escrow which will lower the partnership's investment should the remaining space in Tower II not lease up as projected. Tower I is 83% leased, and Tower II is 50% leased. Although the South Hampton Roads market is currently experiencing some softness, the market is expected to strengthen as new office development subsides. On a local level, the addition of the Navy's computer operations and a Mitsubishi plant to the Greenbrier area promises to stimulate further the demand for quality office space by various support businesses. The possibility of additional competitive properties is limited to sites that do not have the visibility and accessibility of the subject, and Armada/Hoffler, the largest developer in the Greenbrier area, will be restricted from developing office buildings within a two-mile radius of the subject that are under 50% pre-leased for three years or until Tower II is at least 80% occupied, whichever occurs sooner. The subject property is well positioned within the market to take advantage of these positive market trends. The 36 month 9% Net Operating Income seller guarantee escrow to secure payment of the guarantee will reduce the market risk in the short term while the market strengthens.

2. Operational Risk

Operational risks involve effective management of the properties on a day-to-day basis, maintaining the property's "curb appeal" and position in the market, and releasing in a timely and profitable basis when space becomes available in the buildings. The seller will manage the property during the guarantee period according to an approved operating budget. During this period and for two years after the guarantee expires, Armada/Hoffler

USF&G/Legg Mason Acquisition Committee Members
October 24, 1988

will be prohibited from leasing its other office buildings to existing tenants of Towers I and II, unless the tenant's space requirements cannot be met in Towers I and II and the seller executes a master lease for the vacated space. Armada/Hoffler is one of the leaders in the South Hampton Roads suburban office market and currently manages over 2.5 million square feet of office and flex space in the Hampton Roads area alone. Potomac will closely monitor the property management by frequent on-site inspections and monthly operating and financial reports. During the guarantee period, the management agreement can be terminated for cause, and after the guarantee period the management agreement can be terminated at will.

3. Financial Risk

The financial risks in this investment are twofold: interest rate risk and default risk. Interest rate risk exists because permanent financing has yet to be arranged for this investment. The projected return to USF&G/Legg Mason Realty Partners is sensitive to the interest rate of the permanent financing. In the base case, the interest rate is assumed to be 10% and the yield is estimated to be 12.7%. However, if the interest rate is 10.5%, the nominal yield would decrease to 12.2%. On the other hand, if the interest rate is 9.5%, the nominal yield increases to 13.2%. Exhibit 27 graphically presents the nominal yield's sensitivity to the permanent financing interest rate.

The default risk in this investment, as well as in all fund investments, is minimized due to the relatively low leverage (55% of total costs). The debt coverage ratio before payment of the seller NOI guarantee is 1.24 and the breakeven occupancy level is 72%, so the risk of default is small.

V. CONCLUSIONS AND RECOMMENDATIONS

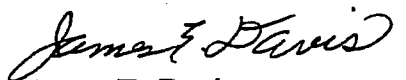
Greenbrier Towers I and II are two high quality, class A office buildings located in the growing Greenbrier/Chesapeake section of South Hampton Roads, Virginia. The project was developed and leased by Armada/Hoffler Enterprises, a leading developer in the suburban Hampton Roads area, who will continue to manage and lease the property. The property's accessibility and visibility are unmatched in the entire South Hampton Roads suburban submarket, giving the property a strong market position in which to capitalize on the forecasted growth in the Chesapeake area. Risk minimizing features of this investment include (1) a 36 month seller net operating income guarantee, (2) a guarantee escrow sufficient to secure payment of the projected NOI guarantee payments, (3) a leasing and improvements escrow for unimproved space in Towers I and II, (4) restrictions on office development by the seller and its affiliates for three years within a two mile radius of the subject property, (5) restrictions on the seller or its affiliates from leasing space in other buildings to existing tenants of the subject property for five years, and (6) a parking escrow to secure the construction of additional parking spaces for Tower II. The expected return for this investment provides an adequate return for the risks involved. Therefore, Potomac Realty Advisors recommends that the USF&G/Legg Mason Acquisition Committee

USF&G/Legg Mason Acquisition Committee Members
October 24, 1988

approve the purchase of the Greenbrier Tower I and Greenbrier Tower II under the terms and conditions outlined in *Appendix A - Purchase Agreement*.

If you have any questions, please feel free to call Dan Kohlhepp or me.

Sincerely,

A handwritten signature in cursive script that reads "James E. Davis".

James E. Davis
Vice President

EXHIBITS

EXHIBIT 1
SUMMARY OF PURCHASE CONTRACT

Seller: Tower I: Greenbriar Tower I Associates
Tower II: Greenbriar Tower II Associates LP

Purchase Price: \$23,639,500 (Tower I: \$11,714,500, Tower II \$11,925,000)

Holdbacks: Tower I:
Guarantee Escrow - \$600,000
Leasing and Improvements Escrow - \$150,000
Tower II:
Guarantee Escrow - \$1,200,000, reduced by \$20,000 for each one percent of rentable space leased in excess of 50% of total rentable space at closing.
Leasing and Improvements Escrow - \$875,000
Parking Escrow - An amount sufficient to complete an additional 148 parking spaces for Tower II. Amount to be determined solely by the purchaser.

The Guarantee Escrows shall be drawn upon monthly to cover any deficiencies in the prior month's net operating income in accordance with the 9% NOI guarantee, unless otherwise paid by the seller. Any money remaining in escrow at the end of the guarantee period in excess of twice the prior 12 months' NOI deficiency (if any) shall be disbursed to the seller. The Leasing and Improvements Escrows shall be disbursed from time to time for tenant finish work and leasing commissions incurred by seller for vacant spaces. Any money remaining in escrow at the end of the guarantee period shall be disbursed to seller if all vacant space has been leased; otherwise, any remaining money shall be returned to purchaser. A parking escrow in an amount to complete the Tower II parking will only be set up if the seller fails to construct an additional 148 parking spaces for Tower II by closing.

Deposit: \$100,000 deposited into an interest bearing account. Deposit to be increased to \$350,000 after due diligence period.

Free Look Period: The contingency period is for 45 days, beginning upon receipt of written consents by the groundlessor of Tower I and the limited partner of Tower II to the purchase of the buildings. During this due diligence period we are to complete all of our inspections including appraisal, engineering, financial studies, market studies, survey and title and committee approval.

Income Guarantee:

The principals of the sellers, Dan Hoffer and Russell Kirk, are providing personal Net Income Guarantees (in addition to the Guarantee Escrows) of \$87,858.75 per month for Tower I, and \$89,437.50 per month for Tower II for a period of 36 months (i.e. 9% on the total purchase price). During the guarantee period, seller will manage the property, and the management agreement is cancelable for cause.

Non-Compete Provision:

For three years following closing, neither the seller nor any affiliate can build another office building within a two mile radius unless Tower II is at least 80% leased or if the proposed building is at least 50% pre-leased.

Anti-Flipping Provision:

For five years following closing, neither the seller nor any affiliate may lease space to an existing tenant of Towers I and II within 25 miles of Towers I and II unless the tenant expands by the greater of 50% or 5,000 square feet, purchaser cannot provide such space in a reasonable time, and seller or its affiliate executes a master lease for the vacated space.

Closing:

The Closing is to take place within seventy days following the execution of the purchase contract, or at a later date if requested by the seller in writing, but in no case later than January 31, 1989.

EXHIBIT 2
REGIONAL MAP

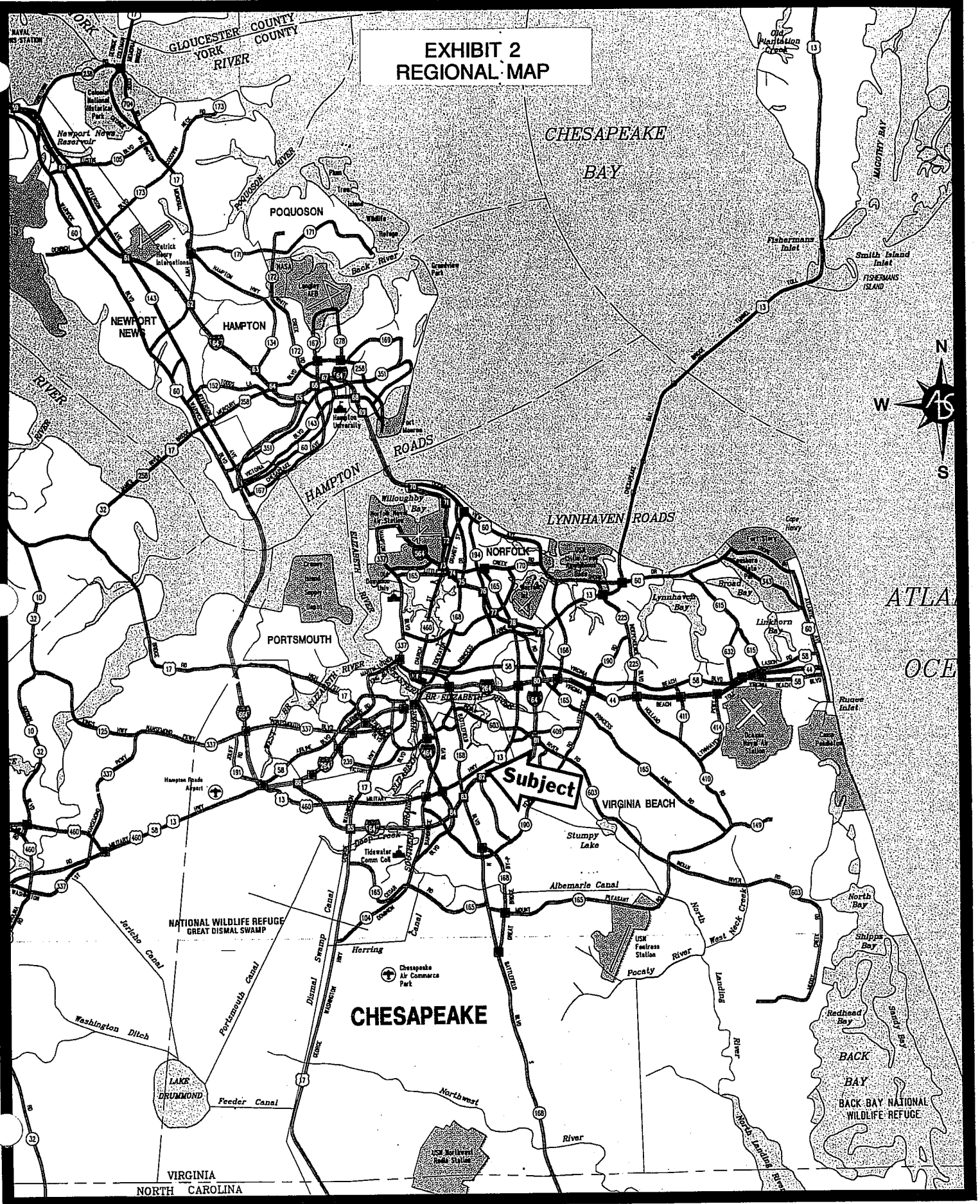


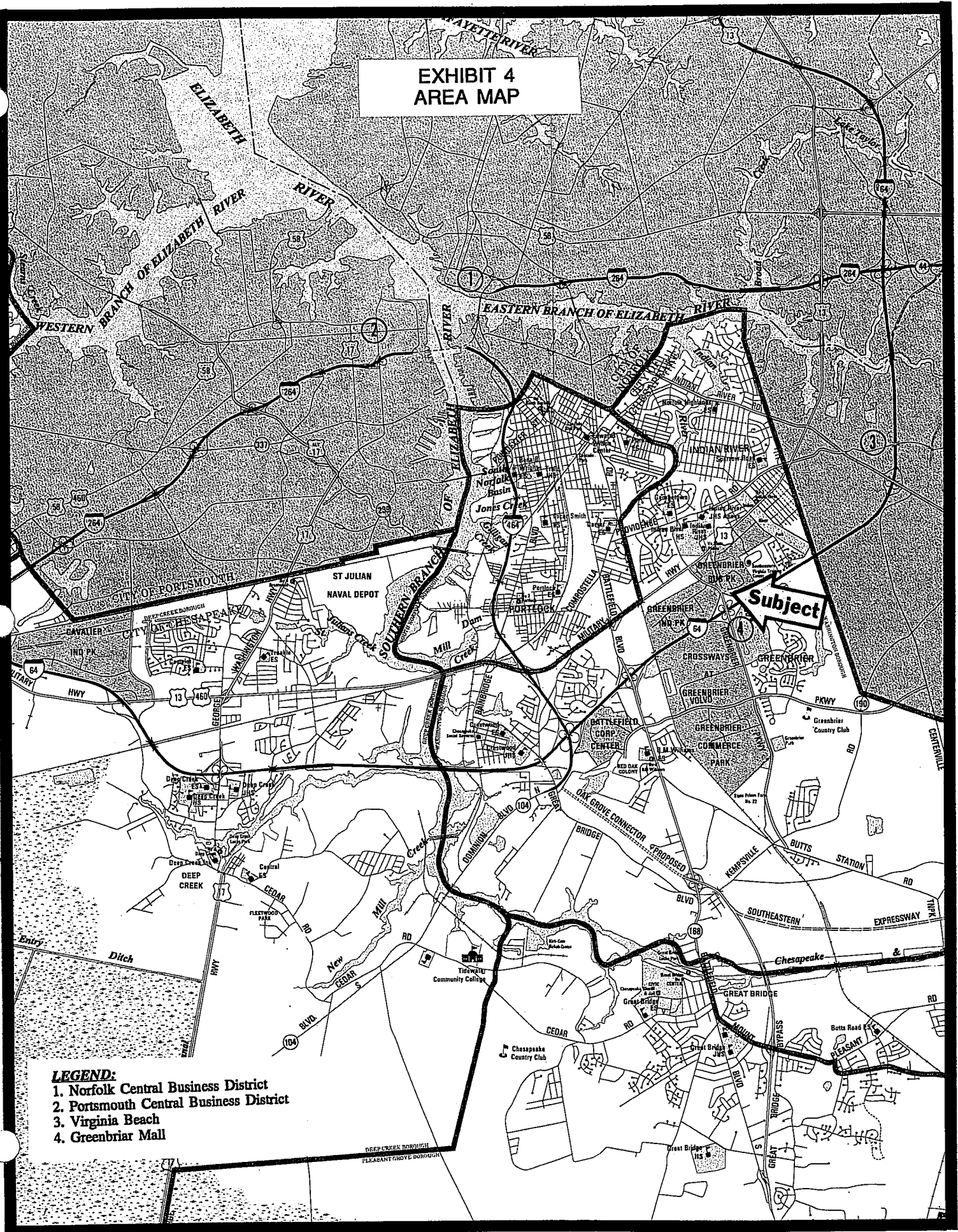
EXHIBIT 3 AERIAL PHOTO



LEGEND:

1. Greenbrier Tower I
2. Greenbrier Tower II
3. Interstate 64
4. Greenbrier Parkway
5. Woodlake Drive
6. Greenbrier Circle
7. Military Highway (U.S. 13)
8. Armada/Hoffler Business Center
9. Holiday Inn
10. Greenbrier Mall (just off the picture)
11. Greenbrier Business Park
12. Southeastern Virginia Training Center

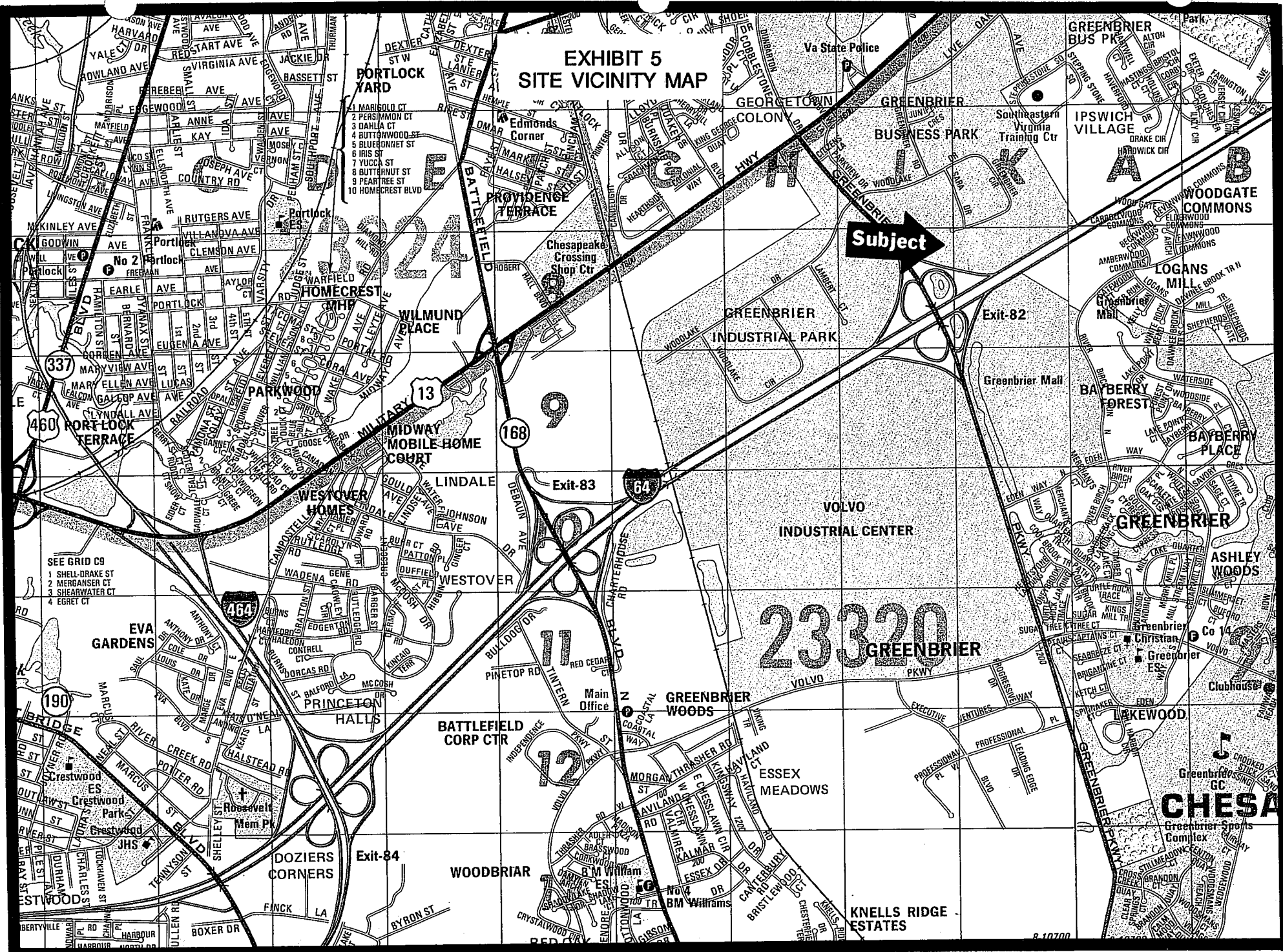
EXHIBIT 4 AREA MAP



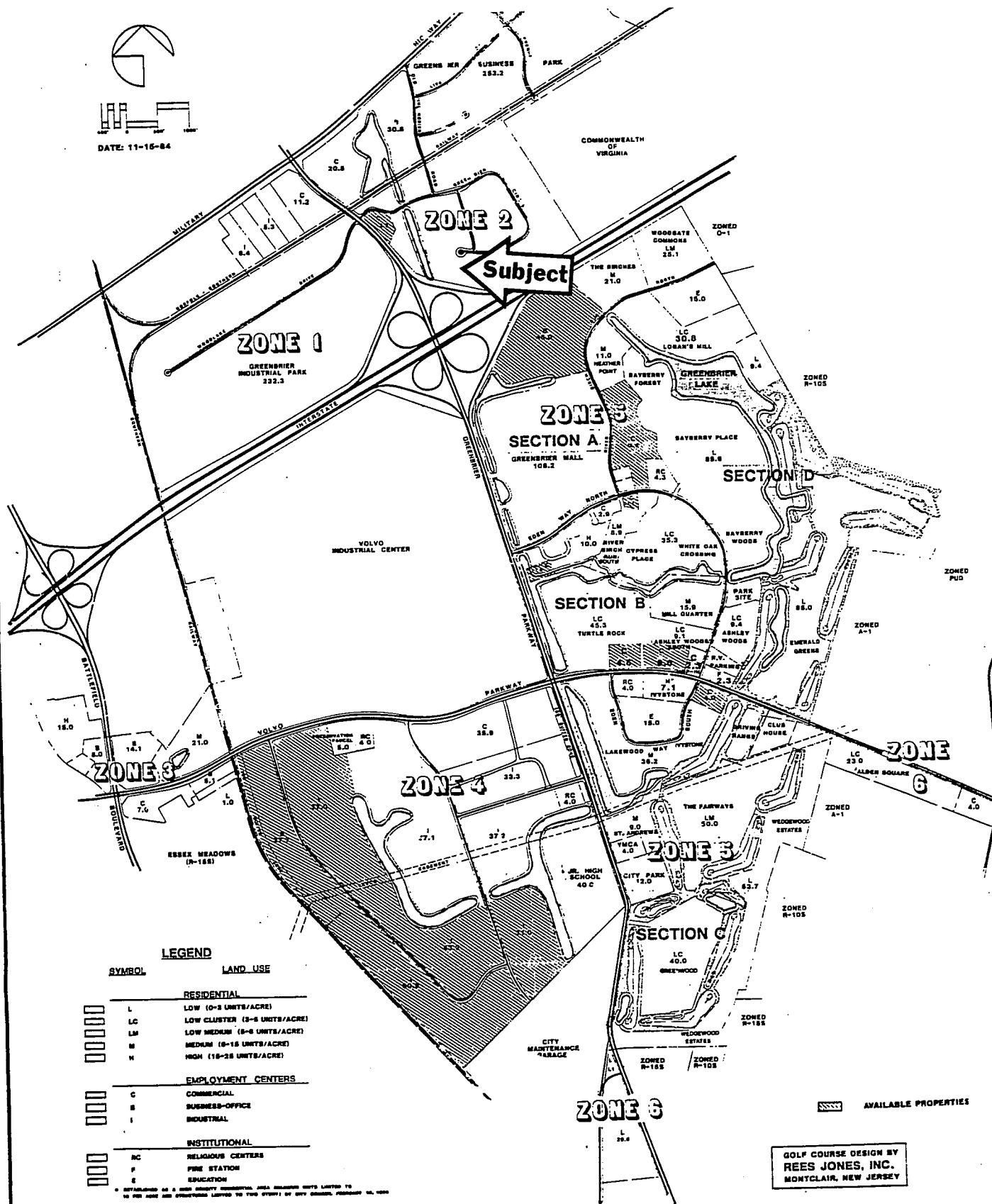
LEGEND:

1. Norfolk Central Business District
2. Portsmouth Central Business District
3. Virginia Beach
4. Greenbrier Mall

EXHIBIT 5 SITE VICINITY MAP



DATE: 11-15-84

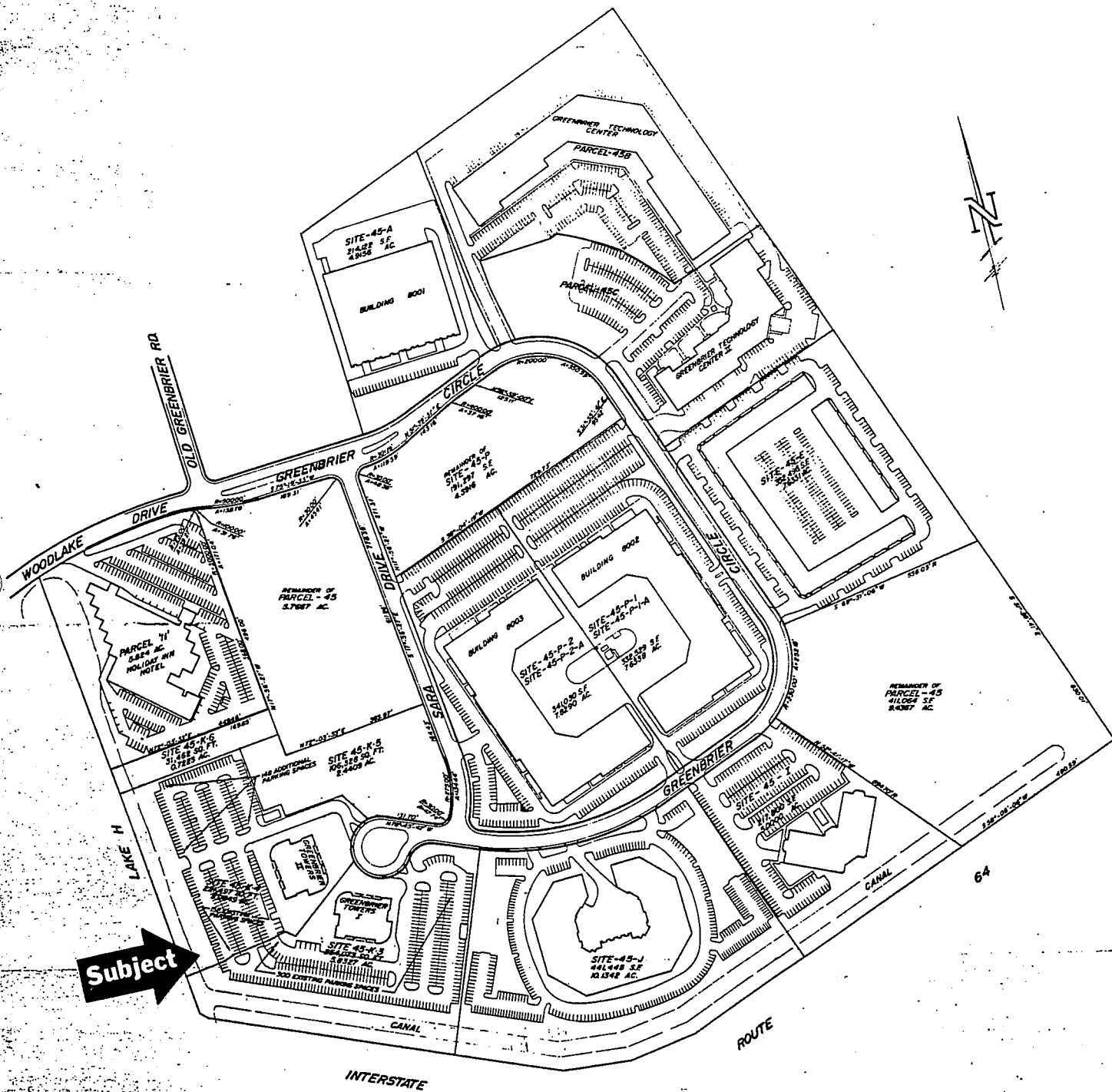


GREENBRIER ASSOCIATES.
Developers
Chesapeake, Virginia

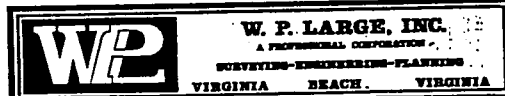
greenbrier land use plan

TALBOT & ASSOCIATES, LTD.
ARCHITECTS • ENGINEERS • PLANNERS
SURVEYORS • LANDSCAPE ARCHITECTS
1000 Commonwealth Avenue Virginia Beach, Virginia 23462

EXHIBIT 7
ARMADA/HOFFLER BUSINESS CENTER



COMPOSITE SITE PLAN
OF
ARMADA/HOFFLER BUSINESS CENTER
WASHINGTON BOROUGH - CHESAPEAKE, VIRGINIA



JUNE 23, 1967

SEP 1 1967

1

1. *Journal of Management Studies*, 1996, 33, 1, 1-14.

[illegible]

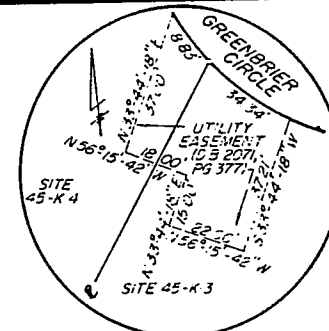
P.S. 17,363



EXHIBIT 8 SITE PLAN

REMAINDER OF PARCEL '45'
NOW OR FORMERLY
ARMADA / HOFFLER
INVESTMENT PROPERTIES
(10 B 2030, PG 312)
(10 B 66, PG 50)
(10 B 70, PG 86)

PARCEL '1'
GREENBRIER, ZONE 2
(10 B 61, PG 76)
(10 B 72, PG 50)



INSET 'A'

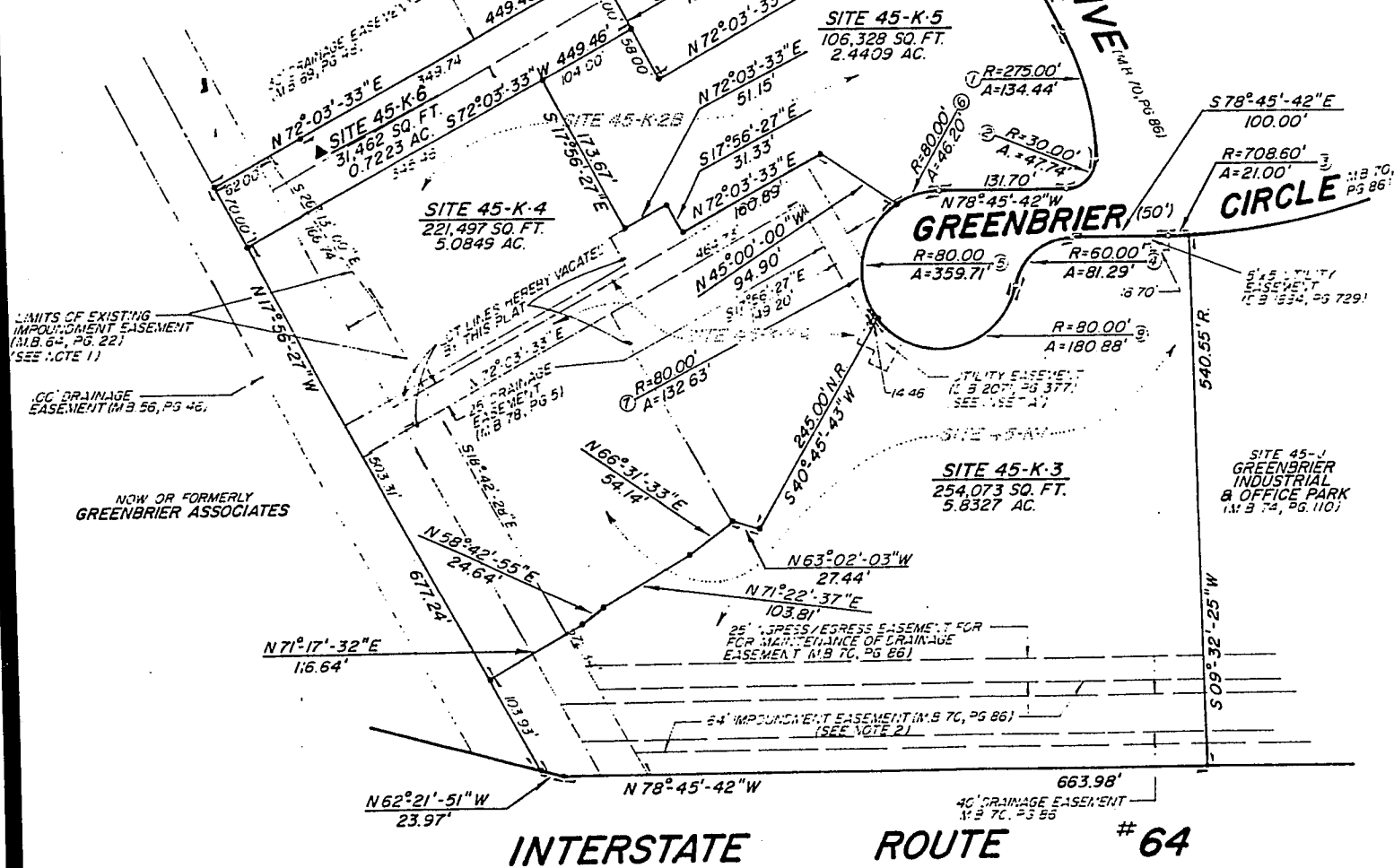


EXHIBIT 9A
GREENBRIER TOWERS I & II

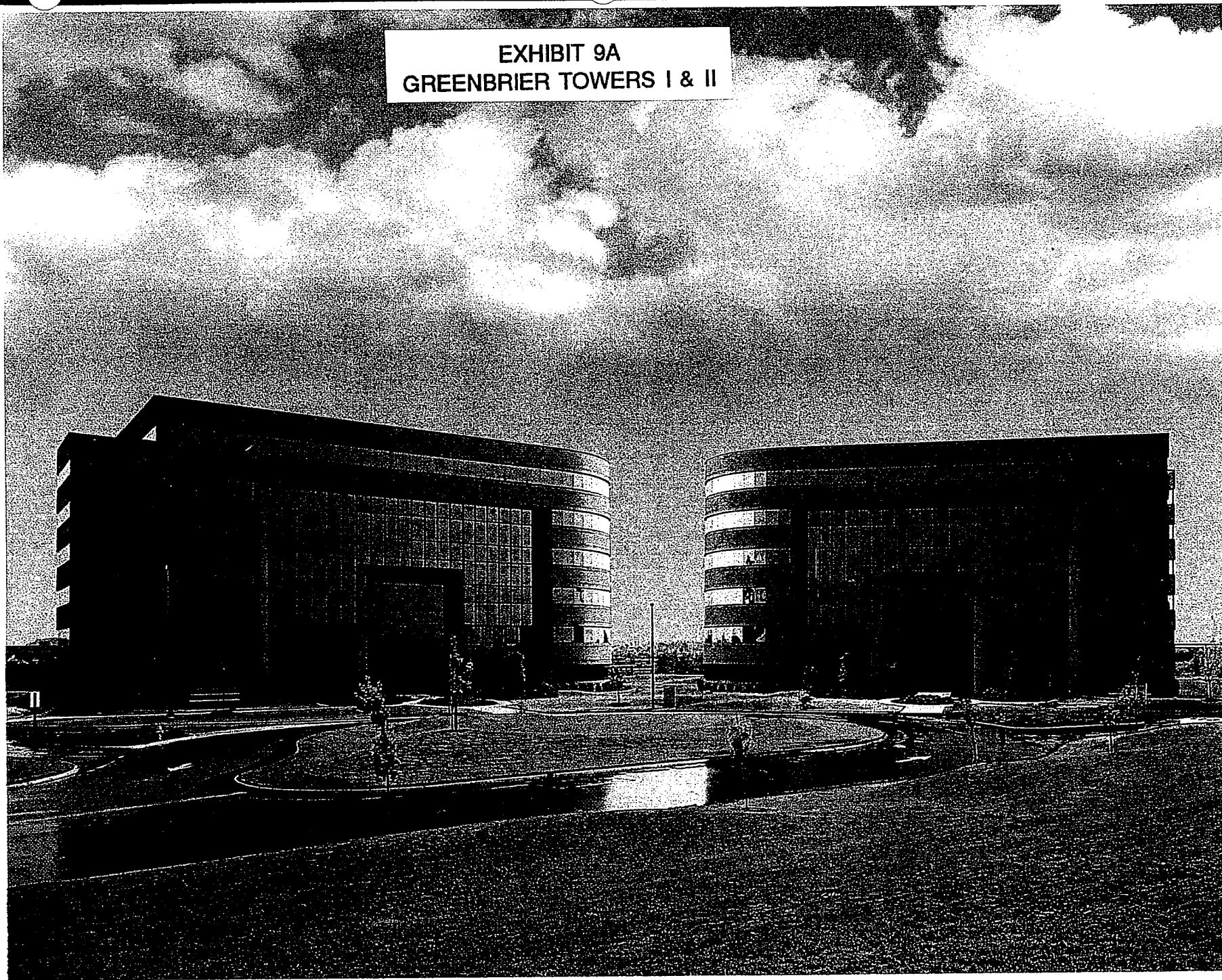


EXHIBIT 9B
GREENBRIER TOWER I

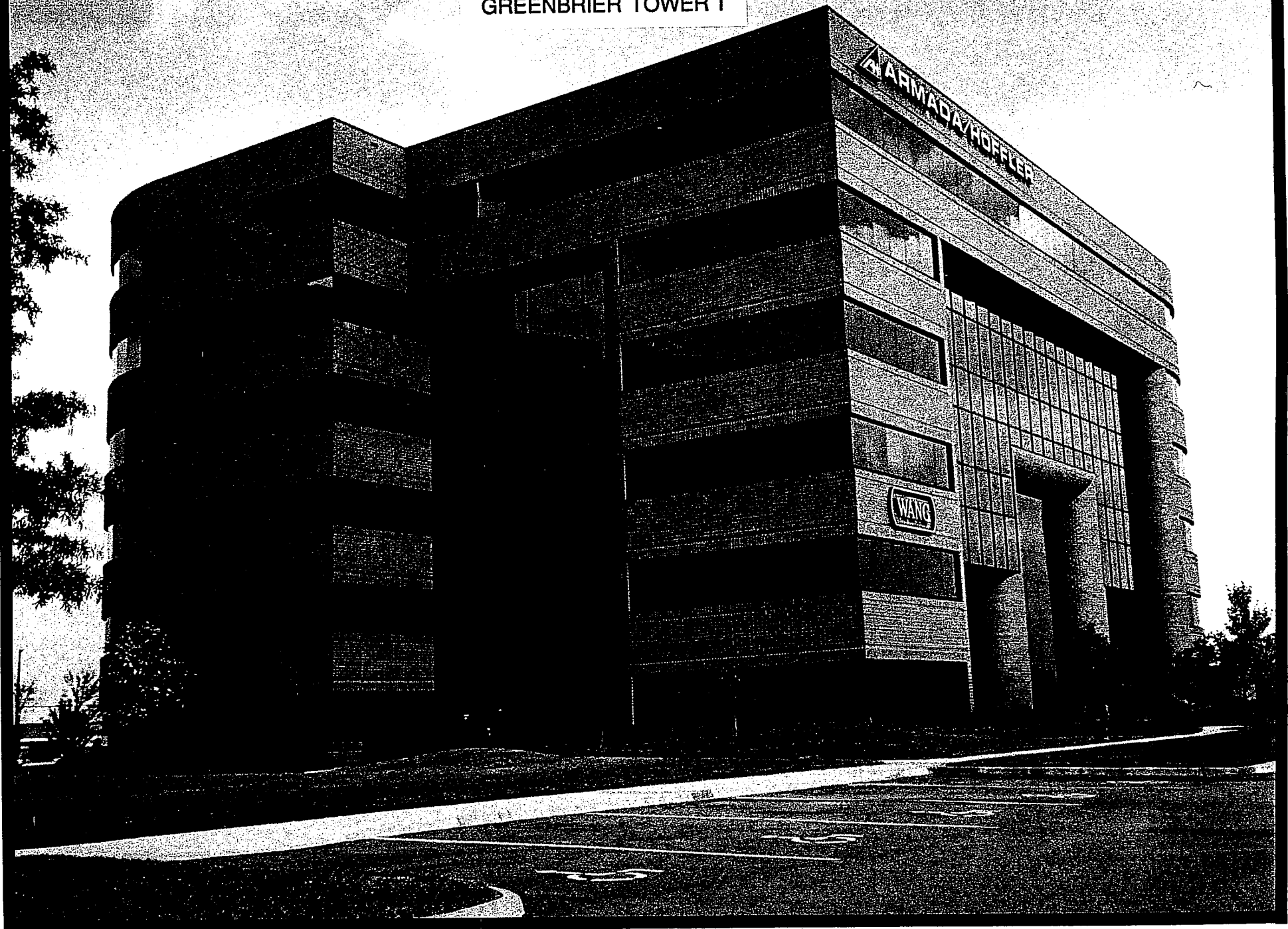


EXHIBIT 9C
GREENBRIER TOWER I LOBBY

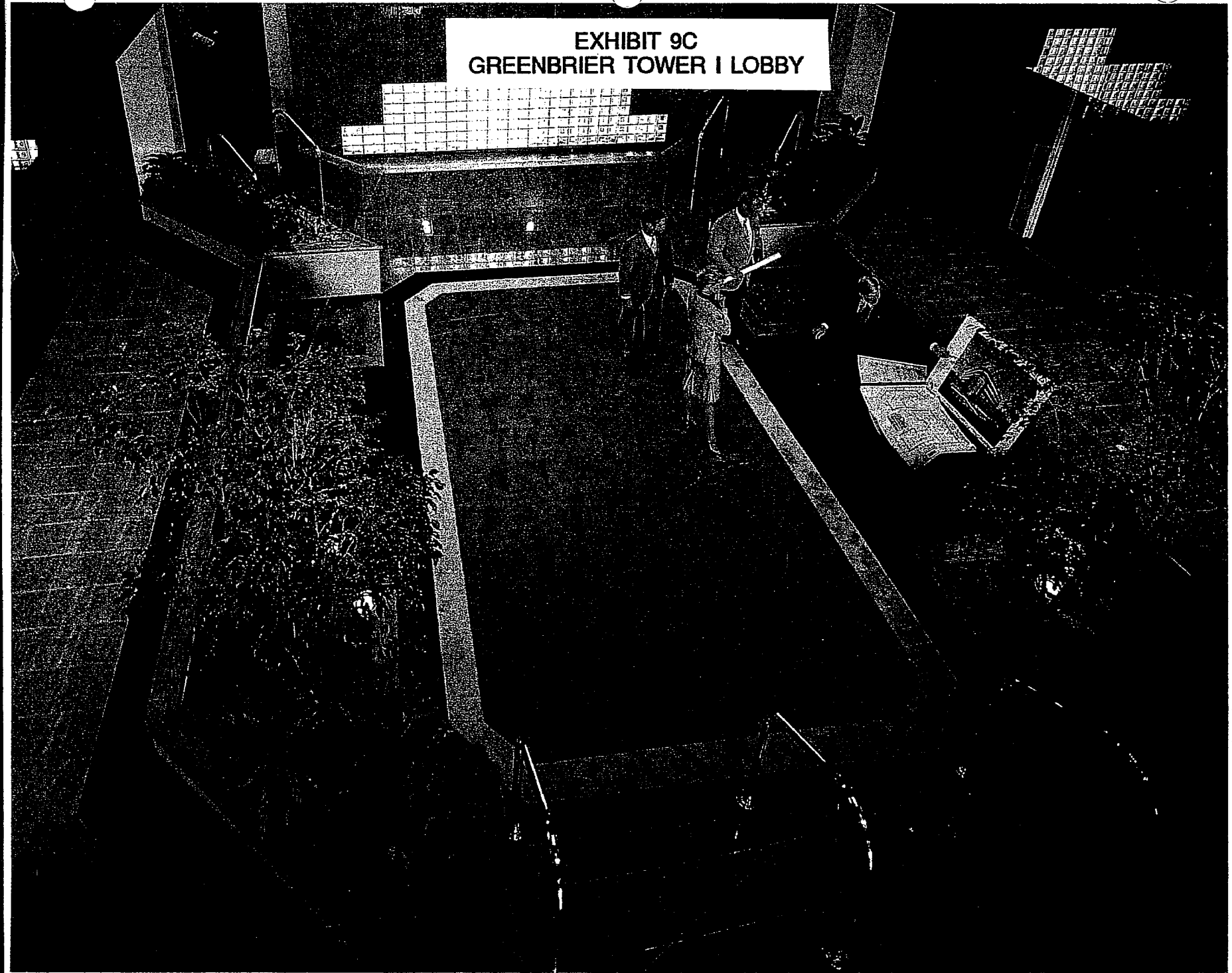


EXHIBIT 9D
GREENBRIER TOWER II

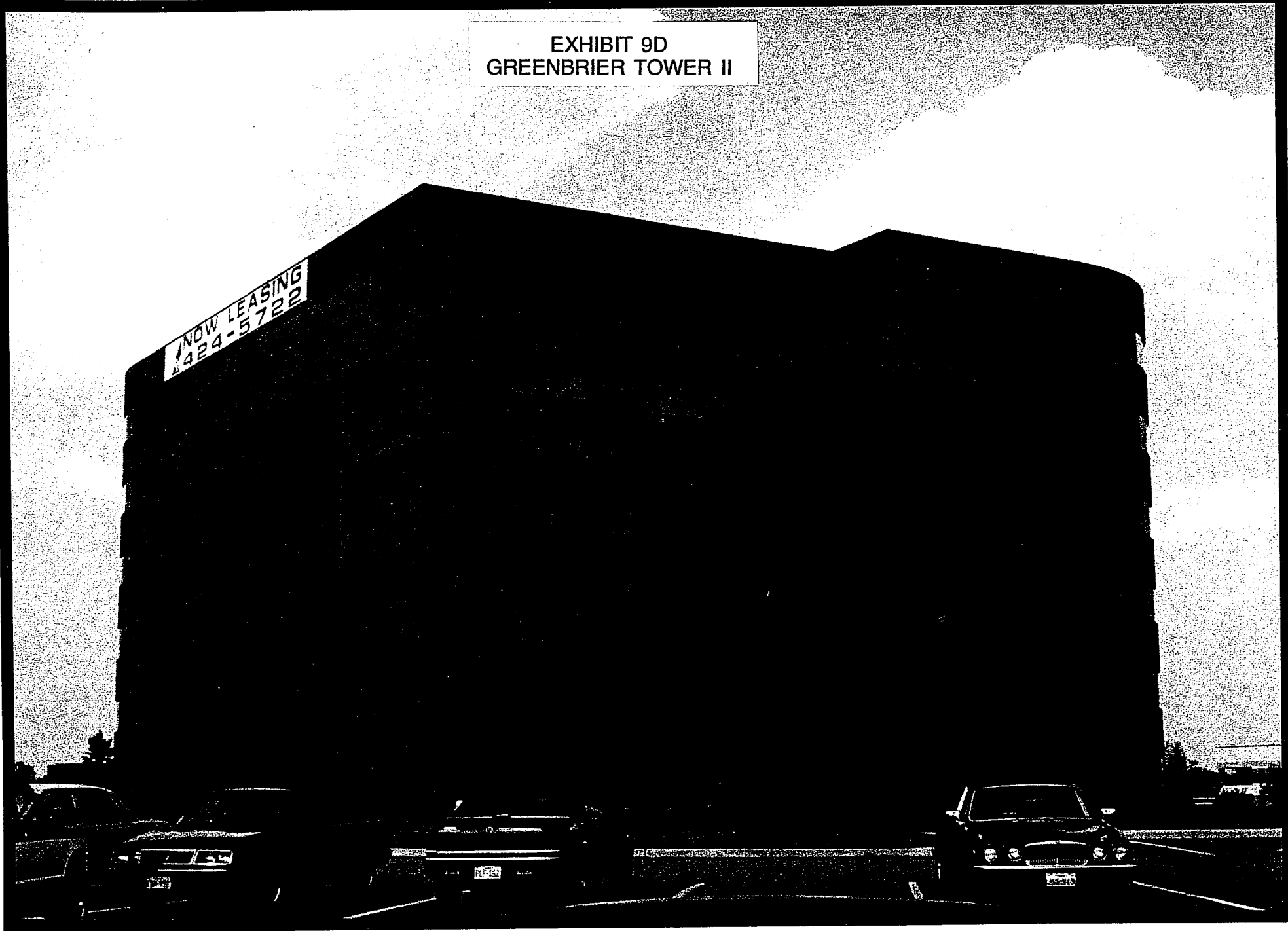
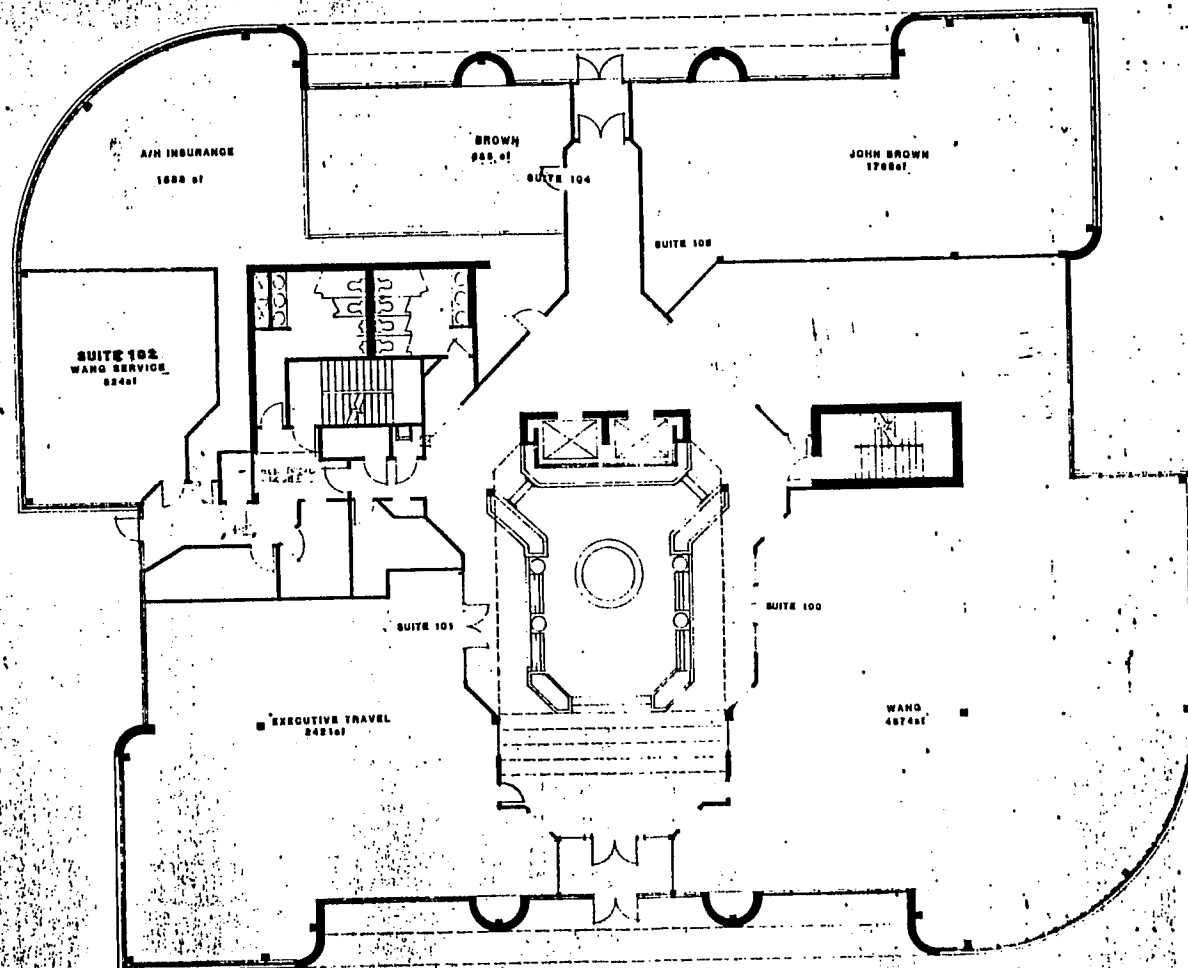


EXHIBIT 10
CONSTRUCTION SUMMARY

Building Total Square Footage	Tower I - 92,839 Square Feet Tower II - 93,174 Square Feet
Leasable Square Footage	Tower I - 83,039 Square Feet Tower II - 88,381 Square Feet
Number of Floors	Tower I - Six Tower II - Six
Division Capabilities	1,500 Square Feet and up
Roof Type	Ballasted single ply membrane
Water Service	2 1/2" service with 2" meter (city)
Parking Spaces	Tower I - 300 spaces Tower II - 300 spaces
Rest Rooms	Men's and Women's on each floor
Sewer Service	6" (city)
Sprinkler	Fully sprinklered and fireproofed
Slab	4" reinforced concrete on grade 4 1/2" on composite metal deck
Construction	Steel frame with brick veneer and reflective, insulated glass
Windows	1" insulated bronze reflective glass
Clear Ceiling Height	8'4"
Elevators	Tower I - 2 glass-backed hydraulic elevators Tower II - 2 glass-backed in Atrium; 1 freight
Amenities	Tower I - 6 story open atrium, two 8'x 30' skylights in atrium ceiling; Sunken waiting area by waterfall Tower II - 6 story plant-filled atrium; 6 skylights; 2 waterfalls in the sunken waiting area; Pedestal mounted directory
Heating/Air Conditioning	Water-to-Air heat pump systems with approximately 110 zones and 240 tons

EXHIBIT 11A GREENBRIER TOWER I FLOOR PLANS



FIRST FLOOR PLAN

Tenant Location Plan

1/8" = 1'-0"

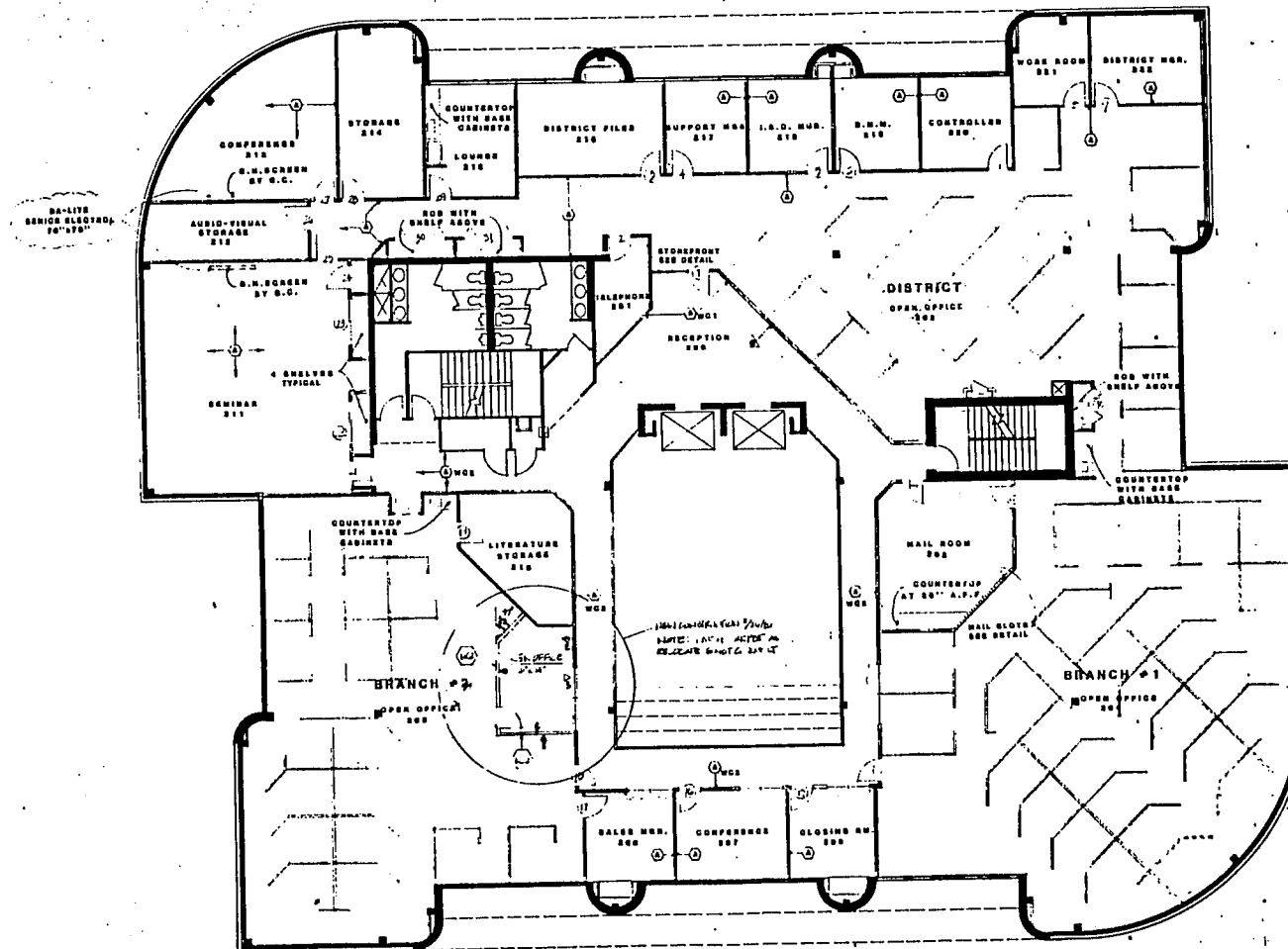
GREENBRIER TOWER
Chesapeake, Virginia

ARMADA/HOFFER
CONSTRUCTION COMPANY

825-G Greenbrier Circle, P.O. Box 1837, Chesapeake, VA 23320
Telephone (804) 434-1403

8/18/88

EXHIBIT 11A GREENBRIER TOWER I FLOOR PLANS



SECOND FLOOR PLAN

- ① DENOTES ACCENT WALLS
- △ DENOTES RICHARDS

1/2" = 1'-0"
14,000 SF

WANG

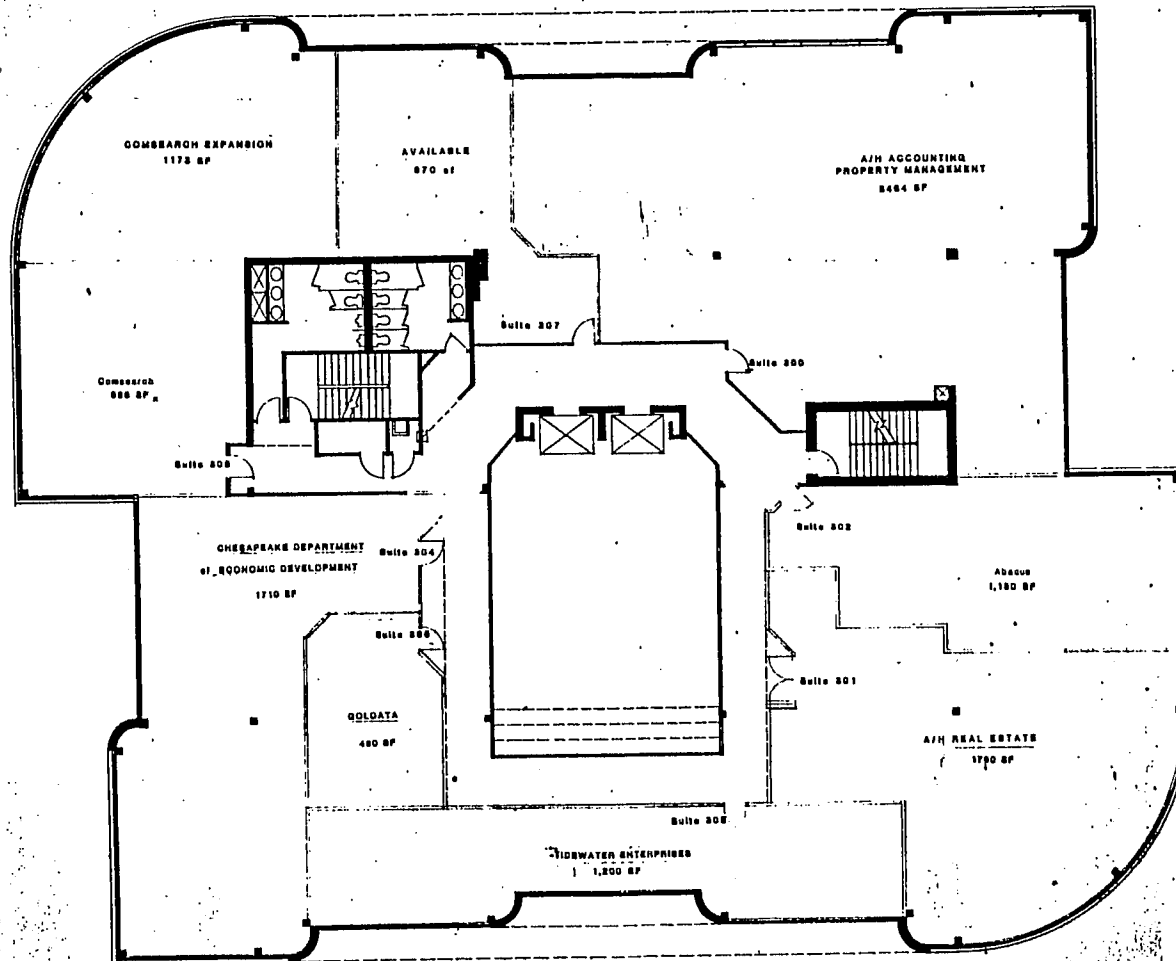
GREENBRIER TOWER

MURKIN, VIRGINIA

ARMADA/HOFFLER
CONSTRUCTION COMPANY

823-G Greenbrier Circle P.O. Box 1037 Chesapeake, VA 23340
Telephone (804) 421-1022

EXHIBIT 11A GREENBRIER TOWER I FLOOR PLANS



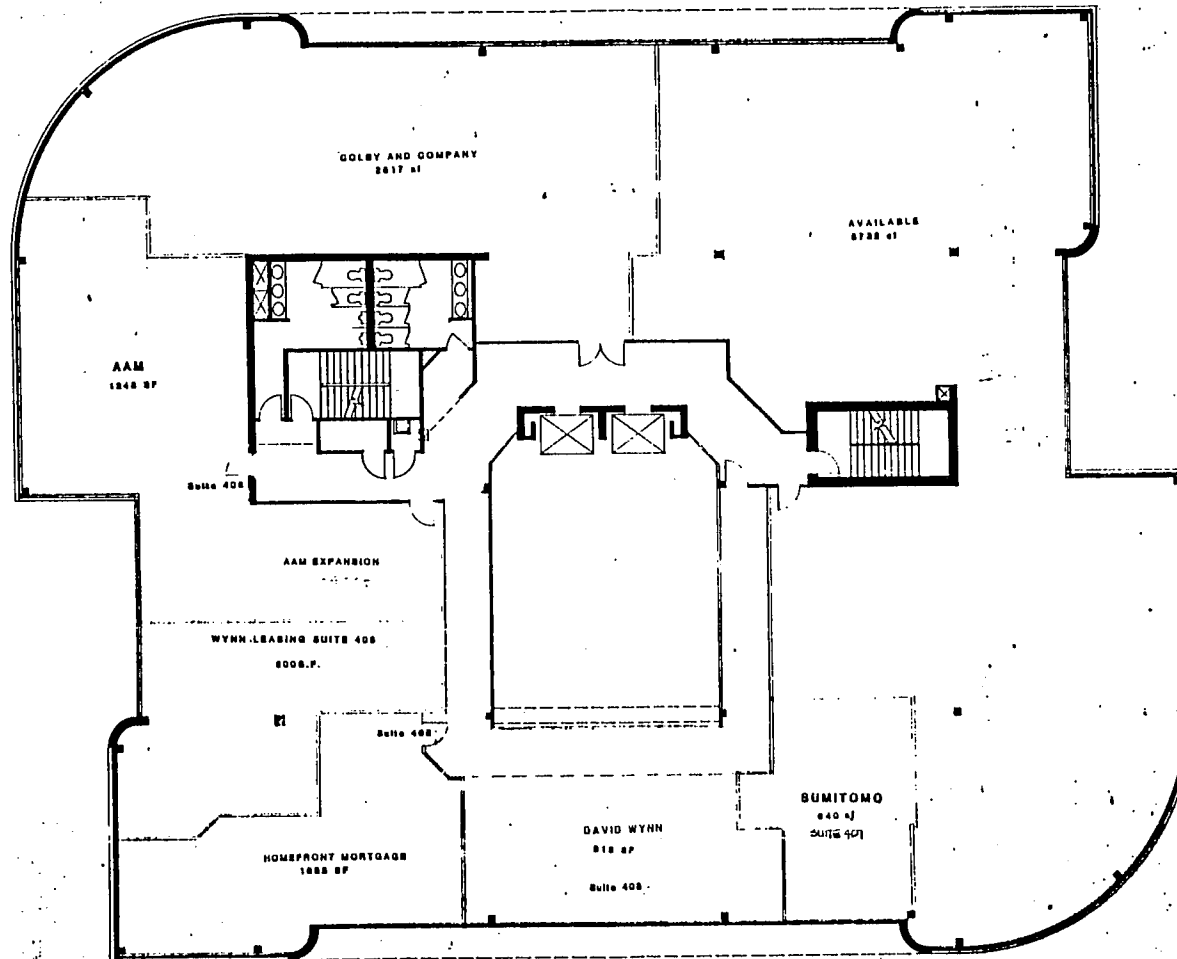
THIRD FLOOR PLAN
Tenant Location Plan
1/8"=1'-0"

GREENBRIER TOWER
Chesapeake, Virginia

ARMADA/HOFFLER
CONSTRUCTION COMPANY
813-D Greenbrier Circle P.O. Box 8837 Chesapeake, VA 23328
Telephone (804) 424-4403

8/16/88

EXHIBIT 11A GREENBRIER TOWER I FLOOR PLANS



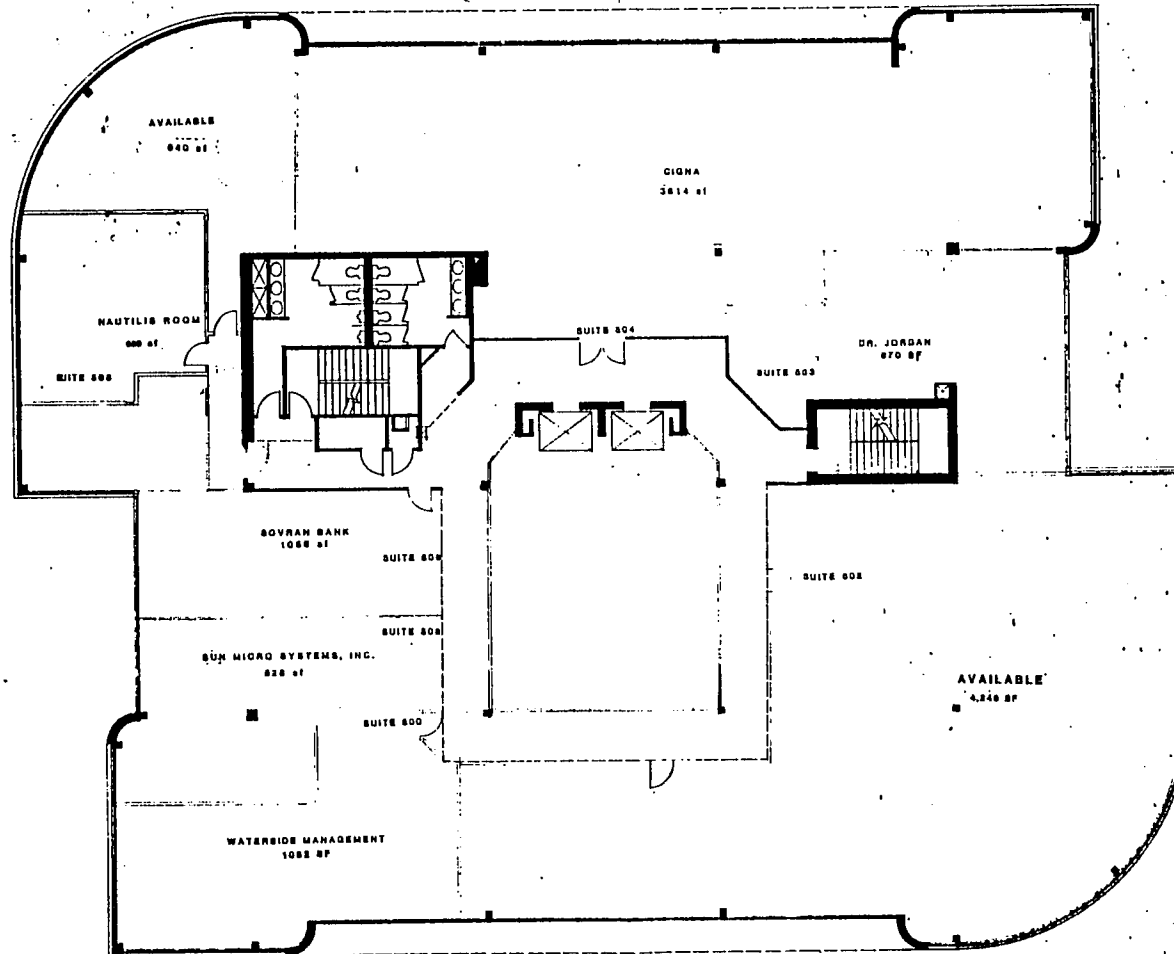
FOURTH FLOOR PLAN
Tenant Location Plan
1/8"=1'-0"

GREENBRIER TOWER
Chesapeake, Virginia

**ARMADA/ROFFLER
CONSTRUCTION COMPANY**
633-G Greenbrier Circle, P.O. Box 8837, Chesapeake, VA 23338
Telephone: (801) 424-4653

6/18/88

EXHIBIT 11A GREENBRIER TOWER I FLOOR PLANS



FIFTH FLOOR PLAN

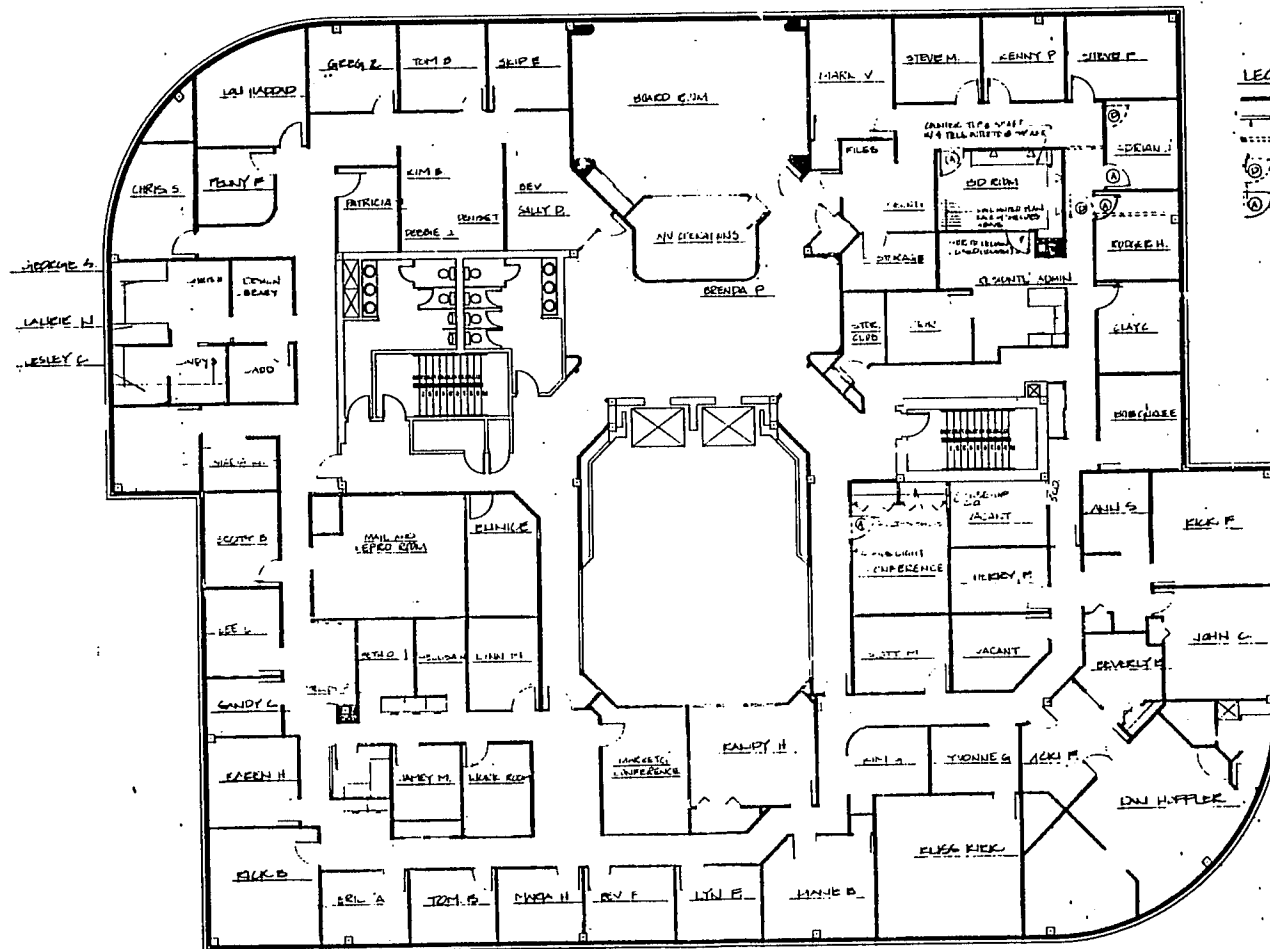
Tenant Location Plan

GREENBRIER TOWER
Chesapeake, Virginia

ARMADA/HOFFLER
CONSTRUCTION COMPANY
813-G Greenbrier Circle P.O. Box 1137 Chesapeake, VA 23320
Telephone: (804) 428-1453

8/18/88

EXHIBIT 11A
GREENBRIER TOWER I
FLOOR PLANS



SIXTH FLOOR PLAN

ARMADA/HOFFLER CONSTRUCTION CO.
860 GREENBRIER CIRCLE, SUITE 600
CHESAPEAKE, VA. 23320

RD BOX 1937
TEL. (804) 424-4403

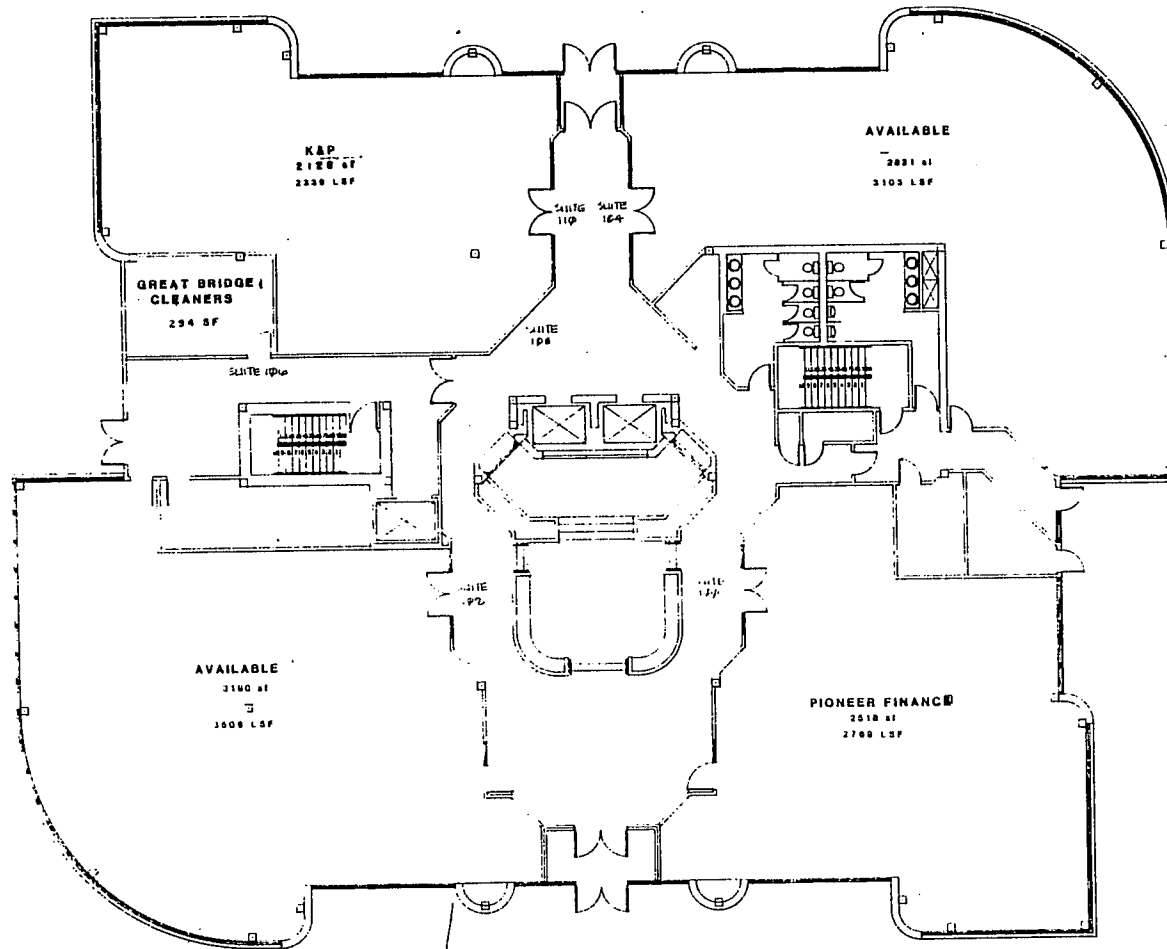
ARMADA/HOFFLER

USEABLE AREA
COMMON AREA
LEASABLE AREA
% OF BLDG. OCC.

DWG
BY
CKD
BY
JOB
NO
REV 4/20/87

DRAWING NUMBER

EXHIBIT 11B GREENBRIER TOWER II FLOOR PLANS



FIRST FLOOR PLAN

LEASED TO DATE: 11/1/85
REMAINING: 10/1/101

ARMADA/HOFFLER CONSTRUCTION CO.
860 GREENBRIER CIRCLE, SUITE 600
CHESAPEAKE, VA. 23320
P.O. BOX 1937
TEL. (804) 424-4403

TENANT LOCATION PLAN FOR GREENBRIER TOWER II

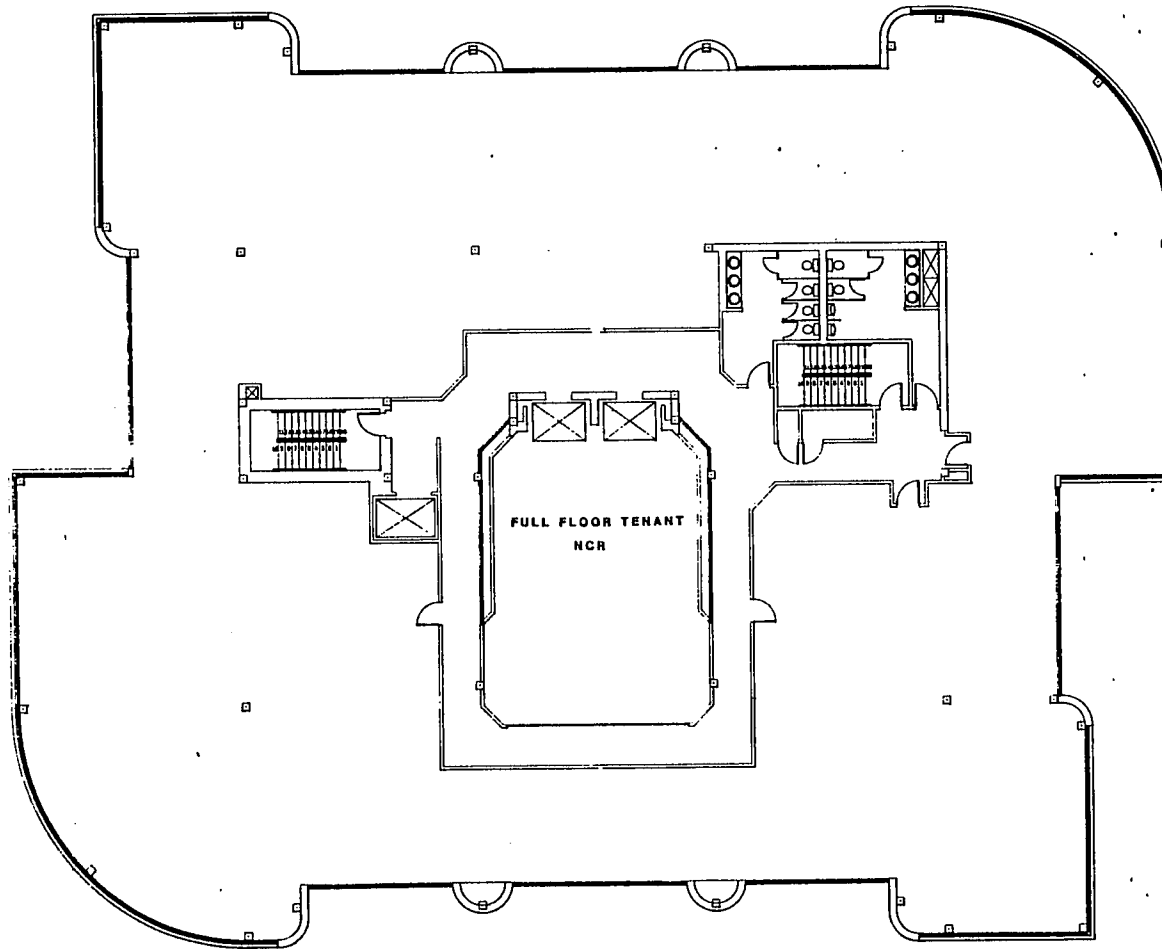
CHESAPEAKE, VA.

USEABLE AREA	10,848 SF
COMMON AREA	
LEASABLE AREA	
% OF BLDG. OCC.	

DATE	7/4
BY	
CHKD	
BY	
CHKD	
BY	

DRAWING NUMBER

EXHIBIT 11B GREENBRIER TOWER II FLOOR PLANS



SECOND FLOOR PLAN

LEASED TO DATE 12,460 USF
REMAINING 50



ARMADA/HOFFLER CONSTRUCTION CO.
860 GREENBRIER CIRCLE, SUITE 600
CHESAPEAKE, VA. 23320
P.O. BOX 1937
TEL. (804) 424-4403

TENANT LOCATION PLAN FOR GREENBRIER TOWER II

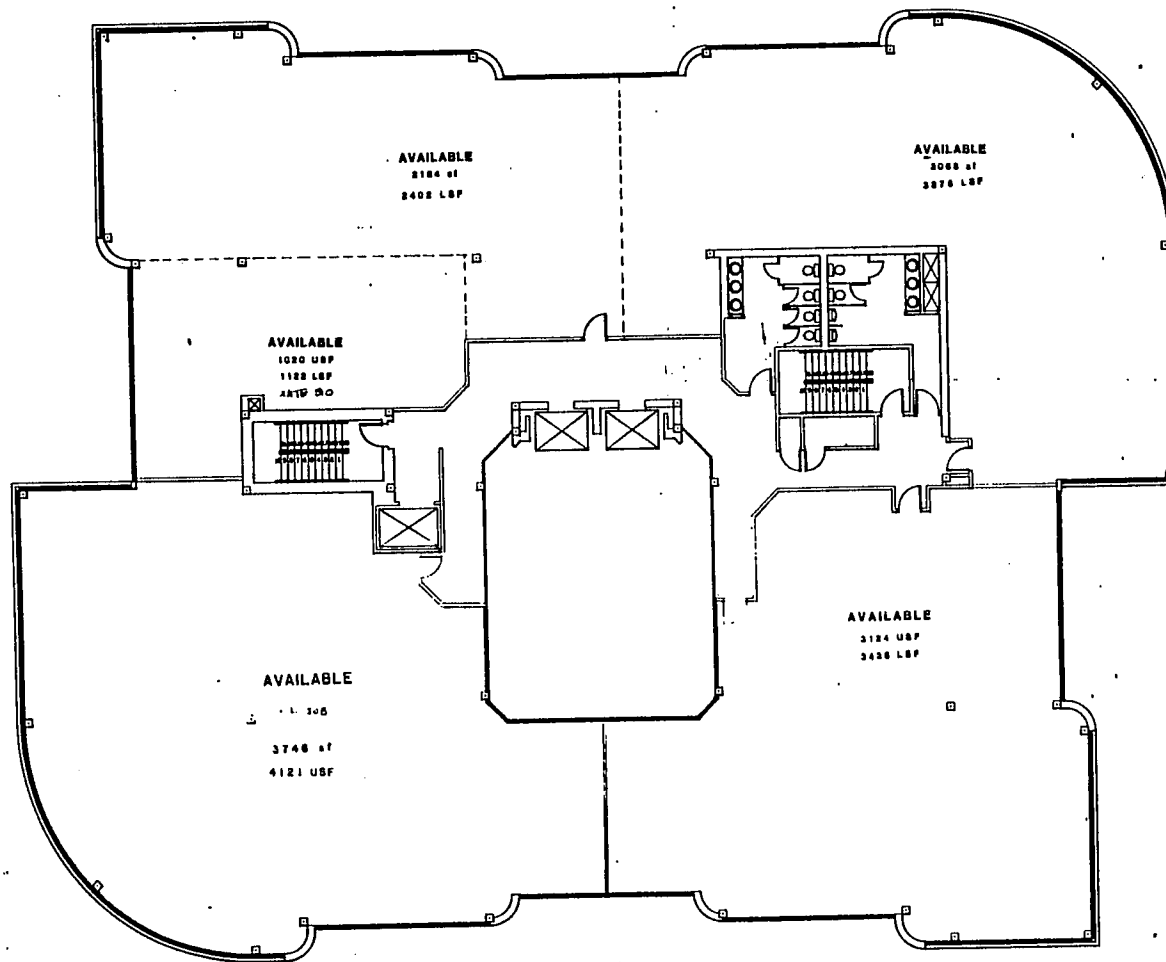
CHESAPEAKE, VA.

USEABLE AREA	12,460 sq. ft.
COMMON AREA	
LEASEABLE AREA	
% OF BLDG. OCC.	

DESIGNED BY	ARMADA/HOFFLER
CHECKED BY	
DATE	
NO.	
REV.	

DRAWING NUMBER

EXHIBIT 11B GREENBRIER TOWER II FLOOR PLANS



THIRD FLOOR PLAN

LEASED TO DATE
REMAINING 13,142 USF

ARMADA/HOFFLER CONSTRUCTION CO.
860 GREENBRIER CIRCLE, SUITE 600
CHESAPEAKE, VA. 23320
P.O. BOX 1937
TEL. (804) 424-4403

TENANT LOCATION PLAN FOR GREENBRIER TOWER II

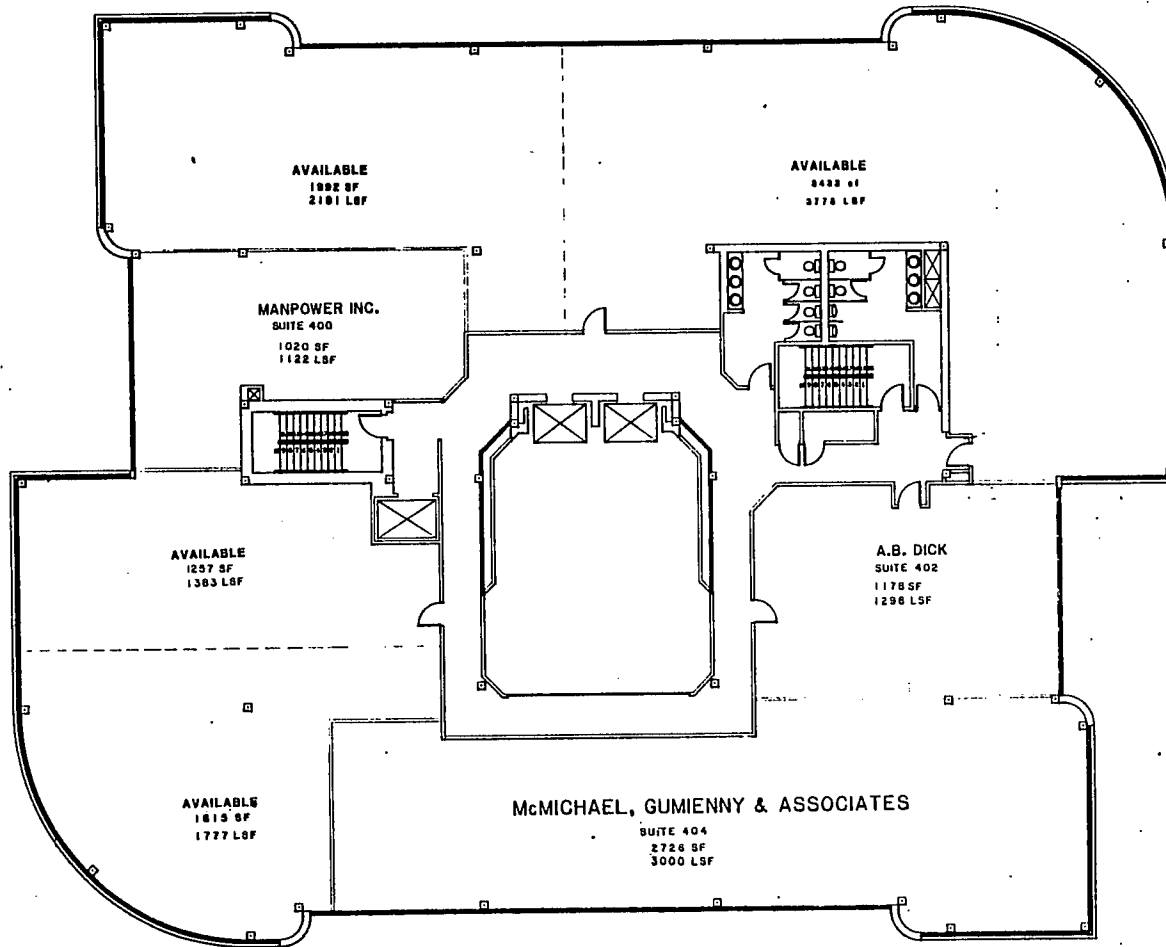
CHESAPEAKE, VA.

USEABLE AREA 13,142 SF
COMMON AREA
LEASEABLE AREA
% OF BLDG. OCC.

DWG BY CJA
CRD BY
JOB NO
REV 1-17

GRAPHIC NUMBER

EXHIBIT 11B GREENBRIER TOWER II FLOOR PLANS



FOURTH FLOOR PLAN

LEASED TO DATE 1,924 LSF
REMAINING 1,076 LSF



ARMADA/HOFFLER CONSTRUCTION CO.
860 GREENBRIER CIRCLE, SUITE 600
CHESAPEAKE, VA. 23320
P.O. BOX 1937
TEL. (804) 424-4403

TENANT LOCATION PLAN FOR GREENBRIER TOWER II

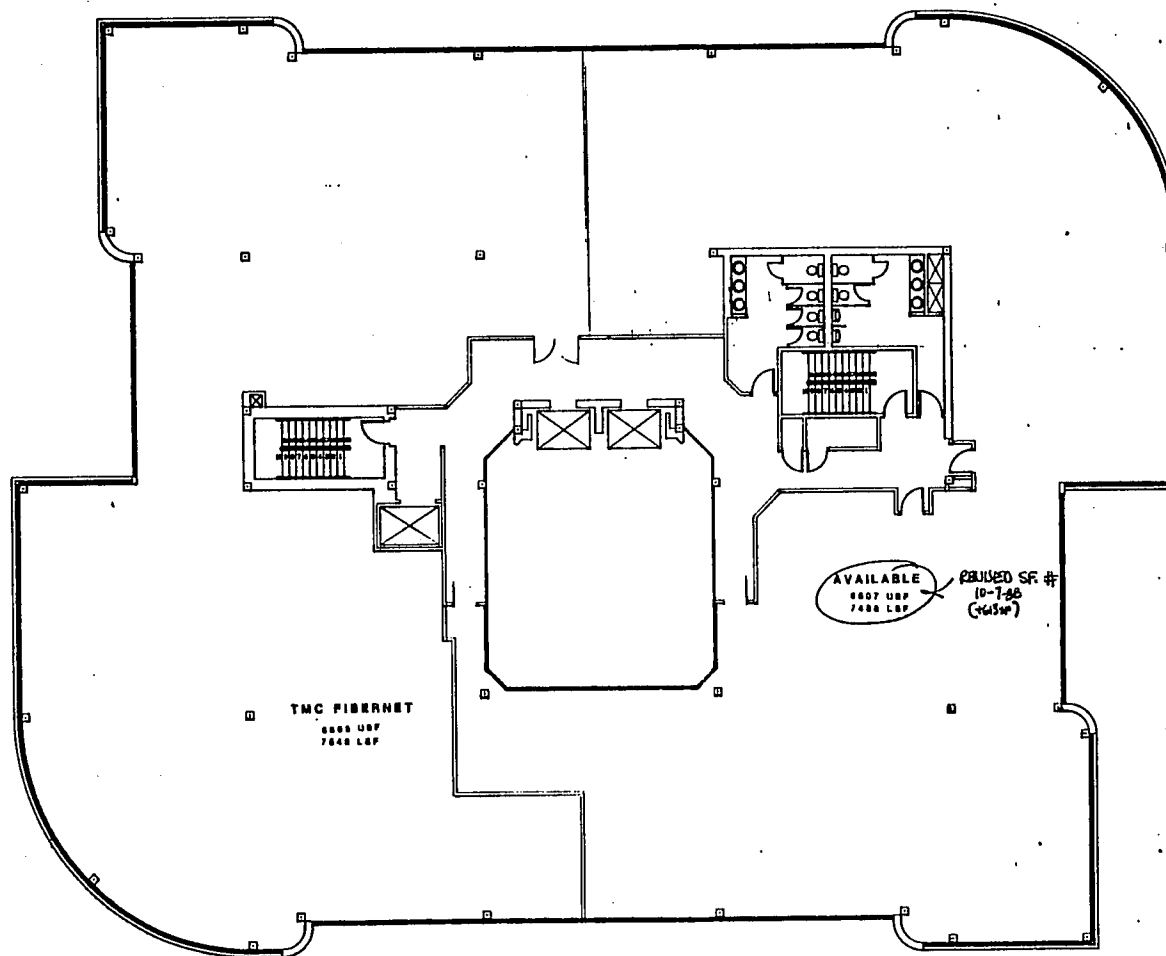
CHESAPEAKE, VA.

USEABLE AREA	13248 SF
COMMON AREA	
LEASEABLE AREA	
% OF BLDG. OCC.	

CD	CJM
BY	
NO	
REV	



EXHIBIT 11B GREENBRIER TOWER II FLOOR PLANS



FIFTH FLOOR PLAN

LEASING TO DATE 11-26-11
REMAINING 11-27-11

ARMADA/HOFFLER CONSTRUCTION CO.
860 GREENBRIER CIRCLE, SUITE 600
CHESAPEAKE, VA. 23320
RQ BOX 1937
TEL. (804) 424-4403

TENANT LOCATION PLAN FOR GREENBRIER TOWER II

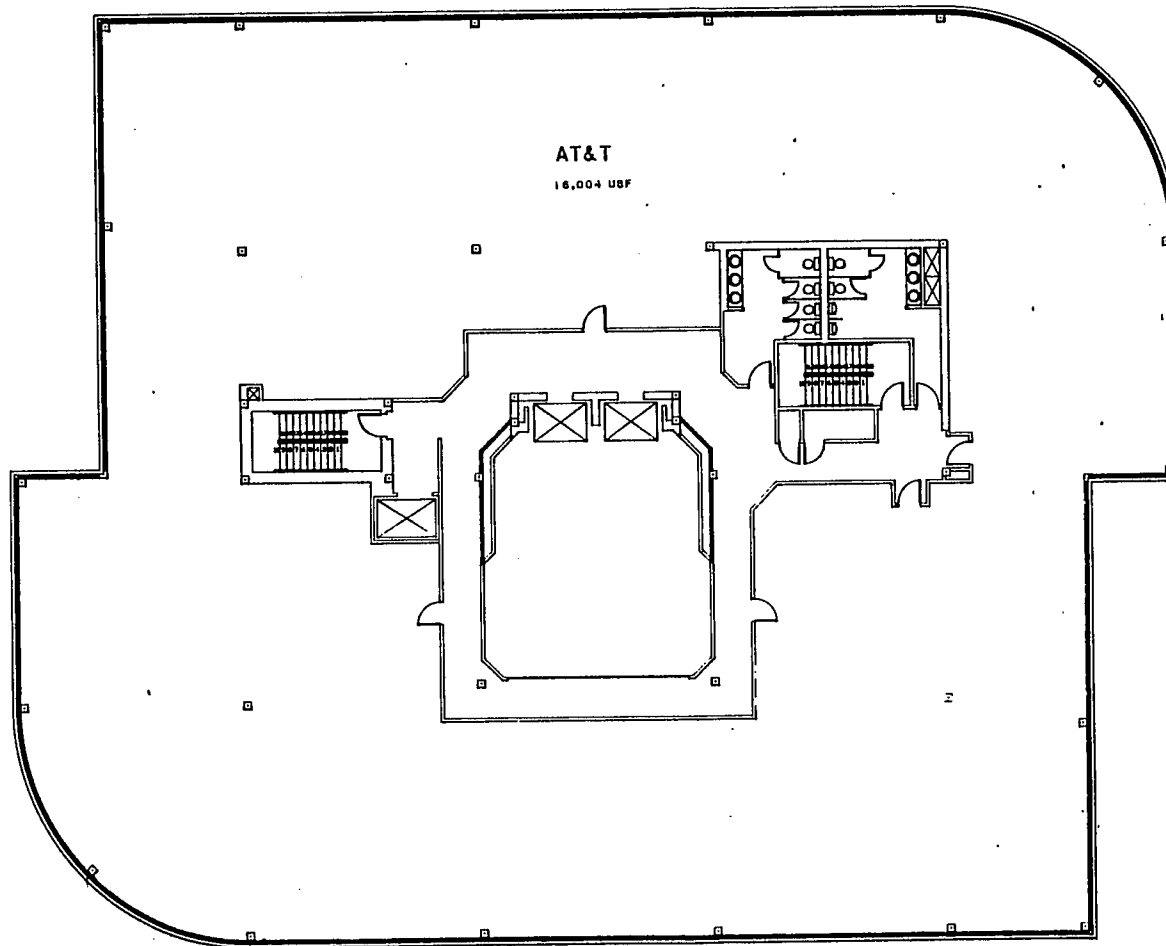
CHESAPEAKE, VA.

USEABLE AREA	13,072 SF
COMMON AREA	
LEASABLE AREA	
% OF BLDG. OCC.	

OWN	BY	DATE
CHK	BY	DATE
JOB	NO	
REV		

DRAWING NUMBER

EXHIBIT 11B GREENBRIER TOWER II FLOOR PLANS



SIXTH FLOOR PLAN

LEASED TO DATE
FULL FLOOR 18,004 USF



ARMADA/HOFFLER CONSTRUCTION CO.
860 GREENBRIER CIRCLE, SUITE 600
CHESAPEAKE, VA. 23320
P.O. BOX 1937
TEL. (804) 424-4403

TENANT LOCATION PLAN FOR GREENBRIER TOWER II

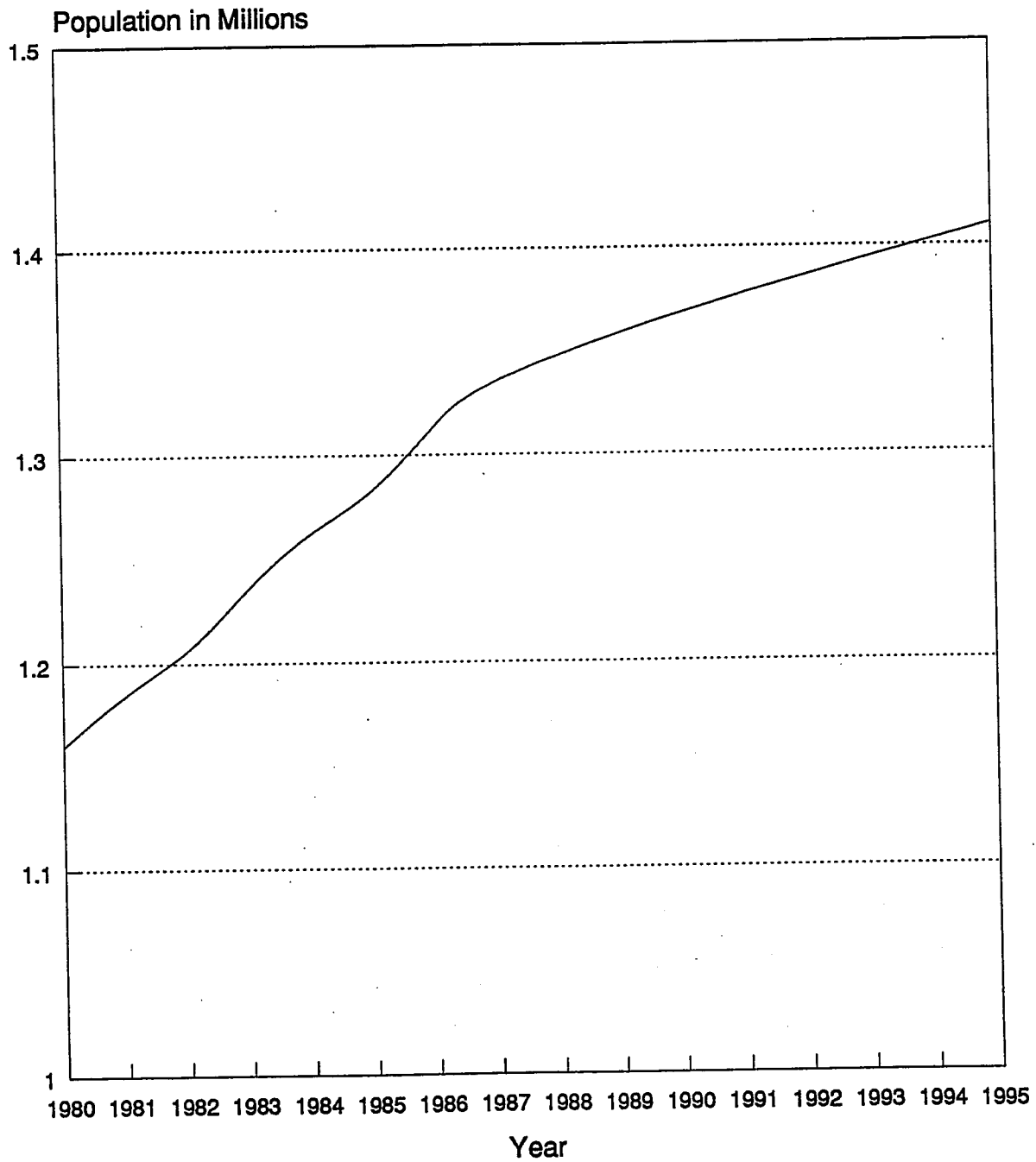
CHESAPEAKE, VA.

USEABLE AREA	_____
COMMON AREA	_____
LEASABLE AREA	_____
% OF BLDG. OCC.	_____

CHG	CH
CND	GS
JOB	NO
REV	REV

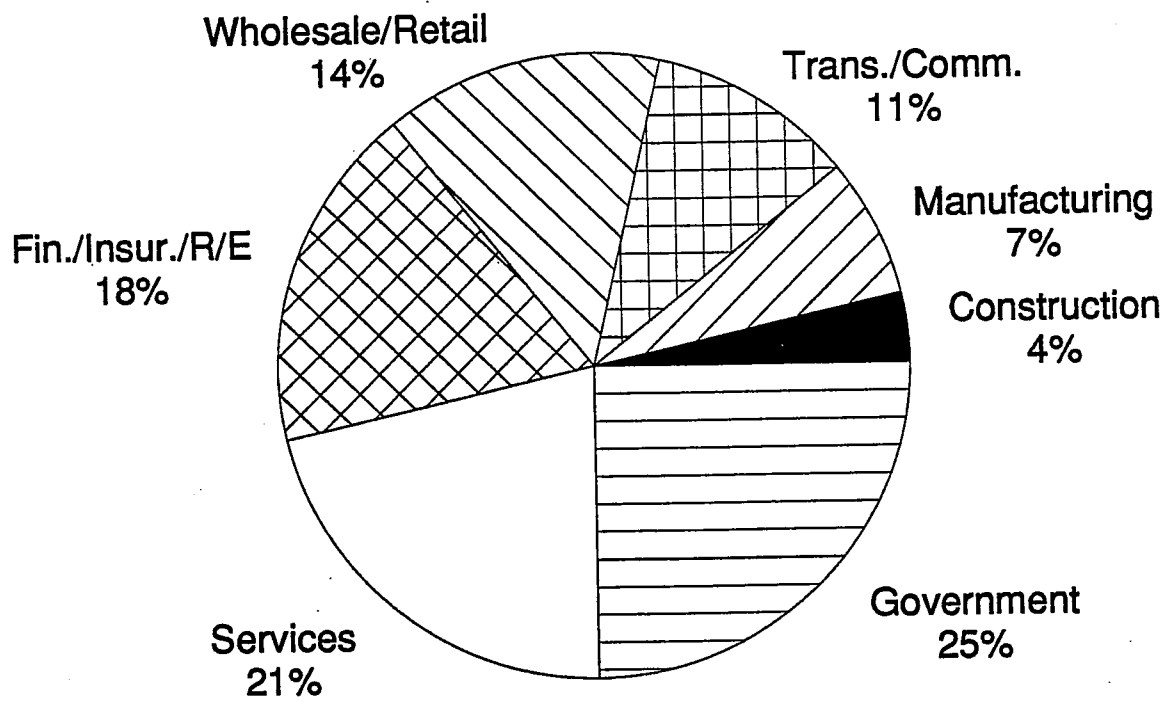
Diagram Number

EXHIBIT 12
POPULATION TRENDS
NORFOLK-VIRGINIA BEACH-NEWPORT NEWS MSA



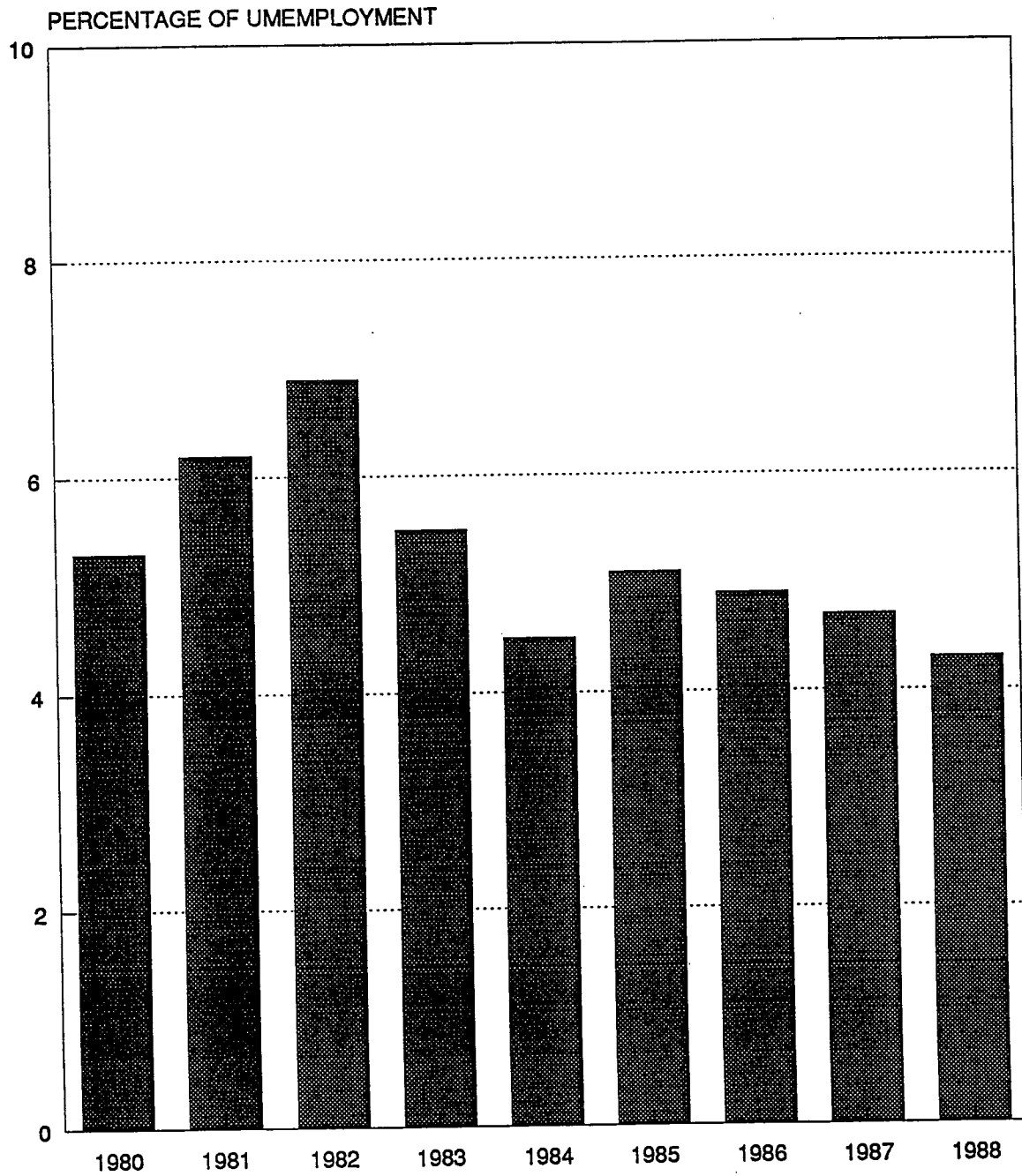
Source: Southeastern Virginia Planning District Commission

EXHIBIT 13
EMPLOYMENT BY INDUSTRY
NORFOLK-VIRGINIA BEACH-NEWPORT NEWS MSA



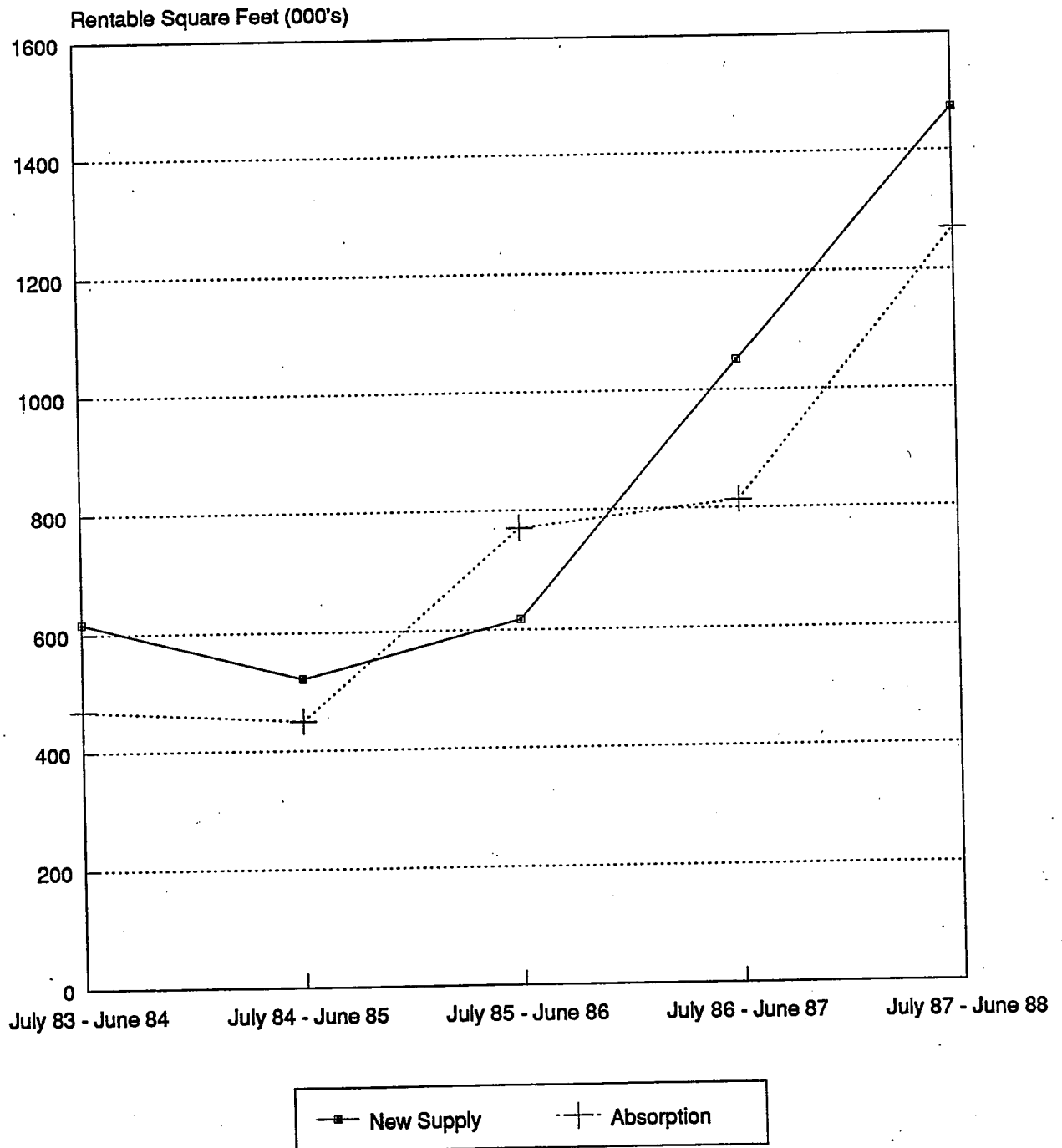
Source: Virginia Employment Commission

EXHIBIT 14
UNEMPLOYMENT TRENDS
NORFOLK-VIRGINIA BEACH-NEWPORT NEWS MSA



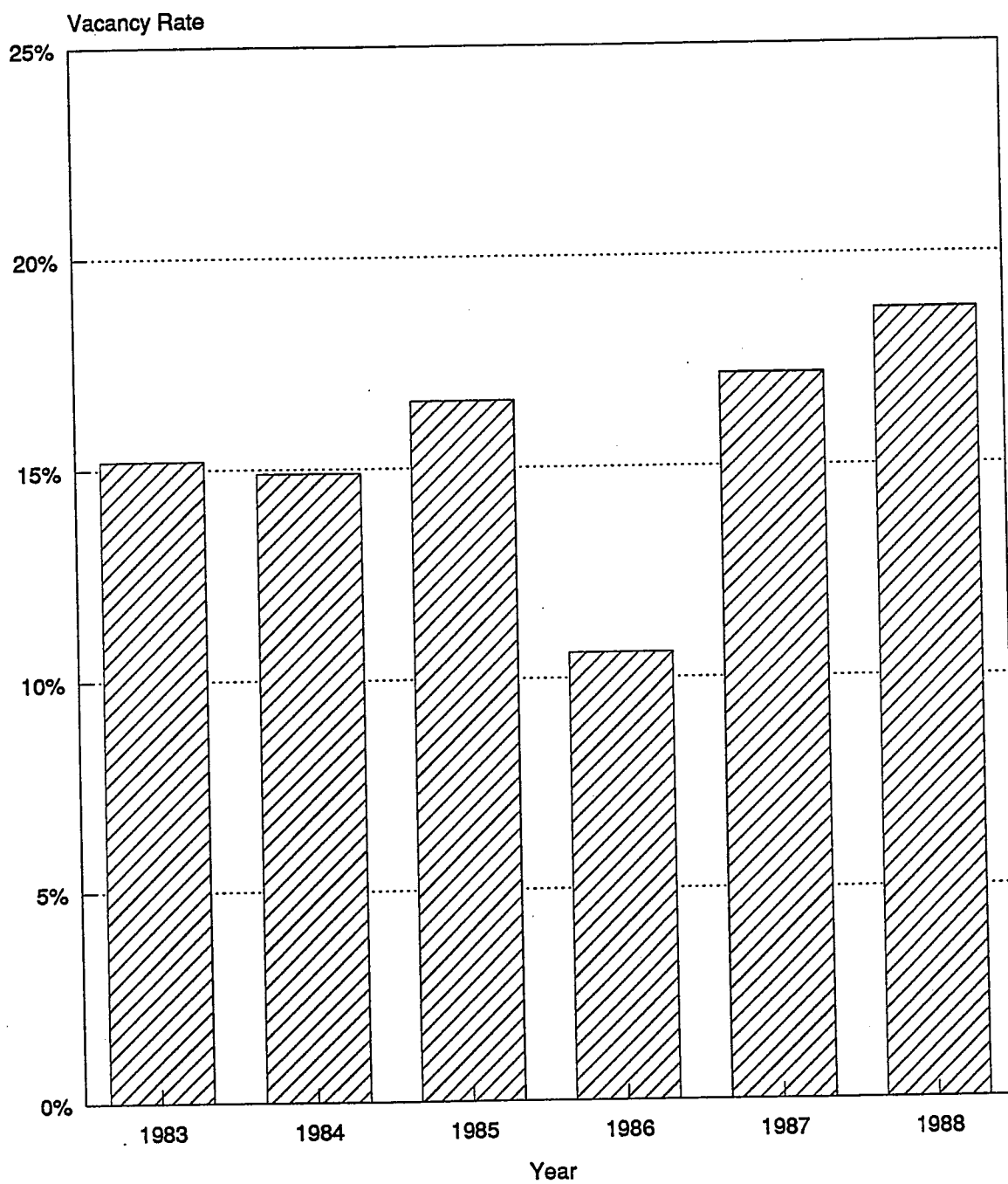
Source: Virginia Employment Commission

EXHIBIT 15
OFFICE SPACE SUPPLY AND ABSORPTION
SOUTH HAMPTON ROADS



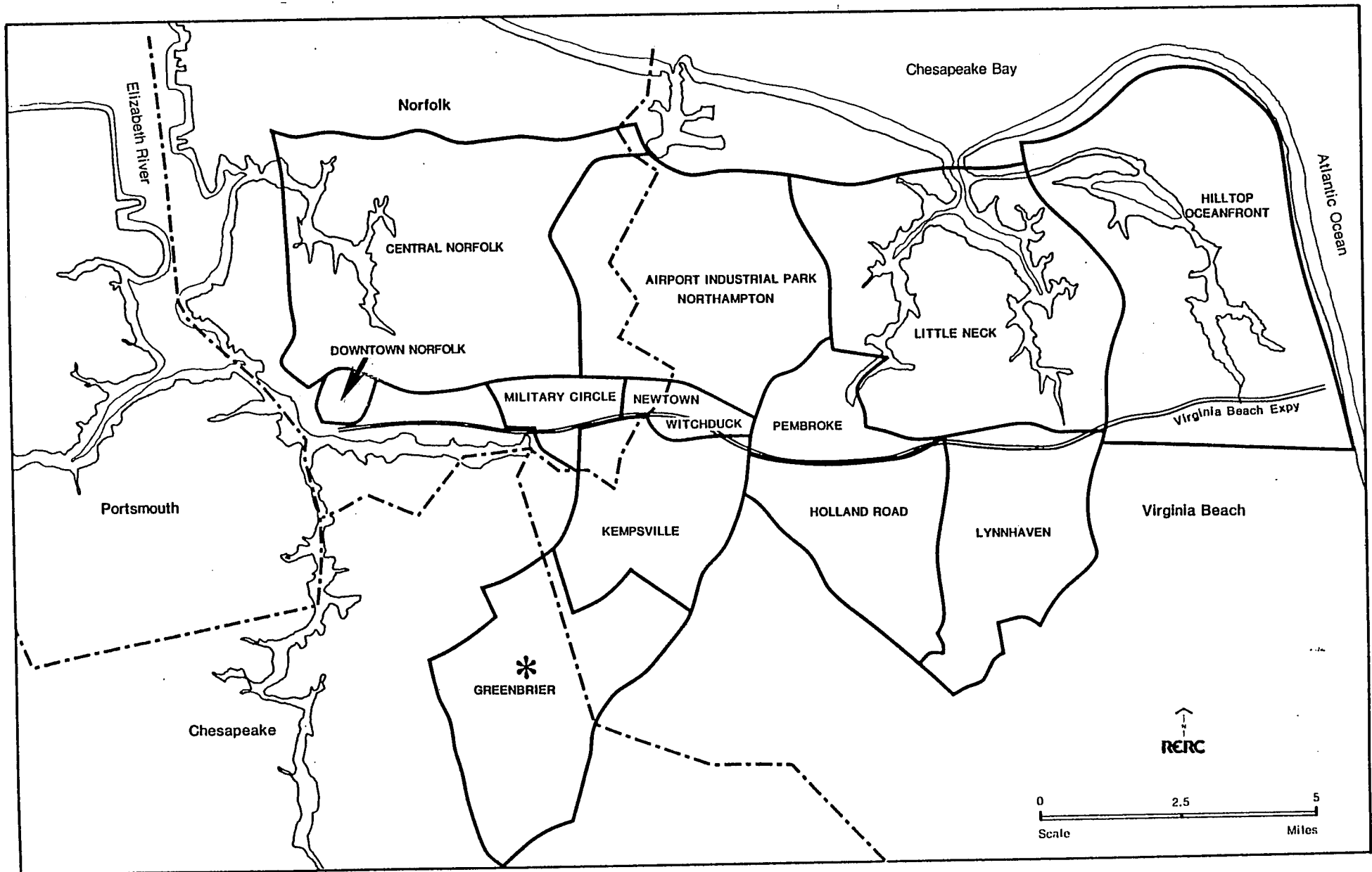
Source: Goodman Seger & Hogan

EXHIBIT 16
HISTORICAL VACANCY RATES - CLASS A SPACE
SUBURBAN OFFICE MARKET



Source: Real Estate Research Corp.

EXHIBIT 17 SOUTH HAMPTON ROADS OFFICE SUBMARKETS



* - Subject Site

EXHIBIT 18
COMPETITIVE PROPERTY SURVEY

<u>Map #</u>	<u>Property</u>	<u>Office Submarket</u>	<u>Completed</u>	<u>Year Stories</u>	<u>Net Leasable No. of (sq. ft.)</u>	<u>Space Area (sq. ft.)</u>	<u>Occupancy Available (%)</u>	<u>Rate Asking Rent</u>
1	One Greenbrier Point 1401 Greenbrier Parkway	Chesapeake/ Greenbrier	1986	5	65,000	42,778	35%	\$13.50
2	Riverside Corporate Ctr. 241 Corporate Boulevard	Military Circle	1988	4	92,323	55,400	30% (in lease up)	\$16.00
3	Koger Center-Westmoreland	Newtown/ Witchduck	1988	4	79,500	64,500	19% (in lease up)	\$17.00
4	Koger Center-Smithfield	Newtown/ Witchduck	1987	3	117,000	58,500	50% (in lease up)	\$17.00
5	Expressway Corporate Ctr. 5555 Greenwich Road	Newtown/ Witchduck	1987	6	86,716	9,921	93%	\$15.50-16.50
6	Greenwich Common	Newtown/ Witchduck	1984	3	54,578	910	98%	\$15.25
7	Two Columbus Center	Pembroke	1989	14	151,200	95,000	37% (in lease up)	\$19.75-22.00
8	Windwood Center One 780 Lynnhaven Parkway	Lynnhaven	1988	4	77,406	35,403	54% (in lease up)	\$16.00-17.00
	Subject	Chesapeake/ Greenbrier	1985, 1987	6	171,420	56,172	67.2% (Tower II in lease up)	\$15.50-16.50

* All concessions are on a lease by lease basis, averaging 1 free month per lease year.

* Rents are all full service.

EXHIBIT 19
COMPETITIVE PROPERTY MAP

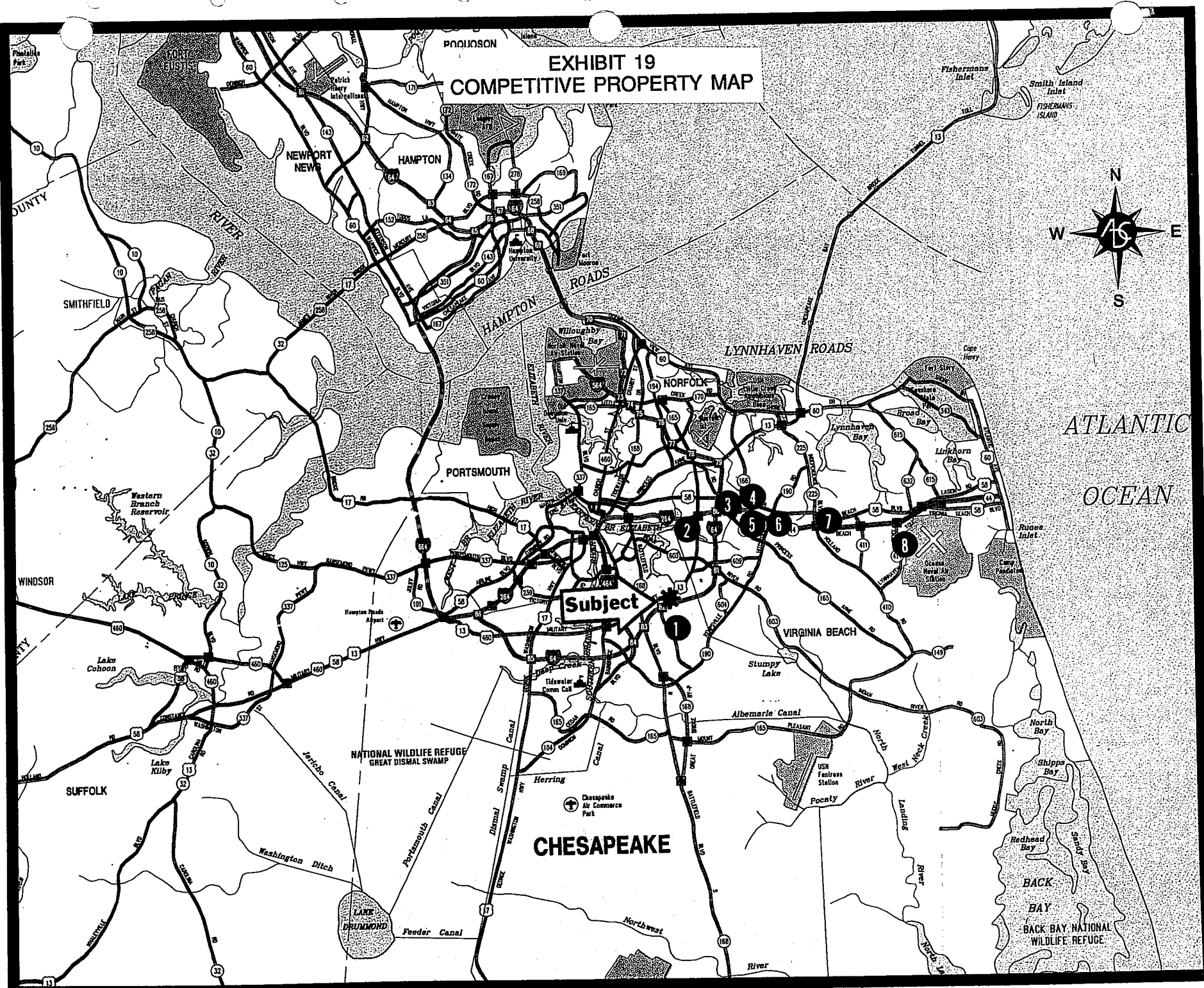


EXHIBIT 20
PROPERTY MANAGEMENT TRACK RECORD

Previously Developed and Managed:

<u>Virginia Beach</u>	<u>Square Footage</u>
1569 Diamond Springs Road	100,000
1601 Diamond Springs Road	51,384
1609 Diamond Springs Road	110,400
1617 Diamond Springs Road	41,400
1619 Diamond Springs Road	60,000
520 Viking Drive	100,000
5425 Robin Hood Road	144,000

Presently Managed:

<u>Chesapeake, Virginia</u>	
1801 Greenbrier Circle	231,000
825 Greenbrier Circle	133,287
804 Greenbrier Circle	75,000
814 Greenbrier Circle	95,176
816 Greenbrier Circle	82,340
840 Greenbrier Circle	52,000
860 Greenbrier Circle	92,839
870 Greenbrier Circle	93,176
529 Independence Parkway	97,633
300 Medical Parkway	57,279
1441 Crossways Parkway	138,694

<u>Norfolk, Virginia</u>	
2551 Eltham Avenue	89,776
2550 Ellsmere Avenue	42,537
223 East City Hall Avenue	59,377

<u>Virginia Beach, Virginia</u>	
509 Viking Drive	41,813
600 Lynnhaven Parkway	52,580
1423/1427 North Great Neck Road	24,416
1439 North Great Neck Road	11,000
5555 Greenwich Road	93,272
5300 Kemps River Drive	25,941

<u>Hampton, Virginia</u>	
2713 Magruder Boulevard	68,634
303 Butler Farm Road	67,602
525 Butler Farm Road	45,239
2 Eaton Street	174,982

<u>Mobile, Alabama</u>	
840 Lakeside Drive	36,600

<u>Charleston, South Carolina</u>	
4280 Executive Place North	57,664

**EXHIBIT 21
DEVELOPER TRACK RECORD**

<u>DATE</u>	<u>PROJECT</u>	<u>STATUS</u>
1979	Airport Business Center I Virginia Beach, Virginia 100,000 Square Foot Distribution Center	Sold to Armada Int'l retained ownership
1980	804 Greenbrier Circle Chesapeake, Virginia 75,000 Square Foot Distribution Center	Sold to Frank Waggoner
1981	Greenbrier Circle I Chesapeake, Virginia 125,000 Square Foot Office/ Distribution Center	Sold to JMB Properties
1981	Airport Business Center II Virginia Beach, Virginia 51,834 Square Foot Distribution Center	Sold to Equitable Life Assurance Society of U.S.
1981	Airport Business Center III Virginia Beach, Virginia 110,400 Square Foot Distribution Center	Sold to John Hancock Mutual Life Insurance
1981	Airport Business Center IV Virginia Beach, Virginia 41,400 Square Foot Distribution Center	Sold to John Hancock Mutual Life Insurance
1982	Airport Business Center V Virginia Beach, Virginia 60,000 Square Foot Distribution Center	Sold to Equitable Life Assurance
1982	Parkway West Center I Virginia Beach, Virginia 100,000 Square Foot Office/Warehouse Facility	Sold to Equitable Life Assurance Society of U.S.
1983	Parkway West III (Sperry) Virginia Beach, Virginia 52,580 Square Foot Office Complex	90% leased

**EXHIBIT 21
DEVELOPER TRACK RECORD**

<u>DATE</u>	<u>PROJECT</u>	<u>STATUS</u>
1983	Comptek Building Virginia Beach, Virginia 32,000 Square Foot Office	Sold to Mass. Mutual Life Ins.
1983	Gateway I Norfolk, Virginia 144,000 Square Foot Office/ Distribution Center	Sold to Robinson- Wetmore by Armada International
1983	Greenbrier Circle II Chesapeake, Virginia 125,000 Square Foot Office/ Distribution Center	Sold to JMB Properties
1983	Parkway West Center III Virginia Beach, Virginia 41,813 Square Foot Office/ Commercial Center	86% leased
1984	Plantation Lakes Chesapeake, Virginia 130 Acre Residential/Commercial	30 Lots Remaining
1984	Cape Henry Shopping Center Virginia Beach, Virginia 9,450 Square Foot Retail/ Commerical Center	100% leased
1984	Gateway II Norfolk, Virginia 42,537 Square Foot Office/ Distribution Center	100% leased
1984	Greenwich Centre Virginia Beach, Virginia 60,000 Square Foot Office Complex	97% leased
1984	840 Greenbrier Circle Chesapeake, Virginia 52,000 Square Foot Office Complex	83% leased

**EXHIBIT 21
DEVELOPER TRACK RECORD**

<u>DATE</u>	<u>PROJECT</u>	<u>STATUS</u>
1985	Greenbrier Tower I Chesapeake, Virginia 92,839 Square Foot Office	86% leased
1985	Greenbrier Technology Center I Chesapeake, Virginia 95,176 Square Foot Office/ Distribution Center	97% leased
1985	Armada/Hoffler Business Center: Norfolk, Virginia 89,776 Square Foot Office/ Distribution Center	100% leased
1985	Armada/Hoffler Business Center: Hampton, Virginia 68,634 Square Foot Office/ Distribution Center	85% leased
1985	Sabal Four Tampa, Florida 62,000 Square Foot Office/ Distribution Center	Sold to North Carolina Nat'l Bank
1985	Federal Express Station Dunedin, Florida 50,000 Square Foot Operations Station	Sold to Metro Int'l Ocala, Inc.
1986	Mill Dam Crossing Virginia Beach, Virginia 24,416 Square Foot Commercial/ Professional/Retail Center	84% leased
1986	Armada/Hoffler Business Center: Hampton II Hampton, Virginia 67,600 Square Foot Office/Warehouse Complex	Sold to 81st Street & Avenue A Corp.

**EXHIBIT 21
DEVELOPER TRACK RECORD**

<u>DATE</u>	<u>PROJECT</u>	<u>STATUS</u>
1986	Ashley Corporate Center Charleston, South Carolina 57,664 Square Foot Office/Distribution Center	62% leased
1987	Mill Pond Forest Chesapeake, Virginia 42-Acre Residential Project (Non-commercial)	Sold to 3rd party
1987	Lynnhaven Lodge Virginia Beach, Virginia 74 Room Motel	
1987	Greenbrier Tower II Chesapeake, Virginia 93,174 Square Foot Office Complex	54% leased (in lease up)
1987	Greenbrier Technology Center II Chesapeake, Virginia 82,340 Square Foot Office Complex	67% leased (in lease up)
1987	Armada/Hoffler: Mobile Mobile, Alabama 36,600 Square Foot Distribution Center	100% leased
1987	Sentara Health System Headquarters Norfolk, Virginia 75,000 Square Foot Office	100% leased
1987	City Centre Norfolk, Virginia 59,377 Square Foot Office	88% leased
1987	Armada/Hoffler Business Center: Hampton III Hampton, Virginia 45,239 Square Foot Office/Warehouse Complex	86% leased

**EXHIBIT 21
DEVELOPER TRACK RECORD**

<u>DATE</u>	<u>PROJECT</u>	<u>STATUS</u>
1987	Kemps Corner Shoppes Virginia Beach, Virginia 25,900 Square Foot Commercial/ Professional/Retail Center	86% leased
1987	Expressway Corporate Center Virginia Beach, Virginia 93,272 Square Foot Office	89% leased
1987	Battlefield Corporate Center Chesapeake, Virginia 97,633 Square Foot Office/ Distribution Center	62% leased (1 tenant has 60,000 sf, with option to lease remaining space)
1987	Harbour Centre Hampton, Virginia 174,982 Square Foot Office	61% leased (in lease up)
1988	Chesapeake Professional Center Chesapeake, Virginia 60,000 Square Foot Office	29% leased (in lease up)
1988	Kill Devel Hills Nags Head, North Carolina 15 Unit Condominium	3 units remaining
1988	Hunningdon Lakes Chesapeake, Virginia 160 Acre Residential/Commercial	All lots sold
Present	Crossways Technology Center I Chesapeake, Virginia 140,000 Square Foot Office	Completion date September 1988 (in lease up)
Present	Salt Ponds Marina Hampton, Virginia (Marina and Harbormaster Building)	Completion date April 1989
Present	Salt Ponds Condominiums & Townhomes Planning Hampton, Virginia 582 Residential Units	

EXHIBIT 21
DEVELOPER TRACK RECORD

<u>DATE</u>	<u>PROJECT</u>	<u>STATUS</u>
Present	Crossways Chesapeake, Virginia 250-300 Acre Retail/Office/Hotel Industrial Complex	
	A. Crossways II Chesapeake, Virginia 81,000 Square Foot Office/ Distribution Center	Completion date May 1st 1989
	B. Crossways III Chesapeake, Virginia 65,000 Square Foot Office/ Distribution Center	Completion date May 1st 1989
Present	Oyster Point Office Complex Newport News, Virginia 20 Acres Class A Office Park	
	A. Centre Point I Newport News, Virginia 110,000 Square Foot Office	Planning

EXHIBIT 22 **LEASE SUMMARY - TOWER I & II**

TOWER I

Suite #	Tenant	Useable Square Feet	Lease Start	Lease End	Rent Sq. Ft.	Expense Stops	CPI Increase as a % of CPI	Tenant Allow. \$ per Sq. Ft.	Concessions
100&200	Wang Laboratories	19,688	9/1/85	10/31/89	\$14.93	none	95.60%	Standard	1 month free rent
101	Executive Travel	2,421	8/5/85	8/4/88	16.27	none	100.00%	Standard	
103	A/H Ent. Insurance	2,028	5 yrs from closing		18.25	\$3.75	100.00%	Standard	
105	John Brown, P.C.	2,424	8/1/86	7/31/89	16.01	\$3.40	100.00%	Standard	
300	A/H Enterprises	3,404	5 yrs from closing		18.25	\$3.75	100.00%	Standard	
301	Vacant	870					100.00%	Standard	
302	Abacus Services	1,150	11/1/85	11/30/90	14.73	\$0.60	100.00%	Standard	
303	Tidewater Ent.	1,200	11/1/85	11/30/90	15.65	none	100.00%	Standard	1 month free rent
304	City of Chesapeake	1,710	4/1/86	3/31/89	14.88	none	100.00%	Standard	
305	Comsearch Applied Tech.	2,169	10/1/86	9/30/89	16.69	\$3.40	100.00%	Standard	
306	Galdata Corp.	450	5/1/86	4/30/89	15.94	\$3.40	100.00%	Standard	
307	A/H Real Estate	1,790	5 yrs from closing		18.25	\$3.75	75.30%	Standard	11 days free rent
403	Lynn Jenkins	813	9/1/88	8/31/91	16.00	\$3.89	75.69%	Standard	
404	Wynne Leasing	900	8/1/86	9/30/92	14.66	none	(1)	Standard	2 mos. free rent
405	Homefront Finance Co.	1,033	8/1/86	7/31/89	17.08	\$3.40	100.00%	Standard	
406	AAM, Inc.	1,803	4/1/86	4/31/89	16.53	none	100.00%	Standard	2 mos. free rent
407	Vacant	640					100.00%	Standard	
408	Colby and Company	2,474	10/1/87	9/30/90	15.50	\$3.40	100.00%	Standard	1 month free rent
410	Vacant	5,085					100.00%	Standard	
500	Waterside Management	1,082	1/20/87	1/19/90	16.00	\$3.40	100.00%	Standard	
501	A/H Ent.	800	5 yrs from closing		18.25	\$3.75	100.00%	Standard	
502	Vacant	3,449					100.00%	Standard	
503	Dr. Jordan, DDS	970	9/1/86	10/31/91	17.93	\$3.40	100.00%	Standard	6 wks free rent
504	Connecticut Gen. Life	3,614	2/1/87	1/31/92	15.49	none	100.00%	Standard	5 mos. free rent
506	Sovran Bank, N.A.	1,056	3/1/87	2/28/90	16.47	\$3.40	100.00%	Standard	
508	Sun Microsystems	828	2/1/87	2/28/90	18.03	\$3.40	100.00%	Standard	1 month free rent
600	A/H Enterprises	15,881	5 yrs from closing		18.25	\$3.75	100.00%	Standard	
	Unimproved space	3,308							
Total Tower I		83,040							

TOWER II

106	Great Bridge Cleaner (2)	323	1/1/88	12/31/92	17.00	\$3.40	100.00%	Standard	
200	NCR Corporation	15,229	10/1/87	9/30/97	14.00	\$2.40	(3)	Standard	2 mos. free rent
400	Manpower, Inc.	1,122	5/1/88	4/30/91	16.00	\$3.40	100.00%	Standard	
402	A.B. Dick Company	1,296	5/15/88	5/14/91	16.00	\$3.74	76.25%	Standard	
404	McMichael, Gumienny	3,000	10/1/88	9/30/91	18.44	\$3.74	61.06%	Standard	
500	Tele-Fibernet Corp.	7,549	10/1/88	9/30/93	15.00		(4)	Standard	5 mos. free rent
600	AT & T	17,039	9/5/88	5/31/92	16.00	\$3.74	none	\$16.50	9 months free rent, \$17,000 moving allowance
	Unimproved space	42,823							
Total Tower II		88,381							
TOTAL BOTH TOWERS		171,421							

1. Rent increases are specified in lease.
2. Tenant has vacated premises until Tower II has greater occupancy.
An informal arrangement exists putting the lease "on hold".
3. Annual scheduled rent increases.
4. Scheduled increase after third year.

EXHIBIT 23
PROFORMA INCOME AND EXPENSES - TOWERS I AND II

	1989	1990
Gross Income:		
Rental Income	\$2,606,277	2,852,793
Expense Reimbursements	<u>117,772</u>	<u>140,349</u>
Total	\$2,724,049	2,993,142
- Vacancy Allowance (16% - 1989; 5% - 1990)	<u>(435,848)</u>	<u>(149,657)</u>
- Effective Gross Income	2,288,201	2,843,485
- Operating Expenses:		
Real Estate Taxes	(106,506)	(127,794)
Insurance	(27,002)	(32,398)
Utilities	(216,012)	(259,187)
Management Fee	(66,004)	(79,196)
Repairs and Maintenance	(100,506)	(120,594)
Janitorial and Lawn Service	<u>(144,008)</u>	<u>(172,791)</u>
Total	(660,037)	(791,960)
= Net Operating Income	1,628,164	2,051,524
- Debt Service	(1,310,000)	(1,310,000)
+ NOI Guarantee	670,743	136,700
- Re-fit Expenses	(26,566)	(16,036)
- Re-store Expenses	(49,812)	(13,363)
- Re-lease Expenses	<u>(94,974)</u>	<u>(31,270)</u>
= Cash Flow	\$817,555	\$817,555
Overall Capitalization Rate	6.89%	8.68%
Equity Cash on Cash Return	7.58%	7.58%
Debt Coverage Ratio	1.24	1.57

EXHIBIT 24 **ASSUMPTIONS TABLE**

Purchase Price - Tower I:	\$11,714,500
Purchase Price - Tower II:	\$11,925,000
Estimated Closing Costs:	\$250,000
Mortgage Amount:	\$13,100,000
Interest Rate:	10%
Amortization Period:	Interest Only
Payments Per Year:	12
Equity Investment:	\$10,789,500
Average Rental Rate PSF - Yr 1:	\$16.25
Operating Expenses PSF - Yr 1:	\$4.40
Tenant Re-fit PSF - Renewals - Yr 1:	\$1.25
Tenant Re-fit PSF - Non-renewals - Yr 1:	\$6.00
Release Commissions - Renewals:	3%
Release Commissions - Non-renewals:	6%
Capitalization Rate in Year of Sale:	9.0%
Sales Expense (% of Sales Price):	3%
Inflation Factor - Income:	5%
Inflation Factor - Expenses:	5%
Vacancy Rate - Yr 1:	16%
Vacancy Rate - Yrs 2 - 10:	5%
Seller's NOI guarantee - Yrs 1 - 3:	9% on total cost

Lease renewals are assumed to be for 3 and 5 years at the prevailing market rate. All new leases are assumed to contain CPI escalators. Renewals of expiring leases with expense stops are assumed to contain expense stops at the prevailing operating expense levels at the time of renewal.

Undisbursed Guarantee Escrows are assumed to revert to the partnership at the end of year three. Amount returned equals the lesser of the remaining escrow, or twice the amount of guarantee payments made pursuant to the 9% NOI guarantee during year three.

Lease concessions are assumed to be minimal, and are factored into the vacancy rate.

EXHIBIT 25 **PROJECTED CASH FLOW AND YIELD ANALYSIS**

ASSUMPTIONS:	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Rental Rate PSF	\$16.25	\$17.06	\$17.92	\$18.81	\$19.75	\$20.74	\$21.78	\$22.87	\$24.01	\$25.21	\$26.47
Operating Expenses PSF	\$4.40	\$4.62	\$4.85	\$5.09	\$5.35	\$5.62	\$5.90	\$6.19	\$6.50	\$6.83	\$7.17
% of Leases that Expire	25.83%	7.42%	17.90%	38.62%	15.66%	31.12%	30.02%	23.46%	17.36%	30.98%	36.01%
% of Expiring Leases that Stay	90%	80%	75%	80%	75%	75%	75%	75%	75%	75%	75%
% of Expiring Leases that Leave	10%	20%	25%	20%	25%	25%	25%	25%	25%	25%	25%
Tenant Re-fit PSF - non-renewals	\$6.00	\$6.30	\$6.62	\$6.95	\$7.29	\$7.66	\$8.04	\$8.44	\$8.86	\$9.31	\$9.77
Tenant Re-fit PSF - renewals	\$1.25	\$1.31	\$1.38	\$1.45	\$1.52	\$1.60	\$1.68	\$1.76	\$1.85	\$1.94	\$2.04
Re-lease Commissions - renewals	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Re-lease Commissions - non-renewals	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Expense Stop on New Leases	\$4.40	\$4.62	\$4.85	\$5.09	\$5.35	\$5.62	\$5.90	\$6.19	\$6.50	\$6.83	\$7.17

CALCULATIONS:

Rental Income - Tower I	1,374,059	1,441,934	1,513,166	1,587,919	1,669,158	1,751,620	1,838,159	1,931,659	2,027,096	2,127,253	2,235,467
+ Rental Income - Tower II	1,232,219	1,410,859	1,454,281	1,530,537	1,612,886	1,690,003	1,752,759	1,856,895	2,036,423	2,136,420	2,221,938
+ Expense Reimbursements - Tower I	35,976	39,109	46,055	55,361	67,157	7,482	15,886	24,926	40,931	53,958	7,585
+ Expense Reimbursements - Tower II	81,796	101,240	115,255	55,119	62,920	83,269	73,445	79,294	40,399	17,871	48,035
- Gross Income	2,724,049	2,993,142	3,128,757	3,228,936	3,412,121	3,532,375	3,680,249	3,892,774	4,144,850	4,335,502	4,513,025
- Vacancy Allowance	(435,848)	(149,657)	(156,438)	(161,447)	(170,606)	(176,619)	(184,012)	(194,639)	(207,242)	(216,775)	(225,651)
- Effective Gross Income	2,288,201	2,843,485	2,972,319	3,067,490	3,241,515	3,355,756	3,496,237	3,698,136	3,937,607	4,118,727	4,287,373
- Operating Expenses	(660,037)	(791,960)	(831,558)	(873,136)	(916,793)	(962,633)	(1,010,764)	(1,061,303)	(1,114,368)	(1,170,086)	(1,228,591)
- Net Operating Income	1,628,164	2,051,524	2,140,761	2,194,353	2,324,722	2,393,123	2,485,472	2,636,833	2,823,239	2,948,641	3,058,783
- Mortgage Payment	(1,310,000)	(1,310,000)	(1,310,000)	(1,310,000)	(1,310,000)	(1,310,000)	(1,310,000)	(1,310,000)	(1,310,000)	(1,310,000)	(1,310,000)
- Cash Flow From Operations	318,164	741,524	830,761	884,353	1,014,722	1,083,123	1,175,472	1,326,833	1,513,239	1,638,641	3,058,783
+ Cash Flow Guarantee (9%)	670,743	136,700	151,711								
+ Escrow Reversion (Yr. 3 only)			303,422								
- Tenant Re-lease Expenditures	(76,378)	(29,399)	(82,458)	(168,622)	(79,542)	(165,956)	(168,103)	(137,943)	(107,189)	(200,813)	(245,067)
- Re-lease Commissions	(94,974)	(31,270)	(82,458)	(179,352)	(79,542)	(165,956)	(168,103)	(137,943)	(107,189)	(200,813)	(245,067)
- Distributable Cash Flow	817,555	817,555	1,120,977	536,379	855,638	751,211	839,266	1,050,946	1,298,861	1,237,015	2,568,649
Cash on Cash Return (Equity)	7.58%	7.58%	10.39%	4.97%	7.93%	6.96%	7.78%	9.74%	12.04%	11.46%	

Cash Proceeds on Sale in Year 10

Projected Sales Price										\$33,986,476
- Selling Expenses										(1,019,594)
- Projected Year 11 Re-fit Expenditures and Re-lease Commissions										(490,134)
- Unpaid Mortgage Balance										(13,100,000)
- Cash Proceeds From Sale										19,376,748

Equity Yield Analysis:

Equity Contrib.	(10,789,500)										
Cash Flow From Operations		817,555	817,555	1,120,977	536,379	855,638	751,211	839,266	1,050,946	1,298,861	1,237,015
Cash Proceeds From Sale											19,376,748
Equity Cash Flow	(10,789,500)	817,555	817,555	1,120,977	536,379	855,638	751,211	839,266	1,050,946	1,298,861	20,613,763
Estimated Yield on Equity		12.67%									

EXHIBIT 26
SENSITIVITY ANALYSIS
CAPITALIZATION RATES AND INFLATION

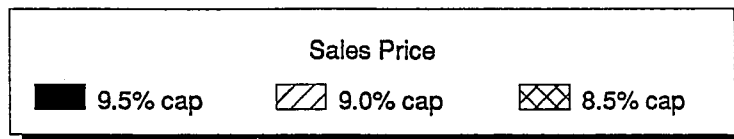
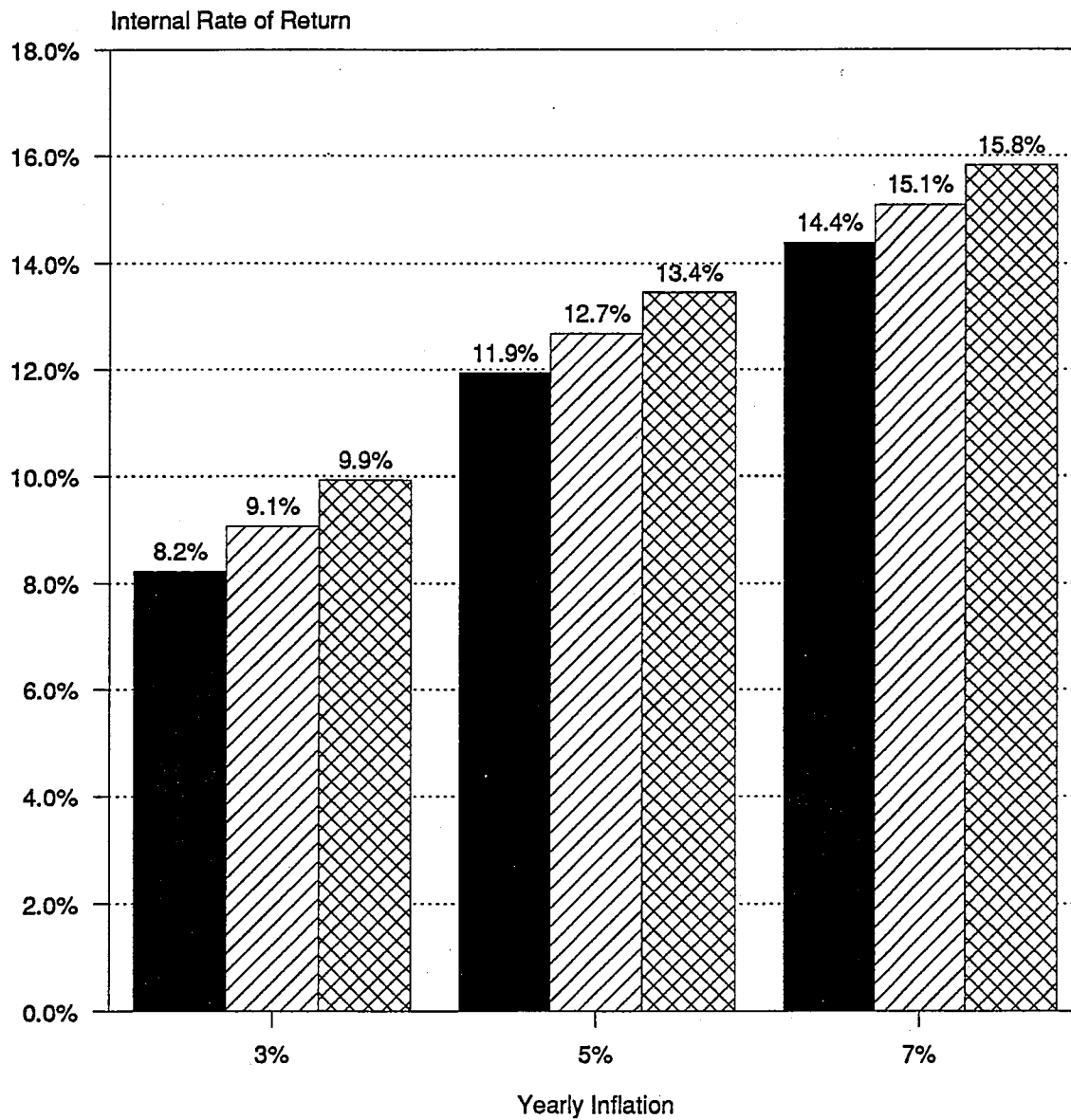


EXHIBIT 27
INTEREST RATE SENSITIVITY ANALYSIS

