Project Report to Crescent Resources Board of Managers
Harris Teeter Joint Venture
Hawfield Property (Ardrey Kell @ 521) – Charlotte, North Carolina
March, 2005

I. Proposed Project

A. Description

Crescent proposes to develop 35,000 square feet of shop space on land to be acquired at Ardrey Kell Road and Highway 521 in Charlotte, North Carolina. Crescent would purchase 18 acres in September 2005. Harris Teeter would sign a ground lease on which they would build a 48,000 square foot grocery store.

The project would be structured as a joint venture with Harris Teeter. Crescent and Harris Teeter would contribute equity on a 50/50 basis and split profits and cash flows on a 50/50 basis. The venture may elect to fund the project with all equity or obtain third party financing (in a structure that would not consolidate to Crescent's financial statements).

In addition to developing the shop space, Crescent intends to sell outparcels for an Eckerd and a daycare. Both land sales would close during the construction period.

Construction on the shops would begin in spring of 2006.

B. Cost and Financing

Project costs including land basis are expected to be $12,304,000 (net of $1,550,000 and $500,000 for the expected Eckerd and day care land sales, respectively), of which $8,000,000 could be market financed with debt.

The capital required for this project is included in Crescent's current 2005 plan. The 2005 capital required is approximately $4,500,000 which includes $4,270,000 for the land acquisition. Harris Teeter would fund half of the equity or half of the project costs, depending on whether the venture acquires third party financing. The remainder of Crescent's share of the project costs will be spent in 2006 with a few remaining expenditures in 2007.

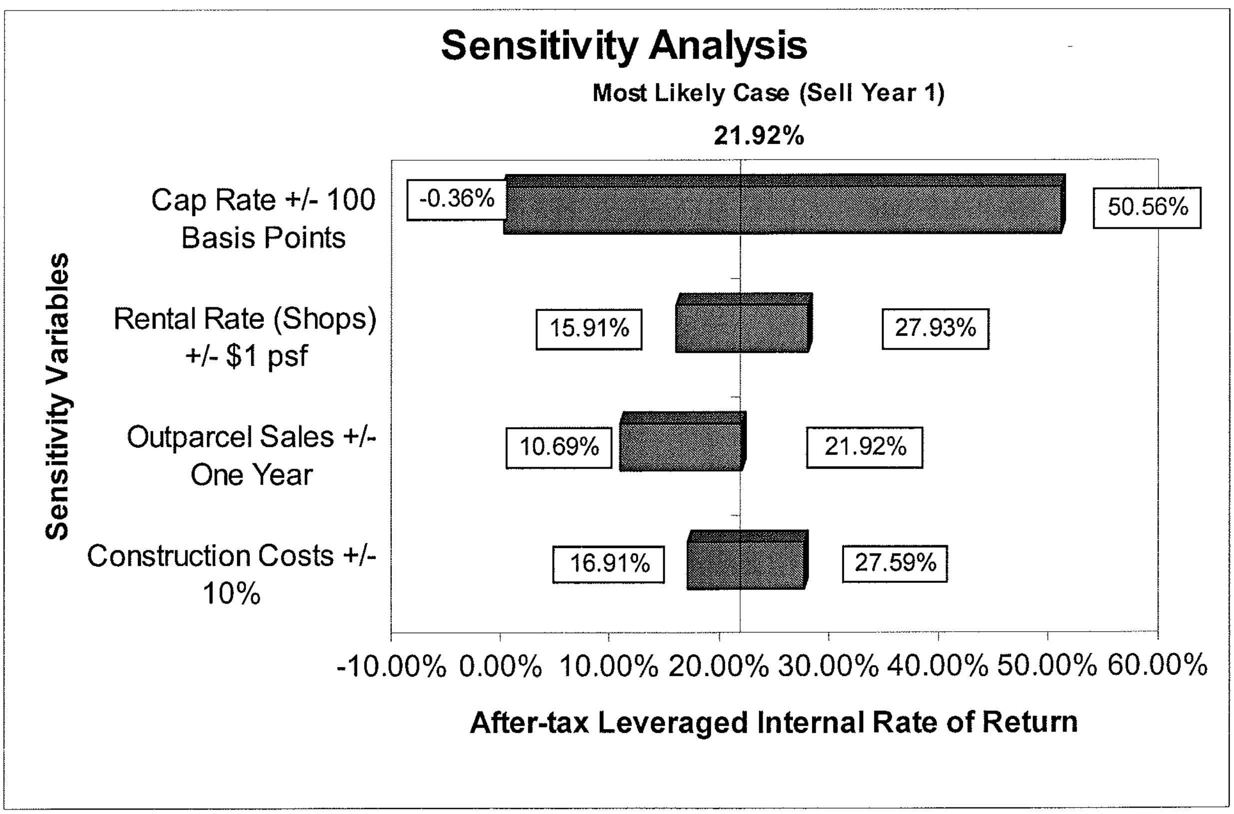
The assumed financing of this project would be at the joint venture level and would not be on the balance sheet of Crescent. Typical financing for this type of project would likely involve performance guarantees through the construction period but would likely be non-recourse after construction is complete and the anchor tenant is paying rent.

II. Quantifiable Benefits

The attached cash flows are at the total project level. Under the 50/50 joint venture structure with Harris Teeter, Crescent share of the EBIT and cash flows will be 50%, while Crescent's return will equal the pro forma return. While we expect the project to generate attractive current returns during the holding period, the expected sale of the property will provide a significant increment to the return on capital invested. We have calculated the expected internal rate of return (IRR) for each year of the potential holding period assuming a sale at the end of each year. The results at the end of Years 1-2, the most likely years of sale, show a range of 21.92% to 14.27%, exceeding our leveraged hurdle rate of 14.25%. The cumulative EBIT contribution (adjusting for Harris Teeter's half) totals $1,020,800 and $1,576,000, for years 1 and 2 respectively.

III. Risk and Sensitivity

Key areas of risk include: construction, leasing, operations, and eventual sale valuation. Environmental risk will be assessed through a Phase I audit completed prior to the acquisition of the land. The following diagram details the key areas of risk and their effect on the project assuming a sale of the property at the end of the first year of operations.



Construction risk will be mitigated by bidding and contracting the work on a fixed price basis with bondable, qualified contractors.

Leasing risk will be a function of the balance of supply and demand for space in the submarket in which the project competes. Leasing momentum should be established by the Harris Teeter store.

Operating risk will be controlled by utilizing experienced Crescent staff to manage the project upon completion of construction.

The potential results of sale will be a function of the balance of supply and demand for investment real estate, which balance is in part affected by capital market conditions. This project is being underwritten with an overall 8.25% cap rate.

IV. <u>Other Corporate Support Groups</u>

There are no unusual legal or tax issues expected from this project which would require input from any corporate support groups.