



Pearson Square

Falls Church, Virginia



 **BOZZUTO**
MANAGEMENT



A BRIEF HISTORY

Designed by WDG Architecture

Purchased by Transwestern Multifamily Partners in December of 2007 for \$103 Million



Developed by Atlantic Realty in 2006-2007

Transwestern expected ownership period: 7-10 years

Objective is to operate Pearson Square as a rental community until the for-sale condominium market recovers



OWNERSHIP, SPONSORSHIP AND EXPERIENCE

- Ownership – Transwestern Multifamily Partners is a private equity real estate company formed to own multifamily property nationwide
- Sponsorship – Transwestern Investment Company is a principal-oriented real estate investment firm that invests on behalf of public and private pension funds, foundations, endowments, banks and corporations
- Experience – Over the past 10 years, Transwestern and its partners have acquired more than 450 properties and 51,000 residential units nationwide. The value of these assets exceeds \$10 billion



COMMITMENT TO COMMUNITY

- Provide 3,000 square feet of flex-art space at below-market rent
- Provide 15 affordable dwelling units at below-market rent
- Participate in shared parking arrangement with Tax Analyst building to increase retail viability of site

In addition, the following financial contributions were made:

- \$100,000 for building flex-art space
- \$75,000 for local intersection improvements
- \$25,000 for expansion of George Bus system
- \$25,000 to the Tinner Hill Cultural Center
- \$3,500 for construction of a bus shelter



RESIDENTIAL UPDATE

Pearson Square contains 230 residential units ranging in size from 840 to 1,800 sf; in aggregate the property has 280,000 sf of housing space

- The market rate residential units are 80% occupied and the affordable units are 100% occupied
- We expect to reach 90% occupancy of the residential space in May 2009, even though demand for luxury rental units has been negatively impacted by the downturn in the economy



RETAIL UPDATE: FLEX-ART SPACE

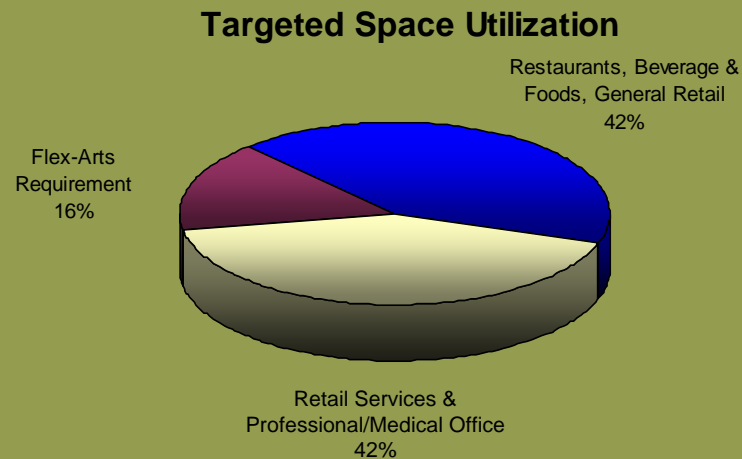
Pearson Square has 19,000 sf of retail space on the first floor. At this time, all of the retail space is vacant

- Creative Cauldron, a non-profit arts organization providing educational workshops in the performing and visual arts for children and adults, will open in the Spring/Summer of 2009
- Creative Cauldron will lease approximately 3,000 square feet and represents the development's commitment to provide flex-art space
- Upon occupancy of Creative Cauldron, Pearson Square will have fulfilled the community's requirement to provide subsidized space for the arts and affordable housing



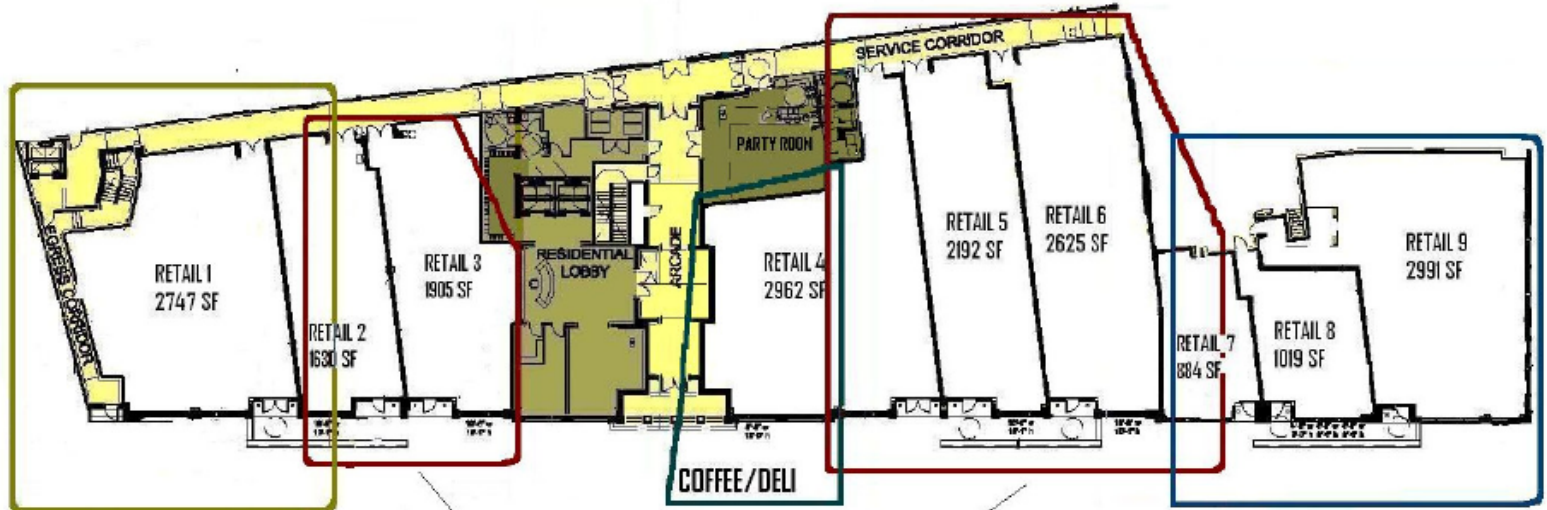
RETAIL UPDATE

- We are negotiating with a related children's use (service retail) that would lease another 2,200 square feet. Combination of this space and that occupied by Creative Cauldron represents 30% of the retail space
- In spite of the slow market conditions, we hope to reach 90% occupancy by June of 2010. Leasing has been negatively impacted by a lack of financing for new businesses, a significant pullback in consumer spending, and a general contraction and slowdown of expansion by existing retailers
- We want to lease the remaining space to tenants that will enhance the living experience of the residents of the building and neighborhood. Targeted tenants include related arts, general retailers, restaurants and, if permitted, retail services and professional/medical offices for legal, tax, design and doctors



SPACE & TARGET MARKET

Retail Space and Target Market



CREATIVE CAULDRON/FALLS CHURCH ARTS

- * GENERAL RETAIL
- * RETAIL/SERVICE
- * LIMITED PROFESSIONAL OFFICE/MEDICAL/DENTAL



WHAT WE'VE LEARNED

- Over the past 12 months, our retail leasing team has contacted:

Type of Business	Quantity
Full Service Restaurants	40
Quick Service Restaurants and Coffee Shops	41
Wine and Cheese Shops	7
High End Salons and Spa Operators	10
Coffee Retailers	10
General Retailers (covering a variety of goods and services)	65
Total	173

- Marketing efforts include: Website; emails; phone calls to brokers and retailers; Craigslist; CoStar; regional and national conventions; local business and networking groups
- Retail leasing has been negatively impacted by a lack of financing for new businesses, a significant pullback in consumer spending, and a general contraction and slowdown of expansion by existing retailers
- Because of the lagging economy, few retailers are opening new stores and more are now shedding less profitable locations
- Retailers want to locate in high traffic areas with easily-accessible parking, as well as other retailers that drive business and traffic (i.e. retailers prefer grocery-anchored shopping centers that draw significant numbers of customers). Pearson Square cannot provide this



WHAT WE'VE LEARNED

- Pearson Square is a less desirable location due to limited street parking, lack of drive-by traffic & few nearby office tenants to support retailers
- Many fashion retailers have existing locations in close proximity to Falls Church and are too close to merit another location
- Targeted tenants include:
 - Restaurants, Wine and Cheese Shop, Coffee/Bakery/Deli
 - Art Gallery, Arts Supply Store, Lighting Store
 - Variety & Gift Shops
 - Antiques Shop
 - Learning Centers
 - Beauty Salon and Day Spa, Barber Shop
 - Dry Cleaning Drop-off/Pick-Up
 - Medical & Dental Offices
 - Accounting & Legal Offices, Architectural & Interior Design Shops

Since a misuse of the first floor space could adversely impact our residents' perception of quality, we will not pursue any tenants that diminish the property's appearance or function. Poor selection on our part would reduce the ultimate value of our \$103 million investment



PROJECT STRENGTHS, WEAKNESSES AND OBJECTIVES

Our Strengths

1. A high quality, well-leased residential property near parks
2. Proximity to the future City Center project

Our Challenges

1. Poor visibility, secondary retail location and limited on-street parking
2. Limited drive- and walk-by traffic and limited access to George Bus
3. A lack of nearby retail, housing and office to drive local business
4. The downturn in the economy and contraction of consumer spending

Our Objectives

1. Provide high quality housing for community residents
2. Lease the commercial space to tenants that enhance the community environment
3. Structure commercial leases so that the retail space can evolve as the City Center project develops
4. Bring the George Bus to the Pearson Square complex



OUR REQUEST

In addition to continuing our efforts with traditional retailers and restaurateurs...

- The ability to pursue high-quality retail services and professional office tenants
- The ability to lease space to professional and medical office users to increase daytime traffic and enhance our retail leasing prospects
 - All tenants will be required to maintain a storefront appearance that enhances the neighborhood
- Our target tenants for the 19,000 square feet of first floor space:
 - Arts-Flex: 3,000 sf
 - Retail/Restaurant: 8,000 sf
 - Retail Service: 8,000 sf, which could include up to 2,400 sf of professional office and 2,400 sf of medical/dental space
- We will limit the lease term for retail service, professional office and medical/dental space to 15 years or less to allow the building to evolve as the City Center project develops or if the art uses flourish
- We would like to have Pearson Square and the Tax Analyst building added to the George Bus route
- Expanding the potential uses should lead to higher occupancy, bring complimentary commercial and retail tenants to the neighborhood and increase the site's business license revenue

