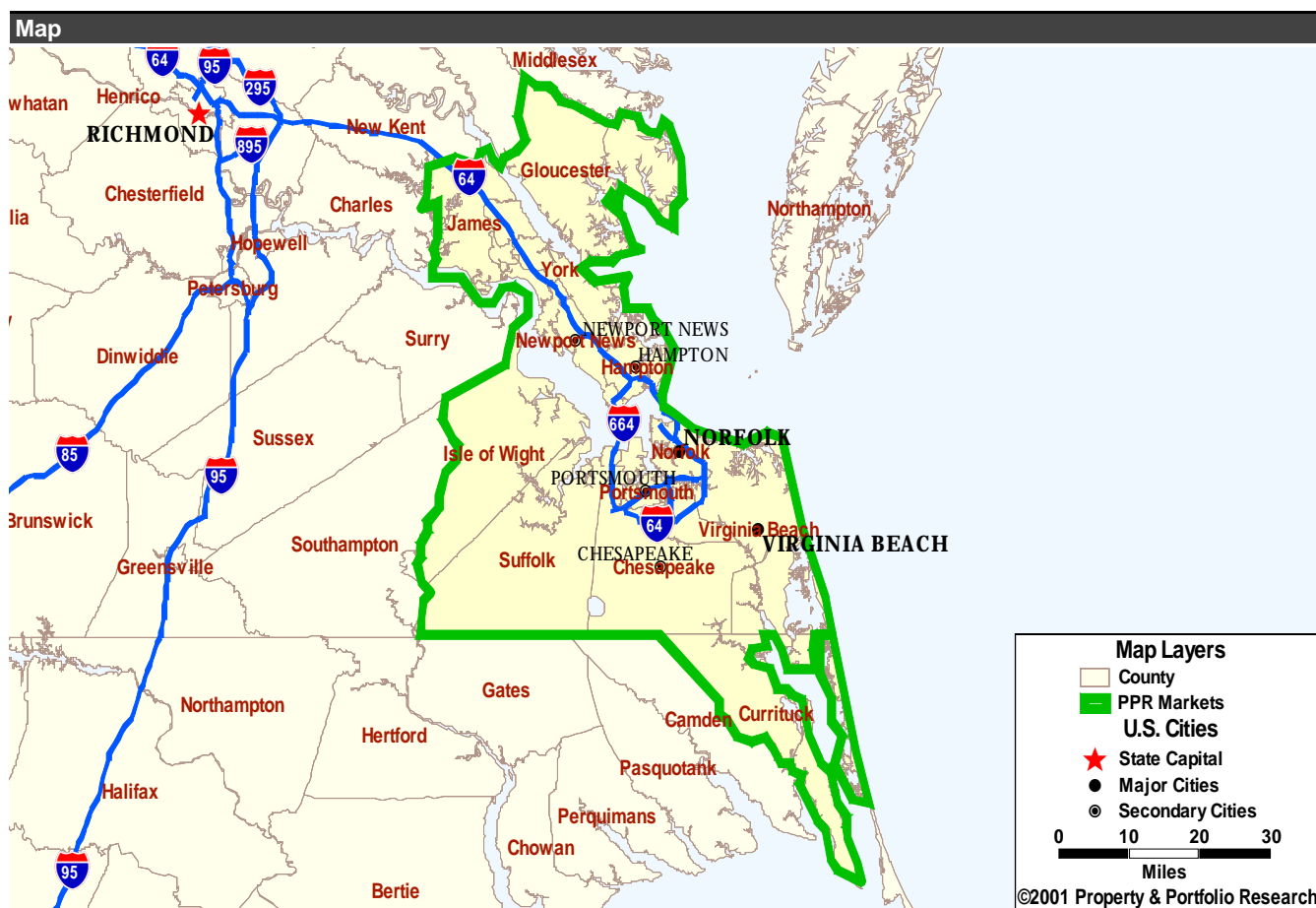


NORFOLK

Overview



Summary of Last Twelve Months vs. Historical Minimum, Maximum, and Average

	Current Vacancy*	Net New Supply (000SF)**	Net Absorption (000SF)**
Apartment	↔ 5.1%	↑ 871	↔ 996
	5.1% 02:3 10.0% 91:4 -380 95:1	7,191 86:4 -2,128 91:2	6,138 86:4
Office	↑ 14.5%	↑ 1,450	↑ -41
	7.4% 82:1 21.9% 86:4 186 96:2	2,055 87:4 -643 83:2	1,784 88:1
Retail	↑ 14.1%	↑ 1,786	↑ -207
	8.9% 87:1 22.4% 82:2 375 83:3	2,737 99:2 -2,154 91:2	4,541 00:1
Warehouse	↑ 8.9%	↓ 400	↓ 105
	4.9% 84:2 11.8% 92:2 -177 94:3	2,163 88:2 -335 94:4	1,712 88:2
Hotel	↑ 60.6%	↓ 786	↑ 1,599
	62.3% 88:1 56.1% 91:2 -108 95:4	4,865 88:1 -271 93:4	1,599 02:3

*Occupancy for Hotels

**Apartment and Hotel data are in units.

NORFOLK

Analysis/Economy

Notable Economic and Real Estate Market Events

- **ECON** – While a clear recovery is not underway, **the Norfolk economy continues to hold up better than the nation.** Total employment was flat for the year-ending in September and the metro has actually added 3,400 jobs year-to-date. **The TCPU and construction sectors were both contracting** at an above-average pace during the year ending in September, restricting overall growth. The loss of nearly 4,000 jobs in these sectors combined was washed by the similar number of jobs created in the government and services sectors, however. **Recent layoff announcements have come from a variety of sectors.** Christopher Newport University, Lockheed Martin, and ICT Group have all announced job cuts in recent months. **Increased defense spending will help coax the economic recovery here** and total employment growth is forecast to outpace the nation through 2007. Demographic trends are expected to lag slightly, however.
- **APT** – A relatively stable economy and minimal levels of new construction have supported **tightening vacancy rates** in the local apartment market. **The Navy remains vital to the overall health of the apartment sector,** since most military personnel are renters rather than homeowners. **The Chesapeake submarket is currently the most active in the metro in terms of new construction.** Wood Partners is well underway on its 240-unit Alta Bay, which should be completed early next year. Beaco Construction got underway on its 328-unit Harbor Breeze in the second quarter. One of the more recent projects to enter the pipeline is Whitmore Co.'s 250-unit The Myrtles at Olde Towne in Portsmouth. Newport News has been fairly inactive on the supply side. **Below-average demographic trends will constrain growth in this market** over the forecast, and minimal demand growth will result in some softening in the outer years. Vacancies are expected to remain tight, however.
- **OFF** – Unlike the apartment market, **new construction in the office market has been relatively strong** and with many employers reducing their existing space requirements due to budget constraints and layoffs, **vacancy rates are more than three percentage points higher than year-ago levels.** Leasing activity has been muted in 2002, but net absorption is expected to show positive momentum by year-end. Virginia Beach and Newport News have been particularly active on the supply side. Olympia Development Corp. is underway on its 300,000 SF Convergence Center Office Park in Virginia Beach and NetCenter Partners LLC is underway on a project to redevelop the 900,000 SF Newmarket Center regional mall in Hampton into a mixed-use office/retail project. However, **construction is expected to wind down in 2003** (this slowdown is already apparent in downtown Norfolk) **allowing vacancies to level off near 14%** for the better part of the forecast.
- **RET** – Continuing their upward trend that began in late 2000, **economic vacancies rose in the first three quarters of 2002** due to the weak economic climate. **Big-box retailers continue to expand,** encouraging new power center development, and **Wal-Mart is infiltrating the market with its Supercenter concept,** completing Supercenters in Chesapeake, Gloucester, and Tabb this year. Store closures by Home Quarters, Montgomery Ward, and more recently Circuit City have loosened physical vacancies and Kmart remains a risk going forward. Fundamentals are expected to improve slightly in the near term, but **weak demographics will prevent a substantial recovery.**
- **WHS** – With **container trade flows through Norfolk up 21%** in the first nine months of the year from the same period last year and major national retailers such as Target (1.5 million SF underway) and Wal-Mart (one million SF completed in 2001) developing facilities here, Norfolk's viability as a distribution hub appears to be strong. However, aside from these large developments new supply and demand have been relatively low in this market. **Vacancies are not expected to tighten considerably over the forecast, but currently stand at healthy levels.**
- **HOT** – While occupancy rates have improved this year, the local hotel market is far from strong, with occupancies of less than 61%. Williamsburg has continued to see ticket sales dwindle, but the presence of this attraction, as well as Virginia Beach, **bolster the prospects for this market longer term.** Work is expected to get underway by January on a 150-room Hilton Garden Inn at Constant's Wharf in Suffolk.

Demographic Trends

Category	2002*		Annual Growth Rates					
	Market	U.S.	1982-1991		1992-2001		2002-2007	
			Market	U.S.	Market	U.S.	Market	U.S.
Population	1,594	288,644	1.8%	1.0%	0.7%	1.2%	0.7%	0.9%
Households	585	107,955	2.4%	1.3%	1.0%	1.3%	0.9%	1.1%
Median Household Income	\$49,713	\$45,586	4.9%	4.4%	3.7%	3.9%	3.0%	3.3%
Apartment-Renting Households	214	36,362	1.4%	1.7%	-0.4%	0.5%	1.3%	1.3%
Real Retail Sales Per Capita	\$4,452	\$4,520	1.2%	1.4%	1.7%	1.8%	1.2%	1.2%

Employment Trends

SIC Category	2002*		Annual Growth Rates					
	Employment	Location Quotient	1982-1991		1992-2001		2002-2007	
			Market	U.S.	Market	U.S.	Market	U.S.
Total Services	218	1.0	5.6%	4.3%	3.2%	3.7%	3.4%	2.6%
Business Services	53	1.1	7.3%	6.6%	6.8%	6.1%	4.2%	3.2%
Other Services	165	1.0	5.2%	3.8%	2.2%	3.0%	3.1%	2.4%
Retail Trade	139	1.1	3.6%	2.5%	1.7%	2.0%	1.7%	1.4%
Government	147	1.3	1.6%	1.6%	0.5%	1.3%	0.8%	0.7%
Manufacturing	69	0.8	0.3%	-0.6%	-0.4%	-0.6%	0.8%	-0.4%
F.I.R.E.	36	0.9	3.6%	2.2%	3.2%	1.6%	2.2%	0.9%
Wholesale Trade	25	0.7	1.6%	1.3%	0.4%	1.0%	1.6%	1.0%
Trans., Comm., Util.	32	0.9	1.8%	1.1%	1.5%	1.9%	0.5%	0.6%
Construction	41	1.2	3.5%	1.4%	3.0%	3.9%	0.8%	0.5%
Mining	0	0.1	0.3%	-6.0%	-1.0%	-1.6%	-0.9%	-0.7%
Total Employment	708	1.0	2.9%	1.9%	1.7%	1.9%	1.9%	1.3%
Office-Using Employment	165	1.0	3.7%	3.0%	3.1%	2.9%	2.8%	1.9%
Trucking/Warehouse Employment	32	0.7	2.0%	1.5%	0.3%	1.4%	1.3%	1.1%

*All units (except for dollar denominated figures) in thousands.

Current Economic Indicators

Employment Growth 9/02	Labor Force Growth 9/02	Unemployment Rate 9/02	Employment Volatility Ratio	Net Migration (000) 2001	Cost Indices (U.S. = 100)	
					Business	Living
0.0%	3.1%	4.1%	0.8	-5.5	94	93

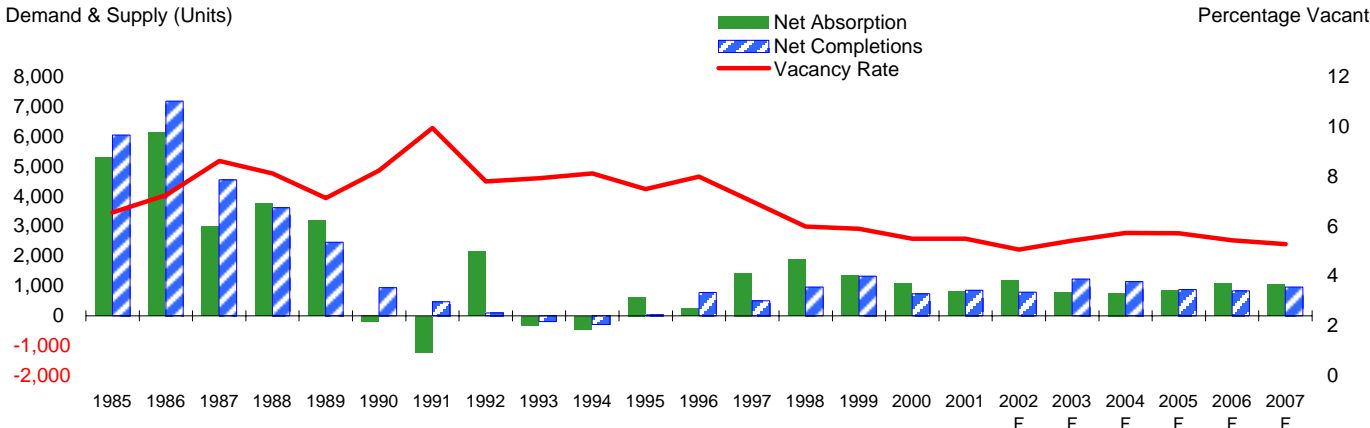
Sources: PPR; Economy.com

NORFOLK

Apartment

Supply, Demand, and Vacancy

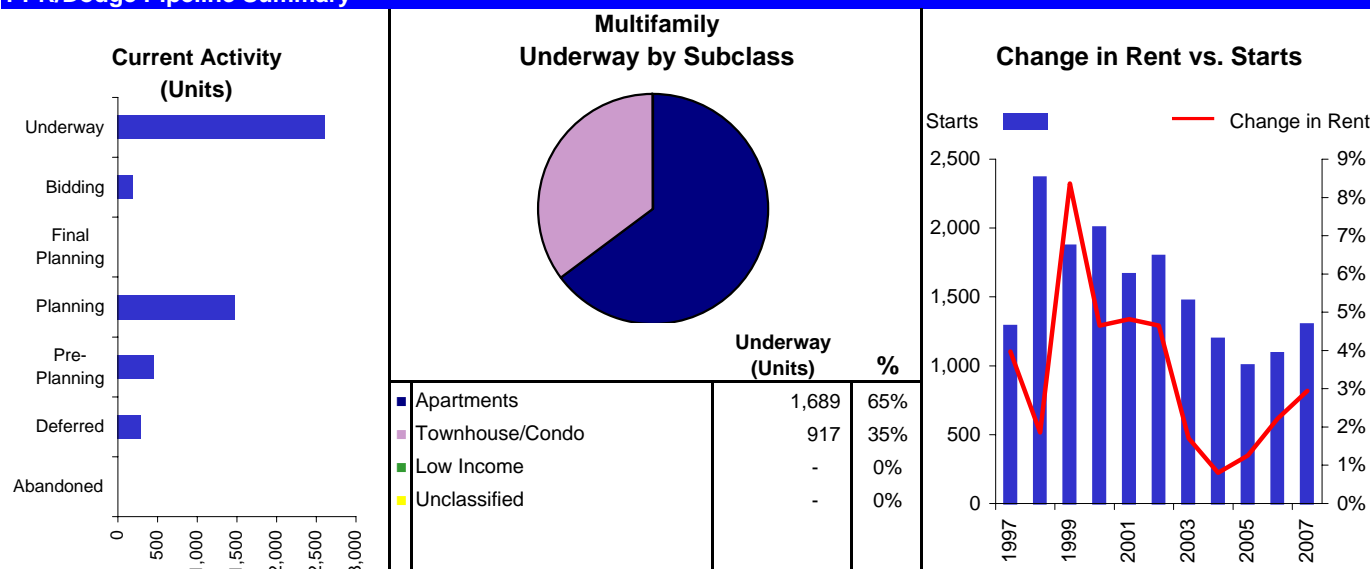
Demand & Supply (Units)



Apartment Market Statistics (Units)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Apt. Vacancy	7.0%	6.0%	5.9%	5.5%	5.5%	5.1%	5.4%	5.7%	5.7%	5.4%	5.3%
Apt. Net Absorption	1,438	1,883	1,354	1,098	813	1,197	797	768	850	1,097	1,070
% Growth	1.6%	2.1%	1.5%	1.2%	0.9%	1.3%	0.8%	0.8%	0.9%	1.1%	1.1%
Multifamily Starts	1,289	2,368	1,872	2,006	1,666	1,799	1,474	1,196	1,004	1,091	1,300
% Change	102.0%	83.7%	-20.9%	7.2%	-16.9%	8.0%	-18.1%	-18.9%	-16.1%	8.7%	19.2%
Net Apt. Completions	505	969	1,335	740	860	797	1,232	1,156	885	842	969
Apt. Inventory	97,277	98,245	99,580	100,320	101,180	101,977	103,209	104,365	105,250	106,092	107,061
% Growth	0.5%	1.0%	1.4%	0.7%	0.9%	0.8%	1.2%	1.1%	0.8%	0.8%	0.9%
Apt. Rent Index	100	102	110	116	121	127	129	130	132	134	138
% Change	4.0%	1.9%	8.4%	4.6%	4.8%	4.7%	1.7%	0.8%	1.3%	2.2%	2.9%

PPR/Dodge Pipeline Summary



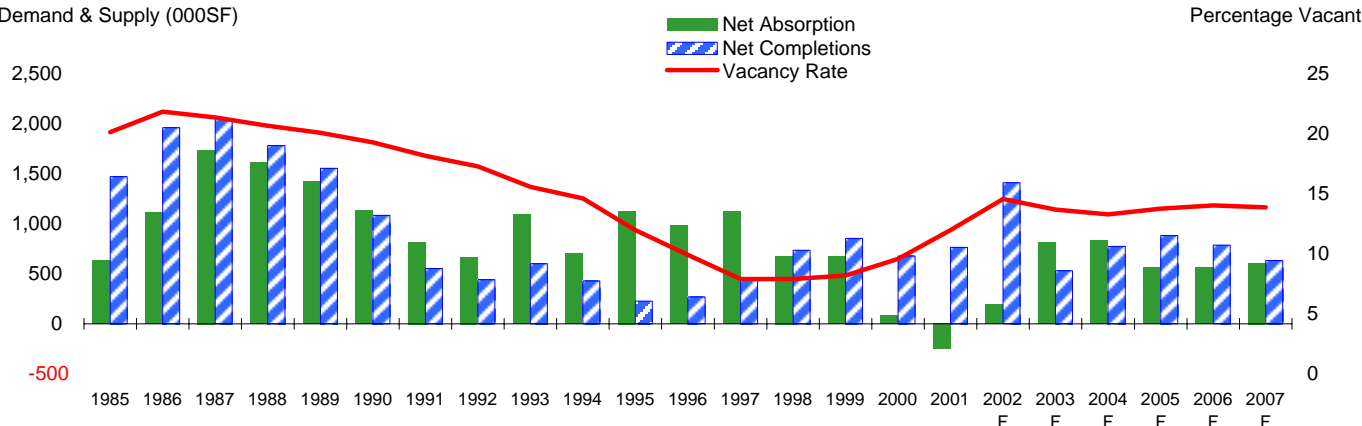
Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

NORFOLK

Office

Supply, Demand, and Vacancy

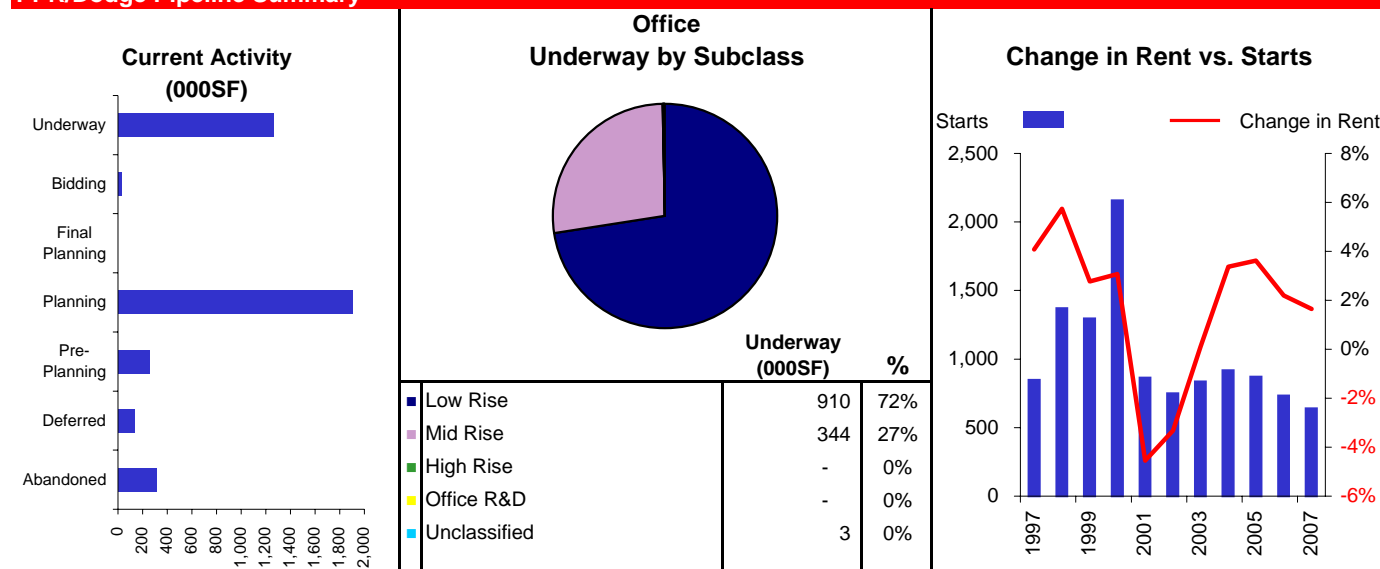
Demand & Supply (000SF)



Office Market Statistics (000SF)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Vacancy	7.9%	7.9%	8.2%	9.6%	12.0%	14.6%	13.7%	13.3%	13.8%	14.0%	13.9%
Net Absorption	1,127	679	676	86	-251	194	816	833	568	566	609
% Growth	3.5%	2.0%	2.0%	0.2%	-0.7%	0.6%	2.3%	2.3%	1.6%	1.5%	1.6%
Starts	847	1,369	1,296	2,157	864	750	837	916	870	734	639
% Change	111.0%	61.6%	-5.4%	66.5%	-59.9%	-13.2%	11.6%	9.5%	-5.0%	-15.7%	-13.0%
Net Completions	446	738	857	681	765	1,413	532	775	886	787	636
Inventory	36,219	36,956	37,813	38,494	39,259	40,672	41,204	41,979	42,865	43,652	44,287
% Growth	1.2%	2.0%	2.3%	1.8%	2.0%	3.6%	1.3%	1.9%	2.1%	1.8%	1.5%
Rent Index	100	106	109	112	107	103	103	107	111	113	115
% Change	4.1%	5.7%	2.8%	3.1%	-4.6%	-3.3%	0.1%	3.4%	3.6%	2.2%	1.7%

PPR/Dodge Pipeline Summary

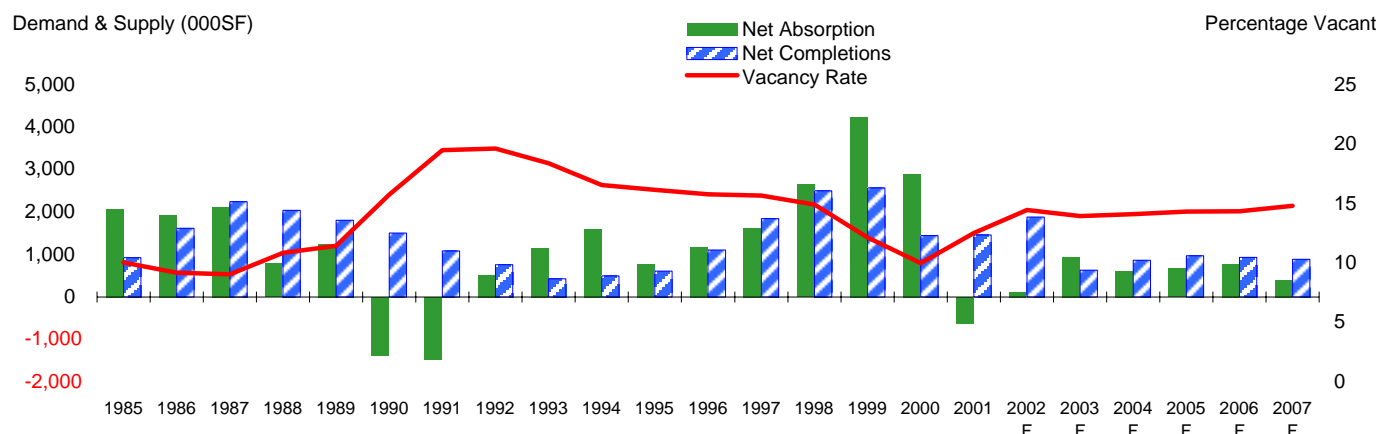


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

NORFOLK

Retail

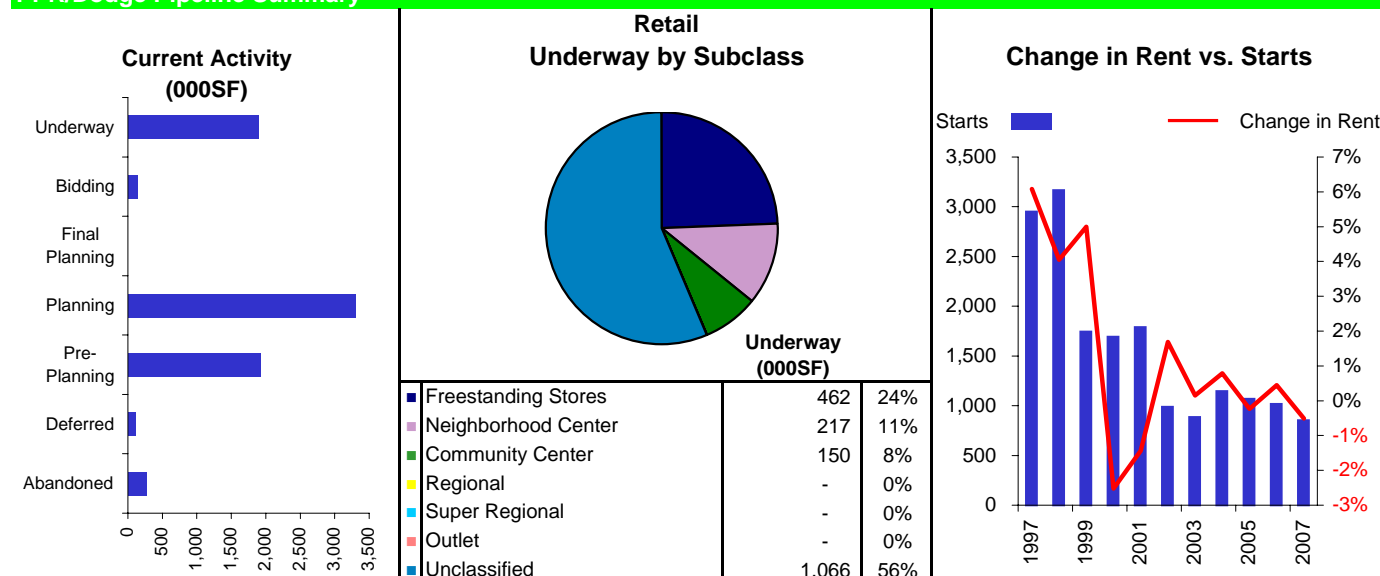
Supply, Demand, and Vacancy



Retail Market Statistics (000SF)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Vacancy	15.7%	14.9%	12.1%	10.0%	12.5%	14.5%	14.0%	14.1%	14.3%	14.3%	14.8%
Net Absorption	1,622	2,651	4,233	2,893	-632	109	942	613	666	776	393
% Growth	2.9%	4.6%	7.0%	4.5%	-0.9%	0.2%	1.4%	0.9%	1.0%	1.1%	0.6%
Starts	2,950	3,167	1,743	1,691	1,789	989	886	1,146	1,068	1,016	853
% Change	120.9%	7.3%	-45.0%	-3.0%	5.8%	-44.7%	-10.4%	29.4%	-6.8%	-4.8%	-16.0%
Net Completions	1,844	2,498	2,569	1,440	1,455	1,879	630	862	972	934	887
Inventory	68,866	71,363	73,932	75,372	76,827	78,707	79,337	80,198	81,170	82,104	82,990
% Growth	2.8%	3.6%	3.6%	1.9%	1.9%	2.4%	0.8%	1.1%	1.2%	1.2%	1.1%
Rent Index	100	104	109	106	105	107	107	108	107	108	107
% Change	6.1%	4.0%	5.0%	-2.5%	-1.4%	1.7%	0.2%	0.8%	-0.2%	0.4%	-0.5%

PPR/Dodge Pipeline Summary



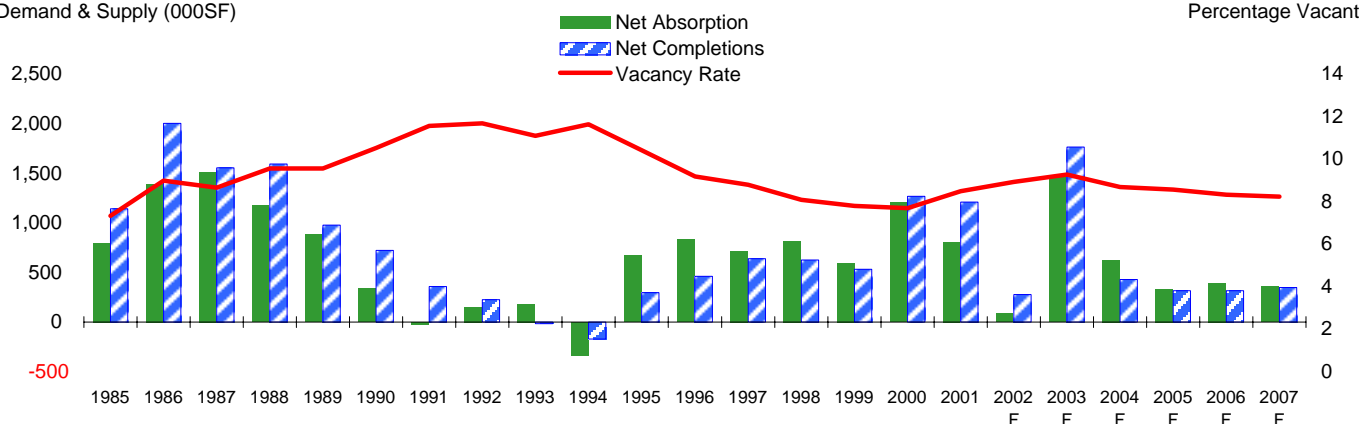
Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

NORFOLK

Warehouse

Supply, Demand, and Vacancy

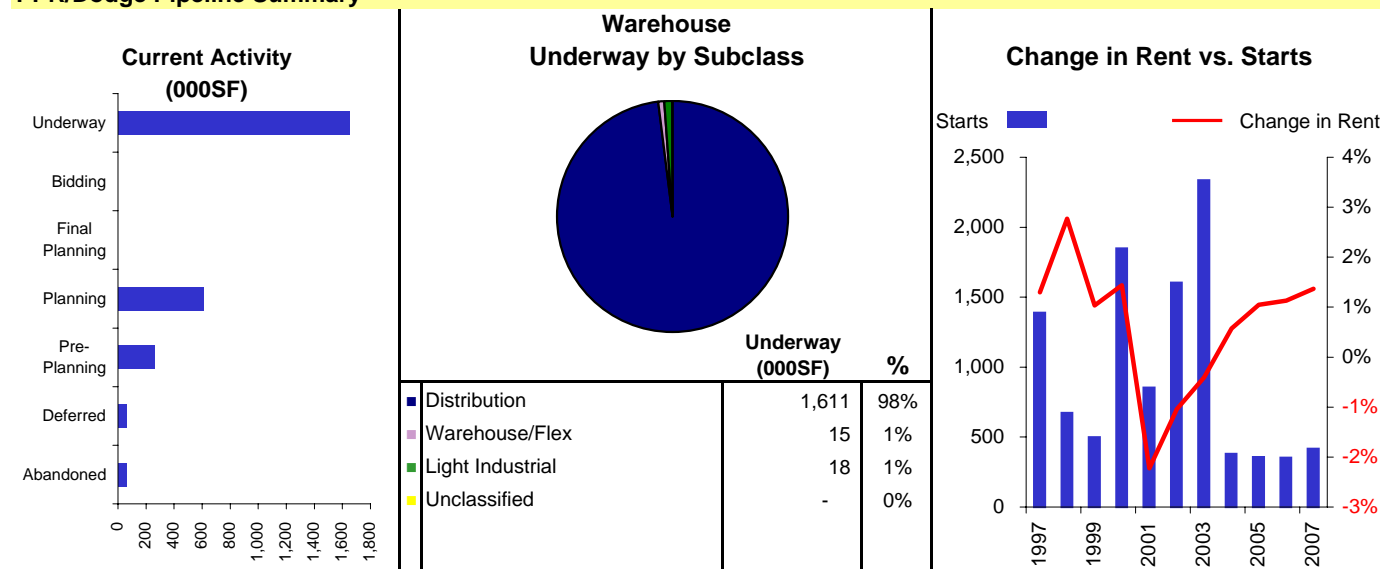
Demand & Supply (000SF)



Warehouse Market Statistics (000SF)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Vacancy	8.8%	8.1%	7.8%	7.7%	8.5%	8.9%	9.3%	8.7%	8.6%	8.3%	8.2%
Net Absorption	720	819	596	1,208	811	86	1,470	631	334	391	360
% Growth	2.3%	2.6%	1.8%	3.7%	2.4%	0.2%	4.2%	1.7%	0.9%	1.0%	1.0%
Starts	1,388	673	499	1,847	854	1,604	2,335	379	357	352	416
% Change	131.7%	-51.5%	-25.9%	269.9%	-53.8%	87.8%	45.6%	-83.8%	-5.8%	-1.2%	18.0%
Net Completions	641	627	532	1,270	1,210	277	1,768	429	316	318	350
Inventory	34,606	35,233	35,765	37,035	38,245	38,522	40,291	40,720	41,036	41,354	41,704
% Growth	1.9%	1.8%	1.5%	3.6%	3.3%	0.7%	4.6%	1.1%	0.8%	0.8%	0.8%
Rent Index	100	103	104	105	103	102	102	102	103	104	106
% Change	1.3%	2.8%	1.0%	1.4%	-2.2%	-1.0%	-0.4%	0.6%	1.0%	1.1%	1.4%

PPR/Dodge Pipeline Summary



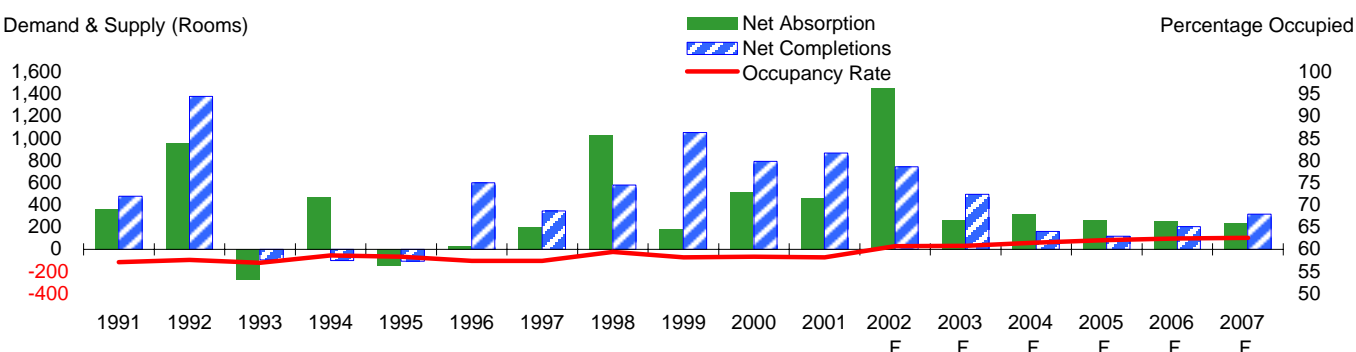
Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

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Hotel

Supply, Demand, and Occupancy

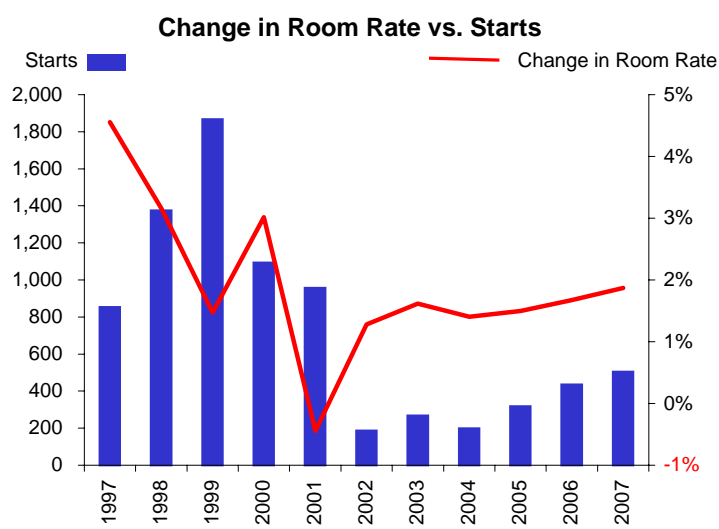
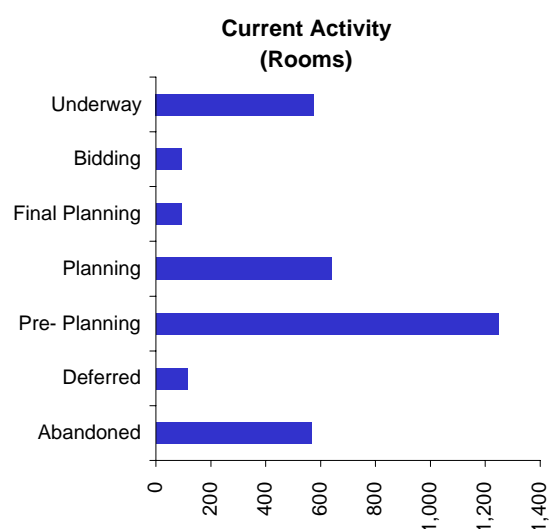
Demand & Supply (Rooms)



Hotel Market Statistics (Rooms)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Occupancy	57.3%	59.4%	58.1%	58.3%	58.1%	60.7%	60.8%	61.5%	62.1%	62.4%	62.6%
Net Absorption	196	1,032	185	517	460	1,454	263	315	262	255	232
% Growth	1.0%	5.3%	0.9%	2.5%	2.2%	6.7%	1.1%	1.4%	1.1%	1.1%	1.0%
Starts	853	1,375	1,867	1,094	956	187	268	199	317	435	504
% Change	77.3%	61.2%	35.8%	-41.4%	-12.6%	-80.4%	43.3%	-25.7%	59.3%	37.2%	15.9%
Net Completions	346	579	1,054	795	870	745	497	162	116	205	317
Inventory	33,778	34,357	35,411	36,206	37,096	37,924	38,301	38,368	38,438	38,637	38,913
% Growth	1.0%	1.7%	3.1%	2.2%	2.4%	2.0%	1.3%	0.4%	0.3%	0.5%	0.8%
Room Rate Index	100	103	105	108	107	109	110	112	114	116	118
% Change	4.6%	3.2%	1.5%	3.0%	-0.4%	1.3%	1.6%	1.4%	1.5%	1.7%	1.9%
RevPar Index	100	109	109	110	113	116	118	122	125	128	131
% Change	6.0%	8.6%	0.0%	1.1%	3.2%	2.3%	2.1%	3.0%	2.5%	2.3%	2.3%

PPR/Dodge Pipeline Summary

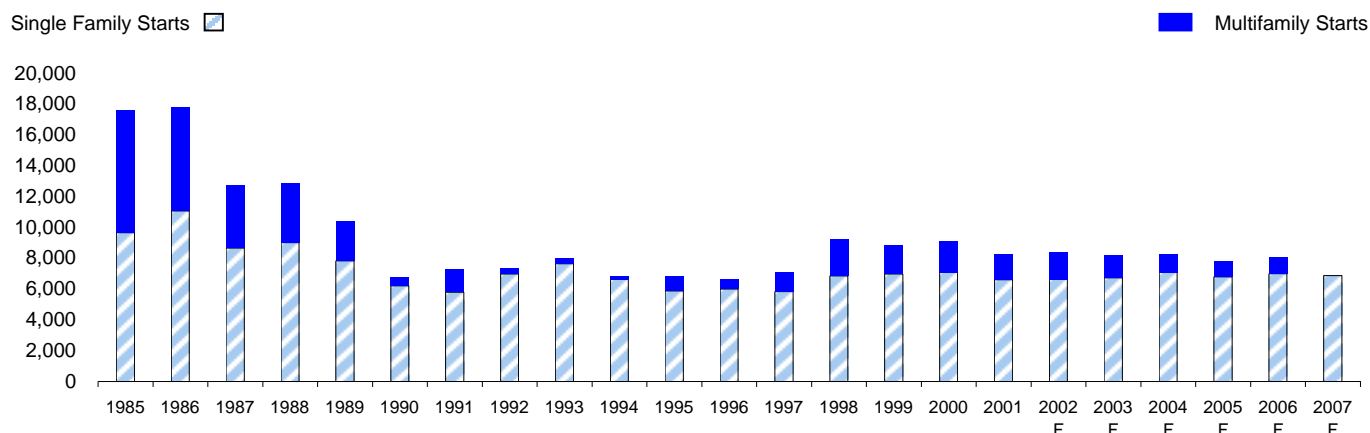


Sources: PPR; McGraw-Hill Construction - Dodge; Smith Travel Research

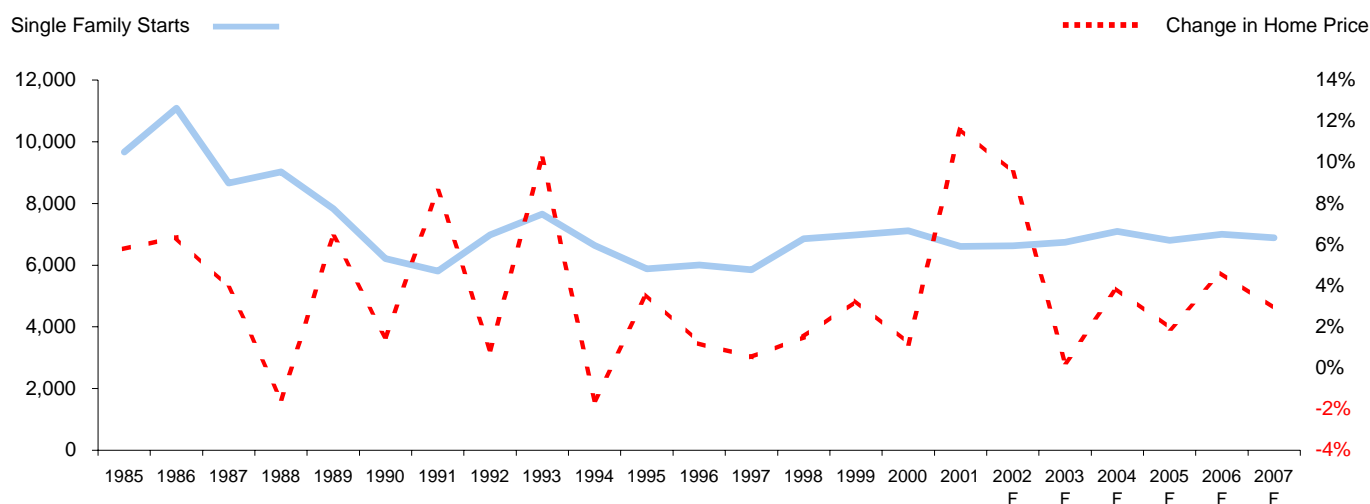
NORFOLK

Single Family

Housing Starts



Single Family Market



Sources: PPR; Economy.com

Single Family Market Statistics

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Starts	5,850	6,853	6,984	7,112	6,608	6,623	6,740	7,093	6,800	7,000	6,883
% Change	-2.6%	17.1%	1.9%	1.8%	-7.1%	0.2%	1.8%	5.2%	-4.1%	3.0%	-1.7%
Completions	5,820	6,442	7,107	6,495	7,370	6,482	6,657	7,034	6,859	6,935	6,962

Apartment Market Statistics

Multifamily Starts	1,289	2,368	1,872	2,006	1,666	1,799	1,474	1,196	1,004	1,091	1,300
% Change	102.0%	83.7%	-20.9%	7.2%	-16.9%	8.0%	-18.1%	-18.9%	-16.1%	8.7%	19.2%
Apartment Completions	505	969	1,335	740	860	797	1,232	1,156	885	842	969

NORFOLK

Apartment Projects

Projects

Title	Address	Units	Stage	Target Start	Target Completion
New Town	b/w Monticello Avenue and Va. 199, w. of Williamsburg York/Williamsburg	1,400	Planned		
Virginia Beach Town Center (Ph 2)	Virginia Beach Virginia Beach	334	Planned		3/04
Harbor Breeze	Breezeport Way, Chesapeake Chesapeake	328	Underway	5/02	1/04
The Myrtles at Olde Towne	Outside Naval Medical Center Portsmouth	250	Planned		
Alta Bay	NE quadrant of Battlefield Blvd and Oak Grove Chesapeake	240	Underway	11/01	2/03
Ashton Green	Newport News	228	Completed		11/01
Clairmont Home Apartments	US Route 17 and Fort Eustis Blvd York/Williamsburg	213	Planned	8/02	2/04
Spotswood Commons (formerly Crown Landing)	NE quadrant of Old Town and Longhill Roads, James City York/Williamsburg	212	Underway	11/01	3/03
South Beach Apts	Eden Rock Village Virginia Beach	212	Completed		8/02
Magnolia Run Apartments - Phase II	Lynnhaven Parkway and Monument Drive Virginia Beach	200	Underway		12/02

NORFOLK

Office Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Convergence Center Office Park Tenants: Trigon Blue Cross Blue Shield	Bendix Rd & Bonney Rd, Virginia Beach Non-Core Southside	300	Underway	2/02	8/03
Town Center Tenants: Troutman Sanders LLP; Armada/Hoffler Holding	Pembroke Non-Core Southside	300	Completed		9/02
New Town Tenants: Incogen, SunTrust Bank, Kaufman & Canoles, Witt, Mares & Co.	Ironbound Road and Monticello Road, w. of Williamsburg	250	Underway	7/02	
150 W. Main Tower Tenants: Cavanaugh Nelson & Co, The Moore Group, Marsh USA, Southern Concrete Products, Kaufman & Canoles (68 ksf)	150 W Main St, CBD Central Core	234	Completed	12/00	5/02
Office Building	1616 Hardy Cash Dr, Hampton Mercury Central	194	Planned		
Portcentre Commerce Park	Seventh Street, Portsmouth Portsmouth	159	Planned		
Ferguson Headquarters Office Building Tenants: Ferguson	12490 Jefferson Ave, Newport News Peninsula	150	Underway	4/02	4/03
Office Building	2 Franklin St, Hampton Peninsula	120	Completed	5/01	9/02
Oyster Point Town Center- Phase I - Fountain Plaza I Tenants: Witt Mares and Co.; Jones, Blechman, Woltz & Kelly; Malcolm Pirnie and Assoc.; Goodman & Co.; Centura Bank	Newport News Peninsula	120	Completed	6/01	8/02
Towers Perrin BTS	1434 Crossways Blvd., Chesapeake Chesapeake	115	Completed		6/01

NORFOLK

Retail Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Town Center Tenants: PF Changs	Virginia Beach Virginia Beach	750	Underway		10/02
Colonial Heritage @ Williamsburg	Centerville Road, Williamsburg Williamsburg/James City	519	Planned		
New Town	b/w Monticello Avenue and Va. 199, w. of Williamsburg Williamsburg/James City	500	Planned		
Power Plant at Hampton Roads Tenants: Super Kmart, Lowe's, Jake's Garage and Five (25,000 SF), Cici's Italian Restaurant, Subway, VoiceStream	SW Mercury Blvd and, Hampton Franklin	390	Underway		5/03
Red Mill Commons Shopping Center Phase I Tenants: Super Wal-Mart	General Booth Blvd, Virginia Beach Virginia Beach	350	Completed	5/01	8/02
Wal-Mart Supercenter Store #1759	US 17 & Golf Club Rd, Gloucester York County	221	Completed	8/01	4/02
Wal-Mart Supercenter Store #1682	2448 Ring Rd, Chesapeake Southside	220	Completed	10/01	6/02
Retail Project Tenants: Costco; and furniture store	Battlefield Blvd, Chesapeake Chesapeake	220	Proposed		
Wal-Mart Supercenter Store 3265	Rt 17, Tabb York County	204	Completed	8/01	8/02
Lynnhaven Mall Dillard's Store (Renov of Old Hecht's Store) Tenants: Dillard's, Starbucks Coffee, Brookstone, Charlotte Russe	Virginia Beach Virginia Beach	180	Completed	8/01	8/02

NORFOLK

Warehouse Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Target Warehouse Tenants: Target	300 Manning Bridge Rd, Suffolk Southside	1,500	Underway	4/02	8/03
Williamsburg (VA) Wal-Mart Distribution Center	9259 Pocohontas Trail, Newport News Peninsula	800	Completed	5/00	1/01
Cost Plus Distribution Facility w/Offices	US Rte 460, Isle Of Wight Peninsula	500	Completed	4/01	11/01
Business and Technology Park	Kempsville and Butts Station Roads, Chesapeake Southside	340	Proposed		
SYSCO Foodservices Operations & Distribution Center	7000 Harbor View Blvd, Suffolk Southside	285	Completed	6/00	3/01
HUDD Distribution Facility	Chesapeake Southside	225	Completed		6/01
Distribution Center	Near Rt 58, Suffolk Southside	201	Planned		
Sara Lee expansion	Other	152	Planned		12/02
Independence Technology Center 1	700 Independence Parkway, Norfolk Southside	100	Completed	1/01	6/01
Coastal Training Technologies Movie Studio	Lakeside at Mt Trashmore, Virginia Beach Southside	67	Completed	9/00	3/02

NORFOLK

Hotel Projects

Projects

Title	Address	Rooms	Stage	Target Start	Target Completion
Hotel & Parking Garage & Retail Complex	Atlantic Ave between 33rd &, Virginia Beach	824	Planned		
Capitol Land Road Hotel	805 Capitol Landing Rd, Williamsburg	440	Planned		
Crossroads Project Mixed-Use Development	Adjacent to the intersection, Hampton	300	Planned		
31st St Hotel - Community Park	31st St & Oceanfront, Virginia Beach	300	Planned		
Crossroads Embassy Suites Hotel	I-64 & I-664, Hampton	300	Planned		
Woodlands Hotel	102 Visitor Center Dr., Williamsburg	300	Completed	9/00	7/01
Hotel Project	Battlefield Blvd, Chesapeake Chesapeake	200	Proposed		
Marriott Courtyard Resort Hotel	3737 Atlantic Ave, Virginia Beach	160	Completed	10/01	7/02
Hilton Garden Inn Hotel	Constant's Wharf Site, Suffolk	150	Planned		
Courtyard Marriott Norfolk	520 Plume Street, Norfolk	140	Completed	9/00	5/02