

Williams & Dame Development

Williams & Dame is a Portland based developer with a distinguished history of building innovative, smart growth, environmentally friendly, high-density neighborhood developments. Williams and Dame collaborates with public and private partners to create neighborhoods that blend quality housing, vibrant street life and new business opportunities.

- Recent projects focus on urban mixed-use, mid-rise and high-rise residential
- Developers of over 3,000 completed and 3,000 planned units in Portland, Oregon's South Waterfront and Pearl Districts
- Created Williams, Dame & Atkins LP in 2006 to oversee all Southern California projects



South Waterfront - Portland

The South Group

A partnership between Williams & Dame Development and Gerding/Edlen Development, another Portland based developer, to develop **THE SOUTH COLLECTION**.

Focus on new projects near work and transit centers, and including purposeful retail space to create an inclusive, vibrant and pedestrian-friendly neighborhood

1370 total units planned in 5 mid-rise and high-rise buildings

The South Collection Projects:

Elleven *completed 176 units*
Luma *completed 236 units*
Evo *construction 311 units*
South Fig *planning 648 units*



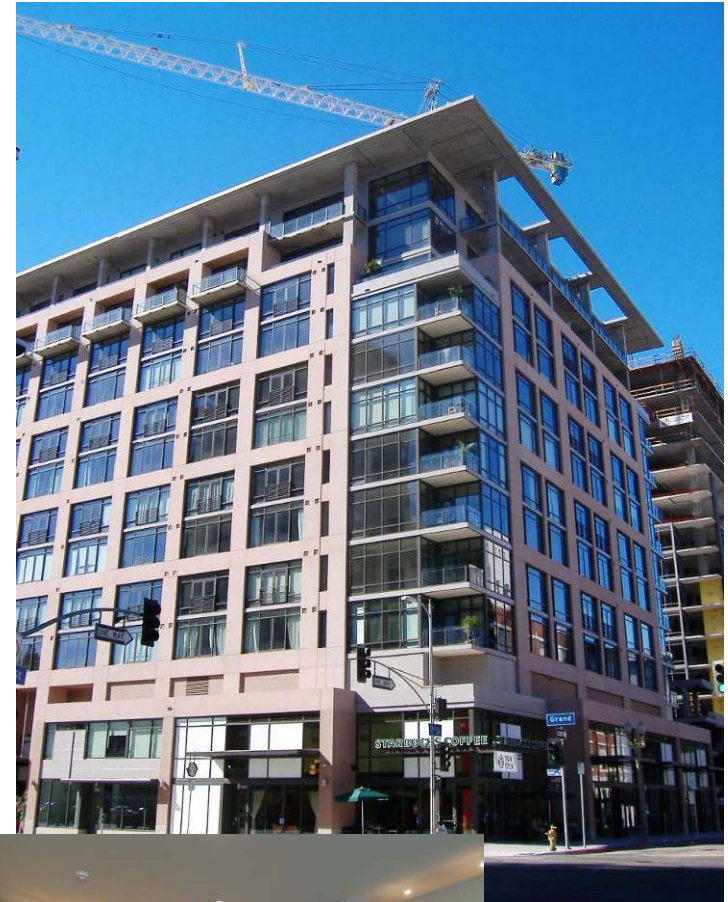
South Park



THE SOUTH GROUP

Elleven

- The first ground-up residential project in downtown in 20 years
- 176 “softloft” units – all sold, move-ins began April 2006 / finished Dec 2006
- Includes four 2-story Live + Work units
- 13-story building, four levels of secure parking above and below ground
- 400,000 square feet of new development
- 4 Retail Spaces – including Starbucks, Salon Elleven, & two spaces for lease
- Landscaped Terrace with Pool, Dining Space, Fountains, Outdoor Fireplace
- 1st LEED Gold Condo Project in California



Lobby



Luma (newly completed)

- Phased TCO beginning June 07-thru November '07. Final C of O March '08
- 236 “softloft” residential units
- 208 closed/ 20 in escrow / 8 unsold
- Unsold units Price/SF = \$648/SF
- Includes five 2-story Live + Work units
- 19-story building, four levels of secure parking above and below ground
- 475,000 square feet of new development
- 7,500 square feet of ground floor restaurant space
- Shared Terrace/Pool with Elleven building
- LEED Silver

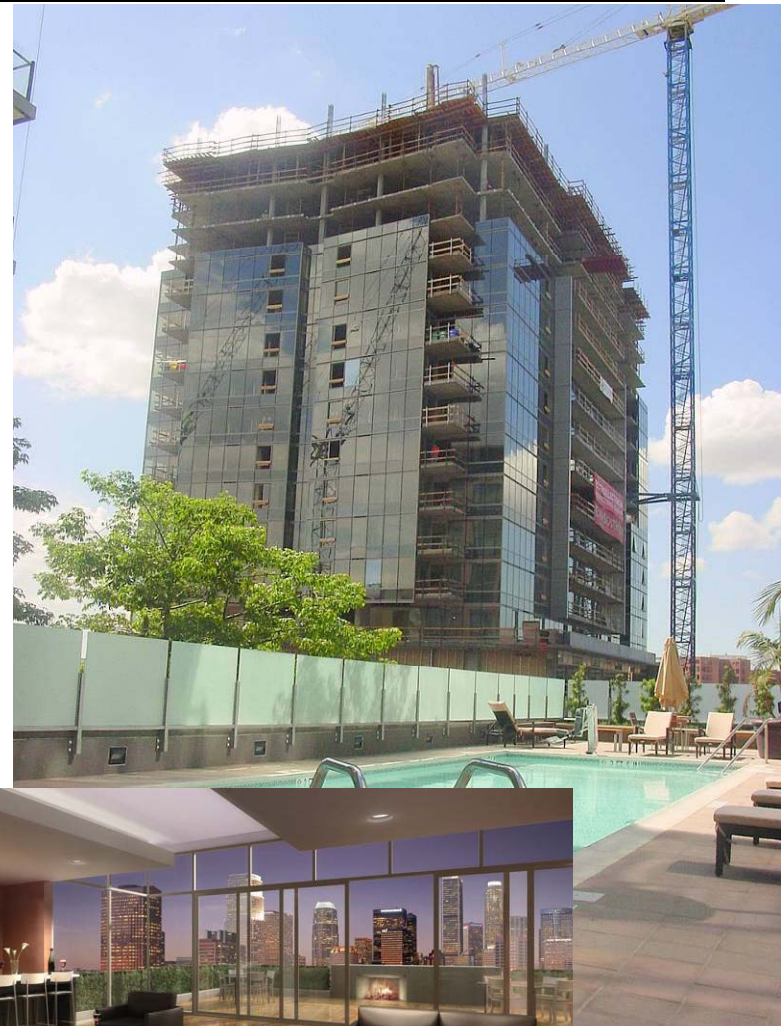


*As of 11/2007



EVO (under construction)

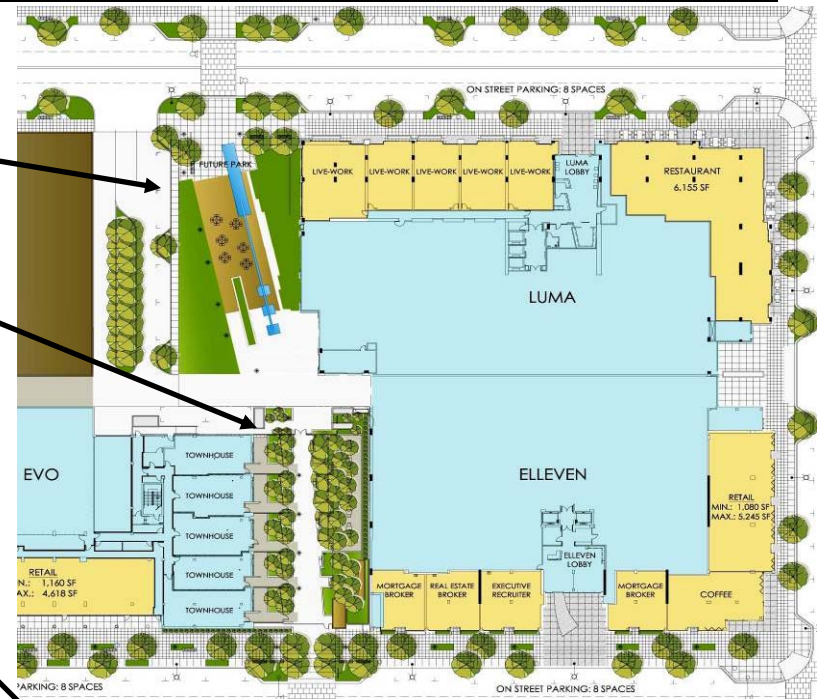
- Phased Opening beginning July 2008
- 23 stories, 5 levels of parking
- 311 units total; 85 units under contract with a Price range of \$529k – \$3.6mil
- Average Price \$706/SF, average unit size 1300 SF
- Rooftop Lounge/Terrace, 6th Floor Pool/Spa & amenity deck
- Restaurant space, 4 retail spaces
- Top-Down Construction, 720,000 square feet of new development
- LEED Silver



Rooftop Lounge

Streetscape and Park Space

- Proposed Park adjacent to Luma pending city approval
- Green space between Evo and Elleven to open late Fall '08
- Custom Streetscape design with wider sidewalks, double row of trees, stormwater infiltration planters, benches, space for outdoor cafes



New Streetscape – Grand Ave. and Hope St.

South Fig (planning phase)

- Adjacent to Staples Center & LA Live
- 648 Units in two towers with shared terrace/retail
- Phase 1 – Fig East Tower
318 units, average unit size 1050SF
- Phase 2
Range of Condo Hotel Options
- Phase 3
Structured Parking or combine with balance of block
- Signage Opportunities



Circa (pre-construction)

A project being developed by a partnership between WDA and Mount Auburn Partners

- Koreatown (Wilshire/Virgil)
- 190 units / 18 stories
- 420,000SF of new development
- Wilshire frontage retail
- Construction time - 22 months to get 1st TCO
- Construction Documents are permit ready; construction could begin within 8-10 weeks pending capitalization



Long Beach (planning phase)

Another project being developed by a partnership between WDA and Mount Auburn Partners

- Two Downtown redevelopment sites:
 - Broadway & Long Beach Blvd.
 - 3rd & Pine Streets
- Planning stage
- Emphasis on neighborhood and transit-oriented development
- Going for LEED certification



CORNER OF PACIFIC AVENUE AND 3RD STREET

Product Comparison

Project	Year Started	Num. Units	Avg SF	Avg Construction Hard Costs/Unit**	Avg Sales Price/SF	Parking Ratio
Elleven	2004	176	1100SF	\$308k	\$475	1.5
Luma	2005	236	1213SF	\$352k	\$600	1.5
Evo	2006	311	1302SF	\$440k	\$675	1.4
South Fig Phase 1	tbd	310	1086SF	\$475k*	\$850	1.5
Circa	tbd	190	1205SF	\$474k*	\$700	1.7

*Projected Construction Costs

**Does not include Land, Financing, Design, Entitlement, etc.

Buyer Profile

Downtown Buyer Demographic

- The primary market segment is young professional singles and couples who either work in the downtown area or have some other connection to downtown
- Majority are in their 20s to 40s and are one and two-person households, a few are empty nesters
- Primary Reasons for Purchase:
 - Convenience to employment
 - Lifestyle (cultural venues and urban experience)
 - Investment Decision
- 10% use downtown residence as a Second Home
- Commute times reduced by 30 min
- Significant number of Asian buyers (mainly Korean)

Buyer Profile - The South Group Projects

Elleven/Luma/Evo Buyers

- Professions in order of popularity: Financial, Healthcare, Real Estate, Small Business owners, Wholesale business, Hi-Tech
- Income: 82% have combined income of \$125k+, 50% are single/unmarried, 30% are 1st time homebuyers
- 45% Asian, 28% Caucasian, 10% Hispanic, 7% African American, 10% other

Interesting Homeowner Facts

- They would like specialty grocers such as Whole Foods and Trader Joes; would like unique local influenced shops instead of common retailers
- About 20% of residents own dogs – thus dog runs & dog services are in demand
- About 6% are purchased for college age students with help from their parents
- The South Group requested Buyers sign a 'One-year No Flip, No Lease' Clause, - however 25-30% of homeowners in Luma lease their units to tenants (fewer in Elleven)
- Median Age is 35

Recent Trends

- Parents purchasing for homes for children attending USC/FIDM
- 65% broker represented sales
- High percentage of Korean buyers

Market Factors

Median Home Price

within 20 miles of Downtown is approx. \$600k

Average Commute Time

for Downtown Workforce - 50 minutes, for Downtown Residents - 15 minutes

Downtown LA workforce profile

Median household income: \$90k

Top Job Sectors (in order): Government (50%), Professional/Managerial, Technical, Finance, Manufacturing/Wholesale, Healthcare, Administrative

Workforce population: 400,000

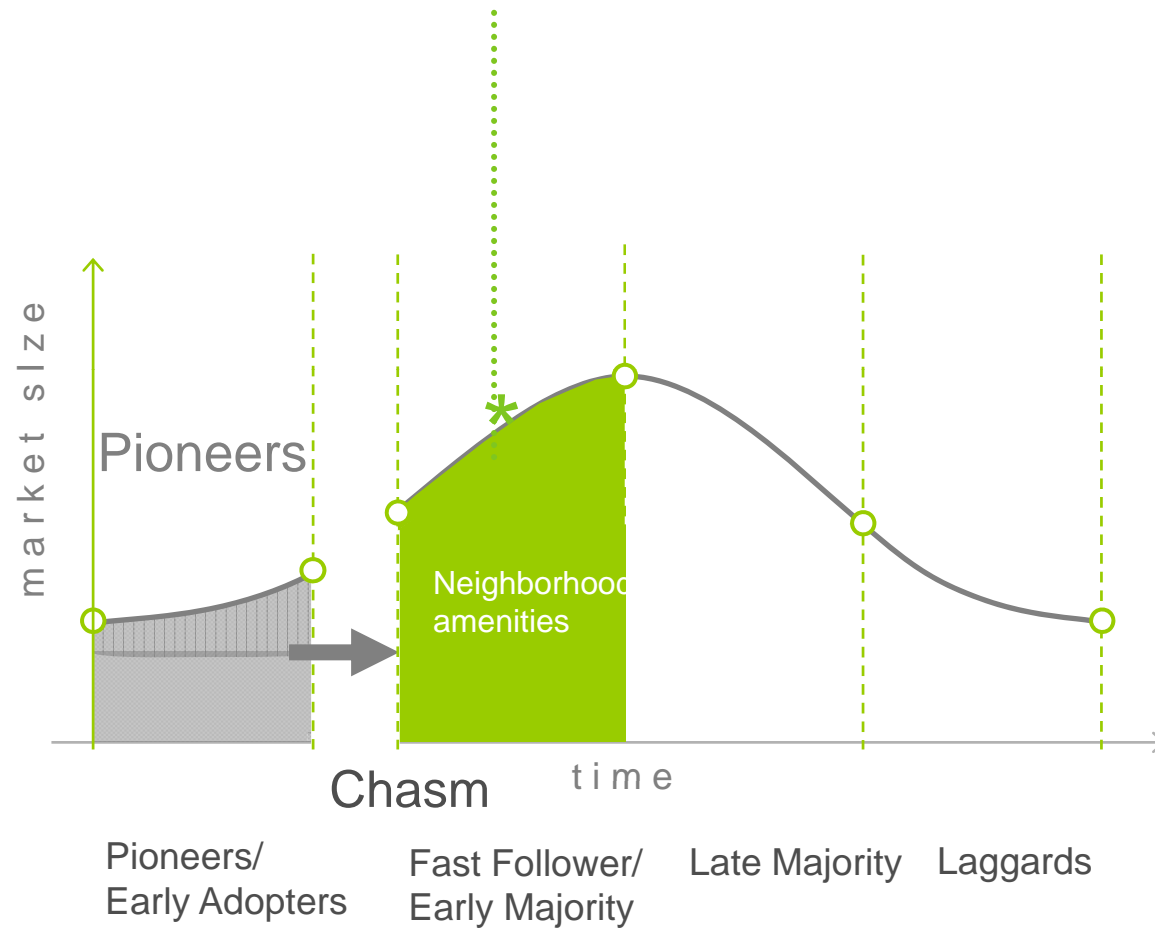
Student/Faculty Population

Nine colleges and universities located in/around Downtown

Overall Population

1% annual population increase in City of LA, approx. 40,000

Critical Mass



Critical Mass

A certain critical mass is needed to create the maximum demand for housing

- Luma opened Spring 2007 - 236 units
- Ralphs opened Summer 2007 (ground level of Market Lofts)
- Evo opening Summer 2008 - 311 units
- LA Live opening 2007-2009 (4 million SF mixed-use)
- Grand Avenue Project (1.8 billion mixed use w/ 16 acre park) 2007-2014
- Each of the 11 central downtown districts have new projects or adaptive re-use underway
- Nearly 10,000 units planned or under construction over the next 3-4 years
- The growing Downtown resident base should serve to attract others as they follow the “pioneers”

Jobs-Housing Balance

'Jobs-Housing Balance' refers to the housing supply compared to number of jobs in given area.

Major Downtowns (Housing units / Jobs)

Downtown Los Angeles – 5.6% (lowest of any major downtown area)

Downtown Denver – 12% (under re-development to add add'l housing)

Downtown Seattle – 15%

Downtown Portland – 24% (moving towards balance)

Downtown San Diego – 30% (where it has passed a saturation point)

Downtown San Francisco – 30%+ (supportable, a higher density city)

A sufficient Jobs-Housing **balance** results when adequate supply of housing is located within a reasonable work commute distance.

A higher percentage generally leads to less urban sprawl.

Market Snapshot

- 84 new construction sales per month downtown in 3Q '07 – Same as in 2Q '07
- 469 units of 'ready to occupy housing' in downtown
- Apartment Occupancy = 97%, up from 93% in 1Q '07
- Rents increased from \$2.48/SF to \$2.75/SF
- Class A office vacancy nearing 10%
- Few Apartment Concessions
- Only 2 Foreclosures downtown

Incentives Today May Include:

- TSG offers 3% broker coop (other projects have offered up to 8%)
- average of 8% price cut
- up to 1 year HOA fees
- Up to \$5000 in NRCC (non-recurring closing costs)

South vs. Downtown Market for 11/07-1/08

- Average downtown LA project had 64 traffic, South projects averaged 123
- Average downtown LA projects averaged 2.2 sales/month, South projects averaged 5.5 sales/month
- Average downtown Sales price = approx. \$550 psf, South projects average \$641 psf

Challenges

The challenges that developers face include:

- **Construction Pricing:** Costs have increased dramatically
- **Construction Trades:** Quality and availability somewhat scarce
- **Entitlement Process:** Process is more complex, longer lead time
- **Affordable Housing:** Costly component to factor in
- **Long-term Litigation Risk:** costly to mitigate, possible future settlements
- **Insurance:** OCIP availability and higher premiums
- **Land Values:** Significantly increased
- **Capital Availability:** Financing difficult to find
- **Buyer Financing:** Lenders have stricter requirements
- **ADA Rules:** which are driving bigger units
- **TCO (Temporary Certificate of Occupancy):** Rules are being developed as we go. Both Elleven and Luma achieved TCO in 8-10 weeks

Lessons Learned

- Design from Inside-Out, Incorporate LEED from Day 1
- Joint venture to mitigate risk and make capitalization easier
- Wood might be good
- Public-Private partnerships with focus on neighborhood development
- Smaller Units - focus on absolute price and monthly payments/flexibility
- After the sale - focus on Customer Service
- Customization / Home Automation – necessary evil
- Differentiate product offering
- Be prepared to sell a home two or three times
- Good design = aesthetics, cost, ease of installation, 90% rule, longevity
- Begin Risk Mitigation on day one with full cradle to grave program
- Begin TCO/PCO planning 1 year out
- Focus on Streetscape and first 30'

Future Outlook

- 2008/2009 are going to be a challenge
- Need to find a way to reduce the median unit size
- Lack of a sense of urgency in the marketplace – be prepared to work for every sale
- Heavy emphasis on neighborhood building, i.e. streetscape and ground floor
- Customer Service is becoming even more important – buyers are paying top dollar and expect top dollar service
- 2009/2010 – Strong market based on other factors discussed and pent up demand