SPORTS ANCHORED MIXED-USE DISTRICTS GO FOR THE GOLD

RCLCO Monthly Round-Up

Adam Ducker, Chief Executive Officer
Erin Talkington, Managing Director
Joshua A. Boren, Managing Director, Strategic Initiatives

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TODAY'S PANELISTS

Adam Ducker
Chief Executive Officer
P: (240) 644-0980
E: aducker@rclco.com

Erin Talkington
Managing Director, Dir. of Consulting
P: (240) 396-2353
E: etalkington@rclco.com

Joshua A. Boren
Managing Director, Strategic Initiatives
P: (310) 984-1757
E: jboren@rclco.com

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DISCUSSION TOPICS FOR TODAY

Sports and Entertainment Districts Reconsidered

- What are they and what are the component parts?
- Are they really different than dense neighborhoods? Does the venue drive the neighborhood or does the neighborhood support the venue?
- Does 1+1 really equal 3?
- Is the juice worth the squeeze?

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THE OLD MODEL

Stadium as Cathedral

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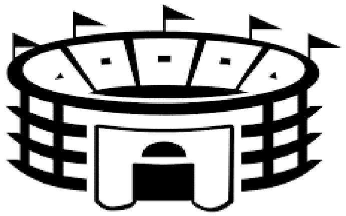
THE CHANGING ECONOMIC MODEL

Old Model

Game day economics create no leverage



- Taxes on Ticket Sales
- Parking Revenues
- Shop/Dining Taxes

New Model

Broader and better platform for growth

- Private Investment
- Philanthropic Activity
- Sponsorships
- Profits on Real Estate Development
- Neighborhood Retail Sales Taxes
- Local Property Tax Increment

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SPORTS ANCHORED PROJECTS TRANSFORMING MARKETS

Golden 1 Center (Sacramento)

- Since groundbreaking in 2014
  - 50+ Development projects underway; $4B+ investment
  - 13% increase in downtown population – new deliveries of 1,000+ units per year
  - 47% increase in foot traffic downtown
  - Downtown restaurant sales up 40%+; 42 new retail businesses
  - Downtown employment up 30%+ since announcement

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SPORTS ANCHORED PROJECTS TRANSFORMING MARKETS

What Are the Common Elements?

- ► Underutilized land
- ► Public infrastructure Investment
- ► Master developer
- ► District branding and (usually) BID
- ► Complementary public spaces critical
- ► Housing mostly leads
- ► Hospitality comes quickly
- ► Office/daytime employment is the lighter fuel
- ► Retail happens slowly

Ice District - Winnipeg

Water District - Tampa

Deer District Milwaukee

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NEW DIRECTIONS/NEW FRONTIERS

CBD-like RE Performance

- Hotel Zachary - Chicago

CBD-like RE Performance

- Little Caesars Arena -- Detroit

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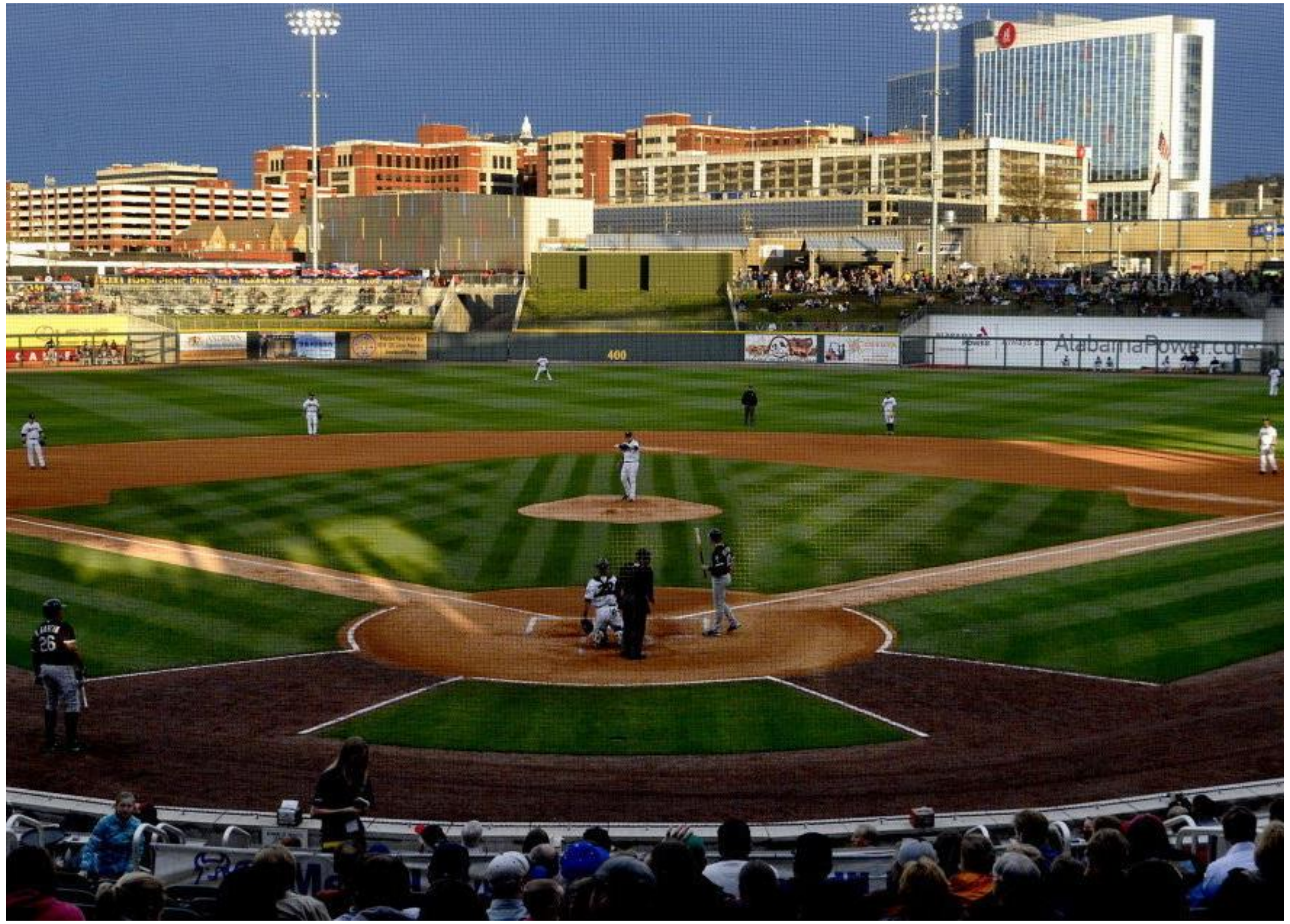
NEW DIRECTIONS/NEW FRONTIERS

Small Market Next Generation Arenas

- PPL Center Allentown (PA)

Minor League Ballparks

- Regions Field Birmingham (AL)



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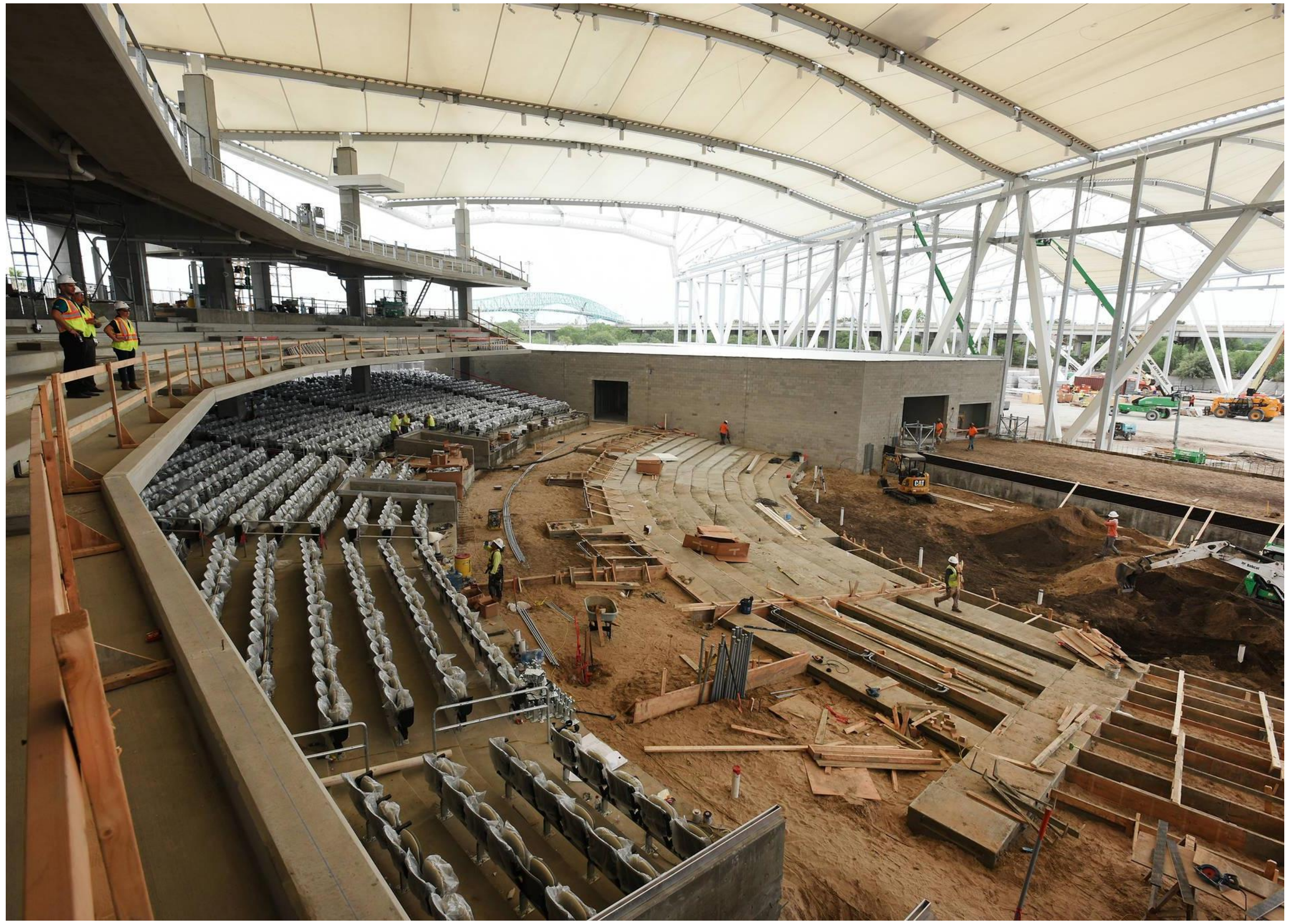
NEW DIRECTIONS/NEW FRONTIERS

Racing

- Village at Gulfstream Park – Southeast Florida

Performance

- Daily's Place Amphitheater At TIAA Bank Field -- Jacksonville



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CHANGING CHARACTER OF VENUE

E-sports

- ► Coming to a Neighborhood Near You?

(Lower League) Soccer Ascendant

- ► Tidewater Stadium -- Pawtuckett/Providence

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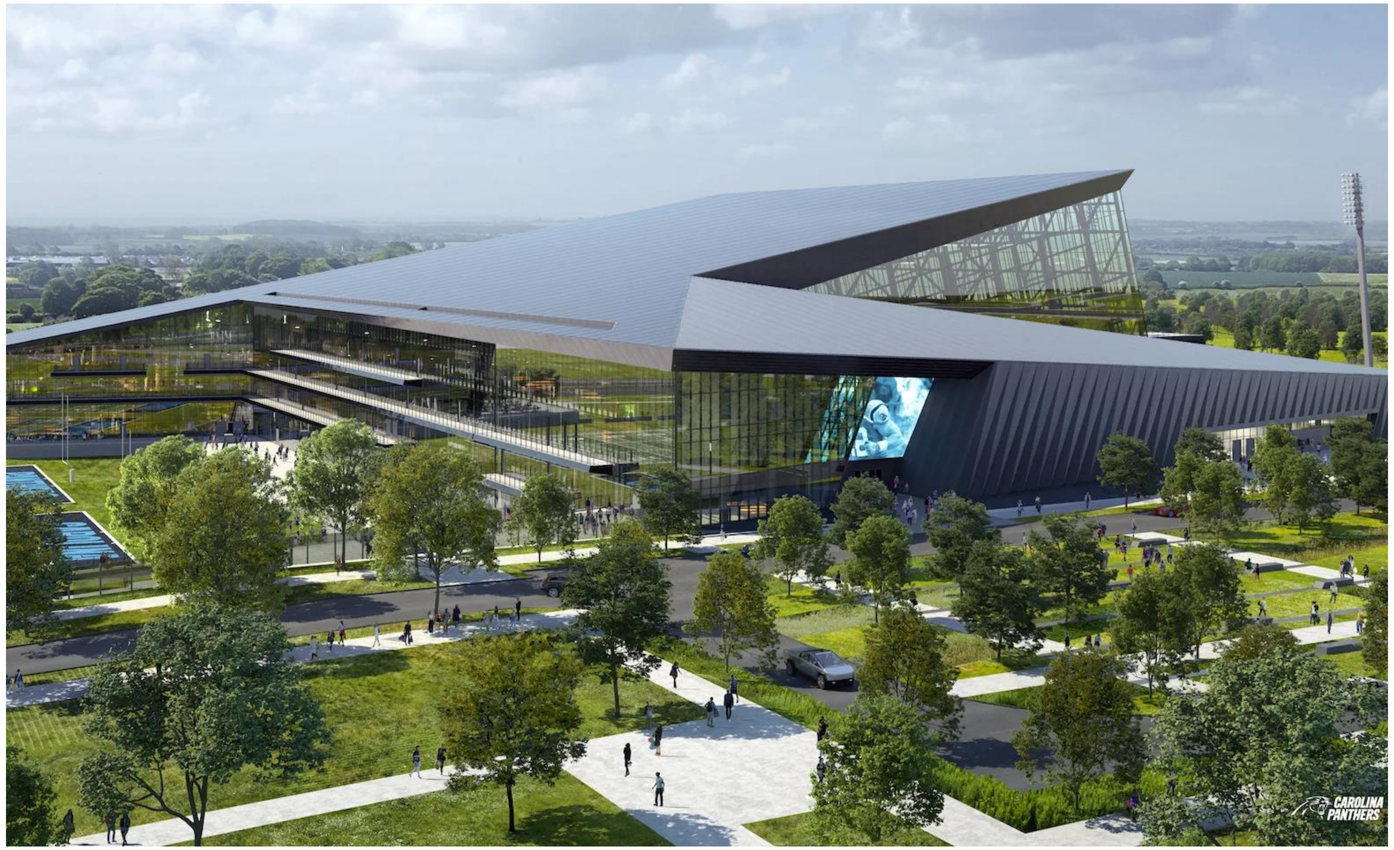
CHANGING CHARACTER OF VENUE

Sports Medicine Turned Outward

- Mayo Clinic Square - Minneapolis

Training Facilities

- Carolina Panthers in York County, South Carolina



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VENUE AS REAL ESTATE MARKET CATALYST

Tool to Unlock Latent Market Potential; Accelerate Development Timing, Density, and Value

- **Residential Rent Premiums**: Residential achieves premiums to the surrounding market, in many cases bridging the gap between established and secondary submarkets
- **Improves Office Potential**: Takes an unremarkable site from overlooked to having potential to compete with comparable product elsewhere
  - A venue does not create an office market where fundamentals aren't already supportive – improves the "marginal" cases
- **Retail Accelerant:** retail is a natural complement to sports venues, but not always feasible in emerging neighborhoods without game-day spending
- **Higher densities**: Catalyst to push into new product types, yielding more units/SF in the same neighborhood at buildout
- **Greater mix of uses:** on day 1, more diversity of activity on site leads to the synergy of mixed-use happening sooner
- **Mitigate risk for other anchor tenants:** by being "first mover" in untested location, other corporate/academic/unique users more confident in location decision
- **"Organizing principle" for future development**: enhances physical site and neighborhood planning, moves some sites from a undistinguished to an A/A+

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THE NEW MODEL - OUR CASE STUDY FOR TODAY

Capital Riverfront District – Washington, D.C.

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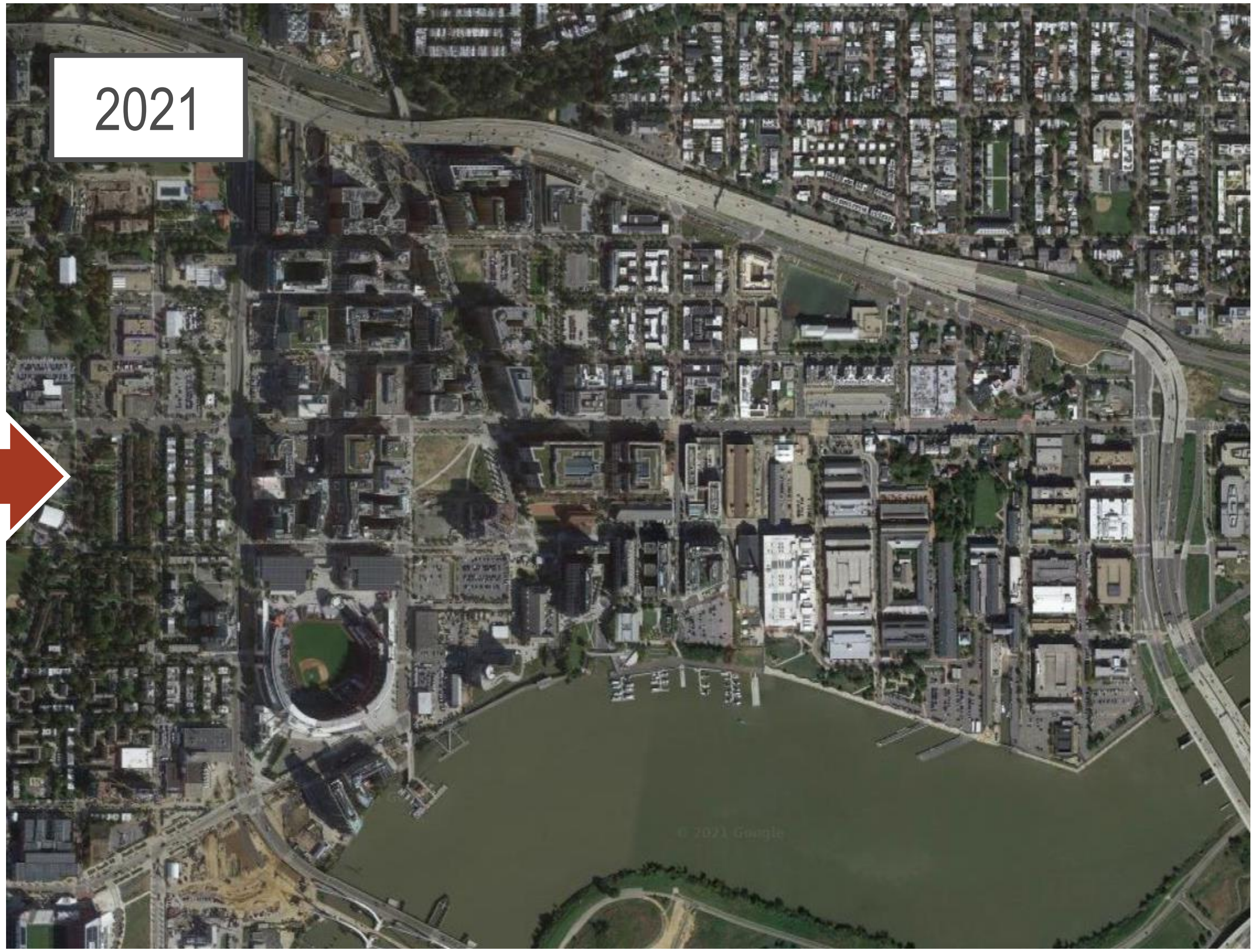
WHAT IT LOOKED LIKE IN 2007

Industrial Land, Wasted Waterfront, Low Tax Base



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WHO DID WHAT?
Multiple Parties Acting in Concert

- City Government – Stadium financing, land put back into production, district infrastructure
- Federal Government – DOT headquarters (jobs/spending base)
- Transit Agency – New Metro Entrance
- Forest City (lead developer) – Park, major infrastructure, real estate risk
- Washington Nationals – Ballpark construction
- BID – Orchestrated all of the above and told the story

WHO SPENT WHAT?

75% District, 25% Federal and Private Spending

INVESTMENT	YEAR	PROJECT VALUE	DISTRIBUTION OF COSTS: EST. D.C. CONTRIBUTION	EST. FEDERAL CONTRIBUTION	EST. PRIVATE CONTRIBUTION	CAPITOL RIVERFRONT CAPTURE[1]	EST. CAPITOL RIVERFRONT INVESTMENT
Douglass Bridge	2018-2021	$900,000,000	**$700,000,000**	**$200,000,000**	**$0**	5%	**$34,000,000**
D.C. United Stadium	2017	$300,000,000	**$150,000,000**	**$0**	**$150,000,000**	100%	**$150,000,000**
Canal Park	2013	$14,000,000	**$14,000,000**	**$0**	**$0**	100%	**$14,000,000**
Van Ness Elementary School	2013	$12,000,000	**$12,000,000**	**$0**	**$0**	100%	**$12,000,000**
11th Street Bridges	2012	$309,000,000	**$116,800,000**	**$188,200,000**	**$4,000,000**	5%	**$5,700,000**
SE/SW Water & Sewer Improvements	2007	$7,000,000	**$7,000,000**	**$0**	**$0**	100%	**$7,000,000**
Navy Yard-Ballpark Metro Improvements	2007	$20,000,000	**$20,000,000**	**$0**	**$0**	100%	**$20,000,000**
Nationals Park	2006	$701,000,000	**$670,300,000**	**$0**	**$30,700,000**	100%	**$670,300,000**
US DOT	2005	$70,000,000	**$70,000,000**	**$0**	**$0**	100%	**$70,000,000**
SE Federal Center	2004	$98,000,000	**$98,000,000**	**$0**	**$0**	100%	**$98,000,000**
ACC HOPE VI	2004	$85,000,000	**$50,000,000**	**$35,000,000**	**$0**	100%	**$50,000,000**
TOTAL		**$2,516,000,000**	**$1,908,100,000**	**$423,200,000**	**$184,700,000**		**$1,131,000,000**

[1] Assumes the Capitol Riverfront will take on 5% of the expenses from the Douglass and 11th Street Bridge projects, based on its "fair share" of office space relative to other neighborhoods in the District that rely on these regional transportation projects. For this analysis, these neighborhoods were defined as those south of Florida Avenue to the Potomac and Anacostia rivers.

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OUR CASE STUDY FOR TODAY

What are the component parts?

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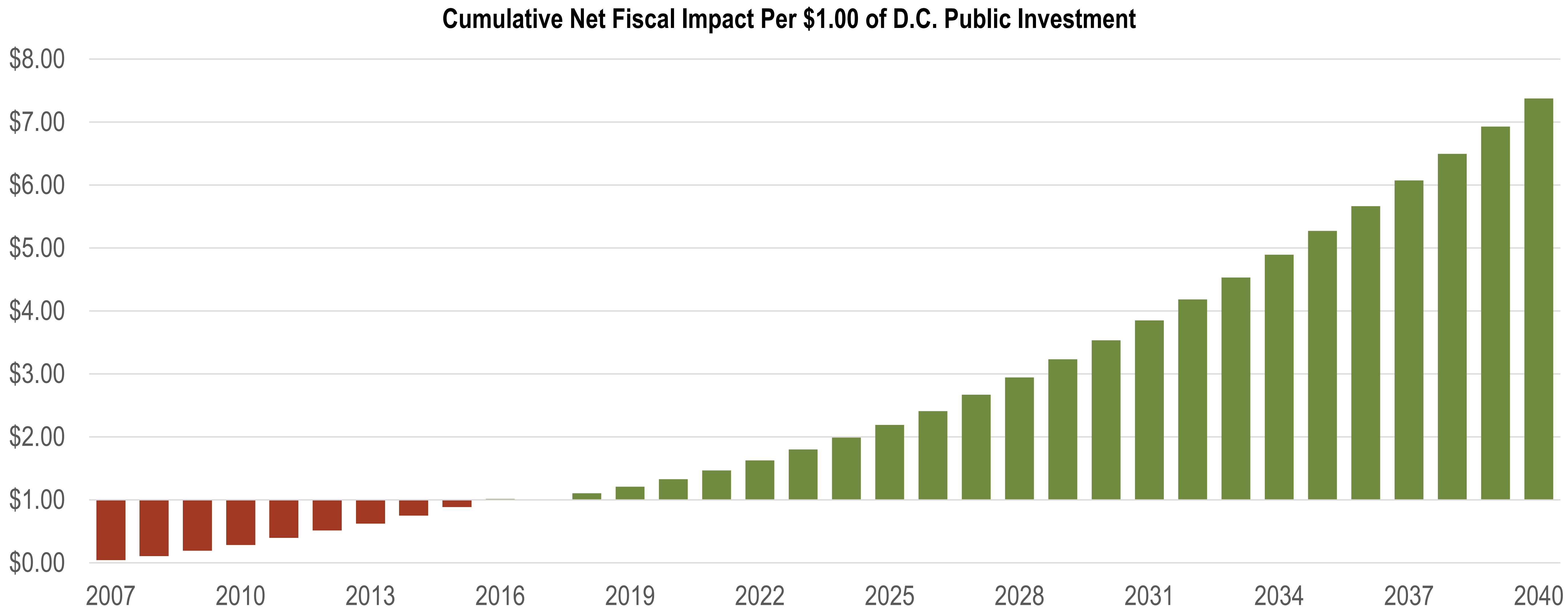
D.C.'S ORDER OF MAGNITUDE INVESTMENT -- $1.1B

At Buildout, $7.37 Generated for Every Upfront Dollar Invested



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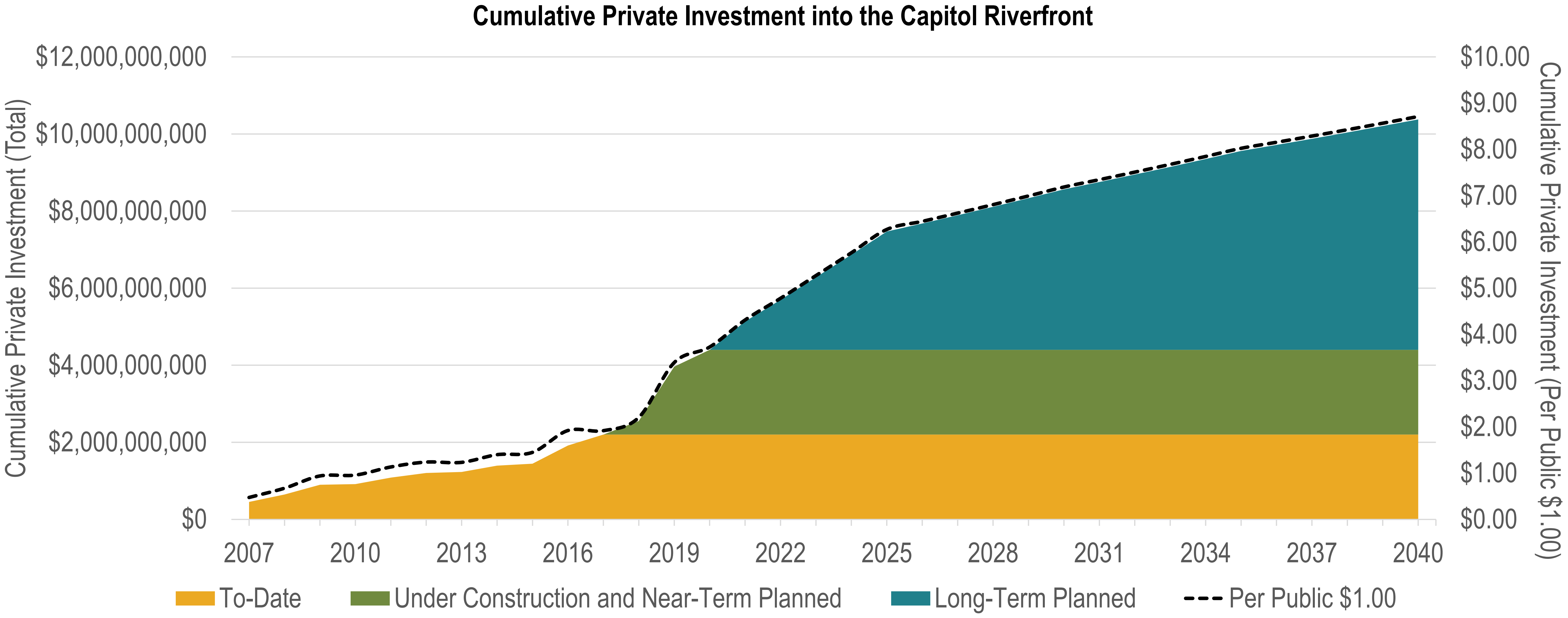
$1.92 OF PRIVATE INVESTMENT PER $1.00 OF PUBLIC

Will Exceed $8.00 by 2035



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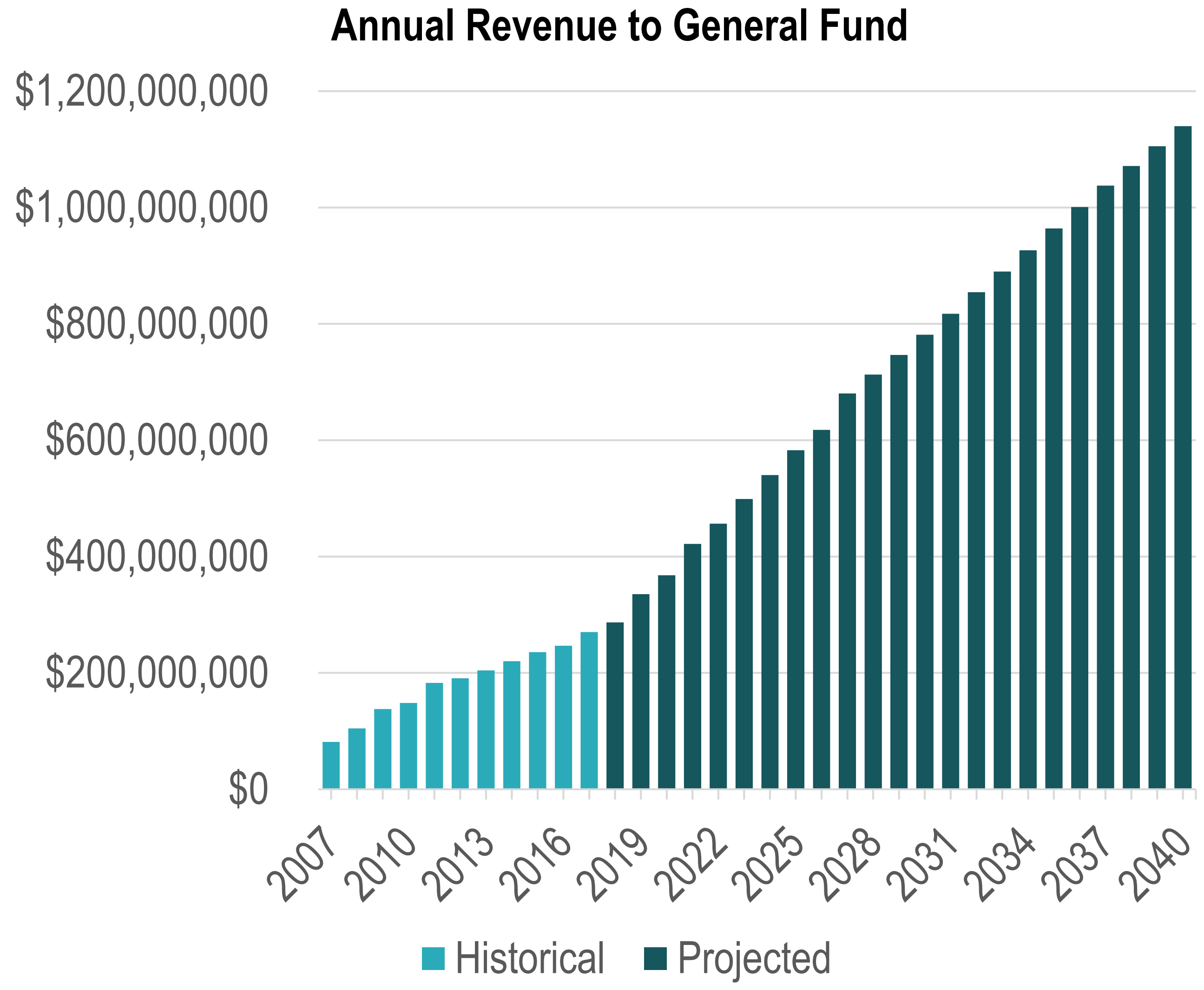
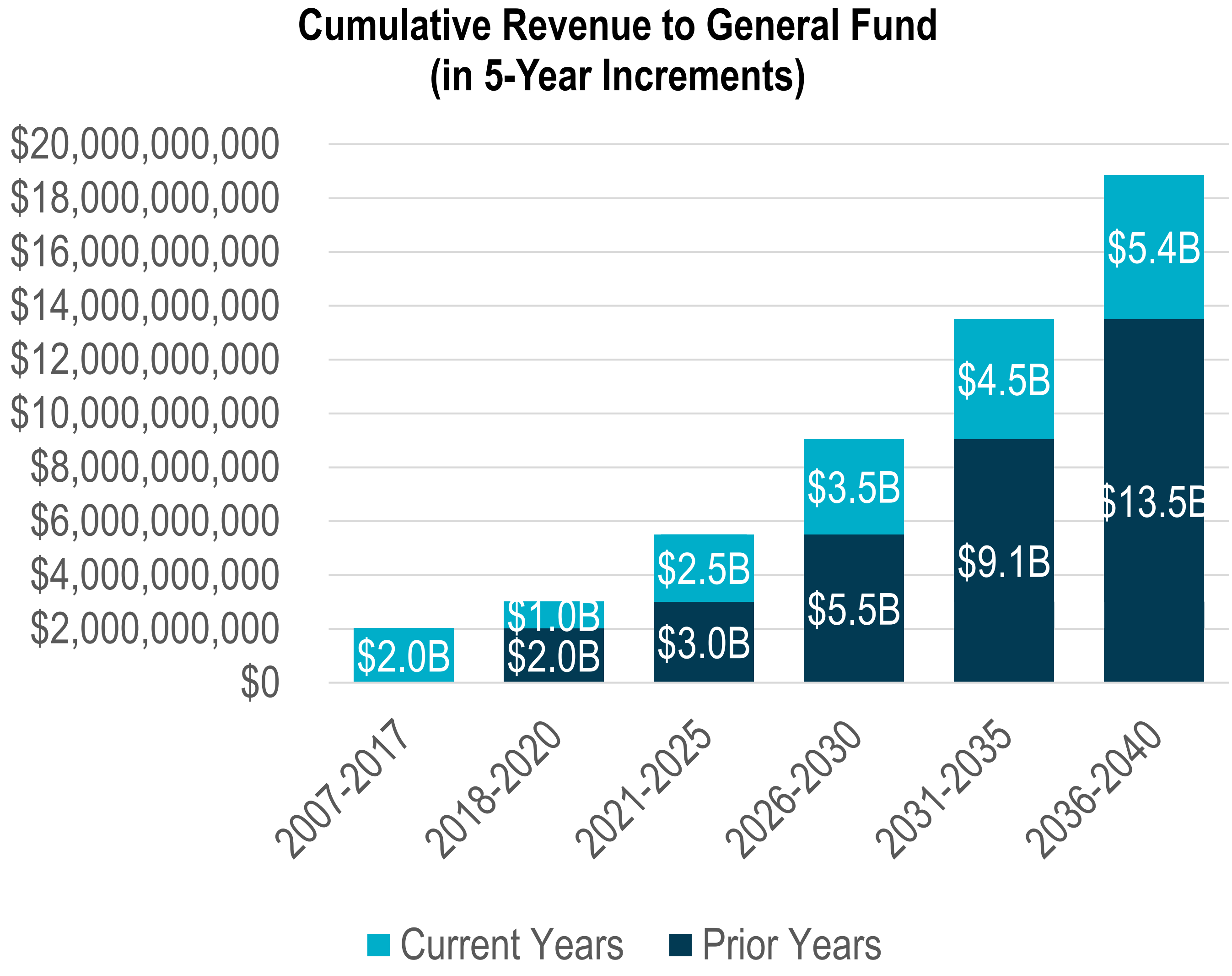
$287M IN 2018 GENERAL FUND REVENUES

3.5 Times the $ Generated in 2007





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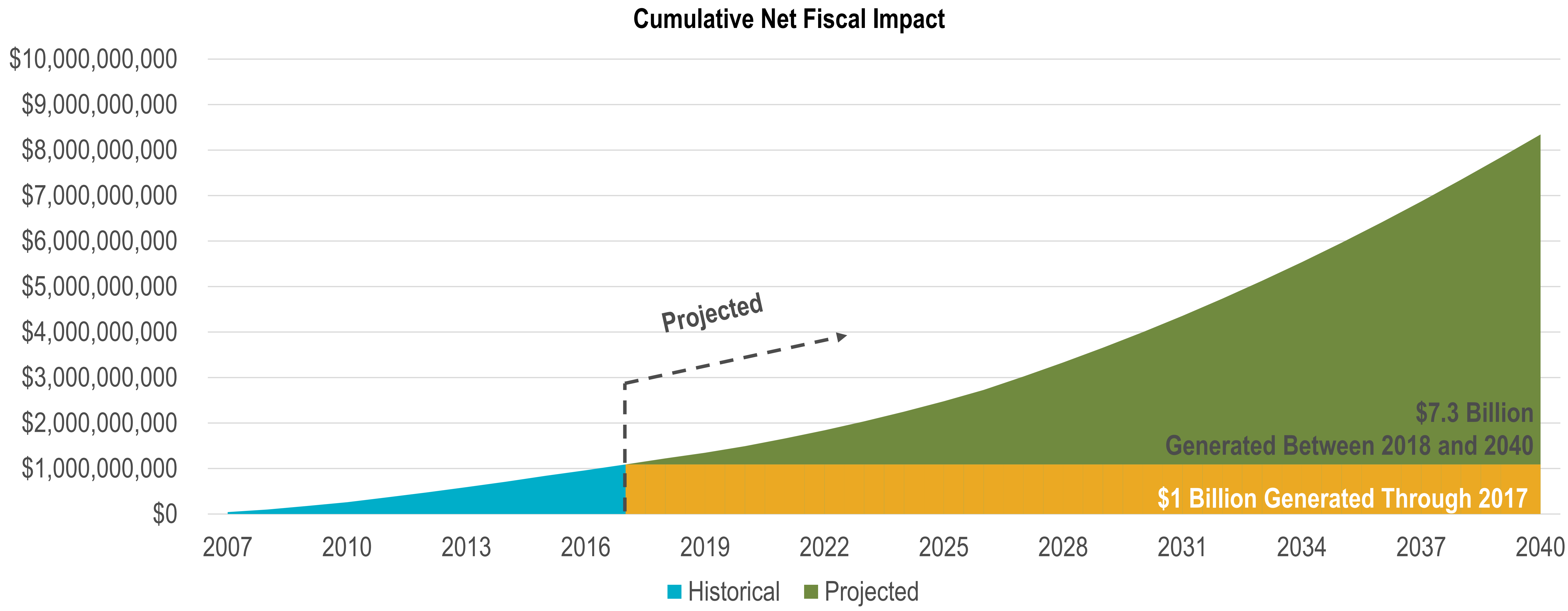
NET FISCAL IMPACT WILL EXCEED $8.3B BY 2040

$1.1B Generated so far 2007-2018



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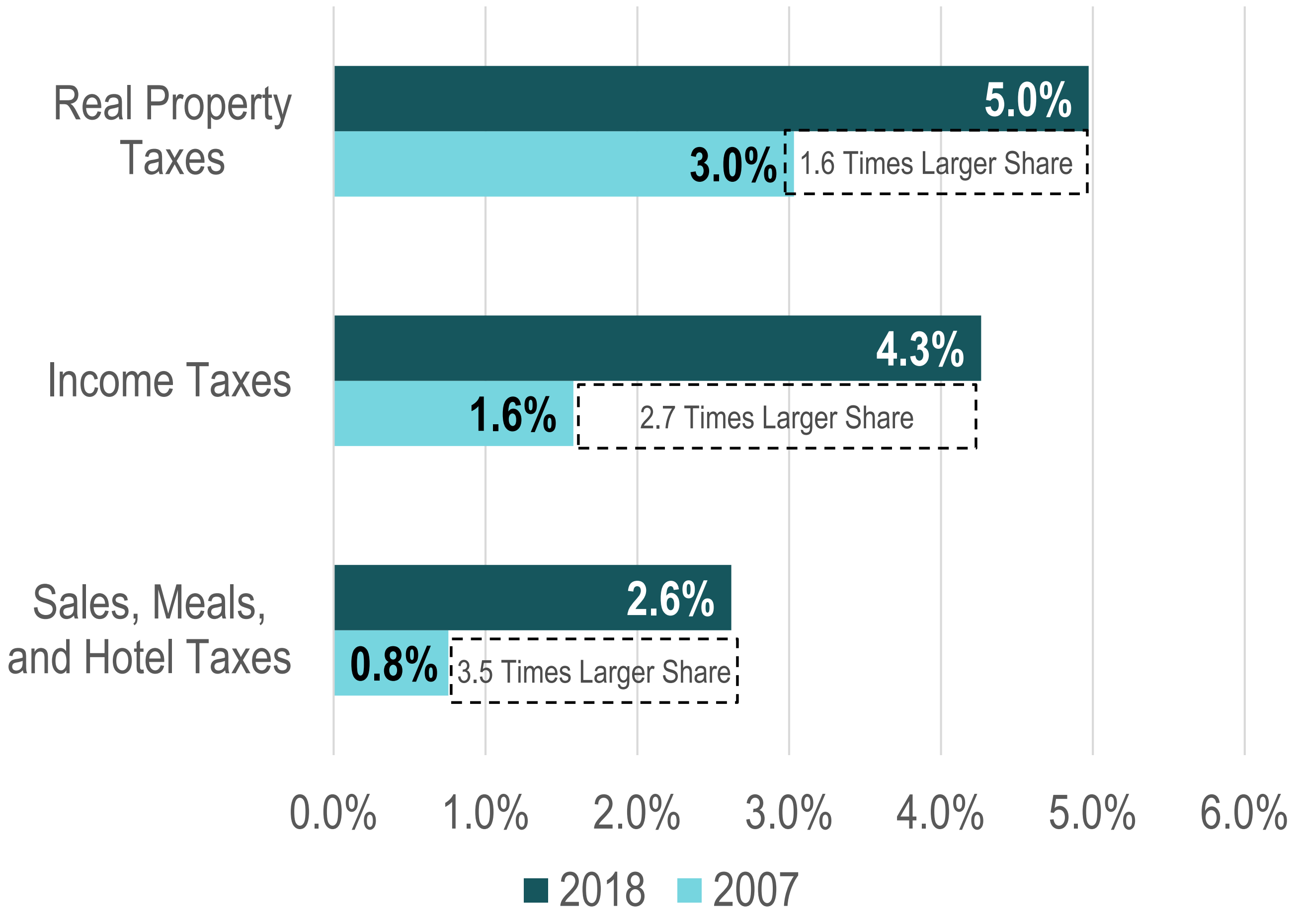
BID EXPANDING AS SHARE OF D.C.'S TAX BASE

Tax Revenues in 2018 three to five times 2007

Annual Revenue Generated to the General Fund in the Capitol Riverfront

Tax Revenue Source	2007	2018	Growth
Real Property	$39.1M	$125.2M	**3.2 Times** More Revenue
Income	$19.2M	$83.2M	**4.3 Times** More Revenue
Sales, Meals, and Hotel	$5.6M	$31.1M	**5.5 Times** More Revenue
Other	$17.6M	$47.3M	**2.7 Times** More Revenue
Total Annual Revenue	**$81.5M**	**$287.5M**	**3.5 Times More Revenue**

Percent of the District's Tax Revenue Generated in the Capitol Riverfront



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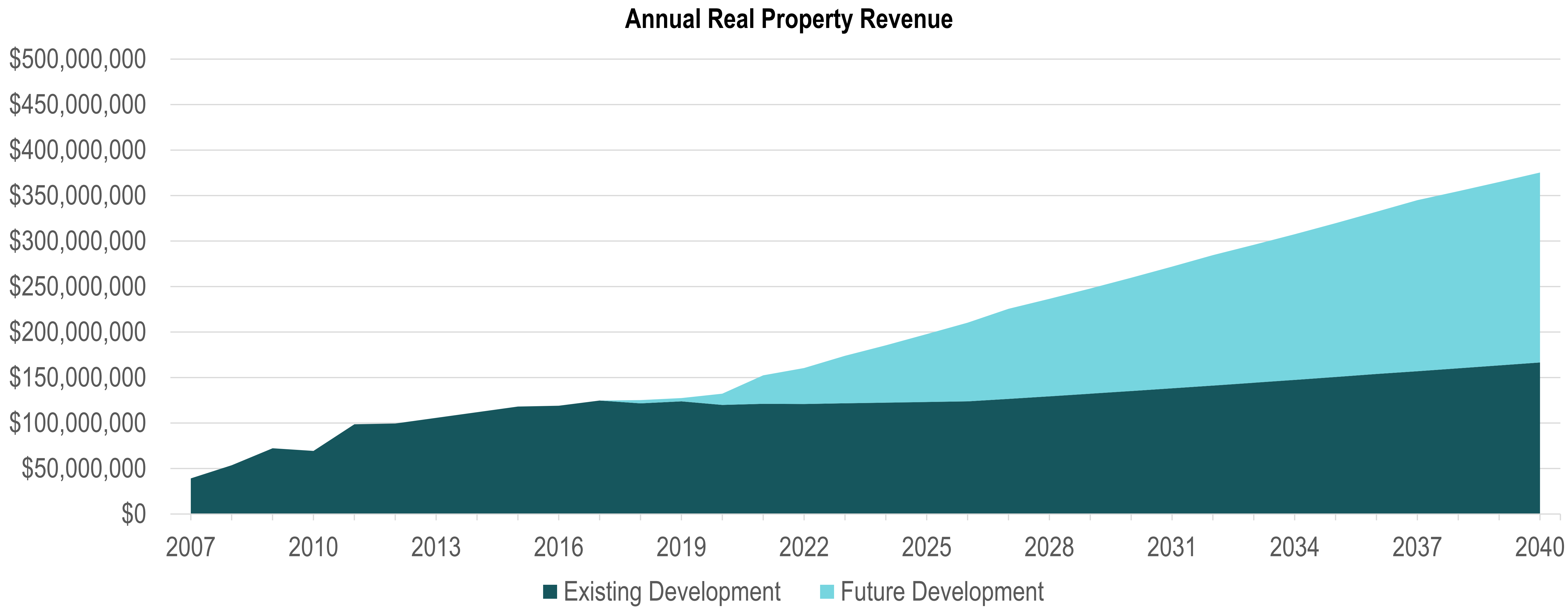
REAL PROPERTY TAXES

At Buildout, 10x Before 2007



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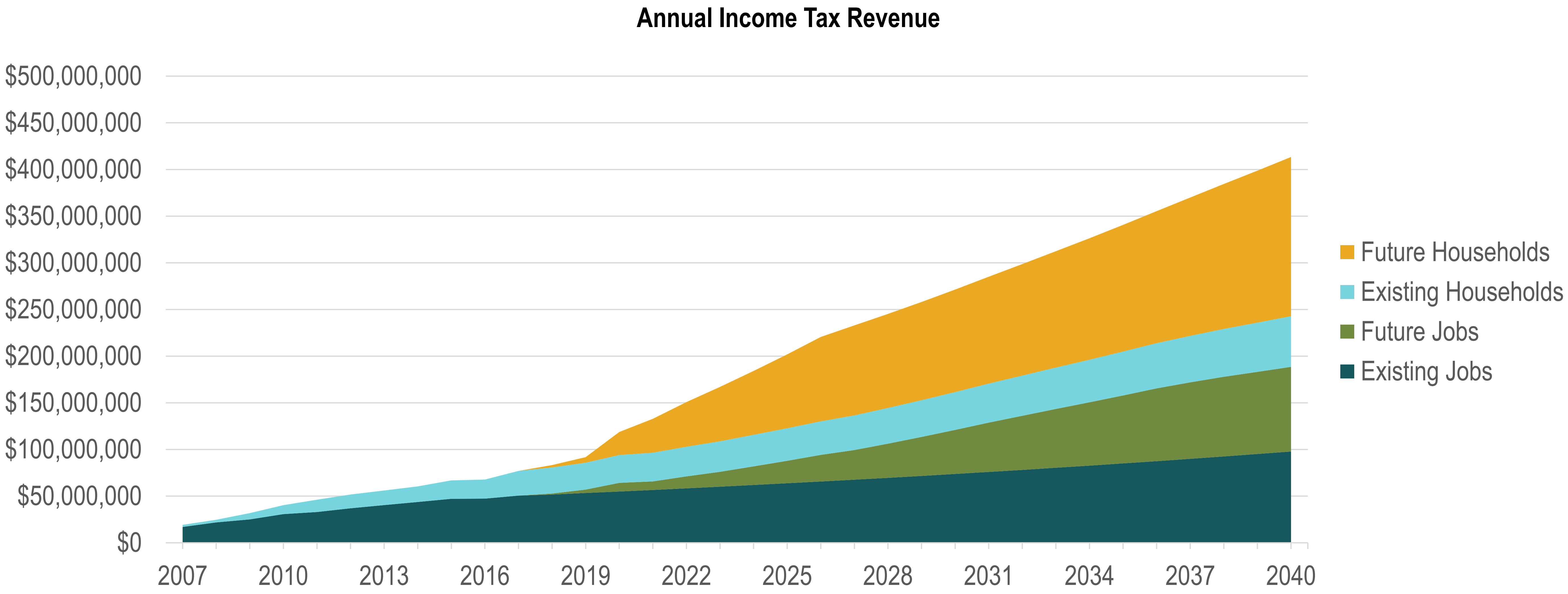
ANNUAL INCOME TAX REVENUE

New Residential Single Largest Driver



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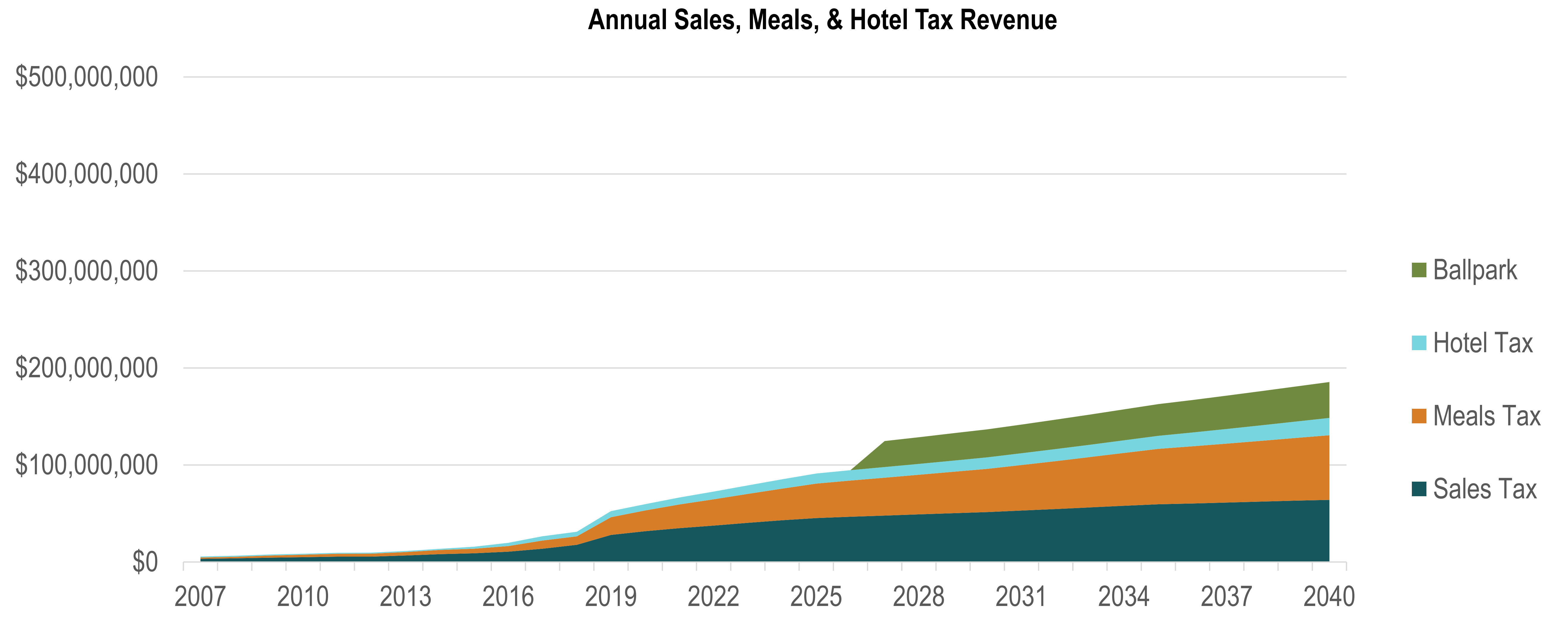
ANNUAL SALES, MEALS & HOTEL TAX REVENUE

Increased Retail and Restaurant Development



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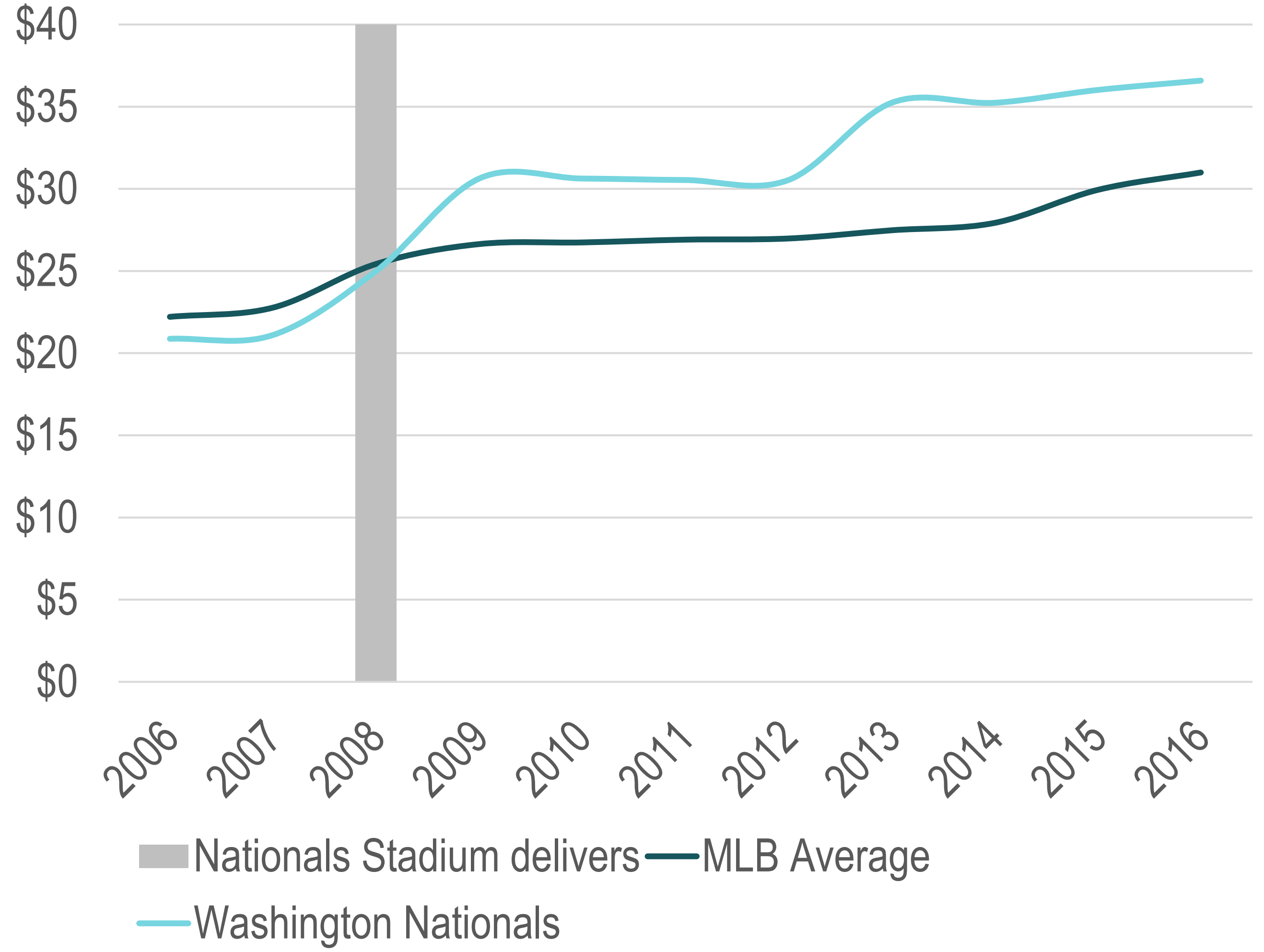
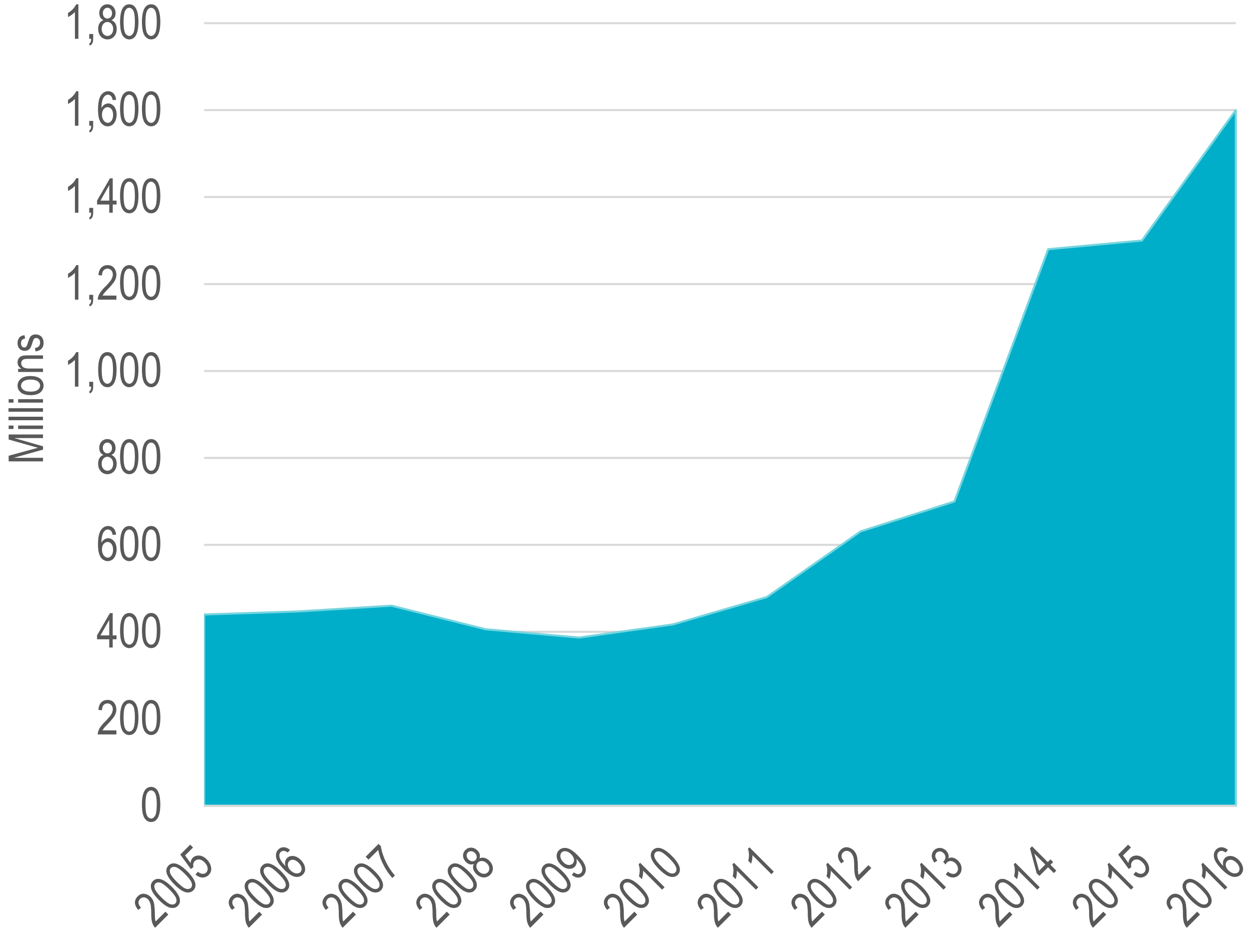
WHAT DOES IT MEAN FOR THE TEAM?

For Sure Not Hurt by Winning Franchise. . .

Average Ticket Price per Game, 2000 – 2016



Nationals Team Valuation (adjusted to excl. real estate equity), 2005 – 2016



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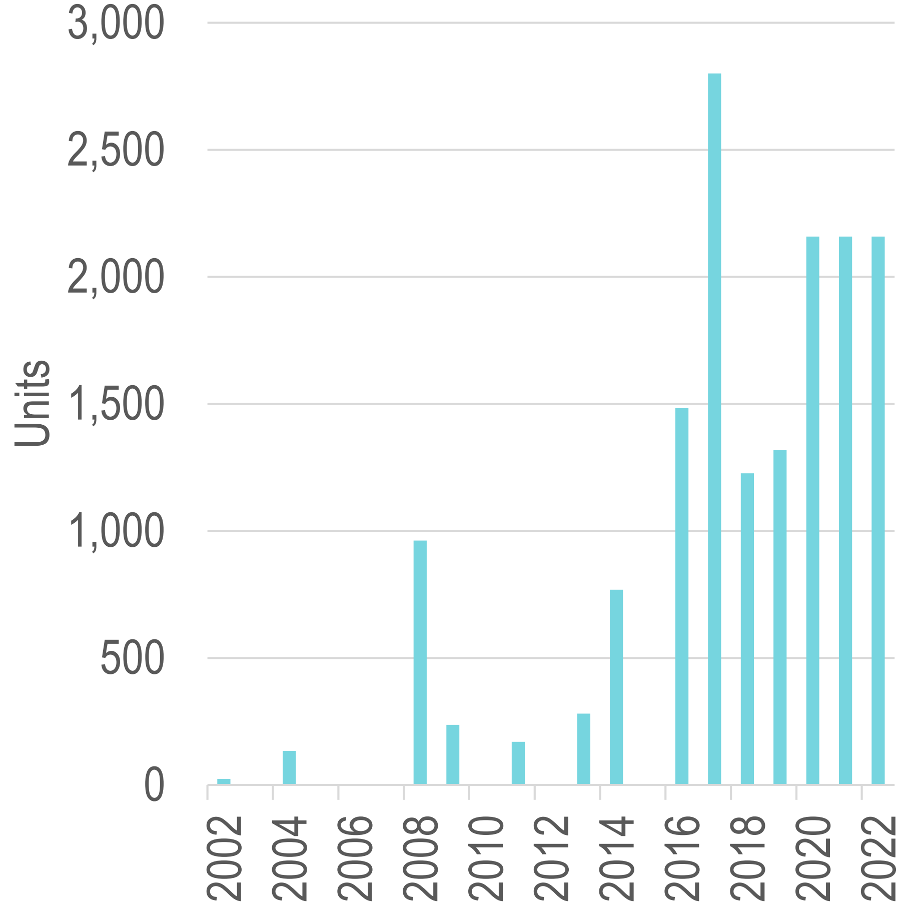
Source: Forbes

WHAT DOES IT MEAN FOR THE REAL ESTATE

For Sure Not Hurt by a Changing District of Columbia

Historical and Projected Deliveries, Capitol Riverfront 2000 – 2020+

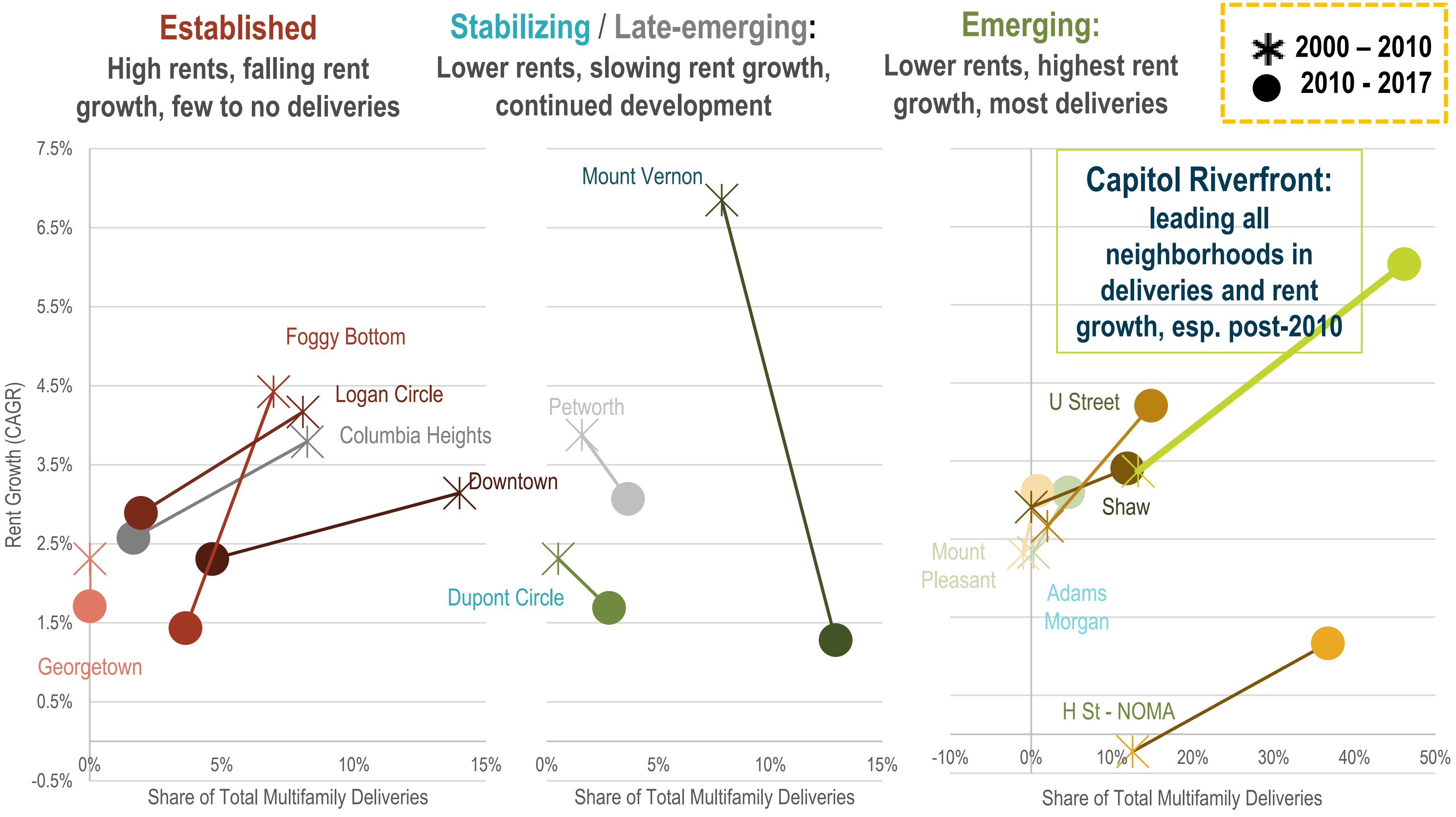


Change in Rent Growth and Share of New Deliveries by Neighborhood between 2000-2010 and 2010-2017

Established
High rents, falling rent growth, few to no deliveries

Stabilizing / Late-emerging:
Lower rents, slowing rent growth, continued development

Emerging:
Lower rents, highest rent growth, most deliveries



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OTHER EXAMPLES – TARGET FIELD, PETCO PARK

Data on Follow in Investment and Neighborhood Change

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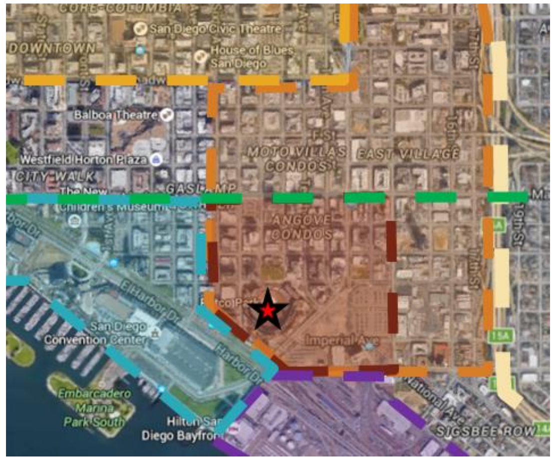
OTHER EXAMPLES – TARGET FIELD, PETCO PARK

Petco Park – San Diego, CA (Integration)



New Development:
<u>Primary Impact Area</u> (70 AC)
Multifamily: 96 units
Office: 750,000 SF
Retail: 115,000 SF
<u>Secondary Impact Area</u> (340 AC)
Multifamily: 1,560 units
Office: 120,000 SF
Retail: 37,000 SF

Financing:
- $457M total costs
- $225M financed with municipal bonds repaid by hotel taxes
- $153M from the Padres
- $58M from redevelopment funds generated in project area
- $21M from the Port of San Diego

Outcome:
- **$2B in private investment since 2004**
- Regarded as the catalyst for transforming East Village into one of San Diego's most vibrant neighborhoods
- Adjacent Ballpark Village planned in conjunction with Ballpark but has been slow to deliver

Target Field – Minneapolis, MN (Connection)

New Development:
<u>Primary Impact Area</u> (260 AC)
Multifamily: 182 units
Office: 293,000 SF
Retail: 5,000 SF
<u>Secondary Impact Area</u> (725 AC)
Multifamily: 1,220 units
Office: 0 SF
Retail: 0 SF

Financing:
- $546M total costs
- $392M in public subsidy through Hennepin County 0.15% sales tax increase
- $125M provided by the Twins
- $15.5M in additional cash provided by The Twins to help County acquire land
- $13.5M provided up-front by Hennepin County to acquire land

Outcome:
- **$169M in generated economic activity in the first year the stadium was open**
- Emphasis on public transit and connectivity
- Warehouse District continues to improve and de
- Improved retail adjacent to ballpark
-

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Chief Executive Officer
P: (240) 644-0980
E: aducker@rclco.com

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Managing Director, Dir. of Consulting
P: (240) 396-2353
E: etalkington@rclco.com

Joshua A. Boren
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P: (310) 984-1757
E: jboren@rclco.com

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CRITICAL ASSUMPTIONS

Our conclusions are based on our analysis of the information available from our own sources and from the client as of the date of this report. We assume that the information is correct, complete, and reliable.

We made certain assumptions about the future performance of the global, national, and local economy and real estate market, and on other factors similarly outside either our control or that of the client. We analyzed trends and the information available to us in drawing these conclusions. However, given the fluid and dynamic nature of the economy and real estate markets, as well as the uncertainty surrounding particularly the near-term future, it is critical to monitor the economy and real estate markets continuously and to revisit the aforementioned conclusions periodically to ensure that they are reflective of changing market conditions.

This is particularly the case in light of recent developments that have occurred in Q1 2020, including fears of disruption due to the novel coronavirus, a price war that has precipitated a sharp drop in global oil prices, and concern over the level of corporate debt in the U.S. that could become a problem in a slowing economy. These events underscore the notion that stable and moderate growth patterns are historically not sustainable over extended periods of time, the economy is cyclical, and real estate markets are typically highly sensitive to business cycles. Further, it is particularly difficult to predict inflection points, including when economic and real estate expansions will end, and when downturn conditions return to expansion.

Our analysis and recommendations are based on information available to us at the time of the writing of this report, including the likelihood of a downturn, length and duration, but it does not consider the potential impact of additional/future shocks on the national and/or local economy, and does not consider the potential benefits from major "booms" that may occur. Similarly, the analysis does not reflect the residual impact on the real estate market and the competitive environment of such a shock or boom. Also, it is important to note that it is difficult to predict changing consumer and market psychology. As such, we recommend the close monitoring of the economy and the marketplace, and updating this analysis as appropriate.

Further, any project and investment economics included in our analysis and reports should be “stress tested” to ensure that potential fluctuations in revenue and cost assumptions resulting from alternative scenarios regarding the economy and real estate market conditions will not cause unacceptable levels of risk or failure.

In addition, and unless stated otherwise in our analysis and reports, we assume that the following will occur in accordance with current expectations by market participants:

- Tax laws (i.e., property and income tax rates, deductibility of mortgage interest, and so forth)
- Availability and cost of capital and mortgage financing for real estate developers, owners and buyers
- Competitive supply (both active and future) will be delivered to the market as planned, and that a reasonable stream of supply offerings will satisfy real estate demand
- Major public works projects occur and are completed as planned

Should any of the above change, this analysis should be updated, with the conclusions reviewed accordingly (and possibly revised).

GENERAL LIMITING CONDITIONS

Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable. This study is based on estimates, assumptions, and other information developed by RCLCO from its independent research effort, general knowledge of the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent, and representatives or in any other data source used in preparing or presenting this study. This report is based on information that to our knowledge was current as of the date of this report, and RCLCO has not undertaken any update of its research effort since such date.

Our report may contain prospective financial information, estimates, or opinions that represent our view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved, that particular events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by RCLCO that any of the projected values or results contained in this study will be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Robert Charles Lesser & Co." or "RCLCO" in any manner without first obtaining the prior written consent of RCLCO. No abstracting, excerpting, or summarization of this study may be made without first obtaining the prior written consent of RCLCO. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the client without first obtaining the prior written consent of RCLCO. This study may not be used for any purpose other than that for which it is prepared or for which prior written consent has first been obtained from RCLCO.

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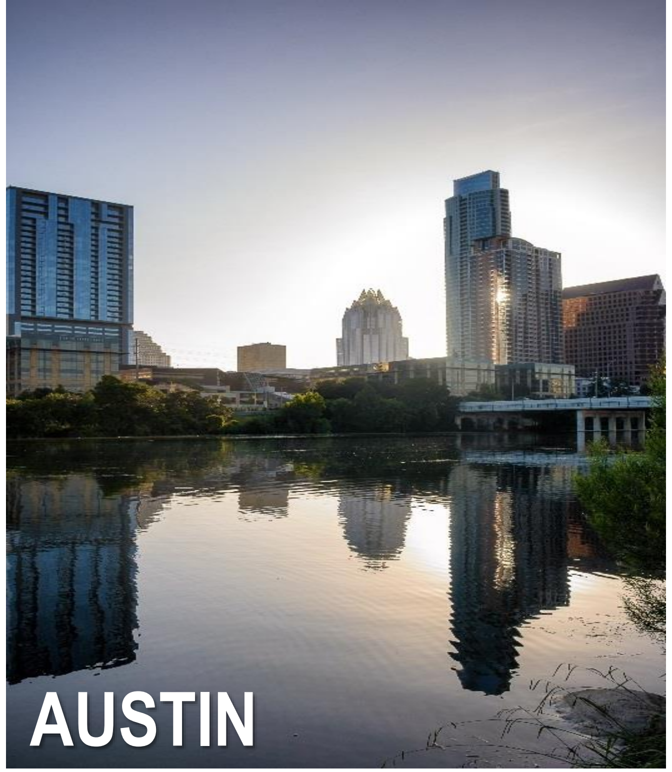

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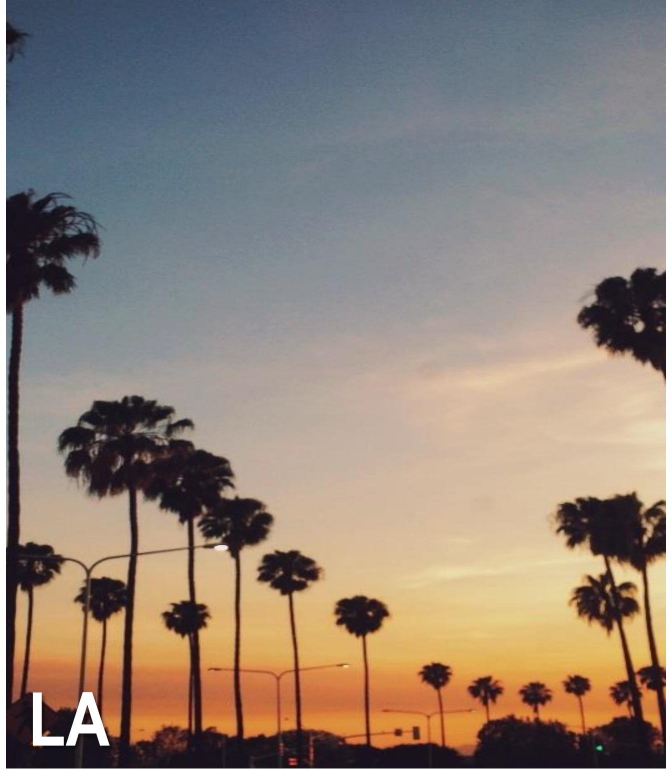
Austin, TX 78701



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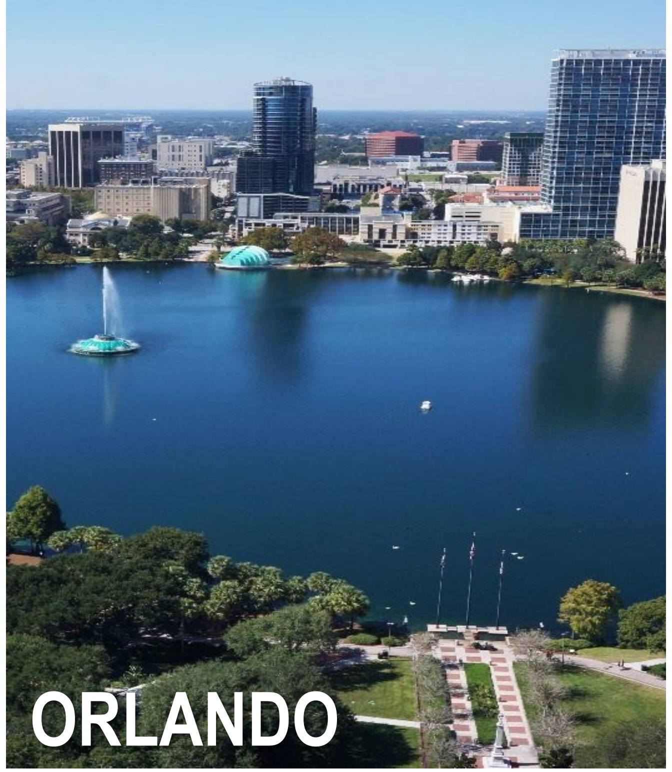
Suite 1650
Los Angeles, CA 90025



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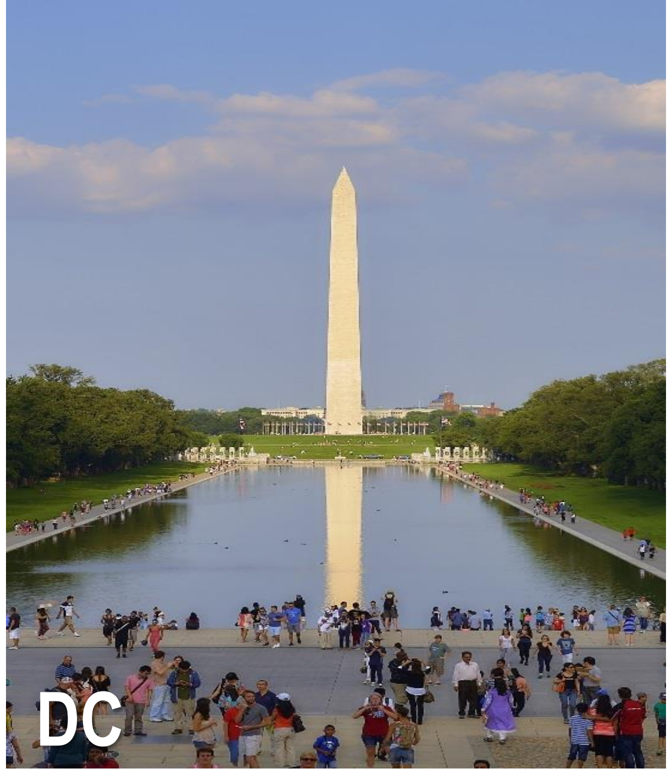
Suite 100
Orlando, FL 32814



7200 Wisconsin Ave
Suite 1110
Bethesda, MD 20814

RCLCO
REAL ESTATE CONSULTING

Adam Ducker
Chief Executive Officer
P: (240) 644-0980
E: aducker@rclco.com

Erin Talkington
Managing Director, Dir. of Consulting
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