APPRAISAL OF REAL PROPERTY

442/452 Fifth Avenue
& 1 West 39th Street
Between West 39th and 40th Streets
New York, New York County, NY 10018

IN AN APPRAISAL REPORT

As of June 30, 2017

Prepared For:

PBC USA Inc.
452 Fifth Avenue
New York, NY 10018

Prepared By:

Cushman & Wakefield, Inc.
Valuation & Advisory
1290 Avenue of the Americas
New York, NY 10104
C&W File ID: 17-12002-901212

CUSHMAN & WAKEFIELD, INC.
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NEW YORK, NY 10104-6178



442/452 Fifth Avenue

Between West 39th and 40th Streets

New York, New York County, NY 10018

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August 21, 2017

Mr. Eli Elefant
PBC USA Inc.
452 Fifth Avenue
New York, NY 10018

Re: Appraisal of Real Property
In an Appraisal Report

442/452 Fifth Avenue
Between West 39th and 40th Streets
New York, New York County, NY 10018

C&W File ID: 17-12002-901212

Dear Mr. Elefant:

In fulfillment of our agreement as outlined in the Letter of Engagement, we are pleased to transmit our appraisal of the above property in the following appraisal report dated August 21, 2017. The effective date of value is June 30, 2017.

The appraisal is to be used by the Client, 452 Fifth Owners LLC, Property & Building Corporation LTD. and their direct and indirect affiliate companies (including the holding companies of 452 Fifth Owners LLC). Discount Investment Corporation Ltd. ("DIC") and IDB Development Corp. Ltd. ("IDB") and each of their respective direct and indirect affiliate companies are intended users of this report.

The appraisal is to be used for financial reporting by the Client. The complete report may also be used as an addendum to company/affiliates (including holding companies of 452 Fifth Owners LLC) public filings and investment prospectuses.

The subject property, herein referred to as "442/452 Fifth Avenue", consists of four adjacent buildings that are integrated into a single office building. The Knox Building (known as 452 Fifth Avenue) and Kress Building occupy the northern and southern corners of the site, respectively, with the Tower located mid-block on Fifth Avenue, and cantilevering over the Kress building. One West 39th Street is adjacent to the Kress Building and is located on the side street. The Knox Building was built in 1902. The Kress Building was built in 1935 and One West 39th Street was built in 1923. In 1984, the modern 30-story (there is no 13th floor) 442 Fifth Avenue was built and all four buildings were integrated into a single operating structure.

The subject property contains 865,546 square feet of net rentable area (788,773 square feet of gross building area) on a 44,355 square foot parcel of land. The subject is 99.52 percent leased to 13 office tenants and 3 retail tenants. There are 4,139 square feet of vacant storage space. The subject is located across from Bryant Park.

The largest office tenant is HSBC Bank USA, N.A. which leases 548,170 square feet of storage, retail and office space. HSBC Bank USA occupies the entire One West 39th Street building; and, the sub cellar, part of the cellar, part of the grade, and the 2nd through 11th floors of 442/452 Fifth Avenue. The tenant recently signed a 5 year extension through April 2025. HSBC Bank USA, N.A. occupies 63.33 percent of the subject's NRA.

Based on the agreed-to Scope of Work, and as outlined in the report, we developed the following opinion of market value:

Value Conclusions

Appraisal Premise	Real Property Interest	Date Of Value	Value Conclusion
Market Value As-Is	Leased Fee	6/30/2017	$900,000,000

Compiled by Cushman & Wakefield, Inc.

The value opinion in this report is qualified by certain assumptions, limiting conditions, certifications, and definitions, as well as the following extraordinary assumptions and hypothetical conditions, if any.

Consistent with the intended use and scope of work identified in this assignment, we estimated the Fair Value of the real property interest in the subject property in compliance with IFRS 13. Although debate continues on certain government regulatory levels, our analyses lead us to conclude that Fair Value and Market Value are very similar.

Under IFRS 13, investment property is remeasured at fair value, which is the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Gains or losses arising from changes in the fair value of investment property must be included in net profit or loss for the period in which it arises.

Fair value should reflect the actual market state and circumstances as of the balance sheet date. The best evidence of fair value is normally given by current prices on an active market for similar property in the same location and condition and subject to similar lease and other contracts. In the absence of such information, the entity may consider current prices for properties of a different nature or subject to different conditions, recent prices on less active markets with adjustments to reflect changes in economic conditions, and discounted cash flow projections based on reliable estimates of future cash flows.

Both Fair Value and Market Value opinions for real property assets commonly use and rely upon the same types of data and analyses, as each opinion is intended to reflect the behavior of market participants. Among these are:

- Reliance upon the most appropriate valuation technique - taken directly from the market, we have mirrored the approach or approaches to value that would be considered by market participants in evaluating the purchase or sale of the property. For investment properties, the Fair Value reflects, among other things, income from current leases and reasonable and supportable forecasts likely to be applied by market participants would project.
- Adjustments to the relevant valuation methodologies when indicated by the market and its participants, including consideration of:
    - Location and condition of the property;
    - Current (as of the measurement date) highest and best use
    - Current bid and ask spreads for similar properties
    - An analysis of actual transactions
    - Adjustments to transactions, where appropriate and necessary (assumable debt, intangible consideration, forced liquidation, distress, etc.)
    - An analysis of offerings that did not transact and the underlying reasons
- Consideration of the level of activity or inactivity in the market (the level of inactivity virtually mandates that the Fair Value be developed using something other than observable inputs which, in reality, do not currently exist in significant number)

- Consideration of the financial markets and the investment requirements demanded by market participants, including, to the extent applicable, the availability of financing and consideration of the credit status of the source of revenue within a property
- Application of investment returns to the anticipated cash flows from the property as extracted from:
    - Closed sales, to the extent available and relevant
    - Various build-up techniques including any of the Mortgage-Equity Analysis, Band-of-Investment, and/or Yield Analysis; each supported by ample input from current market participants
    - The rates extracted from bid-ask spreads on current offerings or failed-to-close offerings
    - Quoted investment rates from published surveys

Extraordinary Assumptions

This appraisal employs the following extraordinary assumption: We have assumed that the LOIs with Wood McKenzie LLP and Tripointe Capital Partners, LLC will be signed and executed per the agreed upon terms contained herein. Any changes to the terms may have a material impact on our value conclusion.

For a definition of Extraordinary Assumptions please see the Glossary of Terms & Definitions.

Hypothetical Conditions

This appraisal does not employ any hypothetical conditions. For a definition of Hypothetical Conditions please see the Glossary of Terms & Definitions.

This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and Addenda.

Respectfully submitted,

CUSHMAN & WAKEFIELD, INC.





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Summary of Salient Facts and Conclusions

GENERAL INFORMATION	
BASIC INFORMATION	
Location:	442/452 Fifth Avenue Between West 39th and 40th Streets New York, New York County, NY 10018 The subject property is located on the westerly blockfront of Fifth Avenue between West 39th and West 40th Streets in the Grand Central office submarket of Midtown Manhattan.
Property Ownership Entity:	452 Fifth Owners LLC c/o IDB Group
SITE INFORMATION:	
Land Area:	44,355 SF
Site Shape:	Irregular
Site Topography:	Level
Frontage:	Very Good
Site Utility:	Very Good
Flood Zone Status:	
Flood Zone:	X
Flood Map Number:	360497-0201F
Flood Map Date:	September 5, 2007
BUILDING INFORMATION:	
Type of Property:	Office
Class:	Class A
Building Area	
Gross Building Area:	653,441 square feet (442/452 Fifth Avenue) 135,442 square feet (One West 39th Street) 788,773 square feet (Total)
Net Rentable Area – Per Rent Roll:	726,343 square feet (442/452 Fifth Avenue) 139,203 square feet (One West 39th Street) 865,546 square feet (Total)
Loss Factor	27.00%

	The subject property was remeasured by the owners based on a 27.00 percent loss factor, which is consistent in the market. It should be noted that throughout this appraisal we have analyzed the subject property based on the remeasured net rentable area of 865,546 square feet. The comparable sales and comparable rentals in this appraisal were also analyzed based on their remeasured net rentable areas.
Number of Buildings:	4 adjacent buildings that are integrated into a single office building.
Number of Stories:	The property rises to a maximum height of 30 floors (there is no 13th floor). The Knox and Kress buildings are each 10 stories. The Tower contains 30 stories with a 2-story portion of the Tower cantilevering over the Kress Building. One West 39th Street is a 12-story structure. The property also has four below grade levels.
Actual Age:	33 (442 Fifth Avenue) 115 (452 Fifth Avenue - Knox Building) 82 (Kress Building) 94 (One West 39th Street)
Quality:	Excellent
Years Built:	1984 (442 Fifth Avenue) 1902 (452 Fifth Avenue - Knox Building) 1935 (Kress Building) 1923 (One West 39th Street)
Condition:	Excellent

MUNICIPAL INFORMATION:

Assessment Information:	
Assessing Authority:	City Of New York
Assessor's Parcel Identification:	Lots 31 and 49 in Block 841
Current Tax Year:	2017/18
Taxable Assessment:	$12,519,195 (Lot 31) $114,356,402 (Lot 49)
Current Tax Liability:	$1,337,017 (Lot 31) $12,212,966 (Lot 49)
Taxes per square foot of GBA:	$10.86 (Lot 31) $19.81 (Lot 49)

Zoning Information:		
Municipality Governing Zoning:	City Of New York	
Current Zoning:	C5-3 Restricted Central Commercial District and M1-6 Light Manufacturing District (High Performance)	
HIGHEST & BEST USE:		
As Though Vacant:	Mixed used residential and commercial development.	
As Improved:	As it is currently developed.	
TENANCY INFORMATION:		
Occupancy:	99.52%	
	There are a total of 55 tenant spaces, of which 53 spaces are leased, 1 space is vacant and available for lease, and there is 1 management office space.	
Occupied (SF):	861,407	
Current Number of Tenants:	The subject is leased to a total of 16 tenants; 13 office tenants and 3 retail tenants.	
Vacant (SF):	4,139	
Number of Vacant Spaces:	1	
Base Rent Status:		
Contract Rent (Occupied Space):	$82.96 PSF	
Market Rent:	$99.49 PSF	
Contract Rent is:	24.48% below market	
Major Tenants:	Area:	Lease Expires
HSBC Bank USA	548,170 SF	Apr-25
Baker & McKenzie	105,803 SF	Jan-28
VALUATION INDICES		
VALUE DATE		
Market Value:	June 30, 2017	
SALES COMPARISON APPROACH		
Indicated Value:	$920,000,000	
Per Square Foot (NRA):	$1,062.91	
INCOME CAPITALIZATION APPROACH		
YIELD CAPITALIZATION		
Projection Period:	14 years	

Holding Period:	13 years
Start Date:	July 1, 2017
Terminal Capitalization Rate:	4.75%
Internal Rate of Return:	6.50%
Indicated Value:	$900,000,000
Per Square Foot (NRA):	$1,039.81
Implied Capitalization Rate:	4.23%
DIRECT CAPITALIZATION	
Date of Value:	June 30, 2017
Net Operating Income:	$38,050,396
Capitalization Rate:	4.25%
Indicated Value (Rounded):	$900,000,000
FINAL VALUE CONCLUSION	
Real Property Interest:	Leased Fee Estate
“As Is” Scenario	
Date of Value:	June 30, 2017
Concluded Value	$900,000,000
Per Square Foot (NRA):	$1,039.81
Implied Capitalization Rate:	4.23%
EXPOSURE AND MARKETING TIME	
Exposure Time:	6 months
Marketing Time:	6 months

Extraordinary Assumptions

This appraisal employs the following extraordinary assumption: We have assumed that the LOIs with Wood McKenzie LLP and Tripointe Capital Partners, LLC will be signed and executed per the agreed upon terms contained herein. Any changes to the terms may have a material impact on our value conclusion. For a definition of Extraordinary Assumptions please see the Glossary of Terms & Definitions.

Hypothetical Conditions

This appraisal does not employ any hypothetical conditions. For a definition of Hypothetical Conditions please see the Glossary of Terms & Definitions.

Property Photographs

SUBJECT PROPERTY



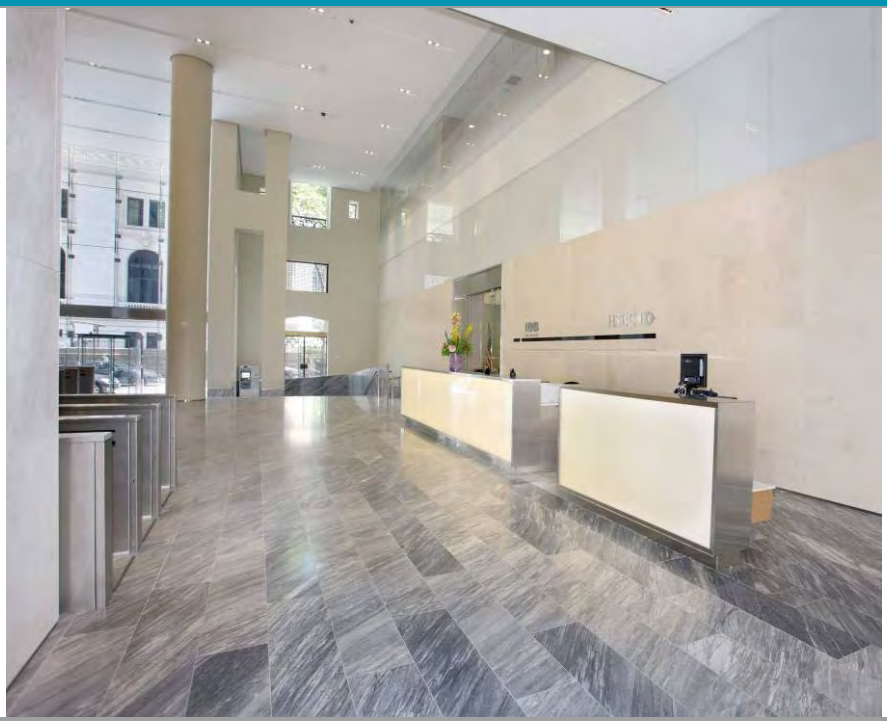
AERIAL VIEW OF THE SUBJECT



AERIAL VIEW OF THE SUBJECT



VIEW OF THE LOBBY



ALTERNATE VIEW OF THE LOBBY



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Scope of Work

Overview

Scope of work is the type and extent of research and analyses involved in an assignment. To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the relevant characteristics of the subject property, and other pertinent factors. Our concluded scope of work is summarized below, and in some instances, additional scope details are included in the appropriate sections of the report:

Research & Analysis

- Inspected the exterior of the building and site improvements.
- Reviewed leasing policy, concessions, tenant build-out allowances, and history of recent rental rates and occupancy with a representative of ownership; and several leasing and investment sales brokers and market research analysts including Franklin Speyer, Joshua Kuriloff, Tara Stacom, Robert Lowe, Robert Gallucci, Peter Berti, Robert Thuss, Louis D'Avanzo, James Downey, Gene Spiegelman and Bob Knakal of Cushman & Wakefield, Inc.
- Reviewed a detailed history of income and expense and a budget forecast for 2017.
- Conducted market research of occupancies, asking rents, concessions and operating expenses at competing buildings, which involved interviews with on-site managers and a review of our own data base from previous appraisal files.
- Prepared an opinion of stabilized income and expense (for capitalization purposes).
- Conducted market inquiries into recent sales of similar buildings to ascertain sales price per square foot, effective gross income multipliers and capitalization rates. This process involved telephone interviews with sellers, buyers and/or participating brokers.
- This appraisal employs the Sales Comparison Approach and the Income Capitalization Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that the Sales Comparison Approach and the Income Capitalization Approach would be considered meaningful and applicable in developing a credible value conclusion. The subject's age makes it difficult to accurately form an opinion of depreciation and tends to make the Cost Approach unreliable. Investors do not typically rely on the Cost Approach when purchasing a property such as the subject of this report. Therefore, we have not utilized the Cost Approach to develop an opinion of market value.
- The data have been thoroughly analyzed and confirmed with sources believed to be reliable, leading to the value conclusions in this report. The valuation process used generally accepted market-derived methods and procedures appropriate to the assignment.

This appraisal, presented in an appraisal report, is intended to comply with the reporting requirements outlined under the USPAP for an appraisal report. As such, it presents limited discussion of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be found in our appraisal workfiles. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The report was also prepared to comply with the requirements of the Code of Professional Ethics of the Appraisal Institute and the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), Title XI Regulations.

Cushman & Wakefield, Inc. has an internal Quality Control Oversight Program. This Program mandates a “second read” of all appraisals. Assignments prepared and signed solely by designated members (MAIs) are read by another MAI who is not participating in the assignment. Assignments prepared, in whole or in part, by non-designated appraisers require MAI participation, Quality Control Oversight, and signature.

For this assignment, Quality Control Oversight was provided by Robert S. Nardella, MAI, MRICS. In addition to a qualitative assessment of the Appraisal Report, Robert S. Nardella, MAI, MRICS is a signatory to the Appraisal Report and concurs in the value estimate(s) set forth herein.

Report Option Description

USPAP identifies two written report options: Appraisal Report and Restricted Appraisal Report. This document is prepared as an Appraisal Report in accordance with USPAP guidelines. The terms “describe,” summarize,” and “state” connote different levels of detail, with “describe” as the most comprehensive approach and “state” as the least detailed. As such, the following provides specific descriptions about the level of detail and explanation included within the report:

- Describes the real estate and/or personal property that is the subject of the appraisal, including physical, economic, and other characteristics that are relevant
- States the type and definition of value and its source
- Describes the Scope of Work used to develop the appraisal
- Describes the information analyzed, the appraisal methods used, and the reasoning supporting the analyses and opinions; explains the exclusion of any valuation approaches
- States the use of the property as of the valuation date
- Describes the rationale for the Highest and Best Use opinion (if included)

Identification Of Property

Common Property Name: 442/452 Fifth Avenue and 1 West 39th Street

Location:	Between West 39th and 40th Streets New York, New York County, NY 10018 The subject property is located on the westerly blockfront of Fifth Avenue between West 39th and West 40th Streets in the Grand Central office submarket of Midtown Manhattan.
Property Description:	The subject property consists of four adjacent buildings that are integrated into a single office building. The Knox Building (known as 452 Fifth Avenue) and Kress Building occupy the northern and southern corners of the site, respectively, with the Tower located mid-block on Fifth Avenue, and cantilevering over the Kress building. One West 39th Street is adjacent to the Kress Building and is located on the side street. The Knox Building was built in 1902. The Kress Building was built in 1935 and One West 39th Street was built in 1923. In 1984, the modern 30-story (there is no 13th floor) 442 Fifth Avenue was built and all four buildings were integrated into a single operating structure. The subject property contains 865,546 square feet of net rentable area (788,773 square feet of gross building area) on a 44,355 square foot parcel of land. The subject is 99.52 percent leased to 13 office tenants and 3 retail tenants. There are 4,139 square feet of vacant storage space. The subject is located across from Bryant Park.
Assessor's Parcel Number:	Lots 31 and 49 in Block 841
Legal Description:	We have not been provided with a metes and bounds legal description for the property. However, the property is identified on the tax maps of the City of New York as Lots 31 and 49 in Block 841.

Property Ownership And Recent History

Current Ownership:	452 Fifth Owners LLC c/o IDB Group
Sale History and Current Disposition:	452 Fifth Owners, LLC, a joint venture of Koor Industries Ltd and Property and Building, Ltd (a IDB group subsidiary) acquired the subject property from HSBC Bank USA in a sale–leaseback transaction in October 2009 for $330,000,000. This was an “at arm’s length” transaction. Following the sale in October 2009, the entire property was leased back to HSBC Bank USA, except for 18,246 square feet of ground and second floor retail space. HSBC Bank USA leased-back the building at an initial gross rent of $44.2 million (weighted average of $53 per square foot) in year one of a 10-year lease with renewal options. Subsequently, after 12-months, HSBC Bank USA gave back the tower (floors 12-30), which became available for lease. HSBC Bank USA had two consecutive 10-year renewal options to renew the office space; four consecutive 5-year renewal options to renew the retail space; and two consecutive 10-year renewal options to renew the storage space. All of the options

are at 95 percent of fair market rental value. This is a gross lease in which HSBC Bank USA is responsible for real estate taxes and operating expenses above a base year amount.

There have been no sales of the property within the past three years to the best of our knowledge. To the best of our knowledge, the property is not under contract of sale nor is it being marketed for sale.

Dates Of Inspection And Valuation

Date of Valuation:	June 30, 2017
Date of Inspection:	July 10, 2017
Property inspection was performed by:	Naoum M. Papagianopoulos, MAI made a personal inspection of the property that is the subject of this report. Robert S. Nardella, MAI, MRICS reviewed and approved the report but did not inspect the subject property.

Client, Intended Use And Users Of The Appraisal

Client:	PBC USA Inc.
Intended Use:	The appraisal is to be used for financial reporting by the Client. The complete report may also be used as an addendum to company/affiliates (including holding companies of 452 Fifth Owners LLC) public filings and investment prospectuses. We know and agree that this evaluation will be used and/or included in the financial statements as of June 30, 2017 of Property & Building Company Ltd, Discount Investment Corporation Ltd. ("DIC") and IDB Development Company Ltd. ("IDB Development"), including such financial statements as shelf prospectuses or shelf offering reports to be published by any of the said companies, including by way of referral, as well as in any immediate report under the Securities Law, 5728-1968 and its regulations, which, according to the provisions of the law, the said companies will be required to include.
Intended User:	The appraisal is to be used by the Client, 452 Fifth Owners LLC, Property & Building Corporation LTD. and their direct and indirect affiliate companies (including the holding companies of 452 Fifth Owners LLC). Discount Investment Corporation Ltd. (“DIC”) and IDB Development Corp. Ltd. (“IDB”) and each of their respective direct and indirect affiliate companies are intended users of this report.

Extraordinary Assumptions

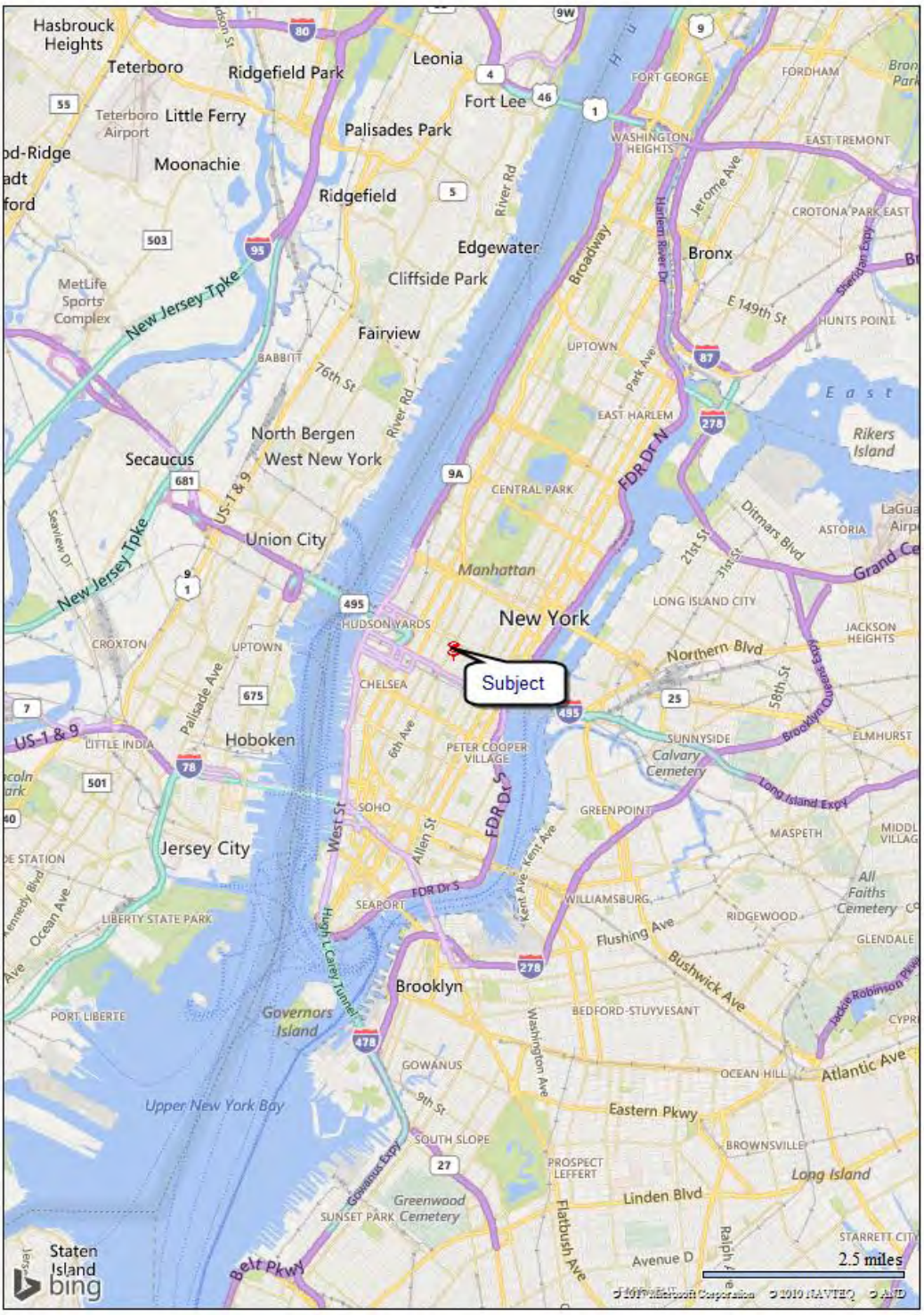
This appraisal employs the following extraordinary assumption: We have assumed that the LOIs with Wood McKenzie LLP and Tripointe Capital Partners, LLC will be signed and executed per the agreed upon terms contained herein. Any changes to the terms may have a material impact on our value conclusion.

Hypothetical Conditions

This appraisal does not employ any hypothetical conditions.

New York City Regional Analysis

REGIONAL MAP



Introduction

Market Definition

New York City consists of five counties at the mouth of the Hudson River in the southeast area of New York State. The borough of Manhattan, also referred to as New York County, forms the political, financial and cultural core of the city. It is the economic growth engine of the Greater New York Region. The city's other boroughs are Brooklyn, Queens, Staten Island, and the Bronx, otherwise known as Kings, Queens, Richmond, and Bronx counties, respectively. The area's vast mass transit infrastructure connects the five boroughs as well as the surrounding suburban areas, forming the Greater New York Region. This region covers 21 counties in the southeastern section of New York State, southwestern corner of Connecticut, and Central and Northern New Jersey.

The following are notable points about New York City:

- The city is home to the two largest stock exchanges in the world, the New York Stock Exchange and the NASDAQ Stock Market.
- New York houses many large financial institutions, including Citigroup, JPMorgan Chase, Goldman Sachs, Barclay's, and Bank of America.
- New York City is home to the headquarters of 47 companies on the 2016 Fortune 500 list.

The following map highlights the Core Based Statistical Area (CBSA) of New York, NY:

NEW YORK CITY COUNTIES



Source: Cushman & Wakefield Valuation & Advisory

Current Trends

New York City's economy continues to thrive on the strength of steady employment gains over the past few years. The city has recovered all of the jobs lost during the great recession, well ahead of most cities in the nation, and total employment remained healthy despite slowing down in 2016. The recent job gains have come in many sectors, and the city's employment diversity has helped weather the finance industry's struggles. A major source of recent economic growth has been the city's tourism industry. NYC & Company, the city's tourism bureau, estimated that New York City had a record 58.5 million visitors in 2015, up nearly 3.7 percent from 56.4 million in 2014. The office of the Mayor estimates a record 60.3 million people visited the city in 2016, up 3.1 percent from 2015. This surge in the tourism industry explains the city's expansion in related employment sectors, and will continue to help the local economy.

In addition to attracting shopping dollars from the local and the surrounding dense New York City population, the primary strategy is to attract visitors and tourists to Staten Island. It is common for visitors of New York City to visit the Woodbury Commons Outlet Center in Central Valley, New York. The outlet center reportedly attracts 12.0 million visitors a year, making it the No. 1 tourist attraction in New York State outside of Manhattan. Woodbury Commons attracts more than three times the annual visitors as the Empire State Building. Approximately 22.0 million passengers use the Staten Island Ferry annually, an average of 70,000 people take the Staten Island Ferry on an average weekday. It is estimated that 2.0 million of the Staten Island Ferry passengers each year are tourists, drawn by its unique views of the New York City skyline and the Statue of Liberty. As a result of these visitors, the Staten Island Ferry is among the top tourist destinations in New York City, behind the Metropolitan Museum of Art (6.3 million), Statue of Liberty (4.3 million), and the Empire State Building (3.5 million). Mayor Bloomberg announced plans in 2013 to construct the world's tallest observation wheel on a site adjacent to the outlet center. At 630 feet, the observation wheel, also known as New York Wheel, will be 79 feet taller than the previous record holder, the Singapore Flyer, and will tower above the famous London Eye by 183 feet. Las Vegas opened its 550-foot High Roller observation wheel in March of 2014 on the heart of the strip, making it currently the tallest in the World. Dubai is planning the construction of a 689 foot observation wheel called the Dubai Eye but upon completion the Staten Island Wheel will hold the title as tallest observation wheel in the world. It will be capable of holding 1,440 people per rotation, with up to 40 passengers in each of its 36 enclosed pods. Officials said the standard entry fee is expected to be $25.00, compared with $24.95 daytime and $34.95 nighttime ticket currently available for the Las Vegas High Roller. Construction of the New York Wheel, which is estimated to cost $580.0 million, began in May 2015, and it has a target opening date in early 2018. This project would have a significant positive enhancement on the local economy as it is projected to attract over 3.0 million plus visitors per year.

Another important growth driver for the city has been its tech sector. Fast-growing and well-paying tech companies like Google, Facebook and BuzzFeed are adding jobs at a fast pace. These major companies have been joined by small startups throughout the city in creating a thriving tech ecosystem. New York City's government is helping to nurture the growth with economic development and education initiatives. As a result, Cornell, NYU, Columbia, and Carnegie Mellon are all opening or expanding tech-oriented campuses in the city, in an effort to meet the need for highly educated workers. In addition, the de Blasio administration unveiled an ambitious plan in late 2016 to construct a new life sciences facility on an unspecified space along the East River. It will either be built on Manhattan's East Side or in Long Island City, Queens. The City will invest $100.0 million into a new life sciences structure, which is part of a broader $500.0 million plan to create 16,000 new jobs in the science field. Other components of the plan include reexamining land use and providing tax credits for developers working in the science sector.

Further considerations are as follows:

- Despite witnessing a considerable spike in large retailers in the past decade, Brooklyn is missing out on billions of dollars in consumer spending. According to a report released by the Brooklyn Chamber of Commerce, the borough is primed for $6.0 billion in retail opportunities. The report noted that car dealerships, car parts stores and gas stations could bring a combined revenue of $4.0 billion.
- The New York City Economic Development Corporation has launched a private-public partnership, called "The Early-Stage Life Sciences Funding Initiative," aimed to spur growth in New York City's life-sciences sector. It will provide new funding and a half-million square feet of new space to attract the research and development operations of early-stage companies to the city. A third tower of 350,000 square feet will be built at the Alexandria Center for Life Sciences, along with a 100,000 square foot bioscience research center that will be converted from a building at East 26th Street and First Avenue. It is projected that 2,000 jobs will be created by the initiative.
- In August 2016, the Department of City Planning released a long-awaited proposal to rezone Midtown East, seeking to bulk up the office stock in the neighborhood. The rezoning would allow developers to build substantially bigger and taller (up to 30.0 percent taller) buildings than before. The proposal identifies 16 sites where a total of 6.5 million square feet of new office space could be added by 2036 under the rezoning. The proposal would also allow landowners to trade air rights across Midtown East, as opposed to just between neighboring parcels. Developers, however, would need to contribute money for public infrastructure improvements or buy air rights from landmarked buildings.
- TechShop, a California-based company that operates shared manufacturing spaces around the world, has been tapped by the New York City Economic Development Corporation to operate the 15,000 square foot advanced manufacturing center at the Brooklyn Army Terminal in Sunset Park, Brooklyn. The center, which is part of the de Blasio administration's Futureworks NYC program, is expected to create more than 500 jobs in the first five years, attract $200.0 million in investment and spawn more than 200 businesses, according to the city. TechShop expects to open the center by mid-2017.
- Early in 2016, Governor Andrew M. Cuomo unveiled a planned expansion of the Jacob K. Javits Convention Center, a convention center used to host events such as the New York International Auto Show and the New York Comic Con, aimed to significantly increase the convention center's potential as an economic engine and maximize its ability to host more high-profile events from around the world. The expansion entails spending $1.5 billion to add an additional 1.2 million square feet of space to the north end of the existing facility and build a roof terrace for outdoor events. More specifically, the expansion will include 500,000 square feet of contiguous space on Level 3, a 58,000 square foot ballroom, a garage, and a rooftop terrace and pavilion overlooking the Hudson River, which can accommodate up to 1,500 guests for outdoor events. The expansion project will serve as a catalyst for new job creation, new business opportunities and enhanced revenue for the hotel, restaurant, tourism and transportation industries. It is projected to generate $393.0 million in additional annual economic activity each year, support 4,000 new full-time, 2,000 part-time jobs and 3,100 construction jobs, as well as leading to an additional 200,000 hotel room nights a year.
- The Related Companies commissioned a study to examine the economic impact of the Hudson Yards development on New York City. The study indicated that the projected economic output of the project will contribute $18.9 billion to the city's gross domestic product, rivaling Iceland's gross domestic product of $15.3 billion. It will create an estimated 2,767 construction jobs annually during the 14-year-build-out period. Once fully operational, the complex is expected to house 56,000 full-time employees with an annual earning totaling $9.8 billion. By 2025, the year by which Related aims to finish the project, there will be a total of 10.4 million square feet of office space, eight residential towers, a cultural center, and retail.

- A February 2017 report released by the New York Building Congress estimates that the overall construction spending in New York City reached $43.1 billion in 2016, breaking the $40.0 billion barrier for the first time in the city's history and it marks an increase of 26.0 percent from 2015 when spending reached $34.3 billion. This projected 2016 spending will surpass the last construction peak in 2007 by a few billion dollars, after adjusting for inflation. The non-residential sector (comprising office space, institutional development, government buildings, sports/entertainment venues, and hotels) is forecasted to jump to $17.0 billion in 2016, representing an increase of 27.0 percent from a year ago and accounting for nearly 40.0 percent of the 2016 total spending. The Building Congress anticipates the current building boom to persist over the next two years, with $42.1 billion in the overall construction spending for 2017 and $42.3 billion in 2018.
- A/D/O, a 23,000 square foot designer support center located at 29 Norman Avenue, Greenpoint, is set to offer free communal workspace, rentable dedicated desks, digital fabrication and printing tools, talks, classes and special installations to professional designers. Developed by the automotive brand Mini, and designed by nArchitects, the studio will also include a Nordic-inspired restaurant by chefs Fredrik Berselius and Claus Meyer, a design shop and Urban-X, which invests in and mentors business start-ups. A/D/O fully opened in January 2017.
- Simone Development Companies has plans to build a 1.9 million square foot mixed-use office, academic and medical complex on a 33-acre site at 1500 Waters Place in the east Bronx. Simone plans to construct two one-story retail buildings totaling 40,000 square feet and four 10-story buildings of 250,000 square feet each. Plans will also include a hotel and 100,000 square feet of space for higher education. Several thousand permanent jobs are expected to be created through the development.
- A partnership of developers between Jamestown, Belvedere Capital and Angelo Gordon previously unveiled a massive redevelopment plan for Brooklyn's Industry City. The plan calls for a $1.0 billion investment over the next 12 years and 13,300 jobs at Industry City, including the ones currently there. The developers estimate that another 5,800 jobs would be created throughout the city as a result of the project. The planned expansion, however, cannot go forward without Mayor de Blasio's administration's approval for the creation of a "special innovation zoning district." In the meantime, the developers are converting a building at 168 39th Street in Industry City, also known as Building 19, into 500,000 square feet of office catered toward creative and technology tenants. The Brooklyn Nets' practice facility currently occupies the top floor of the eight floor, 1.3 million square foot building. The renovation will add new windows and a new lobby to the building, as well as provide basic infrastructure upgrade.
- Cornell University broke ground on its Roosevelt Island tech campus in January 2014. The $2.0 billion project, which won the city's "Applied Sciences NYC" competition, will add some 2.0 million square feet of academic, residential, and commercial space over the next two decades. Slated to open in summer 2017, the new campus will house approximately 2,000 students and 280 faculty members, and create 8,000 permanent jobs by 2037. The project more recently received $50.0 million from Verizon to develop an executive education center, as well as $100.0 million from former Mayor Michael Bloomberg to build the first academic building on the island.
- Numerous high-profile redevelopment projects in various stages of the development pipeline will contribute to New York City construction spending well into the future. Notable among these include Hudson Yards, Pacific Park (formerly known as Atlantic Yards), the World Trade Center site, Flushing Commons, Greenpoint Landing, Domino Sugar Factory, the Staten Island Ferris wheel and outlet mall, Willets Point, City Point, Hallets Point, and Seward Park.

Demographic Trends

Demographic Characteristics

New York City exceeds the national average in household income at both the top and bottom of the spectrum. As a result, the city's middle income brackets are relatively small. The high cost of living in New York City pushes out many of those who are not poor enough to qualify for subsidized rents or wealthy enough to afford market-rate housing.

The city also has a gap in educational attainment. A higher percentage of New York City residents are without a high school diploma than the national population, and likewise for residents with at least a bachelor's degree.

Further considerations are as follows:

- The median person in New York City is 36 years old, two years younger than the national median.
- New York City's average household income of $84,794 is 8.1 percent higher than the national average of $78,425. When looking at median household income, however, the roles are reversed. Median income in New York City is $52,185, 4.3 percent lower than the country's median household income of $54,505. Medians are typically a better measure of central tendency, as means are more easily influenced by outliers. As discussed above, New York is full of outliers at the upper and lower ends of the income scale.
- New York City beats the national average in residents with at least a bachelor's degree by 5.7 percentage points. The city boasts a large number of institutions of higher learning, along with industries that require such education. The educated labor pool makes New York City an attractive destination for many businesses.

The following table compares the demographic characteristics of New York City with those of the United States:

Demographic Characteristics
New York City vs. United States
2016 Estimates

Characteristic	New York City	United States
Median Age (years)	36.0	38.0
Average Annual Household Income	$84,794	$78,425
Median Annual Household Income	$52,185	$54,505
Households by Annual Income Level:		
<$25,000	27.8%	23.0%
$25,000 to $49,999	20.7%	23.4%
$50,000 to $74,999	15.7%	18.3%
$75,000 to $99,999	10.9%	12.4%
$100,000 plus	25.0%	23.0%
Education Breakdown:		
< High School	20.0%	13.9%
High School Graduate	24.7%	28.1%
College < Bachelor Degree	20.6%	29.0%
Bachelor Degree	20.6%	18.2%
Advanced Degree	14.1%	10.9%

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Cushman & Wakefield Valuation & Advisory

Population

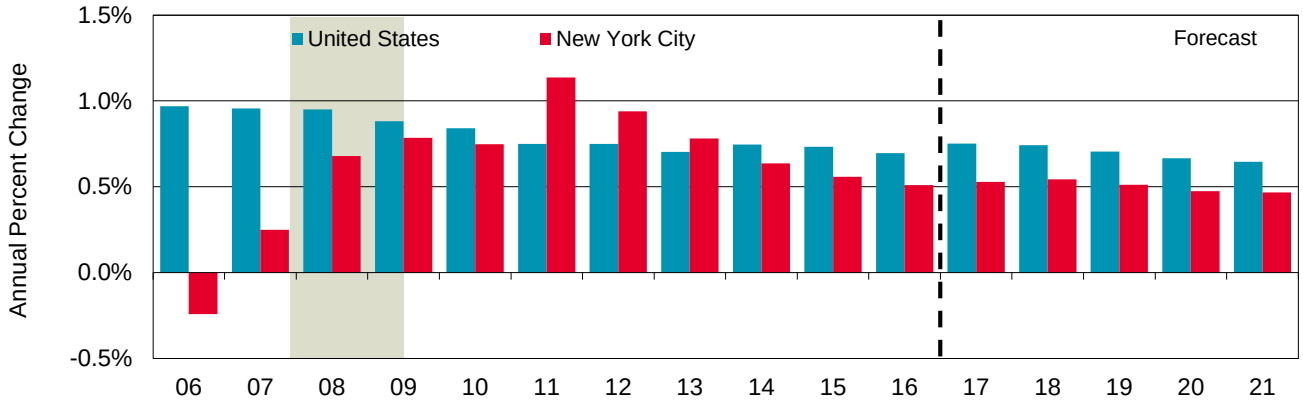
According to Moody's Analytics, the current population of New York City is estimated at approximately 8.6 million. Rapid population growth is and always will be a challenge for New York City, as the densely populated metro area has little room for growth. The recent trend of redeveloping former industrial and office buildings into residential buildings could help, but the city will likely never grow as quickly as the rest of the country. Brooklyn, the Bronx, and Queens are expected to grow at the same rate in the near future. According to Moody's Analytics, these boroughs are forecast to grow by an average annual rate of 0.6 percent through 2021.

Further considerations are as follows:

- From 2006 through 2016, New York City had average annual population growth of 0.7 percent. Over the same time frame, the nation grew at an average annual rate of 0.8 percent.
- Population growth for the next five years will continue to be relatively low in New York. The average annual rate is forecast at 0.5 percent, slightly lower than the nation's forecast annual growth of 0.7 percent.
- People typically follow jobs, so the recent trend of private sector job growth is a likely driver behind New York's population growth since the recession. The city's annual growth rate peaked at roughly 1.2 percent in 2011.

The following chart compares historical and projected population growth between New York City and the United States as a whole:

POPULATION GROWTH BY YEAR
New York City vs. United States, 2006-2021



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory
Note: Shaded bars indicate periods of recession

The following table shows New York City's annualized population growth by county:

Annualized Population Growth by County
New York City
2006-2021

Population (000's)	2006	2016	Forecast 2017	Forecast 2021	Compound Annual Growth Rate 06-16	Compound Annual Growth Rate 17-21
United States	298,379.9	323,881.4	326,331.7	336,072.4	0.8%	0.7%
New York City	**7,993.9**	**8,572.9**	**8,618.2**	**8,791.3**	**0.7%**	**0.5%**
Bronx County	1,348.2	1,460.7	1,469.7	1,506.6	0.8%	0.6%
Kings County	2,436.1	2,647.6	2,664.9	2,729.8	0.8%	0.6%
New York County	1,578.2	1,643.8	1,649.1	1,667.0	0.4%	0.3%
Queens County	2,173.9	2,347.2	2,361.0	2,414.9	0.8%	0.6%
Richmond County	457.6	473.5	473.5	472.9	0.3%	0.0%

Source: Data Courtesy of Moody's Analytics, Cushman & Wakefield Valuation & Advisory

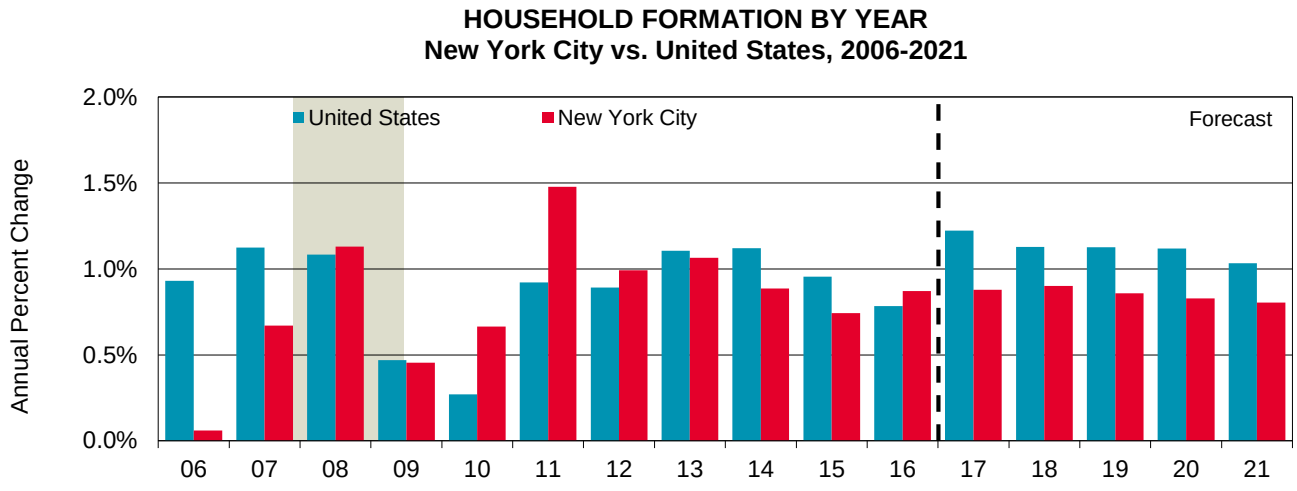
Households

Much like population growth, New York City continually lags the country in household formation. This is largely due to issues endemic to New York City. For example, the extremely high cost of living discourages household formation, especially as young residents group together in apartments to live more affordably. It is not uncommon for living rooms to be converted into extra bedrooms. Indeed, recent census data show that New York City leads the nation in nonfamily households, with almost two-thirds of households having members with no familial relationship.

Further considerations are as follows:

- From 2006 to 2016, the number of households in the city grew at an average annual rate of 0.9 percent, mirroring the national rate of 0.9 percent per year over the same time.
- Over the next five years, the city's average growth rate is expected to be 0.8 percent per year, while the rest of the nation is forecast to have an average growth rate of 1.1 percent.

The chart below compares historical and projected household formation growth between New York City and the United States as a whole:



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory
Note: Shaded bars indicate periods of recession

Economic Trends

Gross Metro Product

As discussed earlier, one of the city's biggest new growth drivers since the great recession has been the tech industry. Giants like Microsoft, eBay, Yahoo!, Google, Facebook, Twitter, BuzzFeed, and LinkedIn have been expanding, while smaller tech firms and startups are popping up in "Silicon Alley" and other areas of the city. Notable among these are Etsy, Shutterstock, Kickstarter, MongoDB, Gilt Groupe, and Tumblr. The industry has also been one of the biggest consumers of office space in the city in recent quarters. Expansion is expected to continue as Cornell University's proposed $2.0 billion high-tech graduate school on Roosevelt Island begins to come to fruition. It may take some time before new jobs and businesses arise from the initiative, but the industry will continue to own a growing share of the city's economic output.

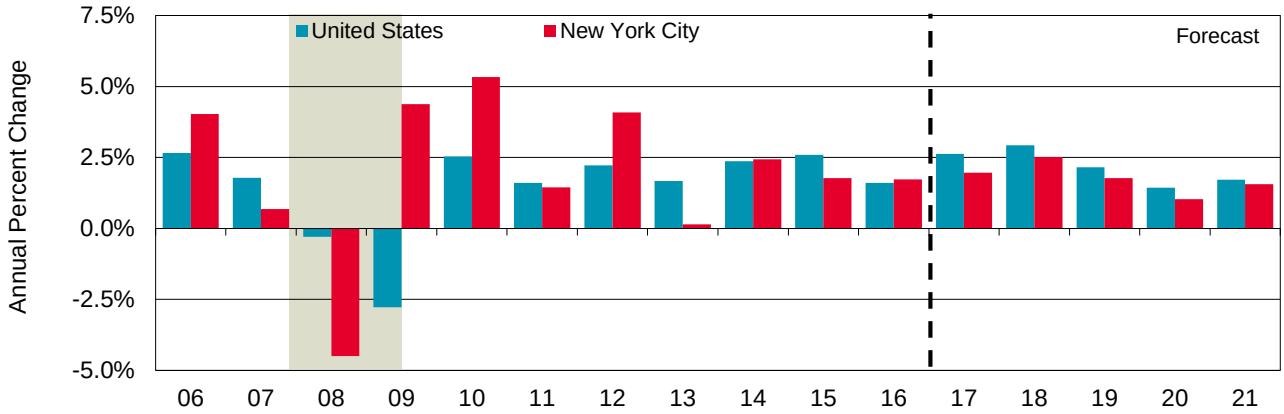
The city's economic output grew at an average annual rate of 1.7 percent in 2016, slightly higher than the nation's economic growth rate of 1.6 percent over the same time period. While city finances are solid, the slowdown in the securities industry has become a concern. Consumer spending is expected to strengthen in 2017 as wage growth accelerates, which will help to drive growth.

Further considerations are as follows:

- For the purpose of comparing the economies of New York City and the United States, we use Gross Metro Product (GMP) and Gross Domestic Product (GDP), respectively. The measures are analogous in what they attempt to capture, but GDP is on a much larger scale than GMP.
- From 2006 through 2016, New York City averaged 1.7 percent annual GMP growth, 40 basis points higher than the nation's annual GDP growth of 1.3 percent over the same time period.
- The city's GMP growth is expected to lag the nation's GDP growth over the next five years, however, growing by an annual average rate of 1.7 percent. The nation's GDP is forecast to have 2.1 percent annual growth over the same time period.

The following chart compares historical and projected GMP growth by year for New York City and GDP growth for the United States:

REAL GROSS PRODUCT GROWTH BY YEAR
New York City vs. United States, 2006-2021



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory
Note: Shaded bars indicate periods of recession

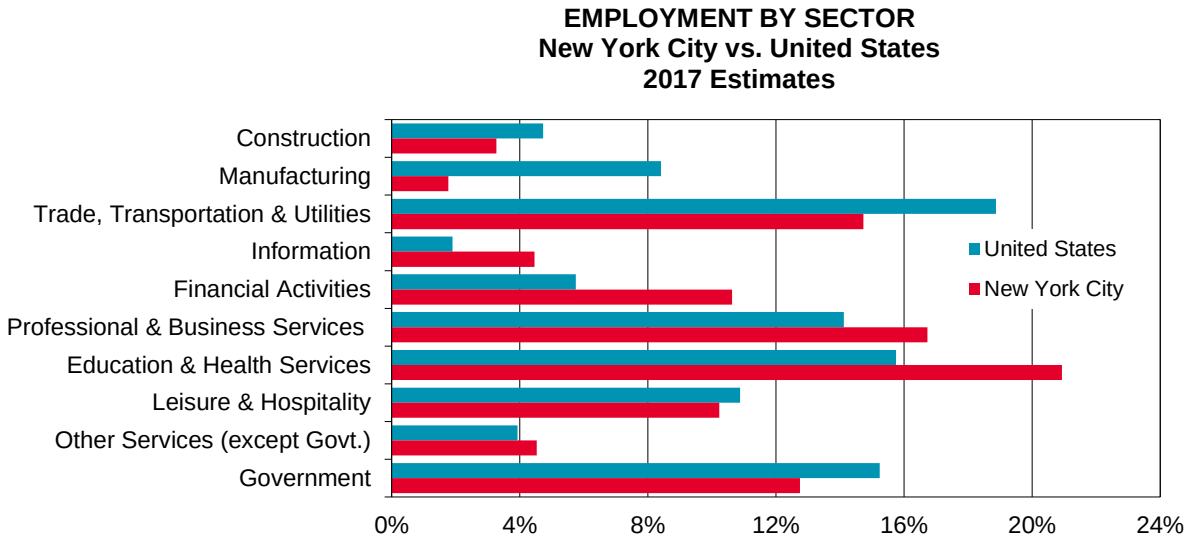
Employment Distribution

New York City is heavily weighted in office-using employment sectors, which comprise 31.3 percent of jobs compared to 24.4 percent for the nation. This helps to explain the high wages and job growth found in the metro area. Furthermore, the city's abundance of service jobs has shielded it from the gradual decay in manufacturing employment across the nation.

Further considerations are as follows:

- More New York City workers are employed in education/health services than in any other sector, comprising 20.9 percent of the workforce. The national representation for this sector is currently at 15.7 percent.
- The sector with the lowest employment representation in the city is manufacturing, which accounts for only 1.8 percent of the workforce. By contrast, the sector accounts for 8.4 percent of national employment. This is a reflection of the service-heavy orientation of New York City, the high cost of land, and the lack of space for large manufacturing facilities.
- The percentage of New York City jobs in the financial activities sector is nearly twice the national proportion – with 10.6 percent of total employment – despite experiencing a slight decline in 2016. This is not surprising, as New York City is the financial capital of the United States and home to Wall Street.
- The area also has more than two times the information sector representation than the rest of the country. Recent growth in this sector is a result of the tech boom.

The following chart compares non-farm employment sectors for New York City and the United States as a whole:



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory

Major Employers

New York City's major employers are a good reflection of the city's employment distribution. Just as many New York City jobs are in education/health services and financial activities, many of the largest employers are found in those sectors. Of the ten largest private employers in the city, five work in healthcare, three are banks, one is in communications, and one is a major retailer.

Further considerations are as follows:

- Northwell Health, formerly known as North Shore-LIJ, is a network of 21 hospitals, over 450 patient facilities and physician practices. The health care giant, valued at $8.0 billion, provides care for eight million people throughout the New York boroughs and Long Island. It was recently rebranded to emphasize wellness as well as a reflection of its future expansion into New England. Northwell Health is currently in talks with the Cuomo administration to rescue Brooklyn's troubled health care system. If successful, Northwell would create and manage a network of hospitals, ambulatory care centers, surgery centers and primary care clinics across Brooklyn incorporating Brookdale University Hospital and Medical Center, Interfaith Medical Center, Kingsbrook Jewish Medical Center and Wyckoff Heights Medical Center.
- JPMorgan Chase & Co., Citibank NA, and Bank of America are the three largest banks in the city, employing more than 81,000 people combined. Their appearance on this list is not surprising, given New York's status in the financial world.
- As previously stated, the education/health services sector is the largest in the city, and the rest of the list reflects this. The five largest hospital systems (Northwell Health, Mount Sinai Health System, New York-Presbyterian, Continuum Health Partners, and Montefiore Medical Center) employ nearly 140,000 New Yorkers.

The following table lists New York City's largest private employers:

Largest Private Employers
New York City, NY

Company	No. of Employees	Business Type
Northwell Health	48,650	Healthcare
JPMorgan Chase & Company	37,363	Financial Services
Mount Sinai Medical Center	32,056	Healthcare
Macy's Incorporated	31,200	Retail
Citibank NA	24,991	Financial Services
New York-Presbyterian Healthcare System	21,802	Healthcare
Bank of America	19,500	Financial Services
Continuum Health Partners Incorporated	18,974	Healthcare
Verizon Communications	18,650	Communications
Montefiore Medical Center	18,030	Healthcare

Source: Crain's New York Business and Cushman & Wakefield Valuation & Advisory

Employment Growth

New York City has experienced extraordinary job growth over the past five years and has now outpaced the nation's job growth over much of the past decade. The city has long since recovered all of the jobs lost during the great recession. The city is expected to continue to act as a magnet to the young professional millennial workers that companies are seeking to hire.

According to the New York State Department of Labor, total employment in the city grew by 1.5 percent during the 12-month period ended December 2016, adding 63,500 jobs. While healthy, it was well below the 117,000 average jobs per year from 2013 through 2015. Private sector job growth in New York City grew at a similar rate, adding 58,300 jobs from the same time last year. By comparison, the state's and nation's private sector employment grew by 1.2 and 1.5 percent, respectively, over the same time. The office-using employment growth in New York City has slowed in 2016, adding just 9,200 jobs during this time. By comparison, the city has added an average of 32,000 office-using jobs per year since 2010.

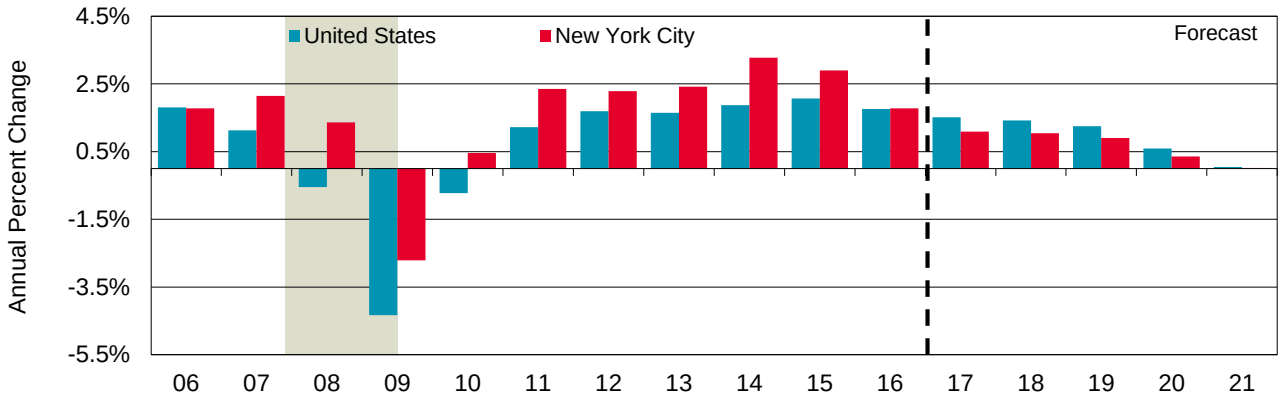
Job growth continues to be broad-based, with most major private sectors posting year-over-year gains. The city's employment growth over the past year has been led by the following sectors: leisure/hospitality (which added 14,700 additional jobs, representing growth rate of 3.4 percent), education/health services (which grew by 25,500 jobs, representing growth rate of 2.8 percent), trade/transportation/utilities (which added 8,000 jobs, representing a 1.2 percent growth rate), and professional/business services (which added 7,700 jobs, representing growth rate of 1.1 percent). Over the same time period, the financial activities sector lost 4,200 jobs (a 0.9 percent decrease) and information lost 2,200 jobs (a 1.1 percent decrease). The government employment increased by 5,200 jobs (a 0.9 percent increase).

Additional considerations for employment growth are as follows:

- Between 2006 and 2016, New York City's total non-farm employment grew by an annual average of 1.6 percent. This was much better than the nation's 0.6 percent annual average job growth over the same time period.
- Over the next five years, however, the city's total non-farm employment is forecast to grow by an annual average of 0.6 percent, slightly below the nation's 0.8 percent annual growth.

The following chart illustrates total non-farm employment growth per year for New York City and the United States:

TOTAL EMPLOYMENT GROWTH BY YEAR
New York City vs. United States, 2006-2021



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory
Note: Shaded bars indicate periods of recession

Unemployment

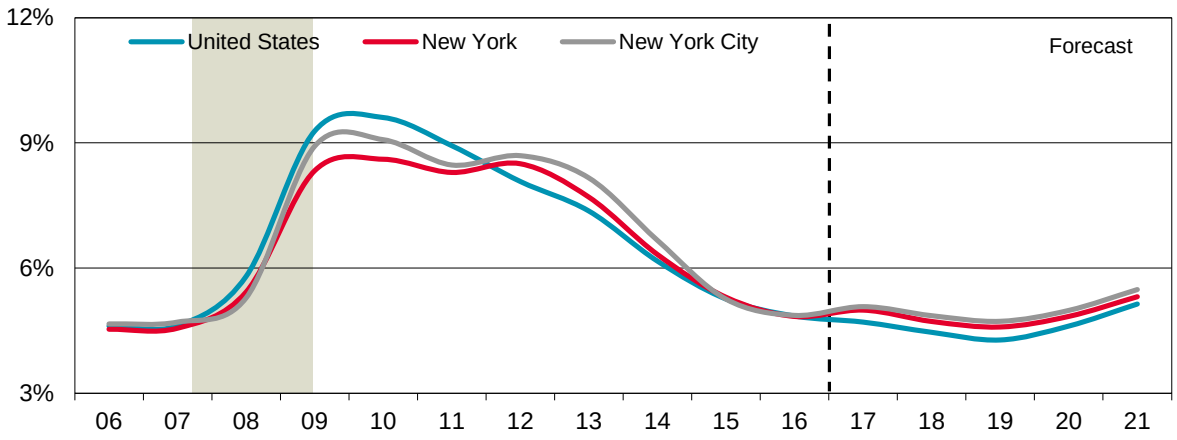
According to the New York State Department of Labor, New York City's non-seasonally adjusted unemployment rate in December 2016 was 4.4 percent, matching the city's historical low. Year over year, the current unemployment rate represents a 60 basis point decrease from December 2015 when the unemployment rate was 5.0 percent. It is also 10 basis points lower than both the state's and nation's rates of 4.5 percent. Despite the historically low unemployment rate, the city did not create jobs fast enough to accommodate its residents. As a result, many discouraged workers have left the city's labor force throughout 2016 to find employment elsewhere. Employment data provided by the New York State Department of Labor indicates that approximately 75,900 people have left the labor force in 2016, denoting a 1.8 percent decrease in the total labor force. These discouraged workers have the underlying effect of lowering the unemployment rate, though not for good reasons.

Further considerations are as follows:

- New York City's unemployment rate averaged 6.8 percent during the period between 2006 and 2016, slightly higher than the state average rate of 6.6 percent, but in line with the national rate over the same time period. During the early 2000s the city had a much higher unemployment rate than the nation, a trend which returned in 2012.
- Over the next five years, Moody's Analytics forecasts that New York City's unemployment rate will average 5.0 percent. This will be slightly higher than the nation's 4.6 percent average rate over the corresponding time frame.

The following graph compares historical and projected unemployment rates for New York City, the state of New York, and the United States as a whole:

UNEMPLOYMENT RATE BY YEAR
New York City vs. New York vs. United States, 2006-2021



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory
Note: Shaded bars indicate periods of recession

Conclusion

New York City has fared well in the past few years and expansion is still firmly in place. Although employment growth in 2016 was the weakest in six years, it remained healthy, bolstered by steady growth in the professional/business services sector and a public sector that is moving in the right direction. The city has experienced healthy economic growth and record employment gains that have outpaced the nation. Economic expansion is expected to continue over the next several years – albeit at a much slower pace – as the tech industry drives employment and financial services continues to recover. New York City's status as the financial capital of the world, coupled with high per capita income and limited exposure to manufacturing, will be its strength. However, high costs of doing business, especially office rents and energy, costly housing and high tax burdens, and overreliance on wealthy overseas buyers to support real estate market will weigh down on the city in the long term.

Additional items to consider for New York City:

- New York City has had steady private sector job growth since 2011, record tourism numbers, and features a well-diversified economy that is no longer dependent on Wall Street. As the tech and tourism industries grow further, New York City will continue to see economic growth, but it will be at a slower pace than the rest of the country.
- New York City's unemployment rate has been steadily trending downward. This trend of low unemployment rate will continue over the next several years as the city's economy remains healthy.
- New York City's solid demographics, including a strong workforce, are the city's assets over the long run, however the city's size and maturity will limit growth. Further,
- Affordability will continue to be a problem in the near term for New York City's middle class, sustaining the trend of "a city of extremes". The shifting employment composition could exacerbate this problem.

Midtown Manhattan Office Market Analysis

Introduction

Current Trends

The Midtown office market recorded nearly 5.3 million square feet of leasing activity in second quarter 2017, bringing 2017 11.8 percent higher than the same time last year, with 9.6 million square feet total. Top leases in the second quarter were dominated by Blackrock's new lease at 50 Hudson Yards, totaling 847,000 square feet. Midtown direct asking rents decreased during the quarter to $77.61 per square foot, bolstered by a decrease in Class A asking rents from $88.93 to $83.95 per square foot. Overall vacancy reached its highest rate in over two years during the first quarter but has come down 20 basis points to 9.8 percent in the second quarter. Midtown's steady leasing combined with a limited supply of new construction completions is projected to put vacancy at equilibrium by the end of 2017.

Manhattan is typically a safe market for office building investment. However, fierce competition has proven to be a challenge for both local and foreign investors alike, as generally, there are not enough assets to meet the increasing demand. The Federal Reserve previously increased the interest rate to a 1.0-1.25 percent range, but intends to hold the rates at low levels. By doing so, the Federal Reserve is seeking to increase economic growth by encouraging borrowing and risk-taking. The market has already incorporated the rate increase, however the current interest rates remain below the historical standard, allowing for an attractive financing environment. This environment has led to numerous high quality office buildings in Midtown being put on the market. During second quarter 2017, HNA Group purchased 245 Park Avenue for $2.21 billion, one of the largest prices every paid for a Manhattan office tower. In addition, SL Green Realty and RXR Realty bid $1.7 billion on New York REIT's midtown office at One Worldwide Plaza. Other trophy properties, like 1515 Broadway are currently on the market. Values for commercial buildings are approaching, and in some cases exceeding, those witnessed in 2007.

The constant relocation of companies between the major markets suggests that there are no longer geographical boundaries between the three Manhattan markets. Several notable Midtown companies have either decided to relocate or are considering a move to Downtown or Midtown South Manhattan, while other companies are coming over to Midtown. Sony Corporation has relocated from Midtown to 11 Madison Avenue in Midtown South. The Associated Press, Citigroup, and SportsNet New York (SNY) will all be headed to locations in Downtown Manhattan. More recently, law firm Milbank, Tweed, Hadley & McCloy signed a letter of intent to occupy 250,000 square feet at 55 Hudson Yards in Midtown. The firm will relocate from its current offices at 28 Liberty Street in Downtown. Penguin Random House will unite its divisions under one roof beginning in 2019, by relocating employees from the SoHo offices to its namesake Random House Tower headquarters at 1745 Broadway in the West Side submarket. Tommy Hilfiger relocated its headquarters from West Chelsea to 285 Madison Avenue in Midtown East. In addition to movement between markets in Manhattan, there is also movement among major employers within the Midtown market. For example, BlackRock intends to move their headquarters from Park Avenue to Hudson Yards in the Penn Station submarket. Point72 Asset Management intends to consolidate its Midtown offices under one roof at 55 Hudson Yards.

Additional Midtown trends and developments in second quarter 2017 include:

- Overall average asking rents in Midtown declined $1.12 per square foot to $77.61 per square foot during the second quarter of 2017. The West Side was the only Midtown submarket to post an asking rental increase, as the remaining eight submarkets recorded second quarter declines.

- Through second quarter 2017, ten leases of at least 100,000 square feet have been signed in Midtown, as compared to five signed in the same time last year. Further, Midtown recorded new leases totaling 5.3 million square feet in the second quarter, the third highest quarterly leasing in five years. Most of the second quarter activity is attributed to Penn Station with 1.6 million square feet leased.
- The Department of City Planning previously released a long-awaited proposal to rezone Midtown East, seeking to bulk up the office stock in the neighborhood. The rezoning would allow developers to build substantially bigger and taller (up to 30.0 percent taller) buildings than before. The proposal identifies 16 sites where a total of 6.5 million square feet of new office space could be added by 2036 under the rezoning. The proposal would also allow landowners to trade air rights across Midtown East, as opposed to just between neighboring parcels. Developers, however, would need to contribute money for public infrastructure improvements or buy air rights from landmarked buildings. The public review process is currently underway. As of July 2017, the plan was approved by the Manhattan Borough Board, the City Planning Commission and a City Council subcommittee. The plan awaits approval from the City Council, who will vote in August 2017, before it is enacted.

Market Characteristics

Midtown is well known for its office space, with dozens of signature buildings in its skyline. With an inventory that includes 9 West 57th Street, the GM Building, the Empire State Building, and the Bank of America Tower, Midtown has some of the most recognizable and luxurious office buildings in the country. These towers attract some of the biggest companies from around the world, despite New York City's ranking as one of the nation's most expensive cities in which to do business. All of this contributes to the historically nation-leading asking rents.

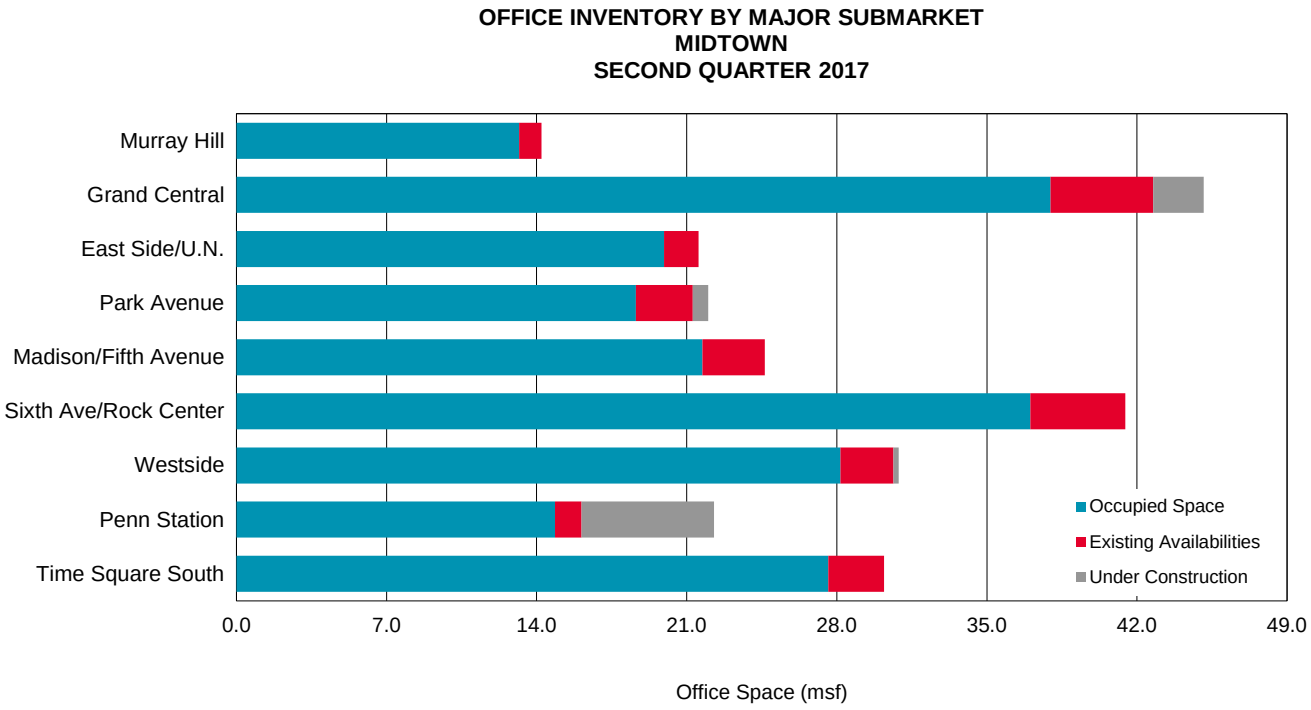
Midtown constitutes the largest office market in Manhattan, containing approximately 242.9 million square feet within its 9 major submarkets: Murray Hill, Grand Central, East Side/United Nations, Park Avenue, Madison/Fifth Avenue, Sixth Ave/Rock Center, West Side, Penn Station, and Times Square South. Almost all of the Midtown submarkets are home to trophy office properties and/or historic landmarks, containing 180.9 million square feet of Class A office space, approximately three-quarters of the Midtown market. As of first quarter 2016, Cushman & Wakefield, Inc. has combined the previous East Side and United Nations submarkets into a single submarket East Side/United Nations.

Listed below are descriptions for each submarket in Midtown:

- Murray Hill is located in Midtown's southeastern corner, with the Midtown South market to its south and Midtown's largest submarket, Grand Central, to its north. Office inventory in Murray Hill is over 14.2 million square feet, 6.9 million square feet of which is Class A space.
- The Grand Central submarket, containing approximately 42.8 million square feet of office space, is Midtown's largest office submarket. Grand Central is located in the eastern portion of Midtown, bordering other primary office submarkets such as Park Avenue, Sixth Ave/Rockefeller Center, and Madison/Fifth Avenue. With 34.3 million square feet of Class A space, Grand Central is also the second largest submarket of primary office inventory in the country, behind the Sixth Ave/Rockefeller Center submarket. Grand Central Terminal, after which the submarket is named, is located on 42nd Street and Park Avenue, and houses over 2.0 million square feet of space on 48 acres.
- The East Side/United Nations submarket is located in the eastern portion of Midtown, stretching from East 39th Street and extends as far as East 72nd Street. The submarket contains approximately 21.6 million square feet of office inventory, roughly 18.4 million square feet of which is Class A space. The United Nations headquarters, after which the submarket is partially named, is located on 18 acres in eastern Midtown and is considered international territory under administration by the United Nations.

- Park Avenue sits between the Madison/Fifth Avenue and East Side/United Nations submarkets, spanning Park Avenue from East 43rd to East 72nd Street. Because of its primary location, the Park Avenue submarket contains only Class A office space, totaling 21.8 million square feet. The MetLife building at 200 Park Avenue, formerly known as the Pan Am building, contains over 3.1 million square feet of space and is a mainstay in the Manhattan skyline.
- The Madison/Fifth Avenue submarket is also a prominent area of Midtown, with 24.6 million square feet of office space. Class A space totals 19.8 million square feet in the submarket. Along with high quality office space, Madison Avenue and Fifth Avenue are home to some of the most expensive retail spaces in the world.
- Sixth Ave/Rockefeller Center has historically competed with the Grand Central submarket for the largest inventory. The submarket contains 41.5 million square feet of office space, 39.5 million of which is Class A, making it the largest submarket of primary office inventory in the country. Rockefeller Center, after which the submarket is partially named, consists of 19 buildings covering 22 acres between 48th and 51st Streets, and totals over 8.0 million square feet of commercial space.
- The Westside submarket, located on Midtown's western border, north of Times Square South, contains 30.6 million square feet of office inventory. The Westside submarket is home to the world famous Times Square junction of Broadway and Seventh Avenue, spanning 42nd to 47th Streets, the area sometimes thought of as the center of New York City. It also now encompasses the Lincoln Center performing arts complex and surrounding neighborhood.
- Penn Station, named after the modern Pennsylvania Station located between 7th and 8th Avenues, and 31st to 34th Streets, contains 16.1 million square feet of office space. Approximately 9.9 million square feet is classified as Class A space and 4.1 million square feet is Class B.
- Times Square South is the submarket bordering the southern side of Times Square and north side of the Penn Station submarket. Almost half of the submarket's 30.2 million square feet is Class B space, making it the largest such inventory in Midtown.

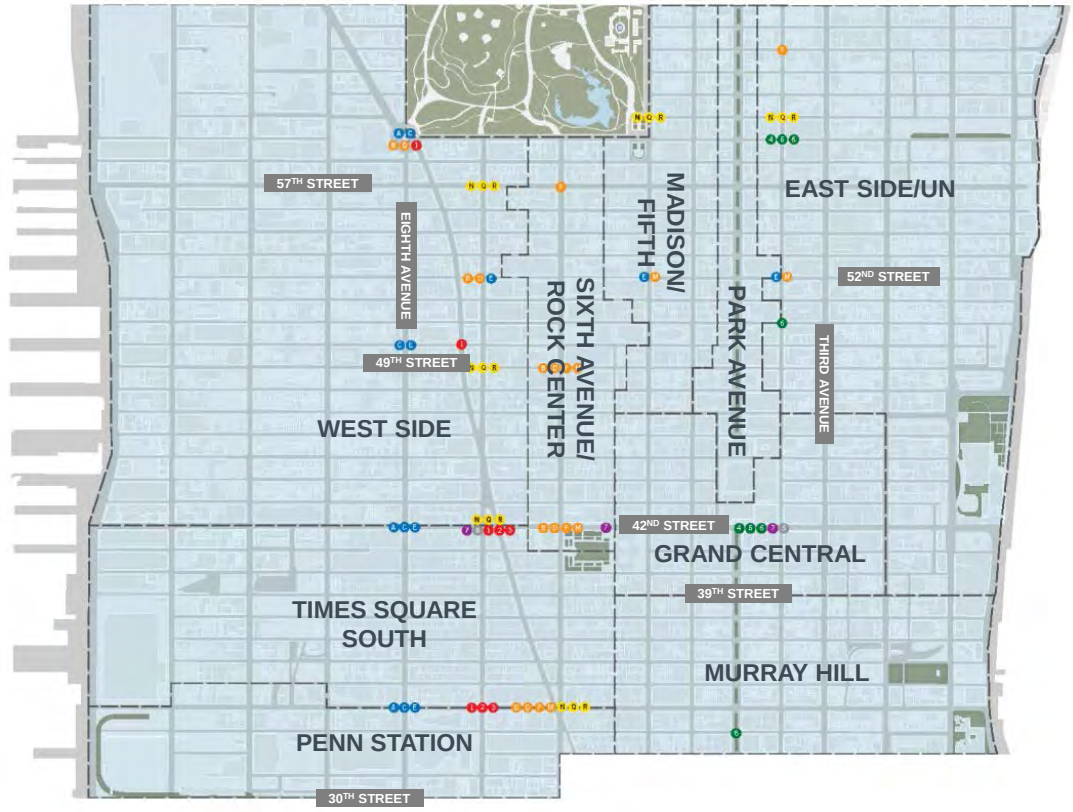
The following chart shows Midtown's office inventory by submarket:



Source: Cushman & Wakefield Research; compiled by C&W V&A

The following map highlights the Midtown office market broken down by submarket:

MIDTOWN SUBMARKET MAP



Source: Cushman & Wakefield Research

Supply Analysis

Vacancy

Midtown's direct vacancy decreased 30 basis points to 8.1 percent during the second quarter of 2017. The decrease in vacancy was due to several large new leases, despite large blocks of direct space that entered the market during the quarter, including 370,691 square feet at 75 Rockefeller Plaza and 99,503 square feet at 10 Hudson Yards. (Note: New space additions are contiguous blocks of space that entered Cushman & Wakefield's statistical sample.) The Class A direct vacancy rate decreased 30 basis points to 8.4 percent.

The overall vacancy rate in the second quarter of 2017 declined 20 basis points after the vacancy rate reached double digits in the first quarter. The increase was primarily due to several large blocks of space that entered the statistical sample during the first quarter and was offset by a few large leases throughout the second quarter. Class A vacancy dropped 30 basis points to 10.1 percent quarter-over-quarter, due to three new leases and two expansion leases signed exceeding 100,000 each. Class B vacancy remained at 9.2 percent quarter-over-quarter.

Other important notes for vacancy in Midtown include:

- The overall vacancy rate in the Madison/Fifth Avenue submarket was 11.8 percent at the end of second quarter 2017, up 0.5 percentage point from last quarter, however down 1.7 percentage points from the same time last year. This rate was heavily influenced by a single building, 9 West 57th Street. This tower, also known as the Solow Building, is owned and managed by a company notorious for its insistence on receiving top tier office rents. Consequently, its space sits on the market for extended periods of time. The building currently has a vacancy rate of 29.2 percent, equating to 416,255 square feet of vacant space.
- Strong leasing during the second quarter pushed West Side's overall vacancy rate down 1.2 percentage points to 8.1 percent year-over-year. The direct vacancy rate was also down 20 basis points during the quarter to 7.0 percent. The decrease in vacancy rate was driven by healthy demand for Class A space in the quarter.
- The overall vacancy rate in the Park Avenue submarket increased 2.3 percentage points year-over-year to 12.4 percent, the highest of any submarket in Midtown. The upsurge in vacancy was driven primarily by the space additions at 399 and 245 Park Avenue, which added over 348,000 square feet to the submarket.

The following table outlines Midtown's submarket statistics for the second quarter of 2017:

Office Market Statistics by Submarket
Manhattan - Midtown
Second Quarter 2017

Market/Submarket	Inventory	Direct Vacancy Rate	Overall Vacancy Rate	YTD Construction Completions	YTD Overall Absorption	Under Construction	Direct Wtd Avg Rent	Direct Wtd Avg Class A Asking Rent	Direct Wtd Avg Class B Rent	Overall Wtd Avg Asking Rent
Murray Hill	14,232,299	5.0%	7.4%	0	(19,564)	0	$63.63	$71.39	$57.97	$58.73
Grand Central	42,759,706	9.8%	11.2%	0	378,452	2,358,396	$72.07	$74.84	$61.20	$69.74
East Side/U.N.	21,551,123	5.5%	7.4%	0	(436,009)	0	$75.22	$76.72	$64.21	$71.48
Park Avenue	21,279,326	9.4%	12.4%	0	(390,136)	728,700	$100.04	$100.04	$0.00	$89.80
Madison/Fifth Avenue	24,645,391	10.7%	11.8%	0	(114,177)	0	$103.21	$110.54	$64.31	$99.87
Sixth Ave/Rock Center	41,461,063	8.6%	10.7%	0	709,593	0	$90.06	$91.60	$60.20	$86.72
Westside	30,644,801	7.3%	8.1%	0	419,795	241,064	$78.28	$84.17	$60.65	$76.05
Penn Station	16,095,431	6.0%	7.7%	0	357,353	6,181,327	$69.51	$75.30	$67.17	$64.30
Time Square South	30,209,473	6.8%	8.6%	0	(69,319)	0	$60.64	$77.90	$59.94	$58.03
MIDTOWN TOTAL	**242,878,613**	**8.1%**	**9.8%**	**0**	**835,988**	**9,509,487**	**$81.80**	**$88.59**	**$61.31**	**$77.61**

Source: Cushman & Wakefield Research; compiled by C&W V&A

Construction

New York City's construction industry has strongly rebounded since the end of the recession. Much of this rebound has been driven by public infrastructure spending and the post-recession boom in luxury multifamily buildings. According to a May 2017 report released by the New York Building Congress, the overall construction spending in New York City reached $42.4 billion in 2016, breaking the $40.0 billion barrier for the first time in the city's history and it marks an increase of 24.0 percent from 2015 when spending reached $34.3 billion. This reported 2016 spending surpassed the last construction peak in 2007 by a few billion dollars, after adjusting for inflation. The Building Congress anticipates the current building boom to persist over the next two years, with $42.1 billion in the overall construction spending for 2017 and $42.3 billion in 2018.

In addition, the New York Building Congress analyzed construction data from Dodge Data & Analytics and found that construction starts (which is the total value of all construction projects, including new ground-up construction, alterations and renovations to existing structures, and public infrastructure) initiated in the five boroughs reached $32.2 billion in 2016, a decrease of nearly 22.0 percent from 2015, primarily due to a cooling off in the residential sector. Despite the sharp decline, construction starts in 2016 remained ahead of the annual average of $24.1 billion in construction starts achieved during a five-year period spanning from 2011 through 2015. Moreover, continued strength in new commercial buildings, particularly office towers, has buoyed the non-residential sector, which fell slightly from $18.0 billion in 2015 to $17.3 billion in 2016. Construction starts on commercial buildings increased from $11.9 billion in 2015 to $12.0 billion in 2016. New, ground-up construction of commercial buildings accounted for approximately 64.0 percent of construction starts in both 2015 and 2016, after accounting for between 27.0 and 30.0 percent of initiated projects in the three-year period between 2012 and 2014.

Other notable points on Midtown construction include:

- Since the construction resurgence in 2013, many of the big construction projects in Midtown have been large residential towers in the western neighborhoods, such as the 95-story One57 building and the Nordstrom Tower at West 57th Street. Despite this, office construction has picked up in Midtown as well, led in particular by construction at the Hudson Yards site. Construction of 10 Hudson Yards was completed in second quarter 2016, delivering more than 1.7 million square feet of Class A office space to the Midtown office inventory.
- Though New York City remains a global center for business, it faces increasing competition from cities such as London, Hong Kong, and Tokyo. One of the most pressing issues facing New York City is the comparative obsolescence of its building stock. The average age of buildings across Manhattan is approximately 80 years old and an average building in Midtown is 72 years old. To maintain its position as a premier business center, it is critical for New York City to provide high quality, modern office space. The redevelopment of Hudson Yards and the proposed rezoning of Midtown East are both attempts to achieve this goal. If both of these initiatives are fully realized, Midtown's office inventory would see a substantial boost. Projects currently in the pipeline will deliver steady supply of office space in the next several years.

It should be noted that while we discuss projects that are both under construction and still in planning phases, only buildings which have officially broken ground are included in the "Under Construction" statistic.

The tables below highlight the recently completed projects, projects currently under construction, and proposed developments in the Midtown Office market:

Recently Completed Midtown Office Construction

Address	Developer/Owner	Office Size (sf)	Completion Date	Tenants	Additional Information
10 Hudson Yards (501 West 30th Street)	Related Companies, Oxford Properties, Coach, Allianz	1,745,000	2Q16	Coach, VaynerMedia, L'Oréal, SAP, Boston Consulting Group, Danny Meyer, Sidewalk Labs, Intercept Pharmaceuticals	This project broke ground during fourth quarter 2012 and was completed in May 2016. It is 52 stories, 895 feet tall, and contains over 1.7 million square feet of Class A office space. Allianz recently purchased a 44.3 percent partial interest in the tower.
855 Avenue of the Americas	The Durst Organization	147,954	1Q16	Nike	This is a 570,000 square foot mixed-use development comprising 147,954 square feet of office space, which is leased to Nike, Inc.
7 Bryant Park (1045 Avenue of the Americas)	Hines, Bank of China	448,000	3Q15	Bank of China, Norges Bank, Schroder Investment Management North America	Bank of China, the sole owner of the building, occupies over 55.0 percent of the rentable building area.
34 East 51st Street	Sedesco Incorporated	71,000	4Q15	JRM Construction Management, LLC	This office building delivers 71,000 square feet of Class A space. It is approximately 42.0 percent leased.

Source: Complied by Cushman & Wakefield Valuation & Advisory

Midtown Office Projects Currently Under Construction					
Address	**Developer/Owner**	**Office Size (sf)**	**Expected Completion Date**	**Tenants**	**Additional Information**
One Vanderbilt Place (48 East 43rd Street)	SL Green Realty	1,515,000	2020	TD Bank	SL Green broke ground on this 1,404 foot, Class A office tower in October 2016. The building's designer is Kohn Pedersen Fox Associates.
One Manhattan West (400 West 33rd Street)	Brookfield Properties	2,100,000	2019	Skadden, National Hockey League	Construction of the tower broke ground during third quarter 2015. Skadden signed a lease to anchor roughly 29.0 percent of the property.
30 Hudson Yards	Related Companies, Oxford Properties Group	2,600,000	2019	Time Warner, Wells Fargo, Kohlberg Kravis Roberts, Related, Oxford Properties, DNB Bank	The tower is an office condominium and each condo will be owner occupied. Time Warner agreed to purchase more than 1.0 million square feet in the building; Wells Fargo purchased more than 500,000 square feet; KKR will occupy 343,000 square feet of space; Related will take 270,000 square feet for itself; and Oxford Properties will take 45,000 square feet. Groundbreaking began in second quarter 2015.
55 Hudson Yards	Related Companies, Oxford Properties, Mitsui Fudosan	1,420,000	2018	MilBank, Tweed, Hadley & McCloy; Boies, Schiller & Flexner; MarketAxess; Point72 Asset Management; Intercept Pharmaceuticals	Mitsui Fudosan owns a 92.0 percent stake in the property.
35 Hudson Yards	Related Companies	85,000	4Q19	-	This 1.1 million square-foot tower will be a mixed-use development containing office space, apartments, a hotel and retail.
390 Madison Avenue	Clarion Partners, L&L Holding Company	846,000	4Q17	Hogan Lovells	L&L Holding, on behalf of Clarion Partners, is redeveloping this 25-story structure into a 32-story state-of-the-art, Class A office building, which will comprise nearly 900,000 square feet of retail and office space.
425 Park Avenue	L&L Holding Company, GreenOak Real Estate	657,700	2019	Citadel Investments	The developer is redeveloping this existing structure into a 42-story Class A office tower. Construction began in June 2015. Citadel pre-leased 200,000 square feet across 29th to 47th floors, with starting rents of $300.00 per square foot for the penthouse level.
432 Park Avenue	MIP 57th Development Acquisition LLC	71,000	4Q17	-	Office space in 432 Park Avenue will take over four floors with more than 17,000 square feet of space on each floor. The rest of the building will feature residential and retail space.
787 Eleventh Avenue	Pershing Square Asset Management, Georgetown Company	240,000	3Q17	BNF Automotive Group, Pershing Square Capital Management	The developers are redeveloping this existing 8-story, Class B office building by adding 2 additional stories atop the structure.

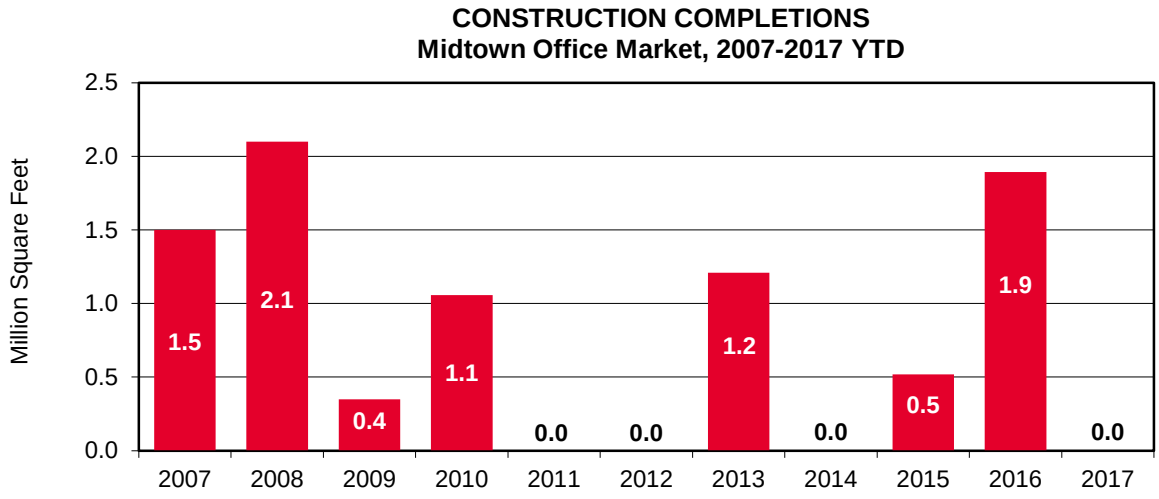
Source: Complied by Cushman & Wakefield Valuation & Advisory

Proposed Midtown Office Developments

Address	Developer/Owner	Office Size (sf)	Expected Completion Date	Tenants	Additional Information
50 Hudson Yards	Related Companies	2,300,000	-	BlackRock	BlackRock has signed a letter of intent to take 850,000 square feet in the tower.
3 Hudson Boulevard (555 West 34th Street)	The Moinian Group	1,800,000	2021	-	This tower will stand 66 stories tall and contain 1.8 million square feet of total space. The developer has decided to move forward with foundation work without an anchor tenant, but expects to have one in place by the time the building rises above ground.
66 Hudson Boulevard (The Spiral)	Tishman Speyer	2,850,000	-	-	This property is bounded by 10th Avenue, West 34th and 35th Streets, and Hudson Park and Boulevard. It will rise 1,005 feer, 65 stories, and contain 2.85 million square feet of Class A office space. The tower will feature a spiral of landscaped terraces wrapping around its facade, allowing for outdoor space on every floor above its six-story base.
444 Eleventh Avenue	Tishman Speyer	1,300,000	-	-	This property is situated between 37th and 38th Streets along Eleventh Avenue, across from the Jacob Javits Center. Plans call for 1.3 million square feet of office space. Tishman Speyer has completed the purchase of the assemblage located between 37th and 38th Streets along Eleventh Avenue in Hudson Yards.
451 Tenth Avenue	Spitzer Enterprises	300,000	-	-	Applications were filed in June 2015. It will have roughly 414,700 square feet of mixed-use space, 311,000 square feet of which will be office.
Two Manhattan West (401 West 31st Street)	Brookfield Financial Properties/Qatar Investment	1,900,000	-	-	This tower is an office building, part of the Manhattan West Megaproject, that will start construction once an anchor tenant is secured.
740 Eighth Avenue	Boston Properties, Inc.	1,000,000	-	-	Boston Properties plans to build an office tower between 45th and 46th street just west of the Imperial Theatre.
341-347 Madison Avenue	-	500,000	-	-	This development will be 600,000 square feet, with 500,000 being used for office space.
99 Hudson Boulevard	Tishman Speyer	1,300,000	-	-	This 44 floor tower will feature Class A office space in the new Hudson Yards development.
421 Eight Avenue (Farley Post Office)	Related/VNO	730,000	-	-	Related/VNO plan to convert the Farley Post Office into the new Penn Station, called Moynihan Station. Plans to expand Penn station have been in the works since the 1990's but were resurrected in 2012.
511 West 35th Street (450 Hudson Park Blvd.)	Spitzer Enterprises/Related	950,000	-	-	This project is part of a two-tower, 1.4 million square foot mixed use project. 511 West 35th Street would be a 950,000 square foot office tower on the corner of West 35th Street and Hudson Boulevard East.
106 West 56th Street	Savanna, Atom Asset	90,000	2019	-	This building will rise 26 stories and will feature boutique office space geared towards smaller business tenants. Based on the design by Perkins Eastman, it will feature multiple terraced setbacks and floor plates of varying sizes, ranging from 5,000 square feet on the lower levels to 2,000 square feet toward the top.

Source: Complied by Cushman & Wakefield Valuation & Advisory

The chart below shows a timeline of construction completions in Midtown's office market since 2007:



Source: Cushman & Wakefield Research; compiled by C&W V&A

Asking Rents

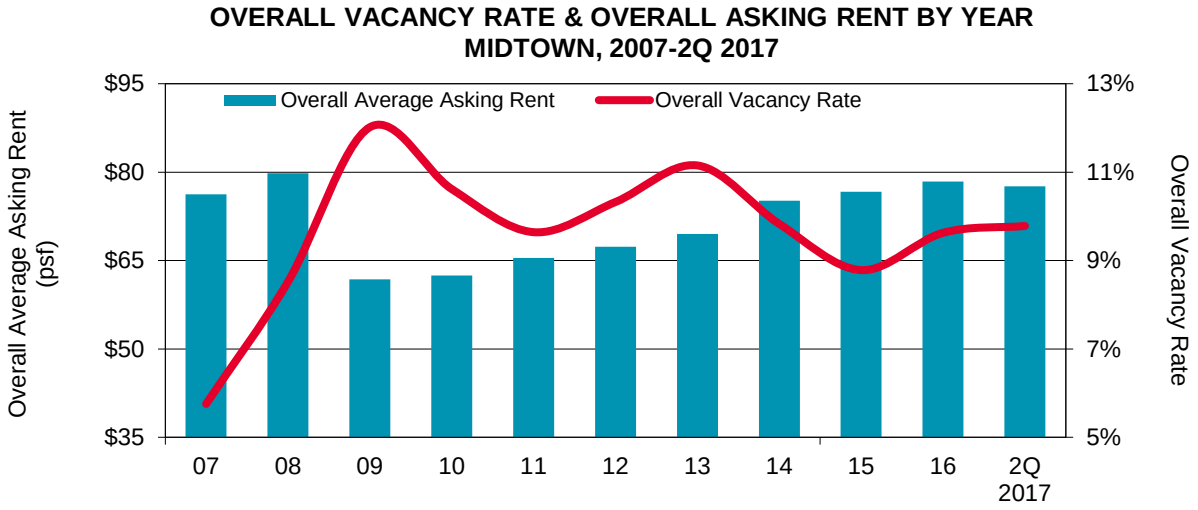
The overall average asking rents (all classes for direct and subleases) for space in Midtown decreased by $1.12 to $77.61 per square foot during second quarter 2017. Eight of the nine Midtown submarkets saw asking rents decrease in the second quarter, only the West Side submarket saw a slight increase quarter-over-quarter. Overall asking rents have declined in five of the nine submarkets year-over-year.

The asking rents for direct space in Midtown decreased $0.24 per square foot to $81.80 per square foot during second quarter 2017. The increase was more pronounced in Class A properties, which declined quarter-over-quarter from $88.93 to $88.59 per square foot. The decrease in Class A direct asking rents was primarily driven by higher-priced space that entered the market during first quarter at the recently renovated 75 Rockefeller Plaza. At the current rate of $88.59 per square foot, Class A direct asking rents boast a premium of $27.28 and $40.31 per square foot over Class B and Class C direct asking rents of $61.31 and $48.28 per square foot, respectively.

Further considerations are as follows:

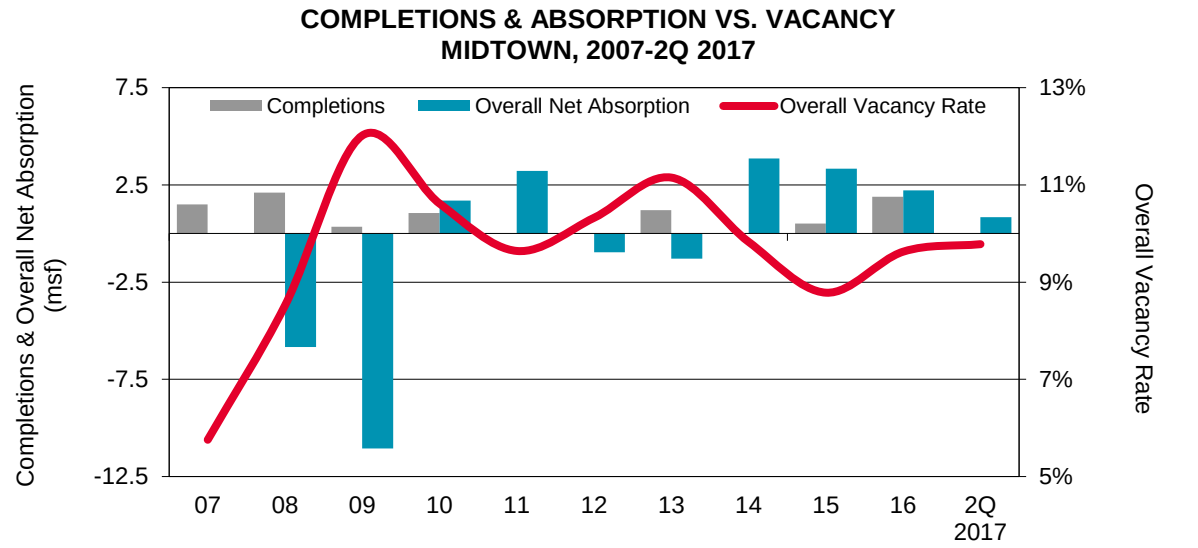
- Despite decreasing minimally during the second quarter, the direct asking rents in Madison/Fifth Avenue remained the highest in Midtown. The direct asking rents in this submarket increased 20 basis points quarter-over-quarter to $103.21 per square foot, as Class A direct asking rents grew by $0.39 to $110.59 per square foot. Just as vacancy in the Madison/Fifth Avenue submarket was affected by 9 West 57th Street, the building had similar influence on asking rents.
- The direct average asking rent in Penn Station dropped 6.8 percent ($5.04) during the second quarter to $69.51 per square foot. The drop was more severe for the overall asking rents (all classes for direct and subleases), which decreased by 9.2 percent to $64.30 per square foot. The decrease was primarily driven by rental reduction for Class A direct space, which fell 7.7 percent during the quarter to $75.30 per square foot.

The following chart illustrates Midtown direct vacancy rates and asking rent trends between 2007 and second quarter 2017:



Source: Cushman & Wakefield Research; compiled by C&W V&A

The following chart illustrates Midtown overall vacancy rates and asking rent trends between 2007 and second quarter 2017:



Source: Cushman & Wakefield Research; compiled by C&W V&A

Demand Analysis

Leasing Activity

Midtown registered approximately 5.3 million square feet of new leasing in second quarter 2017, up 11.8 percent from one year ago. The increase in leasing activity was driven by ten new or expansion leases exceeding 100,000 square feet, compared to only five at the same time last year. Midtown had a significant upswing in activity, largely due to a boost in Penn Station leasing. Of the 5.3 million square feet leased in the second quarter, 1.6 million square feet was leased at Penn Station, marking its highest amount of new quarterly leasing activity on record. Class A leasing activity reached 7.3 million square feet through the second quarter, up 12.6 percent compared to second quarter 2016.

Other notable points on leasing activity in Midtown include:

- The largest transaction of the quarter was a new lease signed by BlackRock at 50 Hudson Yards. The new office space is 847,000 square feet and leasing will begin in 2023.
- The second largest lease of the quarter was a renewal by HSBC at 452 Fifth Avenue. HSBC decided to stay put after exploring other options and will now remain until 2025.

The table below lists the most significant office lease transactions of the second quarter of 2017:

Significant Office Market Lease Transactions
Midtown Manhattan
Second Quarter 2017

Building Address	Submarket	Tenant	Size (sf)
50 Hudson Yards	Penn Station	BlackRock	847,000
452 Fifth Avenue *	Grand Central	HSBC	548,000
5 Manhattan West	Penn Station	JPMorgan Chase (Financial Technology Arm)	305,908

Source: Cushman & Wakefield Research; compiled by C&W V&A
*Renew als not included in leasing activity statistics

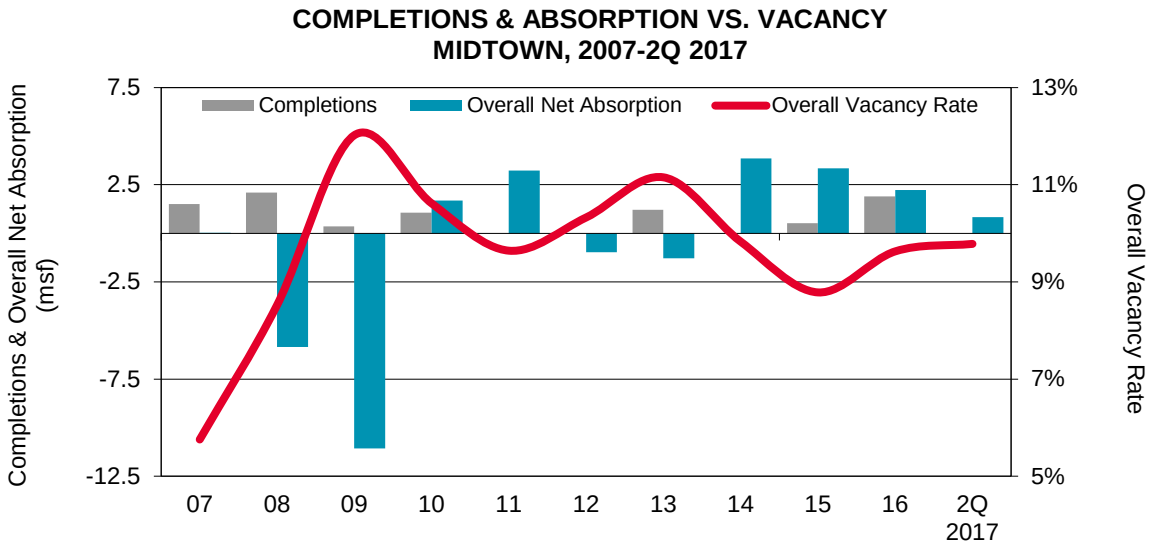
Historical Net Absorption

Several large blocks of space entered Midtown during the second quarter, including: 176,100 square feet of direct space at 500 Seventh Avenue, 125,584 square feet of direct space at 717 Fifth Avenue and 94,179 square feet of direct space at 55 East 52nd Street. However, these new space additions were offset by strong leasing activity, contributing to net positive absorption during the quarter. Midtown registered 835,988 square feet of positive absorption year to date.

Further considerations are as follows:

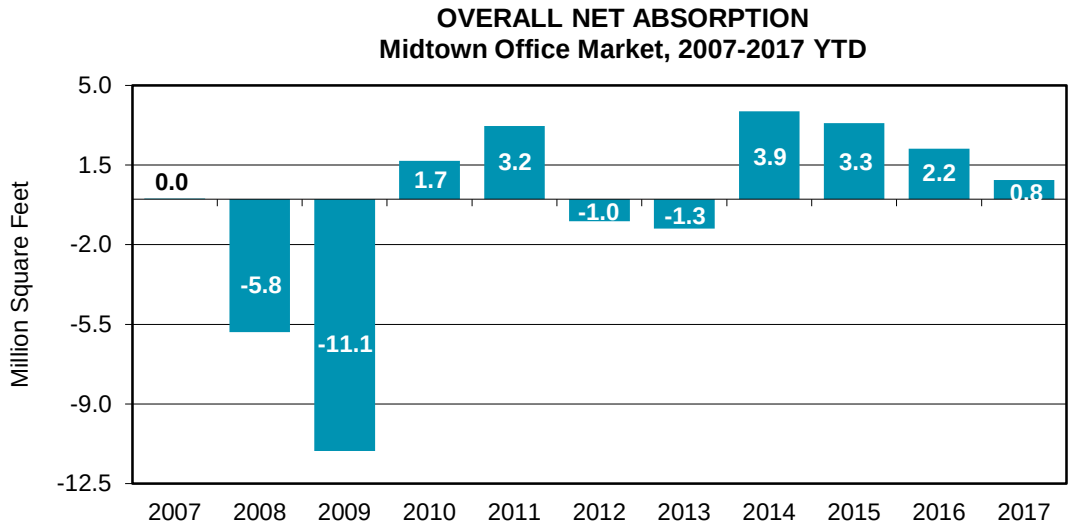
- Four submarkets (Grand Central, Sixth Avenue/Rockefeller Center, Westside, and Penn Station) recorded positive overall absorption year to date. Sixth Avenue/Rockefeller Center's 709,593 square feet of positive absorption was the most of any submarket in Midtown.
- Murray Hill, East Side/United Nations, Park Avenue, Madison/Fifth Avenue, and Times Square South all recorded negative absorption year-to-date, with East Side/United Nations leading the way with negative 436,009 square feet.

The chart below compares construction completions, overall net absorption, and overall vacancy rates in Midtown since 2007:



Source: Cushman & Wakefield Research; compiled by C&W V&A

The following chart displays the overall net absorption in Midtown since 2007:



Source: Cushman & Wakefield Research; compiled by C&W V&A

Demand Drivers

As the largest regional economy in the United States and one of the largest in the world, New York City has traditionally been driven by the Finance, Insurance, and Real Estate (FIRE) sectors. Other economic drivers are the technology, arts and entertainment, retail, sciences and health care, journalism and publishing, and higher education industries. Businesses in New York capitalize on the synergy created from the presence of more than 200,000 companies, the access to investment capital and consumers, and the attractive quality of life for employees. New York City leads the country in Fortune 500 company headquarters, with forty-five.

Further considerations are as follows:

- Compared to the nation, New York City has a much higher concentration of financial services professionals. This sector has historically been a big driver of office space demand, especially in Midtown. Through May, financial services reclaimed the top spot for new leasing activity in the Manhattan office market, and accounted for 32.5% of all new leases.
- New York City also has more than two times the information sector representation as the rest of the country, largely a result of the tech boom. This tech trend is mostly impacting demand in Midtown South, but there may be spillover effects for Midtown as well, especially with Microsoft anchoring the Times Square South submarket and Yahoo! in the Westside submarket.
- New York City was one of the first major cities in the country to fully recover all the jobs lost during the great recession. Many of these jobs have been in white collar and technology fields. Private sector job growth in New York City grew at 2.2 percent, adding 83,300 jobs from year-over-year through May 2017. By comparison, the state's and nation's private sector employment both grew by 1.7 over the same time. All three sectors in the important office-using sector, comprising information, financial activities, and profession and business services, added jobs during this time period.
- The several construction projects that are currently underway or in the pipeline will impact demand for existing space in Midtown. As large construction projects begin to take shape, the amount of available space in Midtown is forecasted to steadily increase through 2021. Accordingly, the overall vacancy rate is expected to rise from its current rate of 9.8 percent to a peak of 12.0 percent in 2021. It should be noted that 30 Hudson Yards is an owner-occupied office condominium; therefore, it is excluded from the demand analysis statistics.
- Companies have been using space more efficiently in recent years, with decreased space requirements per employee. This push towards efficiency has been driven both by economic reasons and a desire for greater collaboration. The trend will negatively impact demand for office space as firms reduce their space requirements accordingly. Nonetheless, a robust employment outlook should offset some of the burden.

The following table and chart outline the assumptions and results of our demand analysis for the Midtown office market:

Office Market Forecast

Midtown Manhattan, NY

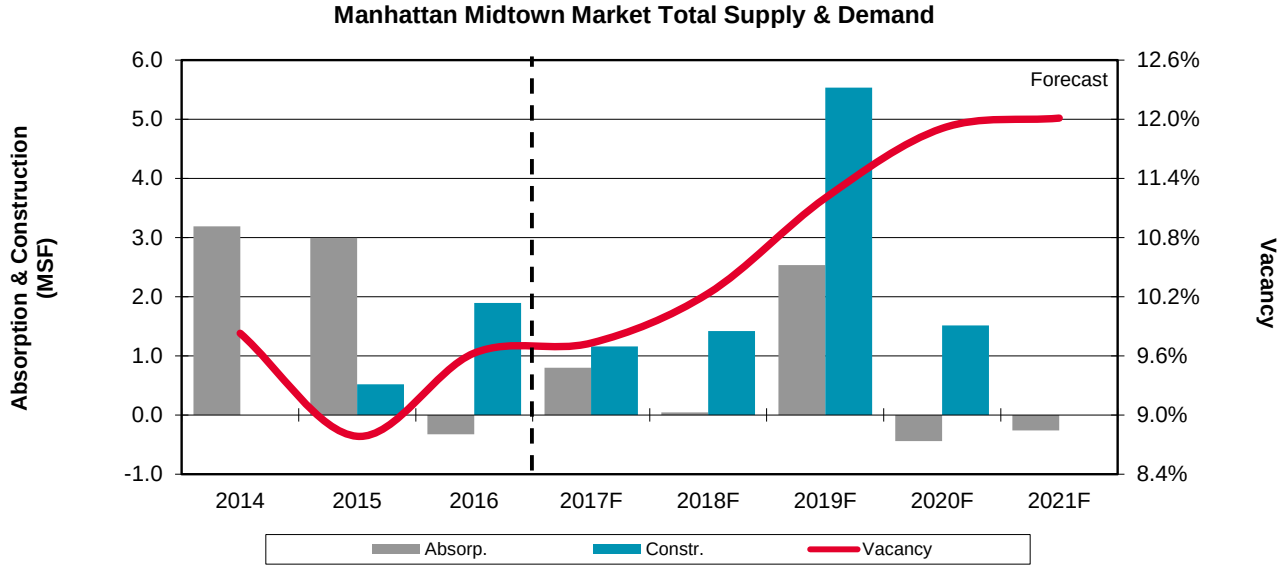
	2014	2015	2016	2017F	2018F	2019F	2020F	2021F
Employment								
Total Office-using Employment*	1,884,100	1,935,700	1,980,500	2,007,600	2,023,200	2,033,600	2,035,800	2,032,900
Growth Rate	2.5%	2.7%	2.3%	1.4%	0.8%	0.5%	0.1%	-0.1%
Net New Office-using Jobs*	45,900	51,600	44,800	27,100	15,600	10,400	2,200	(2,900)
CBD								
New Supply CBD (Sq. Ft)	-	519,400	1,893,000	1,156,000	1,419,000	5,533,000	1,515,000	-
Occupied Space (Sq. Ft.)**	217,341,100	220,333,800	220,005,700	220,800,900	220,845,600	223,377,100	222,933,400	222,671,500
Vacant/Available (Sq. Ft.)**	23,688,600	21,215,300	23,436,400	23,797,200	25,171,500	28,173,000	30,131,700	30,393,600
Overall Vacancy Rate	9.8%	8.8%	9.6%	9.7%	10.2%	11.2%	11.9%	12.0%
Forecast Net Absorption (Sq. Ft.)	3,188,600	2,992,700	(328,100)	795,200	44,700	2,531,500	(443,700)	(261,900)
Total Market								
Inventory (Sq. Ft.)**	241,029,700	241,549,100	243,442,100	244,598,100	246,017,100	251,550,100	253,065,100	253,065,100
New Supply (Sq. Ft.)	-	519,400	1,893,000	1,156,000	1,419,000	5,533,000	1,515,000	-
Occupied Space (Sq. Ft.)**	217,341,100	220,333,800	220,005,700	220,800,900	220,845,600	223,377,100	222,933,400	222,671,500
Vacant/Available (Sq. Ft.)**	23,688,600	21,215,300	23,436,400	23,797,200	25,171,500	28,173,000	30,131,700	30,393,600
Overall Vacancy Rate	9.8%	8.8%	9.6%	9.7%	10.2%	11.2%	11.9%	12.0%
Net Absorption (Sq. Ft.)	3,188,600	2,992,700	(328,100)	795,200	44,700	2,531,500	(443,700)	(261,900)

Note: Numbers in the table may not add to totals due to rounding.

Source: Economic Data courtesy of Moody's Analytics, Cushman & Wakefield Research * denotes an annual average ** denotes year-end

Further considerations are as follows:

- The need for new office space will continue to increase, as office-using employment is forecast to rise over the next five years. 2017 is forecast to bring 1,156,000 square feet of new office space to the market in order to meet the demand.
- The overall vacancy rate is forecast to increase with the rising supply, but absorption is forecast to remain positive over the next few years.



Source: Cushman & Wakefield Research

Conclusion

Despite hitting its highest vacancy rate in over two years during the first quarter, Midtown has been off to a solid start in 2017. Leasing activity in the second quarter exceeded the second quarter 2016 total. Vacancy came down from the previous quarter, with several large leases signed year to date. Overall asking rents decreased marginally during the quarter, as pricing is starting to stabilize. Overall, Midtown remains strong as an office market as it looks to capitalize on new opportunities. While some financial decisions will be influenced by the global economic uncertainties, it will have minimal long-term implications for a global city such as New York. Leasing activity and absorption should continue to see improvement throughout 2017.

Some final considerations on Midtown:

- While new leases continue to contribute a greater share to total leasing activity – suggesting that a level of confidence is returning to Midtown tenants – Midtown has also seen a rise in renewals in recent quarters.
- The return of the financial companies has been an important driver of office demand in Midtown in the past couple of years. If this trend persists, it will further solidify Midtown's position as the top office market for such companies.
- While the migration of big companies out of Park Avenue is concerning, the Hudson Yards projects in the far West Side are benefiting from it. The projects are already paying dividends as many big-name tenants are relocating there for its modern office towers. The Midtown East rezoning, if fully approved, should help to attract more tenants to the Park Avenue submarket.
- High-end leases and sales in Midtown are gaining momentum, suggesting continued overall growth in the near future.
- The constant shuffle of companies between the three Manhattan markets suggests that companies are now more comfortable in making relocation decisions in an office market of which the landscape is being transformed into a climate suitable for a diverse group of tenants, including TAMI (technology, advertising, media and information) tenants.

Midtown East Office District Analysis

District Overview

The subject property, 442/452 Fifth Avenue, is located on the west block front of Fifth Avenue between West 39th and 40th Streets.

This area of Midtown is known as the Midtown East Office District, which is generally bound by 32nd Street to the south and 47th and 49th Streets to the north, and runs between Fifth Avenue and the East River. The Midtown East District consists of three statistical areas or submarkets tracked by Cushman & Wakefield: Grand Central, Murray Hill, and East Side, which are delineated as follows:

- **Grand Central**: 39th Street north to 47th Street and Fifth Avenue east to Second Avenue, excluding Park Avenue north of 43rd Street.
- **Murray Hill**: 32nd Street north to 39th Street and Fifth Avenue to the East River.
- **East Side/UN**: 47th Street and Lexington Avenue to the East River, including 39th Street to 49th Street and Second Avenue to the East River.

The largest sub district is the Grand Central sub district, which takes its name from the world famous transportation hub that is the district's focal point. The Grand Central sub district is Midtown Manhattan's oldest office submarket, evidenced by the age of many of its well-known buildings, some of which date to the 1920s. The subject is located within this submarket.

The East Side/U.N. sub district is best known for the Third Avenue Corridor, which begins just below 42nd Street and runs to 59th Street to the north. The Third Avenue Corridor consists of a series of 32 primary office buildings, the majority of which were constructed in the late 1950s and 1960s. Development of this office corridor began when the Third Avenue elevated subway line was demolished in the early 1960s.

The Murray Hill sub district is a relatively small in inventory size and is located on the south of the submarket.

As of second quarter 2017, the three office subdistricts that comprise the Midtown East Office District contain a total of 59,595,681 square feet of Class A office space. The following charts summarize the Midtown East Class A office market as of second quarter 2017:

MIDTOWN EAST OFFICE MARKET FIGURES
Class A Statistical Summary - Second Quarter 2017

	Murray Hill	Grand Central	East Side/U.N.	Market Summary
Number of Buildings	10	60	40	**110**
Inventory (sf)	6,899,203	34,340,567	18,355,911	**59,595,681**
Total Space Available	576,944	3,791,374	1,459,130	**5,827,448**
Direct Space Available	337,355	3,325,452	1,050,262	**4,713,069**
Direct Vacancy Rate	4.9%	9.7%	5.7%	**7.9%**
Total Vacancy Rate	8.4%	11.0%	7.9%	**9.8%**
Direct Rental Rate	$71.39	$74.84	$76.72	**$75.01**
YTD Leasing Activity	119,340	1,442,919	247,515	**1,809,774**

Compiled by Cushman & Wakefield, Inc.

The average direct asking rental rate for the three subdistricts comprising the Midtown East Office District was $75.01 for Class A space as of second quarter 2017, compared with the Midtown direct averages of $88.59 for Class A space. The average Midtown East primary direct vacancy rate for the three subdistricts was 9.8 percent for Class A space in second quarter 2017, compared to the direct Midtown Class A vacancy rate of 8.4 percent.

The following is a map summarizing average asking rents and vacancies for Class A office buildings in the Midtown East Office District:

CLASS A ASKING RENTS AND VACANCY IN MIDTOWN EAST



Grand Central Office Submarket

More specifically the subject property, 442/452 Fifth Avenue, is located within the Grand Central Office Submarket within the Midtown East Office District. The following chart is an overview of the performance of the sub district:

- **Vacancy Rates:** In the second quarter of 2017, Grand Central vacancy remained at 11.2 percent quarter-over-quarter, but is still up 100 basis points from one year ago. Class A vacancy dipped less than 10 basis points from the first quarter to 11.0 percent, and remains up from one year ago due to limited leasing in the first half of 2017. Class B vacancy dropped 10 basis points to 11.8 percent in the second quarter, but is still up 310 basis points from mid-year 2016 due to significant increases in both direct and sublease space.
- **Leasing:** Activity is down 18.3 percent year-over-year despite 887,323 square feet leased in the second quarter, mostly due to a 26.8 percent drop-off in Class A leases. Class B leasing activity was 210,201 square feet in the second quarter, making the year-to-date total 363,841—a 51.3 percent increase from one year ago. Overall net absorption was positive for the second quarter in a row, recording 196,263 square feet this quarter, bringing the year-to-date total to 378,452 square feet.
- **Rents:** Overall asking rents dropped for the third consecutive quarter, down 1.1 percent since the first quarter to $69.74 per square foot, yet remain $0.43 higher than one year ago. The bulk of the average asking rental decline in the second quarter is attributed to a 3.7 percent drop in overall sublease pricing. Both Class A and B direct average asking rents had minimal increases from the first quarter, up $0.02 and $0.08 per square foot to $74.84 and $61.20 per square foot, respectively.

Competitive Buildings

The primary office buildings along Fifth, Madison, Park, Lexington, and Avenue of the Americas, are considered competitive with the subject property. The chart on the **following pages** summarizes these 29 competitive buildings excluding the subject. These office buildings are more indicative of the competition that would have a direct impact on the subject than other buildings in the rest of the submarket. Although we have reported both direct and sublease space available within the buildings considered competitive with the subject property, it should be noted that sublease space is generally not considered a reliable occupancy indicator.

COMPETITIVE BUILDINGS

	Property (Cross Streets)	Office Area (NRA)	Year Built	Stories	Direct SF Available	Sublease SF Available	% Occupied (Direct)	Direct Asking Rent Low	Direct Asking Rent High
1	**420 Fifth Avenue** B/w 37th & 38th Streets	546,750	1991	30	153,269	14,325	71.97%	$65.00	$78.00
2	**461 Fifth Avenue** N/E/C of 40th Street	174,168	1988	26	64,394	0	63.03%	$85.00	$100.00
3	**475 Fifth Avenue** S/E/C of 41st Street	275,284	1927	24	16,083	0	94.16%	$83.00	$105.00
4	**505 Fifth Avenue** B/w 42nd & 43rd Streets	295,824	2006	28	10,876	27,818	96.32%	$98.00	$105.00
5	**522 Fifth Avenue** S/W/C of 44th Street	539,400	1960	23	0	0	100.00%	N/A	N/A
6	**546 Fifth Avenue** N/W/C of 45th Street	177,739	1990	23	15,999	0	91.00%	$65.00	$65.00
7	1045 Avenue of the Americas **7 Bryant Park** B/w West 39th Street and West 40th Street	448,381	2015	28	114,935	0	74.37%	$115.00	$135.00
8	Five Bryant Park **1065 Avenue of the Americas** N/W/C of Avenue of the Americas	536,524	1958	34	59,509	7,535	88.91%	$80.00	$95.00
9	**1095 Avenue of the Americas** B/w 41st & 42nd Streets	1,300,000	1972 2008	42	40,806	77,413	96.86%	$100.00	$115.00
10	The H B O Building **1100 Avenue of the Americas** N/E/C of 42nd Street	317,106	1982	15	0	0	100.00%	N/A	N/A

COMPETITIVE BUILDINGS

	Property (Cross Streets)	Office Area (NRA)	Year Built	Stories	Direct SF Available	Sublease SF Available	% Occupied (Direct)	Direct Asking Rent Low	Direct Asking Rent High
11	**One Bryant Park** B/w 42nd & 43rd Streets	2,100,000	2008	51	0	0	100.00%	N/A	N/A
12	The W.R. Grace Building **1114 Avenue of the Americas** B/w 42nd & 43rd Streets	1,310,000	1971 2001	48	175,215	11,301	86.62%	$83.00	$101.00
13	The Hippodrome **1120 Avenue of the Americas** B/w 43rd & 44th Streets	400,000	1951 2005	21	14,731	0	96.32%	$75.00	$85.00
14	**1133 Avenue of the Americas** B/w 43rd & 44th Streets	878,012	1968 2013	45	8,893	22,915	98.99%	$75.00	$75.00
15	**1140 Avenue of the Americas** N/E/C of 44th Street	181,000	1925	22	19,284	12,750	89.35%	$95.00	$105.00
16	**1155 Avenue of the Americas** B/w 44th & 45th Streets	610,191	1983 2018	41	521,765	0	14.49%	$80.00	$150.00
17	**1166 Avenue of the Americas** B/w 45th & 46th Streets	1,430,000	1974 2001	44	87,046	0	93.91%	$78.00	$84.00
18	Americas Tower **1177 Avenue of the Americas** B/w 45th & 46th Streets	960,050	1992	50	70,816	0	92.62%	$83.00	$105.00
19	**1180 Avenue of the Americas** N/E/C of 46th Street	341,146	1962 1984	22	0	23,628	100.00%	N/A	N/A
20	**330 Madison Avenue** B/w 42nd & 43rd Streets	717,443	1963 2011	41	42,417	6,075	94.09%	$81.00	$95.00

COMPETITIVE BUILDINGS

	Property (Cross Streets)	Office Area (NRA)	Year Built	Stories	Direct SF Available	Sublease SF Available	% Occupied (Direct)	Direct Asking Rent Low	Direct Asking Rent High
21	**340 Madison Avenue** B/w 43rd and 44th Streets, Entrance On Madison Avenu	714,869	1920	22	47,681	10,872	93.33%	$65.00	$75.00
22	**90 Park Avenue** B/w 39th & 40th Streets	785,000	1964 2016	41	31,072	7,090	96.04%	$89.00	$95.00
23	**99 Park Avenue** B/w 39th & 40th Streets	480,000	1954	26	7,955	26,311	98.34%	$75.00	$75.00
24	**100 Park Avenue** B/w 40th & 41st Streets	825,815	1950 2007	36	86,149	0	89.57%	$70.00	$85.00
25	**101 Park Avenue** B/w 40th & 41st Streets	1,137,000	1982	49	193,484	0	82.98%	$75.00	$75.00
26	**120 Park Avenue** B/w 41st & 42nd Streets	600,000	1982	26	0	0	100.00%	N/A	N/A
27	Commerce Place **425 Lexington Avenue** B/w 43rd & 44th Streets	639,100	1989	31	0	0	100.00%	N/A	N/A
28	**450 Lexington Avenue** S/W/C of 45th Street	902,034	1992	40	50,312	0	94.42%	$130.00	$135.00
	TOTAL	**19,622,836**			**1,832,691**	**248,033**			
	AVERAGE	**700,816**	**1981**	**33**	**65,453**	**8,858**	**90.66%**	**$65.00**	**$150.00**

**Compiled by C&W Valuation & Advisory*

The buildings that are competitive with the subject contain a total net rentable area of 19,622,836 square feet. The overall occupancy rate in these buildings is 90.66 percent for direct space. This compares to the Class A occupancy rate in Midtown as a whole of 91.60 percent for direct space. The survey's minimum asking rental rate is $65.00 per square foot and the maximum asking rental rate is $150.00 per square foot.

Directly Competitive Buildings

Of the 28 buildings surveyed, 8 are considered directly competitive to the subject property in terms of building classification, asking rents, rentable office area and current occupancy. These directly competitive buildings are not arranged in order of comparability. The following chart summarizes the relevant occupancy statistics for the directly competitive buildings: 505 Fifth Avenue, 1114 Avenue of the Americas, 1133 Avenue of the Americas, 90 Park Avenue, 101 Park Avenue, 120 Park Avenue, 425 Lexington Avenue, and 450 Lexington Avenue.

DIRECTLY COMPETITIVE BUILDINGS

	Property (Cross Streets)	Office Area (NRA)	Direct Avail. SF	Sublease Avail SF	% Occupied (Direct)	% Occupied (Total)	Direct Asking Rent Low	Direct Asking Rent High
1	505 Fifth Avenue	295,824	10,876	27,818	96.32%	86.92%	$98.00	$105.00
2	1114 Avenue of the Americas	1,310,000	175,215	11,301	86.62%	85.76%	$83.00	$101.00
3	1133 Avenue of the Americas	878,012	8,893	22,915	98.99%	96.38%	$75.00	$75.00
4	90 Park Avenue	785,000	31,072	7,090	96.04%	95.14%	$89.00	$95.00
5	101 Park Avenue	1,137,000	193,484	0	82.98%	82.98%	$75.00	$75.00
6	120 Park Avenue	600,000	0	0	100.00%	100.00%	N/A	N/A
7	425 Lexington Avenue	639,100	0	0	100.00%	100.00%	N/A	N/A
8	450 Lexington Avenue	902,034	50,312	0	94.42%	94.42%	$130.00	$135.00
	TOTAL	**6,546,970**	**469,852**	**69,124**				
	AVERAGE	**818,371**	**58,732**	**8,641**	**92.82%**	**91.77%**	**$75.00**	**$135.00**

Compiled by Cushman & Wakefield, Inc.

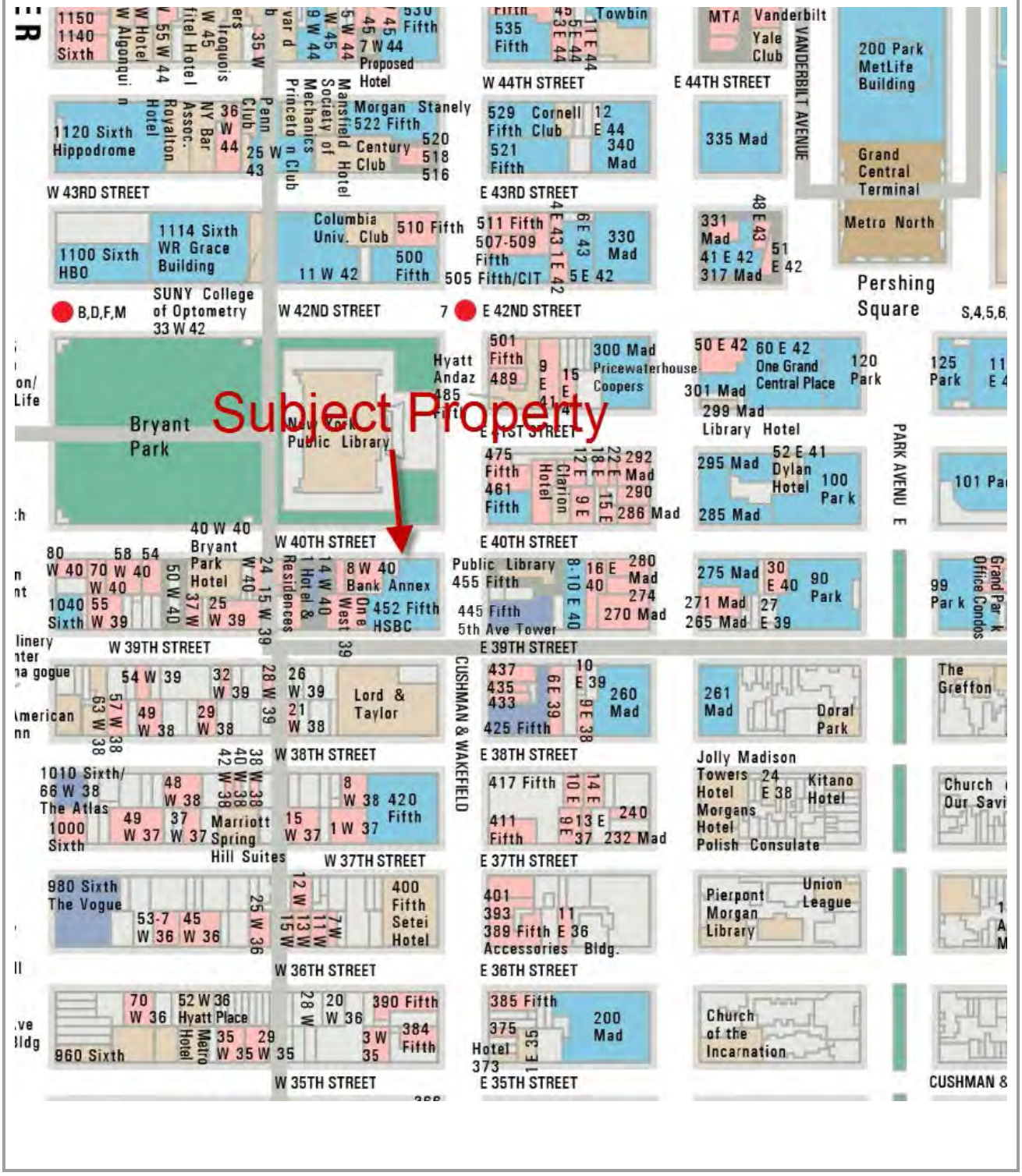
The asking rents for the buildings directly competitive with the subject range from $75.00 to $135.00 per square foot. The average direct occupancy rates for these buildings is 92.82 percent compared to 90.66 percent for all the competitive buildings compared with the subject and 91.60 percent for Class A direct space within Midtown as a whole.

Summary and Conclusions

After reviewing the 28 properties competitive with the subject property, 8 buildings appear directly comparable: 505 Fifth Avenue, 1114 Avenue of the Americas, 1133 Avenue of the Americas, 90 Park Avenue, 101 Park Avenue, 120 Park Avenue, 425 Lexington Avenue, and 450 Lexington Avenue. These properties possess the most similar physical characteristics with the subject property, such as build or renovation date, location, quality, tenancy, floor size, age, asking rents, and occupancy rates.

The buildings may have individual traits that vary from the subject property, but overall are very comparable. In addition, the subject has an excellent light and air as it is located across from Bryant Park. The subject property is also in the center of Manhattans transportation triangle, surrounded by Grand Central to the East, Penn Station to the Southwest and the Port Authority to the West. These attributes make the subject property of excellent quality and highly desirable. Based upon our analysis, 442/452 Fifth Avenue should command rents averaging $85 per square foot and maintain a stabilized occupancy rate over 90 percent.

LOCAL AREA MAP



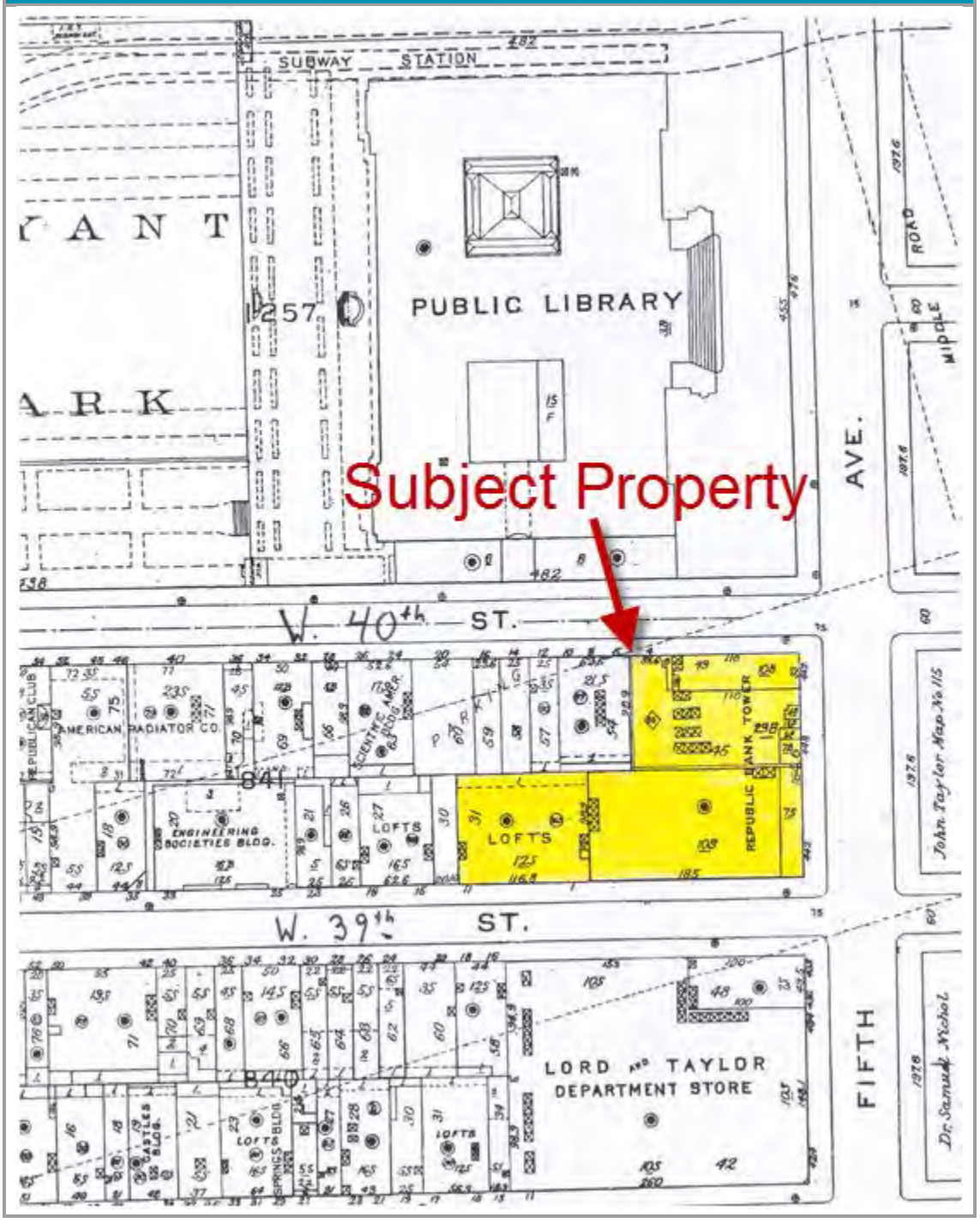
Property Analysis

Site Description

Location:	442/452 Fifth Avenue Between West 39th and 40th Streets New York, New York County, NY 10018 The subject property is located on the westerly blockfront of Fifth Avenue between West 39th and West 40th Streets in the Grand Central office submarket of Midtown Manhattan.
Shape:	Irregular
Topography:	Level
Land Area:	32,835 square feet (452 Fifth Avenue) 11,520 square feet (1 West 39th Street) 44,355 square feet (Total)
Frontage:	197.5 feet on Fifth Avenue, 147.5 feet on West 39th Street and 301.8 feet on West 40th Street.
Access:	Fifth Avenue is a major southbound boulevard while West 39th Street is a secondary westbound street and West 40th Street is a secondary eastbound street.
Visibility:	The subject property has good visibility.
Street Improvements:	Curbing, sidewalks and street lights.
Soil Conditions:	We did not receive nor review a soil report. However, we assume that the soil's load-bearing capacity is sufficient to support the existing structure. We did not observe any evidence to the contrary during our physical inspection of the property. Drainage appears to be adequate.
Utilities:	Following are the utility providers for the subject property:
Water:	City of New York
Sewer:	City of New York
Electricity:	Consolidated Edison
Gas:	Consolidated Edison
Telephone:	Verizon Communications

Land Use Restrictions:	We were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search to determine whether any adverse conditions exist.
Flood Zone:	The subject property is located in flood zone X.
Flood Zone Description:	Areas determined to be outside the 500 year flood plain.
FEMA Map:	360497-0201F, dated September 5, 2007
Site Improvements:	The site is improved with a modern 30-story (there is no 13th floor) Class A multi-tenant office property built in 1984; a pre-war 10-story office building built in 1902; a pre-war 10-story office building built in 1935; and a pre-war 12-story office building built in 1923. The buildings have been integrated into a single structure containing interconnecting floors. The ground floor, a portion of the mezzanine floor and the basement contain retail, storage and vault space. The upper floors contain office space.
Hazardous Substances:	We observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the hiring of a professional engineer with expertise in this field.
Overall Site Utility:	The subject site is functional for its current use.
Location Rating:	Very good

SANBORN MAP


SUBWAY STATION
PUBLIC LIBRARY
Subject Property
W. 40th ST.
W. 39th ST.
AVE.
FIFTH
ROAD
MIDDLE
AMERICAN RADIATOR CO.
ENGINEERING SOCIETIES BLDG.
LOFTS
REPUBLIC BANK TOWER
LORD & TAYLOR DEPARTMENT STORE
841
840

Improvements Description

The property consists of four buildings that are integrated into a single 30-story (there is no 13th floor) glass curtain wall office building. The Knox Building (known as 452 Fifth Avenue) and Kress Building occupy the northern and southern corners of the site, respectively, with the Tower located mid-block on Fifth Avenue, and cantilevering over the Kress building. One West 39th Street is adjacent to the Kress Building and is located on the side street. The Knox Building was built in 1902. The Kress Building was built in 1935 and One West 39th Street was built in 1923. In 1984, all four buildings were built into a single operating structure that has seamlessly integrated floors. The integrated office building is known as 442/452 Fifth Avenue and One West 39th Street occupying the entire westerly block front of Fifth Avenue between West 39th and West 40th streets.

The subject property contains ground floor, second floor and cellar level retail space. The building includes sub-cellar space. The upper floors contain office space. The building at 452 Fifth Avenue is a New York City landmark and is listed on the National Register of Historic Places. The following description of improvements is based upon our physical inspection of the improvements along with our discussions with the building manager.

GENERAL DESCRIPTION	
Year Built:	1984 (442 Fifth Avenue) 1902 (452 Fifth Avenue - Knox Building) 1935 (Kress Building) 1923 (One West 39th Street)
Building Class:	Class A
Number of Stories:	The property rises to a maximum height of 30 floors (there is no 13th floor). The Knox and Kress buildings are each 10 stories. The Tower contains 30 stories with a 2-story portion of the tower cantilevering over the Kress Building. One West 39th Street is a 12-story structure. The property also has four below grade levels.
Gross Building Area:	643,441 square feet (442/452 Fifth Avenue) 135,442 square feet (One West 39th Street) 788,773 square feet (Total Per Assessor)
Net Rentable Area:	726,343 square feet (442/452 Fifth Avenue) 139,203 square feet (One West 39th Street) 865,546 square feet (Total Per Rent Roll/Leases)

	The owners remeasured the subject property based on a 27 percent loss factor, which is consistent in the market and according to industry and BOMA standards. It has been our experience that loss factors for primary buildings fall within the range of 25 to 40 percent. It should also be noted that rentable area frequently exceeds gross building area. As leases expire, tenants will be paying rent based on their remeasured area.
Loss Factor:	27.00 percent (Remeasured)
Typical Floor Plate:	The floor plates range from 7,025 to 41,604 square feet on the 2nd through 11th floors, 14,625 to 16,275 square feet on the 12th through 18th floors and 14,690 to 16,428 square feet on the 19th through 30th floors.

CONSTRUCTION DETAIL

Basic Construction:	Concrete and steel, front façade is clad with metal.
Foundation:	Poured reinforced columns, beams and slabs.
Framing:	Structural steel with masonry and concrete encasement.
Column Spacing:	Column-free spans of up to 55 feet in the Tower.
Ceiling Height:	Approximately 13 feet four inches unfinished. Finished ceiling heights are generally nine feet three inches in the office areas except in the core areas which are eight feet six inches. The lobby ceiling heights range from 15 to 20 feet.
Floors:	Poured concrete. Reinforced concrete generally covered with carpeting in the office area. The stairwells, bathrooms, equipment rooms and elevator shafts are center core. Floors are 5 ½" total thickness concrete slab on 3" galvanized steel composite decking. The floor plates are fully interconnecting and functional. The Tower portion of the property has a design live load of 50 pounds per square foot. The retained structures of the Knox Building and the Kress Building have load capacities ranging from 50 pounds per square foot to capacities in excess of 100 pounds per square foot.
Exterior Walls:	The exterior of the subject building is glass curtain wall constructed of floor to ceiling glass panels along with granite and brick with terra cotta window trim. The exterior of the Knox Building is masonry, metal and glass with a mansard slate roof with copper ornaments. The 30-story Tower incorporates the façade of the Knox Building, which has landmark status. The façade of the Knox Building has a two story granite base with brick above until the ninth floor. The 9th and 10th floors are slate mansard. Above the 10th floor is an aluminum framed curtain wall with unframed plate glass vision panels and metal spandrel panels. The façade of One West 39th Street is the original brick masonry.

Roof Cover:	All roofs in the Tower building are the protected membrane assembly type consisting of elastomeric membrane, polystyrene insulation, filter fabric, and ballast. The One West 39th Street roof was replaced in 2006 and is also a protected membrane assembly type consisting of elastomeric membrane, polystyrene insulation, filter fabric, and ballast roofing system.
Windows:	The Tower windows are tinted glass, double glazed in rubber gaskets. The north façade vision panels are butt glazed plate glass. Windows in the 10-story base of the tower are punched windows with fixed insulated vision panels behind a decorative granite sill band and a granite center mullion. Windows in the Knox building were replaced in the 2008 renovation and are horizontal sliding sash windows with fixed glass panels below and fixed transom above. The windows on the front façade of One West 39th Street are dual pivot sash and hopper windows with a fixed pane above. The rear façade windows are original kalemein wire glass with interior tilt type double hung windows until the sixth story.
Pedestrian Doors:	Glass in metal frames. The main entrance to the Tower building is at the west end of the building on West 40th Street. The entrance has two revolving doors and a pair of swing doors. There is a framed sidewalk canopy at the entrance with a glazed roof. The Building also has an entrance on Fifth Avenue through the Retail Branch. The entrance to One West 39th Street is at the east corner of the building. It has one and one half pairs of glass swing doors and a fixed glass transom above.
Loading Doors:	There are six loading docks all accessible from 39th Street, two for the Tower building and four for One West 39th Street.
Lobby:	The lobby ceiling heights range from 15 to 20 feet. The lobby features a combination of several materials including bardiglio nuvolato stone floors, Jerusalem and French lime stone walls, and stainless steel design elements. There is a concierge desk positioned opposite the elevator bank, which is secured by a guard, card-turnstile and camera system.

MECHANICAL DETAIL

HVAC:	The buildings use Con Edison steam for heating and a condenser water/chilled water plant for cooling as well as several other systems for supplemental cooling. Recent upgrades have included new cooling towers and chillers as well as variable frequency drives and digital controls. The cooling tower capacity was upgraded to allow for additional loads and one of the older chillers was retained as a back-up. Cooling is available at a far above average capacity of one ton per 194 square feet from the cooling towers, with the two new chillers using approximately 40% of the capacity so that most of the cooling tower capacity is available or already used for water-cooled equipment. The chillers are used for the original air handling units for the main building, which provides for base building cooling at 375 square feet per ton. Additional capacity is provided beyond the cooling towers and substantial supplemental equipment is connected to three glycol dry cooling systems. 452 Fifth Avenue has had a direct digital control system overlay (automated logic) of the base building pneumatic controls. The systems coverage is intended to be expanded over time. Most of the air handling systems are VAV with pneumatic controls. Some of the mechanical systems for the Property are shared between 452 Fifth Avenue and One West 39th Street.
Heating:	The high pressure steam is stepped down and distributed to air handling units and other equipment, but is mainly used in conjunction with heat exchangers to produce heating hot water for the main building. The hot water is distributed to perimeter baseboards as well as unit heaters and hot water coils in perimeter distribution boxes (typically fan powered). There is some supplemental electric heating installed at the north glazed façade.
Cooling Towers:	The main cooling tower plant consists of four Marley model cells with stainless steel base pans and headers. They are 1,000 ton units and were replaced in 2006. There are also three glycol dry cooler systems for computer rooms, trading areas and UPS systems. There are four cooling towers of approximately 800 tons each. The system is designed to have one cooling tower as a redundant tower. Each tower has a VFD drive on the fan to modulate the tower capacity to match the load. The towers are headered together to feed the towers' condenser water load, the towers also feed the One West condenser water loads (floor by floor DX units). The 11th to 30th floors of the Property are fed through a 5' riser through a plate and frame heat exchanger. The lower floors of the Property are fed via multiple condenser water risers and pump sets.

The central plant for the Tower, Knox and Kress buildings is located on the 9th floor of the tower. However, the cooling towers that feed the central plant are located on the roof of One West 39th Street.

Chillers: The 9th floor chiller plant was upgraded in 2006 to include two new Carrier Model XLE 800 ton chillers that use the environmentally friendly refrigerant R-134a. One of the older chillers, a 700 ton unit, was retained as a back-up. The plant is designed to have only two of the three chillers active. The plant has a maximum capacity of 1,600 tons. The current maximum tonnage seen from one of the plants has been approximately 1,200 tons. All of the buildings' main floor by floor air handling units are served from the chilled water system. Supply and return risers run in the mechanical rooms from the SC-3 level up to 30th floor.

Heat Exchangers: Two plate and frame heat exchangers are used for a condenser water system for water cooled units in the Tower and for free cooling when favorable conditions exist. There are also four shell and tube heat exchangers installed for the heating systems.

Plumbing: Wet columns or connection points containing drains, vents and cold water are located on each floor. Each floor contains, men's and women's toilet rooms with wall or floor mounted water closets, wall-hung urinals and lavatories to meet local laws and building codes.

There are three water mains that service the building: a 4" domestic line, an 8" fire protection line, and an 8" combined pipe with a 6" domestic tap. Two 10,000 gallon house tanks are shared for sprinklers and domestic water for floors 14 to 30. Each tank reserves 7,500 gallons for sprinkler usage only, leaving a total of 5,000 gallons across the two tanks for domestic water.

Electrical Service 452 Fifth Avenue: The building is supplied by Con Edison with three switches that supply 277/480-volt, 3-phase, 4-wire power. The service enters on 39th Street through the Network vaults and is distributed to three main switches. Each has its own meter with the exception of Switch B which has two meters, one of which is specifically for the retail area.

Switch Board A feeds the main buss duct for the building and fire pump #1. The buss duct runs from the third floor up to the 30th floor. Switch Board B feeds the ground floor brokerage center, fire pump #2 and Switch Board D which in turn feeds the mechanical loads in the upper house from the third floor to the 30th floor, the chiller plant and all of the air handling units (third to 30th floors). Switch Board C feeds the Lower house floors from SC-3 third floor (Mechanical loads and plug loads), ATS #1 which feeds life safety loads, SC-1 and the Data center in One West 39th Street.

One West 39th Street: Con Edison supplies One West 39th Street with two switch 120/208-volts, 3-phase, 4-wire service. The service enters the building in the cellar level and makes its way to the second floor distribution room via a cement encased buss duct. There are various disconnect switches in this room that feed the floors. The three data center floors have a separate power feed from Con Edison. This 208 volt service is then stepped up to 480 volts through a 1,500 KVA transformer. From there, the power goes to two UPS rooms that are adjacent to the main room. The UPS consists of four redundant 400 KVA modules and two system control cabinets. There are two separate risers that go to the ninth floor where there are two distribution boards. Power is distributed to the three upper floors from this point.

The overall capacity is 12.5 watts per square foot based on a utility company limit of 6,100 KVA on the 480-volt service and a design limit of 10,000 amperes on the 208-volt service. There is substantial diversity in the systems.

Emergency Power: There are two one and a half-Megawatt and one two-Megawatt generators. All three generators are in parallel through a synchronizing board on the roof. Power is then split out of the switchgear on the roof to feed the various ATS switches in both buildings. There are approximately 41 ATS switches in the complex feeding life safety loads to trading floor power. Installation of an additional 1,750 kw diesel fuel generator will be completed by August of 2012.

Elevator Service: Eight banks of elevators and two escalators from the lobby to C level service 452 Fifth Avenue. There are twenty-three passenger cars and three freight service cars, which are all automatic with the exception of one manually operated freight service car. In addition, One West 39th Street contains two passenger elevators and two freight elevators. There are elevator banks located in the original Knox and Kress Buildings, plus the elevator banks serving the Tower. The elevator service may be summarized as follows:

No.	Type	Weight (lbs.)	Floors
6	Low Rise	3,000	C - 11
5	High Rise	3,000	1 - 28
2	Private	2,000	C - 29
2	SC-1	4,500	SC-1 &1
1	Vault	2,500	2 - 10
1	Freight	4,000	C - 28
2	Freight	2,000	SC-1 - 1
2	Retail	3,000	1 - 2

Fire Protection:	The building is protected by automatic wet sprinklers, with the exception of mechanical, electrical, and elevator machine rooms (as per code). Dry systems are used in the loading docks. The sprinklers are combined with the standpipe and have common Siamese connections at 8" water service and 15,000 gallon fire reserve in the house tanks. A Class E fire alarm system is installed in each building as per local code. An under floor smoke detection system is installed in the 10th floor trading area which detects smoke under the raised floor and in the peripheral areas. This is a subsystem to the Class E System and reports to it. Four fire pumps support the Property. Fire extinguishers are located throughout. Standpipe hose outlets are located in the EXIT stair landings (452 Fifth Avenue) and Stair Y (One West 39th Street). Both buildings are fully sprinklered. The emergency generator system operates all EXIT signs, egress lighting, one elevator in each bank, the Class E system and fire pumps, as well as the telephone switch and security console. The numerous stairwells in the Property allow easy access throughout all parts of the Property. 452 Fifth Avenue is served by five stairwells, two of which run from the top floor down to the street level. Both stairways in One West 39th Street run from the roof down to the street level.
Security:	The building is extensively equipped with closed circuit television equipment that is continuously monitored by security personnel. The main lobby desk operates to control access to the building and monitors elevators, life safety and other building systems.

INTERIOR DETAIL

Layout:	The core in the property is located on the center of each floor. The floor plates are fully interconnecting and functional. The Knox Building is a New York City landmark that occupies the southwest corner of West 40th Street and Fifth Avenue. This building contains 10 stories and it is integrated with the Tower located to the south. The Tower wraps around The Knox Building and cantilevers over the Kress Building, which occupies the northwest corner of West 39th Street and Fifth Avenue. One West 39th Street is located west of the Kress Building. These buildings have crossover connections provided in nine of the twelve floors. Some of these crossover floors are at different elevations and do not match up evenly. As such, ramps and stairways are provided to provide access between buildings. The complex features a bank branch that occupies the ground floor and lower level. Escalators provide access between floors. On the 10th floor is a trading floor with high ceilings. An executive dining room is located on the 11th floor. The 30th floor contains the executive offices with luxury finishes. The building also features raised flooring in certain areas. In the lower levels, there are vaults, storage areas, and mechanical areas.

Floor Covering:	Floors throughout office, corridor or lobby areas contain marble finish, terrazzo, resilient tile, ceramic tile, carpet or exposed hard wood.
Walls:	Painted walls with stucco textured finish, plaster over wood lath on wood studs. Some office areas have some movable partitions and paneling.
Ceilings:	Ceilings are either suspended acoustical tile, painted drywall or plaster.
Doors:	The majority of the office entrance doors off the corridors are painted solid-core metal doors.
Lighting:	The building contains a mixture of fluorescent and incandescent light fixtures.
Restrooms:	The building features restrooms for men and women on each tenant floor.

SITE IMPROVEMENTS

Parking:	There is no on-site parking although loading docks for use of the property are located on the West 39th Street side of the building.
Onsite Landscaping:	The property features a minor amount of landscaped area located around the perimeter of the building.
Other:	None
Condition:	Excellent

PERSONAL PROPERTY

Personal property was excluded from our valuation.

SUMMARY

Quality:	Excellent
Layout & Functional Plan:	Very Good
Property Rating:	After considering all of the physical characteristics of the subject, we have concluded that this property has an overall rating that is very good when measured against other properties in this marketplace.
Actual Age:	The property was renovated in 2010.
Effective Age:	25 years
Expected Economic Life:	60 years
Remaining Economic Life:	25 years

Americans With Disabilities Act

The Americans With Disabilities Act (ADA) became effective January 26, 1992. We have not made, nor are we qualified by training to make, a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey and a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since we have not been provided with the results of a survey, we did not analyze the results of possible non-compliance.

Hazardous Substances

We are not aware of any potentially hazardous materials (such as formaldehyde foam insulation, radon-emitting materials, or other potentially hazardous materials) that may have been used in the construction of the improvements. However, we are not qualified to detect such materials and urge the client to employ an expert in the field to determine if such hazardous materials are thought to exist.

Design Features and Functionality

442/452 Fifth Avenue is a 30-story Class A office building with floor plates ranging from 7,025 to 41,604 square feet on the 2nd through 11th floors, 14,625 to 16,275 square feet on the 12th through 18th floors and 14,690 to 16,428 square feet on the 19th through 30th floors. The buildings have good appeal to prospective office tenants.

Physical Condition

We did not inspect the roof or mechanical systems of the buildings. The appraisers, however, are not qualified to render an opinion as to the adequacy or condition of these components. The client is urged to retain an expert in this field if detailed information is needed about the adequacy and condition of mechanical systems.

Real Property Taxes and Assessments

Current Property Taxes

The subject property is located in the taxing jurisdiction of City Of New York. The assessor's parcel identification number is Lots 31 and 49 in Block 841. 1 West 39th Street is located on Lot 31 while the balance of the property is located on Lot 49.

Based upon our discussions with officials at the New York City Department of Finance, the following guidelines serve to summarize New York City's assessment policy.

1. New York City is guided by the basic principles of ad valorem assessment. Consequently, within the same property classes, properties of similar value should experience approximately equal assessments and pay similar property taxes.

2. Assessments are primarily for Class IV property by capitalizing net operating income at market level capitalization rates. When a property is sold, the sales price is recorded and the Assessor notes the sales price.

3. Upon sale, the Assessor will likely use the sale, along with other sales data, as indications of general price levels. If the recently sold property has an assessment that is comparable to other similar properties, the sale price is unlikely to cause a substantial reassessment.

The subject property is classified as tax class 4 property. Assessments for the current and prior years are as follows:

NEW YORK CITY ASSESSMENT AND TAX ANALYSIS (452 FIFTH AVENUE)				
Assessor's Parcel Number:	Block 841, Lot 49			
Assessing Authority:	City of New York			
Current Tax Year:	2017/18		2016/17	
ASSESSMENT INFORMATION				
	Actual	**Transitional**	**Actual**	**Transitional**
Assessed Value				
Land Assessed Value	$31,471,200	$31,476,960	$31,471,200	$31,482,720
Improved Assessed Value	$112,536,000	$82,879,442	$101,425,050	$72,912,653
Total Assessed Value	$144,007,200	$114,356,402	$132,896,250	$104,395,373
TAX LIABILITY				
Taxable Assessment	$114,356,402		$104,395,373	
Tax Rate*	10.680%		10.574%	
Total Property Taxes	$12,212,966		$11,038,767	
(1) 2017/18 tax rate estimated at 1% above the 2016/17 rate.				

Compiled by Cushman & Wakefield, Inc.

NEW YORK CITY ASSESSMENT AND TAX ANALYSIS (1 WEST 39TH STREET)				
Assessor's Parcel Number:	Block 841, Lot 31			
Assessing Authority:	City of New York			
Current Tax Year:	2017/18		2016/17	
ASSESSMENT INFORMATION				
	Actual	**Transitional**	**Actual**	**Transitional**
Assessed Value				
Land Assessed Value	$3,600,000	$3,600,000	$3,600,000	$3,600,000
Improved Assessed Value	$10,488,150	$8,919,195	$9,505,800	$8,416,546
Total Assessed Value	$14,088,150	$12,519,195	$13,105,800	$12,016,546
TAX LIABILITY				
Taxable Assessment	$12,519,195		$12,016,546	
Tax Rate*	10.680%		10.574%	
Total Property Taxes	$1,337,017		$1,270,630	
(1) 2017/18 tax rate estimated at 1% above the 2016/17 rate.				

Compiled by Cushman & Wakefield, Inc.

Real estate taxes in New York City are normally the product of the transitional assessed value times the tax rate, for the fiscal year July 1 through June 30 (payable July 1 and January 1). The transitional assessed value is based on a five-year phase-in of actual assessed value. If the actual assessed value is lower than the transitional assessed value for that year, the actual assessed value is multiplied by the tax rate to determine the tax.

The 2017/18 Class 4 tax rate is 10.680 percent per $100 of assessed value. The 2017/18 Class 4 tax rate reflects a 1.00 percent increase from the 2016/17 Class 4 tax rate of 10.574 percent per $100 of assessed value.

For tax lots 31 and 49, the transitional assessed values are less than the actual assessed value. Our tax projection for the subject property, therefore, is based upon the 2016/17 and 2017/18 transitional assessments for calendar year 2017 as follows:

LOT 49 - 2017 CALENDAR TAX PROJECTIONS	
2017/18 Fiscal Taxes $12,212,966 @ 50% =	$6,106,483
2016/17 Fiscal Taxes $11,038,767 @ 50% =	$5,519,383
2017 Calendar Year Tax Liability =	$11,625,867
2017 Calendar Year BID Taxes =	$103,769
2017 Total Calendar Year Tax Liability =	$11,729,635
Tax Liability per Square Foot GBA =	$17.95

LOT 31 - 2017 CALENDAR TAX PROJECTIONS	
2017/18 Fiscal Taxes $1,337,017 @ 50% =	$668,509
2016/17 Fiscal Taxes $1,270,630 @ 50% =	$635,315
2017 Calendar Year Tax Liability =	$1,303,824
2017 Calendar Year BID Taxes =	$20,723
2017 Total Calendar Year Tax Liability =	$1,324,547
Tax Liability per Square Foot GBA =	$9.78

Business Improvement District Tax

In addition to the tax liability of the City of New York, the property is also subject to an assessment by the business improvement district. This special district assessment is based on a per square foot charge, rather than the assessed value of the building. In 2017, the total special district assessment amount are $103,769 and $20,723 for lot 49 and lot 31, respectively.

Tax Comparisons

To determine if the taxes on the property are reasonable, we have examined the actual tax burdens of similar properties. Listed below is a summary chart of the 2017/18 assessments for properties considered to have varying degrees of comparability to the subject property.

REAL ESTATE TAX COMPARABLES									
No.	Property Name & Location	Block	Lot	Building GBA	Year Built	Assessment	Assess/SF	Total Taxes	Taxes/SF
1	505 Fifth Avenue	1277	2	251,043	2004	$81,920,000	$326.32	$8,748,843	$34.85
2	1114 Avenue of the Americas	1258	9	1,517,497	1971	$247,177,399	$162.88	$26,397,904	$17.40
3	1133 Avenue of the Americas	996	29	1,039,529	1968	$142,554,600	$137.13	$15,224,461	$14.65
4	90 Park Avenue	869	34	927,829	1964	$164,772,891	$177.59	$17,597,316	$18.97
5	101 Park Avenue	1295	1	1,088,389	1982	$230,000,000	$211.32	$24,563,402	$22.57
6	120 Park Avenue	1276	33	600,000	1981	$101,932,430	$169.89	$10,886,118	$18.14
7	425 Lexington Avenue	1298	23	627,691	1987	$157,710,200	$251.25	$16,843,039	$26.83
STATISTICS									
	Low:			251,043	1964	$81,920,000	$137.13	$8,748,843	$14.65
	High:			1,517,497	2004	$247,177,399	$326.32	$26,397,904	$34.85
	Average:			864,568	1980	160,866,789	$205.20	17,180,155	$21.91

G.B.A. provided by Real Property Assessment Bureau

Our survey of comparable office buildings indicates a wide range of taxes ranging from $14.65 to $34.85 per square foot of gross building area. The average tax of the comparable properties is $21.91 per square foot. This compares with the fiscal 2017/18 tax liability of $12,212,966 or $19.81 per square foot of the assessor's gross building area of 616,352 square feet for tax lot 49 and the fiscal 2017/18 tax liability of $1,337,017 or $10.86 per square foot of the assessor's gross building area of 123,090 square feet for tax lot 31.

Real Property Tax Conclusion

The subject's real estate taxes are within the range exhibited by the real estate tax comparables and appear reasonable. Based upon the property's increasing net operating income over the next several years, we have assumed the assessed value **for Lot 49** will stabilize at $144,007,200 (taxes near $25.97 per square foot) and the assessed value **for Lot 31** will stabilize at $14,088,150, (taxes near $12.72 per square foot), which will be phased-in over a 5-year period based upon the net operating income over the next several years.

REAL ESTATE ASSESSED VALUE PHASE-IN			
PHASE-IN PERIOD	TAX YEAR	LOT 49	LOT 31
1	2017/18	$114,356,402	$12,519,195
2	2018/19	$121,769,102	$12,911,434
3	2019/20	$129,181,801	$13,303,673
4	2020/21	$136,594,501	$13,695,150
5	2021/22	$144,007,200	$14,088,150

We have assumed an increase in tax rates that will be phased in over a 5 year fiscal year period in our Discounted Cash Flow Analysis. In addition to increasing tax rates, in the Discounted Cash Flow Analysis (that follows in the

Income Capitalization Approach), we have incorporated a modest reassessment provision based upon the local custom of annual revaluations.

The actual and projected real estate taxes used for the first 6 years for Lot 49 and 31 are summarized on the following charts.

TAX LOT 49 - REAL ESTATE PROJECTION				
YEAR	R.E. TAXES	B.I.D. TAXES	TOTAL	PSF
2017	$11,625,867	$103,769	$11,729,635	$17.95
2018	$12,673,818	$106,882	$12,780,700	$19.56
2019	$13,604,128	$110,088	$13,714,216	$20.99
2020	$14,551,776	$113,391	$14,665,167	$22.44
2021	$15,517,017	$116,792	$15,633,810	$23.93

TAX LOT 31 - REAL ESTATE PROJECTION				
YEAR	R.E. TAXES	B.I.D. TAXES	TOTAL	PSF
2017	$1,303,824	$20,723	$1,324,547	$9.78
2018	$1,364,857	$21,345	$1,386,202	$10.23
2019	$1,421,026	$21,985	$1,443,012	$10.65
2020	$1,478,182	$22,645	$1,500,827	$11.08
2021	$1,536,339	$23,324	$1,559,663	$11.52

Zoning

General Information

Map 8d of the Zoning Resolution of the City of New York indicates that the subject property is zoned C5-3 Restricted Central Commercial District and M1-6 Light Manufacturing District (High Performance) by the City of New York.

ZONING DESIGNATION	C5-3 RESTRICTED CENTRAL COMMERCIAL DISTRICT AND M1-6 LIGHT MANUFACTURING DISTRICT (HIGH PERFORMANCE)
Definition	**C5 Restricted Central Commercial Districts** These districts are designed to provide for office buildings and the great variety of large retail stores and related activities which occupy the prime retail frontage in the central business district, and which serve the entire metropolitan region. The district regulations also permit a few high-value custom manufacturing establishments which are generally associated with the predominant retail activities, and which depend on personal contacts with persons living all over the region. The district regulations are also designed to provide for continuous retail frontage. **M1 Light Manufacturing Districts (High Performance)** These districts are designed for a wide range of manufacturing and related uses, which can conform to a high level of performance standards. Manufacturing establishments of this type, within completely enclosed buildings, provide a buffer between Residence (or Commercial) Districts and other industrial uses that involve more objectionable influences. New residential development is excluded from these districts, except for joint living-work quarters for artists in M1-5A and M1-5B Districts, dwelling units in M1-5M and M1-6M Districts, and dwelling units in M1-1D, M1-2D, M1-3D, M1-4D and M1-5D Districts, where authorized by the City Planning Commission, both to protect residences from an undesirable environment and to ensure the reservation of adequate areas for industrial development.

Zoning Compliance

Property value is affected by whether or not an existing or proposed improvement complies with zoning regulations, as discussed below.

Complying Uses

An existing or proposed use that complies with zoning regulations implies that there is no legal risk and that the existing improvements could be replaced “as-of-right.”

Pre-Existing, Non-Complying Uses

In many areas, existing buildings pre-date the current zoning regulations. When this is the case, it is possible for an existing building that represents a non-complying use to still be considered a legal use of the property. Whether or not the rights of continued use of the building exist depends on local laws. Local laws will also determine if the existing building may be replicated in the event of loss or damage.

Non-Complying Uses

A proposed non-complying use to an existing building might remain legal via variance or special use permit. When appraising a property that has such a non-complying use, it is important to understand the local laws governing this use.

Subject Property Conformance

The subject property is located within the C5-3 Restricted Central Commercial District and M1-6 Light Manufacturing District (High Performance)s.

ZONING REGULATIONS	
	F.A.R.
	(times Lot Area)
Floor Area Ratio	C5-3 / M1-6
Commercial Building	15 / 10
Community Facility	15 / 10
Residential Building	10 / NA

The C5-3 designation permits a floor area ratio of 15 times the lot area. The M1-6 designation permits a floor area ratio of 10 times the lot area. Our estimate of the maximum permitted zoning floor area for this site under the zoning code designation is as follows:

ZONING	LAND SF	FAR	MAXIMUM ZFA
C5-3	34,316 SF	@ 15 =	514,740 square feet
M1-6	10,039 SF	@ 10 =	100,390 square feet
Total	44,355 SF		615,130 square feet

The subject site contains a zoning lot area of 44,355 square feet. The above grade gross building area of the subject property totals 788,773 square feet, which appears to exceed the maximum, permitted zoning floor area as of right of 615,130 square feet.

We are not experts in the interpretation of complex zoning ordinances but the property appears to be a pre-existing, legal, non-complying use based on our review of public information. According to the Zoning Resolution of the City of New York, a pre-existing, legal, non-complying use occurs when a building that was legal when built, no longer complies with one or more of the present district bulk regulations. Non-compliance results when a building does not comply with any one of such bulk regulations. Alternatively, a non-conforming use is any use legal at its inception (whether a building or a tract of land), which no longer conforms to any one or more of the present use regulations of the district. Non-conformity results when a use does not conform to any one of such applicable use regulations. The property appears to be a pre-existing, legal, non-complying use based on this definition. The determination of compliance is beyond the scope of a real estate appraisal.

A significant amount of a building must be damaged or destroyed for reconstruction in accordance to the Zoning Resolution. The Zoning Resolution of the City of New York states that “In the event that any demolition, damage or

destruction of an existing building produces an unsafe condition requiring a Department of Buildings order or permit for further demolition of floor area to remove or rectify the unsafe condition, the aggregate floor area demolished, damaged or destroyed including that ordered or permitted by the Department of Buildings constitutes 75 percent or more of the floor area, then the building may be reconstructed only in accordance with the applicable bulk regulations."

The property is in the MiD-Special Purpose Midtown District Overlay. The "Special Midtown District" established in the Zoning Resolution was designed to promote and protect public health, safety and general welfare. These general goals include the following specific purposes:

a) To strengthen the business core of Midtown Manhattan by improving the working and living environments.

b) To stabilize development in Midtown Manhattan and provide direction and incentives for further growth where appropriate.

c) To control the impact of buildings on the access of light and air to the streets and avenues of Midtown.

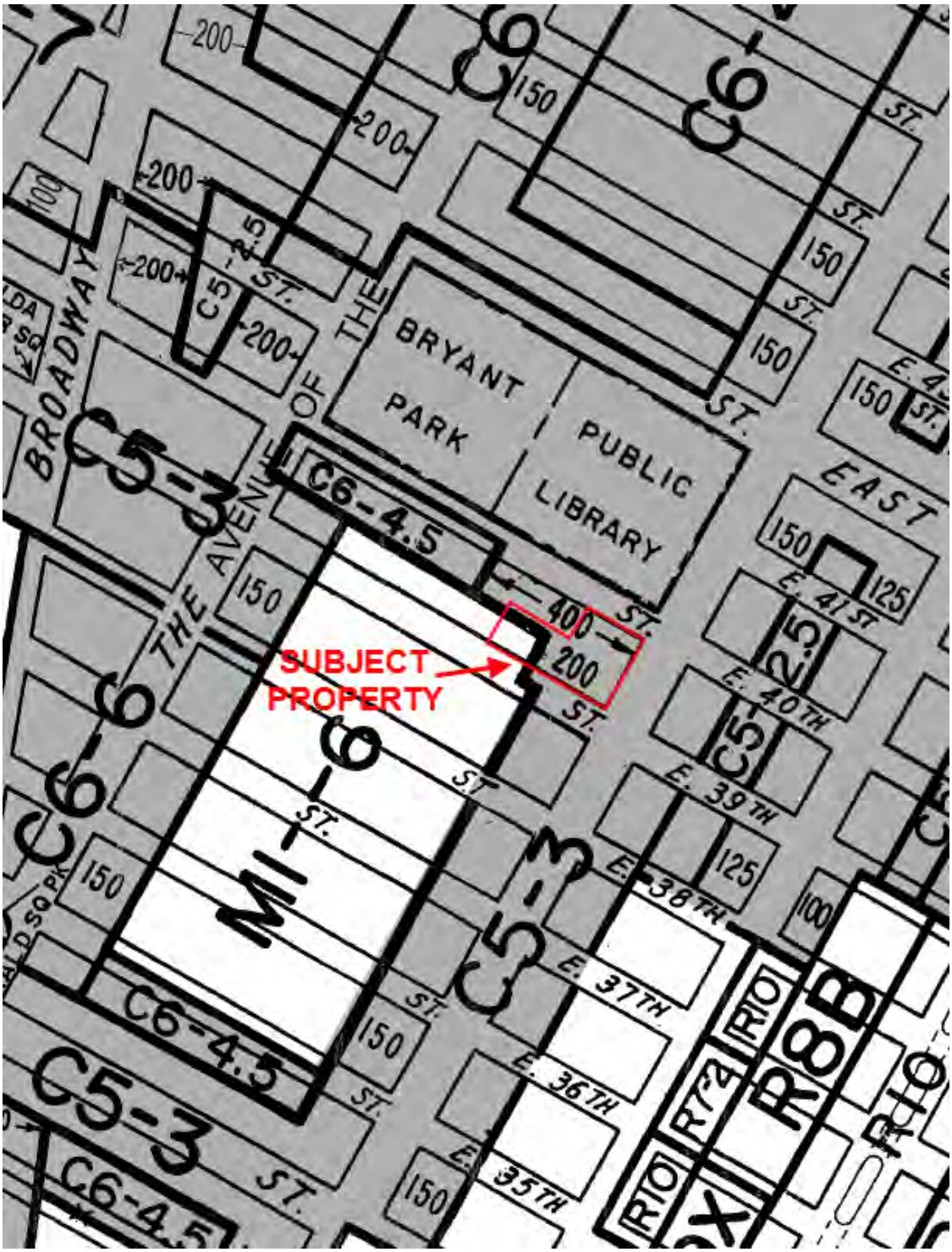
Alteration of Historic Buildings

The 10-story building located at 452 Fifth Avenue has been designated as a historic landmark. Properties designated as historic landmarks are subject to rules administered by the New York City Landmark's Preservation Commission. These rules limit and restrict the type of renovation properties may undergo within these districts. Specific restrictions are placed on a) through wall air conditioners, b) installation of retractable awnings, c) removal of fire escapes, d) sandstone restoration and replacement, e) new window openings, f) restoration of building facades, and g) temporary installations.

Any application for altering a landmarked structure shall be considered a request for a Certificate of Appropriateness and shall be reviewed at a public hearing. In determining the appropriateness of any new structure, the Landmarked Preservation Commission shall take into consideration such new structure's location and effect on neighboring buildings.

We know of no deed restrictions, private or public, that further limits the subject property's use. The research required to determine whether or not such restrictions exist, however, is beyond the scope of this appraisal assignment. Deed restrictions are a legal matter and only a title examination by an attorney or title company can usually uncover such restrictive covenants. Thus, we recommend a title search to determine if any such restrictions do exist.

ZONING MAP


BRYANT PARK
PUBLIC LIBRARY
SUBJECT PROPERTY
BROADWAY
THE AVENUE OF
EAST
C6-4.5
C5-3
M1-6
C5-2.5
R8B
R10
E. 41 ST.
E. 40TH
E. 39TH
E. 38TH
E. 37TH
E. 36TH
E. 35TH

Valuation

Highest and Best Use

Highest and Best Use Definition

The Dictionary of Real Estate Appraisal, Sixth Edition (2016), a publication of the Appraisal Institute, defines the highest and best use as:

> *The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.*

To determine the highest and best use we have evaluated the subject site under two scenarios: as if vacant land and as presently improved. In both cases, the property's highest and best use must meet the four criteria described above.

Highest and Best Use of Property As if Vacant

Legally Permissible

The first test concerns permitted uses. According to our understanding of the zoning ordinance, noted earlier in this report, the site may legally be improved with structures that accommodate residential, office and general commercial uses. The subject's zoning classification of C5-3 Restricted Central Commercial District and M1-6 Light Manufacturing District (High Performance) permits development of residential, office, retail, hotel, and community service related uses. The site is surrounded by a mixture of residential, commercial, office, retail, hotel and related uses. Mixed use developments, with retail at grade and office uses on the upper floors are consistent with the overall development of the area. We are not aware of any legal restrictions that limit the potential uses of the subject site.

Physically Possible

The second test is what is physically possible. As discussed in the "Property Description," the site's size, soil, topography, etc. do not physically limit its use. The subject site is of adequate shape and size to accommodate almost all urban uses. The subject site contains 44,355 square feet of land located on the westerly blockfront of Fifth Avenue between West 39th and West 40th Streets. The size and configuration of the site are felt to provide a suitable land use and/or development potential for a large variety of possible and standard central business district-oriented land uses. Access and exposure are felt to be excellent for residential, office, commercial, retail and hotel uses. Municipal utilities would adequately provide for nearly all uses. Street improvements are also adequate. The size of the subject's portion of the site is large enough to attract established developers active in the market. Therefore, the physical characteristics of the subject site provide for a wide range of potential land uses.

Financially Feasible and Maximally Productive

For a use to be seriously considered, it must have the potential to provide a sufficient return to attract investment capital over alternative forms of investment. A positive net income or acceptable rate of return would indicate that a use is financially feasible.

Financially feasible uses are those uses that can generate a profit over and above the cost of acquiring the site, and constructing the improvements. Determining the value of a property upon completion of new construction requires an in-depth analysis of the condition of the local market, the location of the subject property, the proposed

use of the property, its tenancy, level of pre-leasing, an estimate for absorbing vacant space, leasing costs, operating expenses, market vacancy and rental rates.

Of the uses that are permitted, possible, and financially feasible, the one that will result in the maximum value for the property is considered the highest and best use. Determining which use is maximally productive is often straightforward, but can be quite complicated. Detailed analyses of values, costs, and returns will need to be conducted for the various uses being put to this final test.

We have considered possible land uses which would be financially feasible and which would produce the highest net return including residential, office, commercial, retail and hotel related uses. Several features of the subject property indicate that a mixed-use development with retail at grade and office uses on the upper floors is the highest and best use of the site. The subject is located within the Grand Central office submarket of Midtown Manhattan and within close proximity to prime Class A office building. Retail uses at grade level are consistent with other uses in the local market area. In addition, the subject is within close proximity to prime Class A office buildings. In addition, the subject is located near the Grand Central Terminal, one of the major gateways within the public transportation network for Manhattan.

Conclusion

We have considered the legal issues related to zoning and legal restrictions. We have analyzed the physical characteristics of the site to determine what legal uses would be possible and have considered the financial feasibility of these uses to determine the use that is maximally productive.

Considering the subject site's physical characteristics and location, as well as the state of the local market, it is our opinion that the Highest and Best Use of the subject site as if vacant is as a mixed used residential and commercial development..

Highest and Best Use of Property As Improved

The Dictionary of Real Estate Appraisal defines highest and best use of the property as improved as:

> *The use that should be made of a property as it exists. An existing improvement should be renovated or retained "as is" so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.*

In analyzing the Highest and Best Use of a property as improved, it is recognized that the improvements should continue to be used until it is financially advantageous to alter physical elements of the structure or to demolish it and build a new one.

Conclusion

The property is being utilized within the context of its highest and best use. The location is desirable and given the strong recovery of the Midtown office market over the past five years, it is our opinion that the highest and best use of the property is for its continued use as commercial office buildings as it is currently developed.

Valuation Process

Methodology

There are three generally accepted approaches to developing an opinion of value: Cost, Sales Comparison and Income Capitalization. We have considered each in this appraisal to develop an opinion of the market value of the subject property. In appraisal practice, an approach to value is included or eliminated based on its applicability to the property type being valued and the quality of information available. The reliability of each approach depends on the availability and comparability of market data as well as the motivation and thinking of purchasers.

The valuation process is concluded by analyzing each approach to value used in the appraisal. When more than one approach is used, each approach is judged based on its applicability, reliability, and the quantity and quality of its data. A final value opinion is chosen that either corresponds to one of the approaches to value, or is a correlation of all the approaches used in the appraisal.

We have considered each approach in developing our opinion of the market value of the subject property. We discuss each approach below and conclude with a summary of their applicability to the subject property.

Cost Approach

The Cost Approach is based on the proposition that an informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements which represent the Highest and Best Use of the land; or when relatively unique or specialized improvements are located on the site for which there are few improved sales or leases of comparable properties.

In the Cost Approach, the appraiser forms an opinion of the cost of all improvements, depreciating them to reflect any value loss from physical, functional and external causes. Land value, entrepreneurial profit and depreciated improvement costs are then added, resulting in an opinion of value for the subject property.

Sales Comparison Approach

The Sales Comparison Approach uses sales of comparable properties, adjusted for differences, to estimate a value for the subject property. This approach typically uses a unit of comparison such as price per square foot of building area. When developing an opinion of land value the analysis is based on recent sales of sites of comparable zoning and utility, and the typical units of comparison are price per square foot of land, price per acre, price per unit, or price per square foot of potential building area. In both cases, adjustments are applied to the unit of comparison from an analysis of comparable sales, and the adjusted unit of comparison is then used to derive an opinion of value for the subject property.

The reliability of this approach is dependent upon (a) the availability of comparable sales data; (b) the verification of the sales data; (c) the degree of comparability; and (d) the absence of non-typical conditions affecting the sales price.

Income Capitalization Approach

The Income Capitalization Approach first determines the income-producing capacity of a property by using contract rents on existing leases and by estimating market rent from rental activity at competing properties for the vacant space. Deductions are then made for vacancy and collection loss and operating expenses. The resulting net operating income is divided by an overall capitalization rate to derive an opinion of value for the subject property. The capitalization rate represents the relationship between net operating income and value. This method is referred to as Direct Capitalization.

Related to the Direct Capitalization Method is the Discounted Cash Flow Method. In this method periodic cash flows (which consist of net operating income less capital costs) and a reversionary value are developed and discounted to a present value using an internal rate of return that is determined by analyzing current investor yield requirements for similar investments.

The reliability of the Income Capitalization Approach depends upon whether investors actively purchase the subject property type for income potential, as well as the quality and quantity of available income and expense data from comparable investments.

Summary

This appraisal employs the Sales Comparison Approach and the Income Capitalization Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that the Sales Comparison Approach and the Income Capitalization Approach would be considered meaningful and applicable in developing a credible value conclusion. The subject's age makes it difficult to accurately form an opinion of depreciation and tends to make the Cost Approach unreliable. Investors do not typically rely on the Cost Approach when purchasing a property such as the subject of this report. Therefore, we have not utilized the Cost Approach to develop an opinion of market value.

Analyzing each approach to value used in the appraisal concludes the valuation process. When more than one approach is used, each approach is judged based on its applicability, reliability, and the quantity and quality of its data. A final value opinion is chosen that either corresponds to one of the approaches to value, or is a correlation of all the approaches used in the appraisal.

Sales Comparison Approach

Methodology

Using the Sales Comparison Approach, we developed an opinion of value by comparing the subject property to similar, recently sold properties in the surrounding or competing area. This approach relies on the principle of substitution, which holds that when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming that no costly delay is encountered in making the substitution.

By analyzing sales that qualify as arm's-length transactions between willing and knowledgeable buyers and sellers, we can identify value and price trends. The basic steps of this approach are:

- Research recent, relevant property sales and current offerings in the competitive area;
- Select and analyze properties that are similar to the subject property, analyzing changes in economic conditions that may have occurred between the sale date and the date of value, and other physical, functional, or locational factors;
- Identify sales that include favorable financing and calculate the cash equivalent price;
- Reduce the sale prices to a common unit of comparison such as price per square foot of net rentable area (NRA);
- Make appropriate comparative adjustments to the prices of the comparable properties to relate them to the subject property and
- Interpret the adjusted sales data and draw a logical value conclusion.

Due to the nature of the subject property and the level of detail available for the comparable data, we have elected to analyze the comparables through the application of a traditional adjustment grid using percentage adjustments

The most widely used and market-oriented unit of comparison for properties such as the subject is the sales price per square foot of net rentable area. All comparable sales were analyzed on this basis. The following pages contain a summary of the improved properties that we compared to the subject property, a map showing their locations, and the adjustment process.

It should be noted that we have analyzed the subject property based on the remeasured net rentable area of 865,546 square feet. The comparable sales in this appraisal were also analyzed based on their remeasured net rentable areas.

On the following pages, we present a summary of the improved properties that we compared to the subject property, a map showing their locations, and an adjustment grid.

In the Sales Comparison Approach we have estimated the As Is Value of the subject property.

SUMMARY OF OFFICE SALES

	Physical Data				Sale Data			Financial Data			
No.	Property Name Location	Land Area (SF)	Net Rentable Area (SF)	Year Built	No. Stories	Sale Date	Grantor/ Grantee	Price	Price/NRA	NOI/SF	OAR	Occupancy at Sale
1	**245 Park Avenue** B/w E. 46th & E. 47th Streets Midtown Manhattan	81,336	1,779,515	1966 2000	45	Mar-17	Brookfield Property Partners & NYSTRS / HNA Group	$2,210,000,000	$1,241.91	$60.28	4.85%	94%
	Comments:	Sale of a Class A office building located in the Park Avenue office submarket of Midtown Manhattan. The largest tenant is JP Morgan Chase which leases 787,000 sf of which approximately 550,000 square feet has been subleased to Societe Generale SA. In 2022, Societe Generale SA becomes a direct tenant. Another major tenant, Major League Baseball (220,000 square feet) will be vacating their space upon expiration of their lease in 2022. The property is located 2 blocks north of Grand Central with direct access into the terminal.										
2	**1095 Sixth Avenue** **3 Bryant Park** B/w 41st & 42nd Streets Midtown Manhattan	59,250	1,179,033	1973 2008	41	Aug-16	JV Ivanhoe Cambridge & Callahan Capital Partners / Real Summit Investment	$2,353,000,000 **Adjusted to reflect 100% Interest**	$1,995.70	$75.42	3.78%	95%
	Comments:	Sale of a Class A office building located between West 41st and West 42nd Streets along Avenue of the Americas in the 6th Avenue/Rock Center submarket. The property includes the office and retail condominiums located within the grade, 2nd through 6th floors and 13th through 41st floors of 1095 Avenue of the Americas and the 42nd Cube, 3-story annex retail building at 120 W. 42nd Street. The 7th through 12th floors are owner occupied by Verizon. The joint venture Ivanhoe Cambridge and Callahan Capital Partners is selling a 49 percent equity interest in the property to Real Summit Investment, based on a purchase price of $2.353 billion for a 100 percent interest. Over 81 percent of the office space is leased to five tenants; Metlife Insurance, Dechert, LLP, Standard Chartered Bank, the Instinet Group, LLC, and the Bank Of Scotland. MetLife has subleased the majority of its space to Salesforce.com. There is 103,000 square feet of retail space. The majority of space is leased to Equinox and Whole Foods. 1095 AoA was originally built as the headquarters of the New York Telephone Company and subsequently became the headquarters for Verizon Communications. The Oxford and Callahan acquired the property in November 2014 for an agreed upon price of $2.2 billion from Equity Office Properties. The buyer was provided with various credits of $54 million for costs associated with the leasing costs and capital expenditures which were not been paid. As a result the actual net contract price was $2.146 billion. In March 2005, EOP acquired of 1095 AoA, except for the 6th through 12th floors, from Verizon Communications for $470,000,000. The property was underwent a complete renovation, that was completed by January 2008, at a total cost of $350,000,000. The 3-story and below grade retail box was developed in 2012 for a total cost of $32 million.										
3	**1221 Avenue of the Americas** B/w W. 48th & W. 49th Streets Midtown Manhattan	102,452	2,677,007	1969 / 2000	50	Aug-16	Invesco CPPIB & Rockefeller Center Group	$2,300,000,000 **Adjusted to reflect 100% Interest**	$859.17	$24.89	2.90%	90%
	Comments:	Sale of a modern Class A office tower located in the 6th Ave/Rock Center submarket of Midtown Manhattan. The property is approximately 90 percent leased to 15 office tenants. The four largest office tenants are White & Case, NBC Universal, Morgan Stanley, and MUFG Americas Holding Corp. These four tenants represent over 48 percent of the net rentable area. Ownership is in the process of instituting an extensive renovation program that is expected to be completed in 2020 which will modernize the property and lobby. Invesco acquired a 45 percent interest based a valuation of $2,300,000,000 for 100 percent interest in the property. Less than 18 percent of the net rentable is due to expire within the next 5 years.										
4	**11 Madison Avenue** B/w E. 24th & E. 25th Streets Midtown South Manhattan	83,938	2,287,905	1932 1998	29	Aug-16	SL Green Realty / PGIM Real Estate	$2,600,000,000	$1,136.41	$26.78	2.36%	96%
	Comments:	Sale of a partial interest of a Class A office building to PGIM Real Estate which is acquiring 40% interest in the property from SL Green Realty. The purchase price was based on valuation of $2.6 billion for the entire leased fee interest in the property. Sale of landmarked, Class A office building located in the Madison/Union Square office submarket of Midtown South Manhattan. 11 Madison Avenue is the 2nd largest office building in Midtown South. The property is leased to 5 office tenants and 4 retail tenants. Originally, Credit Suisse leased over 79 percent of the property under a net lease that originally expires in May 2017. In early 2014, Credit Suisse signed a 20-year extension for 1,066,132 square feet of office space on the basement level, grade level, and 2nd through 10th floors, plus 21,293 square feet storage space. The tenant has an expansion option on the 11th and 13th floors totaling 177,626 square feet. Credit Suisse also surrendered its space on 19th through 29th floors. In addition to the Credit Suisse renewal, Sony leased 579,205 square feet on the basement level, at grade and on 19th through 28th floors through January 2031; as part of their lease, Sony will open a Sony experience store on the Madison Park side of the building. In addition, Yelp leased 152,232 square feet on the 14th and 16th floors through April 2025; and WME signed leases for 103,426 square feet on the 15th and 17th floors through September 2030. In all, over 2,090,000 square feet (assuming Credit Suisse exercises is expansion option) or nearly 92 percent of the subject's net rentable area was leased through either new leases or renewals since 2014. Previously in August 2015, SL Green acquired the property from a JV of Sapir Organization & CIM Group for a net purchase price of $2.422 billion.										
5	**1250 Broadway** B/w W. 31st & W. 32nd Streets Midtown South Manhattan	31,792	773,215	1969	39	Aug-16	JV Murray Hill Properties & Jamestown Eastgate Realty	$565,000,000	$730.72	$22.46	3.07%	88%
	Comments:	Sale of a Class A office tower located in the Madison/Union Square office submarket of Midtown South Manhattan. The property is approximately 88 percent leased to 24 office tenants. The largest office tenant is the Visiting Nurse Service of New York, who leases approximately 40 percent of the property's net rentable area. Approximately 50 percent of the property's net rentable area is occupied by leases that expire through 2018.										

SUMMARY OF OFFICE SALES

No.	Property Name / Location	Land Area (SF)	Net Rentable Area (SF)	Year Built	No. Stories	Sale Date	Grantor/ Grantee	Price	Price/NRA	NOI/SF	OAR	Occupancy at Sale
		Physical Data				**Sale Data**			**Financial Data**			
6	**10 Hudson Yards** N/W/C W. 30th Street Midtown Manhattan	79,943	1,861,084	2015	54	Aug-16	ERY Tenant LLC/ Allianz SE	$2,150,000,000 **Adjusted to reflect 100% Interest**	$1,155.24	$51.76	4.48%	100%
	Comments:	Sale of state of the art Class A office building, which is the first office tower to be completed in the Hudson Yards area. ERY Tenant LLC is a joint venture of Related Companies, Oxford Properties Group, JP Morgan, Kuwait Investment Authority, and Coach, which is selling a 48 percent equity interest in the property, based on a purchase price of $2.150 billion for a 100 percent interest. The Coach space currently consists of a 40 percent interest in the property. In conjunction with the prospective sale, Coach is in the process of signing a long-term lease for the space it intends to occupy. As part of the transaction, Coach is selling it's interest and will sign a long-term leaseback. The transaction is expected to close in July 2016, upon completion of the tower. The property is fully leased to 7 office tenants and a retail tenant. Over 71 percent of the property is leased to Coach, L'Oreal, Boston Consulting Group, and SAP America, Inc. under long term leases.										
7	**1140 Avenue of the Americas** N/E/C 44th Streets Midtown Manhattan	9,375	249,703	1926 2010	22	May-16	Blackstone Real Estate Partners VI LP / New York City REIT	$180,000,000 **Leasehold**	$720.86	$35.16 Yr.2	4.88%	91%
	Comments:	Sale of a Class A office building located in the 6th Avenue/Rock Center submarket. In March 2011, following an auction, Blackstone Real Estate Advisors acquired the senior mortgage and mezzanine loans secured by the leasehold interest of the 1140 Avenue of the Americas for $98,250,000 and subsequently acquired the deed from 67 West 44th St. Inc. c/o Stellar Management and Rockpoint Real Estate Fund II, L.P. in lieu of foreclosure. At the time the property was in the midst of renovation and repositioning to a Class A boutique office property. The renovation included new façade, lobby and mechanicals at a cost of over $44 million. Blackstone completed the renovation and leased up the property to over 90 percent occupancy. The property is leased to 17 office tenants and 2 retail tenants. 1140 AoA is encumbered by a ground lease that expires in 2066. The ground lease payments were reset in 2015 and are fixed through the remainder of the ground lease term.										
8	**550 Madison Avenue** B/w E. 55th & E. 56th Streets Midtown Manhattan	36,803	852,830	1984	37	May-16	Chetrit Group Olayan, LLC	$1,400,000,000	$1,641.59	--	--	0%
	Comments:	Sale of state of the art Class A office building. The property is owned by the Chetrit Group which acquired the building in March 2013 for $1.1 billion from Sony Corporation which owned and occupied the entire building as their US headquarters. Following the sale, Sony Corporation leased-back the building though March 2016. The building is currently vacant. The property is currently under contract of sale to Olayan, LLC, c/o Chelsfield from 550 Madison Fifth LLC, c/o Chetrit Group. The purchase price is $1.4 billion.										
9	**850 Third Avenue** B/w E. 51st & E. 52nd Streets Midtown Manhattan	31,625	615,116	1962 1996	21	Mar-16	Shorenstein Company, LLC / JV Murray Hill Properties	$463,000,000	$752.70	$24.52	3.26%	96%
	Comments:	Sale of a Class A office tower located in the East Side submarket. The property is leased to 25 office tenants, 3 retail tenants, and 10 storage tenants. The building's total net rentable area is 615,116 square feet. The largest tenant is Discovery Communications who occupies 189,227 square feet of office space on the 2nd, 5th through 8th, and the 10th and 11th floors. The lease with Discovery Communications expires in May 2020. The average office contract rents are approximately 25% below market.										
10	**787 Seventh Avenue** B/w W. 51st & W. 52nd Sts. Midtown Manhattan	80,333	1,767,269	1985	54	Jan-16	AXA Financial / JV CalPERS & CommonWealth Partners	$1,899,037,256	$1,074.56	$45.30	4.22%	100%
	Comments:	Sale of a Class A trophy office tower, known as The Equitable Tower, located in the West side submarket. The largest office tenants include BNP Paribas (389,232 square feet, 22.82% of NRA), Sidley Austin (338,398 square feet, 19.84% of net rentable area), Wilkie Farr & Gallagher (321,433 square feet, 18.85% of net rentable area), and Stifel Nicolaus (178,583 square feet, 10.47% of net rentable area). The agreed upon purchase price was $1.95 billion. The buyer was provided approximately $33 million in credit and income support for existing contractual costs associated with the free rent abatements, tenant improvements and capital expenditures which have not been paid. In addition, $17.1 million was allocated for the artwork located within the building. As a result the actual contract price was reduced to $1.889 billion.										
	STATISTICS											
	LOW	**9,375**	**249,703**	**1926**					**$720.86**	**$22.46**	**2.36%**	**0.00%**
	HIGH	**102,452**	**2,677,007**	**2015**					**$1,995.70**	**$75.42**	**4.88%**	**100.00%**
	MEAN	**59,685**	**1,404,268**	**1980**					**$1,130.89**	**$40.73**	**3.75%**	**84.97%**

IMPROVED COMPARABLE SALE ADJUSTMENT GRID

		ECONOMIC ADJUSTMENTS (CUMULATIVE)					PROPERTY CHARACTERISTIC ADJUSTMENTS (ADDITIVE)								
No.	$/SqFt Date	Property Rights Conveyed	Financing	Conditions of Sale	# Months/ Market Conditions *	Subtotal	Location	Size	Age & Condition	Quality & Appeal	Occupancy	Economics	Utility	Other	Adj. $/Sqft
1	**$1,241.91**	Leased Fee/Mkt.	Arms-Length	None	3	**$1,251.23**	Superior	Larger	Similar	Superior	Similar	Superior	Similar	Similar	**$1,063.54**
	3/17	0.0%	0.0%	0.0%	0.75%	0.8%	-15.0%	15.0%	0.0%	-5.0%	0.0%	-10.0%	0.0%	0.0%	-15.0%
2	**$1,995.70**	Leased Fee/Mkt.	Arms-Length	None	10	**$2,045.60**	Similar	Larger	Superior	Superior	Similar	Superior	Superior	Similar	**$1,125.08**
	8/16	0.0%	0.0%	0.0%	2.50%	2.5%	0.0%	5.0%	-10.0%	-15.0%	0.0%	-10.0%	-15.0%	0.0%	-45.0%
3	**$859.17**	Leased Fee/Mkt.	Arms-Length	None	10	**$880.65**	Similar	Larger	Similar	Superior	Similar	Similar	Similar	Similar	**$1,056.78**
	8/16	0.0%	0.0%	0.0%	2.50%	2.5%	0.0%	25.0%	0.0%	-5.0%	0.0%	0.0%	0.0%	0.0%	20.0%
4	**$1,136.41**	Leased Fee/Mkt.	Arms-Length	None	10	**$1,164.82**	Inferior	Larger	Superior	Superior	Similar	Superior	Similar	Similar	**$1,106.58**
	8/16	0.0%	0.0%	0.0%	2.50%	2.5%	5.0%	20.0%	-10.0%	-10.0%	0.0%	-10.0%	0.0%	0.0%	-5.0%
5	**$730.72**	Leased Fee/Mkt.	Arms-Length	None	10	**$748.98**	Inferior	Similar	Inferior	Inferior	Inferior	Inferior	Similar	Similar	**$1,048.58**
	8/16	0.0%	0.0%	0.0%	2.50%	2.5%	10.0%	0.0%	5.0%	10.0%	5.0%	10.0%	0.0%	0.0%	40.0%
6	**$1,155.24**	Leased Fee/Mkt.	Arms-Length	None	10	**$1,184.12**	Inferior	Larger	Superior	Superior	Similar	Superior	Similar	Similar	**$1,065.71**
	8/16	0.0%	0.0%	0.0%	2.50%	2.5%	15.0%	15.0%	-15.0%	-15.0%	0.0%	-10.0%	0.0%	0.0%	-10.0%
7	**$720.86**	Leasehold	Arms-Length	None	13	**$1,004.78**	Similar	Smaller	Inferior	Inferior	Similar	Inferior	Similar	Similar	**$1,055.02**
	5/16	35.0%	0.0%	0.0%	3.25%	39.4%	0.0%	-15.0%	5.0%	10.0%	0.0%	5.0%	0.0%	0.0%	5.0%
8	**$1,641.59**	Leased Fee/Mkt.	Arms-Length	None	13	**$1,694.95**	Superior	Similar	Superior	Superior	Inferior	Similar	Superior	Similar	**$1,016.97**
	5/16	0.0%	0.0%	0.0%	3.25%	3.3%	-15.0%	0.0%	-10.0%	-15.0%	15.0%	0.0%	-15.0%	0.0%	-40.0%
9	**$752.70**	Leased Fee/Mkt.	Arms-Length	None	15	**$780.93**	Inferior	Smaller	Inferior	Inferior	Similar	Inferior	Similar	Similar	**$1,054.26**
	3/16	0.0%	0.0%	0.0%	3.75%	3.7%	15.0%	-5.0%	5.0%	10.0%	0.0%	10.0%	0.0%	0.0%	35.0%
10	**$1,074.56**	Leased Fee/Mkt.	Arms-Length	None	17	**$1,120.23**	Inferior	Larger	Superior	Superior	Similar	Superior	Similar	Similar	**$1,064.22**
	1/16	0.0%	0.0%	0.0%	4.25%	4.2%	5.0%	15.0%	-5.0%	-10.0%	0.0%	-10.0%	0.0%	0.0%	-5.0%

Summary

Price Range	Unadj. $/SF	Adj. $/SF
Low	$720.86	$1,016.97
High	$1,995.70	$1,125.08
Average	$1,130.89	$1,065.67

Net Adjustment	
Low	-45.0%
High	40.0%
Average	-2.0%

***Market Conditions Adjustment**

Date of Value (for adjustment calculations): June 30, 2017

Adjustment to June 30, 2017 3.00%

IMPROVED SALE LOCATION MAP



Percentage Adjustment Method

Adjustment Process

The sales we have used were the best available comparables to the subject property. The major points of comparison for this type of analysis include the property rights conveyed, the financial terms incorporated into the transaction, the conditions or motivations surrounding the sale, changes in market conditions since the sale, the location of the real estate, its physical traits and the economic characteristics of the property.

The first adjustment made to the market data takes into account differences between the subject property and the comparable property sales with regard to the legal interest transferred. Advantageous financing terms or atypical conditions of sale are then adjusted to reflect a normal market transaction. Next, changes in market conditions are accounted for, creating a time adjusted price. Lastly, adjustments for location, physical traits and the economic characteristics of the market data are made in order to generate the final adjusted unit rate for the subject property.

We have made a downward adjustment to those comparables considered superior to the subject and an upward adjustment to those comparables considered inferior.

Property Rights Conveyed

The property rights conveyed in a transaction typically have an impact on the price that is paid. Acquiring the fee simple interest implies that the buyer is acquiring the full bundle of rights. Acquiring a leased fee interest typically means that the property being acquired is encumbered by at least one lease, which is a binding agreement transferring rights of use and occupancy to the tenant. A leasehold interest involves the acquisition of a lease, which conveys the rights to use and occupy the property to the buyer for a finite period of time. At the end of the lease term, there is typically no reversionary value to the leasehold interest. Each comparable was adjusted accordingly.

Financial Terms

The financial terms of a transaction can have an impact on the sale price of a property. A buyer who purchases an asset with favorable financing might pay a higher price, as the reduced cost of debt creates a favorable debt coverage ratio. A transaction involving above-market debt will typically involve a lower purchase price tied to the lower equity returns after debt service. We have analyzed all of the transactions to account for atypical financing terms. To the best of our knowledge, all of the sales used in this analysis were accomplished with cash or market-oriented financing.

Conditions of Sale

Adjustments for conditions of sale usually reflect the motivations of the buyer and the seller. In many situations the conditions of sale may significantly affect transaction prices. However, all sales used in this analysis are considered to be "arms-length" market transactions between both knowledgeable buyers and sellers on the open market. Therefore, no adjustments were required.

Market Conditions

In this analysis, we determined the As Is Market Value using the value date of June 30, 2017. All of the comparables are adjusted to this date. The sales that are included in this analysis occurred between January 2016 and March 2017. Investors continue to view Manhattan’s office buildings as less risky and are willing to invest as indicated by the large number of sales since 2015. As a result, we have made an upward adjustment of 3.00 percent per annum through June 30, 2017, the effective date of this appraisal.

Location

An adjustment for location is required when the locational characteristics of a comparable property differ from those of the subject property. Each comparable was adjusted accordingly.

Physical Traits

Each property has various physical traits that determine its appeal. These traits include size, age, condition, and quality. Each comparable was adjusted accordingly.

Economic Characteristics

The economic characteristics of a property include its occupancy levels, operating expense ratios, tenant quality, and other items not covered under prior adjustments that would have an economic impact on the transaction. Each comparable was adjusted accordingly.

Utility

Retail is very valuable in Manhattan and can have a significant impact on the overall value of a property. Under utility, we have made a negative adjustments to 1095 Sixth Avenue and 550 Madison Avenue which have superior retail potential.

Other

This category accounts for any other adjustments not previously discussed. Based on our analysis of these sales, none required any additional adjustment.

Discussion of Comparable Sales

Comparable Sale No. 1

This is the sale of a Class A office building located at 245 Park Avenue between East 47th and 48th Streets in the Park Avenue submarket of Midtown Manhattan. In March 2017, HNA Group acquired the property from a partnership of Brookfield Property Partners and NYSTERS. The reported contract price is $2.21 billion for the property. The largest tenant is JP Morgan Chase, which leases 787,000 square feet. Approximately 550,000 square feet of the JP Morgan space has been subleased to Societe Generale SA, which in 2022 becomes a direct tenant. Another major tenant, Major League Baseball (220,000 square feet) will be vacating their space upon expiration of their lease in 2022. The property is located 2 blocks north of Grand Central with direct access into the terminal. The current sales price equates to $1,241.91 per square foot. The current overall capitalization rate is 4.85 percent.

In comparison with the subject property, an upward adjustment was required for market conditions. A downward adjustment was required for location. An upward adjustment was required for size under the premise that smaller properties sell for more per square foot than larger properties. A downward adjustment was required for quality and appeal. A downward adjustment was required for economics. No other adjustments were required. The adjusted price is $1,063.54 per square foot.

Comparable Sale No. 2

This is the sale of a Class A office building located at 1095 Avenue of the Americas between West 41st and West 42nd Streets along Avenue of the Americas in the 6th Avenue/Rock Center submarket. The property includes the office and retail condominiums located within the grade, 2nd through 6th floors and 13th through 41st floors of 1095 Avenue of the Americas and the 42nd Cube, 3-story annex retail building at 120 W. 42nd Street. The 7th through 12th floors are owner occupied by Verizon. The joint venture Ivanhoe Cambridge and Callahan Capital Partners is selling a 49 percent equity interest in the property to Real Summit Investment, based on a purchase price of $2.353 billion for a 100 percent interest. Over 81 percent of the office space is leased to five tenants; Metlife Insurance, Dechert, LLP, Standard Chartered Bank, the Instinet Group, LLC, and the Bank Of Scotland. MetLife has subleased the majority of its space to Salesforce.com. There is 103,000 square feet of retail space. The majority of space is leased to Equinox and Whole Foods. 1095 AoA was originally built as the headquarters of the New York Telephone Company and subsequently became the headquarters for Verizon Communications. The Oxford and Callahan acquired the property in November 2014 for an agreed upon price of $2.2 billion from Equity Office Properties.

The buyer was provided with various credits of $54 million for costs associated with the leasing costs and capital expenditures which were not been paid. As a result the actual net contract price was $2.146 billion. In March 2005, EOP acquired 1095 AoA, except for the 6th through 12th floors, from Verizon Communications for $470,000,000. The property was underwent a complete renovation, that was completed by January 2008, at a total cost of $350,000,000. The 3-story and below grade retail box was developed in 2012 for a total cost of $32 million.

In comparison with the subject property, an upward adjustment was required for market conditions. An upward adjustment was required for size under the premise that smaller properties sell for more per square foot than larger properties. A downward adjustment was required for age and condition. A downward adjustment was required for quality and appeal. A downward adjustment was required for economics. A downward adjustment was required for utility. No other adjustments were required. The adjusted price is $1,125.08 per square foot.

Comparable Sale No. 3

This is the sale of a modern Class A office tower located at 1221 Avenue of the Americas between West 48th and 49th Street in Midtown Manhattan. This is a partial interest sale property where CPP & Rockefeller Center Group purchased the interest owned by Invesco. The total purchase price is allocated to reflect a 100 percent interest in $2,300,000,000. The property is approximately 90 percent leased to 15 office tenants. The four largest office tenants are White & Case, NBC Universal, Morgan Stanley, and MUFG Americas Holding Corp. These four tenants represent over 48 percent of the net rentable area. Ownership is in the process of instituting an extensive renovation program that is expected to be completed in 2020 which will modernize the property and lobby. Less than 18 percent of the net rentable area is due to expire within the next 5 years. The current sales price equates to $859.17 per square foot. The current overall capitalization rate is 2.90 percent.

In comparison with the subject property, an upward adjustment was required for market conditions. An upward adjustment was required for size under the premise that smaller properties sell for more per square foot than larger properties. A downward adjustment was required for quality and appeal. No other adjustments were required. The adjusted price is $1,056.78 per square foot.

Comparable Sale No. 4

This is the sale of a landmarked, Class A office building located in the Madison/Union Square office submarket of Midtown South Manhattan. 11 Madison Avenue is the 2nd largest office building in Midtown South. In August 2016, PGIM Real Estate Investors acquired a 40 percent interest in the property from SL Green Realty based on a 100 percent valuation of $2.6 billion. The property is leased to 6 office tenants and four retail tenants. Originally, Credit Suisse leased over 79 percent of the property under a net lease that originally expires in May 2017. In early 2014, Credit Suisse signed a 20-year extension for 1,066,132 square feet of office space on the basement level, grade level, and 2nd through 10th floors, plus 21,293 square feet storage space. The tenant had an expansion option on the 11th and 13th floors totaling 177,626 square feet, which was exercised. Credit Suisse also surrendered its space on 19th through 29th floors. In addition to the Credit Suisse renewal, Sony leased 579,205 square feet on the basement level, at grade and on 19th through 28th floors through January 2031; as part of their lease, Sony will open a Sony experience store on the Madison Park side of the building. Yelp leased 152,232 square feet on the 14th and 16th floors through April 2025; and WME Entertainment signed leases for 103,426 square feet on the 15th and 17th floors through September 2030. In all, over 2,090,000 square feet (assuming Credit Suisse exercises is expansion option) or nearly 92 percent of the net rentable area was leased through either new leases or renewals since 2014.

Previously in August 2015, SL Green Realty acquired the property from a joint venture of the Sapir Organization and the CIM Group. The agreed upon purchase price was $2.285 billion. In addition, the buyer is responsible for tenant improvement costs, leasing commission and base building work costs that have been spent by the seller in relation to the recent leasing, which are approximately $137 million. The net purchase price assuming these costs is $2.422 billion. Based on the purchase price of $2.6 billion, the current overall capitalization rate is 3.4 percent. The current sales price equates to $1,136.41 per square foot.

In comparison with the subject property, an upward adjustment was required for market conditions. An upward adjustment was required for location. An upward adjustment was required for size under the premise that smaller properties sell for more per square foot than larger properties. A downward adjustment was required for age and condition. A downward adjustment was required for quality and appeal. A downward adjustment was required for economics. No other adjustments were required. The adjusted price is $1,106.58 per square foot.

Comparable Sale No. 5

This is the sale of 1250 Broadway, a Class A office tower located at the southeast corner of Broadway and West 32nd Street in the Madison/Union Square office submarket of Midtown South Manhattan. In August 2016, Eastgate Realty acquired the property from the joint venture of Murray Hill Properties and Jamestown for a reported $565,000,000. The property is approximately 88 percent leased to 24 office tenants. The largest office tenant is the Visiting Nurse Service of New York, who leases approximately 40 percent of the property's net rentable area and will vacate the premises upon expiration of their lease in 2018. The owners intend renovate the property at a cost of $28.2 million. The current overall capitalization rate is 3.07 percent. The sale price equates to $730.72 per square foot.

In comparison with the subject property, an upward adjustment was required for market conditions. An upward adjustment was required for location. An upward adjustment was required for age and condition. An upward adjustment was required for quality and appeal. An upward adjustment was required for occupancy. An upward adjustment was required for economics. No other adjustments were required. The adjusted price is $1,048.58 per square foot.

Comparable Sale No. 6

This is the sale of state of the art Class A office building located at 430 West 30th Street on the northwest corner of West 30th Street within the West Side office submarket of Midtown Manhattan. 10 Hudson Yards was the first office tower to be completed in the Hudson Yards area. ERY Tenant LLC is a joint venture of Related Companies, Oxford Properties Group, JP Morgan, Kuwait Investment Authority, and Coach, sold a 48 percent equity interest in the property, based on a purchase price of $2.150 billion for a 100 percent interest. The Coach space currently consists of a 40 percent interest in the property. In conjunction with the prospective sale, Coach signed a long-term lease for the space it will occupy. As part of the transaction, Coach is selling its interest and will sign a long-term leaseback. The transaction closed in July 2016. The property is fully leased to 7 office tenants and a retail tenant.

10 Hudson yards contains office space on the 9th through 37th and 40th through 52nd floors. Retail space is located on the grade and mezzanine levels. A 239 space parking garage is located below grade. Mechanical space is located in the basement, and on the 3rd, 4th, 5th, 38th, 39th, 53rd and 54th floors. Over 71 percent of the property is leased to Coach, L'Oreal, Boston Consulting Group, and SAP America, Inc. under long term leases. The current overall capitalization rate is 4.32 percent. The sale price equates to $1,155.24 per square foot.

In comparison with the subject property, an upward adjustment was required for market conditions. An upward adjustment was required for location. An upward adjustment was required for size under the premise that smaller properties sell for more per square foot than larger properties. A downward adjustment was required for age and condition. A downward adjustment was required for quality and appeal. A downward adjustment was required for economics. No other adjustments were required. The adjusted price is $1,065.71 per square foot.

Comparable Sale No. 7

This is the sale of a Class A office building located at 1140 Avenue of the Americas on the northeast corner of West 44th Street within the 6th Avenue/Rock Center submarket. In May 2016, New York City REIT entered into contract with Blackstone Real Estate Partners VI LP for the leasehold interest of the 1140 Avenue of the Americas for a price of $180,000,000. In March 2011, following an auction, Blackstone Real Estate Advisors acquired the senior mortgage and mezzanine loans secured by the leasehold interest of the 1140 Avenue of the Americas for $98,250,000 and subsequently acquired the deed from 67 West 44th St. Inc. c/o Stellar Management and Rockpoint Real Estate Fund II, L.P. in lieu of foreclosure. At the time the property was in the midst of renovation and repositioning to a Class A boutique office property. The renovation included new façade, lobby and mechanicals at a cost of over $44 million. Blackstone completed the renovation and leased up the property to over 90 percent occupancy. The property is leased to 17 office tenants and 2 retail tenants. 1140 Avenue of the Americas is encumbered by a ground lease that expires in 2066. The ground lease payments were reset in 2015 and are fixed through the remainder of the ground lease term. The current overall capitalization rate is 4.88 percent. The sale price equates to $720.86 per square foot.

In comparison with the subject property, an upward adjustment was required for property rights conveyed. An upward adjustment was required for market conditions. A downward adjustment was required for size under the premise that smaller properties sell for more per square foot than larger properties. An upward adjustment was required for age and condition. An upward adjustment was required for quality and appeal. An upward adjustment was required for economics. No other adjustments were required. The adjusted price is $1,055.02 per square foot.

Comparable Sale No. 8

This is the sale of state of the art Class A office building located at 550 Madison Avenue on the northwest corner of East 55th Street within the Plaza submarket of Midtown Manhattan. The property, designed by Philip Johnson and John Burgee, was originally developed as the headquarters for AT&T, and is currently known as The Sony Building. The property is owned by the Chetrit Group which acquired the building in March 2013 for $1.1 billion from Sony Corporation which owned and occupied the entire building as their US headquarters. Following the sale, Sony Corporation leased-back the building though March 2016. The building is currently vacant. In May 2016, Olayan, LLC c/o Chelsfield acquired the property from the Chetrit Group for a purchase price of $1,400,000,000. 550 Madison Avenue is a modern high-rise office tower with granite, glass, and aluminum facade with floor plates ranging from 22,854 to 27,467 square feet on the 2nd through 35th floors with views of Central Park. The sale price equates to $1,651.49 per square foot.

In comparison with the subject property, an upward adjustment was required for market conditions. A downward adjustment was required for location. A downward adjustment was required for age and condition. A downward adjustment was required for quality and appeal. An upward adjustment was required for occupancy. A downward adjustment was required for utility. No other adjustments were required. The adjusted price is $1,016.97 per square foot.

Comparable Sale No. 9

This is a sale of a Class A office tower located at 850 Third Avenue Street between 51st and 52nd Streets in the East Side office sub market of Midtown Manhattan. As of January 2016, a joint venture of Murray Hill Properties and a HNA Properties entered into contract to acquire the property from Shorenstein Company, LLC for $463,000,000. The property is leased to 28 office tenants and 3 retail tenants. The building's total net rentable area is 615,116 square feet. The largest tenant is Discovery Communications, which occupies 189,227 square feet of office space on the 2nd, 5th through 8th, and 10th and 11th floors, through May 2020. The average office contract rents are approximately 25% below market. The overall capitalization rate is 3.29 percent. The sale price equates to $752.70 per square foot.

In comparison with the subject property, an upward adjustment was required for market conditions. An upward adjustment was required for location. A downward adjustment was required for size under the premise that smaller properties sell for more per square foot than larger properties. An upward adjustment was required for age and condition. An upward adjustment was required for quality and appeal. An upward adjustment was required for economics. No other adjustments were required. The adjusted price is $1,054.26 per square foot.

Comparable Sale No. 10

This is a sale of a Class A office tower located at 787 Seventh Avenue known as The Equitable Tower, between 51st and 52nd Streets in the West Side submarket of Midtown Manhattan. The largest office tenants include BNP Paribas (389,232 square feet, 22.82% of NRA), Sidley Austin (338,398 square feet, 19.84% of net rentable area), Wilkie Farr & Gallagher (321,433 square feet, 18.85% of net rentable area), and Stifel Nicolaus (178,583 square feet, 10.47% of net rentable area). In January 2016, CalPERS and Common Wealth Partners acquired the property from AXA Financial for a reported purchase price of $1,900,000,000. The buyer was provided approximately $33 million in credit and income support for existing contractual costs associated with the free rent abatements, tenant improvements and capital expenditures which have not been paid. In addition, $17.1 million was allocated for the artwork located within the building. As a result, the actual contract price was reduced to $1,899,037,256. The current overall capitalization rate is 4.22 percent. The sale price equates to $1,074.56 per square foot.

In comparison with the subject property, an upward adjustment was required for market conditions. An upward adjustment was required for location. An upward adjustment was required for size under the premise that smaller properties sell for more per square foot than larger properties. A downward adjustment was required for age and condition. A downward adjustment was required for quality and appeal. A downward adjustment was required for economics. No other adjustments were required. The adjusted price is $1,064.22 per square foot.

Value Conclusion

The sales that we have utilized represent the best available information that could be compared to the subject property. The major elements of comparison for an analysis of this type include the property rights conveyed, the financial terms incorporated into a particular transaction, the conditions or motivations surrounding the sale, changes in market conditions since the sale, the location of the real estate, its physical traits and the economic characteristics of the property.

The comparable sale properties include buildings that are comparable in both location and physical characteristics. Prior to adjustments, the sales reflect a range in price $720.86 to $1,995.70 per square foot. After adjustments, the comparable improved sales reflect unit prices ranging from $1,016.97 to $1,125.08 per square foot with an average adjusted price of $1,065.67 per square foot.

The reported and derived overall capitalization rates range from 2.36 to 4.88 percent based on projected and/or actual net operating incomes. As displayed, the price per square foot indications vary due to variations in site location, exposure, improvement design, quality, condition and age as well as the image of the property, nature of tenancies, length of lease terms and, most importantly, the level and quality of the net income stream.

In addition, we have considered the major Class A office buildings that are currently on the market for sale: Worldwide Plaza and 1515 Broadway.

- Worldwide Plaza Office is a modern, 47-story, Class A, multi-tenant office property built in 1987 that contains 1,825,482 square feet of net rentable area. The property is fully leased to 9 office tenants, 5 storage tenants, and 7 retail tenants. The two largest tenants are Nomura Holdings America Inc. and Cravath Swaine & Moore LLP who lease 817,000 square feet and 632,000 square feet, respectively. The Nomura lease is significantly below market while the Cravath Swaine & Moore LLP is above market. In addition, part of the property includes the Worldwide Plaza Amenities, which consists of the multi-tenant retail and garage condominium units located on the ground floor and basement of Two Worldwide Plaza (350 West 50th Street). The retail and garage condominium units contain 241,221 square feet of net rentable area, and are

leased to 12 retail tenants and one garage tenant. The property is owned by a partnership of George Comfort & Sons and New York REIT, Inc. Published reports indicate that a joint venture of RXR and SL Green are in talks to acquire the property at a purchase price of $1,700,000,000. However, we are not able to confirm the price and therefore we have placed limited weight on this potential sale within our analysis.

- 1515 Broadway is a Class A, modern, 53-story, commercial property built in 1971 located within the West Side District of Midtown Manhattan. 1515 Broadway contains 1,721,858 square feet of net rentable area and is currently owned by SL Green Realty. The largest tenant is Viacom, which approximately 72.00 percent of the NRA under a below market, long term lease. In addition, the property benefits from 40,000 square feet of Times Square retail. There is a letter of intent with a confidential buyer to acquire a 50 percent interest in the property at valuation of approximately $2 billion which implies a low 4.00s percent going capitalization rate.

As displayed, the price per square foot indications vary due to variations in site location, exposure, improvement design, quality, condition and age as well as the image of the property, nature of tenancies, length of lease terms and, most importantly, the level and quality of the net income stream. The most comparable sales to the subject property are those with good locations and income profiles. The subject property has a potential gross income profile in line with many of the comparables.

442/452 Fifth Avenue is an excellent quality, Class A office property. The property is currently 99.52 percent leased to 13 office tenants and 3 retail tenants. There is a total of 4,139 square feet of vacant storage space. The subject has an excellent location and benefits from being across of Bryant Park. The largest office tenant is HSBC Bank USA, N.A. which leases 548,170 square feet of storage, retail and office space. HSBC Bank USA occupies the entire One West 39th Street building; and, the sub cellar, part of the cellar, part of the grade, and the 2nd through 11th floors of 442/452 Fifth Avenue. The tenant recently signed a 5 year extension through April 2025. HSBC Bank USA, N.A. occupies 63.33 percent of the subject's NRA.

The majority of the sales were adjusted for age and condition, quality and appeal or location. Therefore, the value indicated by the Sales Comparison Approach is at the middle to higher end of the range of adjusted sale prices per square foot indicated by the comparables at $1,065.00 per square foot. Based on our analysis of competitive sales, we conclude that the indicated value by the Sales Comparison Approach on June 30, 2017, the Market value, is:

SALES COMPARISON APPROACH CONCLUSION	
MARKET VALUE "AS IS":	
Net Rentable Area:	865,546
Concluded Price Per Square Foot:	x $1,065.00
Indicated Value:	$921,806,490
Rounded:	$920,000,000
Per Square Foot:	$1,062.91

Income Capitalization Approach

Methodology

The Income Capitalization Approach is a method of converting the anticipated economic benefits of owning property into a value through the capitalization process. The principle of "anticipation" underlies this approach in that investors recognize the relationship between an asset's income and its value. In order to value the anticipated economic benefits of a particular property, potential income and expenses must be projected, and the most appropriate capitalization method must be selected.

The two most common methods of converting net income into value are Direct Capitalization and Discounted Cash Flow. In direct capitalization, net operating income is divided by an overall capitalization rate to indicate an opinion of market value. In the discounted cash flow method, anticipated future cash flows and a reversionary value are discounted to an opinion of net present value at a chosen yield rate (internal rate of return).

Based upon the above, the discounted cash flow method is appropriate in this assignment.

Potential Gross Income

Generally, Manhattan office tenants pay fixed gross rent on a rentable area basis, which is consistent with space measurement standards for buildings of similar vintage, plus any increases in operating expenses and real estate taxes above stipulated base year amounts. Tenant electric costs are either directly metered, sub metered or rent inclusion (charged as additional rent).

Measurement

Space measurement standards in Manhattan office buildings vary from building to building. Typically, the usable area of each floor (gross area less core) is multiplied times an add-on factor to arrive at rentable area. The add-on factor varies from building to building and is influenced most by the strength or weakness of the leasing market. The ratio of rentable area to usable area is known as the loss factor.

There are three main units of measurement typically used in leasing and marketing Manhattan office space. These include gross area, rentable area and usable area. These units of measurement may be summarized as follows:

Gross Area:	Gross area is the actual square footage measured from the outside walls. An architect typically determines gross area.
Rentable Area:	Rentable area is an economic measurement made by the landlord, which is used to establish the area for each space in an office building for which the tenant will pay rent.
Usable Area:	Usable area is a measurement made by the landlord based upon standards recommended by the Real Estate Board of New York (REBNY). (Gross area excluding vertical penetrations such as stairwells, elevator shafts, elevator machines and risers, fire towers and courts including the nominal four inch enclosing walls but including elevator lobbies, restrooms and columns as usable square footage).
Carpetable Area:	Carpetable area is the actual area used by the tenant excluding elevator lobbies, restrooms and columns. The tenants' architect typically determines carpetable area.

Two other definitions are important and may be summarized as follows:

Loss Factor:	The ratio expressed as a percentage of Rentable Area to Usable Area (1 – Usable/Rentable = Loss Factor %) or Carpetable area (1-Carpetable/Rentable = Loss Factor %).
Add-On Factor:	The multiple applied to the Usable or Carpetable square footage.

New York City is the only office market in the United States that employs this methodology. Manhattan tenants are very sophisticated and most are represented by both experienced real estate attorneys and leasing brokers who engage a number of professionals including architects and designers to measure a prospective space and negotiate with landlords over the terms of their lease contracts. These professionals are fully aware of the various measurements standards.

Subject Tenancy

The subject property is demised for multi-tenant occupancy. On the following pages we will discuss the subject's occupancy, lease structure and rent levels, and we will contrast this information against comparable properties in the market.

Space Summary & Occupancy Status

The subject property is currently 99.52 percent leased to a total of 16 tenants; 13 office tenants and 3 retail tenants. Several of the tenants occupy multiple spaces. The office and retail spaces within 452 Fifth Avenue and 1 West 39th Street are fully leased. There is one vacant storage space within the basement of 452 Fifth Avenue totaling 4,139 square feet which is available for lease.

The subject contains 48,397 square feet of storage space, 49,523 square feet of retail space, 3,554 square feet of management office space and 764,072 square feet of office space. In total the subject contains 865,546 square feet of space. A breakdown of average contract rents per space type follows:

442/452 FIFTH AVENUE - OCCUPANCY STATUS

Tenant Type	Total Square Footage	Leased Square Footage	Percent Leased	Vacant Square Footage	Percent Vacant	Average Rent/SF
Office Space	624,869	624,869	86.03%	-	0.00%	$66.17
Retail Space	49,523	49,523	6.82%	-	0.00%	$117.45
Storage Space	48,397	44,258	6.09%	4,139	0.57%	$40.99
Management Office	3,554	3,554	0.49%	-	0.00%	$0.00
Total	726,343	722,204	98.94%	4,139	0.57%	

ONE WEST 39TH STREET - OCCUPANCY STATUS

Tenant Type	Total Square Footage	Leased Square Footage	Percent Leased	Vacant Square Footage	Percent Vacant	Average Rent/SF
Office Space	139,203	139,203	100.00%	-	0.00%	$36.31
Total	139,203	139,203	100.00%	-	0.00%	

442/452 FIFTH AVENUE & ONE WEST 39TH STREET - TOTAL OCCUPANCY STATUS						
Tenant Type	Total Square Footage	Leased Square Footage	Percent Leased	Vacant Square Footage	Percent Vacant	Average Rent/SF
Office Space	764,072	764,072	88.28%	-	0.00%	$60.73
Retail Space	49,523	49,523	5.72%	-	0.00%	$117.45
Storage Space	48,397	44,258	5.11%	4,139	0.48%	$40.99
Management Office	3,554	3,554	0.41%	-	0.00%	
Total	865,546	861,407	99.52%	4,139	0.48%	

There are a total of 55 tenant spaces, of which 53 spaces are leased, 1 space is vacant and available for lease, and there is one management office space. The subject's 1 vacant space totals 4,139 square feet of rentable area.

Base rent produced by the subject property is derived from that paid by the various tenant types. The projection used in this analysis is based on the actual rent roll as of the date of appraisal, together with our assumptions regarding the absorption of the vacant space, market rent growth, and renewal/turnover probability.

The rental income an asset such as the subject property will generate for an investor is analyzed based on its quality, quantity, and durability. The quality and probable duration of income will affect the amount of potential risk over the property's investment holding period. By segregating the income stream along these lines we can control the variables related to the forecasted performance with greater accuracy.

Minimum rents forecasted at the subject property are derived from various tenant categories. We grouped the tenants into categories that enable us to make like-kind comparisons to other subject leases, which ultimately allows us to make a meaningful comparison of each tenant category to the appropriate set of comparable rents. As an aid to the reader, we preface our analysis of the subject's leases with a discussion of their lease structure.

Lease Structure

Types of Leases

In addition to base rent, tenants are often required to reimburse the landlord for certain expenses. Expense recovery clauses range from absolutely net (whereby the tenant pays all property expenses) to fully gross (in which the tenant pays no expenses). Recovery provisions can vary by property type and locale, and can fall anywhere within the net to gross range.

Local Market Lease Structure

The market in which the subject property is located recognizes these basic lease structures, with slight variations. In the subject's market, leases are typically written on a modified gross basis, with the tenants responsible for increases in real estate taxes over a base amount (normally costs in the initial year of occupancy). In addition, tenants are responsible for an electricity charge via direct billing, sub meter or direct meter.

Lease terms are generally between 5 and 15 years for office and retail tenants. Leases that are 5 years or less in length typically include annual escalations of 2.5 to 3 percent. Longer lease terms, typically 10 to 15 years, generally include a 10 percent rent bump every five years.

Subject's Lease Structure

The existing office leases in the subject property are gross, whereby the tenants are responsible for their pro-rata share of real estate taxes and operating expenses above their base year for their respective tax lots, along with direct and sub-metered electric charges. In addition, tenants typically pay fixed rental increases in years 5 and 10 of their lease.

The retail leases at the subject property are gross, whereby the tenants are responsible for their pro-rata share of real estate taxes above its base year, along with direct electric charges. The tenant leases are summarized below and on the following page:

442/452 FIFTH AVENUE - LEASE SUMMARY REPORT

Tenant Name	Rentable Area (SF) Rent Roll	% of Total NRA	Current Annual Base Rent	% of Annual Base Rent	Annual Base Rent (SF)	Lease Expiration
HSBC Bank USA > Renewal	338,708	46.63%	$18,702,236	38.18%	$55.22	Apr-25
Baker & McKenzie LLP	105,803	14.57%	$7,007,675	14.31%	$66.23	Jan-28
Man Investments Holdings	48,709	6.71%	$3,994,133	8.15%	$82.00	Jul-22
Pressprich	22,363	3.08%	$1,546,676	3.16%	$69.16	Jan-23
NCH Capital Inc.	16,428	2.26%	$1,445,664	2.95%	$88.00	Dec-27
VTB Capital Inc.	16,428	2.26%	$1,429,236	2.92%	$87.00	Sep-22
KLS Diversified Asset	16,428	2.26%	$1,314,240	2.68%	$80.00	Dec-22
StormHarbour Partners,LP	16,298	2.24%	$1,580,906	3.23%	$97.00	Jan-26
Tilden Park Capital Management	16,140	2.22%	$1,694,700	3.46%	$105.00	Sep-24
Wood McKenzie LLP	10,338	1.42%	$899,406	1.84%	$87.00	Dec-17
Varadero Capital,L.P.	7,636	1.05%	$778,872	1.59%	$102.00	Jan-26
Triangle Capital,LLC	7,054	0.97%	$740,670	1.51%	$105.00	Jan-26
Tripointe Capital Partners,LLC	2,536	0.35%	$215,560	0.44%	$85.00	Dec-17
Total Office Tenants	**624,869**	**86.03%**	**$41,349,974**	**84.42%**	**$66.17**	
HSBC Retail > Renewal	26,001	3.58%	$2,666,827	5.44%	$102.57	Apr-25
Staples East Inc. > Renewal	17,657	2.43%	$2,085,631	4.26%	$118.12	Dec-36
Panera LLC	5,865	0.81%	$1,064,000	2.17%	$181.42	May-27
Total Retail Tenants	**49,523**	**6.82%**	**$5,816,458**	**11.88%**	**$117.45**	
HSBC Bank USA > Renewal	44,258	6.09%	$1,814,168	3.70%	$40.99	Apr-25
Total Storage Tenants	**44,258**	**6.09%**	**$1,814,168**	**3.70%**	**$40.99**	
Total Vacant Storage	**4,139**	**0.57%**				
Total Management Space	**3,554**	**0.49%**				
Total Net Rentable Area	**726,343**	**100.00%**	**$48,980,600**	**100.00%**	**$67.43**	

1 WEST 39TH STREET - LEASE SUMMARY REPORT

Tenant Name	Rentable Area (SF) Rent Roll	% of Total NRA	Current Annual Base Rent	% of Annual Base Rent	Annual Base Rent (SF)	Lease Expiration
HSBC Bank USA > Renewal	139,203	100.00%	$5,054,663	100.00%	$36.31	Apr-25
Total Office Tenants	**139,203**	**100.00%**	**$5,054,663**	**100.00%**	**$36.31**	
Total Net Rentable Area	**139,203**	**100.00%**	**$5,054,663**	**100.00%**	**$36.31**	

442/452 FIFTH AVENUE & 1 WEST 39TH STREET - LEASE SUMMARY REPORT						
Tenant Name	Rentable Area (SF) Rent Roll	% of Total NRA	Current Annual Base Rent	% of Annual Base Rent	Annual Base Rent (SF)	Lease Expiration
HSBC Bank USA > Renewal	477,911	55.21%	$23,756,899	43.97%	$49.71	Apr-25
Baker & McKenzie LLP	105,803	12.22%	$7,007,675	12.97%	$66.23	Jan-28
Man Investments Holdings	48,709	5.63%	$3,994,133	7.39%	$82.00	Jul-22
Pressprich	22,363	2.58%	$1,546,676	2.86%	$69.16	Jan-23
NCH Capital Inc.	16,428	1.90%	$1,445,664	2.68%	$88.00	Dec-27
VTB Capital Inc.	16,428	1.90%	$1,429,236	2.65%	$87.00	Sep-22
KLS Diversified Asset	16,428	1.90%	$1,314,240	2.43%	$80.00	Dec-22
StormHarbour Partners,LP	16,298	1.88%	$1,580,906	2.93%	$97.00	Jan-26
Tilden Park Capital Management	16,140	1.86%	$1,694,700	3.14%	$105.00	Sep-24
Wood McKenzie LLP > Renewal	10,338	1.19%	$899,406	1.66%	$87.00	Dec-22
Varadero Capital,L.P.	7,636	0.88%	$778,872	1.44%	$102.00	Jan-26
Triangle Capital,LLC	7,054	0.81%	$740,670	1.37%	$105.00	Jan-26
Tripointe Capital Partners,LLC > Re	2,536	0.29%	$215,560	0.40%	$85.00	Dec-22
Total Office Tenants	**764,072**	**88.28%**	**$46,404,637**	**85.88%**	**$60.73**	
HSBC Retail > Renewal	26,001	3.00%	$2,666,827	4.94%	$102.57	Apr-25
Staples East Inc. > Renewal	17,657	2.04%	$2,085,631	3.86%	$118.12	Dec-36
Panera LLC	5,865	0.68%	$1,064,000	1.97%	$181.42	May-27
Total Retail Tenants	**49,523**	**5.72%**	**$5,816,458**	**10.76%**	**$117.45**	
HSBC Bank USA > Renewal	44,258	5.11%	$1,814,168	3.36%	$40.99	Apr-25
Total Storage Tenants	**44,258**	**5.11%**	**$1,814,168**	**3.36%**	**$40.99**	
Total Vacant Storage	**4,139**	**0.48%**				
Total Management Space	**3,554**	**0.41%**				
Total Net Rentable Area	**865,546**	**100.00%**	**$54,035,263**	**100.00%**	**$62.99**	

Rent Roll Summary

There are 13 office tenants in the property. The largest office tenant is HSBC Bank USA, N.A. which leases 548,170 square feet of storage, retail and office space. HSBC Bank USA occupies the entire One West 39th Street building; and, the sub-cellar, part of the cellar, part of the grade, and the 2nd through 11th floors of 442/452 Fifth Avenue through April 2025. The HSBC Bank space contains 477,911 square feet of office space; 26,001 square feet of retail space; and 44,258 square feet of storage space, for a total of 548,170 square feet, which represents 63.33 percent of the subject's NRA.

The next largest office tenants include Baker & McKenzie LLP, which occupies 105,803 square feet on the 14th through 20th floors; and, Man Investments Holdings, which occupies 48,709 square feet on the 25th through 27th floors. The remaining 10 office tenants lease smaller spaces ranging from 2,536 to 22,363 square feet. These 12 office tenants represent 33 percent of the property's net rentable area. There is also a 3,554 square feet on the 21st floor which is utilized by the owners as the management office.

In addition to office space, the subject property contains retail space leased to three tenants. The first space on the corner of Fifth Avenue and W. 40th street, is leased to HSBC Bank USA, which contains 7,874 square feet on the ground floor space and 18,127 square feet of cellar level space. The second retail tenant is a 5,865 square foot midblock ground floor store that is leased to Panera LLC. The retail store on the corner of Fifth Avenue and W. 39th Street is leased to Staples East Inc. The space contains 7,108 square feet of ground space and 10,549 square feet of mezzanine. The retail space in the property totals 49,523 square feet on the ground floor, mezzanine and cellar level.

Tenant Profiles

HSBC Bank Tenant Profile

Founded in Hong Kong in 1865 as the Hong Kong and Shanghai Banking Corporation, HSBC is one of the world's largest banking and financial services organizations. The bank is currently headquartered in London and listed on stock exchanges in London, Hong Kong, New York, Paris, and Bermuda. HSBC provides a comprehensive range of financial services to roughly 47.0 million customers through four main channels: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking.

HSBC Bank operates as a subsidiary of HSBC Holdings plc. The holding company also operates over HSBC Latin America Holdings (UK) Limited, HSBC Latin America BV, HSBC Overseas Holdings (UK) Limited, HSBC Bank Canada, HSBC Private Banking Holdings (Suisse) S.A., and HSBC Holdings BV.

HSBC's recent strategy has been to target developing economies in the world for strong revenue growth. The company maintained in 2016 that it would continue to make moves toward emerging markets in Asia, Latin America, and the MENA region for long-term growth, with the expectation that those markets will grow by four-fold by 2050. More recently, HSBC has been struggling to grow, and that has led the company to make big cuts in under-performing global markets to free up resources for stronger investments elsewhere. In 2015, the company stated that it planned to reduce its risk-weighted assets by $290.0 billion (or 25.0 percent) while cutting up to 25,000 jobs worldwide, aiming to save between $4.5 billion to $5.0 billion by the end of 2017.

As part of its second restructuring in four years, HSBC in 2016 sold its Brazilian operations to Banco Bradesco for $15.2 billion, not long after deciding to restructure its unprofitable Turkish unit in February 2016.

Credit Ratings

HSCB Holdings PLC is rated investment grade by Moody's, Fitch and S&P Global. A summary of the company's credit ratings is provided in the table below:

CREDIT RATINGS

Agency	Rating	Last Rating Action	Outlook
Moody's	A1	Jun-16	Negative
Fitch	AA-	Dec-16	Stable
S&P	A	Jul-16	Negative

Source: Moody's, Fitch, S&P

Annual Filing Data

HSBC's revenues and profits have been trending lower in recent years, mostly due to fee income decline and shrinking interest margins on loans amidst the low-interest environment. The bank's revenue fell 15.2 percent to $77.7 billion in fiscal 2016, while net income dipped 81.7 percent to $2.5 billion.

A summary of the company's annual financial performance is provided in the table below:

HSBC HOLDINGS PLC FINANCIAL OVERVIEW

	FY 2016	FY2015	FY 2014	FY 2013	FY 2012
Revenues (in millions)	$77,683	$91,617	$96,963	$99,854	$108,851
Change in Revenues	-15.2%	-5.5%	-2.9%	-8.3%	-4.0%
Net Income (in millions)	$2,479	$13,522	$13,688	$16,204	$14,027
Number of Employees	241,000	264,000	266,000	263,000	284,186

Source: Company filings

Baker & McKenzie Tenant Profile

Baker & McKenzie is an international law firm with 77 offices spread through 47 countries. It is the second largest law firm in the world regarding revenue, grossing $2.62 Billion in 2016. The firm employs 13,000 people, including 4,600 full-time lawyers. Their major departments and practices include Antitrust & Competition Law, Automotive, Banking & Finance, Capital Markets, Compensation & Employment, Compliance & Investigations, Dispute Resolution, Employment, Energy, Mining & Infrastructure, Energy & Natural Resources, Environmental, Financial Restructuring, Creditors' Rights, Bankruptcy & Institutions, Global Structuring & Integration, Healthcare, Information Technology & Communications, Insurance, Intellectual Property, International Arbitration, International Commerce, Litigation, Mergers & Acquisitions, Private Equity, Real Estate & Hotels, Securities, Tax, Technology & Communications, White Collar Defense & Investigations in North America.

Man Group Tenant Profile

Man Group, founded in 1783, is a "technology-empowered" active investment management firm. It is the world's largest publicly traded hedge fund, currently managing $88.7 billion and producing a revenue of $827 million in 2016. The hedge fund provides long-only, alternative and private markets products on a single basis. Man employs risk management firms throughout the entirety of the firm which take part in most senior levels of the organization. The CEO, Luke Ellis, diversifies the firm through acquisition and investment in its infrastructure. The fund is committed to making lucrative investments and say "we believe that our different investment styles and approaches are complementary".

Leasing At Subject Property

The largest office tenant is HSBC Bank USA, N.A. which leases 548,170 square feet of storage, retail and office space. HSBC Bank USA occupies the entire One West 39th Street building; and, the sub cellar, part of the cellar, part of the grade, and the 2nd through 11th floors of 442/452 Fifth Avenue through April 2025.

HSBC's current weighted average base rent for the office space is $52.22 per square foot at 442/452 Fifth Avenue and $36.31 per square foot at West 39th Street. These are gross leases in which HSBC Bank USA is responsible for real estate taxes and operating expenses above a base year amount.

In addition, Wood McKenzie LLP and Tripointe Capital Partners, LLC have agreed to 5 year extensions with initial contract rents of $100 and $110 per square foot, respectively.

The first retail space is leased to HSBC Bank USA, which contains 7,874 square feet on the ground floor space and 18,127 square feet of cellar level space. The lease commenced in April 2010 for a 10 year term. The current cellar contract rent is $43.83 per square foot and $237.78 per square foot for the grade retail space. The retail lease space has been also extended through 2025 with renewal contract rents of $452 and $50 per square foot, respectively for the grade and below grade space.

HSBC Bank, N.A. Renewal

The original HSBC Bank was set to expire in April 2020. The tenant signed a 5 extension that through April 2025.

Market Rent Estimate

In estimating market rents for the subject property, we analyzed and examined several sources of market information. We analyzed the range in unadjusted and adjusted rents in actual recent leases from comparable buildings. We have also researched the asking rents for several comparable properties, which are summarized within the sub market analysis section of this report. In addition to analyzing actual deals outside the property, leasing brokers were interviewed in an effort to ascertain market rent in the marketplace today. Our analysis and conclusions are discussed within this report.

Analysis of Comparable Office Rents

The following table summarizes rental activity for comparable space in similar properties in the market.

452 FIFTH AVENUE - COMPARABLE OFFICE RENTS AND ADJUSTMENTS

PROPERTY INFORMATION	SUBJECT	RENTAL 1	RENTAL 2	RENTAL 3	RENTAL 4	RENTAL 5
ADDRESS	452 Fifth Avenue New York City	1155 Avenue of the Americas New York City	1065 Avenue of the Americas New York City	1221 Avenue of the Americas New York City	90 Park Avenue New York City	99 Park Avenue New York City
YEAR BUILT	1984	1983	1958	1971	1964/2016	1954
OFFICE NRA (SF)	624,869	610,191	536,524	2,200,000	785,000	480,000
NO.STORIES	30	41	34	51	41	26
LEASE INFORMATION						
TENANT NAME		Robert W. Baird	Bryant Park Corporation	Deloitte	Tenaron Capital	Calypso Technology
FLOOR(S) LEASED		Ent. 16th	Pt. 24th	Ent. 39th - Ent. 40th	Pt. 25th	Pt. 9th
LEASE DATE	July 2017	June 2017	April 2017	April 2017	March 2017	March 2017
TERM		15.00	10.00	10.00	5.00	10.00
LEASE TYPE		Gross	Gross	Gross	Gross	Gross
TENANT SIZE		16,230	11,039	99,668	6,741	13,550
RENT PER SF		$84.00 Yr. 1 $90.00 Yr. 6 $97.00 Yr. 11	$80.00 Yr. 1 $85.00 Yr. 6	$84.00 Yr. 1 $91.00 Yr. 6	$90.00 Yr. 1	$65.00 Yr. 1 $75.00
FREE RENT(MONTHS)	12	12	12	15	5	3
WORKLETTER (PSF)	$75.00	$80.00	$0.00	$100.00	$110.00	$45.00
ADJUSTMENTS						
RENT CONCESSIONS		($0.33)	$7.50	($4.60)	$3.50	$7.88
EFFECTIVE ADJUSTED RENT PER SF		$83.67	$87.50	$79.40	$93.50	$72.88
MONTHS FROM VALUE DATE		1	3	3	4	4
TIME (MARKET CONDITIONS)		0.0%	0.0%	0.0%	0.0%	0.0%
TIME ADJUSTED RENT PER SF		$83.67	$87.50	$79.40	$93.50	$72.88
LOCATION		0%	0%	0%	5%	5%
FLOOR		0%	0%	-5%	0%	0%
QUALITY		10%	10%	-5%	0%	10%
SIZE		0%	0%	10%	-5%	-5%
CONDITION		0%	0%	0%	0%	0%
TOTAL ADJUSTMENT		10%	10%	0%	0%	10%
INDICATED NET RENT PER SF		**$92.03**	**$96.25**	**$79.40**	**$93.50**	**$80.16**

452 FIFTH AVENUE - COMPARABLE OFFICE RENTS AND ADJUSTMENTS

PROPERTY INFORMATION	SUBJECT	RENTAL 6	RENTAL 7	RENTAL 8	RENTAL 9	RENTAL 10
ADDRESS	452 Fifth Avenue New York City	565 Fifth Avenue New York City	1177 Avenue of the Americas New York City	1114 Avenue of the Americas New York City	11 Times Square New York City	1251 Avenue of the Americas New York City
YEAR BUILT	1984	1992	1992	1971	2010	1971
OFFICE NRA (SF)	624,869	293,755	960,050	1,310,000	1,056,851	1,893,652
NO.STORIES	30	30	50	48	40	54
LEASE INFORMATION						
TENANT NAME		Beck, Mack & Oliver, Inc	Kramer Levin Naftalis & Frankel LLP	Flow Traders	E*Trade	Mizuho Corporate Bank
FLOOR(S) LEASED		Ent. 19th	Ent. 22nd - Ent. 30th	Pt. 4th	Ent. 32nd	Ent. 52nd
LEASE DATE	July 2017	February 2017	February 2017	February 2017	January 2017	January 2017
TERM		10.00	15.00	6.00	10.00	5.00
LEASE TYPE		Gross	Gross	Gross	Gross	Gross
TENANT SIZE		9,280	226,000	27,004	31,234	30,700
RENT PER SF		$70.00 Yr. 1 $75.00 Yr. 6	$80.00 Yr. 1 $87.00 Yr. 6 $94.00 #####	$78.00 Yr. 1	$91.00 Yr. 1 $97.00 Yr. 6	$102.00 Yr. 1
FREE RENT(MONTHS)	12	6	6	2	14	0
WORKLETTER (PSF)	$75.00	$85.00	$75.00	$80.00	$60.00	$70.00
ADJUSTMENTS						
RENT CONCESSIONS		$2.50	$2.67	$10.00	($0.02)	$21.40
EFFECTIVE ADJUSTED RENT PER SF		$72.50	$82.67	$88.00	$90.98	$123.40
MONTHS FROM VALUE DATE		5	5	5	5	6
TIME (MARKET CONDITIONS)		0.0%	0.0%	0.0%	0.0%	0.0%
TIME ADJUSTED RENT PER SF		$72.50	$82.67	$88.00	$90.98	$123.40
LOCATION		0%	0%	0%	10%	0%
FLOOR		0%	0%	0%	-5%	-5%
QUALITY		5%	5%	-5%	-10%	-5%
SIZE		0%	20%	0%	0%	0%
CONDITION		0%	0%	0%	0%	0%
TOTAL ADJUSTMENT		5%	25%	-5%	-5%	-10%
INDICATED NET RENT PER SF		**$76.13**	**$103.33**	**$83.60**	**$86.43**	**$111.06**

Adjustment Process

In our analysis of the comparable leases, we have considered seven lease attributes: rent concessions, time (market conditions), location, floor level, quality, size and condition. Percentage adjustments between the subject property and the comparable leases were made for each of these factors.

Rent Concession Adjustment

Our adjustment for rent concessions considers the equivalency between the comparables for market standard free rent of twelve months and work letters of $75.00 per square foot. The adjustment for rent concessions equivalency attempts to quantify ($ per square foot) the differences between market free rent and work letter between the subject and the comparables. The differences between free rent and work letter (+/-) is divided by the comparable's lease term, and applied to the beginning "face" rent of the comparable lease. Although this methodology does not take into account amortization of rental increases over the lease term, we believe this is a simplistic approach to understanding the equivalency of concessions on beginning base rent. The rent concession equivalency adjustment calculation may be summarized as follows:

RENT CONCESSION ADJUSTMENT SUMMARY	
FREE RENT ADJUSTMENT	**WORKLETTER ADJUSTMENT**
Comparable Free Rent	Comparable Workletter
Less: Market Standard	Less: Market Standard
Equals: Over (Under) Standard	Equals: Over (Under) Standard
Divided by Comparable Monthly Lease Term	Divided by Comparable Lease Term
Times: Beginning Base Rent	Equals: Equivalency Adjustment
Equals: Equivalency Adjustment	

It should be noted that comparable office rentals and adjusted market rental range on the following chart are used to lend support to our estimate of market rent. We have attempted to make adjustments to the beginning year "face" rent per square foot of each comparable lease for rent concessions, time (market conditions), location, floor level, quality, size and location. A degree of subjectivity is involved in these adjustments, as insufficient market data were available to perform a paired sales analysis. However, the adjustments do illustrate our thought processes in comparing one lease transaction with another. We have attempted to analyze each aspect of the comparable leases including beginning year base rent, rental bumps, tenant improvements, free rent and adjusted beginning year base rent per square foot.

Market Conditions

The comparables included in this analysis range between the dates of January 2017 and June 2017. Based on our analysis of the comparable data no market condition adjustment was required.

Location

An adjustment for location is required when the locational characteristics of a comparable property are different from those of the subject property. Typically in Manhattan, properties located on avenues and prime locations are considered to have superior location to properties located on side streets. Each comparable was adjusted accordingly.

Physical Traits

Each property is affected by the various physical traits that come to bear on the appeal of a property. These traits include size, floor location, quality, and condition. Each comparable was adjusted accordingly.

Conclusion of Market Rent for Office Space

We analyzed recent leases negotiated in competitive buildings in the marketplace. The comparables range in size from 6,741 to 226,000 square feet. These are all located in buildings similar in class to the subject, and in the subject's competitive market. The comparable leases have terms ranging from 6 to 15 years. The comparables exhibit a range of rents from $65.00 to $102.00 per square foot, with an average of $82.40 per square foot, prior to adjustments. After adjustments, the comparables range from $76.13 to $111.06 per square foot with an average of $90.19 per square foot. Free rent concessions ranged from 0 to 15 months. Tenant improvement allowances ranged from $0.00 to $110.00 per square foot.

The property consists of four buildings that are integrated into a single 30-story (there is no 13th floor) glass curtain wall office building. The Knox Building (known as 452 Fifth Avenue) and Kress Building occupy the northern and southern corners of the site, respectively, with the Tower located mid-block on Fifth Avenue, and cantilevering over the Kress building. One West 39th Street is adjacent to the Kress Building and is located on the side street. The Knox Building was built in 1902. The Kress Building was built in 1935 and One West 39th Street was built in 1923. In 1984, all four buildings were built into a single operating structure that has seamlessly integrated floors.

The most recent leases in the property include the 5 year renewal with HSBC that will commence in 2020 with an initial rent of $77.00 per square foot. In addition, Wood McKenzie LLP and Tripointe Capital Partners,LLC have agreed to 5 year extensions with initial contract rents of $100 and $110 per square foot respectively. The tenant received minimal concessions.

Recent leases within Midtown Manhattan include concessions in the form of free rent and tenant work letter consistent with those offered within the subject property. In addition to analyzing actual leases inside and outside the property, leasing brokers were interviewed in an effort to ascertain competitive packages available in the marketplace today. Most brokers interviewed were of the opinion that 6 to 12 months free rent, inclusive of space build-out time, was available for most tenants. In addition, tenant work letters were felt to range from $40.00 to $85.00 per square foot. The range in concession packages varies by the size of the space leased. The larger the space, the more generous the concession package the tenant receives.

It should be noted that the upper floors generally have greater light and air than the lower floors in the building and demand a premium in rent, which is typical of many office properties in Manhattan. In our analysis of the comparable rentals, we have considered adjustments to comparable leases for location, floor height, quality, views of Bryant Park, size and location. Our adjustment for location and quality considers that the subject is considered a quality property that provides an excellent Bryant Park location.

In consideration of occupied area, floor height, relative Midtown location and lease date, the comparable rental data provide fairly consistent evidence of rental rates averaging in the mid $70s per square foot, which reflects a range of rents from $65.00 to $100.00 per square foot. The upper floors have greater light and air than the lower floors in the building which demand a premium and provided unobstructed views of Bryant Park and Manhattan in general. In the market, the very top floors generally achieve a premium in rent. In our analysis of the comparable rentals, we have applied downward adjustments when a comparable's building height exceeds that within the subject property. In addition, we considered adjustments to comparable leases for location, quality, size and location. Our adjustment for location and quality considers that the subject is considered a quality property that provides a Fifth Avenue presence. In addition, the building has an above standard construction quality, which is a leasing requirement for many larger, long-term quality corporate tenants.

Overall, the comparable rental data provide fairly consistent evidence of rental rates averaging in the mid $80s per square foot. This results in a range of market rent for 442/452 Fifth Avenue of $77.00 to $105.00 per square foot for new leases. One West 39th Street is currently used for back office and support staffing by HSBC. In addition, the tenant installation and layout are of typical Class B building. As such, our estimate of market rent reflects a discount from when compared to 452 Fifth Avenue market rents.

Therefore, in consideration of occupied area, floor height, relative Midtown location and lease date, the comparable rental data provide fairly consistent evidence of rental rates averaging in the mid $80s per square foot. Therefore, we have applied a market rent distributed as follows.

OFFICE MARKET RENT SYNOPSIS		
TENANT CATEGORY		
452 Fifth Avenue	Floors	Rent per SF
	2 to 11	$77.00
	12 to 18	$85.00
	19 to 24	$100.00
	25 to 27	$100.00
	28 to 30	$105.00
1 W. 39th Street	Floors	Rent per SF
	2 to 12	$55.00
Lease Term (years)		15
Free Rent (months)		12
Tenant Improvements (per square foot)		$75.00
Lease Type (reimbursements)		Modified Gross
Contract Rent Increase Projection		10.0% in every 5 Years

Compiled by Cushman & Wakefield, Inc.

Analysis of Comparable Retail Rents

The following table summarizes rental activity for comparable space in similar properties in the market.

COMPARABLE RETAIL RENTS AND ADJUSTMENTS

	SUBJECT	RENTAL 1		RENTAL 2		RENTAL 3		RENTAL 4	
ADDRESS	452 Fifth Avenue B/w 39th & 40th Sts. New York City	475 Fifth Avenue S/E/C of E. 41st St. New York City		1114 Avenue of the Americas S/E/C of W. 43rd St. New York City		1166 Avenue of the Americas B/w West 45th & 46th Sts. New York City		1018 Avenue of the Americas S/E/C of W. 38th St. New York City	
LEASE INFORMATION									
TENANT NAME		Deciem		Sweetgreen		Capital One		Wasabi Sushi & Bento	
FRONTAGE		Fifth Avenue		42nd Street		Avenue of the Americas		Avenue of the Americas	
BEGINNING DATE	July 2017	April 2017		January 2017		January 2017		July 2016	
TERM		10		10		10		10	
LEASE TYPE	Gross	Gross		Gross		Gross		Gross	
TENANT SIZE		1,513	Grade	2,234	Grade	3,600	Grade	1,300	Grade
				2,279	LL				
				4,513	Total				
RENT PER SF		$396.00 % incr./yr	Grade	$327.00	Grade	$417.00	Grade	$425.00	Grade
FREE RENT(MONTI	6	6		6		6		6	
WORKLETTER (PSI	$0.00	$0.00		$0.00		$0.00		$0.00	
ADJUSTMENTS									
RENT CONCESSIONS		$0.00		$0.00		$0.00		$0.00	
EFFECTIVE ADJUSTED RENT PER SF/GRADE LEVEL		$396.00		$327.00		$417.00		$425.00	
MONTHS FROM VALUE DATE		3		6		6		12	
TIME (MARKET CONDITIONS)		0.0%		0.0%		0.0%		0.0%	
TIME ADJUSTED RENT PER SF		$396.00		$327.00		$417.00		$425.00	
LOCATION		0%		0%		0%		10%	
UTILITY		10%		5%		0%		0%	
SIZE		-20%		-20%		-10%		-20%	
FRONTAGE		10%		5%		5%		5%	
CORNER		5%		5%		5%		5%	
TOTAL ADJUSTMENT		5%		-5%		0%		0%	
INDICATED RENT PER SF		**$415.80**		**$310.65**		**$417.00**		**$425.00**	

COMPARABLE RETAIL RENTS AND ADJUSTMENTS

	SUBJECT	RENTAL 5		RENTAL 6		RENTAL 7		RENTAL 8	
ADDRESS	452 Fifth Avenue B/w 39th & 40th Sts. New York City	1190 Avenue of the Americas B/w W. 46th & 47th Sts. New York City		1100 Avenue of the Americas N/E/C W. 42nd Street New York City		475 Fifth Avenue S/E/C of East 41st St. New York City		461 Fifth Avenue N/E/C 40th Street New York City	
LEASE INFORMATION									
TENANT NAME		Indikitch		Sunglass Hut		G-Star Raw		Sushi GinzaOnodera	
FRONTAGE		Avenue of the Americas		W. 42nd Street		41st St. & 5th Ave.		Fifth Avenue & 40th St	
BEGINNING DATE	July 2017	July 2016		May 2016		December 2015		May 2015	
TERM		10		10		10		10	
LEASE TYPE	Gross	Gross		Gross		Gross		Gross	
TENANT SIZE		1,200	Grade	1,219	Grade	3,379	Grade	1,751	Grade
		900	2nd Fl			500	LL		
		2,100	Total			3,879	Total		
RENT PER SF		$500.00	Grade	$350.00	Grade	$415.00	Grade	$400.00	Grade
						$50.00	LL		
FREE RENT(MONTI	6	6		6		6		6	
WORKLETTER (PS	$0.00	$0.00		$0.00		$0.00		$0.00	
ADJUSTMENTS									
RENT CONCESSIONS		$0.00		$0.00		$0.00		$0.00	
EFFECTIVE ADJUSTED RENT PER SF/GRADE LEVEL		$500.00		$350.00		$415.00		$400.00	
MONTHS FROM VALUE DATE		12		14		18		25	
TIME (MARKET CONDITIONS)		0.0%		0.0%		0.0%		0.0%	
TIME ADJUSTED RENT PER SF		$500.00		$350.00		$415.00		$400.00	
LOCATION		0%		0%		0%		0%	
UTILITY		5%		0%		5%		0%	
SIZE		-20%		-20%		-10%		-20%	
FRONTAGE		5%		0%		0%		0%	
CORNER		5%		5%		0%		0%	
TOTAL ADJUSTMENT		-5%		-15%		-5%		-20%	
INDICATED RENT PER SF		**$475.00**		**$297.50**		**$394.25**		**$320.00**	

Adjustment Process

Market rent for the retail space within the property has been estimated by analyzing several comparable leases exhibited on the summary chart and adjustment grid on the previous page. The comparable rents that we utilized represent the best available information that could be compared to the subject property. In our analysis, we have considered several lease attributes: rent concessions, time (market conditions), location, utility, size, window frontage and corner influence.

We made a downward adjustment to those comparables considered superior to the subject. Conversely, an upward adjustment was made to those comparables considered to be inferior.

Rent Concession Adjustment

Our adjustment for rent concessions considers the difference in the comparables for market standard free rent of three months and no tenant work letters. The adjustment for rent concessions attempts to quantify ($ per square foot) the differences between market free rent and work letter between the subject and the comparables. The differences between free rent and work letter (+/-) is divided by the comparable's lease term, and applied to the beginning "face" rent of the comparable lease. Although this methodology does not take into account amortization of rental increases over the lease term, we believe this is a simplistic approach to understanding the effect of concessions on beginning base rent.

RENT CONCESSION ADJUSTMENT SUMMARY	
FREE RENT ADJUSTMENT	**WORKLETTER ADJUSTMENT**
Comparable Free Rent	Comparable Workletter
Less: Market Standard	Less: Market Standard
Equals: Over (Under) Standard	Equals: Over (Under) Standard
Divided by Comparable Monthly Lease Term	Divided by Comparable Lease Term
Times: Beginning Base Rent	Equals: Equivalency Adjustment
Equals: Equivalency Adjustment	

Market Conditions

The comparables included in this analysis range between the dates of May 2015 to April 2017. Based on our analysis of the comparable data and our conversations with leasing brokers active in the marketplace no market conditions adjustment is required.

Location

An adjustment for location is required when the locational characteristics of a comparable property are different from those of the subject property. The subject's retail has primarily exposure along Fifth Avenue, 39th and 40th Streets. The subject's north side is located across from Bryant Park and the New York Library, which are significant tourist attractions.

Physical Traits

Each property is affected by the various physical traits that come to bear on the appeal of a property. These traits include size, retail utility, size, window frontage and corner influence. Each comparable was adjusted accordingly.

Retail Market Rental Rate Conclusion

The subject property contains retail space leased to three tenants. The first space on the corner of W. 40th Street is leased to HSBC Bank USA, which contains 7,874 square feet on the ground floor space and 18,127 square feet of cellar level space presently occupied by bank tellers. Although signed as a separate lease, the HSBC space was part of the property's sale leaseback transaction. The lease commenced in April 2010 for a 10 year term. The current cellar contract rent is $43.83 per square foot and $237.78 per square foot for the grade retail space. The tenant has signed a 5 year extension that commences in 2020 with an initial contract rent of $452.00 per square foot.

The second retail tenant is a 5,865 square foot ground floor store that is leased to Panera LLC, which will operate as Panera Bread. The lease with Panera LLC commenced in November 2011 for a 15-year term. Rent payments commenced in June 2012. The initial base rent is $1,064,000 or $181.42 per square foot with subsequent 12 percent increases every 5 years. Panera LLC is required to pay percentage rent of 5 percent above a $7.5 million gross sales threshold.

The final retail store is leased to Staples East Inc. The space contains 7,108 square feet of ground space and 10,549 square feet of mezzanine. The lease with Staples East Inc. commenced September 2011 for a 15-year term. Rent payments commenced in January 2012. The base rent is $2,085,631 or $293.42 per square foot against the grade with subsequent 10 percent increases every 5 years.

The subject's current contract rent is summarized below:

RETAIL CONTRACT RENT SUMMARY

Tenant	Floor	Rent Roll Area/SF	Contract Rent	Contract Rent/SF
Corner Bryant Park				
HSBC Bank USA	Grade-	7,874	$1,872,299	$237.78
HSBC Bank USA	Cellar	18,127	$794,528	$43.83
Total		26,001	$2,666,827	$102.57
Midblock				
Panera LLC	Grade-	5,865	$1,064,000	$181.42
Corner W. 40th Street				
Staples East Inc.	Mezz	10,549	$0	$0.00
Staples East Inc.	Grade-	7,108	$2,085,631	$293.42
Total		17,657	$2,085,631	$118.12
Subtotal Mezzanine		**10,549**	**0**	**$0.00**
Subtotal Corner Grade Park		**7,874**	**1,872,299**	**$237.78**
Subtotal Grade Midblock		**5,865**	**1,064,000**	**$181.42**
Subtotal Grade Corner 40th St		**7,108**	**2,085,631**	**$293.42**
Subtotal Cellar		**18,127**	**794,528**	**$43.83**
Total Retail Spaces		**49,523**	**$5,816,458**	**$117.45**

We have analyzed recent leases negotiated in competitive buildings in the marketplace, which range $327.00 to $500.00 per square foot of ground floor space. After adjustments, the comparable retail leases range from $297.50 to $475.00 per square foot with an average of $381.90 square foot of grade space.

The subject property is located in high foot traffic area that has benefited from the regeneration of Bryant Park and surrounding area over the past decade. Bryant Park and the Stephen A. Schwarzman Building of the New York Public Library, are located directly across the subject property and are considered tourist attractions. It should be noted that the above and below grade spaces associated with the retail space other than ground floor are generally leased at a discount to the ground floor space. The illustration below highlights the major retailers along the retail corridor within which the subject property is situated.

In our judgment, considering the comparable retail rentals, existing leases at the subject property and our discussions with leasing brokers active in the marketplace, our estimated unit value for the ground floor retail space is $425 per square foot on the corner of W. 40th Street and Fifth Avenue, $325 per square foot on the corner of W. 39th Street and Fifth Avenue, $300 per square foot for the midblock space, and $50 per square foot for the cellar and mezzanine. A summary of the market rents per space type is summarized in the following table.

MARKET RENT SYNOPSIS	
TENANT CATEGORY	**Retail Tenants**
MLA Category	Rent/SF
Retail (Cellar)	$50.00
Retail (Corner 40th)	$325.00
Retail (Midblock)	$300.00
Retail (Corner Park)	$425.00
Retail (Mezz)	$50.00
Lease Term (years)	10
Free Rent (months)	6
Lease Type (reimbursements)	Modified Gross
Contract Rent Increase Projection	10.0% in Year 6

Compiled by Cushman & Wakefield, Inc.

Market Rental Rate – Storage Space

The property contains storage space in the cellar and sub cellar levels of the building. The property contains 48,397 square feet of storage space. HSBC Bank USA occupies 44,258 square feet of storage space for its retail branch and its office operations. HSBC Bank USA pays a current weighted market rent of $40.99 per square foot. There is one vacant storage space in the cellar totaling 4,139 square feet available for lease. Competitive rates for storage space in the Grand Central Office District vicinity range from $25.00 to $40.00 per square foot. We have assigned a market rent to the storage space of $35.00 per square foot gross in our cash flow projection.

MARKET RENT SYNOPSIS	
TENANT CATEGORY	**Storage Tenants**
Market Rent/SF	$35.00
Lease Term (years)	10
Lease Type (reimbursements)	Modified Gross
Free Rent (months)	6
Contract Rent Increase Projection	10.0% in Year 6

Compiled by Cushman & Wakefield, Inc.

Comparison of Contract Rents to Market

We previously outlined a contract rent schedule for all current tenants of the subject property. Adjustments were made to the subject leases to account for lease type equivalency, so all of the subject's rents could be analyzed on a like-kind basis. For comparison to the market, we will look at the lease type equivalent rates that were developed earlier in this report. It should be noted that contract rents are calculated without reference to tenant contributions over expense stops.

The following chart outlines our estimated market rent for each tenant space in the subject property and the attained equivalent rent exclusive of contributions of each lease. Comparing these figures allows us to identify whether the contract rent levels are at, above or below the market. The results of this comparison will have an impact on our selection of the investment rates used in evaluating this property.

	ATTAINED RENT LEVELS				MARKET RENT		COMPARISON
	Contract Rent				Market Rent		Comparison
Tenant Name	Suite	Area (SF)	Equiv. Rent Per Year	Equiv. Rent/SF	Rent/SF	Annualized	Contract Rent Versus Market Rent
OFFICE (12-18)		95,558	$6,337,008	$66.32	$85.00	$8,122,430	21.98% below market
OFFICE (19-24)		92,230	$7,305,900	$79.21	$100.00	$9,223,000	20.79% below market
OFFICE (25-27)		51,245	$4,209,696	$82.15	$100.00	$5,124,500	17.85% below market
OFFICE (28-30)		47,128	$4,795,152	$101.75	$105.00	$4,948,440	3.10% below market
OFFICE (2-12) 39TH STREET		139,203	$5,054,664	$36.31	$55.00	$7,656,165	33.98% below market
GRAND-TOTALS		857,853	$54,035,304	$62.99	$83.41	$71,553,931	24.48% below market

Note: Attained rent equals current rent annualized for twelve months, and it excludes contractual rent increases

Compiled by Cushman & Wakefield, Inc.

As shown above, the subject property's average contract rent is approximately **24.48 percent below market**. When a property is acquired with leases that are at or close to market rent levels, the level of risk involved with the investment is generally low. However, the potential increase to the income stream in this scenario is typically limited, which tends to normalize the investment parameters of participants for these types of properties. . Specific tenants who occupy multiple spaces may have rent applied to one suite and nothing on another. An example of this would be Bank of America, though the individual spaces may appear to be below market or above market, you must look at the entire allocation for the tenant, not only one retail space.

When a property has contract rent levels that are below market, the early returns are generally limited but there is greater potential for the income stream to increase as the below market leases rollover. There is less risk involved with tenants with below market leases, as they have a greater ability to pay the lower rent than they would market level rent. Buyers of properties with below market leases are often entering a lower risk investment with greater upside to their eventual income earning potential, resulting in overall rates that tend to be lower than normal.

Properties that are encumbered by leases with average rents that are significantly above market have increased risk in several key areas. When a property has an average rent that is above market, there is increased risk of default, slow payment or lack of payment by those tenants in that category. Also, at some point, the above market leases will expire, at which time the spaces will be re-leased at market levels. When this occurs, there is a decline in rental revenue for the property, which many times leads to a declining net income stream. When this is the case, investors will require a higher initial return to offset the declining income stream, and to guard against the heightened risk of tenant defaults.

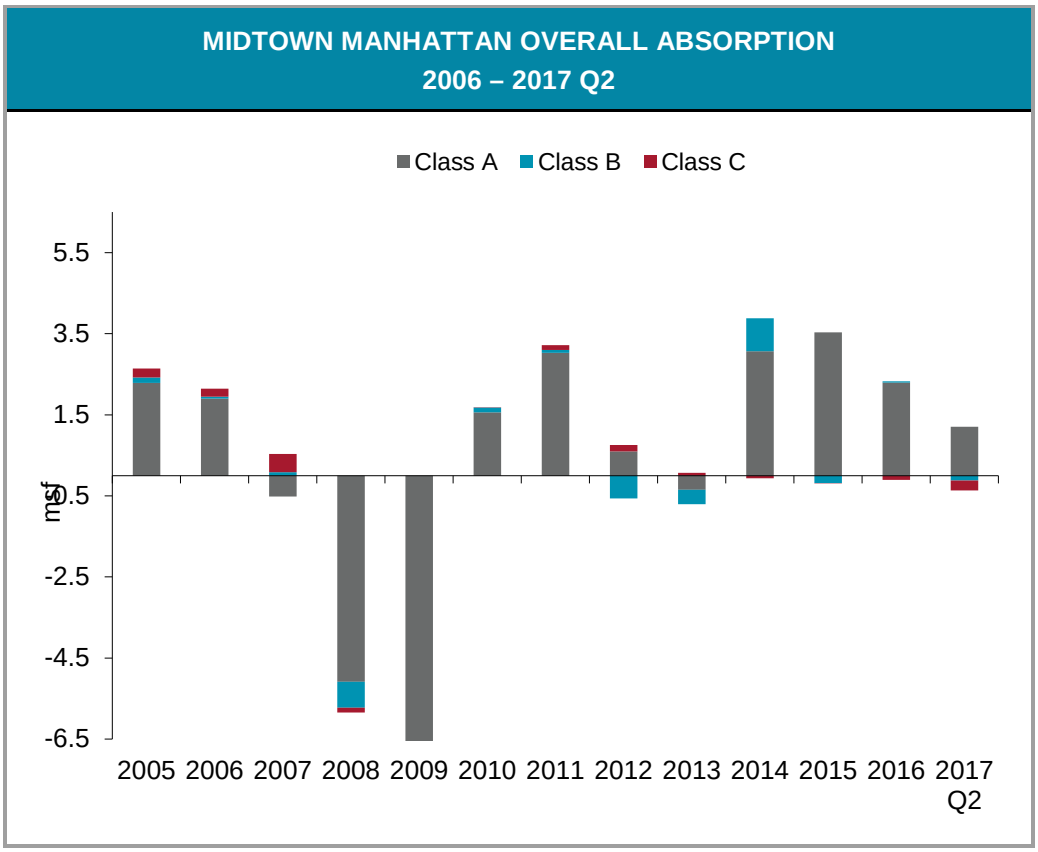
Absorption of Vacant Space

There are one vacant spaces within the property in the cellar, and totaling 4,139 square feet available. In our analysis, we have assumed that the vacant space will be leased by October 2017. The lease-up of this vacant space has a minimal impact on the value of the property.

In our judgment, the subject property is at least as appealing to tenants as the competitive properties analyzed in the Midtown East district analysis and should exhibit a stabilized occupancy averaging above 95 percent. This is consistent with the implied overall occupancy rate of the subject property over the holding period of 98.36 percent, which includes vacancy and collection loss and downtime between leases.

Midtown Leasing Activity

Leasing activity totaled 5.3 million square feet in the second quarter, which brought the mid-year total to 9.6 million square feet and up 11.8% from one year ago. The Class A leasing activity reached 7.3 million square feet through the second quarter, which is up 12.6% compared to mid-year 2016. The bulk of 2017’s increase in leasing activity is attributed to 10 new or expansion leases over 100,000 square feet signed year-to-date, compared to only five through the same time last year. Despite that overall absorption reached positive 835,988 square feet year-to-date, it remains 50.4% off of 2016’s pace when nearly 1.7 million square feet of positive absorption was recorded by mid-year 2016.



Lease up Assumptions

In our analysis, we have assumed that the 4,139 square feet of vacant space is leased over a 3-month absorption period through October 2017. This results in an absorption rate of 4,139 square feet per month or 1,380 square feet per quarter, which is in-line with comparable building absorption. The following table summarizes our lease-up and absorption forecast.

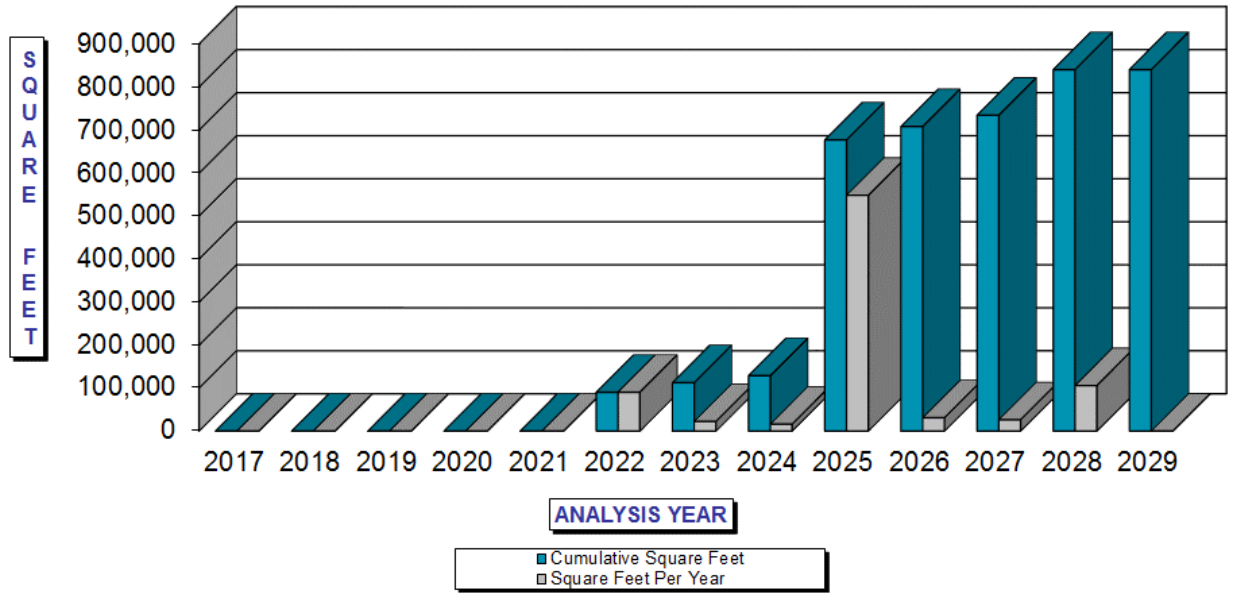
SUMMARY OF VACANT SPACE ABSORPTION		
FLOOR	START OF LEASE	SQUARE FEET
Lower level Retail	Oct-17	4,139
Total		**4,139**

Lease Expirations

The lease expiration schedule is an important investment consideration. As leases rollover, the landlord will be required to negotiate a renewal lease with the existing tenant, or to secure a new tenant for the space. Following is the projected lease expiration schedule for this property incorporating all projected lease expirations forecast during the analysis period.

LEASE EXPIRATION SCHEDULE - ENTIRE PROPERTY

Year Expiration	Expiring Square Footage Per Rent Roll	% of Square Footage	Cumulative	% of Total Rentable Area	Annual Base Rent On Expiration	Annual Base Rent/SF	% of Total Rent	Cumulative
2017	0	0.00%	0	0.00%	$0	$0.00	0.00%	0.00%
2018	0	0.00%	0	0.00%	$0	$0.00	0.00%	0.00%
2019	0	0.00%	0	0.00%	$0	$0.00	0.00%	0.00%
2020	0	0.00%	0	0.00%	$0	$0.00	0.00%	0.00%
2021	0	0.00%	0	0.00%	$0	$0.00	0.00%	0.00%
2022	90,300	10.43%	90,300	10.43%	$8,523,336	$31.03	12.23%	12.23%
2023	22,363	2.58%	112,663	13.02%	$1,658,491	$365.04	2.38%	14.61%
2024	16,140	1.86%	128,803	14.88%	$1,856,100	$0.00	2.66%	17.28%
2025	548,170	63.33%	676,973	78.21%	$43,305,430	$0.00	62.15%	79.43%
2026	30,988	3.58%	707,961	81.79%	$3,370,096	$0.00	4.84%	84.26%
2027	26,432	3.05%	734,393	84.85%	$2,801,624	$0.00	4.02%	88.28%
2028	105,803	12.22%	840,196	97.07%	$8,163,389	$0.00	11.72%	100.00%
2029	0	0.00%	840,196	97.07%	$0	$0.00	0.00%	100.00%
2030	0	0.00%	840,196	97.07%	$0	$0.00	0.00%	100.00%
2031	0	0.00%	840,196	97.07%	$0	$0.00	0.00%	100.00%
2032	0	0.00%	840,196	97.07%	$0	$0.00	0.00%	100.00%
2033	17,657	2.04%	857,853	99.11%	$0	$0.00	0.00%	100.00%
Vacant	4,139	0.48%	861,992	99.59%	--	--		
Bldg Mgmt	3,554	0.41%	865,546	100.00%	--	--		
Analysis Period CY 2017 - 2029 (13 years)								
Totals	840,196	97.07%			$69,678,466		100.00%	
Average	64,630	7.47%			$5,359,882		7.69%	
Entire Property CY 2017 - 2033 (17 years)								
Totals	865,546	100.00%			$69,678,466		100.00%	
Average	50,914	5.88%			$4,098,733		5.88%	



Compiled by Cushman & Wakefield, Inc.

The following table provides a synopsis of the lease expiration anticipated at this property during the analysis period.

LEASE EXPIRATION ANALYSIS		
Total NRA of Subject Property (SF)	847,889	100.00%
Year of Peak Expiration	9	
SF Expiring in Peak Year	548,170	64.65%
5-Year Cumulative Expirations (SF)	12,874	1.52%
13-Year Cumulative Expirations (SF)	840,196	99.09%

Compiled by Cushman & Wakefield, Inc.

Based upon the subject's current lease expiration schedule, 99.09 percent of the property's leases are due to expire within the next thirteen calendar years (through 2029). There are 12,874 square feet due to expire through 2017.

The major rollover year in the analysis period occurs in 2022, 2025, and 2028. In 2022, 77,426 square feet (9.13 percent) of the property's total rentable area expires; in 2025, 538,170 square feet (64.65 percent) of the property's total rentable area expires; and in 2028, 105,803 square feet (12.48 percent) of the property's total rentable area expires. The most risk occurs in 2025 when the lease with HSBC Bank, N.A. expires.

Assumptions Regarding Existing and Proposed Leases

Overview

Our analysis specifically assumes that all of the existing and proposed tenants will remain in the property and continue paying rent under the terms of their lease. Information provided by management indicates that none of the tenants are currently in default. The tenant base appears to be stable and management has indicated that large-scale defaults are not anticipated.

Lease Terms

We have assumed fifteen-year terms for office tenants. Retail tenants and storage tenants were assumed to have ten-year terms.

Renewal Probability

Regarding lease expirations, we have assumed a 70 percent probability of rollover (signing new lease) and 40 percent probability of turnover (allow the lease to expire and vacate the property) upon expiration of each primary lease term. These assumptions are based on retention rates quoted by owners and managers of competitive Manhattan office buildings.

Renewal Options

When a tenant has a renewal option at a below market rent (i.e. a lease would typically state a right to renew at rents equal to 90 percent of “fair market rental value”), the projections assume the option is exercised. Furthermore, the leasing commissions and work letters are at the standard schedule for a renewal tenant.

452 FIFTH AVENUE Option Summary						
No.	Tenant	Floors	Area (SF)	Start Date	End Date	Yr/Rent
1	Staples East Inc. *(1st Renewal Option)*	Part Grade Entire Mezz	7,108 10,549 17,657	Jan-27	Dec-31	$139.45
	2nd Renewal option	Part Grade Entire Mezz	7,108 10,549 17,657	Jan-32	Dec-36	$160.37

Staples has two 5 year renewal options at fixed rental rates, which are considered below market. In our analysis we have assumed the Staples renewals are exercised.

As part of the original lease, HSBC Bank USA had two consecutive 10-year renewal options to renew the office space; four consecutive 5-year renewal options to renew the commercial space; and two consecutive 10-year renewal options to renew the storage space. All of the options are at 95 percent of fair market rental value. As part of the recently executed 5-year extension, the tenant has one 10-year renewal option to renew the office space; two consecutive 5-year renewal options to renew the commercial space; and one 10-year renewal option to renew the storage space. Since the renewal option is not below market, we have not assumed them in our analysis.

Downtime

Vacancy between leases includes the period of actual downtime and the construction period to build out tenant spaces. Consistent with the current market, we have assumed downtime of 8 months. Our downtime of 8 months is supported through discussions with leasing brokers as well as surveying actual downtime of vacant space in building comparable with the subject property. Vacancy between leases is weighted for a renewal probability of 60 percent for office and retail tenants, resulting in an effective downtime of 3 months.

Free Rent

Free rent, calculated from the time the new tenant takes occupancy, ranges from 8 to 12 months in the current market. We have assumed 12 months of free rent for new office tenants. We have assumed 6 months of free rent for new retail and storage tenants. Renewal tenants are provided with one-half (50 percent) of the new tenant rate.

Work letter

Leasing agents report that the building standard work letter for new tenants is equivalent to an actual cost of $75.00 per square foot. Work letters quoted in the marketplace today range from $65.00 to $85.00 per square foot. We have assumed $75.00 per square foot work letters for new large office tenants. We have assumed $75.00 per square foot work letters for new small office tenants Renewal tenants are provided one-half 50 percent of a new tenant work letter.

Leasing Commissions

Leasing commissions have been based upon the generally accepted standard schedule. The standard schedule quoted by Cushman & Wakefield, Inc. depends upon the length of the lease: 5 percent for year 1; 4 percent for year 2; 3.5 percent for years 3 through 5; 2.5 percent for years 6 through 10; 2 percent for years 11 through 20. This schedule results in the following percentages of the first year's base rent (excluding an override described below):

LEASING COMMISSIONS		
LEASE TERM	**COMMISSIONS WITHOUT OVERRIDE (100%)**	**COMMISSIONS WITH OVERRIDE (125%)**
5-Year Lease:	19.5% or 3.90% per year	24.375% or 4.875% per year
10-Year Lease:	32.0% or 3.20% per year	40.0% or 4.000% per year
15-Year Lease:	42.0% or 2.80% per year	52.5% or 3.500% per year
20-Year Lease:	52.0% or 2.60% per year	65.0% or 3.250% per year

Leasing commissions are typically higher for new tenants than renewal tenants. A new tenant typically causes a full commission to be paid, whereas a renewing tenant typically results in a half commission. We have incorporated this standard assumption in our cash flow projection.

Many Manhattan office building owners employ exclusive leasing agents who receive a commission in addition to the commission payable to an outside broker. The subject property, given its size and leasing profile, is felt to be typical of a building whose ownership would employ an exclusive agent. We have, therefore, assumed a full commission on each lease assuming that 50 percent of all new leases would be originated by outside brokers; with the balance of the leases originated by the exclusive agent. Assuming a 50 percent override to the exclusive agent, each new lease would incur a commission expense of 125 percent of the standard rate (50 percent override times 50 percent outside brokers = 25 percent override) plus 100 percent full commission = 125 percent.

Miscellaneous Income

Sources of miscellaneous income for the property include additional charges from a variety of tenant services, security, freight, Condenser Water, and HVAC recoveries. Our estimate of miscellaneous income in year one of our cash flow projection totals $2,820,111 based on the 2017 budget. Our estimate of miscellaneous income is reasonable considering miscellaneous revenue figures from competitive buildings and the subject historical figures. These figures based on the 2017 budget are summarized as follows:

SOURCE	FY 2018 AMOUNT (BEGINNING IN 2017)
Generator Income	$446,543
Security Recovery	$110,000
Freight Recovery	$166,000
Condenser Water Recovery	$518,232
HVAC Recovery	$1,579,336
Other Recovery	$498,752
Total	**$3,318,863**

Reimbursable Expenses (Escalations)

Tenants are responsible for their pro-rata share of real estate taxes when taxes exceed those incurred during the first full year of their occupancy. This type of escalation is typically also applied to operating expenses in the majority of larger Manhattan office buildings. The current leases in the subject property include a real estate tax escalation, which calculation may be summarized as follows:

REAL ESTATE TAX ESCALATION CALCULATION
Billing Year Real Estate Taxes
Less: Base Year Real Estate Taxes
Equals: Increase in Real Estate Taxes
Multiplied by: Tenant's Pro Rata Share

We have assumed that future leases in the subject property will be on a modified full service basis. Tenants will be responsible for a) real estate tax increases over a base tax year amount billed either monthly or semi-annually and tenants will be responsible for 10.00 percent annual base rent increases in year five of their lease.

Market Rental Growth Rate

Based on our recent survey, buyers' expectations in the real estate market anticipate office rents to increase on average at a minimum of 4 percent over the next two years. These changes in market conditions result in C&W's leasing brokerage group in Manhattan to forecast the following rent growths.

OFFICE RENT GROWTH
Year 2 – 4%
Year 3– 4%
Thereafter – 3%

We have assumed a growth rate of 3 percent when making projections beyond the third year.

For retail and storage we have assumed a 3 percent growth rate.

Vacancy and Collection Loss

Our cash flow projection assumes a tenant vacancy of 8 months upon each lease expiration set against our probability of 70.00 percent for all other tenants, in addition to a vacancy/global credit loss provision applied to the gross rental income. The vacancy/global loss provision is applied to all tenants, excluding HSBC. Our estimated vacancy/global credit loss provision applied to the gross rental income is estimated at 1.00 percent throughout the holding period.

Based on the subject's weighted average downtime between leases, as well as the preceding absorption schedule for the subject property, the overall average occupancy rate of the subject property over the 13 year holding period is 98.72 percent. Including our overall vacancy/global credit loss allowance estimated zero for credit tenants (HSBC) and at 1.00 percent all other tenants, the implied overall occupancy rate of the subject property over the holding period is 98.38 percent, which is in line with the actual historical occupancy levels of competing buildings over the last several years.

Operating Expense Analysis

We have analyzed the actual operating expenses for 2014, 2015, 2016 expenses, and budgeted expenses for 2017, as provided by ownership. We forecasted the property's operating expenses after reviewing operating expenses of similar buildings and after consulting local building managers and agents, including Cushman & Wakefield property management personnel, etc. We also examined industry norms as reported by the **BOMA Experience Exchange Report** published by the Building Owners and Managers Association International, a nationally recognized publication.

On the **following pages** is the income and expense analysis for the property, which is based upon historical operating expense data supported by comparable expense data.

REVENUE AND EXPENSE ANALYSIS

	Actual CY 2014		Actual CY 2015		Actual CY 2016		Budget CY 2017		Budget Comparison		C&W Forecast FY 2018	
	Total	Per SF	Total	Per SF	Total	Per SF	Total	Per SF	Total	Per SF	Total	Per SF
POTENTIAL GROSS REVENUE												
Base Rental Revenue	47,070,296	$54.38	52,624,524	$60.80	54,023,351	$62.42	54,111,516	$62.52	$819,849	$0.95	$54,931,365	$63.46
Base Rent Abatements	0	0.00	(2,483,761)	(2.87)	(196,648)	(0.23)	0	0.00	(158,582)	(0.18)	(158,582)	(0.18)
Real Estate Taxes	1,397,319	1.61	2,562,889	2.96	3,704,399	4.28	4,160,818	4.81	83,367	0.10	4,244,185	4.90
Operating Expenses	2,383,063	2.75	2,921,264	3.38	3,115,406	3.60	3,049,938	3.52	(272,691)	(0.32)	2,777,247	3.21
Tenant Electric	1,699,672	1.96	1,703,394	1.97	1,525,752	1.76	1,403,000	1.62	0	0.00	1,403,000	1.62
Generator Income	352,916	0.41	277,821	0.32	433,936	0.50	446,543	0.52	0	0.00	446,543	0.52
Security Recovery	228,703	0.26	145,626	0.17	124,544	0.14	110,000	0.13	0	0.00	110,000	0.13
Freight Recovery	353,357	0.41	359,359	0.42	217,804	0.25	166,000	0.19	0	0.00	166,000	0.19
Condenser Water Recovery	435,215	0.50	463,936	0.54	514,770	0.59	518,232	0.60	0	0.00	518,232	0.60
HVAC Recovery	1,641,675	1.90	1,921,701	2.22	1,590,364	1.84	1,579,336	1.82	0	0.00	1,579,336	1.82
Other Recovery	311,557	0.36	341,854	0.39	261,576	0.30	498,752	0.58	0	0.00	498,752	0.58
TOTAL POTENTIAL GROSS REVENUE	$55,873,773	$64.55	$60,838,608	$70.29	$65,315,253	$75.46	$66,044,135	$76.30	$471,943	$0.55	$66,516,078	$76.85
Vacancy and Collection Loss	0	0.00	0	0.00	0	0.00	0	0.00	(329,815)	(0.38)	(329,815)	(0.38)
EFFECTIVE GROSS REVENUE	$55,873,773	$64.55	$60,838,608	$70.29	$65,315,253	$75.46	$66,044,135	$76.30	$142,128	$0.16	$66,186,263	$76.47
OPERATING EXPENSES												
Payroll and Cleaning	$4,670,787	$5.40	$4,953,580	$5.72	$4,930,648	$5.70	$5,133,536	$5.93	$0	$0.00	$5,133,536	$5.93
Casualty, Liability and Terrorism Insurance	525,311	0.61	516,715	0.60	516,381	0.60	486,726	0.56	0	0.00	486,726	0.56
Utilities	4,204,699	4.86	4,070,748	4.70	3,448,831	3.98	3,497,927	4.04	0	0.00	3,497,927	4.04
Repairs and Maintenance	2,252,696	2.60	2,301,834	2.66	2,593,528	3.00	2,205,453	2.55	0	0.00	2,205,453	2.55
G&A	3,483,231	4.02	3,402,546	3.93	3,522,457	4.07	3,455,101	3.99	0	0.00	3,455,101	3.99
Management Fee	279,996	0.32	279,996	0.32	279,996	0.32	280,000	0.32	22,941	0.03	302,941	0.35
Subtotal	$15,416,720	17.81	$15,525,419	17.94	$15,291,841	17.67	$15,058,743	17.40	$22,941	0.03	$15,081,684	$17.42
Real Estate Taxes (442/452 Fifth Avenue)	9,698,592	11.21	10,876,501	12.57	11,870,629	13.71	12,434,937	14.37	619,246	0.72	11,729,636	13.55
Real Estate Taxes (One West 39th Street)											1,324,547	1.53
TOTAL EXPENSES	$25,115,312	$29.02	$26,401,921	$30.50	$27,162,471	$31.38	$27,493,680	$31.76	$642,187	$0.74	$28,135,867	$32.51
NET OPERATING INCOME	$30,758,461	$35.54	$34,436,687	$39.79	$38,152,782	$44.08	$38,550,455	$44.54	($500,059)	($0.58)	$38,050,396	$43.96
CAPITAL EXPENDITURES												
Tenant Improvements	0	$0.00	0	$0.00	$0	$0.00	$324,696	$0.38	($169,626)	($0.20)	$155,070	$0.18
Leasing Commissions	0	0.00	0	0.00	0	0.00	0	0.00	181,866	0.21	181,866	0.21
Capital Improvements	0	0.00	0	0.00	0	0.00	8,110,284	9.37	(8,110,284)	(9.37)	0	0.00
Capital Reserves	0	0.00	0	0.00	0	0.00	0	0.00	259,664	0.30	259,664	0.30
TOTAL CAPITAL EXPENDITURES	$0	$0.00	$0	$0.00	$0	$0.00	$8,434,980	$9.75	($7,838,380)	($9.06)	$596,600	$0.69
CASH FLOW BEFORE DEBT SERVICE	$30,758,461	$35.54	$34,436,687	$39.79	$38,152,782	$44.08	$30,115,475	$34.79	$7,338,321	$8.48	$37,453,796	$43.27

Net Rentable Area: 865,546 Square Feet

Operating Expense Comparables

The following table illustrates detailed expense levels for the buildings that have varying degrees of similarity with the subject property in terms of age, size, tenancy and quality. In our judgment, a reconciled expense figure of $15,081,684, or $17.42 per square foot, is reasonable for the subject property considering its age, size and budgeted expense figures.

COMPARABLE OFFICE BUILDING EXPENSE ANALYSIS

Property Name Year Built Rentable Area Source (Year)	280 Park Avenue 1961/1968 1,257,537 Budget CY 2016		300 Park Avenue 1955 773,180 Budget CY 2016		575 Fifth Avenue 1956 506,182 Budget CY 2016		350 Park Avenue 1961/2012 585,357 Actual CY 2015		485 Lexington Avenue 1956/2010 943,123 Budget CY 2016		1155 Sixth Avenue 1984 793,042 Budget CY 2015		330 Madison Avenue 1963/2011 855,271 Actual CY 2015	
	Annual Amount	Per SF	Annual Amount	Per SF	Annual Amount	Per SF	Annual Amount	Per SF	Annual Amount	Per SF	Annual Amount	Per SF	Annual Amount	Per SF
POTENTIAL GROSS REVENUE														
Base Rental Revenue	$108,129,112	$85.98	$80,538,971	$104.17	$26,619,541	$52.59	$49,274,645	$84.18	$45,042,625	$47.76	$41,577,480	$52.43	$55,812,641	$65.26
Base Rent Abatements	($23,464,418)	($18.66)	($2,377,966)	($3.08)	($2,185,462)	($4.32)	($545,849)	($0.93)	($4,652,376)	($4.93)	($1,027,988)	($1.30)	($2,377,278)	($2.78)
Real Estate Taxes	$1,977,524	$1.57	$12,348,354	$15.97	$568,588	$1.12	$3,082,640	$5.27	$3,874,470	$4.11	$4,470,071	$5.64	$1,627,688	$1.90
Operating Expenses	$616,846	$0.49	$1,359,956	$1.76	$844,133	$1.67	$1,389,876	$2.37	$422,814	$0.45	$4,964,719	$6.26	$2,597,011	$3.04
Tenant Electric	$3,036,363	$2.41	$14,863	$0.02	$1,220,686	$2.41	$1,123,917	$1.92	$941,354	$1.00	$114,716	$0.14	$1,593,014	$1.86
Other Income	$2,251,357	$1.79	$1,882,748	$2.44	$683,504	$1.35	$1,208,314	$2.06	$951,666	$1.01	$1,746,256	$2.20	$41,986	$0.05
TOTAL REVENUE	$92,546,784	$73.59	$93,766,926	$121.27	$27,750,990	$54.82	$55,533,544	$94.87	$46,580,553	$49.39	$51,845,254	$65.38	$59,295,062	$69.33
TOTAL POTENTIAL GROSS REVENUE														
Vacancy and Collection Loss	($925,468)	($0.74)	($130,754)	($0.17)	$0	$0.00	$0	$0.00	$0	$0.00	($103,676)	($0.13)	$0	$0.00
EFFECTIVE GROSS REVENUE	$91,621,316	$72.86	$93,636,172	$121.11	$27,750,990	$54.82	$55,533,544	$94.87	$46,580,553	$49.39	$51,741,578	$65.24	$59,295,062	$69.33
OPERATING EXPENSES														
Payroll and Cleaning	$7,354,554	$5.85	$4,251,258	$5.50	$951,680	$1.88	$2,542,487	$4.34	$5,202,856	$5.52	$5,255,422	$6.63	$3,663,692	$4.28
Casualty, Liability and Terrorism Insurance	$769,327	$0.61	$441,315	$0.57	$121,387	$0.24	$262,439	$0.45	$488,392	$0.52	$1,171,310	$1.48	$553,045	$0.65
Utilities	$7,888,417	$6.27	$2,231,788	$2.89	$1,655,912	$3.27	$2,870,052	$4.90	$2,996,565	$3.18	$1,194,438	$1.51	$3,282,449	$3.84
Repairs and Maintenance	$2,071,099	$1.65	$1,274,988	$1.65	$2,047,317	$4.04	$2,329,494	$3.98	$1,104,699	$1.17	$2,938,831	$3.71	$1,258,592	$1.47
General and Administrative	$1,921,805	$1.53	$186,898	$0.24	$2,204,873	$4.36	$1,681,978	$2.87	$1,434,005	$1.52	$1,704,217	$2.15	$2,394,783	$2.80
Management Fee	$1,374,320	$1.09	$2,307,223	$2.98	$802,277	$1.58	$1,057,423	$1.81	$931,611	$0.99	$1,034,685	$1.30	$1,540,150	$1.80
SUBTOTAL	$21,379,522	$17.00	$10,693,470	$13.83	$7,783,446	$15.38	$10,743,873	$18.35	$12,158,128	$12.89	$13,298,903	$16.77	$12,692,711	$14.84
Real Estate Taxes	$23,386,995	$18.60	$23,037,035	$29.80	$9,126,195	$18.03	$11,030,198	$18.84	$13,864,661	$14.70	$11,571,762	$14.59	$6,657,027	$7.78
TOTAL EXPENSES	$44,766,517	$35.60	$33,730,505	$43.63	$16,909,641	$33.41	$21,774,071	$37.20	$26,022,789	$27.59	$24,870,665	$31.36	$19,349,738	$22.62
NET OPERATING INCOME	$46,854,799	$37.26	$59,905,667	$77.48	$10,841,349	$21.42	$33,759,473	$57.67	$20,557,764	$21.80	$26,870,913	$33.88	$39,945,324	$46.70

COMPARABLE OFFICE BUILDING EXPENSE ANALYSIS (CONTINUED)						
Property Name Year Built Rentable Area	452 Fifth Avenue (Subject) 1984 865,546					
Source (Year)	Budget CY 2017		C&W Forecast FY 2018		Expense Comparables	
	Annual Amount	Per SF	Annual Amount	Per SF	Minimum Per SF	Maximum Per SF
POTENTIAL GROSS REVENUE						
Base Rental Revenue	$54,111,516	$62.52	$54,931,365	$63.46	$47.76	$104.17
Base Rent Abatements	$0	$0.00	($158,582)	($0.18)	($18.66)	($0.93)
Real Estate Taxes	$4,160,818	$4.81	$4,244,185	$4.90	$1.12	$15.97
Operating Expenses	$3,049,938	$3.52	$2,777,247	$3.21	$0.45	$6.26
Tenant Electric	$1,403,000	$1.62	$1,403,000	$1.62	$0.02	$2.41
Other Income	$3,318,863	$3.83	$3,318,863	$3.83	$0.05	$2.44
TOTAL REVENUE	$66,044,135	$76.30	$66,516,078	$76.85	$49.39	$121.27
TOTAL POTENTIAL GROSS REVENUE						
Vacancy and Collection Loss	$0	$0.00	($329,815)	($0.38)	($0.74)	$0.00
EFFECTIVE GROSS REVENUE	$66,044,135	$76.30	$66,186,263	$76.47	$49.39	$121.11
OPERATING EXPENSES						
Payroll and Cleaning	$5,133,536	$5.93	$5,133,536	$5.93	$1.88	$6.63
Casualty, Liability and Terrorism Insurance	$486,726	$0.56	$486,726	$0.56	$0.24	$1.48
Utilities	$3,497,927	$4.04	$3,497,927	$4.04	$1.51	$6.27
Repairs and Maintenance	$2,205,453	$2.55	$2,205,453	$2.55	$1.17	$4.04
General and Administrative	$3,455,101	$3.99	$3,455,101	$3.99	$0.24	$4.36
Management Fee	$280,000	$0.32	$302,941	$0.35	$0.99	$2.98
SUBTOTAL	$15,058,743	$17.40	$15,081,684	$17.42	$12.89	$18.35
Real Estate Taxes	$12,434,937	$14.37	$13,054,183	$15.08	$7.78	$29.80
TOTAL EXPENSES	$27,493,680	$31.76	$28,135,867	$32.51	$22.62	$43.63
NET OPERATING INCOME	$38,550,455	$44.54	$38,050,396	$43.96	$21.42	$77.48

Discussion of Expenses

We analyzed each expense item in making our forecast, with our conclusions summarized on the previous table. In most cases, our forecast is well supported by the historical or budget information. However, in some cases, further clarification is provided below:

Payroll and Cleaning

This expense includes wages and benefits covering employees of the building including union staffing and non-union salaries and benefits of the administrative personnel. This category includes contract cleaning costs and supplies along with window cleaning. This expense is forecasted on a variable basis and is tied to occupancy levels.

Payroll and Cleaning	
Years	**PSF**
2014 Actual	$5.40
2015 Actual	$5.72
2016 Actual	$5.70
2017 Budget	$5.93
Expense Comparable Low	$1.88
Expense Comparable High	$6.63
Cushman & Wakefield - Year 1	**$5.93**

Our forecast for Payroll and Cleaning is within the range of comparable properties and market parameters and is considered reasonable.

Casualty, Liability and Terrorism Insurance

The federal terrorism insurance law signed in 2002 has had a positive effect on insurance costs. The federal terrorism insurance act was reauthorized in 2015 and expires in 2020. Reductions in costs for terrorism coverage alone are expected to continue. Casualty & liability and terrorism insurance coverage has become more important for Manhattan office buildings over the past year. Blanket coverage is of much less value to owners than it was in prior years. In other words, the carriers are less inclined to reduce overall premiums under blanket policies. Terrorism Insurance coverage is available in limited quantities with limited exposure (not full value) given by the carriers. Terrorism rates are very high something in the range of 3 to 5 percent of value, annually. The subject is currently covered with a terrorism insurance policy. The 2017 budget includes property policy, general liability and umbrella policy, fire and extended liability coverage, and terrorism coverage.

Casualty, Liability and Terrorism Insurance	
Years	**PSF**
2014 Actual	$0.61
2015 Actual	$0.60
2016 Actual	$0.60
2017 Budget	$0.56
Expense Comparable Low	$0.24
Expense Comparable High	$1.48
Cushman & Wakefield - Year 1	**$0.56**

Our forecast for Casualty, Liability and Terrorism Insurance, which includes terrorism insurance, is within the range of comparable properties and market parameters and is considered reasonable.

Utilities

This expense category includes expenses for heat/steam, water and sewer charges and other utilities. Utilities are generally property specific and vary considerably from property to property in the subject's market based on the utilities paid by the tenant and the owner, and the efficiency of the HVAC systems. Therefore, we considered on the subject's actual historical expenses and the owner's budget. This expense does not include the tenant electric expense which is broken out for its own analysis. This expense is forecasted on a variable basis and is tied to occupancy levels.

Utilities	
Years	**PSF**
2014 Actual	$4.86
2015 Actual	$4.70
2016 Actual	$3.98
2017 Budget	$4.04
Expense Comparable Low	$1.51
Expense Comparable High	$6.27
Cushman & Wakefield - Year 1	**$4.04**

Our forecast for Other Utilities is within the range of comparable properties and market parameters and is considered reasonable based on the historical expenses.

Repairs and Maintenance

This expense category includes all expenses incurred for general repairs and maintenance, including HVAC, electrical, plumbing, safety systems, roads and grounds, and pest control/exterminating. This expense category also typically includes all outside maintenance service contracts and the cost of maintenance and repairs supplies. The subject's expense is detailed in the table below.

Repairs and Maintenance	
Years	**PSF**
2014 Actual	$2.60
2015 Actual	$2.66
2016 Actual	$3.00
2017 Budget	$2.55
Expense Comparable Low	$1.17
Expense Comparable High	$4.04
Cushman & Wakefield - Year 1	**$2.55**

Our forecast for Repairs and Maintenance is within the range of comparable properties and market parameters and is considered reasonable.

General and Administrative

This expense includes costs for general and administrative expenses related to operating an office building including legal and professional fees.

General and Administrative	
Years	**PSF**
2014 Actual	$4.02
2015 Actual	$3.93
2016 Actual	$4.07
2017 Budget	$3.99
Expense Comparable Low	$0.24
Expense Comparable High	$4.36
Cushman & Wakefield - Year 1	**$3.99**

Our forecast for General and Administration is within the range of comparable properties and market parameters and is considered reasonable.

Management Fee

Upon sale of the building, we have applied a management fee consistent with rates quoted by Manhattan brokerage and management firms including Cushman & Wakefield, Inc., which typically charge based on building size rather than percentage of revenue.

Management Fee	
Years	**PSF**
2014 Actual	$0.32
2015 Actual	$0.32
2016 Actual	$0.32
2017 Budget	$0.32
Expense Comparable Low	$0.99
Expense Comparable High	$2.98
Cushman & Wakefield - Year 1	**$0.35**

It should be noted that management fees are typically provided at or near cost by Manhattan brokerage and management firms in an attempt to secure leasing and other business opportunities. In addition, Manhattan brokerage and management firms typically have economies of scale as a result of managing several buildings. In comparison, management fees of owner managed properties typically include profit centers. Our forecast of fiscal year 2018 expense is $0.35 per square foot.

Real Estate and BID Taxes

The fiscal year 2018 real estate taxes are projected to be $13,054,183 or $15.08 per square foot of rentable area.

Real Estate Taxes	
Years	**PSF**
2014 Actual	$11.21
2015 Actual	$12.57
2016 Actual	$13.71
2017 Budget	$14.37
Expense Comparable Low	$7.78
Expense Comparable High	$29.80
Cushman & Wakefield - Year 1	**$15.08**

This represents our current forecast of real estate taxes, which have been discussed in detail under the Real Property Taxes and Assessments section of this report.

Total Operating Expenses

In our analysis of the subject property, the total operating expenses, excluding real estate taxes, and management fees, estimated for fiscal year 2018 are $15,081,684 or $17.42 per square foot of net rentable area.

Our operating expenses estimated for the subject property are within the range of actual operating expenses and budgets of competing office buildings located in Manhattan as presented on the previous charts.

COMPARABLE OFFICE BUILDING OPERATING EXPENSES (EXCLUDING REAL ESTATE TAXES)				
NAME/ADDRESS	**YEAR BUILT**	**NRA**	**YEAR SURVEYED**	**EXPENSES/ SF NRA**
280 Park Avenue	1961/1968	1,257,537	Budget CY 2016	$17.00
300 Park Avenue	1955	773,180	Budget CY 2016	$13.83
350 Park Avenue	1961/2012	585,357	Actual CY 2015	$18.35
575 Fifth Avenue	1956	506,182	Budget CY 2016	$15.38
485 Lexington Avenue	1956/2010	943,123	Budget CY 2016	$12.89
1155 Sixth Avenue	1984	793,042	Budget CY 2015	$16.77
330 Madison Avenue	1963/2011	855,271	Actual CY 2015	$14.84
452 Fifth Avenue (Subject)	**1984**	**865,546**	**2018**	**$17.42**

The seven expense comparables reflect a range of **$12.89 to $18.35** per square foot, after excluding real estate taxes. These buildings have varying degrees of similarity with the subject property in terms of age, size, tenancy and quality. In our judgment, a reconciled expense figure of $17.42 per square foot, after excluding real estate taxes, is reasonable for the subject property considering its age, size and budgeted expense figures.

Expense Growth Rate

Our cash flow projections assume that operating expenses and tenant improvement costs will grow at the rate of 3.00 percent per year during the holding period.

Reserves for Replacements

It is customary and prudent to deduct an annual sum from effective gross income to establish a reserve for replacing short-lived items throughout the building. These costs may include roof repair, HVAC upgrades and ADA compliance. Our fiscal year 2018 projection of $259,664 or $0.30 per square foot of rentable area is a reasonable amount to cover the cost of capital expenditures over the course of the investment-holding period.

Investor Survey Trends

Historic trends in real estate investment help us understand the current and future direction of the market. Investors' return requirements are a benchmark by which real estate assets are bought and sold.

The investment criteria derived from the improved property sales within the Sales Comparison Approach section of this report also lend support to national investor surveys of investment parameters. Following is a brief review of effective gross income multipliers, overall rates, forecasted holding periods, internal rates of return and terminal overall rates from several Manhattan office building sales.

COMPARABLE OFFICE BUILDING SALES SUMMARY

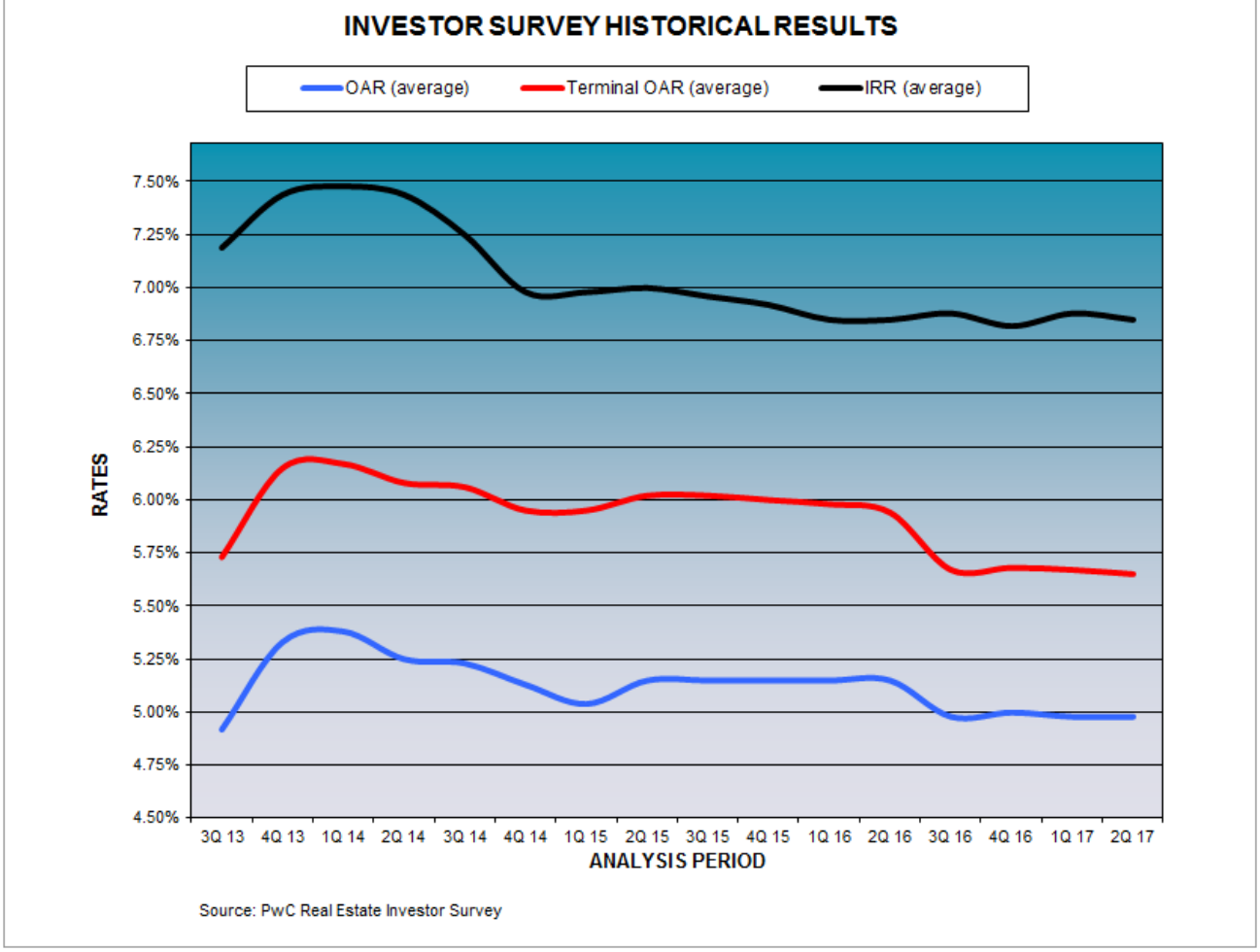
No.	Sales Date	Property Name	Price	Price/NRA	OAR	Forecast	IRR	Terminal OAR
1	Mar-17	245 Park Avenue	$2,210,000,000	$1,241.91	4.85%	14	6.25%	4.75%
2	Aug-16	1095 Sixth Avenue	$2,353,000,000	$1,995.70	3.78%	14	5.50%	4.50%
3	Aug-16	1221 Avenue of the Americas	$2,300,000,000	$859.17	2.90%	11	6.50%	5.00%
4	Aug-16	11 Madison Avenue	$2,600,000,000	$1,136.41	2.36%	16	5.50%	4.50%
5	Aug-16	1250 Broadway	$565,000,000	$730.72	3.07%	15	7.50%	5.00%
6	Aug-16	10 Hudson Yards	$2,150,000,000	$1,155.24	4.48%	13	6.50%	4.50%
7	May-16	1140 Avenue of the Americas	$180,000,000	$720.86	4.88%	10	7.00%	6.00%
8	May-16	550 Madison Avenue	$1,400,000,000	$1,641.59	--	19	5.50%	4.50%
9	Mar-16	850 Third Avenue	$463,000,000	$752.70	3.26%	11	7.00%	5.00%
10	Jan-16	787 Seventh Avenue	$1,899,037,256	$1,074.56	4.22%	17	6.75%	5.00%

** Compiled by Cushman & Wakefield Valuation & Advisory*

It should be noted that the internal rate of return and terminal overall capitalization rate information reflected in the above chart was extracted from cash flows prepared by Cushman & Wakefield, Inc. from appraisals they prepared of these properties. This information is not provided in publications, but is a technique which only Cushman & Wakefield, Inc. employs in their analysis of New York City office building sales from an appraisal standpoint. The Cushman & Wakefield, Inc. internal rate of return and terminal overall capitalization rate information are confirmed directly from the owners of the respective properties when the properties were appraised.

In addition, the following graph shows the historic trends for the subject's asset class spanning a period of four years as reported in the PricewaterhouseCoopers Real Estate Investor Survey.

INVESTOR SURVEY HISTORICAL RESULTS																
Survey:	PwC													End Quarter:		
Property Type:	MANHATTAN OFFICE													2Q 17		
Quarter	3Q 13	4Q 13	1Q 14	2Q 14	3Q 14	4Q 14	1Q 15	2Q 15	3Q 15	4Q 15	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17
OAR (average)	4.92%	5.33%	5.38%	5.25%	5.23%	5.13%	5.04%	5.15%	5.15%	5.15%	5.15%	5.15%	4.98%	5.00%	4.98%	4.98%
Terminal OAR (average)	5.73%	6.15%	6.17%	6.08%	6.06%	5.95%	5.95%	6.02%	6.02%	6.00%	5.98%	5.94%	5.67%	5.68%	5.67%	5.65%
IRR (average)	7.19%	7.44%	7.48%	7.44%	7.25%	6.98%	6.98%	7.00%	6.96%	6.92%	6.85%	6.85%	6.88%	6.82%	6.88%	6.85%



Source: PwC Real Estate Investor Survey

As the chart illustrates, investment market conditions have shown considerable improvement over 2013 data. During this time, IRR requirements (average) have declined by 34 basis points from 7.19 percent as of 3rd quarter 2013 to 6.85 percent as of 2nd quarter of 2017. The IRR requirements have remained relatively stable since the 1st quarter of 2016.

Yield Capitalization Method

In the Yield Capitalization Method, we employed Argus for Windows software to model the income characteristics of the property and to make a variety of cash flow assumptions. We attempted to reflect the most likely investment assumptions of typical buyers and sellers in this market segment.

General Cash Flow Assumptions

The following table outlines the assumptions used in the Yield Capitalization analysis.

DISCOUNTED CASH FLOW ASSUMPTIONS	
MODELING ASSUMPTIONS	
Years in Forecast:	14 years
Holding Period:	13 years
Start Dates:	July 1, 2017
Reversion Year:	FY 2031 (14th year)
Vacancy & Collection Loss:	Zero (credit tenant - HSBC) and 1.00% (all other tenants)
Consumer Price Index (CPI):	3.00%
Expense Growth Rate:	3.00%
Rates of Return	
Discount Rate:	6.50% (see Discount Rate Analysis)
Terminal Cap Rate:	4.75% (applied to reversion year net operating income)
Reversionary Sales Cost:	4.00% (includes brokerage, legal fees and estimated transfer taxes)
Indicated “As Is” Value:	$900,000,000

LEASING ASSUMPTIONS	452 FIFTH AVE. OFFICE TENANTS	1 W. 39TH ST. OFFICE TENANTS	RETAIL TENANTS	STORAGE TENANTS
Market Rent per Square Foot	Floors 2-11: $77.00/sf; Floors 12-18: $85.00/sf; Floors 19-27: $100.00/sf; Floors 28-30: $105.00/sf	Floors 2-12: $55.00/sf	$425.00/sf (Corner Bryant Park); $325.00/sf (Corner 40th St); $300.00/sf (Midblock) $50.00/sf (Basement & Mezzanine)	$35.00/sf
Market Rent Growth Rate:	4.00% (Yr.2); 4.00% (Yr.3 and 3.00% (thereafter)	4.00% (Yr.2); 4.00% (Yr.3); and 3.00% (thereafter)	3.00%	3.00%
Lease Term (years):	15	15	10	10
Free Rent (months)				
New Leases:	12	12	6	6
Renewals:	6	6	3	3
Downtime Between Leases (months):	8	8	8	8
	Downtime between leases is prior to renewal probability of 70.00%; effective vacancy is 3 months.			
Renewal Probability:	70.00%	70.00%	70.00%	70.00%
Capital Expenditures:				
Tenant Improvements ($/SF)				
New Leases:	$75.00	$75.00	None	None
Renewals:	$37.50	$37.50	None	None
Leasing Commissions				
10 Year Leases:	40.00% of first year's base rent including 125% override (paid in year one)			
15 Year Leases:	52.50% of first year's base rent including 125% override (paid in year one)			
All Renewals:	Typically half of new tenant commission.			
RENT ESCALATIONS & EXPENSE RECOVERIES ASSUMPTIONS				
Rent Steps and Escalations:	For 10-year and 15-year leases, 60-month step-ups of 10% are assumed.			
Expense Recoveries:	We have assumed that future leases in the subject property will be on a modified full service basis. Tenants will be responsible for a) real estate tax increases over a base tax year amount billed either monthly or semi-annually and tenants will be responsible for 10.00 percent annual base rent increases in year five of their lease.			

Financial Assumptions

The financial assumptions used in the Yield Capitalization process are discussed in the following commentary.

Terminal Capitalization Rate Selection

A terminal capitalization rate was used to estimate the market value of the property at the end of the assumed investment-holding period. We estimated an appropriate terminal rate based on indicated rates in today's market. PriceWaterhouseCoopers, Inc., periodically surveys national real estate investors to determine terminal capitalization rates considered acceptable by respondents. The rate from the most recent PwC Real Estate Investor Survey are summarized within the following table.

TERMINAL CAPITALIZATION RATES (OAR_{out})			
Survey	**Date**	**Range**	**Average**
PwC	Second Quarter 2017	3.50% - 8.50%	5.65%

PwC - Refers to Manhattan Office market regardless of class or occupancy

The terminal capitalization rates derived from recent Manhattan improved office sale transactions are summarized within the following table.

MANHATTAN OFFICE BUILDING SALES TERMINAL CAPITALIZATION RATE SUMMARY		
No.	**Property**	**Capitalization Rate**
1	245 Park Avenue	4.75%
2	1095 Sixth Avenue	4.50%
3	1221 Avenue of the Americas	5.00%
4	11 Madison Avenue	4.50%
5	1250 Broadway	5.00%
6	10 Hudson Yards	4.50%
7	1140 Avenue of the Americas	6.00%
8	550 Madison Avenue	4.50%
9	850 Third Avenue	5.00%
10	787 Seventh Avenue	5.00%
STATISTICS		
Low		4.50%
High		6.00%
Average		4.88%

** Compiled by Cushman & Wakefield Valuation & Advisory*

The terminal capitalization rates derived from the improved property sales range between 4.50 and 6.00 percent. The PwC Real Estate Investor Survey indicates a range of 3.50 to 8.50 percent. Investors typically add 50 to 250 basis points to the going-in rate to arrive at a terminal capitalization rate, according to Cushman & Wakefield's periodic investor surveys.

In consideration of the subject's location, tenant credit quality, quality construction and expected increase in Midtown Manhattan market rents, we have applied a 4.75 percent terminal capitalization rate in our analysis. This rate is supported by the comparable sales and the investor surveys previously cited.

Reversionary Sales Costs

We estimated the cost of sale at the time of reversion to be 4.00 percent, which is in keeping with the Manhattan market practice.

Discount Rate Analysis

We estimated future cash flows, including property value at reversion, and discounted that income stream at an internal rate of return (yield rates) currently required by investors for similar-quality real property. The yield rate (internal rate of return or IRR) is the single rate that discounts all future equity benefits (cash flows and equity reversion) to an estimate of net present value.

The investment criteria derived from the improved property sales within the Sales Comparison Approach section of this report also lend support to national investor surveys of investment parameters.

MANHATTAN OFFICE BUILDING SALES
DISCOUNT RATE (IRR) SUMMARY

No.	Property	Discount Rate
1	245 Park Avenue	6.25%
2	1095 Sixth Avenue	5.50%
3	1221 Avenue of the Americas	6.50%
4	11 Madison Avenue	5.50%
5	1250 Broadway	7.50%
6	10 Hudson Yards	6.50%
7	1140 Avenue of the Americas	7.00%
8	550 Madison Avenue	5.50%
9	850 Third Avenue	7.00%
10	787 Seventh Avenue	6.75%

STATISTICS	
Low	5.50%
High	7.50%
Average	6.40%

** Compiled by Cushman & Wakefield Valuation & Advisory*

The second quarter 2017 PwC Real Estate Investor Survey indicates that investors considered acceptable internal rates of return within the following range:

DISCOUNT RATES (IRR)

Survey	Date	Range	Average
PwC	Second Quarter 2017	5.75% - 9.00%	6.85%

PwC - Refers to Manhattan Office market regardless of class or occupancy

Summary of Discount Rate Selection

Several sources of discount rate (internal rate of return) information were analyzed including Investor Survey data. The internal rates of return cited previously, by the PwC Real Estate Investor Survey, range from 5.75 to 9.00 percent. Manhattan office building sales reflect internal rates of return ranging from 5.50 to 7.50 percent with an average of 6.40 percent.

In our selection of a discount rate for the subject property, we have examined mortgage rates available today. The interest rate for a 30-year fixed rate mortgage is currently below 5.00 percent. In addition, the current discount rate, or the interest rate charged by the Federal Reserve when banks borrow money is still near historic lows.

The subject consists of an excellent quality office property located within the Grand Central submarket of Midtown Manhattan. The subject property is located on the westerly blockfront of Fifth Avenue between West 39th and West 40th Streets and is located across Bryant Park.

The largest office tenant is HSBC Bank USA, N.A. which leases 548,170 square feet of storage, retail and office space. HSBC Bank USA occupies the entire One West 39th Street building; and, the sub cellar, part of the cellar, part of the grade, and the 2nd through 11th floors of 442/452 Fifth Avenue. The tenant recently signed a 5 year extension through April 2025. HSBC Bank USA, N.A. occupies 63.33 percent of the subject's NRA. Our selection of discount rate considers the credit quality of the largest tenant. In addition, it considers the risk associated with releasing the HSBC space in 2025.

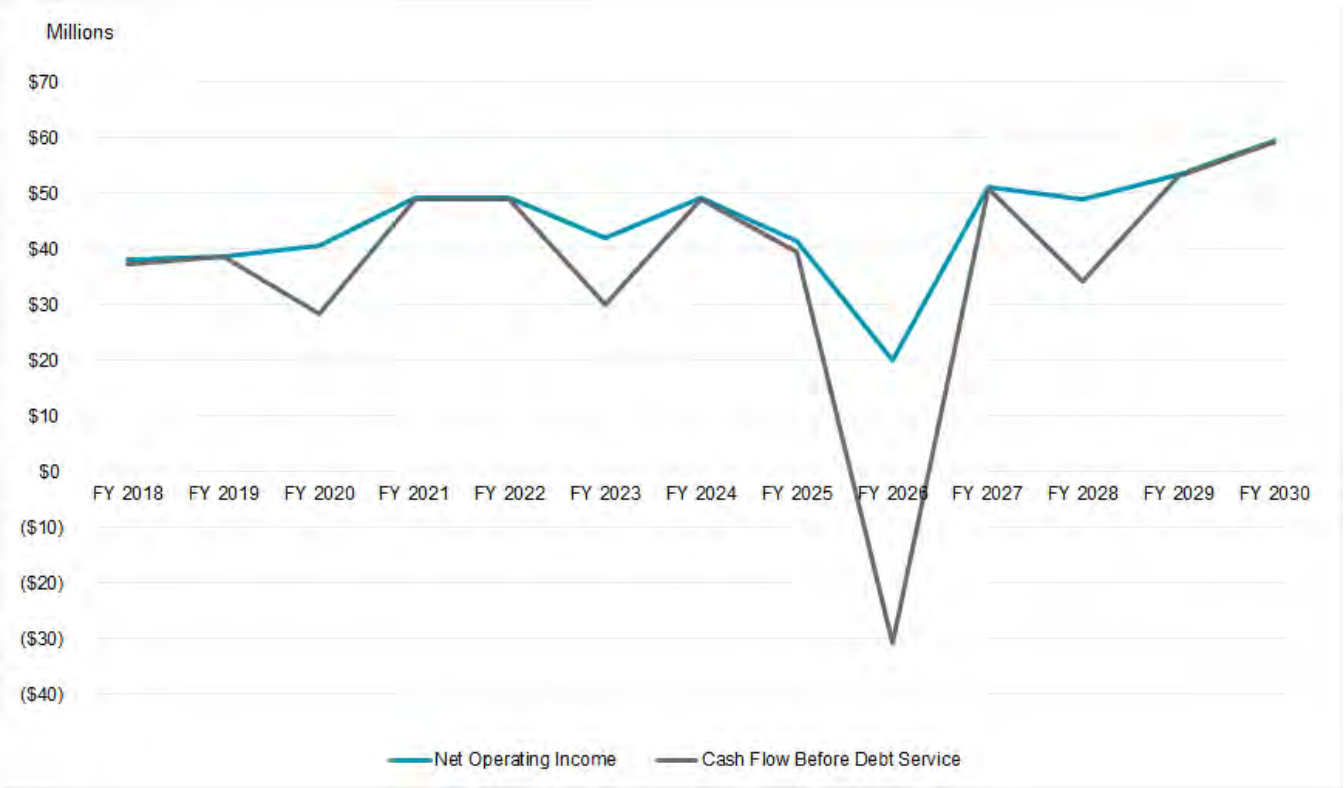
We estimated a discount rate at 6.50 percent would be appropriate for an asset of the subject's caliber, credit tenancy, leasing profile, roll over during the analysis, declining returns expected by investors in the current market in relation to other properties, and location, given the rollover risk.

Yield Capitalization Method Conclusion – "As Is" scenario

The ARGUS - Version 15 cash flow is presented on the following page. The cash flow commencement date is June 30, 2017.

442/452 Fifth Avenue and One West 39th Street Market Value "As Is" on June 30, 2017 Cash Flow Analysis	YEAR 1 FY 2018	YEAR 2 FY 2019	YEAR 3 FY 2020	YEAR 4 FY 2021	YEAR 5 FY 2022	YEAR 6 FY 2023	YEAR 7 FY 2024	YEAR 8 FY 2025	YEAR 9 FY 2026	YEAR 10 FY 2027	YEAR 11 FY 2028	YEAR 12 FY 2029	YEAR 13 FY 2030	YEAR 14 FY 2031
POTENTIAL GROSS INCOME														
Base Rental Revenue	$54,931,365	$55,699,495	$58,451,305	$70,941,188	$71,191,116	$71,762,355	$75,353,414	$67,983,316	$82,883,223	$84,056,256	$85,720,693	$92,260,975	$92,384,932	$97,670,531
Base Rent Abatements	($158,582)	$0	$0	$0	$0	($6,590,631)	($2,124,759)	($1,239,545)	($31,901,631)	($1,680,864)	($4,830,104)	($5,909,639)	$0	$0
BASE RENTAL INCOME	$54,772,783	$55,699,495	$58,451,305	$70,941,188	$71,191,116	$65,171,724	$73,228,655	$66,743,771	$50,981,592	$82,375,392	$80,890,589	$86,351,336	$92,384,932	$97,670,531
Real Estate Taxes	$4,244,185	$5,172,038	$5,633,490	$4,522,114	$5,412,972	$5,010,907	$5,016,414	$4,648,673	$1,173,244	$1,421,296	$1,639,683	$2,028,376	$2,630,774	$3,251,249
Operating Expenses	$2,777,247	$3,152,723	$3,166,508	$1,591,191	$1,992,053	$2,011,156	$2,271,758	$2,384,855	$1,150,357	$1,522,693	$1,546,591	$1,425,377	$1,909,222	$2,407,590
Tenant Electric	$1,403,000	$1,445,090	$1,488,443	$1,533,096	$1,579,089	$1,626,462	$1,675,255	$1,725,513	$1,777,278	$1,830,597	$1,885,515	$1,942,080	$2,000,343	$2,060,353
TOTAL REIMBURSEMENT REVENUE	$8,424,432	$9,769,851	$10,288,441	$7,646,401	$8,984,114	$8,648,525	$8,963,427	$8,759,041	$4,100,879	$4,774,586	$5,071,789	$5,395,833	$6,540,339	$7,719,192
Generator Income	$446,543	$459,939	$473,737	$487,950	$502,588	$517,666	$533,196	$549,192	$565,667	$582,637	$600,116	$618,120	$636,664	$655,763
Security Recovery	$110,000	$113,300	$116,699	$120,200	$123,806	$127,520	$131,346	$135,286	$139,345	$143,525	$147,831	$152,266	$156,834	$161,539
Freight Recovery	$166,000	$170,980	$176,109	$181,393	$186,834	$192,439	$198,213	$204,159	$210,284	$216,592	$223,090	$229,783	$236,676	$243,777
Condenser Water Recovery	$518,232	$533,779	$549,792	$566,286	$583,275	$600,773	$618,796	$637,360	$656,481	$676,175	$696,460	$717,354	$738,875	$761,041
HVAC Recovery	$1,579,336	$1,626,716	$1,675,518	$1,725,783	$1,777,557	$1,830,883	$1,885,810	$1,942,384	$2,000,656	$2,060,675	$2,122,496	$2,186,170	$2,251,755	$2,319,308
Other Recovery	$498,752	$513,714	$529,125	$545,000	$561,350	$578,190	$595,536	$613,402	$631,804	$650,758	$670,281	$690,390	$711,101	$732,434
POTENTIAL GROSS INCOME	$66,516,078	$68,887,774	$72,260,726	$82,214,201	$83,910,640	$77,667,720	$86,154,979	$79,584,595	$59,286,708	$91,480,340	$90,422,652	$96,341,252	$103,657,176	$110,263,585
Less: Vacancy & Collection Loss	($329,815)	($343,416)	($351,062)	($358,772)	($367,516)	($298,137)	($377,334)	($387,461)	($390,761)	($399,607)	($382,854)	($435,679)	($502,287)	($510,682)
EFFECTIVE GROSS INCOME	$66,186,263	$68,544,358	$71,909,664	$81,855,429	$83,543,124	$77,369,583	$85,777,645	$79,197,134	$58,895,947	$91,080,733	$90,039,798	$95,905,573	$103,154,889	$109,752,903
OPERATING EXPENSES														
Real Estate Taxes (452 Fifth Avenue)	$11,729,636	$12,780,700	$13,714,217	$14,665,167	$15,633,810	$16,364,426	$16,855,359	$17,361,019	$17,881,849	$18,418,305	$18,970,855	$19,539,981	$20,126,180	$20,729,965
Real Estate Taxes (One West 39th Street)	$1,324,547	$1,386,202	$1,443,011	$1,500,827	$1,559,663	$1,613,179	$1,661,574	$1,711,422	$1,762,764	$1,815,647	$1,870,116	$1,926,219	$1,984,006	$2,043,526
Operating Expenses	$15,081,684	$15,534,133	$16,000,158	$16,480,162	$16,974,569	$17,483,807	$18,008,320	$18,548,571	$19,105,026	$19,678,175	$20,268,523	$20,876,576	$21,502,877	$22,147,961
TOTAL OPERATING EXPENSES	$28,135,867	$29,701,035	$31,157,386	$32,646,156	$34,168,042	$35,461,412	$36,525,253	$37,621,012	$38,749,639	$39,912,127	$41,109,494	$42,342,776	$43,613,063	$44,921,452
NET OPERATING INCOME	$38,050,396	$38,843,323	$40,752,278	$49,209,273	$49,375,082	$41,908,171	$49,252,392	$41,576,122	$20,146,308	$51,168,606	$48,930,304	$53,562,797	$59,541,826	$64,831,451
Per Square Foot	*$43.96*	*$44.88*	*$47.08*	*$56.85*	*$57.05*	*$48.42*	*$56.90*	*$48.03*	*$23.28*	*$59.12*	*$56.53*	*$61.88*	*$68.79*	*$74.90*
LEASING & CAPITAL COSTS														
Tenant Improvements	$155,070	$0	$11,947,775	$0	$0	$6,601,020	$0	$967,696	$31,427,078	$0	$8,008,077	$0	$0	$0
Leasing Commissions	$181,866	$0	$0	$0	$0	$4,850,115	$0	$768,642	$19,224,894	$0	$6,190,850	$0	$0	$0
Capital Improvements	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Capital Reserves	$259,664	$267,454	$275,477	$283,742	$292,254	$301,022	$310,052	$319,354	$328,934	$338,802	$348,966	$359,435	$370,218	$381,325
TOTAL LEASING & CAPITAL COSTS	$596,600	$267,454	$12,223,252	$283,742	$292,254	$11,752,157	$310,052	$2,055,692	$50,980,906	$338,802	$14,547,893	$359,435	$370,218	$381,325
TOTAL CASH FLOW	$37,453,796	$38,575,869	$28,529,026	$48,925,531	$49,082,828	$30,156,014	$48,942,340	$39,520,430	($30,834,598)	$50,829,804	$34,382,411	$53,203,362	$59,171,608	$64,450,126
Annual Overall Capitalization Rate	*4.23%*	*4.32%*	*4.53%*	*5.47%*	*5.49%*	*4.66%*	*5.47%*	*4.62%*	*2.24%*	*5.69%*	*5.44%*	*5.95%*	*6.62%*	
Annual Cash on Cash Return	*4.16%*	*4.29%*	*3.17%*	*5.44%*	*5.45%*	*3.35%*	*5.44%*	*4.39%*	*-3.43%*	*5.65%*	*3.82%*	*5.91%*	*6.57%*	

The following graph depicts the forecasted change in both net income and net cash flow over the analysis period.



The results of the Yield Capitalization analysis are presented below.

VALUATION MATRIX 442/452 Fifth Avenue and One West 39th Street – Market Value "As Is" ($000's)			
	Terminal Capitalization Rates		
IRR	4.50%	4.75%	5.00%
6.25%	$954,000	$921,000	$891,000
6.50%	$931,000	$898,000	$870,000
6.75%	$908,000	$876,000	$848,000
Cost of Sale at Reversion		4.00%	
Percent Residual		64.32%	
Rounded		**$900,000,000**	**$1,039.81**

In view of the analysis presented, it is our opinion that the discounted cash flow analysis indicates an "As Is" market value of **$900,000,000**, as rounded, for the subject property. The reversionary sale contributes 64.32 percent to this value estimate. The 13 year discounted cash flow summary table is presented on the following page.

442/452 Fifth Avenue and One West 39th Street

Between West 39th and West 40th Streets
New York City

Discounted Cash Flow Analysis
Market Value "As Is" on June 30, 2017

YEAR	FISCAL YEAR	NET CASH FLOW		DISCOUNT FACTOR @ 6.50%		PRESENT VALUE OF CASH FLOWS	COMPOSITION OF YIELD	ANNUAL CASH ON CASH RETURN
1	FY 2018	$ 37,453,796	X	0.938967	=	$ 35,167,884	3.91%	4.17%
2	FY 2019	$ 38,575,869	X	0.881659	=	$ 34,010,773	3.79%	4.29%
3	FY 2020	$ 28,529,026	X	0.827849	=	$ 23,617,728	2.63%	3.18%
4	FY 2021	$ 48,925,531	X	0.777323	=	$ 38,030,945	4.23%	5.45%
5	FY 2022	$ 49,082,828	X	0.729881	=	$ 35,824,616	3.99%	5.46%
6	FY 2023	$ 30,156,014	X	0.685334	=	$ 20,666,945	2.30%	3.36%
7	FY 2024	$ 48,942,340	X	0.643506	=	$ 31,494,700	3.51%	5.45%
8	FY 2025	$ 39,520,430	X	0.604231	=	$ 23,879,476	2.66%	4.40%
9	FY 2026	$ (30,834,598)	X	0.567353	=	$ (17,494,109)	-1.95%	-3.43%
10	FY 2027	$ 50,829,804	X	0.532726	=	$ 27,078,360	3.01%	5.66%
11	FY 2028	$ 34,382,411	X	0.500212	=	$ 17,198,503	1.91%	3.83%
12	FY 2029	$ 53,203,362	X	0.469683	=	$ 24,988,707	2.78%	5.92%
13	FY 2030	$ 59,171,608	X	0.441017	=	$ 26,095,671	2.90%	6.59%
	Total Present Value of Cash Flows					$ 320,560,199	35.68%	3.80% Average
	Reversion:							
14	FY 2031	$ 64,831,451	*(1) /*	4.75%	=	$ 1,364,872,653		
		Less: Cost of Sale @		4.00%		$ 54,594,906		
		Net Reversion				$ 1,310,277,747		
		X Discount Factor				0.441017		
	Total Present Value of Reversion					$ 577,854,453	64.32%	
	Total Present Value					$ 898,414,652	100.00%	
		ROUNDED:				**$ 900,000,000**		

Net Rentable Area (SF):	865,546
Per Square Foot of Net Rentable Area:	$1,039.81
Implicit Going-in Capitalization Rate:	
Year One NOI (12 Months)	$38,050,396
Going-In Cap Rate	4.23%
Compounded Annual Growth Rate Concluded to Reversion:	3.26%
Compounded Annual Growth Rate Net cash Flow:	2.74%

Direct Capitalization Valuation Method

In the Direct Capitalization Method, we developed an opinion of market value by dividing year one net operating income by our selected overall capitalization rate.

Capitalization Rate Analysis

On the following pages we discuss the process of how we determine an appropriate overall capitalization rate to apply to the subject's forecast net income.

Capitalization Rate from Comparable Sales

The following table summarizes overall capitalization rates derived from the improved property sales.

MANHATTAN OFFICE BUILDING SALES
OVERALL CAPITALIZATION RATE SUMMARY

No.	Property	Capitalization Rate
1	245 Park Avenue	4.85%
2	1095 Sixth Avenue	3.78%
3	1221 Avenue of the Americas	2.90%
4	11 Madison Avenue	2.36%
5	1250 Broadway	3.07%
6	10 Hudson Yards	4.48%
7	1140 Avenue of the Americas	4.88%
8	550 Madison Avenue	--
9	850 Third Avenue	3.26%
10	787 Seventh Avenue	4.22%

STATISTICS	
Low	2.36%
High	4.88%
Average	3.75%

** Compiled by Cushman & Wakefield Valuation & Advisory*

The overall capitalization rates derived from the improved property sales are between 2.36 and 4.88 percent. The overall capitalization rates derived from the most applicable improved property sales are shown below.

Furthermore, the sales within the lower end of the range of the exhibited capitalization rates reflected properties that were leased at slightly below market levels, and projected to be released at higher market levels in the short term. The overall capitalization rates derived from the most applicable improved property sales are shown.

Capitalization Rate from Investor Surveys

We considered data extracted from the PwC Real Estate Investor Survey for competitive properties. Earlier in the report, we presented historical capitalization rates for the prior four-year period. The most recent information from this survey is listed below:

CAPITALIZATION RATES

Survey	Date	Range	Average
PwC	Second Quarter 2017	3.50% - 8.50%	4.98%

PwC - Refers to Manhattan Office market regardless of class or occupancy

Capitalization Rate Conclusion

We considered OARs indicated by sales of comparable properties, national investor surveys, and the opinions of brokers, owners, and prospective purchasers.

The capitalization rates exhibited by the comparable sales are given the more weight in our analysis, since they reflect current local market data, and are more relevant than the broad Manhattan Office investor surveys. These rates are below the average rates reflected in the exhibited investor surveys, and indicate the premium paid by investors for well-located retail properties in major urban markets like Manhattan.

The subject property contains 865,546 square feet of net rentable area in close proximity to Bryant Park. The property is currently 99.52 percent leased to 13 office tenants and 3 retail tenants. The subject's average contract rents are considered below market.

The subject consists of an excellent quality office building located within the Grand Central submarket of Midtown Manhattan. The subject property is located on the westerly blockfront of Fifth Avenue between West 39th and West 40th Streets and is located across Bryant Park.

The largest office tenant is HSBC Bank USA, N.A. which leases 548,170 square feet of storage, retail and office space. HSBC Bank USA occupies the entire One West 39th Street building; and, the sub cellar, part of the cellar, part of the grade, and the 2nd through 11th floors of 442/452 Fifth Avenue. The tenant recently signed a 5 year extension through April 2025. HSBC Bank USA, N.A. occupies 63.33 percent of the subject's NRA. Our selection of capitalization rate considers the credit quality of the largest tenant. In addition, it considers the risk associated with releasing the HSBC space in 2025.

We believe that data derived from our discussions with market participants most clearly reflects current market parameters. Given the property attributes and prevailing market return rates, we conclude that a 4.25 percent OAR is applicable to the subject NOI forecast. The rate selected is above the midpoint of the investor survey and the recent sales comparables identified.

Direct Capitalization Method Conclusion

DIRECT CAPITALIZATION METHOD			
NET OPERATING INCOME (FY 2018)		**$38,050,396**	**$43.96**
Sensitivity Analysis OAR Spread	**0.50%**	**Value**	**$/SF NRA**
Based on Low-Range	3.75%	$1,014,677,227	$1,172.30
Based on Most Probable Range	4.25%	$895,303,435	$1,034.38
Based on High-Range	4.75%	$801,060,968	$925.50
Indicated Value		$895,303,435	$1,034.38
Rounded		$900,000,000	$1,039.81

Reconciliation Within Income Capitalization Approach

Since the subject is four multi-tenant office buildings with a fair amount of turnover during the analysis period, we have placed most reliance on the Discounted Cash Flow Analysis Method. This method best reflects the income potential of the property. Therefore, our opinion of market value via the Income Capitalization Approach is as follows.

INCOME CAPITALIZATION APPROACH CONCLUSION		
APPRAISAL PREMISE	**DATE**	**VALUE**
Discounted Cash Flow Method “As Is”:	June 30, 2017	$900,000,000
Direct Capitalization Method “As Is”:	June 30, 2017	$900,000,000
INCOME APPROACH CONCLUSION:	**JUNE 30, 2017**	**$900,000,000**

Compiled by Cushman and Wakefield, Inc.

Reconciliation and Final Value Opinion

Valuation Methodology Review and Reconciliation

This appraisal employs the Sales Comparison Approach and the Income Capitalization Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that the Sales Comparison Approach and the Income Capitalization Approach would be considered meaningful and applicable in developing a credible value conclusion. The subject's age makes it difficult to accurately form an opinion of depreciation and tends to make the Cost Approach unreliable. Investors do not typically rely on the Cost Approach when purchasing a property such as the subject of this report. Therefore, we have not utilized the Cost Approach to develop an opinion of market value.

The approaches indicated the following:

FINAL VALUE RECONCILIATION		
	Market Value As-Is	
Date of Value	**June 30, 2017**	**PSF**
Sales Comparison Approach:	$920,000,000	$1,062.91
Income Capitalization Approach:	$900,000,000	$1,039.81
Final Value Conclusion	**$900,000,000**	**$1,039.81**

Compiled by Cushman & Wakefield, Inc.

The Sales Comparison Approach requires application of methods from the Income Capitalization Approach in order to make adjustments for differences in effective gross or net income that have influenced the sale price. Consideration of market data is also required for the Income Capitalization Approach in the selection of market rent and in the application of capitalization rates and discount rates, and estimation of income and expenses. Consequently, it is our opinion that purchasers and sellers intuitively consider components of the Sales Comparison Approach and the Income Capitalization Approach in the process of negotiating an acceptable price for a particular property.

It is the Income Capitalization Approach, however, that is logically considered the most appropriate technique for estimating the value of income-producing property. Not only does this approach represent the most direct and accurate simulation of market behavior, it is the method explicitly employed by buyers and sellers in acquisition and disposition decisions. We have, therefore used an approach based primarily on projected income and expense as the foundation for our valuation of the subject property.

Value Conclusions			
Appraisal Premise	**Real Property Interest**	**Date Of Value**	**Value Conclusion**
Market Value As-Is	Leased Fee	6/30/2017	$900,000,000

Compiled by Cushman & Wakefield, Inc.

Exposure time

Based on our review of national investor surveys, discussions with market participants and information gathered during the sales verification process, a reasonable exposure time for the subject property at the value concluded within this report would have been approximately six (6) months. This assumes an active and professional marketing plan would have been employed by the current owner.

Marketing Time

We believe, based on the assumptions employed in our analysis, as well as our selection of investment parameters for the subject, that our value conclusion represents a price achievable within six (6) months.

Assumptions and Limiting Conditions

"Report" means the appraisal or consulting report and conclusions stated therein, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Report.

"Cushman & Wakefield" means Cushman & Wakefield, Inc. or its subsidiary that issued the Report.

"Appraiser(s)" means the employee(s) of Cushman & Wakefield who prepared and signed the Report.

The Report has been made subject to the following assumptions and limiting conditions:

- No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.
- The information contained in the Report or upon which the Report is based has been gathered from sources the Appraiser assumes to be reliable and accurate. The owner of the Property may have provided some of such information. Neither the Appraiser nor Cushman & Wakefield shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and factual matters. Any authorized user of the Report is obligated to bring to the attention of Cushman & Wakefield any inaccuracies or errors that it believes are contained in the Report.
- The opinions are only as of the date stated in the Report. Changes since that date in external and market factors or in the Property itself can significantly affect the conclusions in the Report.
- The Report is to be used in whole and not in part. No part of the Report shall be used in conjunction with any other analyses. Publication of the Report or any portion thereof without the prior written consent of Cushman & Wakefield is prohibited. Reference to the Appraisal Institute or to the MAI designation is prohibited. Except as may be otherwise stated in the letter of engagement, the Report may not be used by any person(s) other than the party(ies) to whom it is addressed or for purposes other than that for which it was prepared. No part of the Report shall be conveyed to the public through advertising, or used in any sales, promotion, offering or SEC material without Cushman & Wakefield's prior written consent. Any authorized user(s) of this Report who provides a copy to, or permits reliance thereon by, any person or entity not authorized by Cushman & Wakefield in writing to use or rely thereon, hereby agrees to indemnify and hold Cushman & Wakefield, its affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the Report by any such unauthorized person(s) or entity(ies).
- Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Appraisal.
- The Report assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Report; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value opinion contained in the Report is based.
- The physical condition of the improvements considered by the Report is based on visual inspection by the Appraiser or other person identified in the Report. Cushman & Wakefield assumes no responsibility for the soundness of structural components or for the condition of mechanical equipment, plumbing or electrical components.
- The forecasted potential gross income referred to in the Report may be based on lease summaries provided by the owner or third parties. The Report assumes no responsibility for the authenticity or completeness of lease information provided by others. Cushman & Wakefield recommends that legal advice be obtained regarding the interpretation of lease provisions and the contractual rights of parties.

- The forecasts of income and expenses are not predictions of the future. Rather, they are the Appraiser's best opinions of current market thinking on future income and expenses. The Appraiser and Cushman & Wakefield make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way warrant the conditions of a future real estate market; the Appraiser can only reflect what the investment community, as of the date of the Report, envisages for the future in terms of rental rates, expenses, and supply and demand.
- Unless otherwise stated in the Report, the existence of potentially hazardous or toxic materials that may have been used in the construction or maintenance of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. Cushman & Wakefield recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.
- Unless otherwise stated in the Report, compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Failure to comply with the requirements of the ADA may adversely affect the value of the Property. Cushman & Wakefield recommends that an expert in this field be employed to determine the compliance of the Property with the requirements of the ADA and the impact of these matters on the opinion of value.

If the Report is submitted to a lender or investor with the prior approval of Cushman & Wakefield, such party should consider this Report as only one factor, together with its independent investment considerations and underwriting criteria, in its overall investment decision. Such lender or investor is specifically cautioned to understand all Extraordinary Assumptions and Hypothetical Conditions and the Assumptions and Limiting Conditions incorporated in this Report.

- In the event of a claim against Cushman & Wakefield or its affiliates or their respective officers or employees or the Appraisers in connection with or in any way relating to this Report or this engagement, the maximum damages recoverable shall be the amount of the monies actually collected by Cushman & Wakefield or its affiliates for this Report and under no circumstances shall any claim for consequential damages be made.

If the Report is referred to or included in any offering material or prospectus, the Report shall be deemed referred to or included for informational purposes only and Cushman & Wakefield, its employees and the Appraiser have no liability to such recipients. Cushman & Wakefield disclaims any and all liability to any party other than the party that retained Cushman & Wakefield to prepare the Report.

- Any estimate of insurable replacement cost/insurable value, if included within the agreed upon scope of work and presented within this report, is based upon figures derived from a national cost estimating service and is developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage for replacing any structure. This analysis should not be relied upon to determine insurance coverage. Furthermore, we make no warranties regarding the accuracy of this estimate.
- Any estimate of actual cash value, if included within the agreed upon scope of work and presented within this Report, is based upon an agreed upon procedure with the client as identified by the client within their definition. C&W makes no warranties regarding the accuracy or relevance of this estimate.
- Unless otherwise noted, we were not given a soil report to review. However, we assume that the soil’s load-bearing capacity is sufficient to support existing and/or proposed structure(s). We did not observe any evidence to the contrary during our physical inspection of the property. Drainage appears to be adequate.
- Unless otherwise noted, we were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site’s use. However, we recommend a title search to determine whether any adverse conditions exist.
- Unless otherwise noted, we were not given a wetlands survey to review. If subsequent engineering data reveal the presence of regulated wetlands, it could materially affect property value. We recommend a wetlands survey by a professional engineer with expertise in this field.
- Unless otherwise noted, we observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the hiring of a professional engineer with expertise in this field.

- Unless otherwise noted, we did not inspect the roof nor did we make a detailed inspection of the mechanical systems. The appraisers are not qualified to render an opinion regarding the adequacy or condition of these components. The client is urged to retain an expert in this field if detailed information is needed.
- By use of this Report each party that uses this Report agrees to be bound by all of the Assumptions and Limiting Conditions, Hypothetical Conditions and Extraordinary Assumptions stated herein.

Certification of Appraisal

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Naoum M. Papagianopoulos, MAI did make a personal inspection of the property that is the subject of this report. Robert S. Nardella, MAI, MRICS did not make a personal inspection of the property that is the subject of this report.
- We have not performed prior services involving the subject property within the three-year period immediately preceding the acceptance of the assignment.
- The following individuals provided significant real property assistance in preparing this appraisal: Kurt A. Clauss and Theodoros Lambadarios. Real property assistance was provided in the form of collecting, analyzing, and drawing conclusions from market data and comparables in order to support the conclusions and assumptions outlined herein.
- As of the date of this report, Robert S. Nardella, MAI, MRICS and Naoum M. Papagianopoulos, MAI, have completed the continuing education program for Designated Members of the Appraisal Institute.
- Our analyses, opinions, or conclusions were developed and this report has been prepared in conformity with the requirements of the State of New York for State-certified appraisers.



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Addenda Contents

Addendum A: Glossary of Terms & Definitions
Addendum B: Comparable Improved Sales
Addendum C: Certifications & Qualifications of the Appraiser

Addendum A:
Glossary of Terms & Definitions

The following definitions of pertinent terms are taken from *The Dictionary of Real Estate Appraisal*, Sixth Edition (2015), published by the Appraisal Institute, Chicago, IL, as well as other sources.

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Proposed Interagency Appraisal and Evaluation Guidelines, OCC-4810-33-P 20%)

Band of Investment

A technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment.

Cash Equivalency

An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash.

Depreciation

1. In appraising, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date. 2. In accounting, an allowance made against the loss in value of an asset for a defined purpose and computed using a specified method.

Exposure Time

1. The time a property remains on the market. 2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. See also marketing time.

Extraordinary Assumption

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Highest and Best Use

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

Highest and Best Use of Property as Improved

The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

Hypothetical Conditions

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

Insurable Replacement Cost/Insurable Value

A type of value for insurance purposes.

Intended Use

The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment.

Intended User

The client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client at the time of the assignment.

Leased Fee Interest

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease).

Leasehold Interest

The tenant's possessory interest created by a lease. See also negative leasehold; positive leasehold.

Liquidation Value

The most probable price that a specified interest in real property is likely to bring under all of the following conditions:

- Consummation of a sale will occur within a severely limited future marketing period specified by the client.
- The actual market conditions currently prevailing are those to which the appraised property interest is subject.
- The buyer is acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- The buyer is acting in what he or she considers his or her best interest.
- A limited marketing effort and time will be allowed for the completion of a sale.
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Note that this definition differs from the definition of market value. The most notable difference relates to the motivation of the seller. Under market value, the seller would be acting in his or her own best interests. The seller would be acting prudently and knowledgeably, assuming the price is not affected by undue stimulus or atypical motivation. In the case of liquidation value, the seller would be acting under extreme compulsion within a severely limited future marketing period.

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).

Market Value

As defined in the Agencies' appraisal regulations, the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.[1]

[1] "Interagency Appraisal and Evaluation Guidelines." Federal Register 75:237 (December 10, 2010) p. 77472.

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, “Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions” address the determination of reasonable exposure and marketing time.) See also exposure time.

Mortgage-Equity Analysis

Capitalization and investment analysis procedures that recognize how mortgage terms and equity requirements affect the value of income-producing property.

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

Prospective Value upon Reaching Stabilized Occupancy

The value of a property as of a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long-term occupancy. At such point, all capital outlays for tenant improvements, leasing commissions, marketing costs and other carrying charges are assumed to have been incurred.

Special, Unusual, or Extraordinary Assumptions

Before completing the acquisition of a property, a prudent purchaser in the market typically exercises due diligence by making customary enquiries about the property. It is normal for a Valuer to make assumptions as to the most likely outcome of this due diligence process and to rely on actual information regarding such matters as provided by the client. Special, unusual, or extraordinary assumptions may be any additional assumptions relating to matters covered in the due diligence process, or may relate to other issues, such as the identity of the purchaser, the physical state of the property, the presence of environmental pollutants (e.g., ground water contamination), or the ability to redevelop the property.

Addendum B:
Comparable Improved Sales



245 Park Avenue
New York City NY 10017
MSA: New York
New York (Manhattan) County

Property Type:	Office
Property Subtype:	N/A
ID:	388347
APN:	N/A

PROPERTY INFORMATION

Site Area (Acres):	1.87	Number of Buildings:	1
Site Area (SqFt):	81,336	Number of Stories:	45
Gross Bldg Area:	1,586,886	Class:	N/A
Net Bldg Area:	1,779,515	Number of Parking Spaces:	N/A
Year Built:	1966	Parking Ratio:	N/A
Last Renovation:	2000	Tenancy Type:	N/A
Quality:	N/A		
Condition:	N/A		

SALE INFORMATION

Sale Status:	Recorded Sale	OAR:	4.85%
Transaction Date:	5/2017	NOI:	$107,276,528
Sale Price:	$2,210,000,000	NOI per SqFt:	$60.28
Price per SqFt:	$1,241.91	Occupancy:	94.00%
Value Interest:	N/A	Expense Ratio:	N/A
Grantor:	Brookfield Property Partners & NYSTRS	EGIM:	N/A
Grantee:	HNA Group	Buying Entity:	N/A
Condition of Sale:	N/A		

VERIFICATION COMMENTS

N/A

COMMENTS

Sale of a Class A office building located in the Park Avenue office submarket of Midtown Manhattan. The largest tenant is JP Morgan Chase which leases 787,000 sf of which approximately 550,000 square feet has been subleased to Societe Generale SA. In 2022, Societe Generale SA becomes a direct tenant. Another major tenant, Major League Baseball (220,000 square feet) will be vacating their space upon expiration of their lease in 2022. The property is located 2 blocks north of Grand Central with direct access into the terminal.



1095 Avenue of the Americas
3 Bryant Park
New York City NY 10036
MSA: New York
New York (Manhattan) County
New York, Midtown - Sixth Ave/Rockefeller Center

Property Type:	Office
Property Subtype:	N/A
ID:	376092
APN:	N/A

PROPERTY INFORMATION

Site Area (Acres):	1.36	Number of Buildings:	1
Site Area (SqFt):	59,250	Number of Stories:	1
Gross Bldg Area:	1,179,033	Class:	A
Net Bldg Area:	1,179,033	Number of Parking Spaces:	N/A
Year Built:	1973	Parking Ratio:	N/A
Last Renovation:	2008	Tenancy Type:	N/A
Quality:	Excellent		
Condition:	Excellent		

SALE INFORMATION

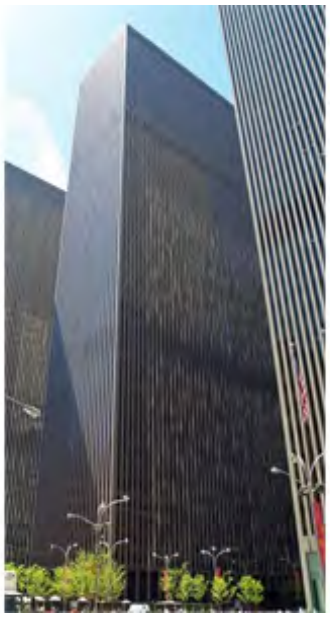
Sale Status:	Recorded Sale	OAR:	3.78%
Transaction Date:	8/2016	NOI:	$88,923,592
Sale Price:	$2,353,000,000	NOI per SqFt:	$75.42
Price per SqFt:	$1,995.70	Occupancy:	95.00%
Value Interest:	Leased Fee	Expense Ratio:	N/A
Grantor:	JV Ivanhoe Cambridge & Callahan Capita	EGIM:	N/A
Grantee:	Real Summit Investment	Buying Entity:	N/A
Condition of Sale:	N/A		

VERIFICATION COMMENTS

N/A

COMMENTS

Sale of a Class A office building located between West 41st and West 42nd Streets along Avenue of the Americas in the 6th Avenue/Rock Center submarket. The property includes the office and retail condominiums located within the grade, 2nd through 6th floors and 13th through 41st floors of 1095 Avenue of the Americas and the 42nd Cube,3-story annex retail building at 120 W. 42nd Street. The 7th through 12th floors are owner occupied by Verizon. The joint venture Ivanhoe Cambridge and Callahan Capital Partners is selling a 49 percent equity interest in the property to Real Summit Investment, based on a purchase price of $2.353 billion for a 100 percent interest. Over 81 percent of the office space is leased to five tenants; Metlife Insurance, Dechert, LLP, Standard Chartered Bank, the Instinet Group, LLC, and the Bank Of Scotland. MetLife has subleased the majority of its space to Salesforce.com. There is 103,000 square feet of retail space. 1095 AoA was originally built as the headquarters of the New York Telephone Company and subsequently became the headquarters for Verizon Communications. The Oxford and Callahan acquired the property in November 2014 for an agreed upon price of $2.2 billion from Equity Office Properties. The buyer was provided with various credits of $54 million for costs associated with the leasing costs and capital expenditures which were not been paid. As a result the actual net contract price was $2.146 billion. In March 2005, EOP acquired of 1095 AoA, except for the 6th through 12th floors, from Verizon Communications for



1221 Avenue of the Americas
New York NY 10020
MSA: New York
New York (Manhattan) County
New York, Midtown - Sixth Ave/Rockefeller Center

Property Type:	Office
Property Subtype:	N/A
ID:	385595
APN:	N/A

PROPERTY INFORMATION

Site Area (Acres):	2.35	Number of Buildings:	1
Site Area (SqFt):	102,452	Number of Stories:	50
Gross Bldg Area:	2,677,007	Class:	N/A
Net Bldg Area:	2,677,007	Number of Parking Spaces:	N/A
Year Built:	1969	Parking Ratio:	N/A
Last Renovation:	2016	Tenancy Type:	N/A
Quality:	N/A		
Condition:	N/A		

SALE INFORMATION

Sale Status:	Recorded Sale	OAR:	2.90%
Transaction Date:	10/2016	NOI:	$66,636,239
Sale Price:	$2,300,000,000	NOI per SqFt:	$24.89
Price per SqFt:	$859.17	Occupancy:	90.00%
Value Interest:	Partial Interest	Expense Ratio:	N/A
Grantor:	N/A	EGIM:	N/A
Grantee:	N/A	Buying Entity:	N/A
Condition of Sale:	N/A		

VERIFICATION COMMENTS

N/A

COMMENTS

Sale of a modern Class A office tower located in the 6th Ave/Rock Center submarket of Midtown Manhattan. The property is approximately 90 percent leased to 15 office tenants. The four largest office tenants are White & Case, NBC Universal, Morgan Stanley, and MUFG Americas Holding Corp. These four tenants represent over 48 percent of the net rentable area. Ownership is in the process of instituting an extensive renovation program that is expected to be compelte in 2020 which will mordernize the property and lobby. Invesco acquired a 45 percent interest based a valuation of $2,300,000,000 for 100 percent interest in the property. Less than 18 percent of the net rentable is due to expire within the next 5 years.



11 Madison Avenue
B/w 24th & 25th Streets
New York NY
MSA: New York
New York (Manhattan) County
New York, Midtown South - Madison Square/Union Square

Property Type:	Office
Property Subtype:	Office Building - High Rise
ID:	372278
APN:	N/A

PROPERTY INFORMATION

Site Area (Acres):	1.93	Number of Buildings:	1
Site Area (SqFt):	83,938	Number of Stories:	29
Gross Bldg Area:	2,287,905	Class:	A
Net Bldg Area:	2,287,905	Number of Parking Spaces:	N/A
Year Built:	1932	Parking Ratio:	N/A
Last Renovation:	1998	Tenancy Type:	Multi-Tenant
Quality:	Excellent		
Condition:	Excellent		

SALE INFORMATION

Sale Status:	Recorded Sale	OAR:	2.36%
Transaction Date:	8/2016	NOI:	$61,273,147
Sale Price:	$2,600,000,000	NOI per SqFt:	$26.78
Price per SqFt:	$1,136.41	Occupancy:	96.00%
Value Interest:	N/A	Expense Ratio:	N/A
Grantor:	SL Green Realty	EGIM:	N/A
Grantee:	PGIM Real Estate	Buying Entity:	N/A
Condition of Sale:	N/A		

VERIFICATION COMMENTS

N/A

COMMENTS

Sale of a partial interest of a Class A office building to PGIM Real Estate which is acquiring 40% interest in the property from SL Green Realty. The purchase price was based on valuation of $2.6 billion for the entire leased fee interest in the property. Sale of landmarked, Class A office building located in the Madison/Union Square office submarket of Midtown South Manhattan. 11 Madison Avenue is the 2nd largest office building in Midtown South. The property is leased to 5 office tenants and 4 retail tenants. Originally, Credit Suisse leased over 79 percent of the property under a net lease that originally expires in May 2017. In early 2014, Credit Suisse signed a 20-year extension for 1,066,132 square feet of office space on the basement level, grade level, and 2nd through 10th floors, plus 21,293 square feet storage space. The tenant has an expansion option on the 11th and 13th floors totaling 177,626 square feet. Credit Suisse also surrendered its space on 19th through 29th floors. In addition to the Credit Suisse renewal, Sony leased 579,205 square feet on the basement level, at grade and on 19th through 28th floors through January 2031; as part of their lease, Sony will open a Sony experience store on the Madison Park side of the building. Previously in August 2015, SL Green acquired the property from a JV of Sapir Organization & CIM Group for a net purchase price of $2.422 billion.



1250 Broadway
Manhattan NY 10001
MSA: New York
New York (Manhattan) County
New York, Midtown South - Madison Square/Union Square

Property Type:	Office
Property Subtype:	N/A
ID:	361144
APN:	N/A

PROPERTY INFORMATION

Site Area (Acres):	0.71	Number of Buildings:	1
Site Area (SqFt):	30,750	Number of Stories:	39
Gross Bldg Area:	773,215	Class:	N/A
Net Bldg Area:	773,215	Number of Parking Spaces:	N/A
Year Built:	1969	Parking Ratio:	N/A
Last Renovation:	N/A	Tenancy Type:	N/A
Quality:	N/A		
Condition:	N/A		

SALE INFORMATION

Sale Status:	N/A	OAR:	3.07%
Transaction Date:	8/2016	NOI:	$17,369,454
Sale Price:	$565,000,000	NOI per SqFt:	$22.46
Price per SqFt:	$730.72	Occupancy:	88.00%
Value Interest:	Leased Fee	Expense Ratio:	N/A
Grantor:	JV Murray Hill Properties & Jamestown	EGIM:	N/A
Grantee:	Eastgate	Buying Entity:	N/A
Condition of Sale:	N/A		

VERIFICATION COMMENTS

N/A

COMMENTS

Sale of a Class A office tower located in the Madison/Union Square office submarket of Midtown South Manhattan. The property is approximately 88 percent leased to 24 office tenants. The largest office tenant is the Visiting Nurse Service of New York, who leases approximately 40 percent of the property's net rentable area. Approximately 50 percent of the property's net rentable area is occupied by leases that expire through 2018.



10 Hudson Yards
501 West 30th Street
New York City NY 10001
MSA: New York
New York (Manhattan) County

Property Type:	Office
Property Subtype:	Mixed Use - Office/Retail
ID:	350452
APN:	N/A

PROPERTY INFORMATION

Site Area (Acres):	1.84	Number of Buildings:	1
Site Area (SqFt):	79,943	Number of Stories:	54
Gross Bldg Area:	1,750,597	Class:	A
Net Bldg Area:	1,861,084	Number of Parking Spaces:	N/A
Year Built:	2015	Parking Ratio:	N/A
Last Renovation:	N/A	Tenancy Type:	N/A
Quality:	Excellent		
Condition:	Excellent		

SALE INFORMATION

Sale Status:	Recorded Sale	OAR:	4.48%
Transaction Date:	8/2016	NOI:	$96,334,524
Sale Price:	$2,150,000,000	NOI per SqFt:	$51.76
Price per SqFt:	$1,155.24	Occupancy:	100.00%
Value Interest:	Partial Interest	Expense Ratio:	N/A
Grantor:	ERY Tenant LLC	EGIM:	N/A
Grantee:	Allianz SE	Buying Entity:	N/A
Condition of Sale:	N/A		

VERIFICATION COMMENTS

N/A

COMMENTS

Sale of state of the art Class A office building, which is the first office tower to be completed in the Hudson Yards area. ERY Tenant LLC is a joint venture of Related Companies, Oxford Properties Group, JP Morgan, Kuwait Investment Authority, and Coach, which is selling a 48 percent equity interest in the property, based on a purchase price of $2.150 billion for a 100 percent interest. The Coach space currently consists of a 40 percent interest in the property. In conjunction with the prospective sale, Coach is in the process of signing a long-term lease for the space it intends to occupy. As part of the transaction, Coach is selling it's interest and will sign a long-term leaseback. The transaction is expected to close in July 2016, upon completion of the tower. The property is fully leased to 7 office tenants and a retail tenant. Over 71 percent of the property is leased to Coach, L'Oreal, Boston Consulting Group, and SAP America, Inc. under long term leases.



1140 Avenue of the Americas
New York City NY 10036
MSA: New York
New York (Manhattan) County

Property Type:	Office
Property Subtype:	N/A
ID:	351523
APN:	N/A

PROPERTY INFORMATION

Site Area (Acres):	0.22	Number of Buildings:	1
Site Area (SqFt):	9,375	Number of Stories:	22
Gross Bldg Area:	179,513	Class:	A
Net Bldg Area:	249,703	Number of Parking Spaces:	N/A
Year Built:	1926	Parking Ratio:	N/A
Last Renovation:	2010	Tenancy Type:	N/A
Quality:	N/A		
Condition:	N/A		

SALE INFORMATION

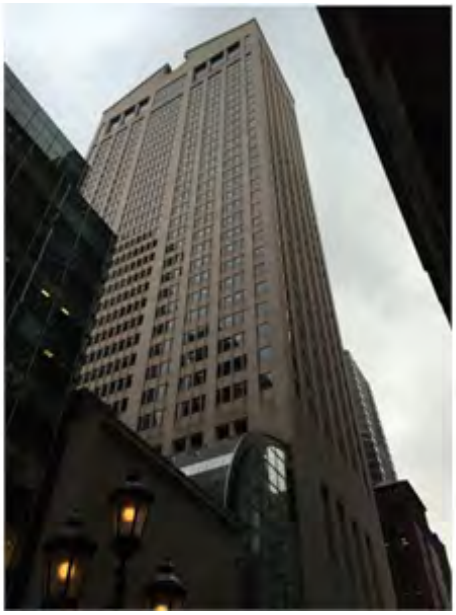
Sale Status:	Recorded Sale	OAR:	4.88%
Transaction Date:	6/2016	NOI:	$8,778,564
Sale Price:	$180,000,000	NOI per SqFt:	$35.16
Price per SqFt:	$720.86	Occupancy:	91.00%
Value Interest:	Leased Fee	Expense Ratio:	N/A
Grantor:	Blackstone Real Estate Partners VI LP	EGIM:	N/A
Grantee:	New York City REIT	Buying Entity:	N/A
Condition of Sale:	N/A		

VERIFICATION COMMENTS

N/A

COMMENTS

Sale of a Class A office building located in the 6th Avenue/Rock Center submarket. In March 2011, following an auction, Blackstone Real Estate Advisors acquired the senior mortgage and mezzanine loans secured by the leasehold interest of the 1140 Avenue of the Americas for $98,250,000 and subseqently acquired the deed from 67 West 44th St. Inc. c/o Stellar Management and Rockpoint Real Estate Fund II, L.P. in lieu of foreclosure. At the time the property was in the midst of renovation and repositioning to a Class A boutique office property. The renovation included new façade, lobby and mechanicals at a cost of over $44 million. Blackstone completed the renovation and leased up the property to over 90 percent occupancy. The property is leased to 17 office tenants and 2 retail tenants. 1140 AoA is encumbered by a ground lease that expires in 2066. The ground lease payments were reset in 2015 and are fixed through the remainder of the ground lease term.



The Sony Building
550 Madison Avenue
New York City NY 10022
MSA: New York
New York (Manhattan) County

Property Type:	Office
Property Subtype:	Mixed Use - Office/Retail
ID:	352564
APN:	N/A

PROPERTY INFORMATION

Site Area (Acres):	0.84	Number of Buildings:	1
Site Area (SqFt):	36,803	Number of Stories:	37
Gross Bldg Area:	827,686	Class:	A
Net Bldg Area:	852,830	Number of Parking Spaces:	N/A
Year Built:	1984	Parking Ratio:	N/A
Last Renovation:	N/A	Tenancy Type:	N/A
Quality:	Excellent		
Condition:	Excellent		

SALE INFORMATION

Sale Status:	Recorded Sale	OAR:	N/A
Transaction Date:	5/2016	NOI:	N/A
Sale Price:	$1,400,000,000	NOI per SqFt:	N/A
Price per SqFt:	$1,641.59	Occupancy:	0.00%
Value Interest:	N/A	Expense Ratio:	N/A
Grantor:	Chetrit Group	EGIM:	N/A
Grantee:	Olayan, LLC c/o Chelsfield	Buying Entity:	N/A
Condition of Sale:	N/A		

VERIFICATION COMMENTS

N/A

COMMENTS

Sale of state of the art Class A office building. The property is owned by the Chetrit Group which acquired the building in March 2013 for $1.1 billion from Sony Corporation which owned and occupied the entire building as their US headquarters. Following the sale, Sony Corporation leased-back the building though March 2016. The building is currently vacant. The property sold to Olayan, LLC, c/o Chelsfield from 550 Madison Fifth LLC, c/o Chetrit Group. The purchase price is $1.4 billion.



850 Third Avenue
New York NY 10022
MSA: New York
New York (Manhattan) County
New York, Midtown - East Side

Property Type:	Office
Property Subtype:	N/A
ID:	337970
APN:	N/A

PROPERTY INFORMATION

Site Area (Acres):	0.73	Number of Buildings:	1
Site Area (SqFt):	31,625	Number of Stories:	21
Gross Bldg Area:	615,116	Class:	A
Net Bldg Area:	615,116	Number of Parking Spaces:	N/A
Year Built:	1962	Parking Ratio:	N/A
Last Renovation:	1996	Tenancy Type:	N/A
Quality:	Excellent		
Condition:	Excellent		

SALE INFORMATION

Sale Status:	Recorded Sale	OAR:	3.26%
Transaction Date:	3/2016	NOI:	$15,080,643
Sale Price:	$463,000,000	NOI per SqFt:	$24.52
Price per SqFt:	$752.70	Occupancy:	96.00%
Value Interest:	N/A	Expense Ratio:	N/A
Grantor:	Shorenstein Company, LLC	EGIM:	N/A
Grantee:	JV Murray Hill Properties	Buying Entity:	N/A
Condition of Sale:	N/A		

VERIFICATION COMMENTS

N/A

COMMENTS

Sale of a Class A office tower located in the East Side submarket. The property is leased to 26 office tenants, 3 retail tenants, and 10 storage tenants. The building's total net rentable area is 615,116 square feet. The largest tenant is Discovery Communications who occupies 189,227 square feet of office space on the 2nd, 5th through 8th, and the 10th and 11th floors. The lease with Discovery Communications expires in May 2020. The average office contract rents are approximately 25% below market.



The Equitable Tower
787 Seventh Avenue
New York City NY 10019
MSA: New York
New York (Manhattan) County
New York, Midtown - West Side

Property Type:	Office
Property Subtype:	Office Building - High Rise
ID:	338304
APN:	1004-0020

PROPERTY INFORMATION

Site Area (Acres):	1.84	Number of Buildings:	1
Site Area (SqFt):	80,333	Number of Stories:	54
Gross Bldg Area:	1,767,269	Class:	A
Net Bldg Area:	1,767,269	Number of Parking Spaces:	86
Year Built:	1985	Parking Ratio:	0.05:1,000
Last Renovation:	N/A	Tenancy Type:	Multi-Tenant
Quality:	Good		
Condition:	Good		

SALE INFORMATION

Sale Status:	Recorded Sale	OAR:	4.22%
Transaction Date:	1/2016	NOI:	$80,059,143
Sale Price:	$1,899,037,256	NOI per SqFt:	$45.30
Price per SqFt:	$1,074.56	Occupancy:	100.00%
Value Interest:	Leased Fee	Expense Ratio:	N/A
Grantor:	AXA Financial	EGIM:	N/A
Grantee:	JV CalPERS & CommonWealth Partners	Buying Entity:	Investor
Condition of Sale:	N/A		

VERIFICATION COMMENTS

Public records and third party sources

COMMENTS

Sale of a Class A trophy office tower, known as The Equitable Tower, located in the West side submarket. The largest office tenants include BNP Paribas (389,232 square feet, 22.82% of NRA), Sidley Austin (338,398 square feet, 19.84% of net rentable area), Wilkie Farr & Gallagher (321,433 square feet, 18.85% of net rentable area), and Stifel Nicolaus (178,583 square feet, 10.47% of net rentable area). The agreed upon purchase price was $1.95 billion. The buyer was provided approximately $33 million in credit and income support for existing contractual costs associated with the free rent abatements, tenant improvements and capital expenditures which have not been paid. In addition, $17.1 million was allocated for the artwork located within the building. As a result the actual contract price was reduced to $1.889 billion.

Addendum C:
Certifications & Qualifications of the Appraiser



Robert S. Nardella, MAI, MRIC Executive Managing Director

Valuation & Advisory
Cushman & Wakefield, Inc.

Professional Expertise

Robert S. Nardella is an Executive Managing Director of Cushman & Wakefield, Inc., working within the Valuation & Advisory Group (V&A). Mr. Nardella joined Cushman & Wakefield, Inc. in February 1987 while still attending college. He graduated from Pace University's Lubin School of Business, Class of 1987, with a Bachelor of Business Administration in Finance, and earned a Masters in Real Estate from New York University in 1997.

In March of 1993, Mr. Nardella was named Associate Director of Cushman & Wakefield, Inc. He was further promoted to Director in December 1994 and to Senior Director in September 2006. Mr. Nardella has received the Excellence in Quality Service Award for the Valuation & Advisory division in the New York region, and was named Quality Control Manager for the New York region in 2004. Other appointments include National Account Manager of several key Cushman & Wakefield relationships, as well as service on the Career Development Committee. In January 2007, Mr. Nardella was appointed Operations Manager of the New York office within Valuation & Advisory, and was named Managing Director in June 2008. In April 2011, Mr. Nardella was named Executive Managing Director and Regional Manager for the New York, Connecticut and New Jersey V&A operations.

Since joining Cushman & Wakefield, Inc., Mr. Nardella has performed appraisal, feasibility and consulting assignments involving vacant land, developable air rights, office buildings, proposed and existing regional malls, shopping centers, industrial and residential complexes, condominiums, and investment properties throughout 25 states.

Memberships, Licenses, Professional Affiliations and Education

- Designated Member, Appraisal Institute (MAI #21276). As of the current date, Robert Nardella, MAI has completed the requirements of the continuing education program of the Appraisal Institute.
- Certified General Real Estate Appraiser in the following states:
  - New Jersey – 42RG00230800
  - New York – 46000004620
- Member, Royal Institution of Chartered Surveyors (MRICS Designation)
- Member, Board of Directors for the NY Metropolitan Chapter of the Appraisal Institute
- Masters in Real Estate, New York University
- Bachelor of Science, Pace University

NEW JERSEY



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New Jersey Office of the Attorney General
Division of Consumer Affairs

THIS IS TO CERTIFY THAT THE
Real Estate Appraisers Board

HAS CERTIFIED

Robert S. Nardella
Cushman & Wakefield, Inc.
1290 Avenue of the Americas
New York NY 10104

FOR PRACTICE IN NEW JERSEY AS A(N): Certified General Appraiser

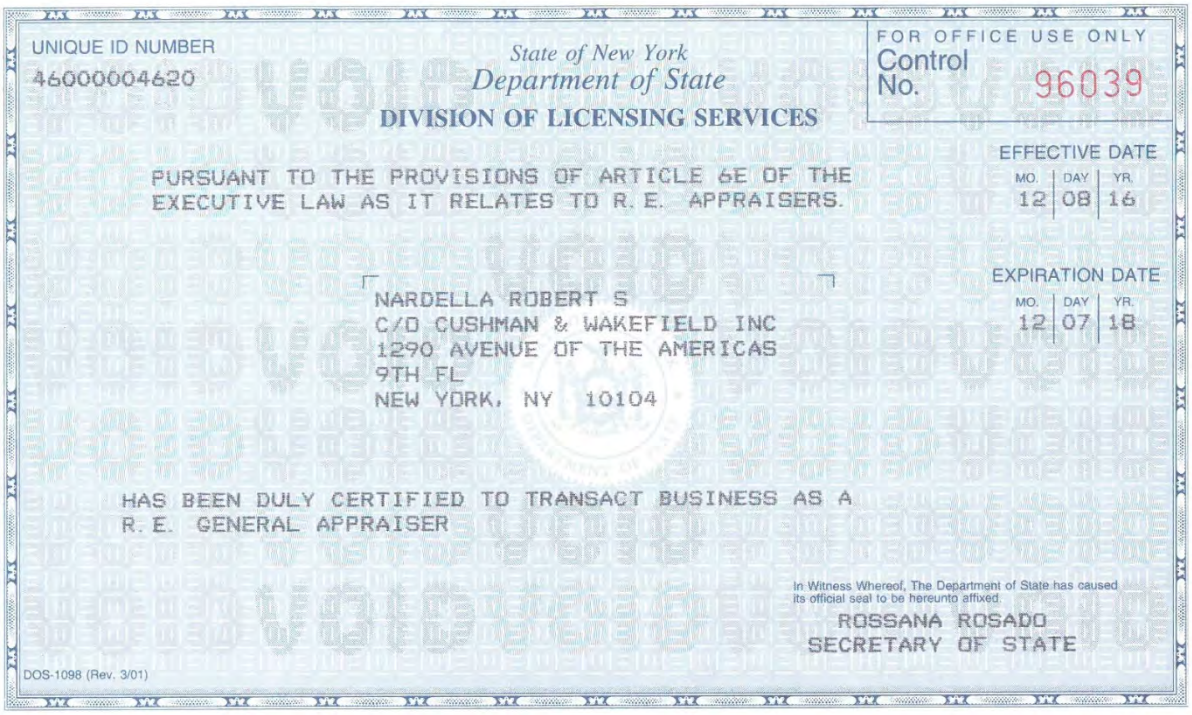
11/16/2015 TO 12/31/2017
VALID

42RG00230800
LICENSE/REGISTRATION/CERTIFICATION #

Signature of Licensee/Registrant/Certificate Holder

ACTING DIRECTOR

NEW YORK



UNIQUE ID NUMBER
46000004620

State of New York
Department of State
DIVISION OF LICENSING SERVICES

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PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.

EFFECTIVE DATE
MO. 12 | DAY 08 | YR. 16

EXPIRATION DATE
MO. 12 | DAY 07 | YR. 18

NARDELLA ROBERT S
C/O CUSHMAN & WAKEFIELD INC
1290 AVENUE OF THE AMERICAS
9TH FL
NEW YORK, NY 10104

HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R. E. GENERAL APPRAISER

In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.
ROSSANA ROSADO
SECRETARY OF STATE

DOS-1098 (Rev. 3/01)



Naoum M. Papagianopoulos, MAI Executive Director

Valuation & Advisory
Co-Leader New York Commercial Property Group
Cushman & Wakefield, Inc.

Professional Expertise

Naoum M. Papagianopoulos is an appraiser and real estate analyst with the Valuation & Advisory Group of Cushman & Wakefield, Inc. He joined Cushman & Wakefield's Valuation & Advisory Group in March of 2005. Prior to joining the Valuation & Advisory Group, Mr. Papagianopoulos was Cushman & Wakefield's financial analyst for budgeting and planning.

Appraisal assignments have included office buildings, retail properties, hospital and medical office space, mixed-use properties, industrial properties, residential condominium and apartment properties, air rights, vacant land, portfolios, feasibility studies and market studies. Primary concentration is centered on existing and proposed office and retail use properties in New York City.

Memberships, Licenses, Professional Affiliations and Education

- Designated Member, Appraisal Institute (MAI #461442). As of the current date, Naoum Papagianopoulos, MAI has completed the requirements of the continuing education program of the Appraisal Institute.
- Certified General Real Estate Appraiser in the following state:
  - New York – 46000048506
- Master of Business Administration, Zicklin School of Business, Baruch College,
- Bachelor of Arts in Business Administration, American College of Thessalonica

New York City Office Property Experience

Extensive experience in the analysis and valuation of New York City office properties. The primary market area of concentration is Manhattan where over 300 office buildings were appraised within the last five years. Notable office building assignments include the following:

- General Motors Building
- 375 Park Avenue
- MetLife Building
- World Trade Center
- 9 West 57th Street
- Chrysler Center
- Rockefeller Center
- Hudson Yards
- 667 Madison Avenue
- Empire State Building
- Brookfield Place

New York City Retail Property Experience

Extensive experience in the analysis and valuation of New York City retail properties; including free standing retail buildings, retail condominium units and retail co-operative units. The primary market area of concentration is Manhattan where over 150 retail properties were appraised within the last five years. Notable retail assignments include the following:

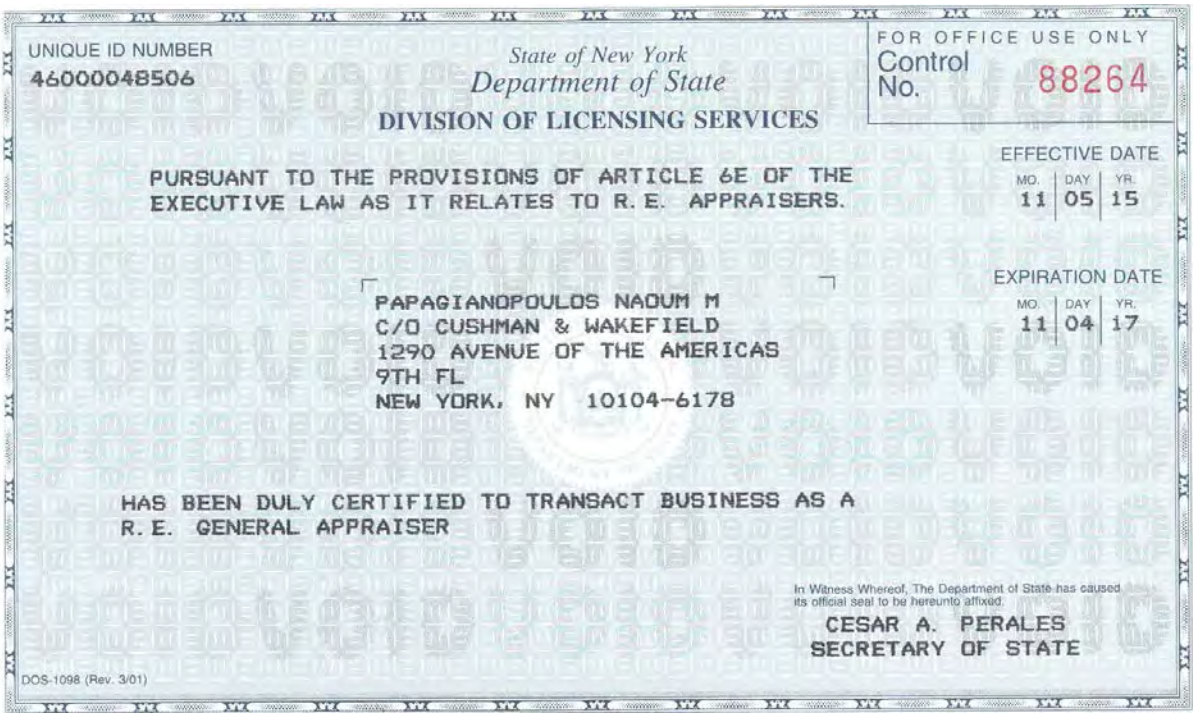
- 666 Fifth Avenue
- Olympic Tower Retail
- 724 Fifth Avenue
- 1540 Broadway
- 699 Fifth Avenue (St. Regis Hotel)
- 717 Fifth Avenue
- 1552 Broadway
- 1535 Broadway
- 529 Broadway
- 720 Fifth Avenue
- 1551 Broadway
- 2 Times Square

Special Purpose Property Experience

Diversified experience in the preparation of appraisals and market studies of, as well as consultation for, industry-specific real estate including hospitals and medical centers:

- Hospital for Special Surgery
- Manhattan Eye, Ear and Throat Hospital
- New York Presbyterian Hospital
- St. Luke's Hospital

NEW YORK



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EFFECTIVE DATE
MO. 11 | DAY 05 | YR. 15

EXPIRATION DATE
MO. 11 | DAY 04 | YR. 17

PAPAGIANOPOULOS NAOUM M
C/O CUSHMAN & WAKEFIELD
1290 AVENUE OF THE AMERICAS
9TH FL
NEW YORK, NY 10104-6178

HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R.E. GENERAL APPRAISER

In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.

CESAR A. PERALES
SECRETARY OF STATE

DOS-1098 (Rev. 3/01)