

APPRAISAL REPORT

90W
A 27-Story, Mixed Use Apartment Building
90 Washington Street
New York, New York 10006

REQUESTED BY

Mr. Yaron Babila
Finance and Accounting
The Moinian Group
3 Columbus Circle, 26th Floor
New York, New York 10019

PREPARED BY

BBG, Inc.
112 Madison Avenue, 11th Floor
New York, New York 10016

DATE OF VALUE

December 31, 2018

BBG

January 30, 2019

Mr. Yaron Babila
Finance and Accounting
The Moinian Group
3 Columbus Circle, 26th Floor
New York, New York 10019

Re: BBG Appraisal File No. 0118013470
90W
A 27-Story, Mixed Use Apartment Building
90 Washington Street
New York, New York 10006

Dear Mr. Babila:

In accordance with your request, the undersigned have prepared an appraisal of the above-captioned property for the purpose of estimating the fair value of the subject property's hypothetical leased fee estate in accordance with IFRS-13.

We have appraised the above referenced property, the conclusions of which are set forth in the attached appraisal report. This is an Appraisal Report that is intended to comply with the reporting requirements set forth under Standards Rule 2-2 of USPAP and the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute. In addition, this appraisal has been prepared in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). The depth of analysis discussed in this report is specific to the needs of the client and for the intended use stated in the report.

The appraisals are to be used by Moinian in preparation of IFRS financial statements in connection with a potential TASE offering.

We consent to the inclusion of the valuation in its entirety within the Moinian Limited BVI prospectus to be published in the Tel Aviv Stock Exchange in the first quarter of 2019. The Moinian Group is also an intended user of this report.

NEW YORK

P + 212.682.5360
F + 212.682.2233

112 MADISON AVENUE + 11TH FLOOR
NEW YORK, NY 10016

The subject property consists of a twenty-seven story, plus basement, elevator apartment building containing 397 apartment units including 1 unit provided to a superintendent. The building also contains a community facility space leased to the Bright Horizons School, and 1 retail store at grade. The subject was constructed in 1969 and renovated in 2003, and contains a gross building area of 335,114 square feet. The property is currently 94.71% leased and occupied with 20 vacant residential units. All of the residential units but one are free market and consist of studio, studio with home office, and one bedroom apartments. Amenities include a fitness center, lounge and outdoor terrace space.

The property is encumbered by a long term ground lease and receives favorable Liberty Bond financing. At the request of the client, we have provided a fair valuation of the hypothetical leased fee interest (i.e. exclusive of the ground lease payments and favorable Liberty Bond financing).

The subject property is located on the southwest corner of Washington Street and Rector Street, through to and fronting on the east side of West Street, in the Financial District section of Downtown Manhattan, New York County, City and State of New York. The subject site is identified on the New York County tax assessment maps as Block 17, Lot 29 and contains a land area of approximately 23,902± square feet. The property is situated within a C6-9 Commercial zoning district within a Special Purpose Lower Manhattan (LM) district. The street address is 90 Washington Street, New York, New York 10006.

Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformance with the in accordance with appropriate Federal regulatory authority guidelines specifically the appraisal requirements outlined in Title XI of the Federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) as revised and amended and the Interagency Appraisal and Evaluation Guidelines.

The highest and best use of the subject property is its continued use as a residential apartment building with ground floor retail space. This conclusion is based upon the physical characteristics of the subject property, the nature of the subject's location, the current zoning and general trends affecting the property.

All of the approaches to value have been considered in this report; however, the Income Capitalization and Sales Comparison Approaches have been employed to derive an estimate of the market value. The Cost Approach was not considered appropriate to the particular appraisal problem at hand for reasons cited within the report. The reported value represents cash or its equivalent value and assumes a marketing time of one year or less.

After carefully considering all available information concerning the subject property and all apparent factors affecting value, it is the opinion of the appraisers that the "as is" fair value of the subject's hypothetical leased fee interest as of December 31, 2018, is:

TWO HUNDRED NINETY-EIGHT MILLION DOLLARS
$298,000,000

The above value conclusion excludes the value of the ground lease (leasehold), which has been calculated to be $105,352,635. The ground lease calculations are presented in the addendum.

The opinions of value expressed herein are subject to the certification, assumptions, limiting conditions, and all other information contained in the following narrative appraisal report.

Thank you for the opportunity to serve you.

Sincerely,





Michelle Zell, MAI
Senior Appraiser
State Certified General Appraiser #46-49921

Philip Ginsberg
Senior Appraiser
Pginsberg@bbgres.com
(212) 682-2969

PHOTOGRAPH OF THE SUBJECT PROPERTY



SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Subject Property:	90 W A 27-Story, Mixed Use Apartment Building 90 Washington Street New York, New York 10006
Building Description:	The subject property consists of a twenty-seven story, plus basement, elevator apartment building containing 397 apartment units including 1 unit provided to a superintendent. The building also contains a community facility space leased to the Bright Horizons School, and 1 retail store at grade. The subject was constructed in 1969 and renovated in 2003, and contains a gross building area of 335,114 square feet. The property is currently 94.71% leased and occupied with 20 vacant residential units. All of the residential units but one are free market and consist of studio, studio with home office, and one bedroom apartments. Amenities include a fitness center, lounge and outdoor terrace space.
Location:	The subject property is located on the southwest corner of Washington Street and Rector Street, through to and fronting on the east side of West Street, in the Financial District section of Downtown Manhattan, New York County, City and State of New York.
Block/Lot:	Block 17, Lot 29
Age:	49± years (built in 1969; renovated in 2003)
Occupancy:	94.71% leased and occupied – 20 vacant apartment units and 1 non-revenue unit.
Site Area:	23,902± square feet
Zoning:	C6-9 Commercial within a Special Purpose Lower Manhattan (LM) district.
Flood Hazard Status:	Zone AE, area of moderate flooding (100 year); according to FIRM Community Panel #360497-0184F dated September 5, 2007.
Marketing Time:	Within one year.
Exposure Time:	Within one year.
Property Rights Appraised:	Hypothetical Leased Fee Estate

Highest and Best Use:	As vacant: residential/mixed use
	As improved: existing use
Date of Inspection:	January 7, 2019
Date of Valuation (As Is):	December 31, 2018
Market Value Estimates:	
Cost Approach:	Not Used
Income Capitalization Approach:	$298,000,000
Sales Comparison Approach:	$298,000,000
Final Fair Value:	$298,000,000 (excluding ground lease and Liberty Bond financing)
Value of Ground Lease:	$105,352,635

TABLE OF CONTENTS

INTRODUCTION 1
- IDENTIFICATION OF THE SUBJECT PROPERTY 1
- PURPOSE OF THE APPRAISAL 2
- FUNCTION OF THE APPRAISAL/INTENDED USER 2
- PROPERTY RIGHTS APPRAISED 2
- DATES OF VALUE ESTIMATE 2
- HISTORY OF THE SUBJECT PROPERTY 2
- DEFINITION OF REAL ESTATE-RELATED FINANCIAL TRANSACTION 5
- EXPOSURE TIME 5
- ESTIMATE OF REASONABLE MARKETING TIME 6
- EXTRAORDINARY ASSUMPTIONS 6
- HYPOTHETICAL CONDITIONS 6
- SCOPE OF THE APPRAISAL 6
- COMPETENCY 7

CURRENT ECONOMIC CONDITIONS 8
AREA ECONOMIC ANALYSIS - NEW YORK CITY 18
NEIGHBORHOOD DESCRIPTION 29
- WEST VILLAGE/ DOWNTOWN RESIDENTIAL SUBMARKET 36
- DOWNTOWN RESIDENTIAL MARKET 48

MANHATTAN RETAIL MARKET ANALYSIS 52
ZONING SUMMARY 60
ASSESSED VALUE AND REAL ESTATE TAXES 64
SITE DESCRIPTION 68
SUBJECT PROPERTY PHOTOS 70
BUILDING DESCRIPTION 96
HIGHEST AND BEST USE 101
APPRAISAL VALUATION PROCESS 105
COST APPROACH 106
INCOME CAPITALIZATION APPROACH 107
- COMPARABLE APARTMENT RENTALS 109
- SURVEY OF COMPARABLE RETAIL LEASES 120
- OPERATING EXPENSE ANALYSIS 125
- ESTIMATED OPERATING EXPENSES 128

DIRECT CAPITALIZATION 133
SALES COMPARISON APPROACH 139
RESIDENTIAL SALES ADJUSTMENT GRID 154
RECONCILIATION AND FINAL VALUE ESTIMATE 156
ADDENDA 157
FLOOD MAP 158
VALUE OF GROUND LEASE 159
RENT ROLL 160
LETTER OF ENGAGEMENT 168
ASSUMPTIONS AND LIMITING CONDITIONS 170
CERTIFICATION 175
QUALIFICATIONS 176
LICENSES 178

INTRODUCTION

IDENTIFICATION OF THE SUBJECT PROPERTY

The subject property is located on the southwest corner of Washington Street and Rector Street, through to and fronting on the east side of West Street, in the Financial District section of Downtown Manhattan, New York County, City and State of New York. The subject site is identified on the New York County tax assessment maps as Block 17, Lot 29 and contains a land area of approximately 23,902± square feet. The property is situated within a C6-9 Commercial zoning district within a Special Purpose Lower Manhattan (LM) district. The street address is 90 Washington Street, New York, New York 10006. A metes and bounds description of the property is presented as follows:

SCHEDULE A

BLOCK 17 LOT 29 ON THE TAX MAP OF NEW YORK COUNTY

ALL that certain plot, piece or parcel of land, situate, lying and being in the Borough of Manhattan, County, City and State of New York, bounded and described as follows:

BEGINNING at the corner formed by the intersection of the southerly side of Rector Street with the westerly side of Washington Street;

RUNNING THENCE westerly along the southerly side of Rector Street, 89 feet 3 1/2 inches;

THENCE southerly along a line forming an interior angle with the southerly side of Rector Street of 85 degrees 00 minutes 20 seconds, a distance of 35 feet 8 3/4 inches;

THENCE westerly along a line forming an exterior angle with the last mentioned course of 81 degrees 59 minutes 35 seconds, a distance of 6 1/2 inches;

THENCE southerly along a line forming an interior angle with the last mentioned course of 82 degrees 46 minutes 55 seconds, a distance of 5 inches;

THENCE westerly 89 feet 2 3/4 inches to a point on the easterly side of West Street, distant 30 feet 10 1/2 inches southerly from the corner formed by the intersection of the easterly side of West Street with the southerly side of Rector Street;

THENCE southerly along the easterly side of West Street, 115 feet 6 inches;

THENCE easterly along a line forming an interior angle with the easterly side of West Street of 98 degrees 27 minutes, a distance of 90 feet 2 inches;

THENCE northerly along a line forming an interior angle with the last mentioned course of 81 degrees 15 minutes, a distance of 1 3/4 inches;

THENCE easterly 90 feet 7/8th of an inch to a point on the westerly side of Washington Street, distant 156 feet 1 1/2 inches southerly from the corner formed by the intersection of the southerly side of Rector Street with the westerly side of Washington Street;

THENCE northerly along the said westerly side of Washington Street, 156 feet 1 1/2 inches to the southwest corner of Washington and Rector Streets, at the point or place of **BEGINNING.**

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to estimate the fair value as of December 31, 2018, in accordance with IFRS 13.

FUNCTION OF THE APPRAISAL/INTENDED USER

The type and definition of value sought in the appraisal of the subject was an "as is" Fair Value opinion for the hypothetical leased fee interest in the property as of December 31, 2018, subject to the general underlying assumptions and limiting conditions cited herein, and in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). According to the International Financial Reporting Standard 13, Fair Value is defined as: "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

The appraisals are to be used by Moinian in preparation of IFRS financial statements in connection with a potential TASE offering.

We consent to the inclusion of the valuation in its entirety within the Moinian Limited BVI prospectus to be published in the Tel Aviv Stock Exchange in the first quarter of 2019. The Moinian Group is also an intended user of this report.

PROPERTY RIGHTS APPRAISED

The subject property is encumbered by a long term ground lease which expires in April 2066. A leasehold estate is defined as a non-freehold estate, the tenant's or the lessee's interest; an estate created by a lease.

At the request of the client, we have valued the property assuming a hypothetical leased fee interest, thereby essentially ignoring the ground lease in place. Accordingly, the property rights appraised are the leased fee interest. A leased fee interest is defined as: an ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

DATES OF VALUE ESTIMATE

The valuation date of this appraisal is as of December 31, 2018. The property and its environs were inspected on January 7, 2019 by Philip Ginsberg.

HISTORY OF THE SUBJECT PROPERTY

According to public records, the current owner of the subject property is the E. Katz Family LLC), which is the owner of the fee position (i.e. underlying land). The ownership parties constitution the ground lessor include the following: Battery Associates LLC, Edward Katz, WSK Washington Street LLC, MJK Washington Street LLC, GWK Washington Street LLC, 90 Washington Street

LLC, and HSBC Bank USA, as Trustee under the Last Will and Testament of William Katz. The property has not been sold or transferred ownership over the past five years, no is the property listed or marketed for sale, with no outstanding purchase offerings to our knowledge.

The improvements were constructed in 1969 as a twenty-seven-story apartment building. The current ground lessee is JDM Washington Street LLC. The property (underlying land) has been owned by the fee owner since 1966 or before; a ground lease was implemented in 1966.

The ground lease has been presented for informational purposes; the terms are summarized as follows:

Leased Premises:	The land and buildings, improvements, equipment, structures and appurtenances located thereon located at 90 Washington Street, New York, New York.
Ground Lessor:	Battery Associates LLC, Edward Katz, WSK Washington Street LLC, MJK Washington Street LLC, GWK Washington Street LLC, 90 Washington Street LLC, and HSBC Bank USA, as Trustee under the Last Will and Testament of William Katz.
Ground Lessee:	JDM Washington Street LLC
Lease Date:	September 21, 1966
Commencement Date:	May 1, 1967
End Date:	April 30, 2066
Lease Period:	99 years from the commencement date.
Option Periods:	None

Rent Schedule:

Start Date	End Date	Ground Rent
May-67	Apr-03	$93,000
May-03	Apr-04	$830,750
May-04	Aug-04	$1,450,000
Sep-04	Apr-05	$1,475,000
May-05	Sep-05	$1,500,000
May-06	Sep-06	$1,525,000
May-07	Sep-07	$1,550,000
May-08	Sep-08	$1,575,000
May-09	Sep-09	$1,600,000
May-10	Sep-10	$1,725,000
May-11	Sep-11	$1,750,000
May-12	Sep-12	$1,775,000
May-13	Sep-13	$1,800,000
May-14	Sep-14	$1,825,000
May-15	Sep-15	$1,850,000
May-16	Sep-16	$1,875,000
May-17	Sep-17	$2,000,000
May-18	Sep-18	$2,025,000
May-19	Sep-19	$2,050,000
May-20	Sep-20	$2,075,000
May-21	Sep-21	$2,100,000
May-22	Sep-22	$2,125,000
May-23	Sep-23	$2,150,000
May-24	Sep-24	6% of land value
May-25	Sep-25	6% of land value

Operating Expenses and Insurance: The tenant is responsible for all operating expenses including real estate taxes.

The property was also funded by Liberty Bond Financing in the amount of $74,800,000. The Liberty Bonds program and favorable financing calculations will be presented in a separate valuation.

OCCUPANCY

As of the December 31, 2018 valuation date, the property was at 94.71% occupancy, with 20 vacant units. Historically, the property has maintained occupancy levels over 95%, and was 97% leased at the end of 2014, but dipped to approximately 87% as of the end of 2015. At that time, ownership had vacated units and unsuccessfully tried to implement a large rent increase, with asking rents of over $70.00 per square foot, while the local and broader market indicated average rental rates between $60.00 and $65.00 per square foot (higher for very small units). Subsequent to the valuation date, ownership had lowered its asking rates to market levels and was able to increase occupancy levels throughout the course of the 2016 and 2017 years, and has been around 93% to 94% leased over the past two years, with the December 31, 2018 occupancy level at 94.0%.

DEFINITION OF FAIR VALUE

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). That definition of fair value emphasis that fair value is a market-based measurement, not an entity-specific measurement.

When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value.

The IFRS explains that a fair value measurement requires an entity to determine the following:

(a) the particular asset or liability being measured;

(b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis;

(c) the market in which an orderly transaction would take place for the asset or liability; and

(d) the appropriate valuation technique(s) to use when measuring fair value. The valuation technique(s) used should maximize the use of relevant observable inputs and minimize unobservable inputs. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability.

DEFINITION OF REAL ESTATE-RELATED FINANCIAL TRANSACTION[1]

Any transaction involving:

1. The sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof; or

2. The refinancing of real property or interests in real property; or

3. The use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.

EXPOSURE TIME

Exposure time has been defined as the estimated length of time the real property interest appraised would have been offered in the market prior to the hypothetical consummation of a sale at market value on the effective date of appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.

[1] *12 U.S.C. 3350(5) (FIRREA section 1121(5)*

Exposure time is always presumed to precede the effective date of appraisal. It is our opinion that a normal exposure time for the subject property is 12 months. This conclusion is predicated on interviews with brokers and other real estate industry sources and on information obtained in the verification process. The value reported herein presumes such an exposure time.

ESTIMATE OF REASONABLE MARKETING TIME

Given the subject's location and the marketing times for similar properties in the area, we estimate the marketing time for the subject to be within one year. According to the PriceWaterhouseCoopers Korpacz survey for the Fourth Quarter 2018, marketing time for apartment properties nationally have ranged between 1 and 9 months, with an average of 3.7 months, which is similar to 3.7 months from the prior quarter, and slightly below 3.8 months from one year ago.

EXTRAORDINARY ASSUMPTIONS

An extraordinary assumption is defined by the *Uniform Standards of Professional Appraisal Practice* as "an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. 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."

This appraisal is not subject to any extraordinary assumptions.

HYPOTHETICAL CONDITIONS

A hypothetical condition is defined by the *Uniform Standards of Professional Appraisal Practice* as "that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions 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."

The property is encumbered by a long term ground lease. At the request of the client, we have provided a fair valuation of the hypothetical leased fee interest (i.e. exclusive of the ground lease payments).

SCOPE OF THE APPRAISAL

BBG, Inc. has been retained by The Moinian Group to prepare a market valuation of the subject property. Within the course of this assignment, the appraisers have:

- Researched and investigated the subject's location in terms of its economic activity, development patterns and future trends;
- Analyzed various population, labor, and economic growth statistics and related these factors to the subject's market area;
- Inspected the property:

- Determined the highest and best use of the subject property based on an analysis of all relevant factors;

- Conducted a market survey of rent levels, vacancy levels, absorption rates and expenses of similar apartment buildings;

- Projected the subject's projected net operating income and applied a market-derived overall capitalization rate and applied deductions to account for the lease up costs;

- Researched and ascertained improved comparable sales from various sources including CoStar Property Services, Reis and our work files and further confirmed this data with parties involved in the transactions in deriving and supporting a fair value estimate. The purpose of this analysis is to derive a fair value for the subject property based on recent sales that are considered competitive; and,

- Estimated the "as is" fair value of the hypothetical leased fee interest in the subject property as of December 31, 2018.

COMPETENCY

We have specific knowledge of appraisal methods and practices to complete the assignment competently and have extensive experience in appraising similar properties.

CURRENT ECONOMIC CONDITIONS

U.S. Economy – GDP growth accelerated in the second quarter due to strong agricultural export demand from China, ahead of tariff deadlines and a rebound of consumption spending from a sluggish first quarter. Non-residential business investment and government spending also added to growth while the national labor market remained robust. The only wavering sector is housing, which was a drag on first and second quarter growth.

Financial Markets – Equity markets struggled through the second quarter and only recently surpassed their prior highs set in February. However, fundamentals remain positive including the fiscal stimulus and tax cut, strong corporate profits, and record share buybacks. Wall Street profits were up strongly in the first half of the year.

Monetary Policy & Inflation – The Fed continued to tighten with measured rate hikes and has begun trimming its balance sheet, citing a strengthening labor market and an approaching inflation target. The higher short-term rates resulted in a flatter yield curve. The Fed also announced that nearly all banks passed the annual stress test exercise.

New York City Labor Market - While the City's labor market continued to grow moderately, the pace has slowed in the first half of the year. Although the unemployment rate is near records lows and the labor force participation rate has increased, wage growth remains muted. Most of the new jobs this year have come in education & health and professional & business services.

New York City Residential Market – Activity in the residential market downshifted in the first half of the year with condo sales and prices dropping. Financing has become more expensive as mortgage rates climbed half a percentage point in 2018. The growth of City rental rates slowed at the end of 2017 but have rebounded modestly this year.

New York City Office Market – The demand for office space remained robust with first half leasing totals up from the first half of 2017. Midtown leasing was particularly strong with major deals signed by Pfizer and JPMorgan. Downtown leasing was slower, and the opening of 3 World Trade Center added over a million and a half square feet of new inventory to the market.

New York City Tourism – Tourism in New York maintained momentum in the first half of the year. Hotel occupancy, prices, and Broadway attendance all rose through the start of 2018, and it is expected that the annual tally of visitors—both domestic and international—will set another record this year.

THE U.S. ECONOMY

The release of the comprehensive update to national GDP data revealed a stronger economy than earlier estimated, and the second quarter received an (expected) boost from booming agricultural exports as Chinese buyers stockpiled grain ahead of tariff deadlines. BEA's estimates of second quarter annualized growth was 4.2% while first quarter growth was revised to 2.2%, up 0.2 percentage points from the prior estimate. The slow first quarter was due partly to a weak contribution from consumption, which accounted for just 0.36 percentage points of growth, well under the 2 percentage point average over the last 5 years. Consumption spending on goods

subtracted 0.13 percentage point from first quarter growth, the first negative contribution in nearly 7 years, while spending on services was also slow. However, consumption rebounded in the second quarter, contributing about 2.6 percentage points to total growth.

Investment spending continues to provide a tailwind with non-residential business investment providing approximately 1.5% and 1.1% to growth in the first and second quarters, respectively, well above the 5-year average of 0.5 percentage points. This boost was evident in other measures of business spending. Manufacturers' new orders of non-defense capital goods excluding aircraft—a proxy for business investment—strengthened through 2017 and grew 7.2% (year over year) in the second quarter, up from 6.8% in the first.

However, the other two major investment components—housing and inventories—were a headwind. The contribution from residential investment was negative in the first half of the year, subtracting an average of about 0.1 percentage points per quarter from growth. Housing has been a drag in 6 of the last 10 quarters, and most indicators continue to signal subdued growth. Housing starts in the first quarter declined 4.2% (quarter over quarter), down from a 4.6% gain the first quarter. Likewise, over the same period, new home sales slumped, falling 1.5% from the first. While not as significant from a GDP standpoint, existing home sales also faded, dropping 1.7% in the second quarter after shedding 1.5% in the first. Mortgage rates have climbed half a percentage point in the first half of the year (to 4.5% as of July) and are expected to continue rising, which will constrain real estate sales. Likewise, change in private inventories was a large drag in the second quarter, subtracting a full percentage point from growth as producers ran down their stockpiles. Removing this volatile component yields an annualized growth rate of 5.3%, the highest since 2006.

Net exports provided nearly 1.2 percentage points to growth in the second quarter, up from a modest drag in the first. This was widely anticipated due to a surge in purchases of U.S. agricultural products in advance of regulatory tariffs. In April, China announced a 25% duty on U.S. soybeans triggered by the implementation of U.S. tariffs on Chinese goods, which ultimately occurred on July 6th. In anticipation of a price hike, Chinese soybean purchases boomed, with the value of U.S. exports more than doubling in May and June to $8.4 billion, 115% higher than the same year-ago period. The impact is expected to be transitory as China shifts its orders to other exporters, primarily Brazil and Argentina. Preliminary trade data supports this view. Exports of food, feeds, and beverages soared 14.1% in May (month over month) but contracted in June and July.

Government spending provided a boost in the first half of the year, due largely to robust defense expenditures. Federal spending in the second quarter provided 0.24 percentage points of growth, up from 0.17 percentage points in the first quarter and well above the 5-year average of about -0.1 percentage point (drag). This is likely a result of the 2-year increase in federal spending caps enacted in the Bipartisan Budget Act signed in February and, as such, will be temporary unless extended by Congress.

The advance GDP estimate released in July included the 5-year comprehensive update which revised data back to 1929, altered the base year for the GDP deflator, and incorporated a new seasonal adjustment methodology. Annual growth rates show only small changes. For example,

real GDP for 2017 was revised down by 0.1 percentage point to 2.2% while 2016 growth was revised up slightly. Adjustments nominal GDP levels were relatively large, however. The 2017 level increased by $94.8 billion (or 0.5%). One of the elements of this increase was a substantial boost to estimates of personal income, due largely to increases to proprietors' income and compensation levels. This, in turn, resulted in a large increase in the personal savings rate which was revised up from 3.5% to 6.7% in 2017. This significantly changes the view of consumer behavior. Prior to the revision, personal savings rates declined from 6.1% in 2015 to 3.4% in 2017. After the revisions, this drop has been significantly muted with savings rates now falling from 7.6% to 6.7% over the same period and remaining around 7% in the first half of 2018. From a growth standpoint, that implies that the current levels of consumption spending are likely sustainable in the near future.

The national labor market shows no signs of slowing. Through the first half of the year, the pace of job creation averaged 215,000 per month, up from 182,000 in 2017. With the unemployment rate near 18-year lows, the only way to maintain this pace is for the labor force participation to increase. Starting in March, the number of available openings has exceeded the number of workers searching for jobs. Driven by demographic trends, labor force participation has dropped steadily since 2000, hitting a low of 62.3% in 2015. Since then, it has been roughly flat, moving in a narrow band between 62.5% and 63%. There is some evidence that there are still some available workers on the sidelines. The last time the national unemployment rate fell below 4% (April 2000), the broadest measure of unemployment—including total unemployed, marginally attached workers, and total part-time workers who want full-time work—fell to 6.9%. Currently, this U6 measure is still a half percentage point higher at 7.4% in August.

Except for housing, nearly all economic cylinders are firing in sync and growth in the near term seems assured. However, the biggest risk is the building trade conflict between the U.S. and its major partners. While the scale of U.S. tariffs on Chinese goods started small, affecting $50 billion of products (about 10% of total U.S. imports from China in 2017), the Trump administration recently announced further levies on an additional $200 billion worth of Chinese goods. Aside from the impact on prices, the scrambling of investment decisions will lead to many unintended consequences such as the announcement that Harley-Davidson would move some of its production to Europe to avoid retaliatory tariffs from the EU. Should protectionism escalate, the realignment of global supply chains will ultimately impede global growth. A recent paper by the St. Louis Fed analyzes the macro performance of countries that raised tariffs and find that, on average, per capita GDP, wages, and investment to GDP ratios fall relative to trend after tariff actions. Moreover, as of September, the current economic expansion has entered its 111th month, the second longest run in the post-WWII period. While it is possible that the U.S. economy will surpass the record of 120 months set during the tech boom, the uncertainty created by the current trade frictions may constitute a significant headwind.

FINANCIAL MARKETS

After achieving a record high at the end of January, equity markets slumped heavily in February and struggled this year to regain their prior peaks. The S&P 500 and Dow hit all-time highs on January 26th, only to shed over 10% over the next 2 weeks. The S&P 500 slowly recovered and finally recouped the losses by the end of August. The Dow, however, remained below the prior peak. The second quarter was volatile with equity markets buffeted by escalating trade frictions

as the administration announced tariffs on an array of products from steel and aluminum to washing machines and solar panels. Predictably, these drew tit-for-tat responses from trading partners which scrambled investment plans and supply chains. Despite the uncertainty, equity prices managed modest increases in the second quarter with the S&P up 2.9% while the Dow eked out a 0.7% gain. Subsequently, the market strengthened through July and August with the S&P and Dow both advancing by nearly 7%.

Retail investors reacted predictably to the uncertainty. According to ICI data, investors pulled money out of equity mutual and equity ETF funds in 5 of 6 months ending in July, the longest stretch of outflows since the period just prior to the presidential election. Through the first 7 months of 2018, equity funds grew by $14 billion, just 10% of the inflows over the same period last year. By contrast, bond funds attracted $156 billion year to date through July.

Nevertheless, most market fundamentals are still strong. The fiscal stimulus from the tax cut and robust labor markets are helping to mitigate the negative impact of the trade spat. Corporate profits have grown for 5 consecutive quarters to $2.25 trillion (seasonally adjusted annual rate), surpassing the prior $2.19 trillion record set in third quarter 2014. Likewise, earnings growth for firms in the S&P 500 accelerated to nearly 27% (year over year) in the first and second quarters. In addition, firms have been repurchasing their shares at a record pace. S&P 500 firms bought back $190 billion of shares in the first quarter, surpassing the prior quarterly record of $172 billion in third quarter 2007.

There is evidence that a large portion of the buyback financing is coming from repatriated overseas profits. Moody's Investors Service estimates that total offshore cash held by U.S. non-financial firms was about $1.4 trillion in 2017, and the Tax Cut and Jobs Act ("TCJA") significantly lowered the incentives for U.S. firms to continue holding these profits overseas. As a result, BEA's international transactions data for the first half of 2018 showed a massive jump in direct investment dividends which soared to $464 billion, up from just $73 billion in the first half of 2017. Since the benefit of delaying the repatriation of overseas profits has been effectively eliminated by the TCJA, at the current pace, this boost is likely to continue for a year or more as firms return cash from offshore. One ancillary impact is that firms are relying less on debt markets. Over the past 5 years, the value of corporate bond issuance has grown an average of 3.8% per year and set new records from 2012 through 2017. This streak appears to be ending with issuance down 13% in the first half of 2018.

Record low interest rates were also an important factor driving the robust corporate borrowing over the past 5 years. However, interest rates have been climbing, particularly at shorter durations, with 2-year treasury yields rising 63 basis points in the first half of 2018. Over the same period, 10-year yields gained just 45 basis points, bringing the 10-year less 2-year spread to below a quarter percentage point for the first time since 2007. The concern is that an inverted yield curve—with longer yields below shorter rates—is a fairly dependable harbinger of an economic downturn. While the spreads have not yet become negative, the Fed intends to continue tightening which is expected to result in a flattening yield curve through the rest of the year.

Interest rate swings have consequences for Wall Street profits. A steep yield curve is generally good for banks since they borrower short and lend long. As a result, rising short rates have become a minor drag on profits. While NYSE member firms earned a robust $13.7 billion in the first half of 2018 (up 11% year over year), their interest expenses were up 83%.

MONETARY POLICY & INFLATION

The Federal Reserve continues to gradually raise interest rates despite fears of an intensifying trade war. In the first half of the year, the Fed executed 2 quarter point hikes with the June tightening marking the sixth hike since 2015. The current target range is between 1.75% and 2%, and the current Effective Federal Funds Rate ("EFFR") is standing at 1.91% as of early July. The majority (76%) of respondents to the Blue Chip survey expect two more hikes by year end which would bring the benchmark to a range of 2.25% to 2.50%. In response to heightened risks from trade frictions, the Fed claims that its monetary stance remains accommodative despite recent tightening. In addition, the Fed has continued to urge large banks to maintain a significant level of capital through the annual stress test in case of financial volatility.

The paths of inflation and employment are 2 key factors for determining the number of rate hikes this year. On a year over year basis, the core personal consumption expenditures price index ("PCE"), the Fed's preferred inflation measure, hit the FOMC's longer term objective of 2% in May for the first time since April 2012. Citing faster economic growth driven by a tight labor market, tax cuts, and an increase in government spending, Fed officials expected the annual PCE price indexes to accelerate. However, inflation has remained relatively low by historical standards.

The June unemployment data bolstered the Fed's case for further hikes. The report showed employers added 213,000 jobs in June; meanwhile, the unemployment rate bounded back to 4% from 3.8% a month earlier. However, labor force participation grew by 601,000 as workers who were not actively looking for jobs are now re-entering the job market due to a more positive outlook. The right labor market raised concerns about potential risks to inflation and financial stability, which reinforced the direction of the current Fed rate policy.

The Fed has also begun to reduce its balance sheet by cutting back on the number of maturing bonds it reinvests in the market. The total assets held by the Fed have dropped from a peak of $4.5 trillion to $4.3 trillion in June. The reduction of its total asset holdings has been slow. On a monthly average, total assets held by the Fed fell at a rate of -0.5% for 2018. It would take the Fed decades to reach normalization at this current pace. The Fed held an average of $800 billion in total assets before the recession with data going back to 2002.

The behavior of the EFFR has recently become an issue as it approaches the upper boundary of the Fed's target. Fed Chairman Powell acknowledged this concern and announced measures to keep the rate "closer to the middle." One of the Fed's measures to exert control over the EFFR is the "interest on excess reserves" rate ("IOER"), which was kept at 1.95 despite the federal fund target ceiling rising to 2%. This set the interest rate paid on reserve balances 5 basis points below the upper bound of the target range. Due to the large amount of surplus in the financial system from the crisis-era quantitative-easing program, the Fed has been effectively controlling the target EFFR by influencing the IOER and the "overnight reserve repurchase" ("RRP").

As mentioned, another noticeable concern is the flattened yield curve, driven largely by the Fed's short-term rate hikes. The gap between the 2- and 10-year treasury yields has been declining steeply. If this continues, long-term interest rates will fall below short-term rates. Historically, an "inverted" yield curve has been a reliable harbinger of an impending recession. However, the interval between inversion and recession has been variable and, according to researchers at the San Francisco Fed, this could be somewhere between 6 months and 2 years.

As the interest rate gains momentum, the Congressional Budget Office ("CBO") has examined its effect on the growing federal debt. The forecasts in the CBO's recent annual long-term report reveal that borrowing costs and the growing levels of federal debt would make federal debt payments 3.1% of the gross domestic product in 2028 and reach 6.3% by 2048. If this trend continues, interest payments on national debt would equal Social Security expenses by 2048. The CBO claimed that the rising interest rate and rising government debt would reinforce each other in a vicious cycle. The CBO forecasts that the Federal Reserve will raise its benchmark interest rate to 4% in 2021. However, the Fed's March economic projection shows a more modest median rate of only 3.4% for 2020, below the CBO's estimation.

In its role as bank regulator, the Fed recently concluded its annual stress test exercise. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (i.e., "Dodd-Frank"), state non-member banks and state savings institutions with total consolidated assets of $10 billion or more are required to conduct annual stress tests. Dodd-Frank stress testing directed by the Fed evaluates whether banks have enough capital under adverse economic conditions. Banks were also faced with a severely adverse scenario, including a deep global recession, accompanied by a steepening yield curve in which U.S. real GDP dropped 7.5% from its pre-recession peak, unemployment reached 10%, and a financial meltdown occurred in Asia. In addition, the severe scenario projected banks would lose $578 billion during the recession.

The Fed announced in June that all 35 banks met the regulatory minimums for capital, which means that all would be able to keep lending in the severe recession scenario. However, only 34 banks could pay dividends and buy back their own shares—the lone outlier was the U.S. branch of Deutsche Bank. Meanwhile, two Wall Street giants—Goldman Sachs and Morgan Stanley—were given "conditional approval" to payouts under the conditions that they will keep their shareholders' payouts near last year's levels and increase capital cushions over the next year. Goldman Sachs and Morgan Stanley both reported one-time accounting losses due to the new tax law. Financial institutions that announced they had voluntarily scaled back planned payouts to win the Fed's approval were American Express, JPMorgan Chase, KeyCorp, and M&T Bank.

NEW YORK LABOR MARKET

Private sector job growth remains solid but continues to decelerate from 2014's record high 3.8% annual average growth rate (an addition of 130,100 positions on an annual average basis). Since then, private job growth slowed to a 2.1% pace (81,000 jobs) in 2017. With public sector jobs contracting slightly in 2017, total unemployment grew just 1.9%, the first sub-2% pace in 7 years.

The New York City labor market slowed further in 2018; on an annual average basis, private employment through the first half of the year increased 1.9%. Forty-five percent of new jobs were created in education & health services while 22% came from professional & business services.

The breakdown was similar for full year 2017 when these two sectors accounted for 67% of private job growth. This was the highest proportion since 2010 during the rebound from the recession when they comprised over 90% of job growth.

Based on the seasonally adjusted monthly data, financial activities increased 2,300 positions through the first 6 months of 2018. This gain reflects strength in the financial and insurance subsector, which added 4,100 jobs and offset 1,800 job losses in real estate. Real estate employment, despite its recent slump, stands 8.7% above its pre-recession peak. The banking sector added 1,500 jobs while the insurance industry reduced its payrolls by 400. The highly compensated securities sector posted 2,900 new positions but is still 5.9% below its prior peak.

Several other sectors have been performing well. Retail trade has delivered 5,900 jobs through the first half of 2018, the most through this period since 2013. Meanwhile, leisure & hospitality employment advanced with 3,300 jobs. The information sector, which encompasses media such as newspapers, motion pictures, and sound recording as well as communications and many tech firms, added 1,100 positions through June and exceeded its pre-recession peak by 17.1%, or 29,100 jobs.

The slower job growth over the past few years is a result of the tightening labor market. The annual average unemployment rate in 2017 hit 4.6%, and hourly wages registered an annual average of $35.14 in 2017, representing 3.6% year over year growth, the strongest since 2008. As of June, the unemployment rate fell to a new record low of 4.3% while the labor force participation rate has been hovering near historic highs between 60% and 61%. However, despite a tight labor market, wage pressures are muted: hourly wages in the first half of 2018 averaged $35.89—2.4% higher than the same period a year ago.

Private sector wage earnings grew 7% in 2017 (the highest annual increase since 2014), driven by growth in the financial sector. The finance and insurance industry saw wage earnings jump 10.7% from the prior year, exceeding OMB's forecast. Earnings in the securities subsector grew by 12.7%. Excluding finance, private sector earnings grew 5.5%. Other sectors with notable earnings growth in 2017 were health care (6.6%--the highest since 2003) and retail trade (4.9%--the strongest since 2014).

NEW YORK CITY RESIDENTIAL MARKET

Residential market activity picked up in 2017 but revealed early signs of reversal this year. According to data from the Department of Finance ("DOF"), the total number of residential transactions, which include single-family homes, co-ops, and condominiums, grew 2.6% in 2017—bouncing back from the slight 0.2% decline in the prior year. The condominium market was particularly strong, registering 9.8% growth (strongest in 4 years) in transactions over the year. Through the first quarter of 2018, however, the sales count and average price of condos plummeted 16.3% and 17.8%, respectively, from the prior year. Manhattan condos were particularly affected; the sales count fell 23.9% for the worst decline since 2009, and the average price decreased by 15.3%, the worst since 2003.

Data from Douglas-Elliman Real Estate also indicates a downturn in higher end properties. According to the first quarter report, the average sale price for a condo in Manhattan fell 10.9% from the prior year while the number of sales plummeted 33%. In the second quarter, the price and sale count were down by 4.9% and 20.5% annually, respectively. Also in the second quarter, the absorption rate (estimated months required to sell all listings at the current rate of sales) for condos allowed from 7.2 months in the prior year to 9.5 months. Meanwhile, luxury properties (above $4 million) registered nearly flat average prices (0.2% increase) and a 18.6% decline in sales. The absorption rate for these properties jumped by 4 months.

Meanwhile, mortgage rates have been rising. In 2017, a 30-year fixed rate mortgage average 3.99%--the highest in 3 years. The payment on a mortgage for an average priced (of all residential transactions) New York City home in 2017 (assuming 20% down payment and tax liabilities) would require annual interest payments of approximately $20,000 along with a $27,000 principal. That's about an extra $2,500 in annual interest and $900 in principal than for an average priced home in 2016 when the mortgage rate was at a more favorable 3.65%. Affordability has deteriorated further in 2018 with the 30-year fixed mortgage rate increasing by 50 basis points through the first half.

According to the StreetEasy Rent Index, the City's rental rates grew 0.3% on an annual average basis, the slowest since the Great Recession. Growth resumed in the first half of 2018 with the rent index growing by 0.8% from the same period last year. The StreetEasy rental index uses a Case-Shiller repeat sales approach in that it tracks price changes using the asking rents for units with more than one recorded transaction in the StreetEasy system, thus controlling for composition changes in the rental inventory. Coverage includes Manhattan, Brooklyn, and Queens.

The issuance of building permits, a measure of future housing supply, remains robust albeit slower than the prior year. Through the first half of 2018, the City issued permits for 10,927 units—down from 12, 023 through the same period last year. So far this year, Brooklyn has been the top contributor of building permits with an issuance of 3,502 followed by the Bronx (2,865), Queens (2,259), and Manhattan (1,999). Staten Island saw the issuance of permits for 299 units.

NEW YORK CITY OFFICE MARKET

Manhattan office demand remains robust. In 2017, leasing activity totaled 30.5 million square feet, up 16% from the prior year. Downtown leasing was especially active, rising 63.6% annual, while Midtown leasing grew 8.6%. The average rental rate by the end of 2017 was $72.25 per square foot, which was 0.8% lower than it was the previous year. Meanwhile, the total vacancy rate was down annually by 0.4 percentage points at 8.9%.

Work places are consolidating and using space more efficiently. Even though occupied office space in 2017 hits its highest level since 2008, there was less space allocated for each employee than even a year ago. In 2017, there was 257 square feet of occupied space for every office using employee vs. 261 square feet in 2016. This downward trend has been evident for many years, starting from the 1995 peak of 315 square feet per employee.

The office market is off to a solid start in 2018. Through the first half, leasing activity totaled 16.1 million square feet—up from 15.4 million square feet last year. Midtown leasing accounted for 13.4 million square feet, up 9.2% year over year, while Downtown activity was down 11.7%. A 7% rental rate jump Downtown accompanied its slump in leasing activity, due most likely to the relatively high rents in the new World Trade Center buildings. The overall vacancy rate was 9.2% in June—same as last year—due to the opening of 3 World Trade Center which added 1.6 million square feet of new inventory to the market.

Several major deals have fueled activity in Midtown. The largest lease in the first half of the year was Pfizer's nearly 800,000 square foot lease at 66 Hudson Boulevard. JPMorgan Chase, while planning to demolish and rebuild its 52-story headquarters at 270 Park Avenue, took on a 418,000 square foot lease at 390 Madison Avenue. In the next few years, Midtown activity will likely remain robust, and vacancy rates will increase as major ongoing projects such as One Manhattan West, On Vanderbilt, and 30 Hudson Yards enter the market.

Commercial sales have been mixed this year; through the first quarter, the sales count of commercial transactions declined 1% from the prior year. However, the average price jumped 65.2% year over year which, in turn, pushed the total transaction value for the first quarter up 63.6%. Sales of large commercial properties (valued at $100+ million) has also been outperforming. Through the first quarter of 2018, 12 large buildings changed hands with a total value of $6.5 billion, more than double than in the same period last year. The jump is attributable largely to Google's purchase of the Chelsea Market building for $2.4 billion.

NEW YORK CITY TOURISM

Tourism in New York has also had a good start in 2018, and NYC & Company is forecasting strength for the full year. Hotel occupancy, room rates, and Broadway attendance all rose through the start of 2018. According to the NYC & Company forecast, the number of visitors will increase form 62.8 million in 2017 to 65.1 million in 2017, a 3.7% year over year growth. The gains will be driven by both domestic and international visitors. NYC & Company projections indicate that better economic conditions will boost domestic visitors to 3.6% (to 51.4 million) while it is expected that international visitors will increase 4.1% (to 13.7 million) if global economic and political condition hold. This would be the first time since 2013 that international markets outpace domestic travel growth.

Broadway, a major City attraction, reflected a strong first half in 2018. In the first 25 weeks of the year, Broadway shows reported gross revenue of $849.1 million, up 10.5% from $768.4 million in 2017. Attendance also grew by 1.1% (to 6.8 million), implying that much of the revenue growth was due to higher ticket prices.

Hotel inventory continues to expand in 2018, but at a slower pace than 2017. After a 4% jump from 112,000 rooms in 2016 to 116,500 in 2017, the active room inventory has grown in 2018, to 117,300 through April. However, this improvement was due to big jumps in January followed by declining inventory in the subsequent 3 months. Hotel room nights sold in first quarter 2018 increased 6.5% from the same period last year, the highest growth rate since first quarter 2014. Furthermore, the occupancy rate was 78.9%, the highest first quarter rate in 4 years. Room rates averaged about $224 in first quarter 2018, up from $215 in first quarter 2017.

REGIONAL MAP



AREA ECONOMIC ANALYSIS - NEW YORK CITY

The New York Metropolitan Statistical Area (MSA) consists of the City of New York's five counties and the counties of Westchester and Rockland. The subject property is located in the City of New York, New York County (Manhattan). New York City's five boroughs cover 309 square miles.

The borough of Manhattan, or New York County, forms the central political, financial, and cultural core of the City and is the economic growth engine for the Greater New York region. Seventy-five percent of the City's employees work in Manhattan, which is home to the Midtown and Downtown business districts. The City's other boroughs are the Bronx, Brooklyn, Queens, and Staten Island (otherwise known as Bronx, Kings, Queens, and Richmond Counties). They also have stronger, albeit significantly smaller, economies than Manhattan. Brooklyn and Queens have the largest behind Manhattan.

POPULATION

NEW YORK CITY TOTAL POPULATION 1970-2023

	1970	1980	1990	2000	2010	Est. 2018	Est. 2023
Overall	7,894,862	7,071,639	7,322,564	8,008,278	8,175,133	8,598,697	8,816,703
% Change	N/A	-10.4%	3.5%	9.4%	2.1%	5.2%	2.5%
Bronx	1,471,701	1,168,972	1,203,789	1,332,650	1,385,108	1,470,151	1,514,767
% Change	N/A	-20.6%	3.0%	10.7%	3.9%	6.1%	3.0%
Brooklyn	2,602,012	2,230,936	2,300,664	2,465,326	2,504,700	2,647,777	2,717,521
% Change	N/A	14.3%	3.1%	7.2%	1.6%	7.0%	3.1%
Manhattan	***1,539,233***	***1,428,285***	***1,487,536***	***1,537,195***	***1,585,873***	***1,651,786***	***1,686,012***
% Change	***N/A***	***7.2%***	***4.1%***	***3.3%***	***3.2%***	***4.2%***	***2.1%***
Queens	1,986,473	1,891,325	1,951,598	2,229,379	2,230,722	2,350,974	2,413,050
% Change	N/A	4.8%	3.2%	14.2%	0.6%	5.4%	2.6%
Staten Island	295,443	352,121	378,977	443,728	468,730	478,009	485,353
% Change	N/A	19.2%	7.6%	17.1%	5.6%	2.0%	1.5%

Source: 1970-2010, US Census
2018 Nielsen Segmentation Solutions

New York City is home to nearly 8.6 million people in nearly 3.3 million households. Brooklyn is the most populous borough with 31% of the City's population. Manhattan's 1.65 million residents, at over 57,000 residents per square mile, make it one of the most densely populated residential areas in the nation. While the 1970's and 1980's saw the continuing trend of ex-migration of city residents to neighboring suburbs, due primarily to high housing costs and density of living, the total population is bolstered by the large number of immigrants arriving in the city each year.

The 9.4% increase in New York City's census population from 1990 to 2000 can be attributed to the increasing appeal of the City over the course of the long, recent economic expansion as well as the increasing immigrant population. In addition, more accurate Census counts may have benefited New York during this Census period. After a relatively modest increase of 2.08% between 2000 and 2010, the City's population is expected to increase by 2.5% between 2018 and

2023. New York City was one of the nation's few major cities to experience an increase in its population during the past decade. The City's population now totals 43.45% of the state's total population. Except for Staten Island, each of New York City's five boroughs has a population greater than 1.47 million.

NEW YORK CITY ECONOMIC OVERVIEW – HISTORICAL

The economy of New York City is the largest regional economy in the United States. Anchored by Wall Street, in Lower Manhattan, New York City has been characterized as the world's premier financial center and is home to the New York Stock Exchange and NASDAQ, the world's largest stock exchanges by market capitalization and trading activity. In 2015, the New York City Metropolitan Statistical Area generated a gross metropolitan product (GMP) of over $1.60 trillion, while the Combined Statistical Area produced a GMP of over $1.83 trillion, both ranking first nationally by a wide margin and behind the GDP of only nine nations and seven nations, respectively. The city's economy accounts for the majority of the economic activity in the states of New York and New Jersey.

New York is distinctive for its high concentrations of advanced service sector firms in fields such as law, accountancy, banking and management consultancy, and is the top global center for the advertising industry, which is metonymously referred to as "Madison Avenue"; while Silicon Alley, metonymous for New York's broad-spectrum high technology sphere, continues to expand. Many major corporations are headquartered in New York City, including 45 Fortune 500 companies. New York is also unique among American cities for its large number of foreign corporations. One out of ten private sector jobs in the city is with a foreign company. New York City has been ranked first among cities across the globe in attracting capital, business, and tourists.

The financial, insurance, health care, and real estate industries form the basis of New York's economy. The city is also the most important center for mass media, journalism and publishing in the United States, and is the preeminent arts center in the country. Creative industries such as digital media, advertising, fashion, design and architecture account for a growing share of employment, with New York City possessing a strong competitive advantage in these industries.

NEW YORK CITY ECONOMIC OVERVIEW – CURRENT

Private sector jobs in New York City rose over the year by 72,500, or 1.8 percent, to 4,025,500 in November 2018. Gains were greatest in educational and health services (+38,500), professional and business services (+12,000), leisure and hospitality (+11,000), natural resources, mining and construction (+5,700), other services (+4,700), and trade, transportation and utilities (+2,800). The manufacturing and finance sectors were relatively flat for the month (both -100), while information lost jobs (-2,000).

The city's over-the-year picture remained positive, with six sectors adding jobs for the 12 months through November 2018, while three sectors lost jobs. The city's over-the-year private sector growth rate (+1.8 percent) was above the comparable rate for the state (+1.4 percent), but below the nation (+1.9 percent).

The city's seasonally-adjusted unemployment rate was 4.0 percent in November 2018, unchanged from October and down 0.4 of a percentage point from November 2017. New York State's rate was 3.9 percent in November 2018. The share of the city's working age population (16+) who were employed was 58.4 percent in November 2018.

The following economic overview of New York City's economy with a focus on retail was provided by the ***Employment in New York State Newsletter*** (November 2018) prepared by the New York State Department of Labor, the most recent report available for the New York City market.

Overview

New York City has enjoyed strong, broad based employment growth during the current economic expansion. Between September 2009 and September 2018, New York City's private sector job count grew by 829,300, or 26.6%. This was well ahead of the nation's growth rate of 17.6% over the same period. Looking over the past year, the city's labor market remained strong as its private sector employment count rose by 1.9%, or 71,900, to 3,949,700. This was a new all-time high job count for the month of September.

Steady growth in the city's employment base helped to bring the city's seasonally adjusted unemployment rate down to 4.0% in September 2018, a new all-time low. In this article, we take a detailed look at four industry sectors that added private sector jobs in New York City between September 2017 and September 2018.

Growing Sectors

The educational and health services sector is the city's largest source of employment, accounting for about 25% of all private sector jobs. Employment in this sector tends to grow at a moderate, but steady, pace. It is largely driven by long-term demographic and sociological trends, such as an aging population, more people seeking college degrees and a rise in the number of dual-income families. Although the city experienced several hospital closures in recent years, this sector continued to grow, adding 40,400 jobs over the past year. Ambulatory care services and home health services were very strong performers within the sector, adding 19,200 and 20,500 jobs, respectively.

New York City welcomed 62.8 million tourists in 2017, breaking records for the eighth consecutive year. Strength in travel and tourism helped the city's leisure and hospitality sector reach an all-time employment high of 452,100. With growth continuing into 2018, the sector added 11,300 jobs since September 2017. This robust increase is due to several factors, including new hotel openings, especially in Brooklyn and the Long Island City portion of Queens, and a surge in restaurant and bar openings. Food services and drinking establishments added 6,000 jobs in September 2018, an increase of 1.9% from the year before.

The professional and business services sector – which employs more than 750,000 people working in everything from law offices to building maintenance firms – showed over-the-year job gains of 6,100 in September. Since the end of the recession, this sector has benefited from the recovery in corporate profit margins and has been a standout performer throughout the current economic expansion. Within the sector, professional, scientific and technical services saw particularly strong job gains (+6,000) in September 2018. A large part of that gain was due to an employment increase of 3,200 in computer systems design and related services. That industry has set new all-time employment highs in each of the past eight years and is well on track to repeat in 2018.

New York City's financial activities sector occupies a key position in the overall economy. About 65% of sector jobs in the state are located in New York City. Moreover, the sector brings in significant amounts of tax revenue to the state and city. Sector employment count grew by 2,300 over the past year. Finance and insurance, which contains the bulk of what are generally considered to be direct "Wall Street" jobs, grew by 2,300 jobs, while the job count in the real estate and rental component of the financial sector was flat compared to last year. Residential real estate prices have recently retreated from recent all-time highs.

Summary

Over the past several years, New York City has staged an impressive recovery from the depressed employment levels reached during the "Great Recession." At present, the city's private sector job count is at an all-time high for the month of September and is poised for continued growth. Moreover, the city's seasonally adjusted unemployment rate is now at an all-time low (current records extend back to 1976).

A diverse set of industry sectors continue to exhibit strength. If current trends persist, New York City's private sector will enjoy its ninth consecutive year of employment growth and could surpass the four million job mark by the end of 2018.

EMPLOYMENT

As of November 2018, Manhattan's unemployment rate decreased to 3.3%, down slightly from previous quarters averages and below the average for 2017. A similar trend is also evident for New York City as a whole, which indicates a currently unemployment rate of 3.7%, down from 4.5% as of 2017. Unemployment has fluctuated in New York State as well over the past few months, indicating a downward trend. Overall, the average unemployment rate for 2018 was lower than the 2017 and 2016 year averages for city and state levels. The following table illustrates historical and current unemployment rates for Manhattan, New York City, New York State, and the United States:

UNEMPLOYMENT RATES

Year	Manhattan	New York City	New York State	USA
2005	5.1%	5.8%	5.0%	5.1%
2006	4.3%	5.0%	4.5%	4.6%
2007	4.3%	5.0%	4.6%	4.6%
2008	4.9%	5.6%	5.4%	5.8%
2009	8.4%	9.3%	8.3%	9.3%
2010	8.6%	9.5%	8.6%	9.6%
2011	7.8%	9.1%	8.3%	8.9%
2012	8.0%	9.3%	8.5%	8.1%
2013	7.5%	8.8%	7.7%	7.4%
2014	6.1%	7.3%	6.3%	6.2%
2015	4.9%	5.7%	5.3%	5.3%
2016	4.5%	5.2%	4.8%	4.9%
2017	4.0%	4.5%	4.7%	4.4%
Nov. 2018	3.3%	3.7%	3.5%	3.7%

New York State Department of Labor, Bureau of Labor Statistics

New York City's employment base has historically enjoyed the distinction as an international center of business, commerce, tourism, and culture. The FIRE (finance, insurance, and real estate) and services (including the professions of legal, engineering services, consulting, tourism, recreation, health care, computers and data processing) segments are considered the primary sources of "white collar," or office prone, employment in the region. The top private sector employers in New York City are presented as follows:

TOP NON-GOVERNMENT EMPLOYERS NEW YORK CITY (EMPLOYEES)

Employer	# of Area Employees
Mount Sinai Health System	36,000
New York City Health and Hospitals Corp.	35,044
JPMorgan Chase & Co.	29,000
North Shore-Long Island Jewish Health System	27,125
New York-Presbyterian Hospital	21,992
Montefiore Medical Center	18,320
Citigroup Inc.	17,552
Macy's Inc.	17,000
New York University	16,021
Columbia University	15,420
Bank of America	14,000
Memorial Sloan Kettering Cancer Center	13,440
Consolidated Edison Inc.	11,668
Verizon Communications Inc.	10,300

Source: Crain's Book of Lists

Between 2009 and 2011, there had been significant job losses within Citigroup and JPMorgan Chase, as well as within a number of other financial institutions; companies such as Bear Stearns and Lehman Brothers ceased operations in 2009. Subsequently, financial firms had cut tens of thousands of jobs because of a slowdown in the mortgage business, the sluggish economy, the growth of online banking and new regulations.

New York City's largest employers are a diverse group of multinational corporations spanning a variety of industries including financial services/banking, telecommunications, health care, insurance, and pharmaceuticals. Businesses in New York City can capitalize on the synergy created from the presence of more than 200,000 companies, the access to investment capital and consumers, and the City's attractive quality of life.

From 2009 to 2017, the largest increases in the private employment of New York City were seen in Education and Health Services (210,800); Leisure and Hospitality (143,600) and Professional and Business Services (173,100). There were decreases in other sectors, the largest of which was Manufacturing (8,500) and Government (14,900). Overall, the New York City economy has added approximately 715,000 jobs between 2009 and 2017. Consistent with other large metropolitan areas, the manufacturing sector continues to decline, while construction has rebounded. Financial Activities jobs have also declined marginally. The following table illustrates historical and current employment by sector statistics within New York City:

NEW YORK CITY EMPLOYMENT BY INDUSTRY (000'S)

Sector	2009	2010	2011	2012	2013	2014	2015	2016	2017	2009-17 Change
Construction	120.8	112.5	112.3	116.1	122.2	129.2	139.3	147.2	151.1	25.1%
Manufacturing	81.6	76.3	75.7	76.3	76.4	76.6	77.8	76.1	73.1	-10.4%
Trade, Transportation, and Utilities	552.7	559.7	575.6	590.5	605.0	620.6	630.2	630.4	634.3	14.8%
Information	165.2	165.9	170.8	175.7	179.2	185.0	189.0	192.6	197.1	19.3%
Financial Activities	433.9	428.3	439.1	438.8	437.5	449.2	459.3	465.9	469.8	8.3%
Professional and Business Services	569.2	575.3	597.5	619.3	642.9	669.0	700.0	722.3	742.3	30.4%
Education and Health Services	752.6	771.6	789.2	805.6	831.1	866.4	896.9	928.7	963.4	28.0%
Leisure and Hospitality	308.5	322.2	342.2	365.7	385.4	408.5	427.8	440.2	452.1	46.5%
Other Services	160.3	160.6	165.2	170.4	174.9	180.2	185.7	190.1	191.5	19.5%
Government	567.0	558.0	550.6	546.1	544.4	545.4	549.9	552.3	552.1	-2.6%
Total	3,711.8	3,730.4	3,818.2	3,904.5	3,999.0	4,130.1	4,255.9	4,345.8	4,426.8	19.3%

Source: New York State Department of Labor

Office-using employment amounts to approximately 30% of total New York City employment, reflective of the financial and services orientation of the local economy. New York City's prime office inventory is concentrated in Manhattan, south of Central Park, within the two major submarkets of Downtown and Midtown. Brooklyn's central business district in Downtown Brooklyn is anchored by Brooklyn Borough Hall and MetroTech Center, a 16-acre urban corporate campus. Long Island City in Queens is located across the East River from Midtown Manhattan and has long been a center of manufacturing, distribution, and industrial services.

NEW YORK CITY PERSONAL INCOME

Average household income in New York City increased by 68.34% between 2000 and 2018, or from $57,645 to $97,040. This increase is above the 58.76% increase experienced by New York State, which has slightly higher average and median household income levels. Average and median household income figures for New York City are anticipated to increase by 11.39% and 9.73%, respectively, between 2018 and 2023. The projections are based upon statistical models forecast by Nielsen Segmentation Solutions, a demographic service provider.

	New York City (5 Boroughs)			New York State		
	2000 Census	2018 Estimate	2023 Forecast	2000 Census	2018 Estimate	2023 Forecast
Average Household Income	$57,645	$97,040	$108,097	$61,489	$97,619	$107,122
Median Household Income	$38,846	$60,916	$68,196	$43,792	$65,700	$71,944

Source: Nielsen Segmentation Solutions

Manhattan is the most affluent borough in New York City, with a 2018 estimated average household income level of $143,098. The next highest borough in terms of average household

income is Staten Island at $100,457. The following table illustrates average and median income figures for New York City and the various boroughs.

NEW YORK CITY HOUSEHOLD INCOME

	Average Household Income 2018	Median Household Income 2018
Manhattan	$143,098	$83,217
Brooklyn	$87,148	$56,386
Queens	$88,850	$65,852
Bronx	$56,345	$37,879
Staten Island	$100,457	$77,157
New York City	$97,040	$60,916
New York State	$97,619	$65,700
United States	$86,278	$60,133

Source: Nielsen Segmentation Solutions

As evident, Manhattan exhibits the highest average income among the New York City boroughs, and is nearly twice the level of the United States overall. The above trends indicate that income growth is projected to remain consistent over the next 5 years, with average annual growth rates of approximately 1% expected in New York City.

Manhattan accounts for nearly 20% of New York State's total income. The borough is home to nine of the wealthiest big city neighborhoods in the nation, testifying to the affluence of Manhattan. Nearly all of Manhattan's zip codes below 96th Street have median household incomes above the national median. The most affluent concentrations of households border Central Park on Manhattan's West Side between 77th and 91st Streets and on the East Side along Fifth, Park, and Madison Avenues between 60th and 96th Streets. Other affluent pockets include the southern tip of Manhattan at Battery Park City and the communities surrounding Lower Manhattan's Financial District such as TriBeCa. In contrast, the area north of Central Park, as well as portions of the Lower East Side, is where residents with the lowest median household incomes reside.

CULTURE AND RECREATION

New York City offers an unsurpassed variety of cultural activities. New York is a world renowned center of culture, entertainment, and shopping. New York contains hundreds of museums, art galleries, theaters, restaurants, and retail stores.

The City is home to such musical institutions as the New York City Symphony, Carnegie Hall, Lincoln Center, Brooklyn Academy of Music, and Metropolitan Opera and, with its many Broadway and off-Broadway plays and musicals, is the performing arts capital of the world. Several world famous dance troupes are located in New York including the Alvin Ailey Company and Dance Theater of Harlem.

World class museums include the Metropolitan Museum of Art, Museum of Modern Art, The Guggenheim, and Museum of Natural History. Other attractions include the Statue of Liberty, New York Aquarium, Bronx Zoo, Brooklyn Botanical Gardens, Empire State Building, United Nations, New York Stock Exchange, World Trade Center, and many others, which draw millions of visitors each year.

New York City has significant parkland including Central Park, an 843-acre oasis in Manhattan; Prospect Park in Brooklyn; and Jamaica Bay National Wildlife Refuge in Queens. New York City has teams in every major professional sport.

EDUCATIONAL AND PROFESSIONAL FACILITIES

New York City has 173 schools of higher education including 21 two-year colleges, 45 four-year colleges, professional schools, law schools, and vocational schools. Manhattan is home to some of the most prominent educational institutions in the nation including Columbia University, New York University, The Juilliard School, and Manhattan School of Music. The CUNY (City University of New York) system offers an affordable education in its 6 community colleges and 11 campuses with 4-year and graduate programs across all 5 boroughs. Notable colleges and universities located outside Manhattan include Pratt Institute in Brooklyn—a well-recognized school of art and architecture; St. John's University and Queens College in Queens; and Fordham University in the Bronx. New York City also has two of the most highly regarded public high schools in the nation—Stuyvesant and Bronx Science. As in most urban areas, the City's public primary and secondary education system is considered only fair overall with a wide range in quality of education from district to district.

Of the over 270 hospitals in New York State, New York City has 62 acute care general hospitals, many of which are affiliated with local professional universities. World famous research hospitals include NYU-Cornell, Rockefeller, Columbia, and New York Hospital. Other highly ranked hospitals include Memorial Sloan-Kettering Cancer Center, Mount Sinai Hospital, New York Eye and Ear Infirmary, and New York Presbyterian Hospital.

TRANSPORTATION

New York City is served by the most diverse transportation system in the United States. The region's transportation network links the area to the regional, national, and global commerce and trade. A brief synopsis of the area's transportation system follows:

RAIL SYSTEM

- ***NYC Subway System:*** a 688-mile subway line (including Staten Island) servicing approximately 5.67 million passengers on an average weekday and over 1.767 billion passengers a year. NYC Transit operates approximately 6,435 rail cars 24 hours a day throughout Manhattan, Queens, Brooklyn, the Bronx and Staten Island. The 27 subway routes are interconnected, and many lines feature express trains, across-the-platform transfers to local trains, and "skip-stop" express service. There are 473 subway stations and 21 rail stations.

- ***Metro North:*** Based in the landmark Grand Central Terminal in Midtown Manhattan, the MTA Metro North Railroad is the second largest commuter line in the United States, providing approximately 298,300 customer trips each weekday and some 87.1 million trips per year. With 384 route miles and 787 miles of track, Metro North goes to 123 stations distributed in seven counties in New York State–Dutchess, Putnam, Westchester, Bronx, New York (Manhattan), Rockland, and Orange–and two counties in the state of Connecticut–New Haven and Fairfield. The system employs 1,268 total rail cars.
- ***Long Island Railroad:*** This commuter line runs from the eastern tip of Long Island to Pennsylvania Station in Manhattan and to Atlantic Terminal in Brooklyn. The MTA Long Island Rail Road is the busiest commuter railroad in North America, carrying an average of 311,100 customers each weekday. Annual ridership is approximately 89.2 million persons per year. In 1998, the LIRR completed a 10-year, $2.1 billion investment in improvements including the transformation of Penn Station into a modern, safe and attractive facility with a newer 34th Street entrance. The system has 594 track miles, employs 1,151 total rail cars and has 124 rail stations.
- ***(PATH) Port Authority Trans-Hudson Subway System:*** The PATH carries 70% of all passengers entering New York City from New Jersey. Approximately 269,087 commuters use the PATH each weekday. The annual passenger trips for 2012 were 72.6 million, with over 72.8 million in 2013, approximately 73.7 million in 2014, 76.6 million in 2015, 78.5 million in 2016, and 82.8 million in 2017.

BUS SYSTEM

- ***New York City Transit:*** Regularly scheduled bus service in New York City's five boroughs handles over 121.6 million annually via 82 bus routes. The system has 812 total route miles and employs 1,255 buses.

- ***Port Authority Bus Terminal:*** This is the largest bus terminal in the United States. Regional bus lines serve about 537,000 people on an average weekday and more than 162 million people a year. The system employs more than 3,700 buses.

AIRPORTS

- ***Newark Airport:*** The Port Authority of New York and New Jersey has operated Newark Liberty International Airport (EWR) under a lease with the City of Newark since March 22, 1948. EWR is located in Essex and Union Counties between the New Jersey Turnpike (accessible from Exits 13A and 14), U.S. Routes 1 & 9, and I-78. The airport is about 16 miles from Midtown Manhattan. EWR consists of about 2,027 acres. In 2017, Newark Airport handled nearly 43.4 million passengers and nearly 883,000 tons of air cargo and mail.

- ***LaGuardia Airport:*** LaGuardia Airport (LGA) has been operated by The Port Authority of New York and New Jersey under a lease with the City of New York since June 1, 1947. LGA consists of 680 acres and 76 aircraft gates. In 2000, the combined Port Authority and airline investment for LaGuardia's Redevelopment Program was $830 million. The redevelopment program includes expanding and modernizing the Central Terminal Building, reconfiguring and widening roadways, improving runways and taxiways, a passenger terminal in the east end, airline modernization of gate areas and passenger service areas, and other rehabilitation projects. In 2017, LaGuardia Airport handled approximately 29.5 million passengers and 9,463 tons of air cargo and mail.

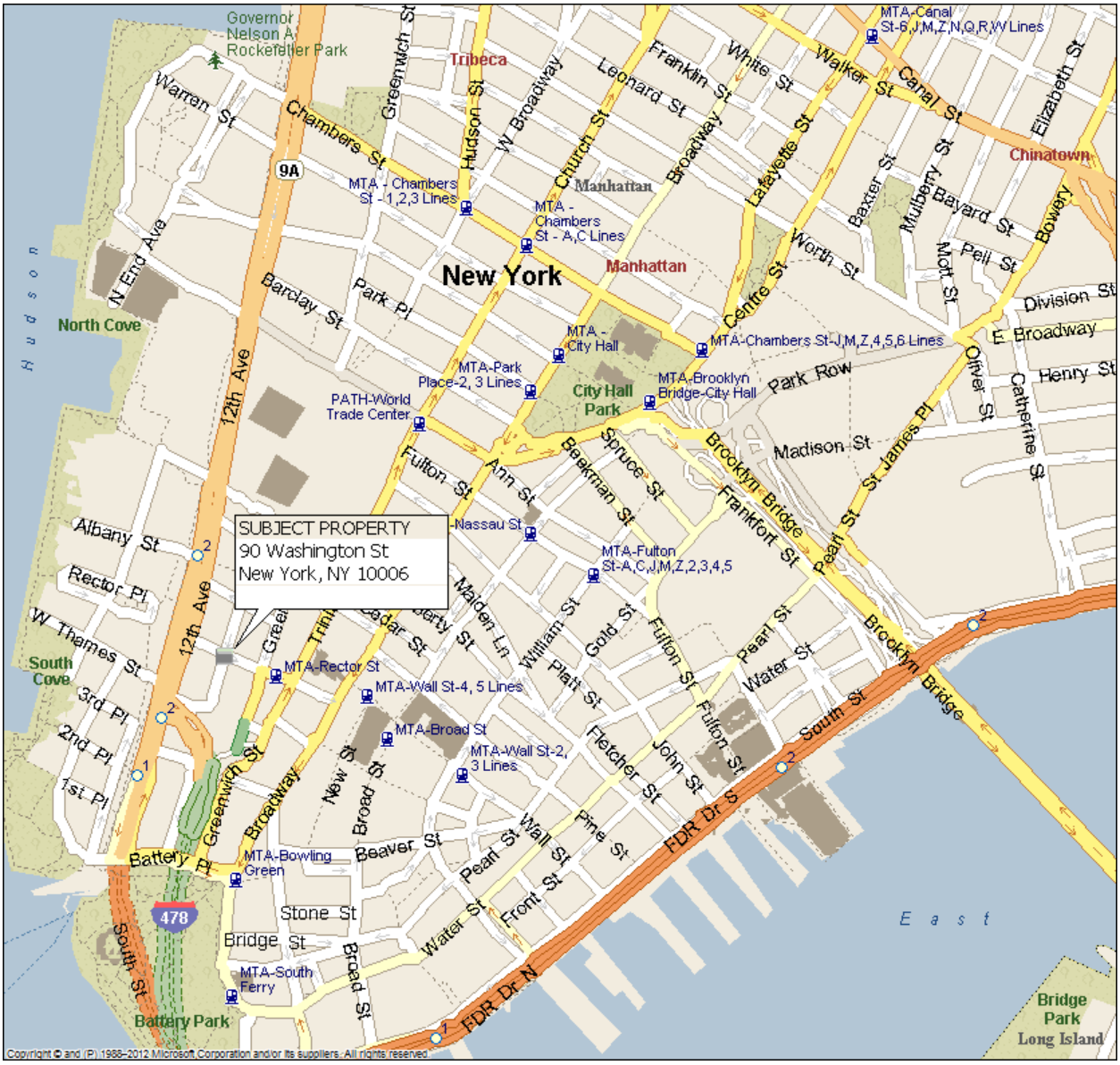
- ***John F. Kennedy Airport:*** John F. Kennedy International Airport (JFK) is operated by The Port Authority of New York and New Jersey under a lease with the City of New York since June 1, 1947. JFK is located in the southeastern section of Queens County, New York City, on Jamaica Bay. It is 15 miles by highway from midtown Manhattan. JFK consists of 4,930 acres, including 880 acres in the Central Terminal Area (CTA). The airport has more than 30 miles of roadway. In 2017, John F. Kennedy Airport handled over 59.3 million passengers and 1,487,973 million tons of air cargo and mail.

SUMMARY

The New York City metropolitan area has several key competitive advantages, including access to talent, customers, partners, and investors, which will drive long-term employment growth. Knowledge-based industries, such as finance, legal services, and consulting, benefit from the area's key strengths.

Moody's Economy.com predicts the number of households will rise by an average of about 30,100 (0.9%) per year from 2018 to 2022, but the population will increase by an average of 35,650 (0.4%). Job growth is forecast to be choked off, with just 46,040 (1.0%) expected to be gained in 2018, followed by an average increase of just 15,687 (0.4%) in the three years afterward. Household average income growth is projected to be moderate.

NEIGHBORHOOD MAP



NEIGHBORHOOD DESCRIPTION

The subject property is located in the Downtown section of the Borough of Manhattan, City and State of New York. The Downtown area can be subdivided into the following districts: City Hall, World Trade, Financial West, Financial East, and Insurance. The geographical boundary for each district is described below:

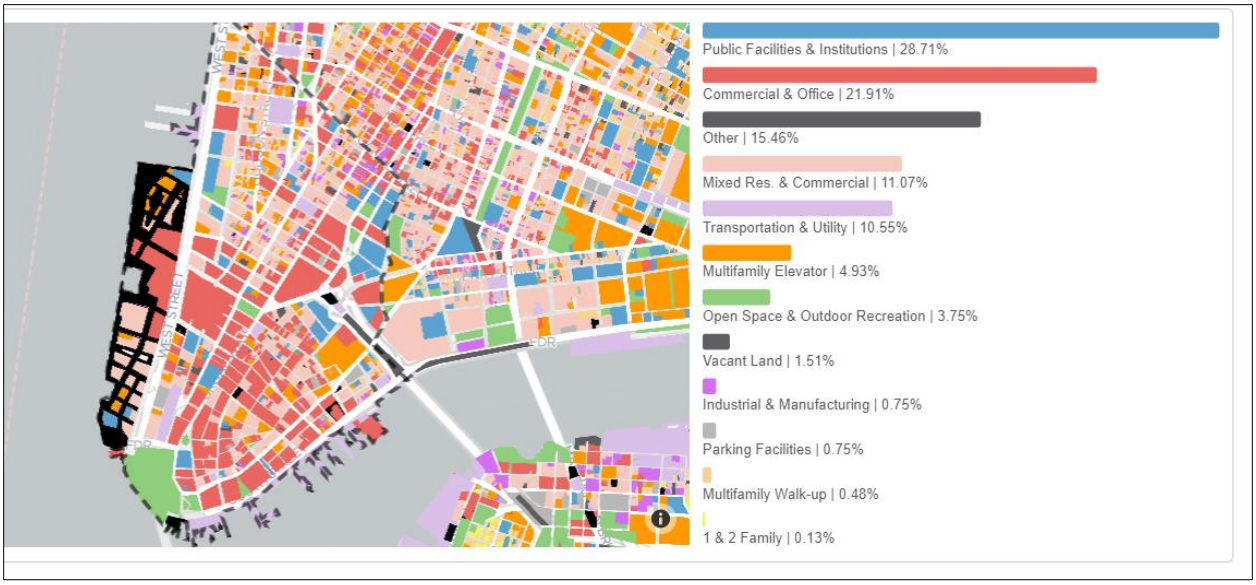
- City Hall: The City Hall District is bounded by the Brooklyn Bridge, Park Row and Vesey Street to the south, Canal Street to the north, and the Hudson and East Rivers.
- Insurance District: The Insurance district is bounded by Liberty Street and Maiden Lane to the south, Broadway to the west, Park Row and the Brooklyn Bridge to the north.
- World Trade: The World Trade district is bounded by Albany Street to the south, the Hudson River to the west, Chambers Street to the north and Broadway to the east.
- Financial East: The Financial East district is bounded by Battery Park to the south, Broadway to the west, Liberty Street to the north and the East River to the east.
- Financial West: The Financial West district is bounded by Battery Park to the south, the Hudson River to the west, Liberty Street to the north and Broadway to the east.

The subject property is within the Financial West District. This area is within Manhattan's Community District 1. Each year the City of New York publishes compendiums of information on local neighborhoods in each of the five boroughs. These volumes are known as Community District Needs. The Community District Needs for Manhattan shows Community District 1 to have a rapidly growing residential community. Between 1980 and 1990, the population increased by 59.4%. Between 1990 and 2000, the population increased by an additional 35.7%. Population further increased by 77.2% between 2000 and 2010.

TOTAL POPULATION	1990	2000	2010
Number	25,366	34,420	60,978
% Change	—	35.7	77.2

Between 1980 and 1990 the number of housing units increased by 5,911, or 81.9%. Between 1990 and 2000 the number of housing units increased by 4,871 or 37.1%. Further, housing units increased by 89.7% between 2000 and 2010. This population and housing increase is primarily due to the development of Battery Park City during the 1980's and the conversion of office buildings to residential use in the 1990's and 2000's.

The majority of land within Community District 1 is used for commercial and institutional purposes. Land use in Community 1 is broken down on the following page.



Approximately 28.71% of the land area in District 1 is utilized for institutional uses, with 21.91% allocated for commercial and office uses. Multi-family residential uses comprise only 4.93% of the total land use, and mixed residential/commercial uses comprise an additional 11.07%. Recreation / open space accounts for only 3.75%.

Thirty two public schools are located in Community District 1. Houses of worship can be found throughout the area. District 1 offers several parks and recreation areas including Battery Park as well as Ellis Island and the Statue of Liberty. There is one public library located on Murray Street. District 1 is served by two police precincts, five fire department houses, and a marine company. One senior citizen center serves the elderly population of this area at City Hall Center. The major medical facility in the district is New York Downtown Hospital at 170 William Street.

As the nation's third largest Central Business District ("CBD"), Lower Manhattan has approximately 122.3 million square feet of office space in a variety of high quality historic and modern buildings. Within Lower Manhattan's office buildings, more than half of the office space is classified as Class A space.

Lower Manhattan is widely recognized as the nation's financial center. Its largest employers are mostly in Financial, Insurance and Real Estate ("FIRE") and represent the world's leading firms, including notable commercial and investment banks, insurance companies and brokerage houses as well as key institutions. The area is also home to venerable law firms as well as major city and state agencies.

Residential inventory in Lower Manhattan continues to expand and its residential community is one of the fastest growing communities in New York City. The district now offers high-quality, relatively affordable apartments, often larger than other Manhattan apartments, in a safe neighborhood. Since 1995, 16 million square feet of office space has changed use, creating nearly 14,000 residential units and 350 hotel rooms. Early on, residential conversion was spurred by the city's 421-g real estate tax abatement program. Even since the incentive expired in 2006, property

conversions have continued at a brisk pace, reflecting the strength of residential and hotel markets in Lower Manhattan.

Lower Manhattan has over 33,100 units in 334 mixed-use and residential buildings. The estimated population of approximately 61,000 held steady over the past year as several anticipated openings were delayed. Across existing residential buildings, approximately 59 percent are rentals, 35 percent are condos/co-ops and six percent have an unknown tenure. Over 2,670 units in 20 buildings are currently under construction or planned for development (75 percent condo and 25 percent rental).

Lower Manhattan continues to be a growing destination for tourists. The 17.4 million tourists who visited Lower Manhattan in 2017 represent a 17% increase from 2016. This upward trend was sustained by strong visitation at the National September 11 Memorial Museum, the Statue of Liberty and Ellis Island, and One World Observatory. Other attractions include the Museum of Jewish Heritage; Smithsonian National Museum of the American Indian, New York City Police Museum, South Street Seaport and Bowling Green, New York's oldest park. To accommodate the increase in tourism, there are currently 12 new hotels in the pipeline for 2018 and 2019 which will add approximately 1,901 rooms to the downtown inventory (source: Alliance for Downtown Manhattan), which will be added to the existing inventory of 7,118 rooms within 33 hotels.

Lower Manhattan is also emerging as one of New York City's premier shopping and dining destinations. The radical transformation of Lower Manhattan's retail landscape is well underway, as several major capital projects come online over the next two years. By the end of 2019, Lower Manhattan will have more than 7.28 million square feet of retail, an expansion of 2.92 million square feet since 2014.

Lower Manhattan has one of the greatest concentrations of mass transit links in the world. The area is served by 15 subway lines, over 30 local and express bus routes, 20 ferry routes, and the PATH transit system. Nearly a half-million individuals travel to Lower Manhattan daily from New York City's five boroughs as well as from New Jersey, Westchester, Connecticut and Long Island. Lower Manhattan's subway network alone boasts the highest percentage of transit ridership in the nation.

The Brooklyn-Battery tunnel and the Brooklyn and Manhattan bridges connect Lower Manhattan with Brooklyn, Queens and Long Island, while the Holland Tunnel, directly north of the district, connects Lower Manhattan to New Jersey. Two major highways serve the area: FDR Drive on the east side of the district and Route 9A/West Side Highway on the west side.

The final two of the six NYC Ferry routes launched this summer with service to the Lower East Side and Soundview (Bronx). The other routes include the pre-existing East River Ferry service and lines to the Rockaways, South Brooklyn and Astoria. These new routes have proven popular, as ridership hit 4.8 million cumulative riders since the service launched in May 2017. Due to the better than anticipated demand, additional funds have been allocated to pay for larger boats, a second home port and other infrastructure upgrades to accommodate increased rider projections.

These routes have 20 landings across the city, including a newly-announced homeport landing at the Brooklyn Navy Yard that will be part of the East River Route. All routes stop at Pier 11-Wall Street. One-way tickets cost $2.75.

After being closed since Superstorm Sandy poured 15 million gallons of water into the station, the MTA reopened the South Ferry 1 Train Terminal. During restoration, the old South Ferry station served as a connection for commuters to both the Staten Island Ferry and the R and W trains at Whitehall Street. The $340 million project included reconstruction and the installation of permanent flood protection measures.

The WTC Cortlandt 1 Train station officially reopened after being destroyed on September 11, 2001, forcing trains to bypass the station for over 17 years. The remodeled station features a white, monochromatic marble mosaic with text from the 1776 Declaration of Independence and the 1948 United Nations Universal Declaration of Human Rights. The station opens directly into the west side of the World Trade Center Transportation Hub. Separately, entrances from the new 3 World Trade Center tower into the transit hub are expected to open by the end of next June.

EDUCATION

Numerous colleges and universities have a presence in Lower Manhattan, including Pace University, New York University's School of Continuing and Professional Studies, St. John's University, and the Borough of Manhattan Community College. Additionally, the district is home to more than a dozen trade and technical schools. Pace University, the New School University, and NYU offer housing for their students in Lower Manhattan. The universities also provide professional educational classes serving the growing residential population and the workers in Lower Manhattan as well as numerous working professionals from the surrounding area who wish to further their education.

The district is home to New York City's best elementary, middle and high schools, including P.S. 234, I.S. 89, and Stuyvesant High School. Over 7,900 students attend Lower Manhattan schools. In 2003, a long sought-after high school opened at 75 Broad Street, Millennium High School, and in the fall of 2005, a new private elementary school opened at 41 Broad Street.

PARKS AND OPEN SPACES

Lower Manhattan is surrounded by water on three sides and has over 100 parks, open spaces, and indoor plazas covering 88 acres. Some spaces are public parks maintained by the New York City Parks Department and the Alliance for Downtown New York while others are officially designated a Privately Owned Public Space or POPS. POPS are privately owned and maintained, but open to the public. Few business districts provide the opportunity for employees to take a break from their workday and enjoy a walk or run along a beautiful waterfront esplanade or enjoy music as the sun sets over the Hudson. In a recent survey, businesses identified this access to parks and the waterfront as a key reason for being Downtown.

WORLD TRADE CENTER SITE AND MEMORIAL

The following is a summary of each major property which comprises the world trade center:

FOUR WORLD TRADE CENTER

The 72-story, 2.3 million-square-foot office tower was completed in November 2013. The building is fully % leased to the NYC Human Resources Administration, MediaMath, Spotify, Silver Suites, MediaMath, IEX, Morningstar, the Port Authority and the City of New York. Sterling Equities signed an 83,000-square-foot deal for office and studio space in the fourth quarter of 2015. The most recent signed lease is by Digital Asset, which took 18,688 square feet at $80.00 per square foot. Spotify USA signed leases for approximately 480,000 square feet in 2017.

ONE WORLD TRADE CENTER

The 104-story, 3.2 million-square-foot office tower opened on November 3rd 2014. Condé Nast is now fully installed in the building and occupies 1.2 million square feet.

One World Trade Center is currently 81.5% leased; other tenants include the U.S. General Services Administration, High 5 Games, The Stagewell Group, BounceX. Moody's, Servcorp, Beijing Vantone China Center, Westfield, SHVO, Cushman & Wakefield and Juno Lab. TAMI sector firms now comprise nearly half of the building's rentable square footage. Recent leases include BounceX taking 79,118 square feet in August 2018; Slalom LLC taking 22,170 square feet in September 2018; and an undisclosed tenant leasing 40,537 square feet on the 72nd floor in November 2018.

THREE WORLD TRADE CENTER

The 2.86 million-square-foot office tower was completed in 2018 and is currently 43.4% leased. In the fourth quarter, anchor tenant GroupM Worldwide finalized an expansion, adding 171,495 square feet to the existing 513,098 square feet signed in 2014. McKinsey & Company leased 184,389 square feet in February 2018 for multiple floors.

TWO WORLD TRADE CENTER

After over a year of negotiation between Silverstein Properties and 21st Century Fox and News Corp to anchor 1.3 million square feet, the deal was called off in early 2016. Silverstein will postpone work on the tower until an anchor tenant agrees to lease a substantial portion of the building. According to CoStar Property Services, the property is 8.5% pre-leased. Construction is projected to commence in 2019.

74 Trinity Place

Trinity Real Estate's 74 Trinity Place, a new 26-story, 310,000-square-foot office building, has begun to rise. The bottom five floors will be for community use, floors six through eight will be used for Trinity Church's offices and the remaining 17 floors will be rentable office space. The

existing pedestrian bridge across Trinity Place will remain and eventually be reconnected to Trinity Church. The $350-million-tower is expected to open in 2020.

NATIONAL SEPTEMBER 11 MEMORIAL MUSEUM

The 100,000-square-foot National September 11 Memorial Museum debuted in May of 2014 and welcomed over three million visitors in 2015. The National September 11 Memorial, which opened in September 2011, has drawn more than 23 million visitors.

The Ronald O. Perelman Performing Arts Center at the World Trade Center

The Ronald O. Perelman Center for Performing Arts at the World Trade Center, known as The Perelman Center, signed a 99-year lease with the Port Authority in February 2018. The Center has raised $295 million, or 82 percent of its expected $363 million construction cost. In conjunction with the lease signing, the Port Authority will also receive $48 million from the Lower Manhattan Development Corporation for below-grade construction.

The approximately 110,000-square-foot cube-shaped building will feature three theaters of varying sizes, which can be combined in different seating configurations and formats for an array of unique performance environments. The Perelman Center will be located at the site of the now demolished PATH entrance at Greenwich and Vesey streets, which closed when the World Trade Center Transportation Hub opened in summer 2016. The project began construction in fall 2017 and anticipates opening for the 2020-2021 season.

THE SUBJECT'S SPECIFIC LOCATION

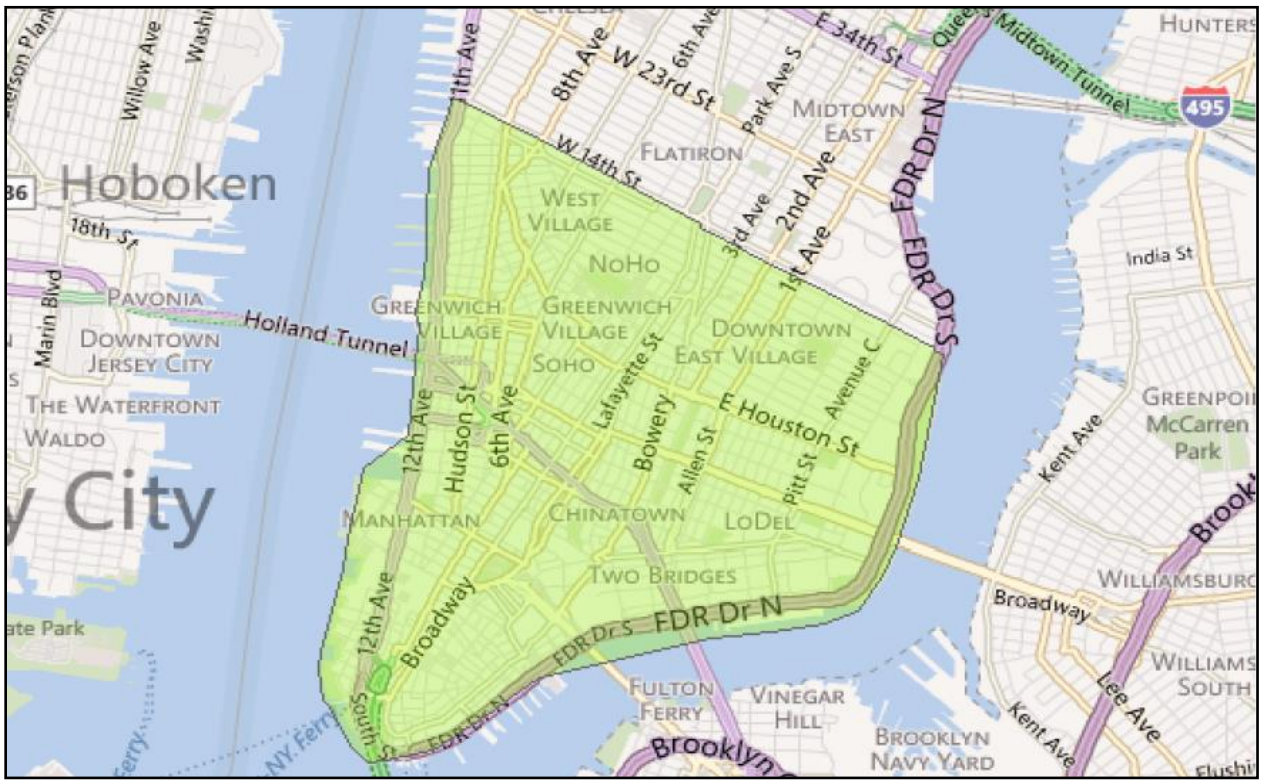
The subject property is located on the southwest corner of Washington Street and Rector Street, through to and fronting on the east side of West Street, in the Financial District section of Downtown Manhattan, New York County, City and State of New York. The immediate area surrounding the property is generally improved high rise, luxury residential apartment and condominium towers. This neighborhood is located just south of the World Trade Center and World Financial Center and just east of Battery Park City, an enclave of interior surface streets located on the west side of the West Side Highway extending to the waterfront. The neighborhood is largely mixed use in nature (residential and office) with adequate supporting retail and commercial services including parking and recreation. A bridge/walkway traverses over the West Side Highway, providing pedestrian access to Battery Park City from West Street and Manhattan's Downtown/Financial District. Other area uses include Class A and B office buildings with retail space along the lower Broadway corridor. Also relatively close by is Wall Street, the New York Stock Exchange, Federal Hall, and the Federal Reserve Bank of New York.

The subject neighborhood has excellent access. The subject is within a few blocks of the #4 and #5 subway lines, as well as the 1 and R and W subways. The J and Z subway lines are also within the general vicinity. Bus lines which access Lower Manhattan include the M55, M15 and M22, as well as the M9. The New York Ferry and Staten Island Ferry stations are located to the southwest. Highway access is via both the FDR and West Side Highway, with other nearby connecting arterials including the Holland Tunnel on the west side and the Brooklyn Bridge on the east side.

CONCLUSION

Despite stabilizing to declining economic conditions city wide, Lower Manhattan is the neighborhood with the fastest growing residential population in Manhattan. Downtown is emerging as a vibrant mixed-use neighborhood, active 24 hours a day, 7 days a week based on the efforts and funds of private and public entities. Over the long term, the Financial District West and Downtown Manhattan are expected to exhibit continuing rehabilitation and property value improvement based on its popularity. Thus, the subject location should remain a viable mixed use location for the foreseeable future.

WEST VILLAGE/ DOWNTOWN RESIDENTIAL SUBMARKET



MARKET DATA SOURCE

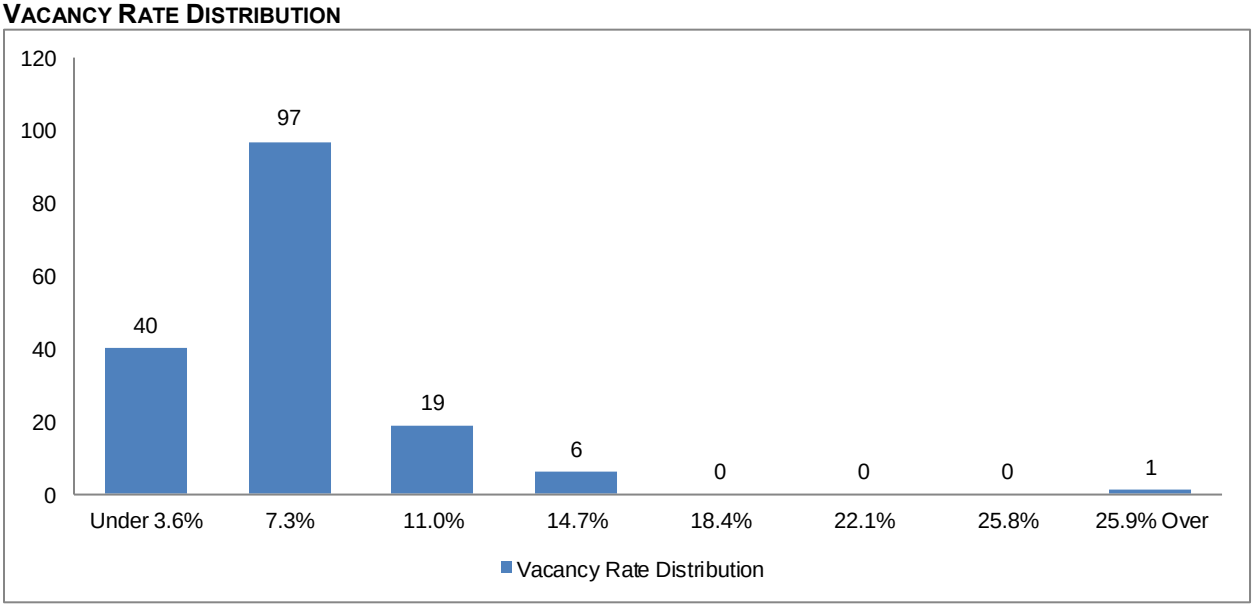
The data related in this section is reported by Reis, Inc., an internationally recognized subscription service providing real-estate focused economic data. It is our experience that Reis is widely considered by market participants of all types, including investors, lenders, and analysts.

We note that this report is survey sample of property owners, reflecting the performance of 163 assets and 22,761 housing units. Like other statistical readings, this study is meant to be generally instructive regarding specific performance, but individual characteristics may lead to divergence. Overall, however, it is our experience that the broad tone of the Sub Market Trend Report is often consistent with performance at the property level. Thus, given the breadth of the availability and market reliance on his data, we feel this is not only a strong indication of current local conditions, but of the assumptions investors would apply in valuing a specific asset.

VACANCY

Most recently, Reis reports median submarket-market vacancy at 4.6%, while the average rate is 4.6%. The overall range of results is 0.0% to 11.8%, with the high end of the range reflective of properties in their initial lease-up.

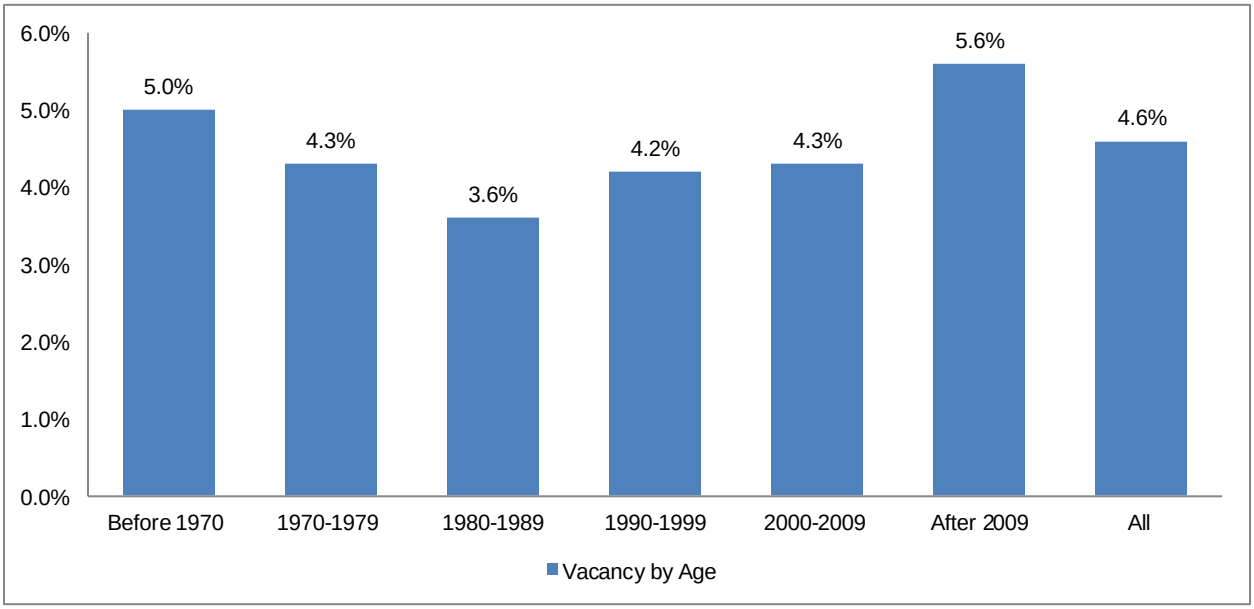
VACANCY RATE DISTRIBUTION



Source: Reis 2018

Reis indicates that newer projects, those which are likely to have the highest rental rates, and several of which are in their initial stabilization period exhibit above average vacancy with a predominant rate of 4.6% in the most recent quarter.

VACANCY RATE BY AGE



Source: Reis 2018

Vacancy in the submarket has been stable of late, as the most recent quarter's rate of 4.6% is in line with the year-to-date average of 4.8%, and slightly above the prior quarter's reading of 4.6%. Overall, the 5-year vacancy rate in West Village/ Downtown has been 3.6% consistent over the past three years has been 3.6%.

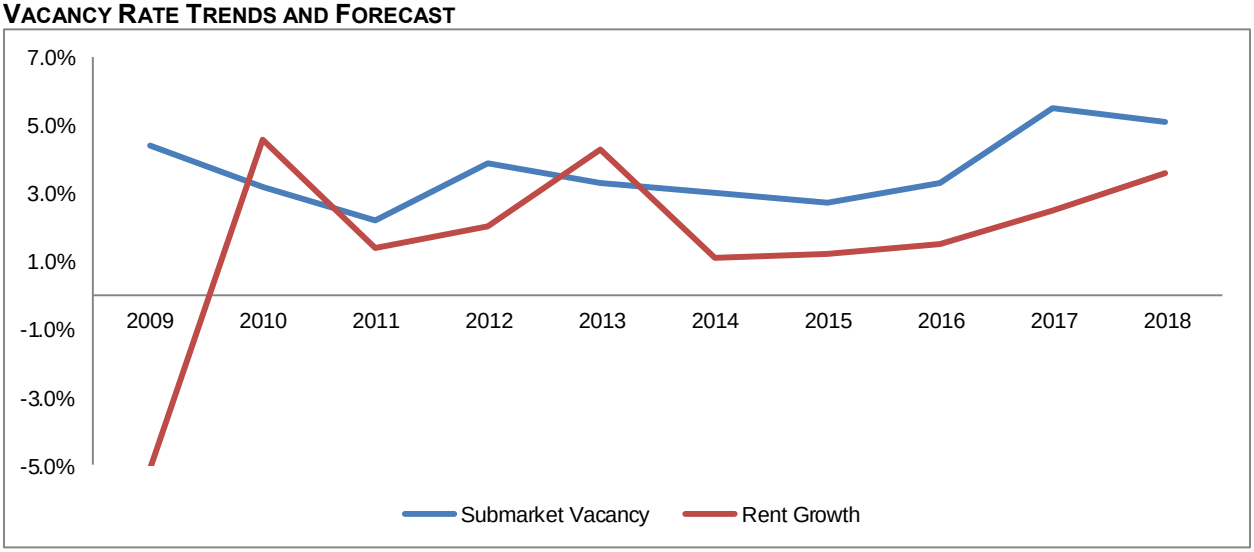
With respect to the regional and national markets, the current quarter reflects stable rates exhibited in the past year. In this regard, Northeast year-to-date average is 4.5%, a rate slightly above the 3-year performance of 3.9%. The national average for the most recent quarter is 4.8%, in line with the YTD at 4.7%. National occupancy has been stable, as the five-year average is 4.4%.

	Vacancy Rates						
	Quarterly			Annualized			
	3Q18	2Q18	YTD Avg	1 Year	3 Year	5 Year	5 Yr Forecast
West Village/ Downtown	**4.6%**	**4.6%**	**4.8%**	**4.4%**	**3.6%**	**3.6%**	**6.4%**
NY Metro	5.2%	5.1%	5.2%	4.4%	3.7%	3.5%	5.9%
Northeast	4.6%	4.6%	4.5%	4.1%	3.9%	3.8%	5.2%
United States	4.8%	4.7%	4.7%	4.4%	4.4%	4.4%	5.2%
Period Ending:	09/30/18	06/30/18	09/30/18	12/31/17	12/31/17	12/31/17	12/31/22

Source: Reis 2018

Below we have contrasted vacancy and rent trends. Observe that while rent growth has been expectedly erratic, vacancy has been stable.

VACANCY RATE TRENDS AND FORECAST



Source: Reis 2018

RENTAL RATES

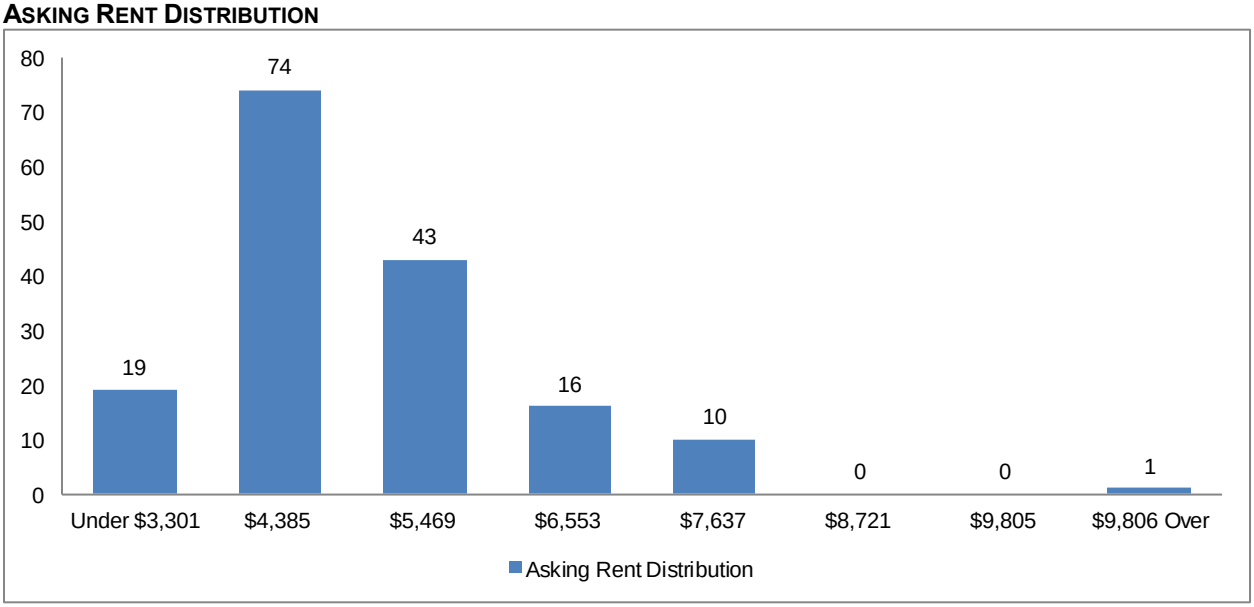
As indicated below, predominant rental rates in the submarket are near $4,625 per month, with a range between $2,438 and $7,058 per month.

RENT RATES

	Low	25%	Mean	Median	75%	High
Asking Rents	$2,438	$3,640	$4,625	$4,214	$4,897	$7,058
Rent Growth Rates	-10.2%	-1.0%	40.0%	1.5%	3.4%	10.6%

Source: Reis 2018

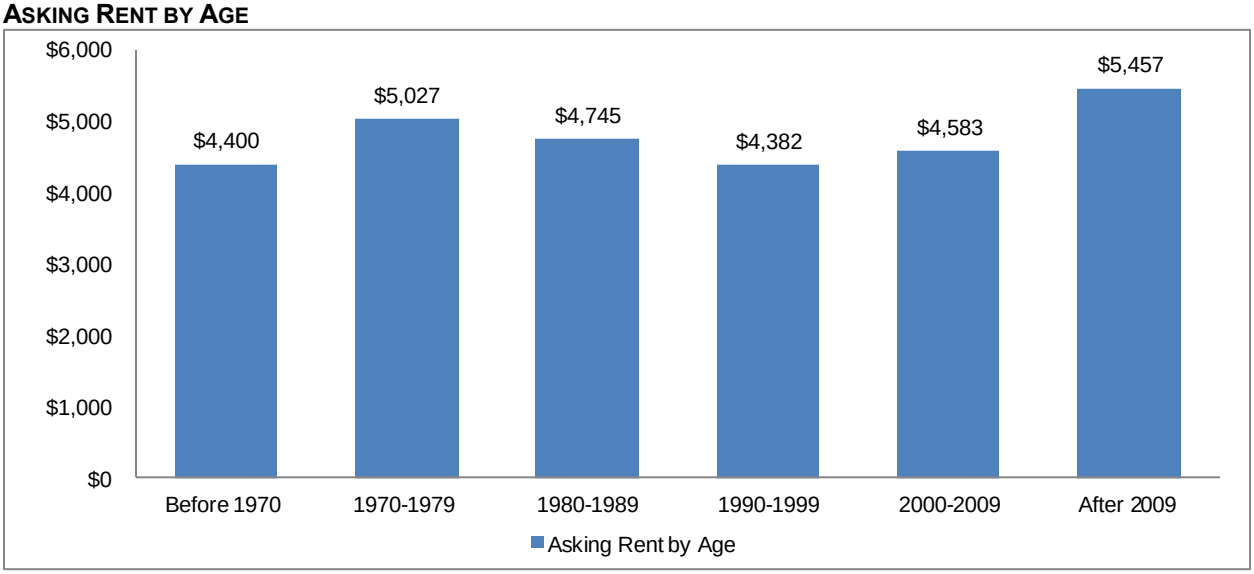
ASKING RENT DISTRIBUTION



Source: Reis 2018

Distinguishing between the ages of properties reveals that newer properties tend to outperform. Rents per square foot for projects built after 2009 are generally the highest, reflecting a new standard of finishes and luxury services.

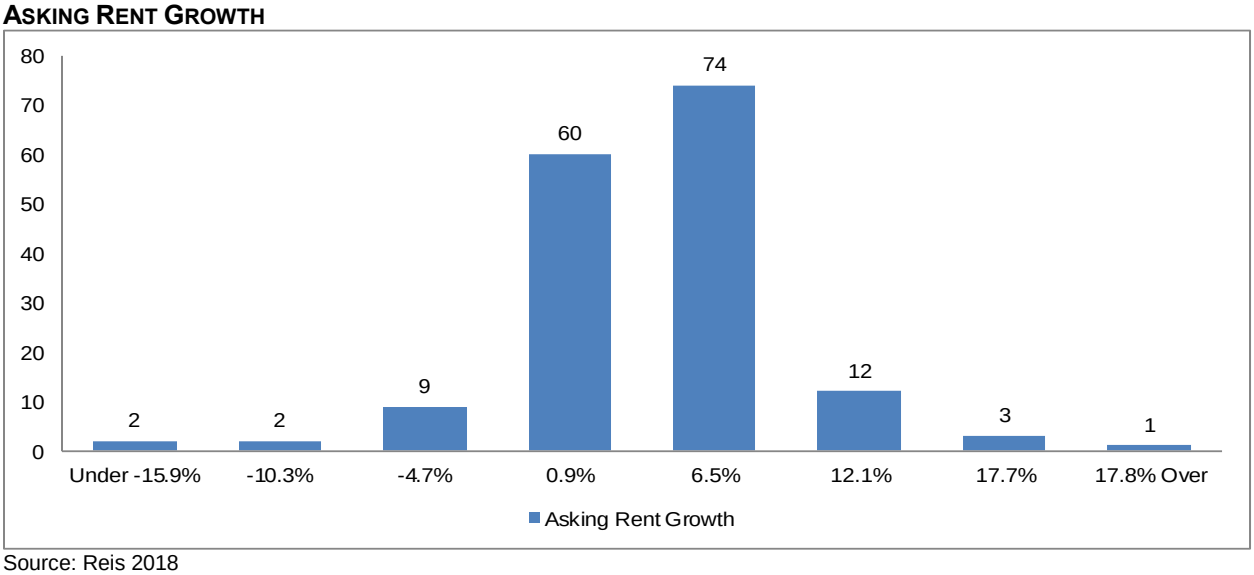
ASKING RENT BY AGE



Source: Reis 2018

Overall, growth has remained positive. Year-to-date appreciation was 1.0% while rents grew 2.5% in the past year. The recent slowdown of growth is evident in that the 3-year average rate of growth is 1.7%. However, rent growth is expected to grow as the 5-year forecast is 3.1% locally, and 2.3% in the Metro NYC market.

ASKING RENT GROWTH



Source: Reis 2018

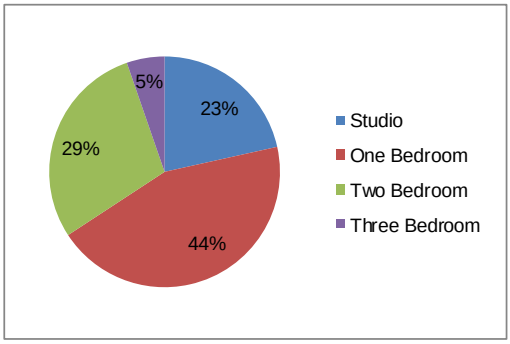
Despite slowing recently, rents appreciated steadily from 2009 to 2018, exhibiting a 1.35% compound rate of change. Having the benefit of hindsight, we can see that though rent growth slowed in 2009, housing costs continued to appreciate after pausing slightly in 2008-2009.

In terms of overall performance, the Metro and submarket have generally mirrored trends in the Northeast region and the nation as a whole. To this end, rent growth has slowed this year, with 0.4% recorded in the submarket, and 1.2% growth nationwide. In contrast five-year forecasts are at 3.1% and 3.1% respectively. The comparison of rental trends in the sub and Metro markets, Northeast, and Nation are illustrated below:

	Asking Rent Growth						
	Quarterly			Annualized			
	3Q18	2Q18	YTD Avg	1 Year	3 Year	5 Year	5 Yr Forecast
West Village/ Downtown	**0.4%**	**0.9%**	**1.0%**	**2.5%**	**1.7%**	**2.1%**	**3.1%**
NY Metro	0.7%	1.2%	0.8%	2.7%	2.8%	3.3%	2.3%
Northeast	0.8%	1.5%	1.1%	4.3%	4.0%	3.9%	3.0%
United States	1.2%	1.4%	1.2%	4.5%	4.8%	4.4%	3.1%
Period Ending:	09/30/18	06/30/18	09/30/18	12/31/17	12/31/17	12/31/17	12/31/22

Source: Reis 2018

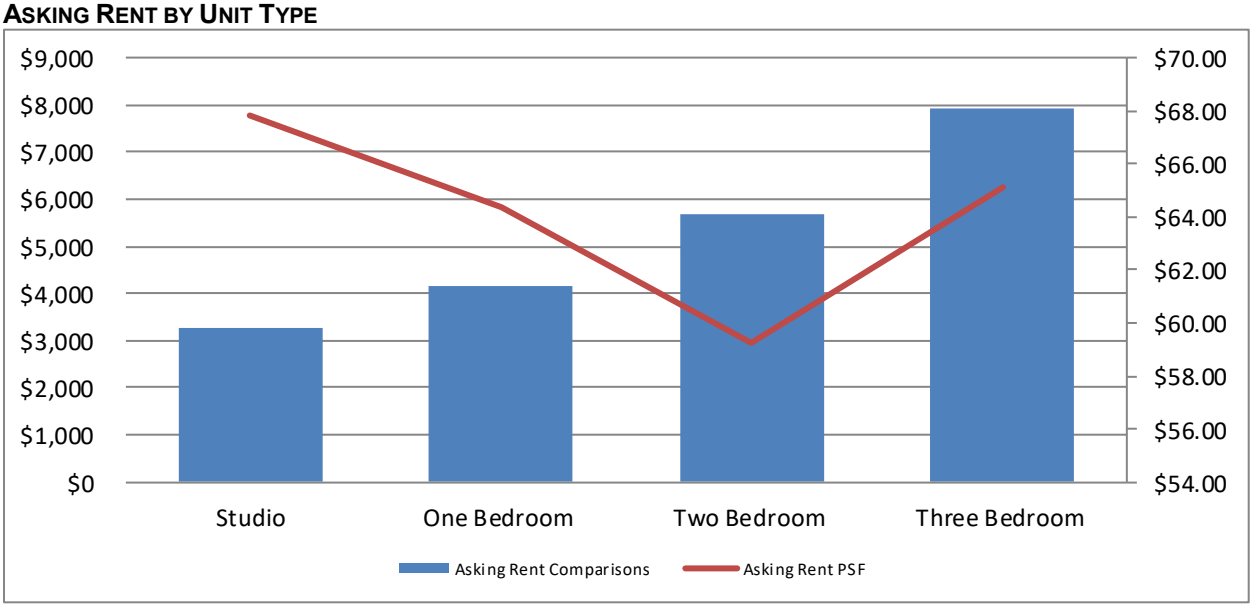
UNIT MIX



Source: Reis 2018

Reflecting the transience of the population, combined with a demand for space, we point out that one and two-bedrooms are the overwhelming majority of the stock at 44% and 29% of the total, while family-sized, three bedrooms are just 5%. While primarily relegated to the urban core, studios make up a fair share at 23%.

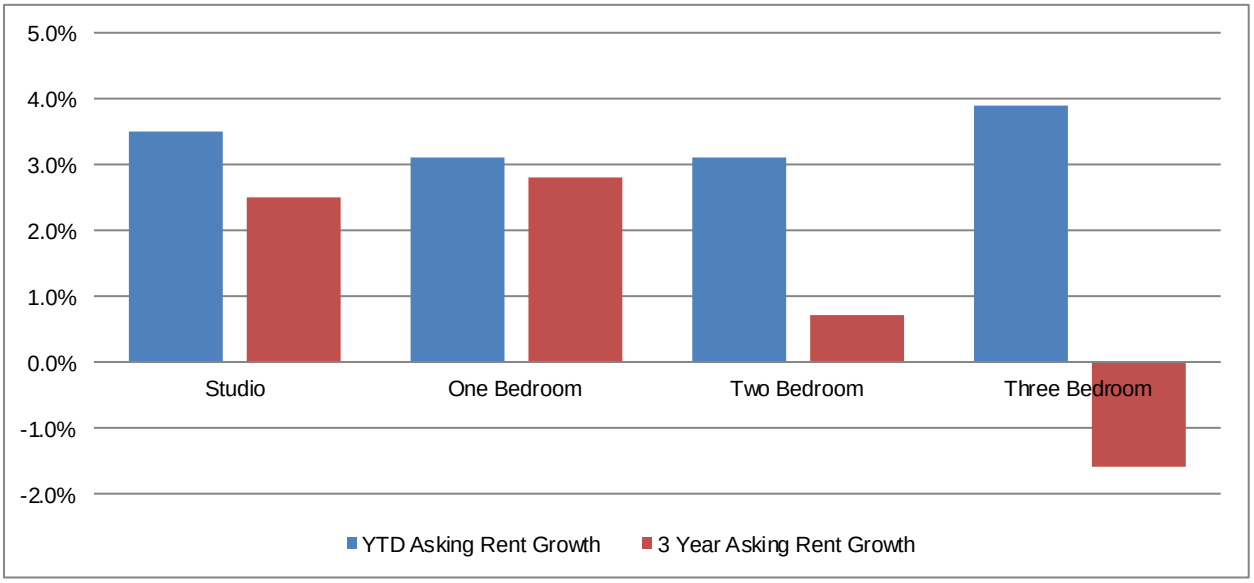
ASKING RENT BY UNIT TYPE



Source: Reis 2018

As indicated, rents per square foot generally vary inversely with size, as larger units' command less per square foot. However, given the rarity of family-sized units and their concentration in luxury buildings, two-bedrooms outperform in this regard.

UNIT MIX RENT DETAILS

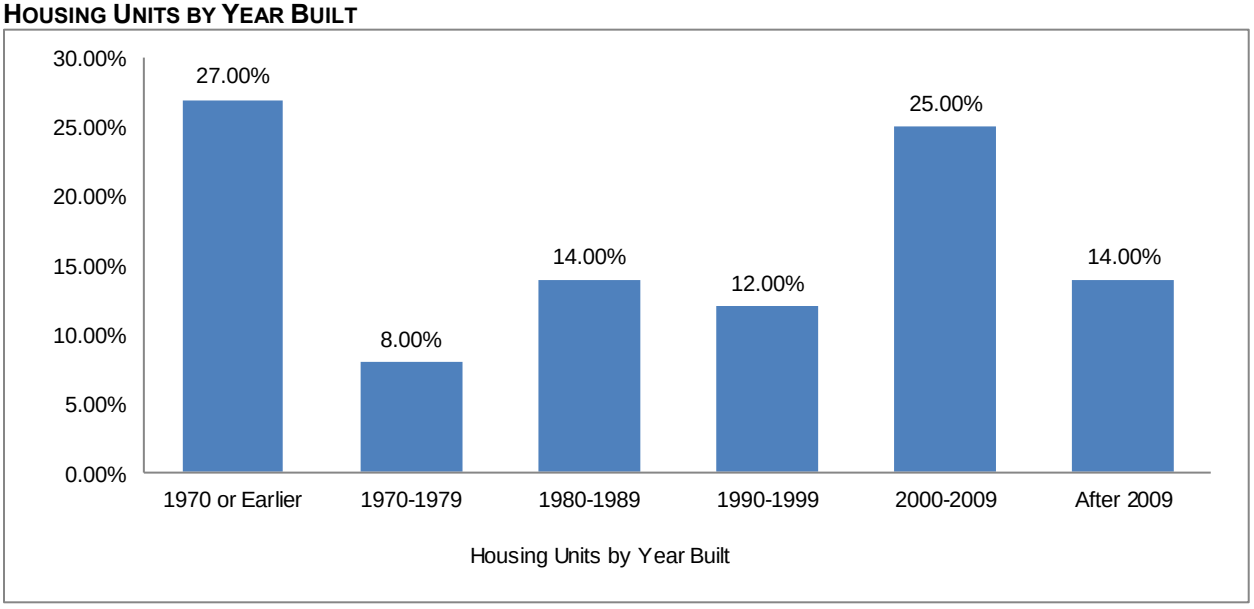


Source: Reis 2018

INVENTORY TRENDS

As indicated below, most of housing units were delivered between 2000 and 2009 and before 1970, with over half built before 1960. Though there has been a major revitalization in the submarket, new additions to supply have been inconsequential in terms of total inventory. As a result, new construction is absorbed rapidly and commands the highest rents.

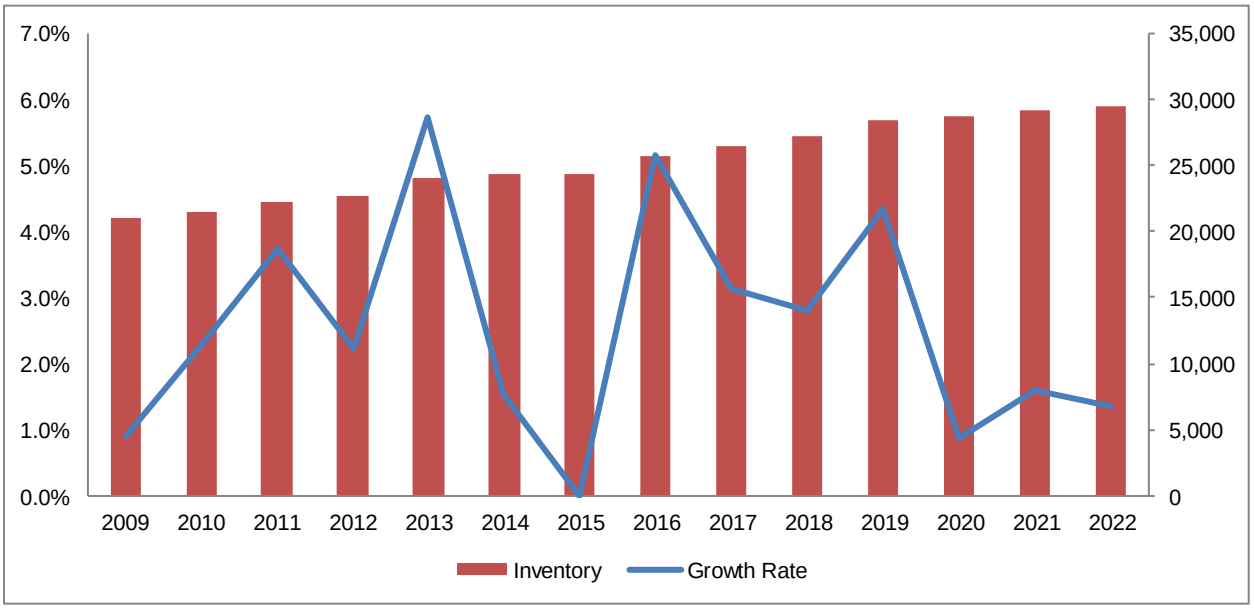
HOUSING UNITS BY YEAR BUILT



Source: Claritas, New York County

Supply growth was reported at 0.0% in the sub market and 0.5% in the metro market, reflecting a slowdown of the 3-year averages of 2.7% and 4.3%. Historically, the rates of growth both locally and in the Metro Market significantly exceed that exhibited in the Northeast Region and Nationally.

INVENTORY GROWTH COMPARISON



Source: Reis 2018

Going forward, local supply growth of 2.2% is expected over the next five years, while nationally inventory will increase only 1.3%. This dynamic is reflective of the high demand for housing in the area, as though there are still relatively high barriers to entry with high development costs investors/builders view the sub and metro markets favorably.

INVENTORY GROWTH COMPARISON

	Inventory Growth Comparison						
	Quarterly			Annualized			
	3Q18	2Q18	YTD Avg	1 Year	3 Year	5 Year	5 Yr Forecast
West Village/ Downtown	**0.0%**	**0.0%**	**0.1%**	**3.1%**	**2.7%**	**3.1%**	**2.2%**
NY Metro	0.5%	1.1%	0.8%	6.9%	4.3%	4.0%	3.0%
Northeast	0.3%	0.7%	0.5%	2.6%	2.1%	1.9%	1.4%
United States	0.5%	0.6%	0.5%	2.2%	2.1%	1.9%	1.3%
Period Ending:	09/30/18	06/30/18	09/30/18	12/31/17	12/31/17	12/31/17	12/31/22

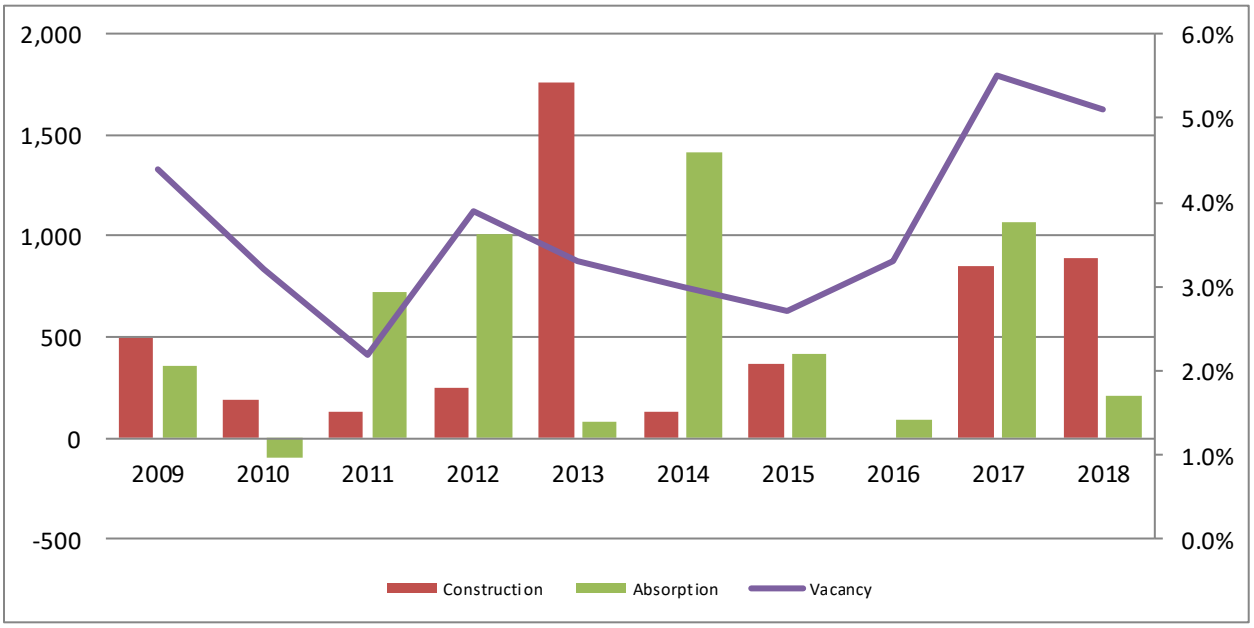
Source: Reis 2018

HOUSING UNIT DELIVERIES

City	Proposed	Planned	Under Constr.	Complete	Grand Total
Apartment	1,951	3,753	1,458	1,575	8,737
Condominiums	204	727	3,299	1,590	5,820
Subsidized/Low Income	270	0	205	0	475
Mixed Income	2,086	0	458	412	2,956
Other	0	0	0	0	0
Total	4,511	4,480	5,420	3,577	17,988

Source: Reis 2018

CONSTRUCTION ABSORPTION AND VACANCY



Source: Reis 2018

As indicated, 4,511 competitive units are proposed (16.6% of supply of 27,256 total housing units), 4,480 competitive units (16.4% of supply) are planned, and 5,420 apartments (19.9% of units) are under construction. Further, 3,577 units were recently delivered, reflecting 13.1% of existing supply. Of the units proposed or planned, 5,704, or 63% are rentals, while there are 931 condominium units in the pipeline.

RENTAL MARKET

According to Citi Habitats' third quarter 2018 rental report for Manhattan, rents climbed month-over-month in Manhattan; meanwhile, landlords reduced their use of concessions slightly. This, coupled with the seasonal fall decrease in demand, caused the Manhattan vacancy rate to climb to the highest level since April.

In September 2018, Manhattan rents rose by a statistically insignificant amount for studio apartments when compared to August, while they rose 3% for one-bedroom homes. Pricing for two- and three-bedroom units increased 6% and 4% respectively. Meanwhile, year-over-year, rents were up 2% for studios, while rents climbed by 3%, 9% and 5% for one-, two- and three-bedroom apartments.

Month-over-month, Manhattan's vacancy rate climbed from 1.29% in August - to 1.36% in September. In fact, there were more available apartments on the market in September than at any time since April, when the rate reached 1.44%. Apartment seekers remain extremely price-sensitive, so this increase in available units is likely a reaction – at least in part - to ascending rents. However, Manhattan's vacancy rate is lower this September when compared to last. In September 2017, 1.94% of apartments were vacant.

The percentage of leases that included a move-in incentive was 27% in September 2018, down slightly from 28% in August. Year-over-year, their prevalence is also down – as they were found on 37% of leases in September 2017. Despite the declines, they continue to be a significant marketing tool – especially in luxury rental developments.

Rents in Manhattan climbed across the board, both quarter-over-quarter and year-over-year. The Manhattan vacancy rate rose slightly to 1.35% during Q3 – from 1.34% in Q2. However, it's lower than Q3 2017's rate of 1.95%. Despite the recent uptick, there are still fewer available choices for tenants than last year. During Q3 as a whole, 27% of tenants received a landlord inventive, up from 24% last quarter. On the other hand, their use is down compared to Q3 2017 – when 37% of new leases included a concession.

Key Metrics with regard to the Manhattan rental market as of the fourth quarter 2016 are presented as follows:

Manhattan Residential Rental Market Report

CITI HABITATS

September 2018

AVERAGE RENT SUMMARY: September 2018

Location	Studio	1BR	2BR	3BR
BPC / Financial Dist.	$2,993	3,945	5,710	5,990
Chelsea	$2,613	3,688	5,800	6,995
East Village	$2,645	3,036	3,939	4,570
Gramercy/Flatiron	$2,905	3,331	4,887	6,245
Harlem	$1,805	2,213	2,667	2,850
Lower East Side	$2,000	3,812	4,256	4,595
Midtown East	$2,432	3,227	4,452	7,200
Midtown West	$2,618	3,283	3,930	6,081
Morningside Heights	$2,170	2,795	3,040	3,130
Murray Hill	$2,500	4,009	4,244	5,648
Soho/Tribeca	$3,180	4,525	8,875	9,453
Upper East Side	$2,094	2,785	3,388	7,040
Upper West Side	$2,346	2,892	4,740	6,958
Washington Heights	$1,570	1,782	2,300	2,820
West Village	$2,900	4,223	4,625	6,500
Average: September	$2,451	3,303	4,457	5,738
Average: August	$2,447	3,210	4,205	5,525
% Change	0%	3%	6%	4%

AVERAGE VACANCY RATE: September 2018

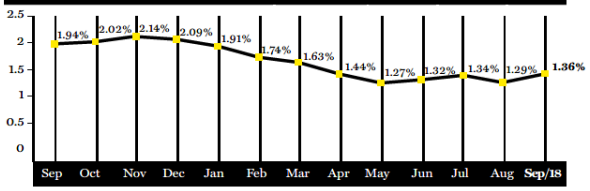
Location	Vacancy Rate
BPC / Financial Dist.	1.36%
Chelsea	1.16%
East Village	1.97%
Gramercy	1.38%
Midtown East	1.93%
Midtown West	1.44%
Murray Hill	1.41%
Soho/Tribeca	1.16%
Upper East Side	1.03%
Upper West Side	1.06%
West Village	1.35%
Average: September	1.36%
Average: August	1.29%
Difference	0.03

% OF TRANSACTIONS WITH A CONCESSION SEPTEMBER 2018 **27%**

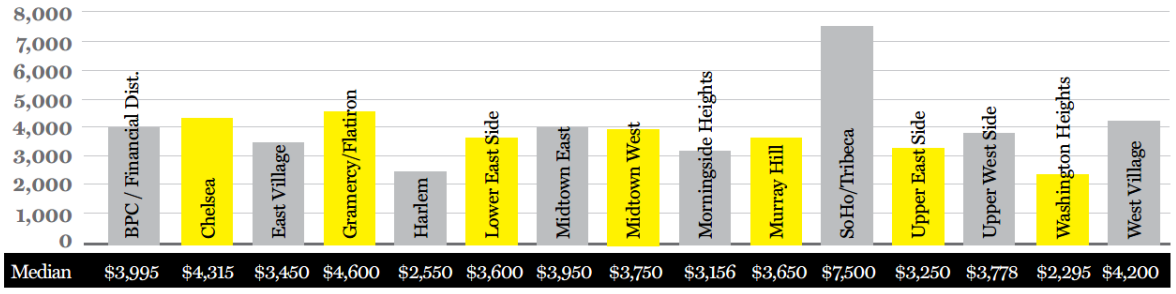
OVERALL BLENDED AVERAGES: September 2018

BLDG Classification	Studio	1BR	2BR	3BR
New Development w/ DM*	$3,609	4,877	8,313	17,781
Doorman	$3,016	4,195	6,883	12,183
Elevator**	$2,620	3,454	4,901	8,016
Walkup***	$2,199	2,796	3,819	5,282

MANHATTAN RENTAL VACANCY RATES: September 2018



MEDIAN RENT SUMMARY: September 2018



*New Developments include all rental and condo buildings built after 2008. **Elevator averages in the downtown neighborhoods include a significant number of loft rentals compared to other neighborhoods. ***Walkup averages include brownstone and townhouse rentals.

Source: Citi Habitats

MANHATTAN RENTAL MARKET – CURRENT

The following information was taken from the ***REIS Observer*** (effective November 2, 2018), with an in depth analysis of the New York Apartment Market, the most recent report available.

THE REAL ESTATE MARKET

New York City's 211,820-unit market-rate, investment grade apartment market is experiencing unprecedented conditions, according to a Reis database going back to 1980, as the vacancy rate exceeded 5.0% for the first time in the fourth quarter of 2017 and remained above that mark for the first three quarters of 2018. Moderately rising rents, however, indicate a balanced market—even as the general public continues to react to the much larger rent gains recorded from 2010 to 2015, before new supply caught up with surging demand.

OCCUPANCY

Reis reports a vacancy rate of 5.2% for the third quarter of 2018, up 10 basis points from the prior quarter and up 70 from a year earlier. The 5.4% recorded for the fourth quarter of 2017 still stands as the cyclical high and historic high. The local rate had been below 3.0% at year-end each year from 1980 to 2001, with lows of 1.6% in 1980 and 1.1% in 1995. The most recent high point before the current era was the 4.0% recorded in 2003, in the wake of 9/11. Reis predicts even higher vacancy in the city's future, with the rate expected to end 2018 at 5.4% and then peak at 6.2% in 2021 before leveling off.

With all housing units built before 1974 subject to rent regulations, an extensive housing stock in small buildings and multi-family homes, and considerable public and other subsidized housing, the inventory subject to Reis data is a small share of the total. According to 2017 American Community Survey data, there were 2,127,881 renter-occupied housing units in the city in total compared with the 195,718 occupied units in the Reis inventory that year. New York City's 2017 renter vacancy rate was 3.5% that year, the same as in 2013, while the U.S. rate was 6.2%, down from 6.5%. NYC's homeowner unit vacancy rate was 1.7%. Of the nearly 3.5 million housing units in the city in 2017, however, 9.7% were vacant for a variety of reasons, including those used as second homes or held for eventual demolition.

SUPPLY AND DEMAND

The four years from 2016 to 2019 are expected to see 43,604 market-rate, investment grade units added to the inventory, expanding it by 23.6%. While that is an enormous increase, it is less large relative to the entire rental housing stock. The development cycle peaked with 13,472 units added in 2017, enough to drive the vacancy rate up 200 basis points that year. As of the date of this report, Reis has recorded more than 8,100 units completing construction in 82 projects in 2018, leaving 24,420 units under construction. The annual completion total is forecast at 11,475, but smaller completion totals are anticipated to follow. Just 6,219 units are in planned and proposed projects with announced start dates.

Demand is having trouble keeping up with this level of new supply. Net absorption totaled 8,665 units in 2017, followed by 5,186 units in the first three quarters of 2018. The annual total is forecast

for 10,848 units this year and 34,736 units for the 2016 to 2019 period as a whole. That is a large total but not large compared with the level of development. Net absorption is predicted to slow along with new supply and employment growth after 2019, keeping the vacancy rate flat at just over 6.0%. New York City has substantial latent demand at lower rent levels, with many adults living with roommates or family who would rather be on their own.

For-sale multi-family development had been picking up, and now there may be a market price downturn. Reis reports 53 condominium projects with 2,100 units have competed construction thus far in 2018, leaving 14,535 units under construction—a significant total relative to the 18,074 market-rate apartments being built. In addition, Reis reports 120 apartment units converted to condominium units in 2017 and estimates a few more will do so in 2018. If developers cannot get the price they want for their condos, however, some may choose to turn them into rental units, at least in the short term. That could boost the post-2018 development total significantly.

RENTS

A two-year rent recession seems to have ended in 2018, although rising vacancy could cause it to resume. Although the average asking rent increased 0.2% in 2016, the average effective rent fell 1.0%. And though the average asking rent increased 2.7% in 2017, the average effective rent rose just 0.5%. Even including these years, and the decreases of 5.2% and 5.6%, respectively, in the recession year of 2009, however, rents managed to increase by an average of 2.4% asking and 2.2% effective during the 10 years from 2008 to 2017. And that followed several years of huge increases from 2004 to 2007.

During the third quarter of 2018, the average asking rent increased 0.7% to $3,693 per month, and the average effective rent was up 1.0% to $3,508 per month. These rates are high in part because with most pre-1974 apartments rent-regulated, the New York inventory is equivalent of Class A. Reis reported a market-rate, investment grade inventory of just 48,886 in 1980, less than a quarter of its current level. The year-over-year gains are 2.7% asking and 2.3% effective, with the latter increase slightly exceeding the gain in household average income. Reis predicts gains of 2.7% asking and 2.5% effective for all of 2018, with somewhat smaller annual gains to follow, particularly in 2019 and 2020. Moreover, asking rent gains are anticipated to exceed effective rent gains each year from 2018 to 2019, implying that concessions, once virtually unheard of in New York, will continue to increase.

For all rental housing, the 2017 American Community Survey reports a median gross rent of $1,379 per month in New York City, up 12.3% from 2013. The U.S average was $1,012 per month, up 11.8%. The 53.1% of New York City renters who paid 30.0% of their income or more in rent was significantly higher than the 49.5% for the U.S. as a whole despite NYC's rent regulations, large subsidized housing stock, and the fact that many affluent households who would be homeowners elsewhere are renters here. More than two-thirds of NYC households are renters.

TRANSACTION ANALYTICS

METRO VOLUME AND PRICING

Reis reports the 185 qualifying single property apartment investment sales in the third quarter of 2018 saw $1.87 billion in property change hands.* The mean sales price was $385,166 per unit, consistent with the high prices of recent years. The quarter's largest deal is also the largest of the past 12 months. In September, Equity Residential sold the 402-unit 101 West End Apartments to The Dermot Company for $416 million ($1,035,075 per unit). In July, Thor Equities LLC sold a 68-unit building on West End Avenue to Emerald Equity Group for $64.5 million ($948,529 per unit).

CAP RATE COMPARISONS AND FORECASTS

The mean cap rate for third quarter 2018 deals was 4.4%, down from 4.6% the quarter before and from 4.8% a year earlier. The 12-month rolling cap rate ended the quarter at 4.7%, down 10 basis points from the prior quarter and down 30 basis points from a year earlier. The rolling 12-month cap rate has been close to 5.0% since the fourth quarter of 2015. It is forecast to end 2018 at 4.7% and then rise to 5.4% in 2020.

OUTLOOK

The overall New York City housing market seems to have hit a point of price and crowding resistance, causing population growth to slow and the labor force to shrink. While still desirable, life in the city is apparently becoming intolerable for many squeezed into its limited housing and transit capacity. The Reis forecast implies that the city will level off at its current level of prosperity rather than crash, a good thing given how much its prosperity improved in the decade to 2017. Landlords will have to be content with a more typical level of vacancy, rather than rock-bottom, and moderate rent gains.

DOWNTOWN RESIDENTIAL MARKET

The following information with regard to the Lower Manhattan residential market was compiled from reports prepared by the ***Alliance for Downtown New York (Third Quarter 2018),*** the most recent report published.

INVENTORY AND DEVELOPMENT

Lower Manhattan has over 33,100 units in 334 mixed-use and residential buildings. The estimated population of approximately 61,000 held steady over the past year as several anticipated openings were delayed. Across existing residential buildings, approximately 59 percent are rentals, 35 percent are condos/co-ops and six percent have an unknown tenure. Over 2,670 units in 20 buildings are currently under construction or planned for development (75 percent condo and 25 percent rental).

During the third quarter, three residential buildings with 1,173 units opened and began welcoming residents. Full lease-up and occupancy are expected one year from now. They include:

• 111 Murray Street - Fisher Brothers and the Witkoff Group's 62-story, 157-unit condo tower opened in August. The building was the site of a former St. John's University building;

• 19 Dutch Street - Carmel Partners is starting to wrap up construction on its 64-story, 483-rental unit tower. The Fulton Street tower's first residents moved in this summer and the building will continue to open in phases throughout the next twelve months; and

• 20 Broad Street - MetroLoft's conversion of a 27-story office building adjacent to the New York Stock Exchange welcomed its first set of residents in September. The building will have 364 rental apartments and 169 short-term rentals operated by Sonder, a hospitality company. In addition, there will be 70,000 square feet of retail. Full occupancy is expected in the next 14-18 months.

Two additional buildings are expected to open before year's end:

• 19 Park Place - The narrow 21-story, 24 condominium tower, developed by ABN Real Estate, is wrapping up construction and expects a temporary certificate of occupancy in late 2018; and

• 49 Chambers Street - The Chetrit Group's conversion of the historic Emigrant Savings Bank anticipates closings to begin this November, adding 99 condo units to the market

LOWER MANHATTAN RESIDENTIAL DEVELOPMENT

Source: Downtown Alliance

	Address & Building Name	Lease & Building Type	Units	Open Date
Condo Units Under Construction		**TOTAL**	**2,069**	
1	**19 Park Place**	Condo New Construction	24	2018
2	**49 Chambers Street**	Condo Conversion	99	2018
3	**1 Beekman Street**	Condo New Construction	31	2019
4	**30 Warren Street**	Condo New Construction	23	2019
5	**81 Warren Street**	Condo New Construction	12	2019
6	**108 Chambers Street**	Condo New Construction	8	2019
7	**161 Maiden Lane** 1 Seaport	Condo New Construction	80	2019
8	**125 Greenwich Street**	Condo New Construction	273	2019
9	**45 Park Place**	Condo New Construction	50	2019
10	**23-31 Park Row**	Condo New Construction	110	2019
11	**69 West Broadway**	Condo New Construction	24	2020
12	**77 Greenwich Street** Former Syms site	Condo New Construction	90	2020
13	**One Wall Street**	Condo Conversion	566	2020
14	**130 William Street**	Condo New Construction	244	2020
15	**45 Broad Street**	Condo New Construction	206	2021
16	**75-83 Nassau Street**	Rental/Condo New Construction	229	2021
Condo & Rental Units In Development		**TOTAL**	**606**	
1	**267 Broadway**	Hotel/Condo New Construction	37	2020
2	**185 Broadway**	Rental New Construction	279	2021
3	**86 Warren Street**	Rental New Construction	40	TBD
4	**3 Platt Street** 102 John Street	Rental New Construction	92	TBD
TOTAL UNITS IN THE PIPELINE			**2,675**	

RESIDENTIAL RENTAL MARKET

According to residential statistics published by Miller Samuel/Douglas Elliman, the median rent in Lower Manhattan increased slightly to $3,795, up 1.5 percent from this time last year. Meanwhile, Manhattan's overall median rent also trended up slightly, at 0.9 percent year-over-year to $3,445.

RESIDENTIAL SALES MARKET

Continued fluctuation and correction in the residential sales market in Lower Manhattan reflected the expiration of the legacy contract pipeline for condos, as well as rising mortgage rates and downward pressure from the recent tax overhaul. Similar trends are being seen across Manhattan overall.

The median sales price for co-ops and condos dropped to $931,500, down nearly 7.5 percent from last quarter and 30 percent from the previous year. This is the first time since the first quarter of 2016 that the median sales price fell below $1 million. Similarly, while Lower Manhattan's average price per square foot (PPSF) of $1,285 saw a decrease of ten percent over the past quarter, the year-over-year decrease was around 28 percent.

CONCLUSION

The residential rental market in Manhattan has historically remained strong with high occupancy rates and a large inventory of rent regulated properties. Market conditions have fluctuated with regard to the rental market over the past several years, as vacancy rates have crept upward over the past year, leading landlords to offer more in terms of concessions. The for sale condominium market has stabilized over the past 24 months, with strong sales levels in desirable markets. Market rate housing within the Downtown markets have also seen steady nominal to rental price increases over the past 12 months and remains a desirable residential location.

MANHATTAN RETAIL MARKET ANALYSIS

New York City is a major retail market and has one of the largest sales volumes of any city in the nation. The Manhattan retail market contains over 54.8 million square feet of space. Manhattan does not contain traditional shopping centers in the sense that the term is used when referencing other cities or suburban areas. However, the City consists of shopping districts that function much like suburban malls. That is, the stores in that neighborhood are interdependent to some degree; each neighborhood has a couple of "anchor stores" whose performance can drive or stall dozens of smaller retailers. According to retail brokers, approximately 80% of Manhattan's retail space is contained within street level shops. Of the remainder, about 6 million square feet is in department stores and another 5 million square feet in office building atriums and retail projects configured as urban malls such as Trump Tower, Herald Center, Manhattan Mall, Rockefeller Center, World Trade Center, Time Warner Center (Columbus Circle) and East River Plaza.

In the last decade, Manhattan's real estate boom extended to include all property types, with retail being no exception. Manhattan prime retail corridors—Madison and Fifth Avenues and 57th Street, Broadway in Times Square—were commanding rents in excess of $2,000 per square foot ($3,500 per square foot on Upper Fifth Avenue), making these shopping districts the most expensive in the world with the Champs Elysees of Paris following at a distant second. While rents spiked in New York's top districts, mainstream and high end retail corridors emerged in marginal areas that were once the domain of 99-cent stores, taxi repair shops, or food processing plants.

CURRENT RETAIL ENVIRONMENT

A comprehensive overview of current conditions within the Manhattan retail market is provided by CoStar Property Services, a market research firm. The following pages contain excerpts from the CoStar Retail Market Report for the New York City (Manhattan) retail market as of the end of the Third Quarter 2018.

Total Retail Market Statistics — Third Quarter 2018

	Existing Inventory		Vacancy			Net	Deliveries		UC Inventory		Quoted
Period	# Blds	Total GLA	Direct SF	Total SF	Vac %	Absorption	# Blds	Total GLA	# Blds	Total GLA	Rates
2018 3q	4,480	54,781,573	2,203,589	2,312,292	4.2%	(259,095)	2	29,680	20	2,517,023	$112.49
2018 2q	4,479	54,756,893	1,907,562	2,028,517	3.7%	132,197	3	117,750	21	2,469,703	$101.35
2018 1q	4,476	54,639,143	1,960,544	2,042,964	3.7%	58,242	3	137,025	24	2,587,453	$102.52
2017 4q	4,474	54,509,783	1,894,902	1,971,846	3.6%	62,940	1	249,394	27	2,724,478	$98.39
2017 3q	4,473	54,260,389	1,702,480	1,785,392	3.3%	7,309	3	23,910	23	2,748,292	$98.86
2017 2q	4,470	54,236,479	1,693,526	1,768,791	3.3%	195,347	1	10,380	24	2,761,202	$91.16
2017 1q	4,470	54,232,576	1,888,430	1,960,235	3.6%	75,571	3	114,528	24	2,674,862	$89.86
2016	4,468	54,127,312	1,866,148	1,930,542	3.6%	231,193	8	492,030	23	2,591,794	$83.83
2015	4,481	53,760,712	1,740,960	1,795,135	3.3%	(87,573)	5	103,990	21	2,691,527	$81.23
2014	4,533	54,099,699	2,000,481	2,046,549	3.8%	(811,377)	6	125,246	14	941,593	$93.86
2013	4,566	54,708,555	1,812,031	1,844,028	3.4%	(462,994)	7	202,265	10	581,688	$93.84
2012	4,582	54,729,074	1,319,878	1,401,553	2.6%	(112,489)	3	23,388	10	369,661	$94.77
2011	4,596	54,871,808	1,410,472	1,431,798	2.6%	361,889	6	416,298	9	334,461	$70.55
2010	4,606	54,607,531	1,503,635	1,529,410	2.8%	434,593	9	278,481	7	477,778	$92.99
2009	4,596	54,315,964	1,647,619	1,672,436	3.1%	763,529	7	143,258	13	660,251	$86.27
2008	4,609	53,843,807	1,928,508	1,963,808	3.6%	578,118	4	216,403	15	1,201,595	$80.61

Source: CoStar Property®

CURRENT MARKET DATA FROM REBNY: FALL 2018 RETAIL REPORT

The REBNY (Real Estate Board of New York) Fall 2018 Retail Report, the most recent report published, summarizes the state of the market as follows:

INTRODUCTION

Asking rents in the Manhattan retail leasing market continue to adjust after reaching unsustainable levels three years ago. Declines have been widespread across Manhattan's top retail corridors since spring 2015 and our Manhattan Retail Report Advisory Group stated that the market still faces many challenges. However, owners and retailers have been increasingly responsive to the new retail environment.

As discussed in previous reports, the existing hurdles in the Manhattan retail leasing market have been a byproduct of a natural fluctuation in the market as well as a changing retail industry. These issues will be resolved with shifting rents and lease structures, but time is required for this process to develop. Changes in retail markets take more time to manifest due to the impact of longer-term factors. Examples include a retailer's timeline for strategizing a business plan, securing financing, and planning improvements to a retail space to fit their business needs.

With this long-run view in mind, it is worth looking at the market now and comparing it to where it stood three years ago. Currently, there are 15 corridors, out of 17, with lower average asking rents for ground floor retail space than what they were in the fall of 2015. The average overall decline in these corridors is 25 percent when compared to three years ago. Ten of the 15 decreases were over 20 percent and three were over 30 percent.

A natural correction in retail rents has been well underway over the past three years and both owners and retailers have been responding accordingly. Lease terms are more flexible, owners are accepting more short-term deals, improvement allowances are more generous, and retailers are trying different concepts for the new retail market before they agree to a long-term deal.

EXECUTIVE SUMMARY

The Manhattan retail market's orderly correction continued this fall with per square foot (psf) ground floor retail average asking rents declining year-over-year in 15 of the 17 high-profile corridors that the Real Estate Board of New York (REBNY) surveys bi-annually. There were four more corridors in decline in fall 2018 than in fall 2017, and this period marked the highest number of corridor declines in the Manhattan Retail Report's history.

The two corridors with year-over-year increases were: Harlem's 125th Street corridor, between Fifth Avenue and Morningside Avenue, where the ground floor retail average asking rent increased 14 percent year-over-year to $140 psf and the Upper West Side's Broadway corridor, between West 72nd and West 86th Streets, where the ground floor retail average asking rent rose five percent year-over-year to $306 psf. These increases were caused by changes in the profile of available ground floor retail spaces along these corridors, not an upward revision of asking rents for existing supply.

The West Village average asking rent of $293 psf on Bleecker Street, between 7th Avenue South and Hudson Street, was a 17 percent decrease from last fall. This was the first period that the average asking rent in this corridor fell below $300 since we started tracking the corridor in the spring of 2008. Among the largest of these declines was the 37% drop of the average asking rent for ground floor retail space in the West Village on Bleecker Street, between 7th Avenue South and Hudson Street, from $468 psf in the fall of 2015 to $293 psf in the fall of 2018.

Upper Fifth Avenue, between 49th and 59th Streets, experienced a significant average asking rent decrease of 24 percent this fall leaving the average asking rent on the corridor at $2,973 psf. This drop was caused by increases in availability and the types of spaces available in the corridor. In previous periods, there were limited availabilities in the corridor and any available spaces were at the higher end of the market.

Average asking rents psf in the Eastside on Madison Avenue, between East 57th Street and East 72nd Street; in the Meatpacking District on West 14th Street, between 9th and 10th Avenues; and in SoHo on Broadway, between Houston and Broome Street, continued to decline this fall. The Madison Avenue corridor notched its seventh consecutive year-over-year drop to $1,160 psf. Average asking rents on the Meatpacking District's West 14th Street and SoHo's Broadway both fell for the sixth consecutive year-over-year period to $303 psf and $558 psf, respectively.

The rents quoted in this report are asking rents for available ground floor retail spaces. The physical components and location of a retail space factor greatly into its rental value. Attributes such as street/avenue frontage, ceiling height, and presence of below and above grade space can also affect value. Consequently, in corridors with low availability, a high quality retail space coming to market can increase the average and median asking rents greatly. Also, in smaller corridors, a lack of available spaces may lead, in some cases, to adjacent blocks becoming of greater interest to retailers.

AVERAGE ASKING RENT PSF – GROUND FLOOR RETAIL

	Fall 18	Spring 18	Fall 17	% Spring 18	% Fall 17
EAST SIDE					
East 86th St (Lexington Ave - 2nd Ave)	$367	$400	$450	-8%	-19%
Madison Ave (57th St -72nd St)	$1,160	$1,390	$1,348	-17%	-14%
Third Ave (60th St - 72nd St)	$233	$264	$261	-12%	-11%
WEST SIDE					
Broadway (72nd St -86th St)	$306	$325	$291	-6%	5%
Columbus Ave (66th St - 79th St)	$298	$304	$338	-2%	-12%
MIDTOWN					
East 57th St (5th Ave - Park Ave)	$925	$975	$1,294	-5%	-29%
5th Ave (49th St - 59th St)	$2,973	$3,900	$3,900	-24%	-24%
5th Ave (42th St - 49th St)	$939	$1,097	$1,158	-14%	-19%
Broadway & 7th Ave (42nd St - 47th St)	$1,860	$1,938	$2,100	-4%	-11%
MIDTOWN SOUTH					
Herald Square					
West 34th St (5th Ave - 7th Ave)	$573	$604	$633	-5%	-9%
Flatiron					
5th Ave (14th St - 23rd St)	$393	$422	$449	-7%	-13%
Broadway (14th St - 23rd St)	$378	$360	$384	5%	-2%
DOWNTOWN					
Meatpacking					
14th St (9th Ave - 10th Ave)	$303	$313	$323	-3%	-6%
West Village					
Bleecker St (7th Ave South - Hudson St)	$293	$332	$351	-12%	-17%
SoHo					
Broadway (Houston St - Broome St)	$558	$595	$644	-6%	-13%
Lower Manhattan					
Broadway (Battery Park - Chambers St)	$338	$368	$374	-8%	-10%
UPPER MANHATTAN					
Harlem					
125th St. (5th Ave - Morningside Ave)	$140	$124	$123	13%	14%

** NA denotes minimal availability for evaluation*
*** Statistics reflect availabilities on 10/15/18*

MEDIAN ASKING RENT PSF – GROUND FLOOR RETAIL

	Fall 18	Spring 18	Fall 17	% Spring 18	% Fall 17
EAST SIDE					
East 86th St (Lexington Ave - 2nd Ave)	$375	$400	$450	-6%	-17%
Madison Ave (57th St -72nd St)	$1,160	$1,361	$1,247	-15%	-7%
Third Ave (60th St - 72nd St)	$225	$275	$275	-18%	-18%
WEST SIDE					
Broadway (72nd St -86th St)	$325	$325	$295	0%	10%
Columbus Ave (66th St - 79th St)	$280	$276	$300	1%	-7%
MIDTOWN					
East 57th St (5th Ave - Park Ave)	$800	$900	$1,250	-11%	-36%
5th Ave (49th St - 59th St)	$2,600	$3,900	$3,900	-33%	-33%
5th Ave (42th St - 49th St)	$909	$1,000	$1,200	-9%	-24%
Broadway & 7th Ave (42nd St - 47th St)	$2,000	$1,975	$2,000	1%	0%
MIDTOWN SOUTH					
Herald Square					
West 34th St (5th Ave - 7th Ave)	$650	$625	$650	4%	0%
Flatiron					
5th Ave (14th St - 23rd St)	$418	$400	$409	5%	2%
Broadway (14th St - 23rd St)	$350	$343	$328	2%	7%
DOWNTOWN					
Meatpacking					
14th St (9th Ave - 10th Ave)	$300	$300	$300	0%	0%
West Village					
Bleecker St (7th Ave South - Hudson St)	$268	$319	$371	-16%	-28%
SoHo					
Broadway (Houston St - Broome St)	$547	$587	$600	-7%	-9%
Lower Manhattan					
Broadway (Battery Park - Chambers St)	$325	$375	$400	-13%	-19%
UPPER MANHATTAN					
Harlem					
125th St. (5th Ave - Morningside Ave)	$130	$130	$130	0%	0%

** NA denotes minimal availability for evaluation*
*** Statistics reflect availabilities on 10/15/18*

RANGE OF ASKING RENTS PSF – GROUND FLOOR RETAIL

	Fall 18			Spring 18			Fall 17		
EAST SIDE									
East 86th St (Lexington Ave - 2nd Ave)	$250	_	$475	$300	_	$500	$450	_	$450
Madison Ave (57th St -72nd St)	$720	_	$1,700	$720	_	$2,000	$520	_	$2,135
Third Ave (60th St - 72nd St)	$165	_	$300	$140	_	$400	$165	_	$300
WEST SIDE									
Broadway (72nd St -86th St)	$200	_	$450	$147	_	$500	$105	_	$500
Columbus Ave (66th St - 79th St)	$178	_	$458	$225	_	$500	$176	_	$500
MIDTOWN									
East 57th St (5th Ave - Park Ave)	$800	_	$1,175	$800	_	$1,200	$1,175	_	$1,500
5th Ave (49th St - 59th St)	$2,000	_	$4,000	$3,900	_	$3,900	$3,900	_	$3,900
5th Ave (42th St - 49th St)	$590	_	$1,744	$635	_	$1,600	$700	_	$1,600
Broadway & 7th Ave (42nd St - 47th St)	$1,000	_	$2,350	$1,800	_	$2,000	$1,800	_	$2,500
MIDTOWN SOUTH									
Herald Square									
West 34th St (5th Ave - 7th Ave)	$314	_	$750	$371	_	$800	$314	_	$1,000
Flatiron									
5th Ave (14th St - 23rd St)	$285	_	$511	$285	_	$555	$285	_	$750
Broadway (14th St - 23rd St)	$311	_	$500	$311	_	$445	$286	_	$540
DOWNTOWN									
Meatpacking									
14th St (9th Ave - 10th Ave)	$195	_	$450	$150	_	$700	$195	_	$700
West Village									
Bleecker St (7th Ave South - Hudson St)	$182	_	$465	$200	_	$450	$200	_	$450
SoHo									
Broadway (Houston St - Broome St)	$300	_	$900	$341	_	$1,000	$444	_	$1,000
Lower Manhattan									
Broadway (Battery Park - Chambers St)	$125	_	$500	$160	_	$600	$160	_	$600
UPPER MANHATTAN									
Harlem									
125th St. (5th Ave - Morningside Ave)	$76	_	$230	$76	_	$145	$76	_	$145

** NA denotes minimal availability for evaluation*
*** Statistics reflect availabilities on 10/15/18*

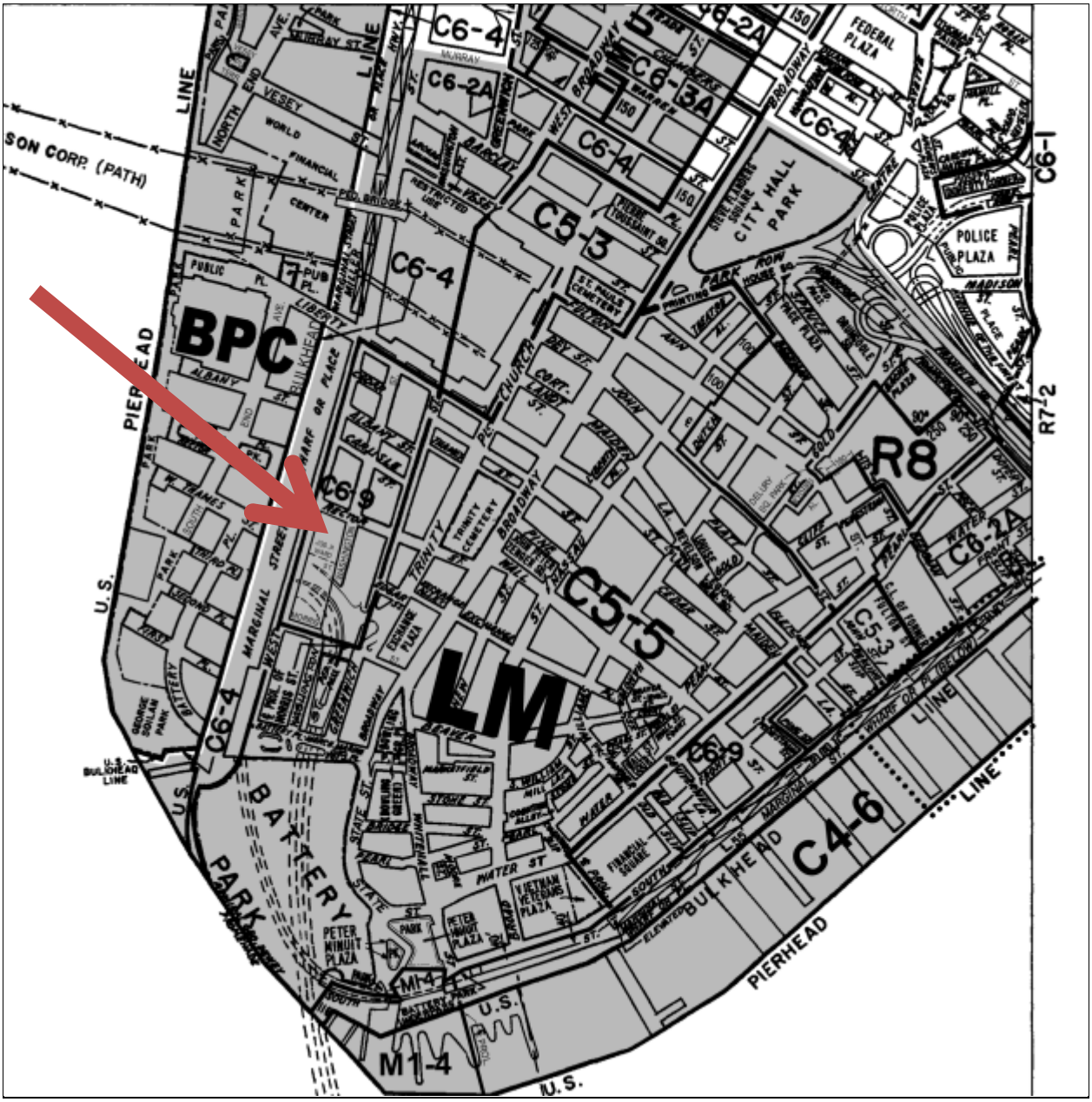
CONCLUSION

As evident, the Manhattan retail market has historically performed adequately, with vacancy rates ranging from 2.6% to 4.2% over the past 10 years dating back to 2007. There are a number of projects under construction, and additions to the market are ongoing as space continues to be absorbed within the market. Lease rates have fluctuated over the past several quarters, while net absorption has been positive for five of the past ten quarters. The following summary with regard to the Manhattan retail market is excerpted from Cushman & Wakefield MarketBeat Report (3Q 2018) for the Manhattan Retail market:

In Midtown, the average asking rental rate on Lower Fifth Avenue (42nd Street–49th Streets) closed the third quarter at $1,006 per square foot (psf), its lowest rate in six years. In Lower Manhattan's financial district, asking rents dropped 15.0% year-over-year to $363 psf, as prices dropped on Broadway and Wall Street. Counter to these declines, the Flatiron/Union Square West and Times Square Bowtie markets posted increases in asking rents during the third quarter, registering $437 psf and $1,995 psf, respectively.

As availability rates climb to historically high levels across many of Manhattan's highly regarded retail corridors, asking rents continue to fall. Continuing the trend from midyear, almost all retail statistical submarkets registered reduced asking rents due to lower-priced stores coming to the market and declining asking rents for existing availabilities. However, the Manhattan retail market continues to be cautiously optimistic—with healthy consumer spending and densely populated city streets, driven by steady income growth, New York City continues to dominate in commerce, culture, and tourism.

ZONING MAP


BPC
LM
C6-4
C6-2A
C6-1
C5-3
C6-9
R8
R7-2
C4-6
M1-4
BATTERY PARK
BULKHEAD
PIERHEAD
MARGINAL STREET
WEST ST
U.S. BULKHEAD LINE
PIER LINE
CITY HALL PARK
POLICE PLAZA
FEDERAL PLAZA
BROADWAY
WATER ST
PETER MINUIT PLAZA
VIETNAM VETERANS PLAZA
SON CORP. (PATH)

ZONING SUMMARY

The subject property is situated within a C6-9 Commercial zoning district within a Special Purpose Lower Manhattan (LM) district. C6 districts are zoned for a wide range of high bulk commercial uses requiring a central location. Most C6 districts are in Manhattan and provide for corporate headquarters, large hotels, entertainment facilities, retail stores and some residential development in mixed buildings. C6-6, C6-7 and C6-9 are considered to be high bulk office districts.

The district is mapped in Mid- and Lower Manhattan, Downtown Brooklyn and in Long Island City in Queens. All commercial uses in these high density areas are exempt from parking requirements because public transportation is easily available.

The subject property is located within the Special Lower Manhattan (LM) district, as amended November 15, 2007. The "Special Lower Manhattan District" is designed to promote and protect public health, safety, general welfare and amenity. These general goals include, among others, the following specific purposes:

- (a) encourage development of a 24-hour community through the conversion of older commercial buildings to residential use;
- (b) facilitate maximum design flexibility of buildings and enhance the distinctive skyline and streetscape of Lower Manhattan;
- c) improve public use and enjoyment of the East River waterfront by creating a better physical and visual relationship between development along the East River and the waterfront area, public access areas and the adjoining upland community;
- (d) enhance the pedestrian environment by relieving sidewalk congestion and providing pedestrian amenities;
- € restore, preserve and assure the use of the South Street Seaport Subdistrict as an area of small historic and restored buildings, open to the waterfront and having a high proportion of public spaces and amenities, including a South Street Seaport Environmental Museum, with associated cultural, recreational and retail activities;
- (f) establish the Historic and Commercial Core to protect the existing character of this landmarked area by promoting development that is harmonious with the existing scale and street configuration; and
- (g) promote the most desirable use of land and thus conserve and enhance the value of land and buildings, and thereby protect the City's tax revenues.

SUMMARY OF BULK REGULATIONS FOR C6-9 DISTRICTS

Maximum Floor Area Ratio	15.0 commercial building (18.0 with bonus)
	15.0 commercial building (18.0 with bonus)
	10.0 residential building (12.0 with bonus)
Minimum Required Open Space	None
Minimum Lot Size	1,700 square feet
Minimum Width	18 feet
Front Yard Setback	None
Minimum Rear Yard	30 feet – residential (Depth in feet)
	20 feet – commercial
Initial Setback	20 feet narrow street
	15 feet wide street
Maximum Height	Tower Rules

SUMMARY OF USE REGULATIONS

The following uses are permitted in C6-9 districts:

Category	Permitted Uses
Use Group 1	Single-family detached residences.
Use Group 2	Residences of all kinds including apartments, hotels, and non-profit residences for the elderly.
Use Group 3	Community facilities which include colleges or universities, libraries, museums, non-commercial art galleries, trade schools, nursing homes, and health related facilities.
Use Group 4	Churches, medical offices.
Use Groups 5-10	Transient hotels, full range of retail and commercial services, amusements.
Use Group 11	Custom manufacturing activities as well as wholesale establishments.
Use Group 12	Large entertainment facilities, arenas and rinks.

SUMMARY OF PARKING REGULATIONS

All C6 districts are exempt from parking requirements.

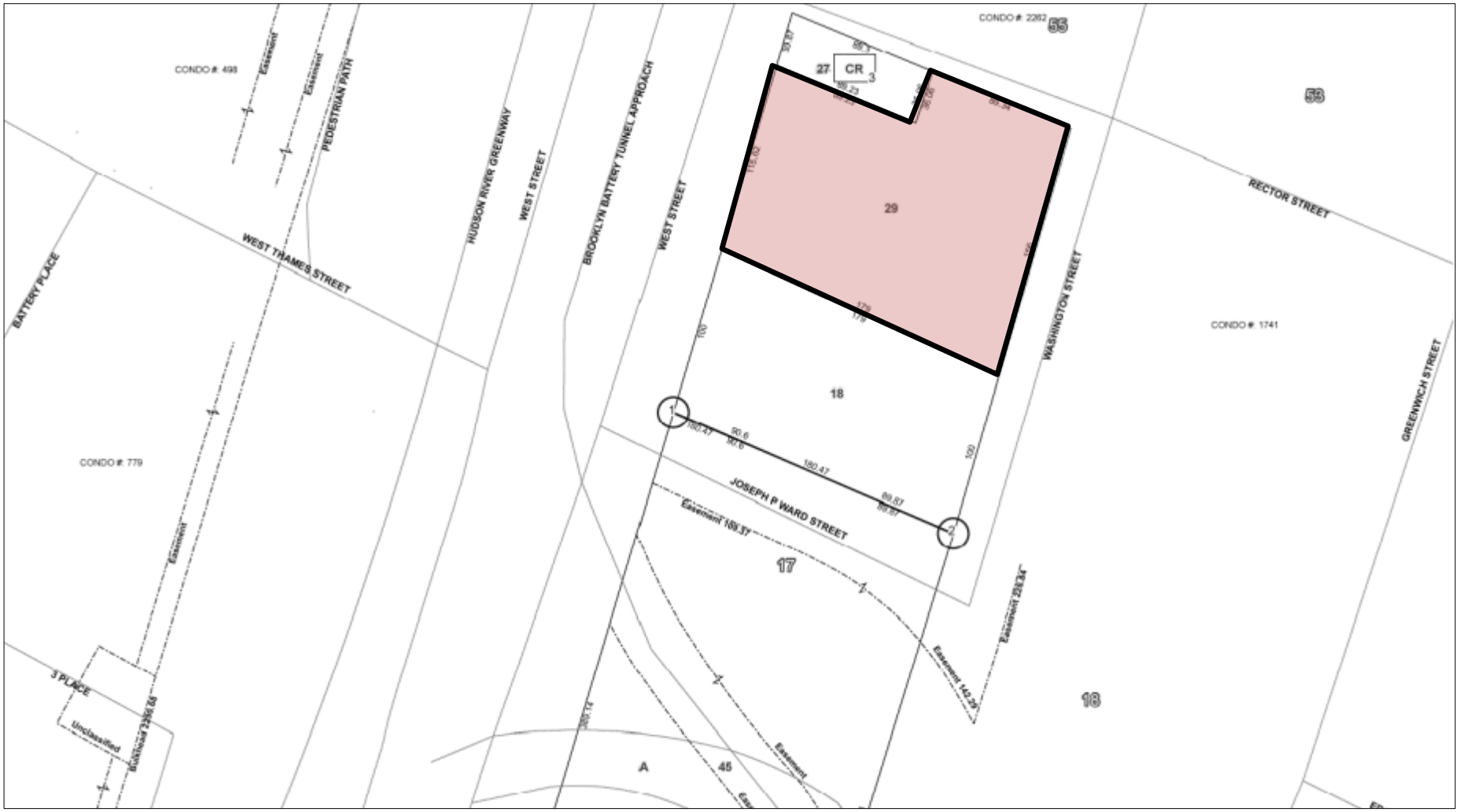
SUMMARY OF ZONING

The subject site contains 23,902+/- square feet and based upon the existing C6-9 Commercial zoning regulations, the maximum permissible buildable area is 286,824+/- square feet (12.00 FAR x 23,902 square feet) for a new building including plaza bonuses. The subject building contains 335,114 square feet and exceeds the maximum buildable area in terms of FAR. Typically, deductions are allowable for common areas and bulkheads, and below grade space does not count

toward the allowable FAR. The property was constructed in 1969 and predates the current zoning ordinance. Therefore, the property appears to be a legally non-complying bulk and conforming use of the existing zoning code.

It should be noted that we are not experts in the interpretation of complex zoning ordinances. The determination of compliance, however, is beyond the scope of a real estate appraisal. We know of no deed restrictions, private or public, that further limit the subject'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.

TAX MAP LOCATION



ASSESSED VALUE AND REAL ESTATE TAXES

ASSESSMENTS

The subject property is designated on the tax maps of the City of New York, Borough of Manhattan, as Block 17, Lot 29. The 2018/2019 assessed values for the subject property are presented as follows:

B 17 L 29		Actual		Transitional
Land		$6,030,000		$6,030,000
Building	+	32,265,900	+	29,094,980
Total		$38,295,900		$35,124,980

The prior year 2017/2018 assessed values for the subject property are indicated as follows:

B 17 L 29		Actual		Transitional
Land		$6,030,000		$6,030,000
Building	+	32,126,850	+	26,901,869
Total		$38,156,850		$32,931,869

The City's tax year, runs on a fiscal year from July to June. Properties in New York City are assessed every year. Increases in assessed value for commercial properties are phased in over a five-year transitional period. The "Transitional" assessed value represents the phase-in, and the "Actual" assessed value represents the future or target assessment when the transitional or phase-in period is over. The tax rate is applied to the lower of the transitional or actual assessed values. The subject property is a Class 2 residential property. For Class 2 properties, the assessed value represents 45% of the estimated market value.

As shown in the subject assessments above, there was an increase in both the transitional and actual assessments from the 2017/2018 tax year to the 2018/2019 tax year. Based upon City records, the Department of Finance estimated a nominal increase in market value. The subject's actual assessed value for 2018/2019 equates to $114.28 per square foot.

Actual AV/SF		GBA (SF)		Assessment PSF
$38,295,900	/	335,114	=	$114.28

To determine the reasonableness of the subject's assessed value, we have researched actual assessments for comparable Class 2 buildings within the subject area. The tax comparable analysis follows.

ASSESSED VALUE TAX COMPARABLES (2018/2019)

Address	Year Built/Renovated	Stories	Area (SF)	Actual AV/SF
69-73 Broadway	1900/1997	23	303,086	$128.72
37-43 Wall Street	1904/2006	26	377,214	$110.73
63 Wall Street	1929/2004	37	400,531	$122.04
10 Hanover Square	1972/2005	21	487,404	$138.06
90-93 West Street	1908/2004	24	357,001	$125.18
67-75 Wall Street	1921/2006	25	303,175	$120.55
53 Park Place	1920/2001	12	138,600	$110.86

The tax comparables range from $110.73 to $138.06 per square foot, averaging $122.30 per square foot. The subject's current actual assessment of $114.28 per square foot is within the comparable range. Therefore, we have applied the current assessments in our analysis.

TAX RATES

The City of New York has four tax categories for real properties. The subject property consists of a Class 2 tax property. The following chart indicates the historical tax rates for New York City.

REAL ESTATE TAX RATES, NEW YORK CITY 2000-2019

Year	Class 1	Class 2	Class 3	Class 4
2000/2001	11.255	10.847	10.540	9.768
2001/2002	11.609	10.792	10.541	9.712
First-Half 2002/2003	11.936	10.564	10.607	9.776
Second-Half 2002/2003	14.160	12.517	12.565	11.580
2003/2004	14.550	12.620	12.418	11.431
2004/2005	15.094	12.216	12.553	11.558
2005/2006	15.746	12.396	12.309	11.306
2006/2007	16.118	12.737	12.007	10.997
2007/2008	14.434	11.928	11.577	10.059
2008/2009	16.196	12.596	12.137	10.241
2009/2010	17.088	13.241	12.743	10.426
2010/2011	17.364	13.353	12.631	10.312
2011/2012	18.205	13.433	12.473	10.152
2012/2013	18.569	13.818	12.477	10.288
2013/2014	19.191	13.145	11.902	10.323
2014/2015	19.157	12.855	11.125	10.684
2015/2016	19.554	12.883	10.813	10.656
2016/2017	19.991	12.892	10.934	10.574
2017/2018	20.385	12.719	11.891	10.514
2018/2019	20.919	12.612	12.093	10.514

Source: Historical Rates Provided by New York City Department of Finance for 2000/2001 through 2018/2019

For Class 1 properties, the overall tax rate has increased by 2.61% from the 2017/2018 rate to $12.919 per $100 of assessed value. The Class 2 rate has decreased by 0.84% after being on an increasing trend since 2013. The Class 3 rate has also increased by 1.70% over the 2017/2018 rate, a relatively small increase as compared to prior years. The Class 4 tax rate has remained the same as the 2017/2018 rate at $10.514 per $100 of assessed value.

2018/2019 TAX LIABILITY CALCULATION

The Class 2 tax rate has fluctuated over the past few years and has shown both increases and decreases from year to year. Therefore, based on the recently released 2018/2019 tax rate of 12.612% and the 2018/2019 current transitional assessment, current annual real estate taxes are estimated as follows:

18/19 Taxable AV		18/19 Tax Rate		Total Tax Liability		Total GBA (SF)		Total Tax Liability PSF
$35,124,980	x	12.612%	=	$4,429,962	/	335,114	=	$13.22

As illustrated above, the real estate tax calculation for the 2018/2019 tax year is estimated at $4,429,962.

BUSINESS IMPROVEMENT DISTRICT TAXES

The property is also subject to the Alliance for Downtown New York Business Improvement District (BID) taxes. The BID tax is a supplemental real estate tax levied on commercial buildings located within certain districts established throughout Manhattan (and other boroughs). Typically, private commercial real estate owners pay a nominal supplemental tax used to augment public services and provide special amenities to the area. The current BID taxes are nominal (approximately $300).

421(G) EXEMPTION AND ABATEMENT

As a residential conversion, the subject qualified for a 421(g) tax exemption for a period of twelve years and a tax abatement for a period of fourteen years. The Section 421-g Program was administered by the NYC Department of Housing Preservation and Development to promote more productive use of non-residential buildings in Lower Manhattan. A partial exemption and abatement was given for the conversion of nonresidential buildings to residential use in the eligible Lower Manhattan revitalization area, for a maximum of twelve years (thirteen years for landmarked buildings). Abatements are granted for a period of fourteen years (fifteen years for landmarked buildings).

To be eligible for this benefit, a building permit for the conversion must have been issued on or before July 1, 2006 and the construction must have been completed (or nearly completed) within 3 years (July 1, 2009). To qualify for benefits, the building must be in the Lower Manhattan Abatement Zone, generally defined as the area south of the centerline of Murray, Frankfort and Dover Streets, excluding Battery Park City and the piers.

For non-landmarked properties, a twelve-year program was utilized, with full 100% exemption for the first 8 years, with 20% phase ins thereafter; for landmarked properties the term was for thirteen years with 100% exemptions for the first 9 years with 20% phase ins thereafter.

For non-landmarked properties, a fourteen-year program was utilized, with full 100% exemption for the first ten years, with 20% phase ins thereafter; for landmarked properties the term was for fifteen years with 100% exemptions for the first eleven years with 20% phase ins thereafter.

The New York State Legislature did not renew the 421(g) exemption; therefore, it expired on June 30, 2006.

The subject property was granted the exemption in July 2004 with an expiration date of June 30, 2016 at which time the property was fully taxable. In addition, a fourteen-year tax abatement was also granted with a similar phase in schedule; the abatement portion expired on June 30, 2018. Thus, the abatement and exemption for the subject property have both expired; no more benefits are received.

SITE DESCRIPTION

The subject property is located on the southwest corner of Washington Street and Rector Street, through to and fronting on the east side of West Street, in the Financial District section of Downtown Manhattan, New York County, City and State of New York. The subject site is identified on the New York County tax assessment maps as Block 17, Lot 29 and contains a land area of approximately 23,902± square feet. The property is situated within a C6-9 Commercial zoning district within a Special Purpose Lower Manhattan (LM) district. The particulars of the site are summarized as follows:

Location:	The subject property is located on the southwest corner of Washington Street and Rector Street, through to and fronting on the east side of West Street, in the Financial District section of Downtown Manhattan, New York County, City and State of New York.
Site Area:	23,902± Square Feet
Shape:	Irregular
Frontage:	The subject site contains 156.00± feet of frontage on the west side of Washington Street, 89.34± feet of frontage on the south side of Rector Street, and 115.62± feet of frontage on the east side of West Street.
Topography:	Generally level and at grade
Drainage:	Adequate
Paving:	All roads are paved with asphalt in accordance with New York City standards. All roads appeared to be in satisfactory condition.
Street Drainage:	Street drainage is collected with the utilization of recessed catch basins. The catch basins empty by gravity into the New York City sewer storm system mains.
Street Lighting:	Street lighting consists of standard lighting fixtures which are 400-watt, sodium vapor fixtures and controlled by photo cells. The lighting fixtures are post mounted as per New York City requirements.
Street Orientation:	Washington Street is a one-way, L-shaped interior surface street which connects West Street (north) to Battery Place. Street side parking is permitted at various times along Washington Street (both sides) on the southern facing section.

Rector Street is a one way, interior surface street which travels from west to east. Street side parking is permitted at various times along Rector Street (south side only).

West Street, in the vicinity of the subject, is a one way, northbound thoroughfare which expands from one to three lanes and feeds into the West Side Highway (NYS Route 9A). West Street is a divided highway with dedicated north and southbound lanes. Street side parking is not permitted along this roadway.

Utilities + Services:

Sewer - New York City

Refuse – New York City

Fire Protection – New York City

Police - New York City

Water – New York City

Gas – Consolidated Edison Company

Electric - Consolidated Edison Company

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 services of a professional engineer for this purpose.

Flood Hazard Status:

The subject property is located in Zone AE, area of moderate flooding (100 year); according to FIRM Community Panel #360497-0184F dated September 5, 2007. Flood insurance is typically required.

Conclusion:

The subject site is similar to other lots located within the Financial District market area. The subject's immediate block is made up primarily of similar low and mid-rise apartment buildings. The site conforms to the C6-9 Commercial zoning use regulations. There are no negative external factors affecting the site. Based upon the current use of the site, all aspects of the site are functionally adequate.

SUBJECT PROPERTY PHOTOS



SUBJECT PROPERTY



SUBJECT PROPERTY



SUBJECT PROPERTY



SUBJECT PROPERTY



WASHINGTON STREET – VIEW NORTH



WASHINGTON STREET – VIEW SOUTH



RECTOR STREET – VIEW WEST



RECTOR STREET – VIEW EAST



WEST SIDE HIGHWAY – VIEW SOUTH



WEST SIDE HIGHWAY – VIEW NORTH



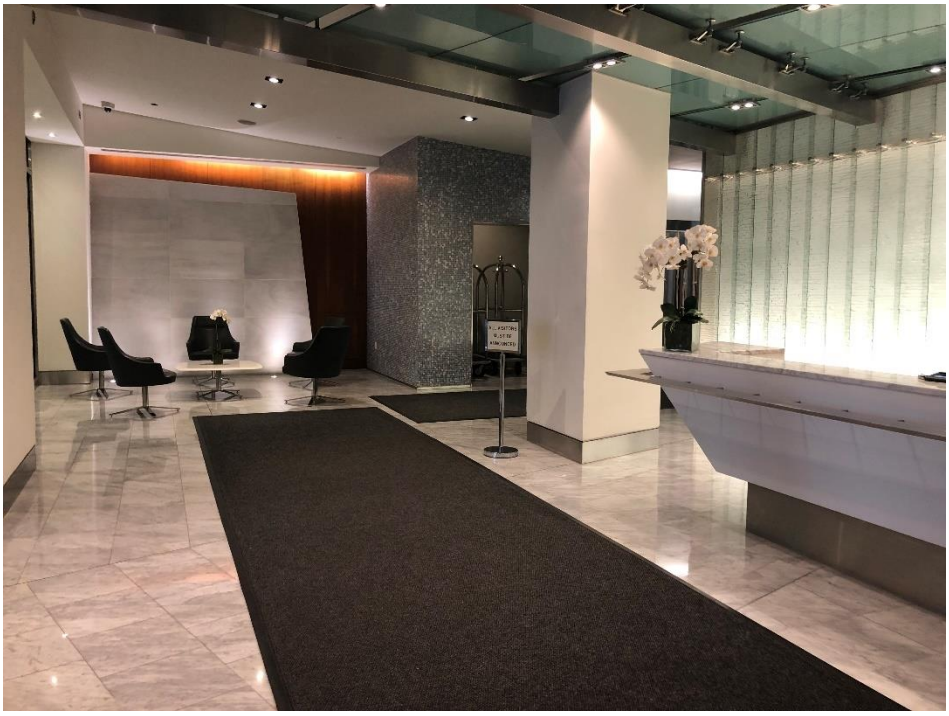
BUILDING ENTRY (FRONT)



BUILDING ENTRY (REAR)



ENTRY LOBBY



ENTRY LOBBY



LOBBY – ELEVATOR BANKS



LOBBY – VALET SERVICE



TYPICAL STUDIO



TYPICAL STUDIO



TYPICAL KITCHEN



TYPICAL KITCHEN



TYPICAL BATHROOM



TYPICAL BATHROOM



TYPICAL CORRIDOR / COMMON AREA



TYPICAL CORRIDOR / COMMON AREA



LOUNGE AREA



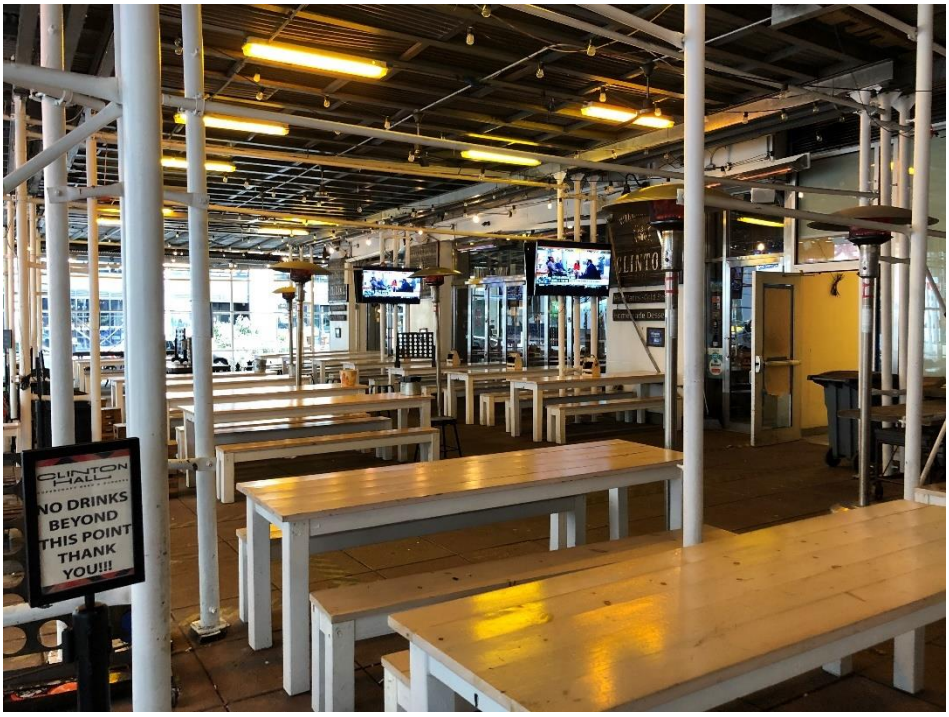
FITNESS CENTER



OUTDOOR TERRACE SPACE



TYPICAL LAUNDRY ROOM



RETAIL SPACE



RETAIL SPACE (OUTDOOR SEATING)



BRIGHT HORIZONS SCHOOL SPACE (EXTERIOR)



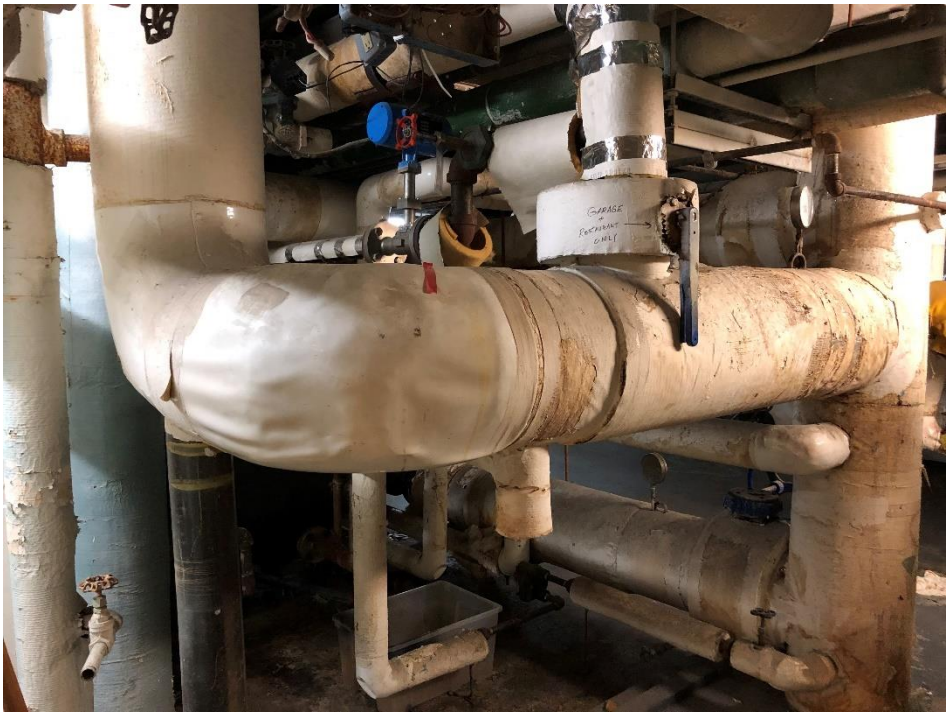
BRIGHT HORIZONS SCHOOL SPACE (EXTERIOR)



BRIGHT HORIZONS SCHOOL SPACE (INTERIOR)



BRIGHT HORIZONS SCHOOL SPACE (INTERIOR)



STEAM ROOM



STEAM ROOM / MECHANICALS



MECHANICALS



MECHANICALS



MAIN ELECTRIC PANELS



ELECTRIC PANELS



ROOF



ROOF



ROOF CHILLER PLANT



ROOF CHILLER PLANT

BUILDING DESCRIPTION

The subject property consists of a twenty-seven story, plus basement, elevator apartment building containing 397 apartment units including 1 unit provided to a superintendent. The building also contains a community facility space leased to the Bright Horizons School, and 1 retail store at grade. The subject was constructed in 1969 and renovated in 2003, and contains a gross building area of 335,114 square feet. The property is currently 94.71% leased and occupied with 20 vacant residential units. All of the residential units but one are free market and consist of studio, studio with home office, and one bedroom apartments. Amenities include a fitness center, lounge and outdoor terrace space. The following is a summary of the construction characteristics of the subject improvements.

Foundation	Concrete block and masonry foundation.
Exterior Walls:	The building's exterior is composed of limestone and masonry panels.
Roof:	The roof consists of an EDPM membrane system with surrounding brick parapet walls with masonry coping. The roof houses the elevator machine rooms.
Entrances:	The main building (residential) entrance is on Washington Street and consists of two sets of full length glass doors (swing out) set in metal frames; there is also a revolving glass door set in metal framing. The retail space has its own separate entrances consisting of swing out glass doors in metal frames. The school space also has a separate entrance on West Street.
Windows:	Aluminum-framed, double-hung, vertical sliding single-pane thermopane windows for the apartment units. The ground floor retail tenant has fixed pane storefront windows.

MECHANICALS

Heat / Air Conditioning:	The building is heated via steam purchased from Consolidated Edison. There is a dedicated boiler room in the basement with cast iron piping which distributes the Con Ed steam. Heating is dispersed via a heat pump system through individual PTAC units in the apartments. There are also supplemental hot water heaters in the basement. The PTAC units also disperse air conditioning in each apartment unit; there is a separate cooling tower on the roof which provides cool air circulation.

Electric: Circuit breakers, switches, lighting fixtures and outlets. The building tenants are individually metered for electric by Con Edison. Main electric consists of a 4,000 ampere service (estimated).

Elevators: The building has five automatic elevators each with a 2,500-pound capacity. Two are utilized for the low rise section of the building (floors 2-12); two are utilized for the high rise (tower) section of the building (floors 14-27), and one is utilized as a freight elevator which stops on all floors.

Stairwell Two interior scissor stairwells with concrete treads and iron railings service the building.

Plumbing: Mixed copper and galvanized steel with cast iron waste plumbing.

Security: The building has an attended lobby with a buzzer/intercom system.

Life Safety: The building is fully sprinklered with a wet system. The stairwell corridors have standpipe systems and hose connections. There is also emergency lighting.

INTERIOR LAYOUT AND FINISH

Lobby/Common Area Hallways: The lobby finishes include market flooring, with marble, sheetrock, tile and wood walls with sheetrock and glass panel ceilings. Lighting fixtures are attached and recessed. Common hallways typically have carpeted flooring, fabric covered sheetrock walls and painted sheetrock ceilings with attached and recessed lighting fixtures.

Apartment Interiors: Apartment interiors vary depending on the degree of updating and renovation received; most have been updated and have modern kitchens and bathrooms. Units feature parquet and/or hardwood floors, with painted plaster walls and ceilings, marble tiled bathrooms and generally modernized kitchens with wood cabinets, and granite or Formica kitchen countertops. Some older bathrooms have ceramic tiled floors and wainscots.

Amenities: The thirteenth floor of the facility contains a large fitness center, as well as a lounge and game room. There is also

common outdoor terrace space. This floor also contains a single apartment unit utilized as a leasing office.

Retail Space:

The retail space is finished in a bar/restaurant format with tiled flooring, wood beamed and paneled walls and wood panel and exposed ceilings. There are glass door partitions leading to a covered outdoor section for seating. The retail space also contains a commercial kitchen with stainless steel appliances.

There is a small interior commercial space utilized as a valet service. This space consists of two rooms and has similar finishes as the lobby.

School Space (former Parking Garage):

The previous parking garage space was vacated and converted to a community facility / institutional use in the form of a school. Interior finishes consist of an institutional buildout, including linoleum tiled resilient flooring, painted sheetrock walls acoustic drop ceilings with recessed fluorescent lighting and HVAC ducts. The space is configured into multiple classroom sections and also contains some administrative offices and several bathrooms, as well as a food service.

Basement:

The basement contains the building mechanicals, electrical meter room, boiler room and miscellaneous mechanical and storage rooms. The basement also contains space utilized by the retail tenant and includes a freezer.

The subject property contains 397 apartment units including 1 superintendent unit, a community facility space, and 1 grade level retail space. The following table illustrates the residential unit breakdown:

BUILDING UNIT LAYOUT

# Bedrooms	# Units	# Rooms Each	Total # Rooms
Studio	367	2	734
1BRs	30	3	90
2BRs	0	4	0
3BRS	0	5	0
Totals:	**397**		**824**

The above table includes a 1 bedroom apartment (unit 10C) utilized as the superintendent's apartment (rent free).

APARTMENT DISTRIBUTION BY UNIT TYPE / COMMERCIAL SPACE

The subject property contains 397 apartments including 367 studios and 30 one-bedroom apartments. There are no two or three bedroom units. Many of the studio units contain an extra room and are therefore referred to as studio home office units (the extra room typically does not have a closet and therefore cannot be considered as a bedroom). The residential units are located on the second through twenty seventh floors; the commercial units are located on the first floor. The Bright Horizons school (former parking garage) reportedly comprises approximately 10,000 square feet of net rentable area, with 2,000 square feet of outdoor space. The retail space comprises 3,200 square feet (bar/restaurant), and there is a 275 square foot valet space in the lobby which is leased to an operator.

CONDITION

The subject was constructed circa 1969 and renovated in 2003 and is generally in good to very good overall condition. Based upon the location and condition of the subject property, it functions as a viable apartment building. No obvious items of deferred maintenance were noted.

BUILDING MANAGEMENT

The building is currently managed by ownership – the Moinian Group. The building is staffed by an on-site superintendent. The superintendent unit is on the tenth floor and is provided rent free. There is also an attended lobby with a single doorman/security guard. Ownership contracts for most maintenance services such as boiler maintenance, plumbing and electrical, etc. This appraisal is made subject to the assumption that the property is operating under prudent management.

PROPERTY LEASING

The residential apartments are rented on a landlord-paid heat and water basis. Tenants are responsible for individual unit electrical consumption for which the tenants reimburse the landlord.

Current occupancy is 94.71% leased of December 2018 (with twenty vacant units). Typically, vacancies are a function of tenant turnover and the time required for ownership to renovate the units. As of the submitted rent roll, the building contains 376 market rate apartments, 0 rent controlled apartments, 1 rent stabilized apartment, 1 superintendent unit, and 20 vacant units as follows:

RESIDENTIAL UNIT MIX

Unit Type	No. of Units	% of Building
Unregulated*	376	94.71%
Rent control	0	0.00%
Rent Stabilized	1	0.25%
Vacant	20	5.04%
Total	397	100.00%

*Includes Unit 10C – superintendent occupied apartment

The information contained in the section entitled "Property Data" was obtained from the following sources:

1. Formal field inspection, January 7, 2019.
2. Prior appraisal reports performed by BBG Inc. in 2015, 2016 and 2017.
3. Information provided by ownership.
4. New York City planning, zoning and assessment records, Sanborn Land Book.
5. CoStar Property Services and Real Quest Service.

HIGHEST AND BEST USE

According to The Dictionary of Real Estate Appraisal, Sixth Edition (2015), a publication of the Appraisal Institute, the highest and best use is defined as:

"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability."

HIGHEST AND BEST USE CRITERIA

We have evaluated the sites' highest and best use both as currently improved and as if vacant. In both cases, the property's highest and best use must meet four criteria:

1. legally permissible;
2. physically possible;
3. financially feasible; and,
4. maximally productive.

LEGALLY PERMISSIBLE

The first test concerns permitted uses. The zoning code is the main law regarding the legality of development.

PHYSICALLY POSSIBLE

The second test is what is physically possible. Size, shape, street layout are all factors that may or may not inhibit development.

FINANCIAL FEASIBILITY AND MAXIMAL PRODUCTIVITY

The third and fourth tests are, respectively, what is feasible and what will produce the highest net return. After analyzing the physically possible and legally permissible uses of the property, the highest and best use must be considered in light of financial feasibility and maximum productivity. For a potential 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.

Highest and Best Use as Vacant[2]

Among all reasonable, alternative use, the use that yields the highest present land value, after payments are made for labor, capital and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.

Legally Permissible:

The subject property is zoned C6-9 Commercial within a Special Purpose Lower Manhattan (LM) district. This zoning district allows residential, commercial and community facility uses. No known zoning change is currently being considered or anticipated. The nature of the subject's location, together with the current and expected trends in supply and demand, supports the current zoning. It is our opinion that the site, if vacant, could be developed for the above legally permitted uses.

Physically Possible:

The subject site is of good size and has good street access, as well as adequate frontage and exposure (three roadways). All necessary utilities are available, and there are no apparent easements or encroachments that would hinder or prevent development. The subject site size falls within the range of improved sites in the area and is not considered to restrict the utility of the subject in relation to competing sites. Any of the above legally permitted uses, therefore, are considered physically possible.

Financially Feasible:

The subject's block contains residential buildings, the majority of which contain ground floor retail. Excluding bonuses, the C6-9 Commercial zone allows a maximum FAR of 15.0 for commercial and community facility uses, and 10.0 for residential uses. Despite the higher commercial FAR, residential use is considered to be more financially feasible than office use due to area market rents exceeding $65.00 to $75.00+ per square foot. Furthermore, the subject specific location is not considered to be oriented for office use as the Downtown market has seen numerous conversions from office to residential use over the years.

Given the available 15.0 FAR for commercial use, the most financially use of the site as if vacant would be for hotel use. Given attainable RevPAR rates for hotels in Midtown Manhattan and continued strong tourism in

2 Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed., s.v. "Highest and Best Use as Vacant." (Chicago: Appraisal Institute, 2015). CD-ROM

New York City, the hotel market has remained strong over the past 12 months. The Alliance for Downtown Manhattan 3rd quarter 2017 market report indicated an average occupancy rate of approximately 90%, with 1,996 rooms within 14 hotels to come on line over the next few years, in addition to the existing inventory of 6,808 rooms. The average daily rate in Lower Manhattan also increased over the past year by approximately 10%. Therefore, construction of a hotel building with ground floor retail space would represent the most financially feasible use.

Maximally Productive/Highest and Best Use:

All legally permissible, physically possible and financially feasible uses of the subject property, as vacant, have been presented and examined. Based on current economic conditions and the difficulty in obtaining construction loans, the highest and best use as if vacant for the subject property is for the development of a hotel with a ground floor retail component.

Highest and Best Use as Improved[3]

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 an constructing a new one.

Legally Permissible:

The subject represents a legally conforming use and non-complying bulk of the existing zoning ordinance. Regarding condition and construction characteristics, the subject building conforms to surrounding improvements in its immediate neighborhood. Based on the strong residential nature of the subject neighborhood, with the prevalence of residential buildings, it is anticipated that improvements similar to the subject will continue for the foreseeable future and that no change in permitted uses will occur that would negatively impact the value of the subject property, as improved.

Physically Possible:

The physical possibility of the subject improvement is manifest by its existence. Moreover, the presence of similar improvements in the immediate area attests to the physical possibility of such improvements. The subject

3 Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed., s.v. "Highest and Best Use as Improved." (Chicago: Appraisal Institute, 2015). CD-ROM

building was observed, upon inspection, to be in good condition.

Financially Feasible:

There is a high concentration of residential buildings in the subject area and the subject improvement adds significant value to the land. Therefore, it would be considered unreasonable to demolish the existing improvement because the subject maintains value based upon its continued use and bulk. Furthermore, the presence of rent regulated tenants precludes the legal demolition of the improvements.

Maximally Productive/Highest and Best Use:

All legally permissible, physically possible, and financially feasible alternative uses of the subject property, as improved, have been presented and examined. In summary, the subject is in a stable mixed use area and continues to generate a return to the land. Therefore, the subject's existing residential use represents the highest and best use of the property as improved.

APPRAISAL VALUATION PROCESS

In estimating the fair value of the hypothetical leased fee interest in the subject property (excluding the ground lease), the appraiser has considered the three primary approaches to real estate valuation: the Cost Approach, the Sales Comparison Approach, and the Income Capitalization Approach.

The ***Cost Approach*** is based on the principle of substitution, which affirms that a prudent and informed purchaser will pay no more for a specific property than the cost of producing a substitute property of equal or similar desirability and utility. It is particularly applicable when the property is new or involves relatively new improvements with little, if any, accrued depreciation, and there is an active market in undeveloped land. It is also relevant in estimating the value of special purpose or use properties for which there is limited or no sale or rental market.

This approach is a method of valuation consisting of four basic steps:

1. Estimation of the property's land value, as if vacant.
2. Estimation of the current cost of replacing or reproducing the existing improvements.
3. Estimation and deduction of accrued depreciation from all causes.
4. Adding an entrepreneurial profit, the value of the land, and the depreciated value of the improvements.

The ***Income Capitalization Approach*** is predicated on the assumption that there is a definite relationship between the amount of income that a property is capable of producing and its value. The Income Capitalization Approach is based on the theory of anticipation, which affirms that value may be defined as the present worth of all rights to future benefits. In the Income Capitalization Approach, earning potential is forecast over a typical investor holding period, and appropriate deductions are made for expenses and vacancy and collection loss resulting in the net operating income.

In the ***Sales Comparison Approach***, market value is estimated by comparing the subject property to sales of similar properties. This Approach is based on the principle of substitution and contribution which states that a knowledgeable investor will pay no more for a property than would be paid for a comparable substitute property. This approach produces a value indication by comparing the subject with sales of similar properties. We will analyze improved building sales in the subject's market in order to establish a value for the subject property.

Finally, the approaches to value are reconciled into a final fair value estimate. The strengths and weaknesses of each approach are discussed, and a final value estimate is established.

COST APPROACH

The Cost Approach is a set of procedures through which a value indication is derived for the fee simple interest in the subject property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated leased fee value of the subject property to reflect the value of the property interest being appraised."

The procedure for applying the Cost Approach within the appraisal framework for the subject property is as follows:

1. A land value estimate is derived.

2. An estimate of replacement cost new is estimated after a physical inspection of the improvements or a review of the architectural drawings. Replacement cost is defined as:

   The estimated cost to construct, at current prices as of the effective appraisal date, a building with utility equivalent to the building being appraised, using modern materials and current standards, design, and layout.

3. From replacement cost new, any accrued depreciation is deducted. These items can be segregated into physical, functional, and economic obsolescence.

4. Additional cost items would include indirect costs, developer's profit, and any other extraordinary items.

5. The final value via the Cost Approach is the sum of the land value and the depreciated cost of the improvements.

The Cost Approach is not applied herein due to the effective age and condition of the subject property. Since the original improvements were constructed over 49 years ago, construction costs and accrued physical depreciation that has occurred as a result of age and normal wear are somewhat difficult to estimate. This fact tends to make the Cost Approach a less effective and unreliable tool for estimating market value. In addition, the Cost Approach gives only indirect consideration of the income-producing capabilities of a property such as the subject. Real estate investors today give little consideration to the Cost method of estimating value for investment-type properties such as the subject property.

INCOME CAPITALIZATION APPROACH

The Income Capitalization Approach is predicated on the assumption that there is a definite relationship between the amount of income that a property is capable of producing and its value. This approach considers the ability of a property to produce income and recognizes that value is the present worth of future benefits resulting from ownership of the property.

The basic steps of the Income Capitalization Approach are to estimate the gross income the property is capable of generating, deducting potential vacancies and rent deficiencies, resulting in effective gross income. From here, we deduct all of the operating expenses of the building. The result is the indication of net operating income before debt service. This net operating is capitalized into an indication of value by the use of a capitalization rate, or it is projected into the future over a selected but appropriate holding period and discounted along with the anticipated reversion (sale price at the end of the holding period) at the investor's or market discount rate in order to arrive at the net present value for the subject property. The direct capitalization method has been utilized by the appraiser in order to arrive at an Income Capitalization Approach value.

INCOME

The subject property consists of a twenty-seven story, plus basement, elevator apartment building containing 397 apartment units including 1 unit provided to a superintendent. The building also contains a community facility space leased to the Bright Horizons School, and 1 retail store at grade. The subject was constructed in 1969 and renovated in 2003, and contains a gross building area of 335,114 square feet. The property is currently 94.71% leased and occupied with 20 vacant residential units. All of the residential units but one are free market and consist of studio, studio with home office, and one bedroom apartments. Amenities include a fitness center, lounge and outdoor terrace space.

RENT ROLL ANALYSIS - RESIDENTIAL INCOME

We have valued the subject on the basis of the rent roll submitted by ownership. As per submitted information, the property was 94.71% leased, with 376 occupied units, 1 superintendent unit, and 20 vacant units. In addition, there is 1 commercial space, 1 community facility space (school), and 1 interior valet station (leased to an operator). The rent roll is included in the addendum of the appraisal. A rent roll summary is presented as follows:

SUBJECT RENT ROLL SUMMARY BY UNIT TYPE

Unit	No. of Units	Rental Range Per Month			Total Annual Rent	Avg. Rent Per Month
Studio	367	$1,338	to	$4,500	$12,449,408	$2,973
One Bedroom	30	$3,289	to	$4,750	$1,308,647	$4,039
Two Bedroom	0	$0	to	$0	$0	$0
Three/Four Bedroom	0	$0	to	$0	$0	$0
Totals:	397				$13,758,055	$3,041

The average rent per month of $3,041 is based upon occupied units. The building was constructed in 1969. The variance of rents is a result of rent regulation laws. However, only approximately 0.25% of the units (1) is rent stabilized, the remainder are free market (de-regulated). The rent status of the subject units is presented as follows:

RENT ROLL SUMMARY BY RENT REGULATION STATUS

Unit Type	No. of Units	% of Building	Rent Per Month			Total Ann. Rent	Avg. Rent/ Month
Unregulated*	376	94.71%	$1,338	to	$4,750	$13,729,727	$3,043
Rent control	0	0.00%	$0	to	$0	$0	$0
Rent Stabilized	1	0.25%	$2,361	to	$2,361	$28,328	$2,361
Vacant	20	5.04%	$0	to	$0	$0	$0
Total	397	100.00%				$13,758,055	$2,888

We will begin with an analysis of the subject's residential space, followed by an analysis of the commercial space.

RESIDENTIAL MARKET RENTAL SURVEY

In order to project a market rent for the subject's vacant residential units, as well as determine the reasonableness of contract units in place, it was necessary to research the subject market for comparable rentals of residential and retail spaces. We have surveyed the local rental market to determine the economic validity of the subject's contract rents. The retail space and commercial space (school) will be analyzed in a separate section. The comparable residential rentals all occurred in 2018 and are presented in the tables on the following pages:

COMPARABLE APARTMENT RENTALS

FINANCIAL DISTRICT / BATTERY PARK CITY

STUDIOS

No	Address	Apt	NHOOD	Size	BR	Date	Rent	Rent/Rm	Status
1	10 Hanover Square	19U	FINANC/BTTY PK	STU	2/0/1	12/10/2018	$3,036	$1,518	Rented
2	10 Hanover Square	17S	FINANC/BTTY PK	STU	2/0/1	12/10/2018	$3,037	$1,519	Rented
3	10 Hanover Square	20B	FINANC/BTTY PK	STU	2/0/1	11/14/2018	$3,767	$1,884	Rented
4	10 Hanover Square	17N	FINANC/BTTY PK	STU	2/0/1	9/20/2018	$3,328	$1,664	Rented
5	10 Hanover Square	4S	FINANC/BTTY PK	STU	2/0/1	9/26/2018	$3,193	$1,597	Rented
6	113 Nassau Street	19B	FINANC/BTTY PK	STU	2/0/1	12/28/2018	$2,900	$1,450	Rented
7	113 Nassau Street	23A	FINANC/BTTY PK	STU	2/0/1	10/18/2018	$3,250	$1,625	Rented
8	113 Nassau Street	23B	FINANC/BTTY PK	STU	2/0/1	10/9/2018	$3,095	$1,548	Rented
9	113 Nassau Street	25A	FINANC/BTTY PK	STU	2/0/1	8/26/2018	$3,250	$1,625	Rented
10	20 River Terrace	8Q	FINANC/BTTY PK	STU	2/0/1	4/4/2018	$3,295	$1,648	Rented
11	20 River Terrace	18Q	FINANC/BTTY PK	STU	2/0/1	4/20/2018	$3,100	$1,550	Rented
12	200 North End Avenue	8M	FINANC/BTTY PK	STU	2/0/1	8/10/2018	$3,975	$1,988	Rented
13	200 North End Avenue	9M	FINANC/BTTY PK	STU	2/0/1	11/1/2018	$3,950	$1,975	Rented
14	200 North End Avenue	4M	FINANC/BTTY PK	STU	2/0/1	6/15/2018	$3,800	$1,900	Rented
15	211 North End Avenue	8B	FINANC/BTTY PK	STU	2/0/1	10/2/2018	$3,250	$1,625	Rented
16	211 North End Avenue	16E	FINANC/BTTY PK	STU	2/0/1	8/29/2018	$3,700	$1,850	Rented
17	211 North End Avenue	3P	FINANC/BTTY PK	STU	2/0/1	3/30/2018	$3,141	$1,571	Rented
18	95 Wall Street	902	FINANC/BTTY PK	STU	2/0/1	9/20/2018	$2,909	$1,455	Rented
19	95 Wall Street	208	FINANC/BTTY PK	STU	2/0/1	9/20/2018	$3,396	$1,698	Rented
20	95 Wall Street	2216	FINANC/BTTY PK	STU	2/0/1	12/7/2018	$3,055	$1,528	Rented
21	95 Wall Street	190	FINANC/BTTY PK	STU	2/0/1	12/31/2018	$3,838	$1,919	Rented
22	88 Greenwich Street	1701	FINANC/BTTY PK	STU	2/0/1	12/17/2018	$3,250	$1,625	Rented
23	88 Greenwich Street	1208	FINANC/BTTY PK	STU	2/0/1	11/20/2018	$3,400	$1,700	Rented
24	88 Greenwich Street	1801	FINANC/BTTY PK	STU	2/0/1	10/26/2018	$3,000	$1,500	Rented
25	40 Broad Street	17C	FINANC/BTTY PK	STU	2/0/1	11/27/2018	$3,195	$1,598	Rented
26	40 Broad Street	16C	FINANC/BTTY PK	STU	2/0/1	7/25/2018	$3,100	$1,550	Rented
27	40 Broad Street	27F	FINANC/BTTY PK	STU	2/0/1	7/7/2018	$3,390	$1,695	Rented
28	20 Exchange Place	1527	FINANC/BTTY PK	STU	2/0/1	10/25/2018	$2,850	$1,425	Rented
29	20 Exchange Place	1215	FINANC/BTTY PK	STU	2/0/1	9/19/2018	$2,875	$1,438	Rented
30	20 Exchange Place	1131	FINANC/BTTY PK	STU	2/0/1	12/26/2018	$2,750	$1,375	Rented
31	15 Cliff Street	5F	FINANC/BTTY PK	STU	2/0/1	10/12/2018	$3,050	$1,525	Rented
32	15 Cliff Street	6F	FINANC/BTTY PK	STU	2/0/1	8/17/2018	$3,180	$1,590	Rented
33	2 Water Street	11B	FINANC/BTTY PK	STU	2/0/1	7/18/2018	$3,780	$1,890	Rented
34	2 Water Street	12G	FINANC/BTTY PK	STU	2/0/1	3/1/2018	$3,895	$1,948	Rented
	Minimum						$2,750	$1,375	
	Maximum						$3,975	$1,988	
	Average						$3,294	$1,647	

COMPARABLE APARTMENT RENTALS

FINANCIAL DISTRICT / BATTERY PARK CITY

ONE BEDROOMS

No	Address	Apt	NHOOD	Size	BR	Date	Rent	Rent/Rm	Status
1	10 Hanover Square	6L	FINANC/BTTY PK	1BD	3/1/1	9/22/2018	$3,820	$1,273	Rented
2	10 Hanover Square	16G	FINANC/BTTY PK	1BD	3/1/1	9/20/2018	$4,436	$1,479	Rented
3	10 Hanover Square	15G	FINANC/BTTY PK	1BD	3/1/1	9/17/2018	$4,386	$1,462	Rented
4	10 Hanover Square	18K	FINANC/BTTY PK	1BD	3/1/1	11/14/2018	$3,750	$1,250	Rented
5	113 Nassau Street	18G	FINANC/BTTY PK	1BD	3/1/1	10/18/2018	$4,250	$1,417	Rented
6	113 Nassau Street	25G	FINANC/BTTY PK	1BD	3/1/1	8/19/2018	$4,295	$1,432	Rented
7	113 Nassau Street	28G	FINANC/BTTY PK	1BD	3/1/1	7/30/2018	$4,325	$1,442	Rented
8	20 River Terrace	10P	FINANC/BTTY PK	1BD	3/1/1	12/14/2018	$4,275	$1,425	Rented
9	20 River Terrace	3G	FINANC/BTTY PK	1BD	3/1/1	11/28/2018	$4,995	$1,665	Rented
10	20 River Terrace	7B	FINANC/BTTY PK	1BD	3/1/1	12/14/2018	$4,095	$1,365	Rented
11	200 North End Avenue	20E	FINANC/BTTY PK	1BD	3/1/1	12/20/2018	$5,400	$1,800	Rented
12	200 North End Avenue	15E	FINANC/BTTY PK	1BD	3/1/1	11/5/2018	$5,900	$1,967	Rented
13	200 North End Avenue	14R	FINANC/BTTY PK	1BD	3/1/1	9/6/2018	$4,850	$1,617	Rented
14	211 North End Avenue	5N	FINANC/BTTY PK	1BD	3/1/1	12/14/2018	$4,150	$1,383	Rented
15	211 North End Avenue	5J	FINANC/BTTY PK	1BD	3/1/1	10/3/2018	$4,500	$1,500	Rented
16	211 North End Avenue	15A	FINANC/BTTY PK	1BD	3/1/1	8/21/2018	$4,895	$1,632	Rented
17	95 Wall Street	723	FINANC/BTTY PK	1BD	3/1/1	10/11/2018	$4,250	$1,417	Rented
18	95 Wall Street	712	FINANC/BTTY PK	1BD	3/1/1	8/9/2018	$3,895	$1,298	Rented
19	95 Wall Street	2021	FINANC/BTTY PK	1BD	3/1/1	6/13/2018	$4,005	$1,335	Rented
20	95 Wall Street	1821	FINANC/BTTY PK	1BD	3/1/1	6/15/2018	$3,995	$1,332	Rented
21	88 Greenwich Street	2105	FINANC/BTTY PK	1BD	3/1/1	12/17/2018	$3,295	$1,098	Rented
22	88 Greenwich Street	1309	FINANC/BTTY PK	1BD	3/1/1	11/20/2018	$3,700	$1,233	Rented
23	88 Greenwich Street	1308	FINANC/BTTY PK	1BD	3/1/1	10/26/2018	$4,195	$1,398	Rented
24	40 Broad Street	16F	FINANC/BTTY PK	1BD	3/1/1	12/13/2018	$4,450	$1,483	Rented
25	40 Broad Street	17D	FINANC/BTTY PK	1BD	3/1/1	10/31/2018	$3,995	$1,332	Rented
26	40 Broad Street	20D	FINANC/BTTY PK	1BD	3/1/1	9/17/2018	$4,200	$1,400	Rented
27	15 Cliff Street	9C	FINANC/BTTY PK	1BD	3/1/1	12/6/2018	$4,000	$1,333	Rented
28	15 Cliff Street	17C	FINANC/BTTY PK	1BD	3/1/1	7/23/2018	$4,280	$1,427	Rented
29	2 Water Street	17F	FINANC/BTTY PK	1BD	3/1/1	12/30/2018	$5,109	$1,703	Rented
30	2 Water Street	6D	FINANC/BTTY PK	1BD	3/1/1	12/29/2018	$3,703	$1,234	Rented
31	2 Water Street	10A	FINANC/BTTY PK	1BD	3/1/1	6/20/2018	$4,426	$1,475	Rented
	Minimum						$3,295	$1,098	
	Maximum						$5,900	$1,967	
	Average						$4,317	$1,439	

MARKET RENT COMPARED TO SUBJECT'S RENT ROLL

	Market Survey	Subject's Units	Market Rent Projection
Studio Monthly Range	$2,750 - $3,975	$1,338 - $4,500	$2,500 - $4,500
Studio Average	$3,294	$2,973	
1BR Monthly range	$3,295 - $5,900	$3,289 - $4,750	$3,800 - $4,700
1BR Average	$4,317	$4,039	

MARKET RENT CONCLUSIONS

The vast majority of privately-owned, multi-family apartment buildings in New York City are subject to rent stabilization or rent control laws. Rents vary substantially due to the effects of these laws. Most regulated rents are below market. In some cases, however, the allowable increases have outpaced the market and the legal rents are higher than what residents can afford to pay.

Distortions caused by rent regulations can make it difficult to determine market rent. However, it has been our observation that the highest legal rents often approximate market rents. By reviewing rent rolls from numerous rent-regulated properties, it is possible to derive a reliable indication of market rent.

The comparable rentals presented are all situated within close proximity to the subject property, and are all considered to be in generally similar condition compared to the subject. They all exhibit free market rents and provide an indication of unrestricted rental potential in the neighborhood.

The subject tenancy also includes some units leased as corporate housing which are typically furnished; these units often garner a premium in the market.

The comparable studio apartments ranged from $2,750 to $3,975 per month, with an average of $3,294 per month. The subject's studios average is $2,973 per month and is similar to if slightly below the market rental average range.

The comparable one-bedroom apartments ranged from $3,295 to $5,900 per month, with an average of $4,317 per month. The subject's one-bedroom average was $4,039 per month and is very similar to the market rental average range.

Analyzing the market survey averages with the subject's rent roll, we conclude the market rents to range from **$2,500 - $4,500** for studio units and from **$3,800 - $4,700** for the one-bedroom units. Units on upper floors and particularly the penthouse level can expect to garner rental rates at the upper end of the comparable survey range. Rental rates typically fluctuate for any given apartment type depending on the size of the unit, condition and location within the building. For the subject penthouse units, market rents are likely at the higher end of the concluded ranges.

SUMMARY OF RENT STABILIZATION LAWS

The following categories of rental housing are covered by rent stabilization laws:

- All housing in buildings containing six or more dwelling units completed prior to January 1, 1974 and not subject to rent control.
- All vacancy decontrolled apartments in buildings containing six or more dwelling units.
- Buildings built on or after January 1, 1974 receiving tax benefits under Section 421 and 423 of the Real Property Tax Law, or J-51-2.5 (now section 11-243) of the Administrative Code of the City of New York plus certain housing rehabilitated under governmental loan programs.

- All housing subject to the Rent Stabilization Law of 1969 continues to be subject to such law, except that tenants who enter into occupancy after June 30, 1971 become subject to the ETPA.

The New York State Division of Housing and Community Renewal (DHCR) administer both rent control and rent stabilization within the City of New York and is authorized to promulgate amendments to the Rent Stabilization Code.

Deregulation

The Rent Reform act of 1993, the Rent Regulation Reform Act of 1997, Rent Law of 2003 and the Rent Act of 2011 allow for deregulation of certain apartments. There are two "high rent exclusions" which are in buildings that are not receiving tax benefits or are not lofts, as described:

- ***High-Income Deregulation*** will occur if an apartment has a monthly rent of $2,700 or more per month and the tenants and all persons occupying the apartment as their primary residence have a household income in excess of $200,000 for each of the two preceding calendar years

- ***Vacancy Deregulation*** will occur if a vacated rent stabilized apartment has a legal monthly rent of $2,700.

Buildings receiving tax benefits are subject to rent stabilization guidelines until the benefits expire.

Vacancy Decontrol

Rent controlled apartments, which become vacant are not subject to rent control but thereafter are subject to rent stabilization at the "Initial Legal Regulated Rent." The Initial Legal Regulated Rent is the rent agreed to by the owner and new tenant, subject to a fair market rent adjustment if the tenant files a complaint with the DHCR.

Rent Registration

Owners are required to annually register with the DHCR all rent stabilized apartments. The registration statement lists the rent charged on the registration date, the number of rooms, the services provided on the base date and various building-wide information. A copy of the registration statement must be mailed to the tenant occupying a stabilized unit. Unless an apartment has been properly registered, no rent increase may be charged.

The maximum lease term is two years. Both vacancy and renewal tenants are to be given the option of a one or two-year lease. The Rent Regulation Reform Act of 1997 provides for special increases in vacancy leases over and above the vacancy increases authorized by the Rent Guidelines Board based on whether (a) the new lease is a one or two-year lease and (b) there was a vacancy lease within the prior eight years and (c) the amount of the prior rent.

The Code promulgated by the DHCR provides that the tenant has the right to add his/her spouse as a named tenant on the lease. The Code also gives certain "family members" a right, known as succession, to a renewal lease if the tenant of record vacates the housing accommodation or dies.

The Rent Regulation Reform Act of 1997 limited the types of family members who could claim succession and limits the right to succession at a renewal lease rate to one generation. Upon the second claim of succession, the family member must pay rent according to the vacancy formula described above.

Rent Adjustments

"Hardship" An owner may apply for a rent increase based on hardship under one of two formulas:

A. **"**Comparative Hardship" The owner must show that he has not maintained the same average net income in a current three-year period compared to the average net income during a three-year base period, generally defined as 1968 through 1970. Experience has shown that this formula is virtually worthless.

B. "Alternative Hardship" The owner must establish that an increase is necessary because the annual operating expenses are not less than 95% of the annual gross rent income arising out of the operation and ownership of the property. Only certain expenses, including interest on institutional mortgages, are allowed to be deducted from the actual income received.

Whenever the increase is based on "comparative hardship" or "alternative hardship," the maximum increase is 6% each year and the maximum frequency of application is once every three years.

"Major Capital Improvements" An owner may apply for rent increases based upon the actual cost of Major Capital Improvements (specified in the Code) completed within two years prior to the date of application. Rent increases are computed on a seven-year amortization of the actual cost for work commenced after June 28, 1990 (a five-year amortization applies to work commenced on or before June 28, 1990), with the increase being 6% each year. The DHCR will provide a prior opinion concerning the eligibility of improvements not specified on the list contained in the Code. Recent legislation passed by the New York City Council limits the amount MCI benefits if the owner receives tax benefits under Section J-51 (now 11-243) of the New York City Administrative Code.

"Apartment Improvements" Rents for individual apartments may be increased 1/40th of the cost, including installation, of new services and equipment. If the new service or equipment is installed in or provided to an occupied apartment, written consent by the tenant to the rent increase is required. In the case of a vacant apartment, tenant consent is not required.

Non-Renewal of Leases

Other than the regulation of rent, the primary protection afforded to a "rent-stabilized" tenant is the right to a renewal lease.

Rent Control

The rent control program generally applies to residential buildings constructed before February 1947 in municipalities that have not declared an end to the postwar rental-housing emergency. A total of 51 municipalities have rent control, including New York City, Albany, Buffalo and various cities, towns, and villages in Albany, Erie, Nassau, Rensselaer, Schenectady and Westchester counties.

For an apartment to be under rent control, the tenant must have been living in that apartment continuously since before July 1, 1971. When a rent controlled apartment becomes vacant, it either becomes rent stabilized, or, if it is in a building with fewer than six units, it is generally removed from regulation. An apartment in a one- or two-family house must have a tenant in continuous occupancy since March 31, 1953 in order to be subject to rent control. Once it is vacated after that date, it is no longer subject to regulation. Previously controlled apartments may have been decontrolled on various other grounds. Rent control limits the rent an owner may charge for an apartment and restricts the right of any owner to evict tenants.

Rents charged in controlled apartments are set and adjusted on the basis of registrations filed by owners when Federal rent control was imposed in 1943. The rent control law allows DHCR to determine how much rents can be increased based on an assessment of what it costs owners to operate their buildings plus a reasonable profit.

In New York City, rent control operates under the Maximum Base Rent (MBR) system. A maximum base rent is established for each apartment and adjusted every two years to reflect changes in operating costs. Owners, who certify that they are providing essential services and have removed violations, are entitled to raise rents up to 7.5 percent each year until they reach the MBR. Tenants may challenge the proposed increase on the grounds that the building has violations or that the owner's expenses do not warrant an increase.

For New York City rent controlled apartments, rents can also be increased because of increases in fuel costs (pass-along's) and in some cases, to cover higher labor costs.

New York City's Senior Citizen Rent Increase Exemption Program (SCRIE)

The program freezes the rent for senior citizens age 62 or older whose income is under $20,000 if they are paying more than one-third of their income, and New York City covers the balance of the rent through a tax credit to the landlord. Subsequent rental increases are covered by the tax credit, thereby ensuring that the senior citizen can continue to afford the apartment despite annual rental increases that have historically exceeded annual COLA increases to Social Security and SSI recipients. (The courts have upheld the constitutionality of the SCRIE program.) These units are still subject to rent stabilization laws.

HISTORY OF RENT INCREASES

The following is a brief history of the New York City Rent Stabilization Increase Guidelines:

Year	1-year lease	2-year lease
1999/2000	2.00%	4.00%
2000/2001	4.00%	6.00%
2001/2002	4.00%	6.00%
2002/2003	2.00%	4.00%
2003/2004	4.50%	7.50%
2004/2005	3.50%	6.50%
2005/2006	2.75%	5.50%
2006/2007	4.25%	7.25%
2007/2008	3.00%	5.75%
2008/2009	4.5%	8.50%
2009/2010	3.00%	6.00%
2010/2011	2.25%	4.50%
2011/2012	3.75%	7.25%
2012/2013	2.00%	4.00%
2013/2014	4.00%	7.75%
2014/2015	1.00%	2.75%
2015/2016	0.00%	2.00%
2016/2017	0.00%	2.00%
2017/2018	1.25%	2.00%
2018/2019	1.50%	2.50%
Average:	2.66%	5.09%

The most recent rent stabilization increase guidelines allow a 1.50% increase on a one year lease, and 2.50% increase on a two year lease. The average increase over the past 19 years equates to 2.66% on a one- year lease and 5.09% on a two-year lease.

In New York City, rent control operates under the Maximum Base Rent (MBR) system. A maximum base rent is established for each apartment and adjusted every two years to reflect changes in operating costs. Owners, who certify that they are providing essential services and have removed violations, are entitled to raise rents up to 7.5 percent each year until they reach the MBR. Tenants may challenge the proposed increase on the grounds that the building has violations or that the owner's expenses do not warrant an increase.

When rent stabilized units are vacated, the last legal rent may be increased by 20%. Based upon the foregoing, projected allowable increases are applied as follows:

PROJECTED RENT STABILIZED INCOME GROWTH

	Allowable Increase		Tenancy		12-Month Adjustment Factor		Blended Increase
1-Year	1.50%	x	50%	x	100%	x	0.75%
2-Year	2.50%	x	50%	x	100%	x	1.25%
Annual Vacancy Turnover	20%	x	0%	x	100%	x	0.00%
Weighted Average Increase							2.00%

Based upon the continued rent freeze, our analysis assumes that 50% of tenants sign one-year leases, and 50% sign two year leases due to the modest 2.5% increase. In any given year, rent regulated units could vacate, entitling ownership to an additional 20% vacancy turnover increase for those units. We note that turnover is at best optimistic, as there may be 1 unit per year (or less) which actually turns over and can then be deregulated. This depends on the tenancy in place for each particular property. With regard to the subject which has only 1 rent stabilized tenant with rent below the destabilization threshold, we will assume that the tenant remains in occupancy.

The adjusted weighted average increase for rent stabilized units amounts to 2.0% inclusive of annual vacancy turnover. Based upon the foregoing, for the first year of our analysis, we will assume a 2.0% increase for the subject rent stabilized unit for the upcoming 12-month period.

VACANT UNITS

As of the submitted rent roll, there were 20 vacant units available for lease. We have applied market rent as follows:

Vacant Unit	Unit Type	Size (SF)	Applied Rent	Annual Total
2B	Studio	686	$3,450	$41,400
5J	Studio	771	$3,600	$43,200
6B	Studio	686	$3,500	$42,000
7M	Studio	544	$3,000	$36,000
8F	Studio	603	$3,000	$36,000
8K	Studio	547	$3,000	$36,000
8S	Studio	436	$2,900	$34,800
10D	Studio	703	$3,900	$46,800
10Q	Studio	536	$3,100	$37,200
11G	Studio	591	$3,200	$38,400
12F	Studio	603	$3,200	$38,400
12Q	Studio	536	$3,150	$37,800
18H	Studio	450	$2,900	$34,800
18L	1BR	675	$3,700	$44,400
20J	Studio	500	$2,850	$34,200
24E	Studio	407	$2,850	$34,200
24L	1BR	675	$3,900	$46,800
25B	Studio	490	$3,000	$36,000
25M	1BR	807	$4,600	$55,200
PHC	Studio	819	$4,300	$51,600
Totals				**$805,200**

Our market rent projection assumes that the units are renovated to market standards and ready for occupancy; renovation costs will also be projected.

POTENTIAL GROSS RESIDENTIAL INCOME

The market rents applied are based upon an analysis of competitive rents within the market place and recent leasing history within the subject property. Based upon the foregoing, projected residential rent for the upcoming stabilized year is projected as follows:

POTENTIAL RESIDENTIAL INCOME

Income Type	Annual Rent		Increase		2018/2019 Potential Income
Rent Control	$0	x	1.075	=	$0
Rent Stabilized (Occupied)	$28,328	x	1.02	=	$28,895
Vacant (At Market)	$805,200	x	1.00	=	$805,200
Unregulated	$13,729,727	x	1.00	=	$13,729,727
Total	$14,563,255				$14,563,821

RENT ROLL ANALYSIS – COMMERCIAL INCOME

The subject contains one ground floor retail unit which is leased and fronts on Washington Street, as well as an interior commercial space leased to a valet service. There is also a community facility space that was converted from a parking garage to its current use as a school. The subject commercial rent roll is summarized as follows:

COMMERCIAL RENT ROLL – 90 WASHINGTON STREET

Unit	Tenant	Size (SF)	Current Monthly Rent	Annual Rent	$ / SF / YR	Lease Comm.	Lease Exp.	Other Provisions	Bumps / Renewal Status
1	Clinton Hall Associates	3,200	$11,941	$240,000	$75.00	Jul-18	Jun-28	Tenant pays its pro rata share of real estate tax increases above the 2018/2019 base year, and its own utilities.	Rent increases 10% in year 2, then 3.0% per annum thereafter.
2	Roosevelt Valet	275	$4,060	$48,721	$177.17	Jan-14	Feb-19	Gross lease plus electric.	3.0% annual rent increases.
3	Bright Horizons School	10,000	$79,010	$948,125	$94.81	Jun-16	May-31	Tenant pays 11% of real estate tax increases above 2016/2017 base year, and its own utilities.	2.5% annual rent increases after year 2.
	TOTAL:	**13,475**	**$95,011**	**$1,236,846**	**$91.79**	*(Average/sf)*			

The retail tenant is responsible for real estate tax reimbursements above a base year (2018/2019) and is directly metered for their own utilities. The current contract rental rate $75.00 per square foot. The primary lease was assigned to another company, and the leases extended 10 years. The valet space is an interior unit (two rooms) with a gross plus electric lease term.

In 2017, ownership entered into a lease agreement with the Bright Horizons Family Solutions to lease and occupy the former garage space comprising 10,000 rentable square feet, as well as 2,000 square feet of outdoor terrace area. The lease terms call for a base rent of $925,000 per annum ($92.50 per

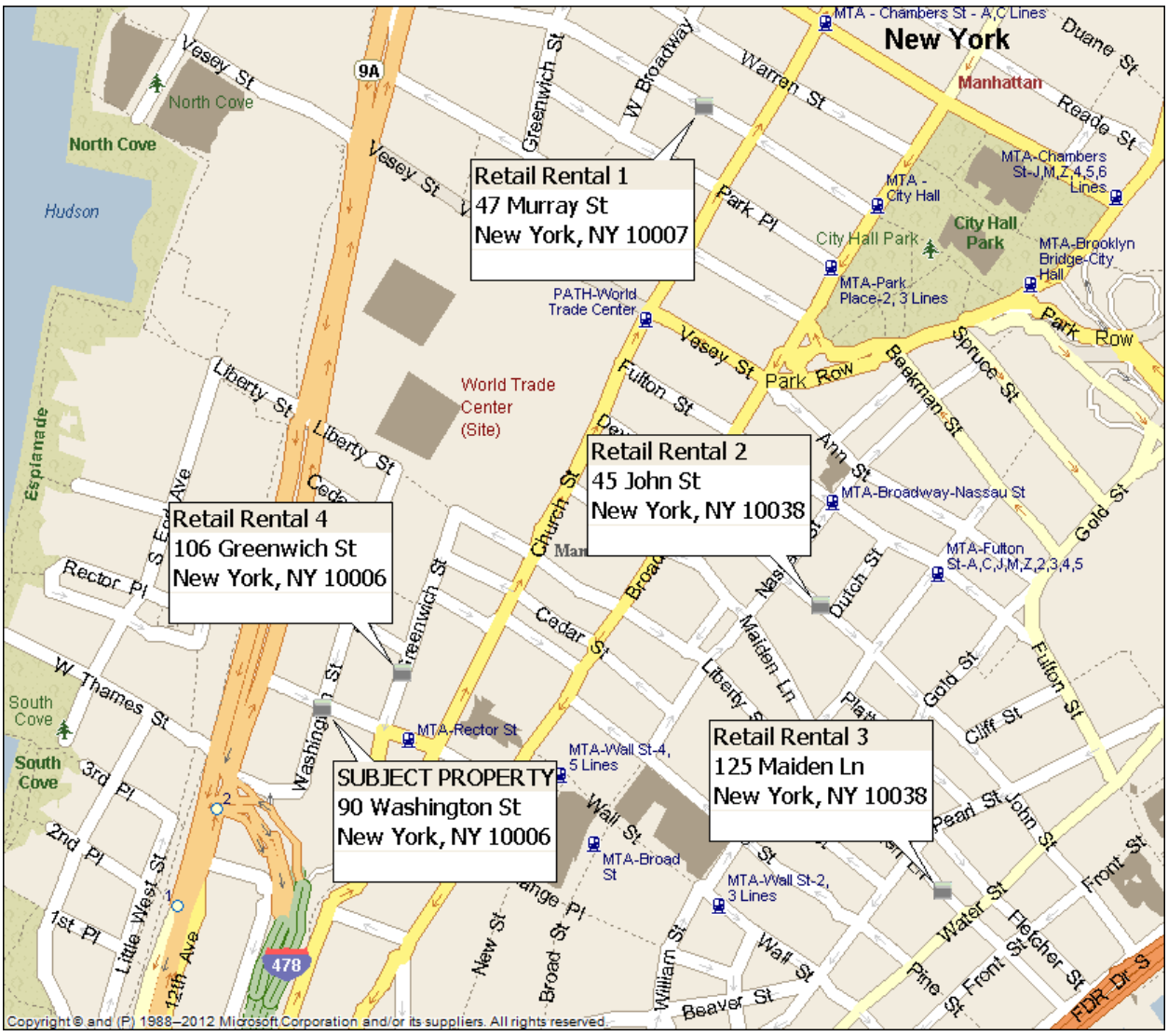
square foot based upon 10,000 square feet – not including outdoor area) with 2.5% annual rent increases starting in the 25th month. The lease term is stipulated for 15 years with two, 5-year options. The tenant reportedly built out the space at its own expense, and reimburses the landlord for increases in real estate taxes over a base year (2016/2017). The lease officially commenced in June 2016. The current annual rent is $94.81 per square foot.

We will begin with an analysis of the subject's retail / restaurant space, followed by an analysis of the subject community facility space (school).

MARKET RENT - COMPARABLE RETAIL RENTALS

To determine the reasonableness of the subject retail (restaurant) lease contract rent, we have researched the market for retail space in the subject area. The comparable rentals will be analyzed on the basis of rent per square foot which is considered to be the most commonly used unit of comparison for commercial space. Our research revealed the following comparable rentals.

COMPARABLE RETAIL RENTALS MAP



SURVEY OF COMPARABLE RETAIL LEASES

Comp #	Address Location Tenant	Area (sq. ft.)	Levels	Start Date	Term (yrs)	Base Rent PSF	Other Terms
1.	47 Murray Street ***Club Pilates***	2,400	Ground	11/17	N/A	$135.00	Tenant pays pro rata R.E. tax increases over base year; direct utilities. Annual rent increases.
2.	45 John Street ***Alessandro Morani***	2,300	Ground	09/17	15	$104.34	Tenant pays pro rata R.E. tax increases over base year; direct utilities. Annual rent increases.
3.	125 Maiden Lane ***Sweetcatch Poke***	1,356	Ground	07/17	10	$147.00	Tenant pays pro rata R.E. tax increases over base year; direct utilities. Annual rent increases.
4.	106 Greenwich Street ***Subway***	1,200	Ground	06/17	5	$165.00	Tenant pays pro rata R.E. tax increases over base year; direct utilities. Annual rent increases. 3 months free rent.

Source: Field survey compiled by BBG, Inc.

ADJUSTMENTS

These rentals can provide an estimate for market rent. The rentals rates require adjustments based on a comparison to the subject, for market conditions, location, condition, size, terms, and utility.

Market Conditions: The comparable retail rents were signed between June 2017 and November 2017. Market conditions within the broader Manhattan retail markets have tended to stabilize over the past two years; the most recent 2018 Spring REBNY market report indicates actual declines within certain retail corridors in Manhattan. CoStar Property Services reports minor changes in rental rates in the Manhattan market over the past few quarters. Considerate of the market surveys, as well as low vacancy rates within the subject neighborhood, no adjustments have been processed for time/market conditions.

Location: Within the subject's neighborhood retail rents vary on a block by block basis. The subject property is situated on the southwest corner of Washington Street and Rector Street near the West Side Highway. This is a far west location that is typically inferior to other Downtown sections with regard to retail space. Despite being one block away, Greenwich Street (Rental 4) is a busier retail

corridor. The comparable rentals are all located along corridors with superior pedestrian traffic levels and thus achieve higher retail rental rates. We have therefore processed downward location adjustments to all of the comparable rentals.

Condition: Retail spaces are typically leased in "vanilla box" form and the tenant receives a free-rent period of typically two to six months or more to build-out their space. As this is typically true for all of the comparable rentals, we have not applied a condition adjustment.

Size: Typically, smaller rental spaces tend to rent for more per square foot than large spaces. The subject's retail space comprises 3,200 square feet. The comparable rentals range from 1,200 to 2,400 square feet. We have processed downward adjustments in varying degrees to all of the comparable retail rental which are smaller demised units.

Utility: This adjustment reflects exposure, access, interior finish, and layout of each comparable to the subject property. All of the comparable retail properties have good access, exposure, and street frontage. No adjustments are noted.

Lease Terms: The subject and all of the comparable rentals are leased on semi-net terms, in which the tenant is responsible for all expenses associated with their space, including real estate tax increases above a base year. No adjustments are noted.

The comparable rental adjustment grid is presented as follows:

RETAIL RENTAL ADJUSTMENT GRID

No.	Rent PSF	Time	Adjusted Rent PSF	Loc.	Age/ Cond.	Size.	Util.	Lease Cond.	Total Adj	Adj $/SF
1	$135.00	0	$135.00	-20	0	-5	0	0	-25	$101.25
2	$104.34	0	$104.34	-20	0	-5	0	0	-25	$78.26
3	$147.00	0	$147.00	-20	0	-15	0	0	-35	$95.55
4	$165.00	0	$165.00	-20	0	-15	0	0	-35	$107.25
Low	**$104.34**								**Low**	**$78.26**
High	**$165.00**								**High**	**$107.25**
Avg	**$137.84**								**Avg**	**$95.58**
Med	**$141.00**								**Med**	**$98.40**

Note: All adjustments in percentages

RENTAL ANALYSIS AND MARKET RENT CONCLUSION

Prior to adjustment, the comparable retail rents ranged from $104.34 to $165.00 per square foot, with an average of $137.84 and a median of $141.00 per square foot. After adjustment, the retail rentals range from $78.26 to $107.25 per square foot, with an average of $95.58 and a median of $98.40 per square foot.

We will conclude to a market rent of $95.00 per square foot for the subject retail space. The contract rental rate is below our market value conclusion despite the recent lease extension in 2018.

The valet space income appears reasonable for this type of space (275± square feet) and will also be incorporated in our valuation analysis.

COMMUNITY FACILITY RENTALS

In order to determine the reasonableness of the contract rental rate of the existing school lease, we have presented to following comparable rental data:

COMPARABLE COMMUNITY FACILITY AND RETAIL RENTALS

Address	Tenant	Lease Date	Leasable Area (SF)	Annual Rent PSF	Rent Steps	Operating Expense Reimbursements
28 Liberty Street New York, NY	Alamo Drafthouse Cinema	Jun-18	45,000	$90.00	Periodic	20 year modified gross lease of grade and lower level space. Semi-net terms.
41 White Street New York, NY	Church Street School for Music and Art	Dec-17	6,333	$70.79	Annual	Modified gross lease of grade level, mezzanine and lower level space. Semi-net terms.
156 William Street New York, NY	Weill Cornell Medical College	Jul-16	54,274	$76.85	Periodic	20 year modified gross lease of grade, basement, 6th and 7th floor space. Semi-net terms.
116 Duane Street New York, NY	Trinity Boxing Club	Jul-16	5,000	$86.40	Annual	Modified gross lease of grade and basement level space. Semi-net terms.
100 Avenue A New York, NY	Blink Fitness	Sep-15	12,052	$95.00	Annual	15 year modified gross lease of grade and basement level space. Semi-net terms.
126 Pearl Street New York, NY	Barclay-Rex	Mar-15	7,500	$91.00	Annual	10 year modified gross lease of multi-level space including basement. Semi-net terms.

As a somewhat similar space type, Rentals 4 and 5 are of health and fitness centers and also provide a good indication of market rent. The comparable rental range from $70.79 to $95.00 per square foot and are all located in the general area of the subject, with the exception of Rental 3. Based upon the foregoing, the subject projected rent appears reasonable, falling at the high end of the range of the comparable data, as enhanced by the additional 2,000 square feet of outdoor space.

OTHER INCOME

Other income consists of reimbursement income, a contract lease with Coinmach for the laundry facilities, storage income, electricity usage income, late fees, amenities fees and other sundry items. The property also received income from insurance proceeds over the past few years due to

storm damage. For 2016, total miscellaneous income and laundry was reported to be $957,810, with $1,420,546 reported in 2017 (excluding insurance claim income and straight line rents), $1,046,131 annualized for 2018, which excludes insurance claim income of over $350,000 and straight line rent allocation of over $190,000. For 2019, ownership budgets miscellaneous income at $1,062,1189, including utilities reimbursements.

Miscellaneous income including electric charges, storage fees, laundry, amenities fees and miscellaneous items will be projected at a combined $967,400 for 2019. This is broken down as follows: $92,400 for laundry, $500,000 for electric charges and $375,000 for other miscellaneous income. Ownership also projects an estimated commercial reimbursement income of $85,482 per annum from real estate tax escalations.

Laundry Income		$92,400
Electric Reimbursment		$500,000
Miscellaneous		$375,000
Real Estate Tax Reimbursmeent		$85,482
Total		$1,052,882

VACANCY AND COLLECTION LOSS

According to REIS, vacancy in the West Village / Downtown submarket has been stable of late, as the most recent quarter's rate of 4.6% is slightly below the year-to-date average of 4.8%, and similar to the prior quarter's reading of 4.6%. Overall, the 5-year vacancy rate in West Village/ Downtown has been 3.6% over the past three and five years. The following residential vacancy table provided by REIS is restated:

	Vacancy Rates						
	Quarterly			Annualized			
	3Q18	2Q18	YTD Avg	1 Year	3 Year	5 Year	5 Yr Forecast
West Village/ Downtown	**4.6%**	**4.6%**	**4.8%**	**4.4%**	**3.6%**	**3.6%**	**6.4%**
NY Metro	5.2%	5.1%	5.2%	4.4%	3.7%	3.5%	5.9%
Northeast	4.6%	4.6%	4.5%	4.1%	3.9%	3.8%	5.2%
United States	4.8%	4.7%	4.7%	4.4%	4.4%	4.4%	5.2%
Period Ending:	09/30/18	06/30/18	09/30/18	12/31/17	12/31/17	12/31/17	12/31/22

Source: Reis 2017

In addition, CitiHabitats reports a Third Quarter 2018 overall residential vacancy rate of 1.95% for Manhattan. The CitiHabitats vacancy report for Manhattan is presented as follows:

AVERAGE VACANCY RATE: Q3 2018	
Location	**Vacancy Rate**
BPC/Financial Dist.	1.30%
Chelsea	1.15%
East Village	1.94%
Gramercy	1.19%
Midtown East	1.72%
Midtown West	1.35%
Murray Hill	1.34%
Soho/Tribeca	1.17%
Upper East Side	1.16%
Upper West Side	1.20%
West Village	1.33%
Average: Q3/18	1.35%
Average: Q2/18	1.34%
Difference	0.01
Average: Q3/17	1.78%
Difference: Q3-17/18	-0.43

As indicated, the overall vacancy rate for the Battery Park City / Financial District is only 1.30%. Manhattan remains a very tight rental market overall in part due to the rent regulated property inventory.

The subject property currently has an occupancy rate of 94.71% with 20 vacant units. Given occupancy rates within the subject area and the subject's current occupancy we will apply a vacancy and collection loss factor of 2.50% to the residential income. This is also applied to other income.

The neighborhood occupancy is 95% to 100% for the surrounding neighborhood professional space, while the subject property exhibits 100% occupancy. CoStar Property Services reports a third quarter 2018 commercial / retail vacancy rate of 8.7% for the Downtown Manhattan market. Within a 0.50 mile radius of the subject, the retail vacancy rate is only 1.8%, excluding the newly constructed 1 Wall Street which is in its lease up phase. Given the overall desirable location at Washington Street and Rector Streets, we estimate a vacancy and collection loss for the subject retail space of 2.5%, which also considers the below market leasing in place for the restaurant tenant.

EFFECTIVE GROSS INCOME

Effective gross income is calculated as follows:

2018/2019 Effective Gross Income		Amount	(% of income)
Potential Residential Income	$	14,563,821	86.41%
Commercial	$	1,236,846	7.34%
Passthrough	$	85,482	0.51%
Other Income	$	967,400	5.74%
Potential Gross Income	$	16,853,549	
Less Residential V/C Loss @ 2.5%	+	(388,281)	
Less Commercial V/C Loss @ 2.5%	+	(33,058)	
Effective Gross Income	$	16,432,210	

OPERATING EXPENSE ANALYSIS

Historical operating expenses for the property have been provided for the years 2013, 2014, 2015, 2016, 2017, an annualized statement for 2018, and a budgeted statement for 2019. Audited year-end 2018 financial statements were not yet available as of the effective valuation date. In developing the operating expenses for the subject property, we researched expenses for other large scale apartment properties within the subject's immediate market. These expenses, along with an analysis of historical operations, were used as a basis for developing operating expense projections for the stabilized year. Items such as leasing commissions, depreciation and amortization have been excluded.

The subject's historical operating expenses are presented as follows, and the comparable expenses are presented on the following page. The expense comparables are derived from other apartment buildings within the Financial District and comparable submarkets.

Operating Expenses	2013	2014	2015	2016	2017	2018 Annualized	2019 Budget
Insurance	$167,256	$239,283	$168,765	$160,126	$175,748	$139,816	$186,740
Utilities	$1,136,221	$1,220,125	$1,363,144	$1,217,921	$1,252,199	$1,300,875	$1,355,369
Repairs and Maintenance	$476,397	$360,950	$541,494	$824,510	$393,625	$330,972	$267,564
Payroll	$1,523,846	$1,307,623	$1,372,730	$1,206,375	$1,287,122	$1,177,903	$1,214,596
Miscellaneous	$465,849	$1,223,305	$725,420	$534,956	$763,512	$962,160	$379,321
Ground Rent Payment	$1,829,310	$1,816,666	$1,850,000	$1,829,311	$1,829,310	$1,829,313	$2,041,664
Management Fees	$97,572	$113,604	$473,090	$522,739	$532,745	$514,899	$240,000
Total Operating Expenses	$5,696,451	$6,281,556	$6,494,643	$6,295,938	$6,234,261	$6,255,938	$5,685,254
Operating Expenses PSF	**2013**	**2014**	**2015**	**2016**	**2017**	**2018 Annualized**	**2019 Budget**
Insurance	$0.50	$0.71	$0.50	$0.48	$0.52	$0.42	$0.56
Utilities	$3.39	$3.64	$4.07	$3.63	$3.74	$3.88	$4.04
Repairs and Maintenance	$1.42	$1.08	$1.62	$2.46	$1.17	$0.99	$0.80
Payroll	$4.55	$3.90	$4.10	$3.60	$3.84	$3.51	$3.62
Miscellaneous	$1.39	$3.65	$2.16	$1.60	$2.28	$2.87	$1.13
Ground Rent Payment	$5.46	$5.42	$5.52	$5.46	$5.46	$5.46	$6.09
Management Fees	$0.29	$0.34	$1.41	$1.56	$1.59	$1.54	$0.72
Total Operating Expenses PSF	$17.00	$18.74	$19.38	$18.79	$18.60	$18.67	$16.97
Operating Expenses Per Unit	**2013**	**2014**	**2015**	**2016**	**2017**	**2018 Annualized**	**2019 Budget**
Insurance	$421	$603	$425	$403	$443	$352	$470
Utilities	$2,862	$3,073	$3,434	$3,068	$3,154	$3,277	$3,414
Repairs and Maintenance	$1,200	$909	$1,364	$2,077	$991	$834	$674
Payroll	$3,838	$3,294	$3,458	$3,039	$3,242	$2,967	$3,059
Miscellaneous	$1,173	$3,081	$1,827	$1,347	$1,923	$2,424	$955
Ground Rent Payment	$4,608	$4,576	$4,660	$4,608	$4,608	$4,608	$5,143
Management Fees	$246	$286	$1,192	$1,317	$1,342	$1,297	$605
Total Operating Expenses Per Unit	$14,349	$15,823	$16,359	$15,859	$15,703	$15,758	$14,321

COMPARABLE OPERATING EXPENSES

Address:	100 Maiden Lane	95 Wall Street	67-75 Wall Street	37-43 Wall Street	90 West Street	Average
Stories:	24	22	25	26	24	
SF:	290,116	473,460	303,175	377,214	357,001	
Units:	340	507	317	372	410	
Expense Year:	2017	2017	2017	2017	2017	
Operating Expenses						
Insurance	$342,337	$118,365	$112,175	$524,327	$417,691	$302,979
Utilities	$867,447	$1,699,721	$970,160	$494,150	$571,202	$920,536
Repairs & Maintenance	$559,924	$426,114	$336,524	$958,124	$371,281	$530,393
Payroll	$690,476	$2,002,736	$1,355,192	$1,697,463	$1,095,993	$1,368,372
Miscellaneous	$307,523	$113,630	$118,238	$143,341	$635,462	$263,639
Management Fees	$513,505	$1,401,442	$539,652	$554,505	$431,971	$688,215
Total Operating Expenses	$3,281,212	$5,762,008	$3,431,941	$4,371,910	$3,523,600	$4,074,134
Operating Expenses PSF						
Insurance	$1.18	$0.25	$0.37	$1.39	$1.17	$0.87
Utilities	$2.99	$3.59	$3.20	$1.31	$1.60	$2.54
Repairs & Maintenance	$1.93	$0.90	$1.11	$2.54	$1.04	$1.50
Payroll	$2.38	$4.23	$4.47	$4.50	$3.07	$3.73
Miscellaneous	$1.06	$0.24	$0.39	$0.38	$1.78	$0.77
Management Fees	$1.77	$2.96	$1.78	$1.47	$1.21	$1.84
Total Operating Expenses	$11.31	$12.17	$11.32	$11.59	$9.87	$11.25
Operating Expenses Per Unit						
Insurance	$1,007	$233	$354	$1,409	$1,019	$804
Utilities	$2,551	$3,353	$3,060	$1,328	$1,393	$2,337
Repairs & Maintenance	$1,647	$840	$1,062	$2,576	$906	$1,406
Payroll	$2,031	$3,950	$4,275	$4,563	$2,673	$3,498
Miscellaneous	$904	$224	$373	$385	$1,550	$687
Management Fees	$1,510	$2,764	$1,702	$1,491	$1,054	$1,704
Total Operating Expenses	$9,651	$11,365	$10,826	$11,752	$8,594	$10,438

Comparable Exp. Summary PSF	Min	Max	Avg
Insurance	$0.25	$1.39	$0.87
Utilities	$1.31	$3.59	$2.54
Repairs & Maintenance	$0.90	$2.54	$1.50
Payroll	$2.38	$4.50	$3.73
Miscellaneous	$0.24	$1.78	$0.77
Management Fees	$1.21	$2.96	$1.84
Total Operating Expenses	$9.87	$12.17	$11.25

Comparable Exp. Summary Per Unit	Min	Max	Avg
Insurance	$233	$1,409	$804
Utilities	$1,328	$3,353	$2,337
Repairs & Maintenance	$840	$2,576	$1,406
Payroll	$2,031	$4,563	$3,498
Miscellaneous	$224	$1,550	$687
Management Fees	$1,054	$2,764	$1,704
Total Operating Expenses	$8,594	$11,752	$10,438

ESTIMATED OPERATING EXPENSES

The following expense pro forma for the subject property is based on operating projections effective over the next twelve months. Expenses were based on a stabilized occupancy assumption. The following is a summary of our expense estimates as applied to the subject property based upon 335,114 square feet and 397 residential units:

REAL ESTATE TAXES

The real estate tax payment is estimated at $4,429,962 or $13.22 per square foot of gross building area. This tax bill is comparable to other similar properties in the area (see the "Assessed Value and Real Estate Taxes" section).

INSURANCE

Insurance costs vary by the type of coverage. Costs are generally lower (on a per square foot basis) for larger buildings and for multi-building policies. The subject's historical expenses ranged from $0.42 to $0.71 per square foot, averaging $0.52 per square foot, and a 2019 budget of $0.56 per square foot. The expense comparables ranged from $0.25 to $1.39 per square foot with an average of $0.87 per square foot. Considering the data, we have projected this expense at $0.55 per square foot which amounts to $184,313 annually.

PSF Summary	Projection	Low	High	Average
Subject Historicals		$0.42	$0.71	$0.52
Comparables		$0.25	$1.39	$0.87
Appraiser	$0.55			

UTILITIES

Tenants reimburse the landlord for electric usage. This category also includes heating and air conditioning expenses, as well as water and sewer charges. Combined utilities expenses for the subject have historically ranged from $3.39 to $4.07 per square foot, averaging $3.73 per square foot, with a 2019 budgeted expense of $4.04 per square foot. The expense comparables indicated a wide range from $1.31 to $3.59 per square foot, averaging $2.54 per square foot. Based upon the subject's consistent history and the decline in certain utility costs over the past years, we have projected this expense at $3.85 per square foot for the upcoming year which equates to $1,290,189 annually.

PSF Summary	Projection	Low	High	Average
Subject Historicals		$3.39	$4.07	$3.73
Comparables		$1.31	$3.59	$2.54
Appraiser	$3.85			

REPAIRS AND MAINTENANCE

This expense varies depending on building age, management philosophy, services provided, and accounting methodology. Some management companies expense items which are normally included as capital costs. In addition, repair and maintenance costs may change from year to year; in some cases, repairs that require attention may be postponed due to cash flow considerations.

The subject's expense history has ranged from $0.99 to $2.46 per square foot, with an average of $1.46 per square foot, and a 2019 budgeted amount of $0.80 per square foot. The 2013 and 2016 expenses included non-recurring and capital items.

The expense comparables ranged from $0.90 to $2.54 per square foot with an average of $1.50 per square foot. Based upon the foregoing, we have applied an expense of $1.45 per square foot which equates to $485,915 per annum. We note that this item would not include any capital repairs and appears reasonable for a property of the subject's vintage.

PSF Summary	Projection	Low	High	Average
Subject Historicals		$0.99	$2.46	$1.46
Comparables		$0.90	$2.54	$1.50
Appraiser	$1.45			

PAYROLL

Payroll costs will cover an annual salary for an on-site superintendent and part time porters/handymen which is reasonable given the size of the facility (2019 Budget units). A studio apartment (unit 10C) is provided to the superintendent on a rent free basis. The subject's operating expense history for this category has ranged from $3.51 to $4.55 per square foot, averaging $3.92 per square foot, with a 2019 budgeted expense of $3.62 per square foot.

The expense comparables indicate a range of $2.38 to $4.50 per square foot, with an average of $3.73 per square foot. Based upon the foregoing, a payroll expense of $3.75 per square foot will be projected which translates to $1,256,678 per annum and is reasonable for a building where the super is provided with a rent free apartment.

PSF Summary	Projection	Low	High	Average
Subject Historicals		$3.51	$4.55	$3.92
Comparables		$2.38	$4.50	$3.73
Appraiser	$3.75			

REPLACEMENT RESERVES

This expense provides for the periodic replacement of building components that wear out more rapidly than the building itself and that must be replaced periodically during the building's economic life. The comparables did not provide data for this. We have projected a reserves expense of $275 per unit which amounts to $109,175 per annum.

Per Unit Summary	Projection	Low	High	Average
Subject Historicals		N/A	N/A	N/A
Comparables		N/A	N/A	N/A
Appraiser	$275			

MISCELLANEOUS

The expense allows for any expenditures not included in the above categories of expenses including permits and dues, legal and professional fees, office expenses and advertising, etc. The subject's miscellaneous expenses have ranged from $1.39 to $3.65 per square foot, averaging $2.33 per square foot, and included many non-recurring items such as consulting fees, insurance claim expenses and supervisory management fees. The 2019 budgeted expense was $1.13 per square foot. The expense comparables indicated a wide range from $0.24 to $1.78 per square foot, averaging $0.77 per square foot.

We note that property owners often include capital and non-recurring expenses within this category. We have applied a stabilized expense of $1.25 per square foot or $418,893 annually, which is reasonable for a building such as the subject.

PSF Summary	Projection	Low	High	Average
Subject Historicals		$1.39	$3.65	$2.33
Comparables		$0.24	$1.78	$0.77
Appraiser	$1.25			

MANAGEMENT

Typically, management fees for residential properties range from 2% to 5% of effective gross income. We have applied a factor of 3.0% of effective gross income. This factor results in a management cost of $1.47 per square foot of gross building area, $1,242 per unit and $492,966 per annum. The comparable expenses range from $1.21 to $2.96 per square foot. The subject's historical management expenses ranged from $0.29 to $1.59 per square foot, with an average of $1.12 per square foot, and a 2019 budgeted projection of $0.72 per square foot.

PSF Summary	Projection	Low	High	Average
Subject Historicals		$0.29	$1.59	$1.12
Comparables		$1.21	$2.96	$1.84
Appraiser	$1.47			

GROUND RENT PAYMENT

As the fair value being estimated is that of a hypothetical leased fee, the ground rent payment has not been subtracted/included. The value of the ground lease will be presented separately in the addendum.

TOTAL OPERATING EXPENSES

Operating expenses exclusive of real estate taxes were estimated at $12.65 per square foot of gross building area and $10,675 per unit. Excluding real estate taxes, the expense comparables ranged from $9.87 to $12.17 per square foot and from $8,594 to $11,752 per unit. Our projection is within the comparable range on both a per unit and a per square foot basis. Based upon the operating expense comparables, overall, our estimate is considered reasonable and will be applied.

The stabilized operating pro forma is presented on the following page:

STABILIZED INCOME AND EXPENSES

90 Washington Street			
Income	**Whole Dollar**	**PSF**	**Per Unit**
Potential Residential Income (including vacants)	$14,563,821	$43.46	$36,685
Commercial	$1,236,846	$3.69	$3,115
Passthrough	$85,482	$0.26	$215
Other Income	$967,400	$2.89	$2,437
Less Residential V/C Loss @ 2.5%	($388,281)	($1.16)	($978)
Less Commercial V/C Loss @ 2.5%	($33,058)	($0.10)	($83)
Effective Gross Income	$16,432,210	$49.03	$41,391
Operating Expenses			
Real Estate Taxes	$4,429,962	$13.22	$11,159
Insurance	$184,313	$0.55	$464
Utilities	$1,290,189	$3.85	$3,250
Repairs and Maintenance	$485,915	$1.45	$1,224
Payroll	$1,256,678	$3.75	$3,165
Ground Rent Payment	$0	$0.00	$0
Miscellaneous	$418,893	$1.25	$1,055
Management Fees	$492,966	$1.47	$1,242
Reserves	$109,175	$0.33	$275
Total Operating Expenses	$8,668,091	$25.87	$21,834
Total Expenses Excluding RE Taxes	$4,238,128	$12.65	$10,675
Net Operating Income	$7,764,120	$23.17	$19,557
Operating Expense Ratio	52.75%		

DIRECT CAPITALIZATION

The method of capitalization employed in this report is the mortgage-equity technique commonly referred to as the Akerson formula of the Ellwood method. This technique considers the return of equity including any potential appreciation or depreciation in property value over the income projection period as well as the effects of financing through mortgage amortization and equity benefits. The following criteria were used to determine the capitalization rate for the subject property.

As previously mentioned, yield capitalization measures a single year's anticipated income in order to determine its capital sum by means of an overall capitalization rate. This appropriate rate considers risk, debt, and equity goal requirements. This analysis relies on existing (or projected) income and market expenses in order to determine annual net operating income levels. The net operating income is capitalized to a present market value.

Financing

Lending institutions typically lend at a 70% to 80% loan to value ratio. Interest rates, in a recent period of time, ranged from 3.50% to 5.50% with loan terms at ten years with 25- to 30-year payout schedules. Discussions with market participants indicate that mortgage interest rates are typically based upon spreads over the 10-year treasury rates. We have selected a 75% loan to value ratio, a 4.00% interest rate, and a 25-year payout. The mortgage constant is 6.33%.

Holding Period

Most investors/purchasers intend to hold a property for a period that typically ranges from five to twenty years. We have selected a period of 10 years.

Equity Yield

This is a competitive rate of return reflecting the inherent risks, illiquidity, potential benefits, and availability of tax shelter of property ownership relative to prospective rates of return for alternative investment opportunities. Typical investors require a rate of return for investment quality property such as the subject which is greater than the safe or "risk-less" rates offered for long-term treasury notes and bonds or high-grade corporate bonds. The difference between an investor's required rate of return and the safe rate is basically the premium necessary to compensate the investor for the added risks of lack of liquidity offered by a real estate investment.

KEY RATES

Indicator	Rate (%)
Federal Funds	2.27%
Prime Rate	5.50%
10-yr. T-Note	2.69%
20-yr. T-Note	2.87%
30-yr. T-Note	3.02%
Corporate Bonds (Moodys - AAA)	3.99%
Corporate Bonds (Moodys - BAA)	5.13%
State and Local Bonds	3.38%

Source: Ycharts.com. St. Louis Fed., Moody's, Bloomberg December 2018

The Prime Rate is a base rate posted by large banks for loans to corporations. It is a rate for business loans to banks' most creditworthy customers. It is no longer a lending rate, per se but a base rate, from which other rates are adjusted.

The Federal Funds Rate is a foundational rate determining the cost of funds by Federal Reserve banks to depository institutions.

The 10-, 20- and the 30-year Treasury Bonds are long-term obligations that are guaranteed by the federal government.

Municipal Bonds are free of tax liabilities and, therefore, the return is typically less than investment opportunities which are taxable.

In selecting an appropriate yield rate, we have considered the foregoing yields as well as the subject property's location, age, and condition relative to competing properties. In the development of the yield rate for the subject property, consideration was given to the risk, liquidity, and the time and expense of asset management inherent with income-producing property investment. The summation approach was utilized to account for yield expectations associated with these investment considerations as applied to a leasehold property. A 4.00% basic rate was used based on the return exhibited by the rates reflective of a "safe" alternative investment. The 4.00% basic rate is increased by 100 points for asset management, 100 basis points for liquidity, and 125 basis points for risk. This approach results in a 7.25% yield rate.

Another source of anticipatory yield rates is provided by the Real Estate Research Corporations' (R.E.R.C.) and Korpacz Real Estate investment survey which summarize expected

rates of return, including capitalization rates and income and expense growth rates, from a representative sample of institutional investors. The rates reflect acceptable expectations of yields desired by investors currently in the marketplace.

Survey	Type of Product	IRR
Korpacz	National Apartment	5.25% to 10.00%
Fourth Quarter 2018	Market	7.15% average
R.E.R.C.	National Apartment	5.50% to 8.30%
Third Quarter 2018	Market	6.90%

For investment grade residential properties, the real estate investment surveys range from 5.50% to 10.00% with an average discount rate of between 6.90% to 7.26%, which supports the built up method indicator. Our equity yield rate is also considers the additional risk associated with the equity position.

Change in Value

The subject property has upside potential from some below-market residential rents, as well as below market commercial leasing. Furthermore, as virtually all of the residential rentals are free market, the subject retains potential for conversion to higher value condominium units. Due to this upside from projected increases in the residential rent roll over the holding period, we project a 35% increase in value over the holding period. This is also reflective of the condominium conversion potential of the property.

Using these components, calculation of the capitalization rate is presented as follows:

CAPITALIZATION RATE CALCULATION

Assumptions Underlying Capitalization Rate Development						
Loan to value ratio				75%		
Interest Rate				4.00%		
Term (years payout)				25		
Annual Constant				6.33%		
Equity Yield Rate				7.25%		
Holding Period				10		
Appreciation Over Term				35%		
Development of Capitalization Rate						
Mortgage Funds	0.75	x	0.0633		=	0.0475
Equity Funds	0.25	x	0.0725		=	0.0181
Weighted Rate						0.065625
Less Adjustment for Mortgage Amortization						
0.2864	x	0.75	x	0.0715	=	0.0154
Basic Rate						0.0503
Less Adjustment for Appreciation						
0.35	x	0.0715			=	0.025
Capitalization Rate						0.0253
(rounded to)						2.60%

The Ellwood method of developing an overall capitalization rate suggests a rate of 2.60%.

COMPARABLE OVERALL RATES

The following table illustrates overall capitalization rates from comparable sales data of apartment buildings which have occurred within Manhattan over the past 18± months:

No.	Property Address	Sale Date	Actual Cap Rate	Sale Price	Number Of Units
1	237 East 34th Street	Dec-17	3.80%	$110,000,000	105
2	420 East 80th Street	Mar-18	3.18%	$86,000,000	155
3	122 West 97th Street	Mar-18	3.40%	$287,000,000	414
4	3430 Broadway	Jun-18	3.00%	$26,200,000	51
5	1274 Fifth Avenue	Feb-18	2.71%	$44,100,000	54
6	393 West End Avenue	Oct-14	3.50%	$130,933,500	88
7	213 East 53rd Street	Jul-17	2.00%	$17,000,000	41
8	413 East 84th Street	Sep-17	2.60%	$21,000,000	48
	Minimum		**2.00%**	**$17,000,000**	**41**
	Average		**3.80%**	**$287,000,000**	**414**
	Maximum		**3.02%**	**$90,279,188**	**120**

The comparable sales exhibit overall capitalization rates from 2.00% to 3.80% and average 3.02%. Due to the fact that some of these buildings are predominantly rent stabilized with upside potential, the capitalization rates are lower than buildings with less upside potential. The following table illustrates rates of return from investor surveys:

Survey	Type of Product	Overall Cap Rate
Korpacz	National Apartment	3.50% to 8.50%
Fourth Quarter 2018	Market	5.16% average
R.E.R.C.	National Apartment	4.00% to 6.30%
Third Quarter 2018	Market	5.20% average
Local Comparable Sales		2.00% to 3.80%
		3.02% average
Developed Rate	Ackerson Method	2.60%

The Korpacz and Real Estate Research Corporation's investment surveys summarize going-in capitalization rates. These rates are a representative sample of institutional investors. The rates reflect acceptable expectations desired by investors currently in the marketplace.

As indicated in the investment surveys, the going-in capitalization rates range from 3.50% to8.50% for institutional quality investments with predominant rates around 5.16% to 5.20%.

CAPITALIZATION RATE CONCLUSION

Leverage, or the effect of borrowed funds on return on investment, is a key component of a cap rate. Interest rates, especially the rates on interbank exchanges and Treasury bills, have as profound an effect on the value of income-producing real estate as on any investment vehicle. As the Federal Reserve Board has moved focus away from monetary policy and more toward managing interest rates as a way to stimulate the economy or stave off inflation, its policy has had a direct effect on the value of all investments. As interbank exchange rates decrease, the cost of funds is reduced and funds flow into the system; conversely, when rates rise, the availability of funds decreases. As for real estate, the changes in interbank lending rates either add or reduce the amount of capital available for investment. The amount of capital and the cost of capital affect demand, but also supply and capital available for real estate purchases and development.

Capitalization rates for New York City apartment buildings exhibit a wide range due to differences in income and expense ratios caused by rent regulations. In the current market, rent regulated buildings typically sell at cap rates below 4.00% because investors can achieve substantial income growth through a number of strategies. In contrast, market-rate buildings usually sell at cap rates above 4.00% because anticipated income growth is limited by increases in market rents.

Most of the comparable sales in the subject's market exhibit lower capitalization rates than the investor surveys, primarily due to rent regulation. This is indicated by a below-market average rent level per unit. These sales contain upside potential as apartment units are deregulated or turn over and rental increases are permitted. Our selected rate is supported by the comparable sales data and also reflective of the subject’s condominium conversion potential.

CALCULATION OF STABILIZED VALUE

NOI	÷	Overall Rate	=	Value Indication
$7,764,120	÷	2.60%	=	$298,619,986

ADJUSTMENTS FOR LEASE UP OF VACANT RESIDENTIAL UNITS

The subject property contains 20 vacant residential units available for lease. As our valuation analysis assumes stabilized occupancy, we must deduct the costs associated with leasing up these units. These costs include a degree of rent loss, marketing and leasing expenses and unit renovation costs associated with readying the units for occupancy. Deductions will be made as follows:

A 12 month rent loss factor will be deducted to account for lease up time of the subject's residential units; this accounts for the time to renovate and lease up the vacant units for occupancy. Six months' rent loss equates to $402,600 for the residential units.

A 10% marketing and leasing expense (based upon potential gross income of the 20 vacant residential units) will also be deducted. This equates to $80,520.

A renovation cost of $20,000 per unit will be estimated, which indicates a total unit renovation cost of $400,000.

The deductions are summarized as follows:

Residential Rent Loss (3 months)		$402,600
Less: Residential Marketing (10%)		$80,520
Less: Unit Clean Up/Renov.		$400,000
Total Deductions		$883,120

Therefore, after deductions for rent loss, marketing and unit renovation costs, the adjusted fair value is calculated as follows:

Market Value		$298,619,986
Less Marketing, Rent Loss and Renovation:	+	($883,120)
Value "As Is"		$297,736,866
Rounded		$298,000,000

"AS IS" FAIR VALUE VIA THE INCOME CAPITALIZATION APPROACH
HYPOTHETICAL LEASED FEE
DECEMBER 31, 2018
TWO HUNDRED NINETY EIGHT MILLION DOLLARS
$298,000,000
(EXCLUDING GROUND LEASE PAYMENTS)

SALES COMPARISON APPROACH

"In the Sales Comparison Approach, market value is estimated by comparing the subject property to similar properties that have been sold recently or for which offers to purchase have been made. A major premise of the sales comparison approach is that the market value of a property is directly related to the prices of comparable, competitive properties."[4]

The Sales Comparison Approach is based on the principle of substitution. This principle implies that a knowledgeable investor will pay no more for a property than the price that would be paid for a substitute property of similar utility and desirability. The procedure involved in this approach is to research the market for sales of properties which are comparable to the subject, select appropriate units of comparison, adjust the sale prices to the subject, and then reconcile the range of adjusted sale prices into a single indication of value for the subject property.

UNIT OF COMPARISON

In order to evaluate the comparable sales, it is generally necessary to convert the sales prices to an appropriate unit of comparison. This process facilitates price comparisons between properties of different sizes, and it also enables the appraiser to adjust for qualitative differences. Typically, multi-family buildings are analyzed on a price per unit basis. Accordingly, we will analyze the comparable sales on the basis of price per square foot.

Our residential sales are described on the following pages, along with a picture of each sale and a map of the sales' locations. Due to a lack of more recent sales data of similar apartment buildings within the subject's Downtown location, we have expanded the search to include other comparable sections of Manhattan, including upper Manhattan for which there is a larger inventory of high quality, trophy type residential assets.

[4] *The Appraisal of Real Estate, Appraisal Institute,14th Edition, 2015*

COMPARABLE SALES MAP



COMPARABLE BUILDING SALE NO. 1
575 AMSTERDAM AVENUE
NEW YORK, NY



SALE NO:	1
LOCATION:	575 Amsterdam Avenue
	New York, NY
BLOCK/LOT:	1218 / 1
SITE AREA (SF):	45,219
GBA (ABOVE GRADE):	288,420
NUMBER OF UNITS:	266
PROPERTY DESCRIPTION:	This is the sale of a Class B elevator property (two buildings) known as Glenn Gardens Apartments and located in Manhattan's Upper West Side. The building contains 288,420 square feet and 266 residential units, as well as 3,500 square feet of ground floor retail space. The unit mix includes studio, one, two, three and four bedroom apartments. Amenities include a doorman/concierge, fitness center, garage, outdoor entertainment space, and terraces / balconies. The building also has common laundry facilities. The property was 100% leased at the time of sale. The building was originally constructed as a Mitchell-Lama affordable housing development.
SALE DATE:	December 5, 2018
YEAR BUILT:	1975
GRANTOR:	Glen Gardens Associates LP
GRANTEE:	UWS Ventures VI LLC
SALE PRICE:	$220,500,000
PRICE PER UNIT:	$828,947
EFFECTIVE GROSS INCOME:	N/A
EGIM:	N/A
EGI PER UNIT:	N/A
EXPENSE RATIO:	N/A
NOI:	N/A
CAP RATE:	N/A
DOCUMENT NO.:	2018000408844
TERMS:	Conventional financing (mortgage with KKR Real Estate Fiancial Trust).

COMPARABLE BUILDING SALE NO. 2
770 EIGHTH AVENUE
NEW YORK, NY



SALE NO:	2
LOCATION:	770 Eighth Avenue
	New York, NY
BLOCK/LOT:	1019 / 1
SITE AREA (SF):	13,983
GBA (ABOVE GRADE):	415,143
NUMBER OF UNITS:	464
PROPERTY DESCRIPTION:	This is the sale of a Class B elevator building known as Biltmore Apartments and located in the Times Square submarket in Midtown Manhattan. The building contains 415,143 square feet and 464 residential units, as well as ground floor retail space. The unit mix includes studio, one and two bedroom apartments. Amenities include a doorman/concierge, business center, fitness center, outdoor entertainment and recreation space, and common laundry facilities. The property was 99% leased at the time of sale. The building was constructed as an 80/20 property, with 20% of the units as affordable housing for a period of 30 years (13 years remaning).
SALE DATE:	November 27, 2018
YEAR BUILT:	2001
GRANTOR:	Biltmore Tower LLC
GRANTEE:	Biltmore Owner LLC (Slate Property Group)
SALE PRICE:	$290,000,000
PRICE PER UNIT:	$625,000
EFFECTIVE GROSS INCOME:	N/A
EGIM:	N/A
EGI PER UNIT:	N/A
EXPENSE RATIO:	N/A
NOI:	N/A
CAP RATE:	N/A
DOCUMENT NO.:	2018000398804
TERMS:	Conventional financing (mortgage with Mesa West Capital).

COMPARABLE BUILDING SALE NO. 3
101 WEST END AVENUE
NEW YORK, NY



SALE NO:	3
LOCATION:	101 West End Avenue
	New York, NY
BLOCK/LOT:	1171 / 62
SITE AREA (SF):	27,437
GBA (ABOVE GRADE):	631,204
NUMBER OF UNITS:	503
PROPERTY DESCRIPTION:	This is the sale of a Class A elevator property (two buildings) known as 101 West End Apartments and located in Manhattan's Upper West Side. The building contains 631,204 square feet and 503 residential units, as well as ground floor retail space. The unit mix includes studio, one, two and three bedroom apartments. Amenities include a doorman/concierge, fitness center, garage, outdoor recreation space, and laundry facilities. The property was 100% leased at the time of sale. The building was constructed as an 80/20 property, with 20% of the units as affordable housing for a period of 30 years (12 years remaning).
SALE DATE:	September 13, 2018
YEAR BUILT:	2000
GRANTOR:	Equity Residential
GRANTEE:	The Dermot Company
SALE PRICE:	$416,100,000
PRICE PER UNIT:	$827,237
EFFECTIVE GROSS INCOME:	N/A
EGIM:	N/A
EGI PER UNIT:	N/A
EXPENSE RATIO:	N/A
NOI:	N/A
CAP RATE:	N/A
DOCUMENT NO.:	2018000323704
TERMS:	Conventional financing (mortgage with Helaba Bank).

COMPARABLE BUILDING SALE NO. 4
122 WEST 97TH STREET
NEW YORK, NY



SALE NO:	4
LOCATION:	122 West 97th Street
	New York, NY
BLOCK/LOT:	1851 / 8
SITE AREA (SF):	69,605
GBA (ABOVE GRADE):	503,511
NUMBER OF UNITS:	414
PROPERTY DESCRIPTION:	This is the sale of a Class C elevator buildings known as the Holland Apartments and located in Manhattan's Upper West Side. The building contains 503,511 square feet and 414 residential units, as well as ground floor retail space. The unit mix includes studio, one, two and three bedroom apartments. Amenities include a doorman/concierge, courtyard, fitness center, playground and laundry facilities. The property was 95% leased at the time of sale. The property traded at a 3.50% overall capitalization rate.
SALE DATE:	March 30, 2018
YEAR BUILT:	1968
GRANTOR:	SP 96-97 Street LLC (SL Green)
GRANTEE:	UWS Ventures III LLC
SALE PRICE:	$287,000,000
PRICE PER UNIT:	$693,237
EFFECTIVE GROSS INCOME:	N/A
EGIM:	N/A
EGI PER UNIT:	N/A
EXPENSE RATIO:	N/A
NOI:	$10,045,000
CAP RATE:	3.50%
DOCUMENT NO.:	2018000117605
TERMS:	Conventional Financing (loans from Mesa West Core Capital and Signatire Bank).

COMPARABLE BUILDING SALE NO. 5
180 WATER STREET
NEW YORK, NY



SALE NO:	5
LOCATION:	180 Water Street
	New York, NY
BLOCK/LOT:	70 / 32
SITE AREA (SF):	23,666
GBA (ABOVE GRADE):	498,671
NUMBER OF UNITS:	573
PROPERTY DESCRIPTION:	This is the sale of a newly constructed (2017), Class A elevator building located in the Financial District of Downtown Manhattan. The building contains 498,671 square feet and 573 residential units, as well as ground floor retail space. The unit mix includes studio, one, two and three bedroom apartments. Amenities include a doorman/concierge, fitness center with pool, rooftop lounge and laundry facilities. The reported overall capitalization rate was 3.75% as per the seller. The property was nearly 100% leased at the time of sale.
SALE DATE:	October 4, 2017
YEAR BUILT:	2017
GRANTOR:	Vanbarton Group
GRANTEE:	180 Water LLC (Metro Loft Management)
SALE PRICE:	$450,000,000
PRICE PER UNIT:	$785,340
EFFECTIVE GROSS INCOME:	N/A
EGIM:	N/A
EGI PER UNIT:	N/A
EXPENSE RATIO:	N/A
NOI:	$16,875,000
CAP RATE:	3.75%
DOCUMENT NO.:	Not yet recorded
TERMS:	Financing terms not yet disclosed.

SUMMARY OF COMPARABLE SALES

No.	Address	Sale Date	No. Units	Sale Price	Sale Price Per Unit	OAR
1	575 Amsterdam Avenue	Dec-18	266	$220,500,000	$828,947	N/A
2	770 Eighth Avenue	Nov-18	464	$290,000,000	$625,000	N/A
3	101 West End Avenue	Sep-18	503	$416,100,000	$827,237	N/A
4	122 West 97th Street	Mar-18	414	$287,000,000	$693,237	3.50%
5	180 Water Street	Oct-17	573	$450,000,000	$785,340	3.75%

ADJUSTMENTS

Adjustments for the comparable sales have been considered, based on comparison to the subject, for property rights, appraised, financing terms, conditions of sale, market conditions (time), location, size, utility, income level and condition.

Property Rights Appraised:

The purpose of this adjustment is to account for differences in the property rights which were transferred with the sale. Although the subject is encumbered by a long term ground lease, the interest being appraised is that of a hypothetical leased fee estate as there is a 99-year ground lease in place. Accordingly, no adjustments will be made. The ground lease will be valued separately within the addendum.

Financing Terms:

The purpose of adjusting for financing terms is to determine cash equivalent sale prices for the comparable sales in accordance with the definition of market value for this report. No adjustments were required.

Conditions of Sale:

Conditions of sale refers to the motivations of the buyer and seller involved in a particular transaction. All sales appear to be arm's length transactions and did not require adjustments.

Market Conditions (Time):

The comparable sales are relatively recent transactions that occurred within the past 14 months. Based upon the sales, there is no discernible adjustment for time. No adjustments were applied.

Location:

The subject property is situated on the southwest corner of Washington Street and Rector Street near the West Side Highway, in the Financial District section of Downtown Manhattan, near major office centers and Battery Park City. Comparable Sales 1, 3 and 4 are all located within Manhattan's Upper West Side, a desirable residential area which achieves similar residential rental rates as the subject location. Sale 1 is

not adjusted; Sale 3 is adjusted downward as it is located on West End Avenue near Lincoln Center, an upscale area. Sale 4 is located on a heavily travelled roadway near West Harlem and is adjusted downward. Sale 2 is located in the Times Square area in Midtown, a more commercially oriented section of the City. No adjustment is noted. Comparable Sale 5 is located within the Financial District in Downtown Manhattan, within relatively close proximity of the subject and is not adjusted.

Size:

The subject contains 397 residential units. The comparable sales contain between 266 and 573 residential units. Significant adjustments are generally not recognized for multi-unit apartment properties; however, Sales 2, 3 and 5 are large enough in comparison to the subject to warrant nominal upward adjustments. No other adjustments were applied.

Occupancy / Unit Mix:

The subject facility is approximately 94.71% leased. The comparable sales range in occupancy levels from 95.0% to 100.0%. The subject facility consists primarily of studio units, whereas the comparable sales all offer a more diverse mix of unit types and sizes, including studios, one, two and three bedroom units (some with four bedrooms). Due to the greater rental potential of larger units, we have processed downward adjustments to all of the comparable sales for their more diverse unit mixes. However, the adjustment for Sales 2 and 3 are offset as these are 80/20 properties with affordable housing units which restrict rental potential; therefore, the adjustments are offset for these sales.

Utility:

This adjustment accounts for such factors as building height, layout, exterior appeal, frontage, the existence of elevators and the interior design of each comparable sale, as well as retail or commercial utility and ratio to total building area. All of the comparable sales are multi-story elevator buildings with adequate unit mixes and are also benefited with a degree of commercial space. All have good amenities packages including attended lobbies, fitness centers, lounges and parking garages. Comparable Sales 1, 2, 3, and 5 are classified as good quality Class A and B facilities. However, Sale 1 is a former Mitchell Lama building which was constructed as affordable housing and converted to market rate. An upward adjustment is therefore noted.

	Comparable Sale 4 is rated as a slightly inferior Class C facility that is a mid-rise and has inferior views and therefore has been adjusted upward.
Age/Condition:	The subject property was constructed circa 1969 and is in good overall condition, having been renovated in 2003, with additional renovations over the past few years. Comparable Sales 1 and 4 are of similar vintage to the subject and haver been renovated/updated and are not adjusted. Sales 2 and 3 were constructed circa 2000/2001 and have similar effective ages as the subject and are therefore not adjusted. Sale 5 is relatively new construction and has been adjusted downward.

The comparable sales adjustment grid is presented on the following page.

RESIDENTIAL SALES ADJUSTMENT GRID

Sale No.	1	2	3	4	5
Address:	575 Amsterdam Avenue	770 Eighth Avenue	101 West End Avenue	122 West 97th Street	180 Water Street
Sale Date:	12/5/2018	11/27/2018	9/13/2018	3/30/2018	10/4/2017
Size (Units):	266	464	503	414	573
Sale Price:	$220,500,000	$290,000,000	$416,100,000	$287,000,000	$450,000,000
Sale Price Per Unit:	**$828,947**	**$625,000**	**$827,237**	**$693,237**	**$785,340**
Property Rights:	0%	0%	0%	0%	0%
Financing Terms:	0%	0%	0%	0%	0%
Conditions of Sale:	0%	0%	0%	0%	0%
Market Conditions (Time):	0%	0%	0%	0%	0%
Trended Price Per Unit:	**$828,947**	**$625,000**	**$827,237**	**$693,237**	**$785,340**
Location:	0%	0%	-10%	10%	0%
Size:	0%	5%	5%	0%	5%
Occupancy/Unit Mix:	-15%	0%	0%	-15%	-15%
Utility:	10%	0%	0%	15%	0%
Age/Condition:	0%	0%	0%	0%	-5%
Total Adjustments:	**-5%**	**5%**	**-5%**	**10%**	**-15%**
Adjusted Price Unit:	**$787,500**	**$656,250**	**$785,875**	**$762,560**	**$667,539**

	UNADJUSTED	ADJUSTED
LOW	$625,000	$656,250
HIGH	$828,947	$787,500
AVERAGE	$751,952	$731,945
MEDIAN	$785,340	$762,560

All adjustments are percentages. A positive adjustment indicates an inferior characteristic to the subject. A negative adjustment indicates a superior characteristic to the subject.

Before adjustments, the comparable sales show a price range from $625,000 to $828,947 per unit, with an average of $751,952 and a median of $785,340 per unit. After adjustments, the comparable sales show a range of $656,250 to $787,500 per unit, with an average of $731,945 and a median of $762,560 per unit. We have concluded to a market value near the middle of the adjusted range. Therefore our estimated stabilized market value is $750,000 per unit or an indicator of value of $298,000,000 (rounded).

$750,000 PER UNIT X 397 UNITS = $298,000,000

Our concluded value via the Sales Comparison Approach as of December 31, 2018, is:

TWO HUNDRED NINETY EIGHT MILLION DOLLARS
$298,000,000
(EXCLUDING GROUND LEASE PAYMENTS)

RECONCILIATION AND FINAL VALUE ESTIMATE

The estimated values arrived at by the approaches to value used in this report are as follows:

Value Estimates	
Cost Approach	Not Used
Income Capitalization Approach	$298,000,000
Sales Comparison Approach	$298,000,000

The ***Cost Approach*** is traditionally a good indicator of value when properties being appraised are new or close to new. The subject improvements were constructed in 1969 and suffer from accrued physical depreciation as a result of age and normal wear. The improvements also suffer from functional obsolescence due to inadequacies in design that are less than current market standards. Difficulty in estimating all forms of accrued depreciation limits the reliability of this Approach. The Cost Approach, therefore, has not been utilized in this report.

The ***Income Capitalization Approach*** is considered to be a good indicator of value when market rents, stabilized expenses, capitalization rates, discount rates and vacancy rates are based on reliable market data. For our analysis, income and expenses were derived from actual and market figures and were considered reliable. Vacancy rates were based on a neighborhood survey and were considered to be reflective of market demand for the subject property. The capitalization and discount rates were derived from reliable market surveys of investor criteria.

The ***Sales Comparison Approach*** is considered a reliable indicator of value when few differences exist between the comparable sales and the subject, and the sales data collected is considered to be reliable and accurate. The sales used to estimate the value of the subject property were considered to be comparable to the subject. This approach acts as support for the Income Approach as an indicator of value for the subject property. Similar property types in similar locations tend to sell within a consistent range, making valuation on a per square foot basis reasonably accurate.

Therefore, with emphasis on both the Income Capitalization and Sales Comparison Approaches to value, and after carefully considering all available information concerning the subject property and all apparent factors affecting value, it is the opinion of the appraisers that the "as is" fair value of the subject's hypothetical leased fee interest as of December 31, 2018, is:

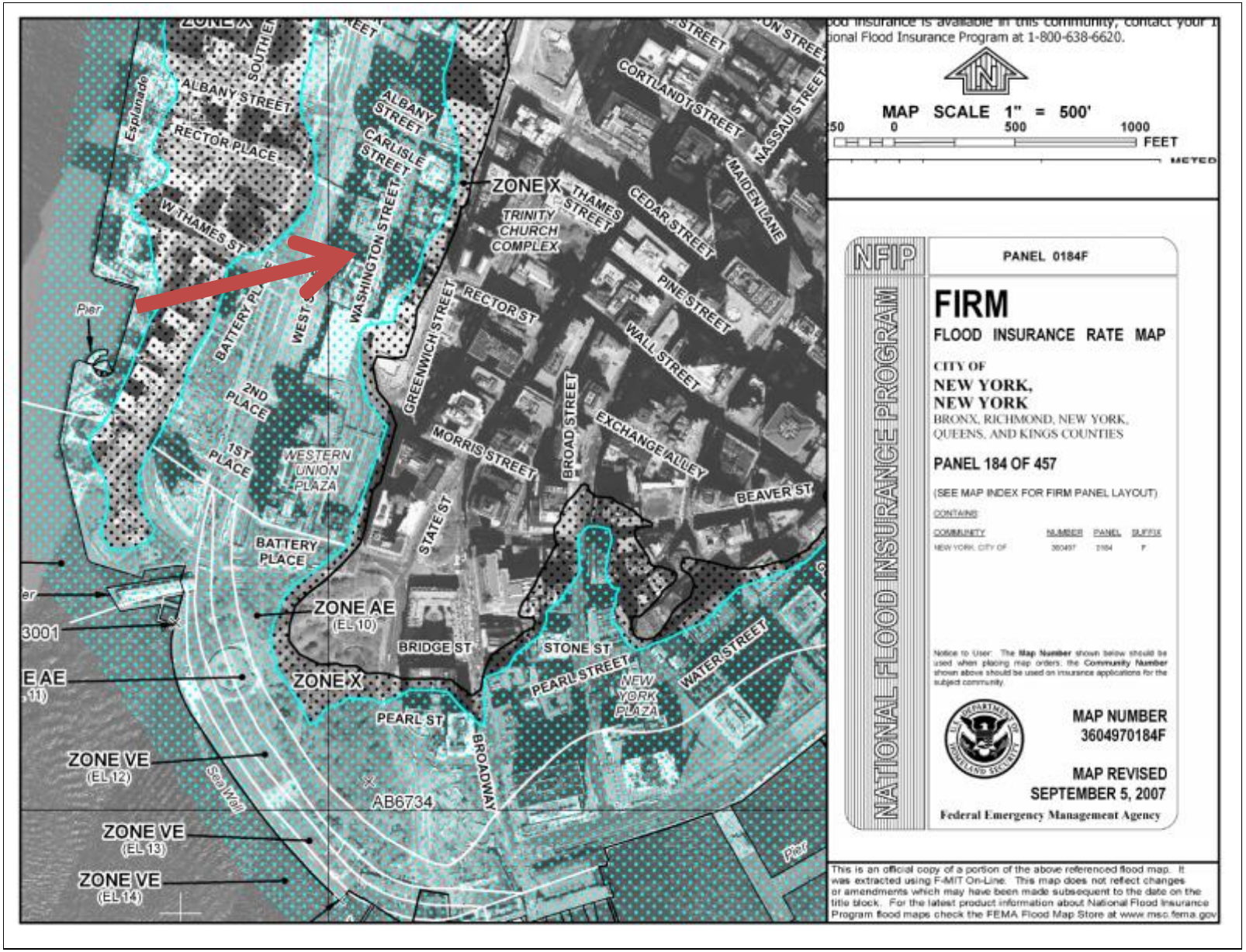
TWO HUNDRED NINETY SEVEN MILLION DOLLARS
$297,000,000

The above value conclusion excludes the value of the ground lease (leasehold), which has been calculated to be $105,352,635. The ground lease calculations are presented in the addendum.

ADDENDA

1. FLOOD MAP
2. VALUE OF GROUND LEASE
3. RENT ROLL
4. LETTER OF ENGAGMENT
5. CONTINGENT AND LIMITING CONDITIONS
6. CERTIFICATION
7. QUALIFICATIONS

FLOOD MAP


ZONE X
ALBANY STREET
RECTOR PLACE
CARLISLE STREET
WASHINGTON STREET
W THAMES ST
THAMES STREET
TRINITY CHURCH COMPLEX
CEDAR STREET
MAIDEN LANE
NASSAU STREET
CORTLANDT STREET
PINE STREET
WALL STREET
RECTOR ST
GREENWICH STREET
BROAD STREET
EXCHANGE ALLEY
BEAVER ST
MORRIS STREET
STATE ST
BATTERY PLACE
2ND PLACE
1ST PLACE
WESTERN UNION PLAZA
Pier
ZONE AE
(EL 10)
BRIDGE ST
STONE ST
PEARL STREET
WATER STREET
NEW YORK PLAZA
PEARL ST
BROADWAY
ZONE X
ZONE VE
(EL 12)
Sea Wall
AB6734
ZONE VE
(EL 13)
ZONE VE
(EL 14)
3001
E AE
MAP SCALE 1" = 500'
500
0
500
1000
FEET
NFIP
NATIONAL FLOOD INSURANCE PROGRAM
PANEL 0184F
FIRM
FLOOD INSURANCE RATE MAP
CITY OF
NEW YORK,
NEW YORK
BRONX, RICHMOND, NEW YORK,
QUEENS, AND KINGS COUNTIES
PANEL 184 OF 457
(SEE MAP INDEX FOR FIRM PANEL LAYOUT)
CONTAINS
COMMUNITY
NUMBER
PANEL
SUFFIX
NEW YORK, CITY OF
360497
0184
F
MAP NUMBER
3604970184F
MAP REVISED
SEPTEMBER 5, 2007
Federal Emergency Management Agency
This is an official copy of a portion of the above referenced flood map. It was extracted using F-MIT On-Line. This map does not reflect changes or amendments which may have been made subsequent to the date on the title block. For the latest product information about National Flood Insurance Program flood maps check the FEMA Flood Map Store at www.msc.fema.gov

VALUE OF GROUND LEASE

The following illustrates the present value of the ground lease payments. The land value resets occur in 2024 and 2045, with land values of $500.00 and $750.00 per square foot of FAR, respectively, assuming 2.0% annual increases in land value. The present value of the payment stream has been discounted at a rate of 5.50%.

Start Date	End Date	Ground Lease Payment					
May-18	Apr-19	$2,025,000					
May-19	Apr-20	$2,050,000					
May-20	Apr-21	$2,075,000					
May-21	Apr-22	$2,100,000					
May-22	Apr-23	$2,125,000	Land Value Reset - 2024			Price/	Land
May-23	Apr-24	$2,150,000	Lot	FAR	Buildable	FAR	Value
May-24	Apr-25	$7,170,600	23,902	10.0	239,020	$500	$119,510,000
May-25	Apr-26	$7,170,600					
May-26	Apr-27	$7,170,600					
May-27	Apr-28	$7,170,600					
May-28	Apr-29	$7,170,600					
May-29	Apr-30	$7,170,600					
May-30	Apr-31	$7,170,600					
May-31	Apr-32	$7,170,600					
May-32	Apr-33	$7,170,600					
May-33	Apr-34	$7,170,600					
May-34	Apr-35	$7,170,600					
May-35	Apr-36	$7,170,600					
May-36	Apr-37	$7,170,600					
May-37	Apr-38	$7,170,600					
May-38	Apr-39	$7,170,600					
May-39	Apr-40	$7,170,600					
May-40	Apr-41	$7,170,600					
May-41	Apr-42	$7,170,600					
May-42	Apr-43	$7,170,600					
May-43	Apr-44	$7,170,600					
May-44	Apr-45	$7,170,600					
May-45	Apr-46	$10,755,900	Land Value Reset - 2045			Price/	Land
May-46	Apr-47	$10,755,900	Lot	FAR	Buildable	FAR	Value
May-47	Apr-48	$10,755,900	23,902	10.0	239,020	$750	$179,265,000
May-48	Apr-49	$10,755,900					
May-49	Apr-50	$10,755,900					
May-50	Apr-51	$10,755,900					
May-51	Apr-52	$10,755,900					
May-52	Apr-53	$10,755,900					
May-53	Apr-54	$10,755,900					
May-54	Apr-55	$10,755,900					
May-55	Apr-56	$10,755,900					
May-56	Apr-57	$10,755,900					
May-57	Apr-58	$10,755,900					
May-58	Apr-59	$10,755,900					
May-59	Apr-60	$10,755,900					
May-60	Apr-61	$10,755,900					
May-61	Apr-62	$10,755,900					
May-62	Apr-63	$10,755,900					
May-63	Apr-64	$10,755,900					
May-64	Apr-65	$10,755,900					
May-65	Apr-66	$10,755,900					
Reversion		$0					
PV of Payments		**$105,352,635**					

RENT ROLL

Rent Roll

As Of = 12/13/2018

Unit	Unit Type	Unit Sq Ft	Resident	Name	Market Rent	Actual Rent	Resident Deposit	Other Deposit	Move In	Lease Expiration
Current/Notice/Vacant Residents										
02A	stu.hb	567.00	t0003437	Alex Baghdjian	2,700.00	2,523.50	2,723.50	0.00	06/01/2016	05/31/2019
02B	stu.hc	686.00	VACANT	VACANT	3,450.00	0.00	0.00	0.00		
02C	stu.hc	689.00	t0006609	Emily Pickholtz	3,900.00	3,900.00	4,100.00	0.00	07/25/2018	08/31/2019
02D	stu.hc	703.00	t0003565	Jason Bhargava	3,750.00	3,136.36	3,583.00	0.00	11/27/2016	01/31/2019
02E	stu.hc	762.00	t0003455	Marco Crescimanni	3,975.00	3,500.00	3,900.00	0.00	06/04/2016	06/30/2019
02F	stu.hb	603.00	t0003378	Anthony Arias	2,850.00	2,900.00	3,100.00	0.00	03/03/2016	05/31/2019
02G	stu.hb	591.00	t0006309	Pamela Krivec	2,925.00	2,198.00	2,398.00	0.00	06/01/2018	05/31/2019
02H	stu.hb	586.00	t0006403	Tim Thudium	2,700.00	2,700.00	2,900.00	0.00	06/01/2018	07/31/2020
02J	stu.hb	771.00	t0006830	Carla Bent	3,450.00	3,450.00	3,650.00	0.00	08/15/2018	08/31/2019
02K	stu.hb	547.00	t0003604	Catherine Spinley	2,500.00	2,376.92	2,700.00	0.00	05/18/2017	06/30/2019
02L	stu.hb	565.00	t0006876	Andre Kostiw-Gill	2,725.00	2,900.00	3,100.00	0.00	09/01/2018	08/31/2019
02M	stu.hb	544.00	t0003504	Brittany Simmonds	2,825.00	2,300.00	2,500.00	0.00	08/27/2016	08/31/2019
02N	STU.HA	465.00	t0003634	Lee Davis	2,625.00	2,281.84	2,600.00	0.00	06/03/2017	06/30/2019
02P	STU.HA	416.00	t0003685	Zijie Zhu	2,450.00	2,281.84	2,600.00	0.00	07/21/2017	08/31/2019
02Q	stu.hb	536.00	t0005689	Christopher Wojtera	2,900.00	2,700.00	2,900.00	0.00	09/01/2017	11/30/2019
02R	STU.HA	403.00	t0003693	Nicole Conover	2,500.00	2,400.00	2,600.00	0.00	07/22/2017	07/31/2019
02S	STU.HA	436.00	t0006035	Suha Gillani	2,500.00	2,500.00	2,700.00	0.00	03/03/2018	09/30/2019
02T	stu.hc	762.00	t0007034	Sarah Woodcock	3,900.00	3,900.00	4,100.00	0.00	10/03/2018	10/31/2019
02V	stu.hc	735.00	t0006415	Sarah Payne	4,075.00	4,000.00	4,200.00	0.00	06/01/2018	05/31/2019
02W	stu.hb	557.00	t0006812	Kelly Beyer	3,075.00	3,175.00	3,375.00	0.00	08/30/2018	08/31/2019
03A	stu.hb	567.00	t0002757	Jessica Brenner	2,725.00	3,200.00	9,780.00	0.00	11/02/2012	07/31/2019
03B	stu.hc	686.00	t0006695	Chloe Engel	3,475.00	3,400.00	3,600.00	0.00	07/27/2018	08/31/2019
03C	stu.hc	689.00	t0006613	Tattiana Lamas	3,925.00	4,000.00	4,200.00	0.00	07/31/2018	07/31/2019
03D	stu.hc	703.00	t0003666	Jake Nasar	3,775.00	2,950.00	3,300.00	0.00	07/02/2017	07/31/2019
03E	stu.hc	762.00	t0006410	Danielle Flynn	4,000.00	4,100.00	4,400.00	0.00	06/01/2018	07/31/2019
03F	stu.hb	603.00	t0006798	Jacob Moses	2,875.00	2,600.00	2,800.00	0.00	07/01/2018	06/30/2019
03G	stu.hb	591.00	t0006912	McKenna Wolf	2,950.00	2,950.00	3,150.00	0.00	09/01/2018	08/31/2019
03H	stu.hb	586.00	t0003645	Emily Splichal	2,725.00	2,895.00	2,945.00	50.00	06/01/2017	08/31/2019
03J	stu.hb	771.00	t0003184	The King's College	3,500.00	3,160.00	3,360.00	0.00	05/01/2015	05/31/2019
03K	stu.hb	547.00	t0003569	Elizabeth Gelber	2,725.00	2,575.00	2,825.00	0.00	12/23/2016	03/31/2019
03L	stu.hb	565.00	t0003409	Max Kovar	2,750.00	2,781.71	2,979.29	50.00	02/27/2016	05/31/2019
03M	stu.hb	544.00	t0003654	Courtney Kane	2,850.00	2,450.00	2,650.00	0.00	06/25/2017	09/30/2019
03N	STU.HA	465.00	t0003566	Karl-Raymond Cyprien	2,650.00	2,554.16	2,754.16	0.00	01/13/2017	02/28/2019
03P	STU.HA	416.00	t0002770	Weera Aroonratskul	2,475.00	2,703.75	3,650.00	93.83	08/15/2010	08/31/2019
03Q	stu.hb	536.00	t0006412	Pamela Andrews	2,925.00	2,795.00	2,995.00	0.00	06/15/2018	07/31/2020
03R	STU.HA	403.00	t0007109	Brendan Kaminsky	2,525.00	2,307.69	2,507.69	0.00	11/01/2018	11/30/2019
03S	STU.HA	436.00	t0005736	Elizabeth Bailey	2,650.00	2,750.00	2,950.00	0.00	09/30/2017	01/31/2020
03T	stu.hc	762.00	t0006824	Collin Henderson	3,450.00	3,450.00	3,650.00	0.00	09/01/2018	08/31/2019
03V	stu.hc	735.00	t0003696	Nicholas Jannuzzi	4,100.00	3,900.00	4,100.00	0.00	08/02/2017	07/31/2019
03W	stu.hb	557.00	t0003571	He Sun Kim	3,100.00	2,875.00	3,075.00	0.00	02/02/2017	02/28/2019
04A	stu.hb	567.00	t0003364	Angela DelSignore	2,750.00	2,700.00	2,900.00	0.00	02/15/2016	04/30/2019
04B	stu.hc	686.00	t0003448	Raquel Gonoretzky	3,500.00	3,300.00	3,500.00	0.00	06/02/2016	05/31/2019
04C	stu.hc	689.00	t0006263	Dylon Cedillo	3,950.00	3,800.00	4,000.00	0.00	05/01/2018	05/31/2019
04D	stu.hc	703.00	t0006338	Julianna Butera	3,800.00	2,884.30	3,084.30	0.00	06/01/2018	05/31/2019
04E	stu.hc	762.00	t0003396	The King's College	4,025.00	4,250.00	4,395.00	0.00	04/01/2016	05/31/2019
04F	stu.hb	603.00	t0006473	Elizabeth Lau	2,900.00	2,800.00	3,000.00	0.00	06/09/2018	06/30/2019
04G	stu.hb	591.00	t0007088	Barbara Santiago	2,975.00	2,950.00	3,150.00	0.00	11/01/2018	10/31/2019
04H	stu.hb	586.00	t0003361	Elena Laios	2,750.00	2,899.29	3,099.29	0.00	01/31/2016	03/31/2019
04J	stu.hb	771.00	t0006107	Leandra Levine	3,550.00	3,200.00	3,400.00	0.00	04/01/2018	09/30/2019
04K	stu.hb	547.00	t0005785	Donald Jefferis	2,750.00	2,675.00	2,875.00	0.00	11/01/2017	03/31/2019
04L	stu.hb	565.00	t0007058	Evan Goldstein	2,775.00	2,676.92	2,876.92	0.00	10/20/2018	11/30/2019
04M	stu.hb	544.00	t0006650	Anul Sinha	2,875.00	2,700.00	2,900.00	0.00	08/15/2018	08/31/2019
04N	STU.HA	465.00	t0003190	Patryk Tomaszewski	2,675.00	2,650.00	3,750.00	50.00	05/15/2015	06/30/2019
04P	STU.HA	416.00	t0006696	Lara Winkler	2,500.00	2,500.00	2,700.00	0.00	07/30/2018	08/31/2019
04Q	stu.hb	536.00	t0003613	Sofia Putri	2,950.00	2,550.00	2,800.00	0.00	05/27/2017	06/30/2019
04R	STU.HA	403.00	t0003683	Zahin Haque	2,550.00	2,500.00	2,700.00	0.00	07/15/2017	10/31/2019

Rent Roll

As Of = 12/13/2018

Unit	Unit Type	Unit Sq Ft	Resident	Name	Market Rent	Actual Rent	Resident Deposit	Other Deposit	Move In	Lease Expiration
04S	STU.HA	436.00	t0003456	David Lu	2,675.00	2,525.00	2,725.00	0.00	06/22/2016	07/31/2019
04T	stu.hc	762.00	t0003641	Consuelo Fusaro	3,500.00	3,422.70	3,800.00	0.00	05/28/2017	06/30/2019
04V	stu.hc	735.00	t0006537	Jillian Horka	4,125.00	4,100.00	4,300.00	0.00	06/26/2018	07/31/2020
04W	stu.hb	557.00	t0003698	Madeleine Harder	3,125.00	2,950.00	3,200.00	0.00	08/12/2017	07/31/2019
05A	stu.hb	567.00	t0006697	Alexander Kaufman	2,775.00	2,775.00	3,000.00	0.00	07/25/2018	08/31/2019
05B	stu.hc	686.00	t0003176	The King's College	3,525.00	3,745.00	3,945.00	0.00	03/15/2015	05/31/2019
05C	stu.hc	689.00	t0003663	Matt Simoncini	3,950.00	3,800.00	4,000.00	0.00	06/25/2017	09/30/2019
05D	stu.hc	703.00	t0002800	Kelle Buhler	3,825.00	3,502.00	3,702.00	0.00	05/03/2008	08/31/2019
05E	stu.hc	762.00	t0003611	John Foley	4,050.00	3,745.00	3,945.00	0.00	05/15/2017	07/31/2019
05F	stu.hb	603.00	t0005977	Lauren Manore	2,925.00	2,800.00	3,000.00	0.00	02/03/2018	08/31/2019
05G	stu.hb	591.00	t0003700	Brian Fitzpatrick	3,000.00	3,000.00	3,200.00	0.00	09/01/2017	08/31/2019
05H	stu.hb	586.00	t0006060	Jenevieve Norris	2,775.00	2,884.00	3,000.00	0.00	03/01/2018	09/30/2019
05J	stu.hb	771.00	VACANT	VACANT	3,700.00	0.00	0.00	0.00		
05K	stu.hb	547.00	t0006098	Marisela Lara	2,775.00	2,750.00	2,950.00	0.00	03/16/2018	04/30/2019
05L	stu.hb	565.00	t0003614	Matthew Nelson	2,800.00	2,638.39	2,975.00	0.00	06/01/2017	06/30/2019
05M	stu.hb	544.00	t0003635	Valerie Te	2,900.00	2,400.00	2,700.00	0.00	06/03/2017	06/30/2019
05N	STU.HA	465.00	t0006615	Thomas Yoo	2,700.00	2,700.00	2,900.00	0.00	07/27/2018	08/31/2020
05P	STU.HA	416.00	t0002809	Kailyn Hartmann	2,525.00	2,700.00	4,930.00	74.86	09/01/2014	08/31/2019
05Q	stu.hb	536.00	t0006885	Audre Hirtelen-Booker	2,975.00	2,800.00	3,000.00	0.00	08/30/2018	10/31/2020
05R	STU.HA	403.00	t0002811	Collin Cadmus	2,575.00	2,535.00	2,735.00	0.00	09/06/2014	06/30/2019
05S	STU.HA	436.00	t0006246	Lulzime Mustafai	2,700.00	2,600.00	2,800.00	0.00	04/21/2018	05/31/2019
05T	stu.hc	762.00	t0003687	Arielle L. Pearl	3,525.00	3,350.00	3,550.00	0.00	06/01/2017	06/30/2019
05V	stu.hc	735.00	t0006265	Jake Andreas	4,150.00	4,000.00	4,200.00	0.00	05/01/2018	05/31/2019
05W	stu.hb	557.00	t0006963	Alexandra Yacyshyn	3,150.00	3,150.00	3,350.00	0.00	09/19/2018	09/30/2019
06A	stu.hb	567.00	t0003631	Christos Stavropoulos	2,800.00	2,700.00	2,900.00	0.00	05/30/2017	07/31/2019
06B	stu.hc	686.00	VACANT	VACANT	3,550.00	0.00	0.00	0.00		
06C	stu.hc	689.00	t0006614	Mateusz Legut	3,975.00	4,100.00	4,300.67	0.00	07/09/2018	07/31/2019
06D	stu.hc	703.00	t0006738	Arpit Dua	3,850.00	3,600.00	3,800.00	0.00	08/01/2018	07/31/2019
06E	stu.hc	762.00	t0006956	Jesse Moses	4,075.00	4,200.00	4,400.00	0.00	09/20/2018	07/31/2019
06F	stu.hb	603.00	t0005957	Kerri McDonald	2,950.00	2,750.00	2,950.00	0.00	12/26/2017	01/31/2019
06G	stu.hb	591.00	t0003609	Craig Berger	3,025.00	2,495.00	2,800.00	0.00	05/01/2017	05/31/2019
06H	stu.hb	586.00	t0003367	Colleen Murray	2,800.00	2,775.00	2,975.00	0.00	01/31/2016	03/31/2019
06J	stu.hb	771.00	t0003382	Shannon Maguire	3,725.00	3,000.00	3,500.00	0.00	05/01/2018	05/31/2019
06K	stu.hb	547.00	t0006842	Fernando Bourrian	2,800.00	2,700.00	2,900.00	0.00	08/18/2018	09/30/2020
06L	stu.hb	565.00	t0003562	Edward Panchernikov	2,825.00	2,890.00	3,090.00	0.00	11/22/2016	01/31/2019
06M	stu.hb	544.00	t0003678	Anamaria Stoian	2,925.00	2,600.00	2,800.00	0.00	07/03/2017	08/31/2019
06N	STU.HA	465.00	t0005819	Ava DeGori	2,725.00	2,600.00	2,800.00	0.00	11/25/2017	12/31/2019
06P	STU.HA	416.00	t0003638	Jaclyn Rothenberg	2,550.00	2,475.00	2,675.00	0.00	06/15/2017	09/30/2019
06Q	stu.hb	536.00	t0002828	Stacy Connell	3,000.00	3,000.00	3,200.00	0.00	03/03/2011	05/31/2019
06R	STU.HA	403.00	t0003373	Christopher Milanesi	2,600.00	2,600.00	2,800.00	0.00	03/03/2016	03/31/2019
06S	STU.HA	436.00	t0002830	Samantha Tse	2,700.00	2,360.67	2,360.67	0.00	05/15/2004	10/31/2019
06T	stu.hc	762.00	t0003352	Kyle Luu	3,550.00	3,525.00	3,800.00	0.00	01/30/2016	02/29/2020
06V	stu.hc	735.00	t0003600	Sarah Cheng	4,175.00	3,150.00	3,850.00	0.00	04/15/2017	06/30/2019
06W	stu.hb	557.00	t0003653	Namrata Dutta	3,150.00	3,075.00	3,275.00	0.00	05/01/2017	07/31/2019
07A	stu.hb	567.00	t0002834	Chad Vignola	2,825.00	3,150.00	3,350.00	0.00	01/09/2010	03/31/2020
07B	stu.hc	686.00	t0006833	Melina Sidou	3,575.00	3,400.00	3,600.00	0.00	09/01/2018	08/31/2019
07C	stu.hc	689.00	t0003183	The King's College	3,975.00	3,900.00	4,100.00	0.00	01/09/2018	05/31/2019
07D	stu.hc	703.00	t0007006	Kaitlyn Cunningham	3,875.00	4,000.00	4,200.00	0.00	10/01/2018	09/30/2019
07E	stu.hc	762.00	t0006874	Lingtian Meng	4,100.00	4,100.00	4,300.00	0.00	09/01/2018	08/31/2019
07F	stu.hb	603.00	t0006425	Hugh Boyd	2,975.00	2,950.00	3,150.00	0.00	06/02/2018	06/30/2019
07G	stu.hb	591.00	t0006086	Alexander Wentworth	3,050.00	2,600.00	2,800.00	0.00	06/14/2018	04/30/2019
07H	stu.hb	586.00	t0002840	Andrea Micaud	2,825.00	3,500.00	3,700.00	0.00	11/15/2009	05/31/2019
07J	stu.hb	771.00	t0006742	Jason Sylvain	3,750.00	3,600.00	3,800.00	0.00	08/01/2018	07/31/2019
07K	stu.hb	547.00	t0006367	Emma Harris	2,875.00	2,800.00	3,000.00	0.00	05/19/2018	05/31/2019
07L	stu.hb	565.00	t0007108	Megan Dotto	2,850.00	2,538.46	2,738.46	0.00	11/15/2018	01/31/2021
07M	stu.hb	544.00	VACANT	VACANT	2,950.00	0.00	0.00	0.00		
07N	STU.HA	465.00	t0003656	Michael Yao	2,750.00	2,450.00	2,800.00	0.00	07/07/2017	07/31/2019

Rent Roll

As Of = 12/13/2018

Unit	Unit Type	Unit Sq Ft	Resident	Name	Market Rent	Actual Rent	Resident Deposit	Other Deposit	Move In	Lease Expiration
07P	STU.HA	416.00	t0005960	Lindsay Malin	2,575.00	2,475.00	2,675.00	0.00	01/31/2018	07/31/2019
07Q	stu.hb	536.00	t0003568	Scott Allen	3,025.00	2,700.00	2,900.00	0.00	12/09/2016	01/31/2019
07R	STU.HA	403.00	t0005961	Siyi Li	2,625.00	2,500.00	2,700.00	0.00	02/20/2018	08/31/2019
07S	STU.HA	436.00	t0002848	Furnished Dwellings LLC	2,725.00	2,485.00	2,635.00	0.00	04/01/2007	02/28/2019
07T	stu.hc	762.00	t0003175	The King's College	3,575.00	3,900.00	4,100.00	0.00	04/01/2015	05/31/2019
07V	stu.hc	735.00	t0006740	Rachel Witzel	4,200.00	4,100.00	4,300.00	0.00	08/03/2018	08/31/2019
07W	stu.hb	557.00	t0002851	Churchill Corporate Housing	3,175.00	2,980.00	3,050.00	100.00	11/06/2006	06/30/2019
08A	stu.hb	567.00	t0003353	Drew Landes	2,850.00	2,726.43	2,926.43	0.00	01/30/2016	03/31/2019
08B	stu.hc	686.00	t0003376	Shivender Sofat	3,600.00	2,965.71	3,650.00	0.00	02/01/2016	05/31/2019
08C	stu.hc	689.00	t0006698	Alexander Benoit	4,000.00	3,800.00	4,200.00	0.00	08/01/2018	07/31/2019
08D	stu.hc	703.00	t0003682	Caitlin Estes	3,900.00	3,550.00	3,750.00	0.00	07/15/2017	07/31/2019
08E	stu.hc	762.00	t0003578	Ye Liu	4,125.00	3,672.00	3,872.00	0.00	01/20/2017	07/31/2019
08F	stu.hb	603.00	t0003546	Churchill Corporate Services	3,000.00	0.00	3,150.00	0.00	10/14/2016	12/31/2018
08G	stu.hb	591.00	t0006248	Gabrriela Campo	3,075.00	2,708.00	2,908.33	0.00	04/28/2018	05/31/2019
08H	stu.hb	586.00	t0006297	Anna Rubenstein	2,850.00	3,000.00	3,200.00	0.00	05/15/2018	06/30/2019
08J	stu.hb	771.00	t0006726	Amanda Velazquez	3,775.00	3,700.00	3,900.00	0.00	08/02/2018	07/31/2019
08K	stu.hb	547.00	VACANT	VACANT	2,900.00	0.00	0.00	0.00		
08L	stu.hb	565.00	t0003704	Lara Yegenoglu	2,875.00	2,800.00	3,000.00	0.00	08/03/2017	09/30/2019
08M	stu.hb	544.00	t0003247	Churchill Corporate Services	2,975.00	3,075.00	3,275.00	0.00	07/09/2015	09/30/2019
08N	STU.HA	465.00	t0003540	Louiza Chirinian	2,775.00	2,540.00	2,900.00	0.00	10/01/2016	10/31/2019
08P	STU.HA	416.00	t0003580	Erjola Zotkaj	2,600.00	2,450.00	2,650.00	0.00	03/02/2017	03/31/2019
08Q	stu.hb	536.00	t0005958	Haonan Shi	3,050.00	2,800.00	3,000.00	0.00	01/19/2018	07/31/2019
08R	STU.HA	403.00	t0006694	John Roman	2,650.00	2,700.00	2,900.00	0.00	08/01/2018	08/31/2019
08S	STU.HA	436.00	VACANT	VACANT	2,750.00	0.00	0.00	0.00		
08T	stu.hc	762.00	t0006990	John Livecchi	3,600.00	3,323.08	3,523.08	0.00	09/29/2018	10/31/2019
08V	stu.hc	735.00	t0006747	Kalene Faricellie	4,225.00	3,660.00	3,860.00	0.00	08/01/2018	07/31/2019
08W	stu.hb	557.00	t0006699	Juliana Falzoni	3,200.00	3,050.00	3,400.00	0.00	07/31/2018	07/31/2019
09A	stu.hb	567.00	t0002872	Naomi Cromwell	2,875.00	3,250.00	3,450.00	0.00	12/01/2003	05/31/2019
09B	stu.hc	686.00	t0006818	Gustavo Lematire	3,625.00	3,350.00	3,350.00	0.00	08/29/2018	10/31/2020
09C	stu.hc	689.00	t0006631	Prashant Sharma	4,000.00	3,650.00	3,850.00	0.00	07/01/2018	06/30/2019
09D	stu.hc	703.00	t0003702	Veronika Cohen	3,925.00	3,500.00	3,800.00	0.00	09/02/2017	08/31/2019
09E	stu.hc	762.00	t0006790	Sarah Dreier	4,150.00	3,222.43	0.00	0.00	07/01/2018	06/30/2019
09F	stu.hb	603.00	t0005929	Yukiko Peck	3,025.00	2,800.00	3,000.00	0.00	01/01/2018	03/31/2020
09G	stu.hb	591.00	t0006568	Blueground US Inc	3,100.00	3,200.00	3,400.00	0.00	08/02/2018	02/29/2020
09H	stu.hb	586.00	t0003404	Shlomi Gilady	2,875.00	2,750.00	3,150.00	0.00	02/27/2016	04/30/2019
09J	stu.hb	771.00	t0006408	Chandni Chandihok	3,800.00	3,700.00	3,900.00	0.00	06/01/2018	06/30/2019
09K	stu.hb	547.00	t0006826	Mary- Kathryn Rooney	2,925.00	2,750.00	2,950.00	0.00	08/27/2018	08/31/2019
09L	stu.hb	565.00	t0006691	Jennifer Gagner	2,900.00	2,850.00	3,050.00	0.00	07/29/2018	08/31/2019
09M	stu.hb	544.00	t0006308	Adela Dashian	3,000.00	2,307.69	2,700.00	0.00	06/01/2018	05/31/2019
09N	STU.HA	465.00	t0003691	Sebastien Park	2,800.00	1,337.50	2,875.00	0.00	09/01/2017	12/31/2018
09P	STU.HA	416.00	t0007134	Robert Magliano	2,625.00	2,538.46	2,738.46	0.00	10/30/2018	11/30/2019
09Q	stu.hb	536.00	t0002886	Churchill Corporate Housing	3,075.00	2,900.00	2,925.00	0.00	09/01/2005	07/31/2019
09R	STU.HA	403.00	t0006637	Claudia Torres Aleman	2,650.00	2,700.00	2,900.00	0.00	07/12/2018	08/31/2019
09S	STU.HA	436.00	t0003573	Victor Droz	2,750.00	2,105.77	2,500.00	0.00	01/07/2017	06/30/2019
09T	stu.hc	762.00	t0003177	The King's College	3,600.00	3,745.00	3,945.00	0.00	03/15/2015	05/31/2019
09V	stu.hc	735.00	t0006913	Madison Bradford	4,250.00	4,100.00	4,300.00	0.00	09/01/2018	08/31/2019
09W	stu.hb	557.00	t0002891	Paulo Falsarella Testolini	3,225.00	3,675.00	6,650.00	0.00	08/03/2012	10/31/2019
10A	stu.hb	567.00	t0006151	Jacqueline Vincent	2,900.00	3,250.00	3,450.00	0.00	03/29/2018	04/30/2019
10B	stu.hc	686.00	t0006809	John Jarrell	3,650.00	3,700.00	3,700.00	0.00	09/01/2018	08/31/2019
10C	stu.hc	689.00	VACANT	VACANT	3,780.00	0.00	0.00	0.00		
10D	stu.hc	703.00	VACANT	VACANT	3,950.00	0.00	0.00	0.00		
10E	stu.hc	762.00	t0006426	Matthew Boxx	4,175.00	3,900.00	4,100.00	0.00	06/04/2018	09/30/2020
10F	stu.hb	603.00	t0006414	Eliza Solman	3,050.00	3,000.00	3,200.00	0.00	06/01/2018	05/31/2019
10G	stu.hb	591.00	t0002898	Churchill Corporate Housing	3,125.00	3,355.00	3,425.00	0.00	02/01/2013	06/30/2019
10H	stu.hb	586.00	t0003407	Steven Dillon	2,900.00	2,952.86	3,152.86	0.00	02/27/2016	05/31/2019
10J	stu.hb	771.00	t0006821	Angel Ang	3,825.00	3,600.00	3,800.00	0.00	08/15/2018	08/31/2019
10K	stu.hb	547.00	t0006843	Ming Zhen	2,950.00	2,800.00	3,000.00	0.00	08/28/2018	08/31/2019

Rent Roll

As Of = 12/13/2018

Unit	Unit Type	Unit Sq Ft	Resident	Name	Market Rent	Actual Rent	Resident Deposit	Other Deposit	Move In	Lease Expiration
10L	stu.hb	565.00	t0003697	Ying Jiang	2,925.00	2,900.00	3,100.00	0.00	08/05/2017	07/31/2019
10M	stu.hb	544.00	t0003198	Churchill Corporate Services	3,025.00	3,230.00	3,150.00	0.00	05/11/2015	06/30/2019
10N	STU.HA	465.00	t0005964	Allison Motola	2,825.00	2,600.00	2,800.00	0.00	02/01/2018	03/31/2019
10P	STU.HA	416.00	t0003322	Miranda Nitzan	2,650.00	2,475.00	2,675.00	0.00	12/03/2015	11/30/2019
10Q	stu.hb	536.00	VACANT	VACANT	3,100.00	0.00	0.00	0.00		
10R	STU.HA	403.00	t0003316	Emily Barnes	2,650.00	2,390.00	2,500.00	0.00	11/15/2015	11/30/2019
10S	STU.HA	436.00	t0006012	Aditi Patel	2,750.00	2,650.00	2,850.00	0.00	02/15/2018	08/31/2019
10T	stu.hc	762.00	t0006553	Alvaro Reinoso	3,600.00	4,000.00	4,200.00	0.00	06/18/2018	07/31/2019
10V	stu.hc	735.00	t0006902	Umang Narayan Suhalka	4,275.00	4,000.00	4,200.00	0.00	09/01/2018	08/31/2019
10W	stu.hb	557.00	t0005930	Elida Laho	3,250.00	2,900.00	3,100.00	0.00	01/02/2018	06/30/2019
11A	stu.hb	567.00	t0003593	Leah Ayala	2,925.00	2,800.00	3,000.00	0.00	03/26/2017	05/31/2019
11B	stu.hc	686.00	t0003621	Alvaro Ramos-Rodrigquez	3,675.00	3,300.00	3,700.00	0.00	06/01/2017	06/30/2019
11C	stu.hc	689.00	t0007204	Joanna Flores	4,025.00	3,775.00	3,975.00	0.00	12/01/2018	08/31/2019
11D	stu.hc	703.00	t0003657	Brandon Dempster	3,975.00	3,225.00	3,550.00	0.00	07/01/2017	07/31/2019
11E	stu.hc	762.00	t0002915	Vineet Dutta	4,200.00	4,450.00	4,650.00	0.00	11/01/2013	10/31/2019
11F	stu.hb	603.00	t0003662	Frank Mantica	3,075.00	2,856.00	3,056.00	0.00	07/01/2017	06/30/2019
11G	stu.hb	591.00	t0002917	Churchill Corporate Housing	3,150.00	0.00	3,425.00	0.00	07/15/2010	12/31/2018
11H	stu.hb	586.00	t0006141	Eric Lang	2,925.00	2,950.00	3,150.00	0.00	04/28/2018	06/30/2019
11J	stu.hb	771.00	t0006823	Daniel Baranovsky	3,850.00	3,600.00	3,800.00	0.00	08/13/2018	08/31/2019
11K	stu.hb	547.00	t0006816	Sunjay Manglani	2,975.00	2,700.00	2,900.00	0.00	08/08/2018	08/31/2019
11L	stu.hb	565.00	t0005959	Catherine Hible	2,950.00	2,850.00	3,050.00	0.00	01/27/2018	03/31/2019
11M	stu.hb	544.00	t0003249	Churchill Corporate Services	3,050.00	3,200.00	3,400.00	0.00	07/09/2015	09/30/2019
11N	STU.HA	465.00	t0003649	Jason Dorn	2,850.00	2,575.00	2,775.00	0.00	05/31/2017	08/31/2019
11P	STU.HA	416.00	t0006298	Laura Berthier	2,675.00	2,800.00	3,000.00	0.00	05/15/2018	05/31/2019
11Q	stu.hb	536.00	t0006884	David Moneysmith	3,125.00	3,000.00	3,200.00	0.00	08/27/2018	08/31/2019
11R	STU.HA	403.00	t0002925	Nirav Jhaveri	2,700.00	2,700.00	2,900.00	0.00	06/01/2014	05/31/2019
11S	STU.HA	436.00	t0003674	Sadaf Foroutani	2,750.00	2,400.00	2,600.00	0.00	07/05/2017	09/30/2019
11T	stu.hc	762.00	t0006883	Adriana Fatenko	3,600.00	3,600.00	3,800.00	0.00	09/01/2018	08/31/2019
11V	stu.hc	735.00	t0007057	Monica Malarczyk	4,300.00	3,692.31	3,892.31	0.00	11/01/2018	11/30/2019
11W	stu.hb	557.00	t0005897	Darya Zozulya	3,275.00	2,900.00	3,100.00	0.00	12/15/2017	01/31/2019
12A	stu.hb	567.00	t0005927	Patrick Magee	2,950.00	2,900.00	3,100.00	0.00	12/29/2017	06/30/2019
12B	stu.hc	686.00	t0003057	Shane Yeargan	3,700.00	3,277.00	3,477.00	0.00	11/01/2018	10/31/2020
12C	stu.hc	689.00	t0006533	Hannah Edwards	4,050.00	3,731.77	3,931.77	0.00	07/01/2018	06/30/2019
12D	stu.hc	703.00	t0006416	Shannon Sebor	4,000.00	3,700.00	3,900.00	0.00	06/01/2018	06/30/2019
12E	stu.hc	762.00	t0006653	Justin Chan	4,225.00	4,000.00	4,200.00	0.00	08/01/2018	07/31/2019
12F	stu.hb	603.00	VACANT	VACANT	3,100.00	0.00	0.00	0.00		
12G	stu.hb	591.00	t0006020	Carolina Rayzel	3,175.00	2,500.00	2,700.00	0.00	05/01/2018	06/30/2020
12H	stu.hb	586.00	t0003639	Ashley Corley	2,950.00	2,804.77	3,150.00	0.00	05/29/2017	06/30/2019
12J	stu.hb	771.00	t0006739	Alexis Zollo	3,875.00	3,750.00	3,750.00	0.00	08/01/2018	07/31/2019
12K	stu.hb	547.00	t0007223	Yoni Anijar	3,000.00	2,323.92	2,526.92	0.00	11/30/2018	12/31/2019
12L	stu.hb	565.00	t0003349	Sebastien Gerard Villar	2,975.00	3,050.00	3,250.00	0.00	02/01/2016	05/31/2019
12M	stu.hb	544.00	t0003650	Zachariah Dunham	3,075.00	2,600.00	2,900.00	0.00	06/03/2017	06/30/2019
12N	STU.HA	465.00	t0006173	Emily Mager	2,875.00	2,750.00	2,950.00	0.00	03/27/2018	04/30/2019
12P	STU.HA	416.00	t0005711	Matthew Zimmermann	2,700.00	2,625.00	2,825.00	0.00	09/15/2017	10/31/2019
12Q	stu.hb	536.00	VACANT	VACANT	3,150.00	0.00	0.00	0.00		
12R	STU.HA	403.00	t0003679	Jacob Call	2,700.00	2,450.00	1,200.00	0.00	07/05/2017	07/31/2019
12S	STU.HA	436.00	t0006992	Ali Rezai	2,750.00	2,538.46	2,738.46	0.00	09/30/2018	10/31/2019
12T	stu.hc	762.00	t0003672	Katherine Hepinstall	3,625.00	3,605.00	3,805.00	0.00	07/05/2017	06/30/2019
12V	stu.hc	735.00	t0006411	Trevor Prince	4,325.00	4,100.00	4,300.00	0.00	06/15/2018	06/30/2019
12W	stu.hb	557.00	t0006399	Lucy Pullen	3,300.00	3,100.00	3,300.00	0.00	05/27/2018	06/30/2019
14A	STU.HA	470.00	t0003669	Michael Eicchenberger	2,625.00	2,725.00	1,200.00	50.00	07/04/2017	07/31/2019
14B	STU.HA	490.00	t0005896	Anna Guyenz	2,625.00	2,550.00	2,750.00	0.00	12/29/2017	01/31/2020
14C	STU.HA	434.00	t0005869	Sarah Carpio	2,475.00	2,700.00	2,900.00	0.00	11/30/2017	05/31/2019
14D	STU.HA	470.00	t0003499	Ross Dale	2,550.00	2,925.00	3,125.00	0.00	07/29/2016	07/31/2019
14E	STU.HA	407.00	t0003320	Nona Mahmoudi	2,625.00	2,310.00	2,610.00	0.00	11/20/2015	11/30/2019
14F	STU.HA	434.00	t0005830	Churchill Corporate Services	2,400.00	2,781.00	2,981.00	0.00	08/29/2017	02/28/2019
14G	stu.hb	554.00	t0002954	Debra Michaels	3,025.00	3,476.25	3,676.25	0.00	04/15/2008	06/30/2019

Rent Roll

As Of = 12/13/2018

Unit	Unit Type	Unit Sq Ft	Resident	Name	Market Rent	Actual Rent	Resident Deposit	Other Deposit	Move In	Lease Expiration
14H	STU.HA	450.00	t0006829	Emily Keehan	2,800.00	2,800.00	3,250.00	0.00	09/01/2018	08/31/2019
14J	stu.hb	500.00	t0005726	Nhi Luong	2,675.00	2,781.00	2,981.00	0.00	09/01/2017	09/30/2019
14K	STU.HA	411.00	t0003701	Kevin Foley, Jr.	2,550.00	2,472.00	2,800.00	0.00	08/01/2017	08/31/2019
14L	1br.ha	675.00	t0002957	Weichert Corporate Housing	3,700.00	3,845.00	4,045.00	0.00	02/01/2011	03/31/2019
14M	1br.hb	807.00	t0002958	Claire Stenger	4,325.00	4,750.00	5,075.00	0.00	09/01/2014	08/31/2019
14N	stu.hc	944.00	t0006693	Jessica McDevitt	4,150.00	4,150.00	4,350.00	0.00	08/01/2018	07/31/2019
15A	STU.HA	470.00	t0003219	Danika Wukich	2,650.00	3,090.00	3,200.00	0.00	06/15/2015	06/30/2019
15B	STU.HA	490.00	t0003384	Diana Berkovits	2,650.00	2,500.00	2,700.00	0.00	02/27/2016	05/31/2019
15C	STU.HA	434.00	t0006302	Christina Castonguay	2,500.00	2,750.00	2,950.00	0.00	06/01/2018	05/31/2019
15D	STU.HA	470.00	t0006149	Xiao mei Zheng	2,575.00	2,700.00	2,900.00	0.00	04/01/2018	04/30/2019
15E	STU.HA	407.00	t0006036	Alicia Goonetilleke	2,650.00	2,700.00	2,900.00	0.00	02/01/2018	03/31/2019
15F	STU.HA	434.00	t0003398	Jo Yuan Chang	2,425.00	2,600.00	2,800.00	0.00	03/01/2016	06/30/2019
15G	stu.hb	554.00	t0003583	Kate Brodsky	3,050.00	2,817.35	3,300.00	0.00	02/25/2017	08/31/2019
15H	STU.HA	450.00	t0005831	Peter Ferrante	2,825.00	2,700.00	2,900.00	0.00	11/01/2017	12/31/2019
15J	stu.hb	500.00	t0003592	Julian Muniz	2,700.00	2,700.00	2,900.00	0.00	04/01/2017	05/31/2019
15K	STU.HA	411.00	t0003705	Caroline Taylor	2,575.00	2,600.00	2,800.00	0.00	08/05/2017	09/30/2019
15L	1br.ha	675.00	t0002970	Churchill Corporate Housing	3,725.00	3,650.00	3,795.00	0.00	12/11/2006	12/31/2018
15M	1br.hb	807.00	t0003615	The Kings College	4,350.00	4,350.00	4,550.00	0.00	05/01/2017	05/31/2019
15N	stu.hc	944.00	t0002972	Jacqueline Rossi	4,175.00	4,350.00	4,550.00	0.00	12/04/2014	01/31/2020
16A	STU.HA	470.00	t0003632	John Smith	2,675.00	2,650.00	2,925.00	0.00	06/01/2017	06/30/2019
16B	STU.HA	490.00	t0006965	Sepideh Khazaei	2,675.00	2,492.31	2,692.31	0.00	10/01/2018	10/31/2019
16C	STU.HA	434.00	t0003655	Jonathan Adamski	2,525.00	2,450.00	2,800.00	0.00	07/02/2017	07/31/2019
16D	STU.HA	470.00	t0003340	Caitlin Baker	2,600.00	2,291.67	2,600.00	0.00	01/10/2018	01/31/2019
16E	STU.HA	407.00	t0006117	Elizabeth Koo	2,675.00	2,700.00	2,900.00	0.00	04/01/2018	05/31/2019
16F	STU.HA	434.00	t0007032	Jonathan Long	2,450.00	2,446.15	2,646.15	0.00	10/27/2018	11/30/2019
16G	stu.hb	554.00	t0003659	Kevin Lee	3,075.00	2,900.00	3,100.00	0.00	07/01/2017	09/30/2019
16H	STU.HA	450.00	t0003561	Alice Barr	2,850.00	2,625.00	2,825.00	0.00	12/01/2016	08/31/2019
16J	stu.hb	500.00	t0003588	Milan Pecko	2,725.00	2,383.72	2,900.00	0.00	05/01/2017	06/30/2019
16K	STU.HA	411.00	t0003358	Sharon Davallu	2,600.00	2,400.00	2,600.00	0.00	02/26/2016	05/31/2020
16L	1br.ha	675.00	t0007222	Erica Casavecchia	3,750.00	3,288.89	3,488.89	0.00	11/30/2018	05/31/2020
16M	1br.hb	807.00	t0003703	Patrick Hartnett	4,375.00	4,300.00	4,500.00	0.00	09/02/2017	08/31/2019
16N	stu.hc	944.00	t0006878	Sarah Lauer	4,200.00	4,300.00	4,500.00	0.00	08/31/2018	08/31/2019
17A	STU.HA	470.00	t0003419	Kakha Chargeishvili	2,700.00	2,549.25	3,053.57	0.00	04/03/2016	05/31/2019
17B	STU.HA	490.00	t0007004	Yu Hsu	2,700.00	2,700.00	2,900.00	0.00	09/30/2018	08/31/2019
17C	STU.HA	434.00	t0003318	Christopher Kanarick	2,550.00	2,650.00	2,850.00	0.00	11/30/2015	11/30/2019
17D	STU.HA	470.00	t0006880	Seo Yoon Chung	2,625.00	2,800.00	3,000.00	0.00	08/30/2018	09/30/2019
17E	STU.HA	407.00	t0007133	Garrett Hoy	2,700.00	2,584.62	2,784.62	0.00	11/02/2018	11/30/2019
17F	STU.HA	434.00	t0002990	Jessica Lin	2,475.00	2,925.00	3,300.00	0.00	02/28/2008	07/31/2019
17G	stu.hb	554.00	t0003676	Chandler Carter	3,100.00	2,950.00	3,150.00	0.00	07/01/2017	06/30/2019
17H	STU.HA	450.00	t0005925	Nicole Germino	2,875.00	2,600.00	2,800.00	0.00	01/27/2018	07/31/2019
17J	stu.hb	500.00	t0003680	John Grib	2,750.00	2,800.00	3,000.00	0.00	07/05/2017	08/31/2019
17K	STU.HA	411.00	t0006106	Eric Lubus	2,625.00	2,300.00	2,500.00	0.00	04/01/2018	01/31/2020
17L	1br.ha	675.00	t0003547	Churchill Corporate Services	3,775.00	3,650.00	3,900.00	50.00	10/14/2016	12/31/2018
17M	1br.hb	807.00	t0003606	Jenniffer Sun	4,400.00	4,300.00	4,500.00	0.00	04/30/2017	06/30/2019
17N	stu.hc	944.00	t0003616	The Kings College	4,200.00	3,600.00	3,800.00	0.00	05/01/2017	05/31/2019
18A	STU.HA	470.00	t0005926	Emiliia Sheverda	2,725.00	2,500.00	2,700.00	0.00	01/02/2018	06/30/2019
18B	STU.HA	490.00	t0006489	Narges Khalehoghli	2,725.00	2,650.00	2,850.00	0.00	06/14/2018	06/30/2019
18C	STU.HA	434.00	t0003216	Jessica Messina	2,575.00	2,735.00	2,950.00	0.00	06/01/2015	05/31/2019
18D	STU.HA	470.00	t0003557	Alexandria Murphy	2,650.00	2,500.00	2,700.00	0.00	11/25/2016	01/31/2019
18E	STU.HA	407.00	t0003308	Mahua Mitra	2,725.00	2,500.00	2,825.00	0.00	10/16/2015	10/31/2019
18F	STU.HA	434.00	t0006616	Julian Wolfson	2,500.00	2,750.00	3,050.00	0.00	07/05/2018	08/31/2020
18G	stu.hb	554.00	t0006551	Meaghan McCormick	3,125.00	3,000.00	3,200.00	0.00	07/01/2018	07/31/2019
18H	STU.HA	450.00	VACANT	VACANT	2,900.00	0.00	0.00	0.00		
18J	stu.hb	500.00	t0005888	Ma. Liezel Magno	2,775.00	2,700.00	2,900.00	0.00	12/01/2017	05/31/2019
18K	STU.HA	411.00	t0006295	Stephanie Musat	2,650.00	2,700.00	2,900.00	0.00	05/15/2018	07/31/2019
18L	1br.ha	675.00	t0006140	Allison Klibanoff	3,695.00	0.00	3,800.00	0.00	04/07/2018	06/30/2019
18M	1br.hb	807.00	t0005937	Thomas Hansen	4,425.00	3,800.00	4,000.00	0.00	12/30/2017	01/31/2020

Rent Roll

As Of = 12/13/2018

Unit	Unit Type	Unit Sq Ft	Resident	Name	Market Rent	Actual Rent	Resident Deposit	Other Deposit	Move In	Lease Expiration
18N	stu.hc	944.00	t0006887	Gabriela Noronha	4,200.00	4,200.00	4,400.00	0.00	09/01/2018	08/31/2019
19A	STU.HA	470.00	t0003317	Olga Timonshenkova	2,750.00	2,550.00	2,750.00	0.00	11/30/2015	12/31/2018
19B	STU.HA	490.00	t0003643	Jaouad Bentama	2,750.00	2,700.00	2,900.00	0.00	05/31/2017	08/31/2019
19C	STU.HA	434.00	t0005690	Brian Wietecha	2,600.00	2,700.00	2,900.00	0.00	10/02/2017	11/30/2019
19D	STU.HA	470.00	t0003517	Victoria Lipovchenko	2,675.00	2,360.41	2,700.00	0.00	09/04/2016	09/30/2019
19E	STU.HA	407.00	t0006941	Emma Pappas	2,750.00	2,750.00	2,950.00	0.00	09/22/2018	09/30/2019
19F	STU.HA	434.00	t0003015	Furnished Dwelling	2,525.00	2,525.00	2,775.00	0.00	04/01/2008	02/28/2019
19G	stu.hb	554.00	t0003347	Robert Levy	3,150.00	2,949.00	3,149.00	0.00	11/01/2018	10/31/2020
19H	STU.HA	450.00	t0006942	Anne Holm	2,900.00	2,538.46	2,950.00	0.00	09/22/2018	10/31/2019
19J	stu.hb	500.00	t0005973	Kelly Cleaves	2,800.00	2,700.00	2,900.00	0.00	02/01/2018	03/31/2020
19K	STU.HA	411.00	t0003019	Lisa Haslacher	2,675.00	2,785.00	2,985.00	60.00	06/04/2013	06/30/2016
19L	1br.ha	675.00	t0003497	The King's College	3,720.00	3,850.00	4,050.00	0.00	08/01/2016	08/31/2019
19M	1br.hb	807.00	t0005818	Arthur Delacroix	4,450.00	4,250.00	4,450.00	0.00	11/01/2017	06/30/2019
19N	stu.hc	944.00	t0006881	Conrad Long	4,200.00	4,300.00	4,500.00	0.00	09/01/2018	08/31/2019
20A	STU.HA	470.00	t0005801	Poonam Sethi	2,775.00	2,700.00	2,900.00	0.00	10/28/2017	12/31/2019
20B	STU.HA	490.00	t0005787	Stefania Lipiec	2,775.00	2,750.00	5,250.00	0.00	09/04/2017	08/31/2019
20C	STU.HA	434.00	t0003633	Amanda Barbeau	2,625.00	2,472.00	2,800.00	0.00	06/03/2017	06/30/2019
20D	STU.HA	470.00	t0006150	Caroline Newby	2,700.00	2,700.00	2,900.00	0.00	04/15/2018	05/31/2019
20E	STU.HA	407.00	t0006903	Lexus Alvin Diestro	2,775.00	2,538.46	2,950.00	0.00	09/04/2018	09/30/2019
20F	STU.HA	434.00	t0005721	Linlat Tun	2,550.00	2,650.00	2,850.00	0.00	09/14/2017	10/31/2019
20G	stu.hb	554.00	t0003665	Chino Hara	3,175.00	3,300.00	3,350.00	0.00	09/16/2018	09/30/2019
20H	STU.HA	450.00	t0003029	Gaspare Malek	2,900.00	2,990.16	3,345.00	0.00	07/04/2013	08/31/2019
20J	stu.hb	500.00	t0003548	Churchill Corporate Services	2,825.00	0.00	3,100.00	50.00	10/14/2016	12/31/2018
20K	STU.HA	411.00	t0003414	Christina Yi	2,700.00	2,200.00	2,750.00	0.00	04/02/2016	08/31/2019
20L	1br.ha	675.00	t0003494	Laura Gardner	3,750.00	3,500.00	3,700.00	0.00	06/01/2018	05/31/2019
20M	1br.hb	807.00	t0006611	Corey Thomas	4,475.00	4,400.00	4,600.00	0.00	07/15/2018	07/31/2019
20N	stu.hc	944.00	t0006911	Daniel Gebrezibher	4,200.00	4,200.00	4,400.00	0.00	08/31/2018	08/31/2019
21A	STU.HA	470.00	t0006289	Neil Karandikar	2,800.00	2,800.00	3,000.00	0.00	05/04/2018	09/30/2019
21B	STU.HA	490.00	t0006162	Brianna Biddiescombe	2,800.00	2,600.00	2,800.00	0.00	04/30/2018	06/30/2019
21C	STU.HA	434.00	t0006692	Xiao Wang	2,650.00	2,650.00	2,850.00	0.00	07/31/2018	08/31/2019
21D	STU.HA	470.00	t0003205	Danielle Campagnone	2,725.00	2,825.00	3,025.00	0.00	06/02/2015	08/31/2019
21E	STU.HA	407.00	t0003501	Zheng Wang	2,800.00	2,775.00	3,150.00	0.00	08/17/2016	08/31/2019
21F	STU.HA	434.00	t0003467	Cassandra Escatel	2,575.00	2,400.00	2,600.00	0.00	07/02/2016	07/31/2019
21G	stu.hb	554.00	t0006964	Lauren Wurthmann	3,200.00	3,200.00	3,400.00	0.00	09/22/2018	09/30/2019
21H	STU.HA	450.00	t0003520	Angelica Garcia-Chico	2,925.00	2,669.76	2,900.00	0.00	10/02/2016	10/31/2019
21J	stu.hb	500.00	t0003310	Marina Milberg	2,850.00	2,850.00	3,050.00	0.00	09/30/2015	09/30/2019
21K	STU.HA	411.00	t0005924	Sridhar Nonabur Srinivasam	2,725.00	2,500.00	2,700.00	0.00	01/27/2018	07/31/2019
21L	1br.ha	675.00	t0003394	Churchill Corporate Services	3,775.00	3,700.00	4,000.00	0.00	02/25/2016	09/30/2018
21M	1br.hb	807.00	t0003474	Kendall Hymes	4,500.00	4,025.00	4,500.00	0.00	06/18/2016	07/31/2019
21N	stu.hc	944.00	t0006563	Ricky Smith	4,225.00	4,500.00	4,700.00	0.00	07/01/2018	06/30/2019
22A	STU.HA	470.00	t0003629	Diego Desouza	2,800.00	3,000.00	3,175.00	0.00	05/27/2017	06/30/2019
22B	STU.HA	490.00	t0005870	Madison Copeland	2,825.00	2,675.00	2,875.00	0.00	11/29/2017	12/31/2018
22C	STU.HA	434.00	t0003050	Sara Rizkalla	2,675.00	2,700.00	2,700.00	0.00	09/27/2009	02/28/2019
22D	STU.HA	470.00	t0003668	Melissa Mackin	2,750.00	2,725.00	2,775.00	0.00	07/03/2017	08/31/2019
22E	STU.HA	407.00	t0005728	Garrett Campbell	2,825.00	2,650.00	2,850.00	0.00	10/02/2017	11/30/2019
22F	STU.HA	434.00	t0007084	Harrison Vargas	2,600.00	2,700.00	2,900.00	0.00	05/01/2018	05/31/2019
22G	stu.hb	554.00	t0006515	Soraya Moinian	3,225.00	2,100.00	0.00	0.00	06/03/2017	06/30/2019
22H	STU.HA	450.00	t0005928	Sean Welsh	2,950.00	2,600.00	2,800.00	0.00	12/27/2017	06/30/2019
22J	stu.hb	500.00	t0006373	Sarah Stonehill	2,875.00	2,885.00	3,085.00	0.00	06/01/2018	11/30/2019
22K	STU.HA	411.00	t0007224	Emily Linthicum	2,750.00	2,492.31	2,692.31	0.00	11/30/2018	12/31/2019
22L	1br.ha	675.00	t0006813	Adam Oden	3,900.00	3,900.00	4,100.00	0.00	08/24/2018	09/30/2020
22M	1br.hb	807.00	t0003670	Anna Beller	4,525.00	3,900.00	4,715.00	0.00	07/01/2017	06/30/2019
22N	stu.hc	944.00	t0006397	Haneesh Anumolu	4,250.00	4,400.00	4,600.00	0.00	05/26/2018	06/30/2019
23A	STU.HA	470.00	t0003292	Ifeanyi Aguoji	2,800.00	3,040.00	3,200.00	0.00	09/02/2015	08/31/2019
23B	STU.HA	490.00	t0006291	Kacie Iwasyk	2,850.00	2,800.00	3,000.00	0.00	05/05/2018	06/30/2019
23C	STU.HA	434.00	t0006463	Brittany Onello	2,700.00	2,650.00	2,800.00	0.00	07/01/2018	06/30/2019
23D	STU.HA	470.00	t0007085	Christina Donato	2,775.00	2,446.15	2,646.15	0.00	10/26/2018	11/30/2019

Rent Roll

As Of = 12/13/2018

Unit	Unit Type	Unit Sq Ft	Resident	Name	Market Rent	Actual Rent	Resident Deposit	Other Deposit	Move In	Lease Expiration
23E	STU.HA	407.00	t0006825	Mariya Dekhman	2,850.00	2,700.00	2,900.00	0.00	08/12/2018	09/30/2019
23F	STU.HA	434.00	t0005948	Ruonan Zhang	2,625.00	2,650.00	2,850.00	0.00	01/28/2018	07/31/2019
23G	stu.hb	554.00	t0003067	John Prince	3,250.00	3,550.00	3,785.00	0.00	06/29/2013	06/30/2019
23H	STU.HA	450.00	t0005935	Tiffany Tucker	2,975.00	2,600.00	2,800.00	0.00	01/06/2018	06/30/2019
23J	stu.hb	500.00	t0003677	Zainab Noorali	2,900.00	2,550.00	2,900.00	0.00	07/02/2017	07/31/2019
23K	STU.HA	411.00	t0005936	Rosanna Corrado	2,775.00	2,500.00	2,700.00	0.00	01/06/2018	07/31/2019
23L	1br.ha	675.00	t0003471	The King's College	3,925.00	3,950.00	4,150.00	0.00	08/01/2016	08/31/2019
23M	1br.hb	807.00	t0006610	Jasmyn Abrams	4,550.00	4,500.00	4,700.00	0.00	07/12/2018	07/31/2019
23N	stu.hc	944.00	t0003453	Allegra Fasulo	4,275.00	4,150.00	4,350.00	0.00	07/01/2018	06/30/2019
24A	STU.HA	470.00	t0006962	Bernadette Fahey	2,800.00	2,688.00	2,888.00	0.00	10/01/2018	10/31/2020
24B	STU.HA	490.00	t0003640	Victoria Sarenko	2,875.00	2,700.00	2,950.00	0.00	07/01/2018	10/31/2019
24C	STU.HA	434.00	t0003619	Shanet Viruet	2,725.00	2,450.00	2,750.00	0.00	06/23/2017	07/31/2019
24D	STU.HA	470.00	t0003576	Marqia Williams	2,800.00	2,500.00	2,800.00	0.00	01/25/2017	07/31/2019
24E	STU.HA	407.00	t0005817	Christopher Powell	2,875.00	0.00	2,925.00	0.00	11/01/2017	11/30/2018
24F	STU.HA	434.00	t0003139	OLIVE HSIAO	2,650.00	2,800.00	3,000.00	0.00	01/02/2015	03/31/2019
24G	stu.hb	554.00	t0003603	Andi Cross	3,275.00	3,000.00	3,395.00	0.00	06/01/2017	07/31/2019
24H	STU.HA	450.00	t0003329	Pamela Arnau	3,000.00	2,680.00	2,880.00	0.00	11/20/2015	11/30/2019
24J	stu.hb	500.00	t0003464	Dustin Darenbourg	2,925.00	2,865.00	3,065.00	0.00	06/01/2016	06/30/2019
24K	STU.HA	411.00	t0003201	Andrew Hodgkins	2,800.00	2,600.00	2,950.00	0.00	06/06/2015	07/31/2019
24L	1br.ha	675.00	t0003084	Churchill Corporate Housing	3,950.00	0.00	3,850.00	0.00	11/01/2006	12/31/2018
24M	1br.hb	807.00	t0005783	Daniel Reimels	4,575.00	4,300.00	4,500.00	0.00	10/02/2017	10/31/2019
24N	stu.hc	944.00	t0003607	Josie Hutch	4,300.00	4,000.00	4,350.00	0.00	05/02/2017	05/31/2019
25A	STU.HA	470.00	t0003622	Matthew Ricciardi	2,825.00	2,650.00	2,850.00	0.00	06/02/2017	07/31/2019
25B	STU.HA	490.00	t0003392	Anne Sesser	2,900.00	0.00	2,800.00	0.00	02/20/2016	06/30/2018
25C	STU.HA	434.00	t0003481	Micheal Chow	2,750.00	2,909.75	3,109.75	0.00	07/03/2016	06/30/2019
25D	STU.HA	470.00	t0003519	Hanu Gupta	2,825.00	2,300.00	2,700.00	0.00	09/01/2016	10/31/2019
25E	STU.HA	407.00	t0003587	Celine Hacobian	2,900.00	2,491.38	2,770.00	0.00	03/03/2017	08/31/2019
25F	STU.HA	434.00	t0006680	Stephanie Singh	2,675.00	2,650.00	2,850.00	0.00	08/01/2018	09/30/2020
25G	stu.hb	554.00	t0003093	Aaron Foldenauer	3,300.00	3,250.00	3,600.00	0.00	09/12/2005	03/31/2019
25H	STU.HA	450.00	t0006828	Brittany Eger	3,025.00	2,800.00	3,000.00	0.00	09/01/2018	09/30/2020
25J	stu.hb	500.00	t0006875	Sarah Scheinholtz	2,950.00	2,950.00	3,150.00	0.00	08/31/2018	08/31/2019
25K	STU.HA	411.00	t0006299	Andrew West	2,825.00	2,550.00	2,750.00	0.00	06/01/2018	02/28/2019
25L	1br.ha	675.00	t0003097	Churchill Corporate Housing	3,975.00	3,850.00	3,849.75	0.00	02/05/2007	07/31/2019
25M	1br.hb	807.00	VACANT	VACANT	4,600.00	0.00	0.00	0.00		
25N	stu.hc	944.00	t0006888	Andrew Lakis	4,300.00	4,300.00	4,500.00	0.00	09/01/2018	08/31/2019
26A	STU.HA	470.00	t0003293	Yale Klepner	2,850.00	2,750.00	3,200.00	0.00	10/02/2015	09/30/2019
26B	STU.HA	490.00	t0005727	Alexander Combs	2,925.00	2,700.00	2,900.00	0.00	09/30/2017	11/30/2019
26C	STU.HA	434.00	t0003658	Ladan Fazlollahi	2,775.00	2,750.00	2,950.00	0.00	07/01/2017	06/30/2019
26D	STU.HA	470.00	t0006822	Alexandra Bruno	2,850.00	2,620.00	2,850.00	0.00	08/18/2018	09/30/2019
26E	STU.HA	407.00	t0003513	Benjamin Abrams	2,925.00	2,525.00	2,725.00	0.00	09/01/2016	08/31/2019
26F	STU.HA	434.00	t0006085	Brandon Nguyen	2,700.00	2,600.00	2,800.00	0.00	03/08/2018	05/31/2020
26G	stu.hb	554.00	t0003675	Christelle A A. Calderon De	3,325.00	3,000.00	3,200.00	0.00	07/02/2017	08/31/2019
26H	STU.HA	450.00	t0003706	He Jiang	3,050.00	2,800.00	3,000.00	0.00	08/25/2017	10/31/2019
26J	stu.hb	500.00	t0006488	Shannon Butler	2,975.00	2,750.00	2,950.00	0.00	06/25/2018	06/30/2019
26K	STU.HA	411.00	t0005931	Robert Weathers	2,850.00	2,600.00	2,800.00	0.00	01/20/2018	02/28/2019
26L	1br.ha	675.00	t0003178	The King's College	4,000.00	4,175.00	4,375.00	0.00	04/01/2015	05/31/2019
26M	1br.hb	807.00	t0006677	Amanda Kiami	4,600.00	4,500.00	4,700.00	0.00	08/01/2018	07/31/2019
26N	stu.hc	944.00	t0003572	Michelle Davis	4,300.00	4,052.85	4,500.00	50.00	01/01/2017	02/28/2019
COML2	com	3,200.00	t0003113	90 Washington Rest. Associ	20,000.00	20,000.00	0.00	1,012,251.64	06/01/2005	06/30/2026
LAUNDRY	laundry	0.00	t0003490	Hercules Corp.	10,250.00	0.00	0.00	0.00	09/06/2016	09/12/2026
PHA	1br.hc	722.00	t0006077	Benjamin Davis	4,250.00	4,250.00	4,450.00	0.00	03/01/2018	05/31/2020
PHB	1br.hc	647.00	t0003688	Anne Hall	3,850.00	3,300.00	3,250.00	0.00	01/09/2018	03/31/2019
PHC	stu.hc	620.00	t0003266	Kijana Mack	4,300.00	0.00	5,200.00	50.00	08/01/2015	07/31/2017
PHD	1br.hc	819.00	t0005842	Colleen Tripp	4,650.00	4,650.00	4,650.00	0.00	12/01/2017	02/29/2020
PHE	STU.HA	460.00	t0006287	Pravar Singh	3,300.00	3,300.00	3,500.00	0.00	05/10/2018	07/31/2020
PHF	1br.ha	711.00	t0003575	Milind Sharma	4,120.00	4,120.00	4,320.00	0.00	01/28/2017	05/31/2019
PHG	stu.hb	584.00	t0006727	Madeline Hrotko	3,150.00	3,150.00	3,350.00	0.00	08/10/2018	07/31/2019

Rent Roll

As Of = 12/13/2018

Unit	Unit Type	Unit Sq Ft	Resident	Name	Market Rent	Actual Rent	Resident Deposit	Other Deposit	Move In	Lease Expiration
PHH	stu.hc	738.00	t0003122	Mark Woodgate	4,325.00	4,375.00	7,405.00	48.69	12/07/2007	04/30/2019
SCHOOL	com	8,141.00	t0003307	Bright Horizons	79,010.42	79,010.42	0.00	0.00	09/02/2015	05/31/2031
VALET	com	275.00	t0006089	Washington Valet Inc.	4,060.06	500.00	1,000.00	0.00	03/01/2018	02/28/2019
Future Residents/Applicants										
10Q	stu.hb	536.00	t0007221	Lindsey Halstead	3,100.00	0.00	3,009.72	0.00	12/14/2018	05/31/2020
			Total	**90W(2430)**	**1,375,210.48**	**1,244,859.98**	**1,271,515.04**	**1,013,029.02**		

Summary Groups	Square Footage	Market Rent	Actual Rent	Security Deposit	Other Deposits	# Of Units	% Unit Occupancy
Current/Notice/Vacant Residents	239,679.00	1,375,210.48	1,244,859.98	1,268,505.32	1,013,029.02	401.00	96.75
Future Residents/Applicants	536.00	3,100.00	0.00	3,009.72	0.00	1.00	
Occupied Units	231,685.00	1,331,330.48				388	96.75
Total Non Rev Units	0.00	0.00				0	0.00
Total Vacant Units	7,994.00	43,880.00				13	3.24
Totals:	**239,679.00**	**1,375,210.48**	**1,244,859.98**	**1,271,515.04**	**1,013,029.02**	**401**	**100.00**

LETTER OF ENGAGEMENT

BBG

December 10, 2018

Mr. Yaron Babila
The Moinian Group
3 Columbus Circle, 26th Floor
New York, NY 10019
ybabila@moiniangroup.com

RE:
220 Eleventh Avenue
572 Eleventh Avenue
"W" Hotel, 123 Washington Street
90 Washington Street
3 Columbus Circle
123 Linden Boulevard, Brooklyn
535-545 Fifth Avenue
245 Fifth Avenue
72 Madison Avenue
Hilton Garden Inn, 237 West 54th Street
West Gramercy Portfolio (8 small buildings)

Dear Mr. Babila:

We are pleased to submit this proposal and our terms and conditions for the appraisal of the referenced real estate.

PROPOSAL SPECIFICATIONS

Valuation Premise:	Updated self-contained appraisals for fourth quarter 2018.
Property Rights Appraised:	Leased fee interest
Intended Use:	Asset valuation for proposed financing in preparation of IFRS financial statements in connection with a potential TASE offering.
Intended User:	The Moinian Group and its related entities, successors, and/or assigns.
Scope of Work/Report Type:	Sales Comparison, Income (Direct Capitalization and Discounted Cash Flow), and Cost Approaches and Insurable value, as applicable.
Appraisal Standards:	Uniform Standards of Professional Appraisal Practice (USPAP), Financial Institution Reform, Recovery, and Enforcement Act (FIRREA), and Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

NEW YORK

P + 212.682.0400
F + 212.682.2233

112 MADISON AVENUE + FLOOR 11
NEW YORK, NY 10016

BBGRES.COM

Mr. Yaron Babila
Page 2
December 10, 2018

Fee:	$140,000 total
Payment Terms:	**A retainer in the amount of one-half of our fee is due and payable upon acceptance of the terms of this letter.** The balance is due upon delivery of the final letters or within 30 days of your receipt of our draft letters, whichever is sooner. If a draft is requested, the fee is considered earned upon delivery of our draft.
Report Copies:	PDF delivery of draft and/or final letters
Delivery Date:	Delivery of the letters will be completed no later than June 30, 2018, pending timely receipt of your written authorization to proceed, the retainer, and all necessary data.
Acceptance Date:	Date of execution

The attached General Assumptions and Limiting Conditions (Exhibit A) are deemed part of this agreement as though set forth in full herein.

We appreciate this opportunity to be of service to you on this assignment. If you have additional questions, please contact us.

Sincerely,

BBG, Inc.

Michelle Zell, MAI
Senior Appraiser

YARON BABILA CHIEF FINANCIAL OFFICER OF MOINIAN LIMITED APPROVED

AGREED AND ACCEPTED

Yaron Babila
The Moinian Group

12/10/2018
Date

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made with the following general assumptions:

1. Any legal description or plats reported herein are assumed to be accurate. Any sketches, surveys, plats, photographs, drawings or other exhibits are included only to assist the intended user to better understand and visualize the subject property, the environs, and the competitive data. We have made no survey of the property and assume no responsibility in connection with such matters.
2. The appraiser has not conducted any engineering or architectural surveys in connection with this appraisal assignment. Information reported pertaining to dimensions, sizes, and areas is either based on measurements taken by the appraiser or the appraiser's staff or was obtained or taken from referenced sources and is considered reliable. No responsibility is assumed for the costs of preparation or for arranging geotechnical engineering, architectural, or other types of studies, surveys, or inspections that require the expertise of a qualified professional.
3. No responsibility is assumed for matters legal in nature. Title is assumed to be good and marketable and in fee simple unless otherwise stated in the report. The property is considered to be free and clear of existing liens, easements, restrictions, and encumbrances, except as stated.
4. Unless otherwise stated herein, it is assumed there are no encroachments or violations of any zoning or other regulations affecting the subject property and the utilization of the land and improvements is within the boundaries or property lines of the property described and that there are no trespasses or encroachments.
5. BBG, Inc. assumes there are no private deed restrictions affecting the property which would limit the use of the subject property in any way.
6. It is assumed the subject property is not adversely affected by the potential of floods; unless otherwise stated herein.
7. It is assumed all water and sewer facilities (existing and proposed) are or will be in good working order and are or will be of sufficient size to adequately serve any proposed buildings.
8. Unless otherwise stated within the report, the depiction of the physical condition of the improvements described herein is based on visual inspection. No liability is assumed for the soundness of structural members since no engineering tests were conducted. No liability is assumed for the condition of mechanical equipment, plumbing, or electrical components, as complete tests were not made. No responsibility is assumed for hidden, unapparent or masked property conditions or characteristics that were not clearly apparent during our inspection.
9. If building improvements are present on the site, no significant evidence of termite damage or infestation was observed during our physical inspection, unless so stated in the report. No termite inspection report was available, unless so stated in the report. No responsibility is assumed for hidden damages or infestation.
10. Any proposed or incomplete improvements included in this report are assumed to be satisfactorily completed in a workmanlike manner or will be thus completed within a reasonable length of time according to plans and specifications submitted.

11. No responsibility is assumed for hidden defects or for conformity to specific governmental requirements, such as fire, building, safety, earthquake, or occupancy codes, except where specific professional or governmental inspections have been completed and reported in the appraisal report.
12. Responsible ownership and competent property management are assumed.
13. The appraisers assume no responsibility for any changes in economic or physical conditions which occur following the effective date of value within this report that would influence or potentially affect the analyses, opinions, or conclusions in the report. Any subsequent changes are beyond the scope of the report.
14. The value estimates reported herein apply to the entire property. Any proration or division of the total into fractional interests will invalidate the value estimates, unless such proration or division of interests is set forth in the report.
15. Any division of the land and improvement values estimated herein is applicable only under the program of utilization shown. These separate valuations are invalidated by any other application.
16. Unless otherwise stated in the report, only the real property is considered, so no consideration is given to the value of personal property or equipment located on the premises or the costs of moving or relocating such personal property or equipment.
17. Unless otherwise stated, it is assumed that there are no subsurface oil, gas or other mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered; unless otherwise stated. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
18. Any projections of income and expenses, including the reversion at time of resale, are not predictions of the future. Rather, they are our best estimate of current market thinking of what future trends will be. No warranty or representation is made that these projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of an appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future in terms of expectations of growth in rental rates, expenses, and supply and demand. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.
19. Unless subsoil opinions based upon engineering core borings were furnished, it is assumed there are no subsoil defects present, which would impair development of the land to its maximum permitted use or would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
20. BBG, Inc. representatives are not experts in determining the presence or absence of hazardous substances, defined as all hazardous or toxic materials, wastes, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such substances or for loss as a result of the presence of such substances. Appraisers are not qualified to detect such substances. The client is urged to retain an expert in this field.

21. We are not experts in determining the habitat for protected or endangered species, including, but not limited to, animal or plant life (such as bald eagles, gophers, tortoises, etc.) that may be present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such species or for loss as a result of the presence of such species. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent endangered species impact studies, research, and investigation that may be provided.
22. No environmental impact studies were either requested or made in conjunction with this analysis. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, and investigation that may be provided.
23. The appraisal is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the report; further, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.
24. Neither all nor any part of the contents of this report or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales, or any other media, without the prior written consent and approval of the appraisers. This limitation pertains to any valuation conclusions, the identity of the analyst or the firm and any reference to the professional organization of which the appraiser is affiliated or to the designations thereof.
25. Although the appraiser has made, insofar as is practical, every effort to verify as factual and true all information and data set forth in this report, no responsibility is assumed for the accuracy of any information furnished the appraiser either by the client or others. If for any reason, future investigations should prove any data to be in substantial variance with that presented in this report, the appraiser reserves the right to alter or change any or all analyses, opinions, or conclusions and/or estimates of value.
26. If this report has been prepared in a so-called "public non-disclosure" state, real estate sales prices and other data, such as rents, prices, and financing, are not a matter of public record. If this is such a "non-disclosure" state, although extensive effort has been expended to verify pertinent data with buyers, sellers, brokers, lenders, lessors, lessees, and other sources considered reliable, it has not always been possible to independently verify all significant facts. In these instances, the appraiser may have relied on verification obtained and reported by appraisers outside of our office. Also, as necessary, assumptions and adjustments have been made based on comparisons and analyses using data in the report and on interviews with market participants. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

27. The American Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would 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 impact upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.
28. This appraisal report has been prepared for the exclusive benefit of the client. It may not be used or relied upon by any other party. Any other party who is not the identified client within this report who uses or relies upon any information in this report does so at their own risk.
29. The dollar amount of any value opinion herein rendered is based upon the purchasing power and price of the United States Dollar as of the effective date of value. This appraisal is based on market conditions existing as of the date of this appraisal.
30. The right is reserved by the appraiser to make adjustments to the analyses, opinions, and conclusions set forth in this report as may be required by consideration of additional or more reliable data that may become available. No change of this report shall be made by anyone other than the appraiser or appraisers. The appraiser(s) shall have no responsibility for any unauthorized change(s) to the report.
31. If the client instructions to the appraiser were to inspect only the exterior of the improvements in the appraisal process, the physical attributes of the property were observed from the street(s) as of the inspection date of the appraisal. Physical characteristics of the property were obtained from tax assessment records, available plans, if any, descriptive information, and interviewing the client and other knowledgeable persons. It is assumed the interior of the subject property is consistent with the exterior conditions as observed and that other information relied upon is accurate.
32. The submission of this report constitutes completion of the services authorized. It is submitted on the condition the client will provide reasonable notice and customary compensation, including expert witness fees, relating to any subsequent required attendance at conferences, depositions, and judicial or administrative proceedings. In the event the appraiser is subpoenaed for either an appearance or a request to produce documents, a best effort will be made to notify the client immediately. The client has the sole responsibility for obtaining a protective order, providing legal instruction not to appear with the appraisal report and related work files and will answer all questions pertaining to the assignment, the preparation of the report, and the reasoning used to formulate the estimate of value. Unless paid in whole or in part by the party issuing the subpoena or by another party of interest in the matter, the client is responsible for all unpaid fees resulting from the appearance or production of documents regardless of who orders the work.
33. Use of this appraisal report constitutes acknowledgement and acceptance of the general assumptions and limiting conditions, special assumptions (if any), extraordinary assumptions (if any), and hypothetical conditions (if any) on which this estimate of market value is based.
34. If provided, the estimated insurable value is included at the request of the client and has not been performed by a qualified insurance agent or risk management underwriter. This cost estimate should not be solely relied upon for insurable value purposes. The appraisers are not familiar with the definition of insurable value from the insurance provider, the local

governmental underwriting regulations, or the types of insurance coverage available. These factors can impact cost estimates and are beyond the scope of the intended use of this appraisal. The appraisers are not cost experts in cost estimating for insurance purposes.

CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- Philip Ginsberg has inspected the property, and has prepared the analysis concerning the real estate that is the subject of this appraisal report
- Michelle Zell, MAI has reviewed the analyses, opinions and conclusions concerning the real estate contained in this appraisal report and fully concurs with the final fair value conclusion.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my 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 performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment, most recently in December 2017.
- 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.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- No one provided significant real property appraisal assistance to the person signing this certification.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Michelle Zell has completed the continuing education program for Designated Members of the Appraisal Institute.





Michelle Zell, MAI
Senior Appraiser
State Certified General Appraiser #46-49921

Philip Ginsberg
Senior Appraiser
(212) 682-2969
Pginsberg@bbgres.com

QUALIFICATIONS

BBG

Michelle Zell, MAI
Senior Appraiser
Work: 212.682.8293
mzell@bbgres.com

PROFILE

Michelle is a Senior Appraiser at BBG in New York City (formerly Leitner Group). She has extensive experience analyzing all asset types. Appraisal assignments have included a range of property types including rental apartment buildings, condominium and cooperative residential properties, retail properties, hotels, office buildings, restaurants, industrial properties, and vacant land valuation. Michelle specializes in managing large portfolios, and valuing large scale existing and proposed developments. Prior to joining Leitner Group, Michelle received a Masters degree from Emory University and conducted health research for the City of New York. Notable assignments include:

- Valuation of multiple International Bond offerings with total appraised values of $1B.
- Valuation of Peter Cooper Village and Stuyvesant Town, a rental apartment complex in New York City with 12,000 units.
- The condominium conversion of the Apthorp, a rent stabilized pre-war building.
- Valuation of 701 7th Avenue- a proposed hotel and retail development in Times Square valued at $2B.

PROFESSIONAL AFFILIATIONS

General Certified Appraiser:
MAI Designated Member of the Appraisal Institute
State of New York (License #46-49921)

EDUCATION

Cornell University, Ithaca, NY, B.S. 1997
Emory University, Atlanta, GA, M.P.H. 2000

BBG

Philip Ginsberg
Senior Appraiser
Work: 212.682.2969
pginsberg@bbgres.com

PROFILE

Phil is a Senior Appraiser at BBG in New York City (formerly Leitner Group). Phil has over twenty five years of experience in the real estate appraisal industry. Prior to joining Leitner Group, Inc., I was an associate appraiser with Joseph J. Blake and Associates, a national Real Estate valuation company, appraising various types of commercial and industrial property. Assignments were completed in New York, New Jersey, Connecticut, Pennsylvania, Maryland, Ohio, Minnesota, Missouri, Oklahoma, Nebraska, Nevada, California, Illinois, Maine, Vermont and Idaho.

Prior to Joseph J. Blake and Associates, I was a senior appraiser at McGrath Basciani and Associates in Westchester County, New York (now McGrath & Company). Assignments consisted mostly of residential form and narrative reports, as well as tax certiorari analysis of various residential and commercial properties in Westchester County.

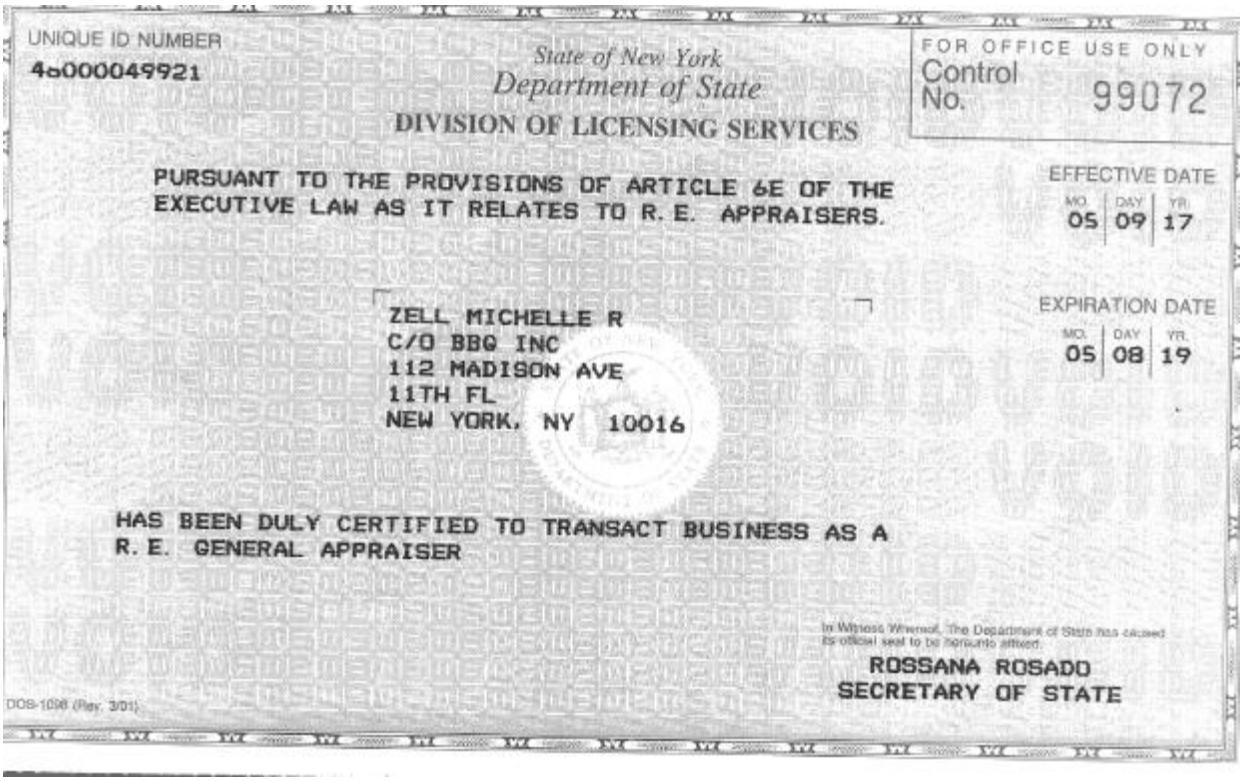
EDUCATION

New York University (New York, New York), Master of Science in Real Estate Valuation and Analysis
Pace University (Pleasantville, New York), Bachelor of Business Administration in Finance

COURSEWORK

Real Estate Appraisal Principles
Residential Valuation Procedures
Basic Valuation Procedures
Uniform Standards of Professional Appraisal Practice
Business Practices and Ethics

LICENSES



UNIQUE ID NUMBER
4s000049921

State of New York
Department of State
DIVISION OF LICENSING SERVICES

FOR OFFICE USE ONLY
Control No. 99072

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

EFFECTIVE DATE
MO. 05 | DAY 09 | YR. 17

EXPIRATION DATE
MO. 05 | DAY 08 | YR. 19

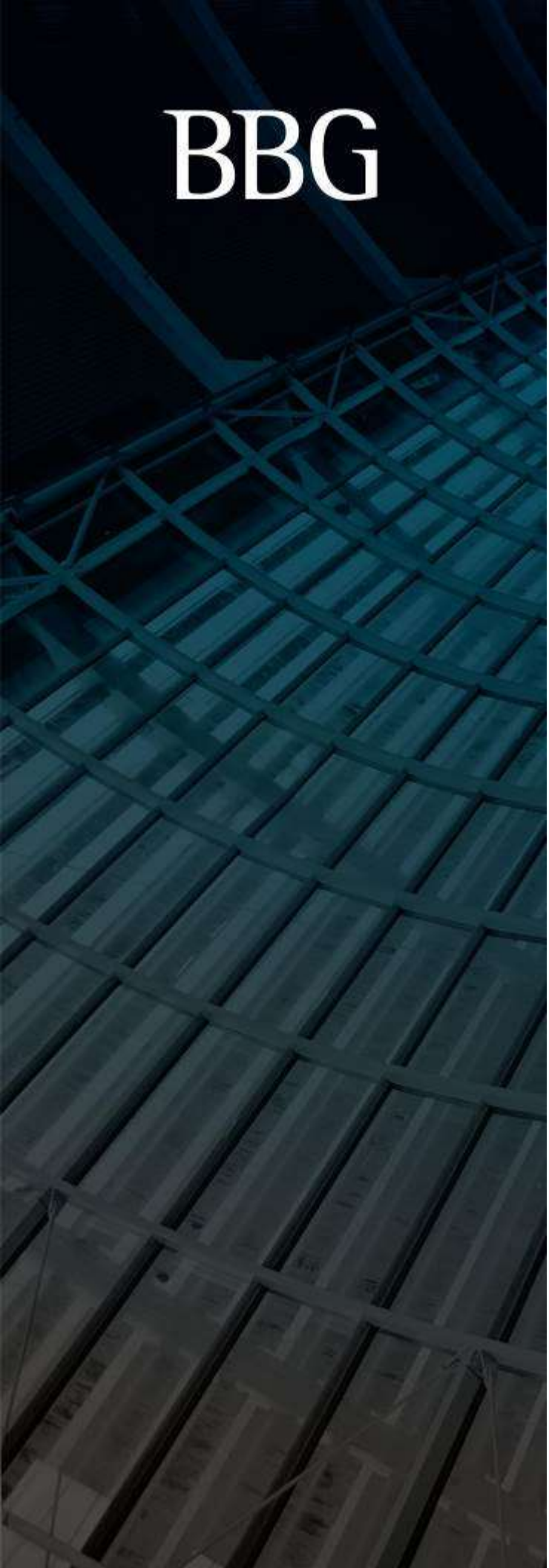
ZELL MICHELLE R
C/O BBQ INC
112 MADISON AVE
11TH FL
NEW YORK, NY 10016

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)



APPRAISAL REPORT

Class A Office Building
3 Columbus Circle
New York, NY 10019

REQUESTED BY

Mr. Yaron Babila
The Moinian Group
3 Columbus Circle, 26th Floor
New York, NY 10019

PREPARED BY

BBG, Inc.
112 Madison Avenue, 11th Floor
New York, NY 10016

DATE OF VALUE OPINION

December 31, 2018

BBG

January 14, 2019

Mr. Yaron Babila
The Moinian Group
3 Columbus Circle, 26th Floor
New York, NY 10019

Re: BBG Appraisal File No. 0118013474
Class A Office Building
3 Columbus Circle
New York, NY 10019

Dear Mr. Babila:

In accordance with your request, we have completed an appraisal of the above-captioned property for the purpose of advancing an opinion of the fair value of the Leased Fee interest "As Is."

The subject property consists of the retail and office space located within the basement, grade, 2nd and 9th through 27th floors of 3 Columbus Circle (aka 1775 Broadway). 3 Columbus Circle is a 26-story Class A office commercial condominium building containing 654,582± square feet of gross building area (entire building). The improvements were constructed in 1927 and renovated in 2011.

The subject property is identified as Block 1029, Lots 1001 through 1010 and 1012 through 1021. Lot 1011, comprising the 3rd through 8th floors of 3 Columbus Circle, is not part of the property being appraised. The subject property contains a total of 539,043± square feet of leasable area of which 459,655± square feet is office space, 74,701± square feet is retail space and 4,687± square feet is storage space. The subject is presently 95.3% occupied.

3 Columbus Circle encompasses the entire block bound by West 58th Street to the north, Broadway to the east, West 57th Street to the south, and Eighth Avenue to the west in the Columbus Center District of Midtown Manhattan.

The highest and best use of the subject property is continued office and retail use. This conclusion is based on zoning, location, forecasted economics, and conformity to neighboring buildings.

NEW YORK

P + 212.682.0400
F + 212.682.2233

112 MADISON AVE. + FLOOR 11
NEW YORK, NY 10016

BBGRES.COM

We have appraised the above referenced property, the conclusions of which are set forth in the attached appraisal report. This is an Appraisal Report that is intended to comply with the reporting requirements set forth under Standards Rule 2-2 of USPAP and the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute. In addition, this appraisal has been prepared in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement).

The depth of analysis discussed in this report is specific to the needs of the client and for the intended use stated in the report. This appraisal is to be used to aid the Company in the preparation of Financial Statements for the Moinian Limited Financial Statements to be published in Tel Aviv Stock Exchange in 2019.

We confirm that we have given our full consent to the inclusion to the inclusion of the valuation in its entirety within the Company Prospectus to be published in the Tel Aviv Stock Exchange in 2018 and any prospectus/financial statements to be published or disclosed to the Israeli Security Authority.

After carefully considering all available information and factors affecting value, our opinions are:

Value Scenario	Date	Value Opinion
Fair Value "As Is"	December 31, 2018	$820,000,000

The opinions of value expressed herein are subject to the certification, limiting conditions, assumptions, all information contained in the following written appraisal report.

Thank you for the opportunity to serve you.

Sincerely,

Michelle Zell, MAI
Senior Appraiser
State Certified General Appraiser #46-49921

Lauren Mann
Senior Appraiser
(212) 682-8971
lmann@bbgres.com
State Certified General Appraiser #46-50987

TABLE OF CONTENTS

INTRODUCTION 1
- PROPERTY IDENTIFICATION 1
- PURPOSE OF THE APPRAISAL 1
- INTENDED USER/FUNCTION OF THE APPRAISAL 1
- PROPERTY RIGHTS APPRAISED 1
- DATE OF VALUE OPINION 1
- PROPERTY SALES HISTORY 2
- DEFINITION OF FAIR VALUE 2
- DEFINITION OF REAL ESTATE-RELATED FINANCIAL TRANSACTION 2
- EXPOSURE TIME 3
- ESTIMATE OF REASONABLE MARKETING TIME 3
- LIMITING CONDITIONS AND SPECIAL ASSUMPTIONS 3
- HYPOTHETICAL CONDITION 3
- ARGUS SOFTWARE 3
- GENERAL ASSUMPTIONS 3
- EXTRAORDINARY ASSUMPTIONS 4
- SCOPE OF THE APPRAISAL 4

AREA ECONOMIC ANALYSIS 6

NEIGHBORHOOD DESCRIPTION 17

OFFICE MARKET ANALYSIS 20
- COLUMBUS CIRCLE OFFICE MARKET 30

MANHATTAN RETAIL MARKET ANALYSIS 33

ZONING SUMMARY 38

ASSESSED VALUE AND REAL ESTATE TAXES 40

SITE DESCRIPTION 44

DESCRIPTION OF THE IMPROVEMENTS 74

HIGHEST AND BEST USE 78

APPRAISAL VALUATION PROCESS 81

INCOME APPROACH 82
- BASE RENTAL REVENUE 82
- SURVEY OF COMPARABLE OFFICE LEASES 85
- SURVEY OF COMPARABLE RETAIL RENTALS 88
- EXPENSE ANALYSIS 91

YIELD CAPITALIZATION ANALYSIS....94
SUMMARY OF CASH FLOW ASSUMPTIONS....98
RECONCILIATION OF INCOME APPROACH....101
SALES COMPARISON APPROACH....102
SALES ADJUSTMENT GRID....111
RECONCILIATION AND FINAL VALUE OPINIONS....112
ADDENDA....113
RENT ROLL....114
ASSUMPTIONS AND LIMITING CONDITIONS....115
CERTIFICATION....119
QUALIFICATIONS....121
LICENSES....123

SUMMARY OF FACTS AND CONCLUSIONS

Subject Property:	Class A Office Building 3 Columbus Circle New York, NY 10019
Location:	3 Columbus Circle encompasses the entire block bound by West 58th Street to the north, Broadway to the east, West 57th Street to the south, and Eighth Avenue to the west in the Columbus Center District of Midtown Manhattan.
Tax Map Number:	Block 1029, Lot 1001-1010 and 1012-1021
Gross Building Area:	654,582± square feet (entire building including floors 3-8 which are not included in this appraisal).
Gross Leasable Area:	459,655± square feet – office 74,701± square feet – retail 4,687± square feet – storage 539,043± square feet – total
Current Occupancy:	95.3%
Year Built:	1927, renovated 2011
Site Area:	32,375± square feet
Zoning:	C5-3 Commercial zoning district.
Highest And Best Use:	As Vacant – office and retail development. As Improved – continued office and retail use.
Flood Zone:	The subject site is within Zone X, an area of minimal flooding, according to the FIRM flood hazard map, Community Panel #360497-0088F, effective September 5, 2007.
Exposure Time:	Six months to one year.
Marketing Time:	Six months to one year.
Date of Valuation:	December 31, 2018
Date of Inspection:	January 7, 2019

Property Rights Appraised:	Leased Fee Interest
VALUE ESTIMATES	
Cost Approach:	Not Applied
Income Capitalization Approach:	$820,000,000
Sales Comparison Approach:	$820,000,000
Estimated Fair Value:	$820,000,000

INTRODUCTION

PROPERTY IDENTIFICATION

The subject property consists of the retail and office space located within the basement, grade, 2nd and 9th through 27th floors of 3 Columbus Circle (aka 1775 Broadway). 3 Columbus Circle is a 26-story Class A office building containing 654,582± square feet of gross building area (entire building). The improvements were constructed in 1927 and renovated in 2011.

The subject property is identified as Block 1029, Lots 1001 through 1010 and 1012 through 1021. Lot 1011, comprising the 3rd through 8th floors of 3 Columbus Circle, is not part of the property being appraised. The subject property contains a total of 539,043± square feet of leasable area of which 459,655± square feet is office space, 74,701± square feet is retail space and 4,687± square feet is storage space. The subject is presently 95.3% occupied.

3 Columbus Circle encompasses the entire block bound by West 58th Street to the north, Broadway to the east, West 57th Street to the south, and Eighth Avenue to the west in the Columbus Center District of Midtown Manhattan.

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to advance an opinion of the fair value of the Leased Fee interest "As Is."

INTENDED USER/FUNCTION OF THE APPRAISAL

The intended user of this report is The Moinian Group. The appraisals are to be used by the Company in preparation of IFRS financial statements in connection with a potential Tel Aviv Stock Exchange ("TASE") offering. We consent to the inclusion of the valuation in its entirety within the Company's prospectus to be published on the TASE.

The Intended Use is to aid the Company in the preparation of Financial Statements for the prospectus to be published on the Tel Aviv Stock Exchange and any prospectus/financial statements to be published or disclosed to the Israeli Security Authority.

PROPERTY RIGHTS APPRAISED

The existence of leases within the subject property indicates that the property should be appraised on the basis of a leased fee estate (encumbered). A leased fee estate is an ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others; the rights of the lessor (the leased fee owner) and the lessee (leaseholder) are specified by contract terms contained within the lease.

DATE OF VALUE OPINION

The date of our "as is" valuation is December 31, 2018. Michelle Zell, MAI inspected the interior and exterior property and its environs on January 7, 2019.

PROPERTY SALES HISTORY

According to public records, the subject property is owned by Devash LLC who acquired the asset in 2000. In August 2018 the Moinian Group purchased S. L. Green's 48.9% interest in the property based on a property value of $820,000,000 as reported by the client. The value conforms to the concluded value in the appraisal. Public records do not indicate a purchase price although news sources report proceeds of $233 million (after debt) to S.L. Green. There have been no other transfers of ownership in the previous three years. We are unaware of any bids, offers, or options to purchase this asset.

DEFINITION OF FAIR VALUE

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). That definition of fair value emphasis that fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value. The IFRS explains that a fair value measurement requires an entity to determine the following:

(a) the particular asset or liability being measured;

(b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis;

(c) the market in which an orderly transaction would take place for the asset or liability; and

(d) the appropriate valuation technique(s) to use when measuring fair value. The valuation technique(s) used should maximize the use of relevant observable inputs and minimize unobservable inputs. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability.

DEFINITION OF REAL ESTATE-RELATED FINANCIAL TRANSACTION[1]

"Real estate-related financial transaction" means any transaction involving:

1. the sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof; or

2. the refinancing of real property or interests in real property; or

[1] *12 U.S.C. 3350(5) (FIRREA section 1121(5)*

3. the use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.

EXPOSURE TIME

Exposure time has been defined as the estimated length of time the real property interest appraised would have been offered in the market prior to the hypothetical consummation of a sale at market value on the effective date of appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.

Exposure time is always presumed to precede the effective date of appraisal. It is our opinion that a normal exposure time for the subject property is 3 to 12 months. This conclusion is predicated on interviews with brokers and other real estate industry sources and on information obtained in the verification process. The value reported herein presumes such an exposure time.

ESTIMATE OF REASONABLE MARKETING TIME

Given the location and the marketing times for similar properties in the area, we estimate the marketing time for the subject to be within one year.

LIMITING CONDITIONS AND SPECIAL ASSUMPTIONS

Information, estimates and opinions furnished to us and contained in the report were obtained from sources considered reliable. However, no responsibility for accuracy of such items furnished by secondary parties can be assumed.

HYPOTHETICAL CONDITION

According to The Dictionary of Real Estate Appraisal (4th Edition), a Hypothetical Condition is "that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions 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." In the development of our opinions of value, we have applied the following Hypothetical Condition: None.

ARGUS SOFTWARE

We used Argus software to develop our cash flow model and opinions of value. While the major assumptions are summarized herein, a full review of the file is required for complete understanding. Therefore, the aforementioned file is incorporated into this report by reference and it is available for review by the Intended Users.

GENERAL ASSUMPTIONS

Information, estimates and opinions furnished to us and contained in the report were obtained from sources considered reliable. To this end, details regarding the property including leasable area, gross building area, net sellable/rentable area, expenses, etc. were furnished by Devash LLC or their agent(s). While we have attempted to verify information when possible, no responsibility for the accuracy of items furnished is assumed.

EXTRAORDINARY ASSUMPTIONS

According to The Dictionary of Real Estate Appraisal (4th Edition), an Extraordinary Assumption is "An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. 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." In the development of our opinions of value, we have applied the following extraordinary assumptions: None.

SCOPE OF THE APPRAISAL

Our analysis and opinions are based, in part, on interviews conducted with real estate brokers, appraisers, developers, and government officials. Within the course of this assignment the following were prepared:

- Analyzed various population, labor, and economic growth statistics, development patterns, and recent real estate activity and competition and related these factors to their impact on the retail/office market.
- Researched and investigated the subject's location in terms of its economic activity, development patterns, and future trends.
- Determined the Highest and Best Use of the subject property based on an analysis of all relevant factors.
- Researched and ascertained various support information (e.g., rental data, improved comparables, market and area demographics, etc.) in deriving a current market value estimate.
- Analyzed the current contract rent of the subject's occupancy lease, projected occupancy, forecasted operating expenses, and determined competitive discount and capitalization rates applicable to the subject property from both the local and national markets.
- Utilized market-derived information including rental data and improved comparable sales in deriving a current Market Value estimate.
- Advanced an opinion of the fair value of the identified interest "as is."

AREA MAP


Subject
3 Columbus Cir
New York, NY 10019
Copyright © and (P) 1988–2012 Microsoft Corporation and/or its suppliers. All rights reserved.

AREA ECONOMIC ANALYSIS

The New York Metropolitan Statistical Area (MSA) consists of the City of New York's five counties and the counties of Westchester and Rockland. The subject property is located in the City of New York, New York County (Manhattan). New York City's five boroughs cover 309 square miles. New York City is the nation's center for finance, the arts, media, fashion, and telecommunications.

The borough of Manhattan, or New York County, forms the central political, financial, and cultural core of the City and is the economic growth engine for the Greater New York region. Seventy-five percent of the City's employees work in Manhattan, which is home to the Midtown and Downtown business districts. The City's other boroughs are the Bronx, Brooklyn, Queens, and Staten Island (otherwise known as Bronx, Kings, Queens, and Richmond Counties). They also have strong, albeit significantly smaller, economies than Manhattan. Brooklyn and Queens have the largest economies behind Manhattan.

POPULATION

	1980	1990	2000	2010	2018	Est 2023
Overall	7,071,639	7,322,564	8,008,278	8,175,133	8,598,697	8,816,703
% Change		3.55%	9.36%	2.08%	5.18%	2.54%
Bronx	1,168,972	1,203,789	1,332,648	1,385,108	1,470,151	1,514,767
% Change		2.98%	10.70%	3.94%	6.14%	3.03%
Brooklyn	2,230,936	2,300,664	2,465,323	2,504,700	2,647,777	2,717,521
% Change		3.13%	7.16%	1.60%	5.71%	2.63%
Manhattan	**1,428,285**	**1,487,536**	**1,537,201**	**1,585,873**	**1,651,786**	**1,686,012**
% Change		**4.15%**	**3.34%**	**3.17%**	**4.16%**	**2.07%**
Queens	1,891,325	1,951,598	2,229,379	2,230,722	2,350,974	2,413,050
% Change		3.19%	14.23%	0.06%	5.39%	2.64%
Staten Island	352,121	378,977	443,728	468,730	478,009	485,353
% Change		7.63%	17.09%	5.63%	1.98%	1.54%

Source: 1980-2010, US Census; 2017 The Nielsen Company

New York City is home to more than 8 million people in over 3 million households. Brooklyn is the most populous borough with 31% of the City's population. Manhattan's 1.66 million residents, at 49,100 residents per square mile, make it one the most densely populated residential area in the nation. While the 1980's and 1990's saw the continuing trend of migration of city residents to neighboring suburbs, due primarily to high housing costs and density of living, the total population was bolstered by the large number of immigrants arriving in the city each year.

The 5.18% increase in the City's census population from 2010 to 2018 can be attributed to the decrease in unemployment rate as well as increasing appeal of the City. In addition, more accurate Census counts may have benefited New York during this Census period. The City's population now totals 42% of the state's total population. Except for Staten Island, each of New York City's five boroughs has a population greater than 1,400,000. The city's population is expected to continue growth over the next 5 years.

MANHATTAN POPULATION TRENDS, 2010-2023

Description	2010 Census	2018 Estimate	% Change 2010-2018	2023 Projection	% Change 2018-2023
Population	1,585,873	1,651,786	4.16%	1,686,012	2.07%
Households	763,846	802,140	5.01%	826,825	3.08%
Family Households	308,828	323,592	4.78%	333,222	2.98%
Source: The Nielsen Company					

Claritas estimates the 2018 population for Manhattan at 1,651,786 and projects a small increase by 2023. The number of households in Manhattan is also projected to increase 3.08% between 2018 and 2023 from 802,140 to 826,825. These statistics are reflective of stable, mature market.

NEW YORK CITY ECONOMY AND EMPLOYMENT

New York City has a thriving diversified economy which explains its economic resiliency and ability to recover from economic downturns at a faster than national average rate. As the single largest regional urban economy in the country, New York City is the leading job hub for finance, communication, real estate and hospitality industries in the U.S. New York is also a major manufacturing center and shipping port, and has a thriving technological sector. The city's comprehensive economic diversification strategy has proven to be effective.

The traditional core sectors of the city's economy—finance and real estate—remain the foundation of the city's economic strength. The importance of financial service industry to the overall wellbeing of the city cannot be overstated. At 20% of the city's economic output, the contribution of financial services is at least twice that of the next top-grossing industry. Although the industry represents only 9% of the city's private sector jobs, it accounts for nearly a third of the private sector payroll. It also pays at least $8 billion, or 18%, of the city's annual tax revenues. The financial services industry generates even greater economic impact due to what is known as the economic multiplier effect, which is a standard economic measure of the additional indirect and induced jobs, wages and demand in non-financial services industries resulting from an increase or decrease in financial services industry employment.

Real estate is a significant component of the New York City economy. A booming real estate market has also brought tremendous growth to the value of construction projects across the city. One notable example is the entirely new neighborhood of Hudson Yards, the single largest private real estate development in the history of the United States. When complete, the new west side neighborhood will provide over 25 million square feet of new office, retail, and residential space. Significant public investment has already gone into the recently-opened 7 subway extension and Hudson Park, reflecting a historic step towards delivering critical infrastructure and beautiful green open space to the West Side. Additionally, the first section of the 2nd Avenue subway was opened.

The City also demonstrated its commitment to working with the private sector to bring online 60 million square feet of new commercial office space citywide. Much of that will come out of the East Midtown rezoning, which will bring state-of-the-art, high rise commercial buildings to the 73-block area around Grand Central Station.

EMPLOYMENT

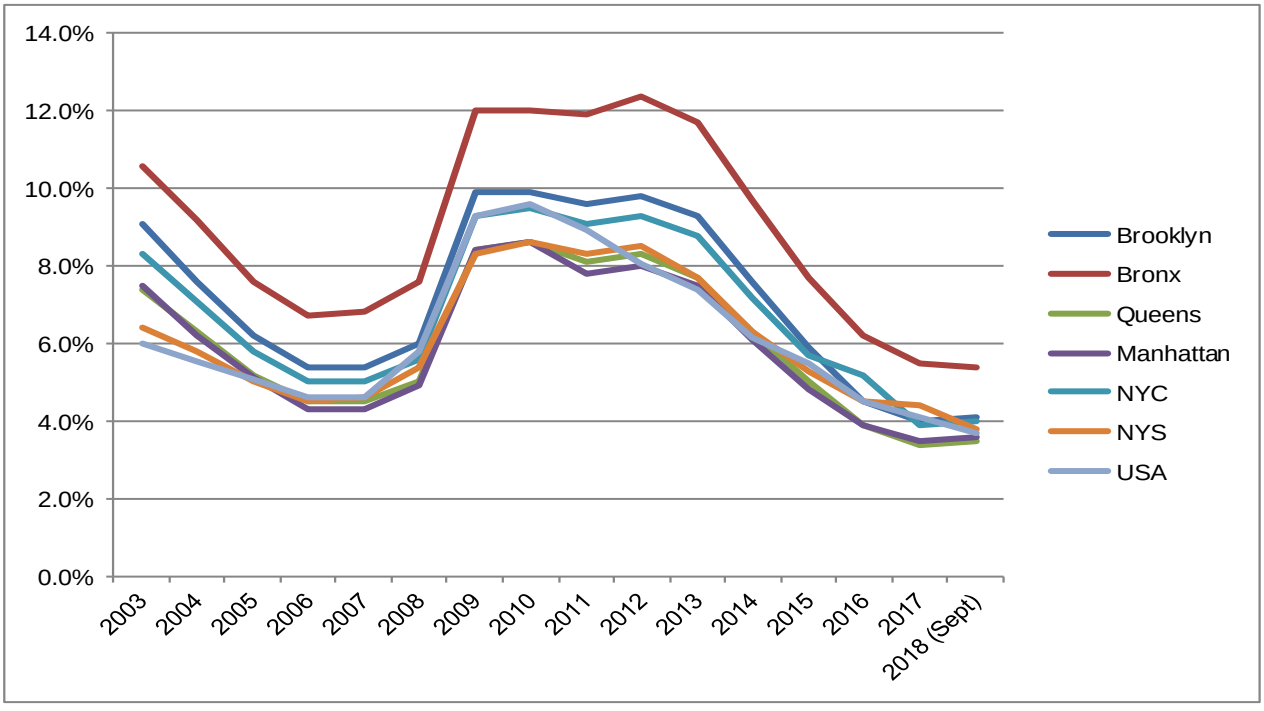
As of September 2018, Manhattan's unemployment rate was 3.6%, below 3.7% of the national rate, and also below the New York State's unemployment rate of 3.8%. These statistics indicate a decrease in unemployment since 2012 as a result of the moderate recovery from the recession. The following table illustrates historical and current unemployment rates:

UNEMPLOYMENT RATES

Year	Brooklyn	Bronx	Queens	Manhattan	NYC	NYS	USA
2003	9.1%	10.6%	7.4%	7.5%	8.3%	6.4%	6.0%
2004	7.6%	9.2%	6.3%	6.2%	7.1%	5.8%	5.5%
2005	6.2%	7.6%	5.2%	5.1%	5.8%	5.0%	5.1%
2006	5.4%	6.7%	4.5%	4.3%	5.0%	4.5%	4.6%
2007	5.4%	6.8%	4.5%	4.3%	5.0%	4.6%	4.6%
2008	6.0%	7.6%	5.0%	4.9%	5.6%	5.4%	5.8%
2009	9.9%	12.0%	8.4%	8.4%	9.3%	8.3%	9.3%
2010	9.9%	12.0%	8.6%	8.6%	9.5%	8.6%	9.6%
2011	9.6%	11.9%	8.1%	7.8%	9.1%	8.3%	8.9%
2012	9.8%	12.4%	8.3%	8.0%	9.3%	8.5%	8.1%
2013	9.3%	11.7%	7.7%	7.5%	8.8%	7.7%	7.4%
2014	7.6%	9.7%	6.3%	6.1%	7.2%	6.3%	6.2%
2015	5.9%	7.7%	5.0%	4.8%	5.7%	5.3%	5.5%
2016	4.5%	6.2%	3.9%	3.9%	5.2%	4.5%	4.5%
2017	4.0%	5.5%	3.4%	3.5%	3.9%	4.4%	4.1%
2018 (Sept)	4.1%	5.4%	3.5%	3.6%	4.0%	3.8%	3.7%

Source: NYS Department of Labor, Bureau of Labor Statistics

UNEMPLOYMENT TRENDS



New York City's employment base has historically enjoyed the distinction as an international center of business, commerce, tourism, and culture. The FIRE (finance, insurance, and real estate) and services (including the professions of legal, engineering services, consulting, tourism, recreation, health care, computers and data processing) segments are considered the primary sources of "white collar," or office prone, employment in the region.

NEW YORK CITY'S LARGEST EMPLOYERS

Employer	# of Employees
International Business Machines Corp. (IBM)	379,592
PepsiCo Inc. (PEP)	271,000
J.P.Morgan Chase & Co. (JPM)	241,359
Citigroup Inc. (C)	241,000
Verizon Communications, Inc. (VZ)	177,300
Philip Morris International (PM)	82,500
Pfizer Inc. (PFE)	78,300
MetLife Inc. (MET)	68,000
American International Group Inc. (AIG)	65,000
Prudential Financial Inc. (PRU)	48,331
Source: Crain's Book of Lists	

New York City is also the center of media (journalism and publishing), arts, fashion, and design. Businesses in New York City can capitalize on the synergy created from the presence of more than 200,000 companies, the access to investment capital and consumers, and the City's attractive quality of life. Companies in New York City include headquarters and regional offices of leading world companies including 52 Fortune 500 firms—the highest of any city in the United States—making New York the nation's headquarters capital.

NYC EMPLOYMENT BY INDUSTRY (2000'S)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 (June)
Construction	118.5	119.7	124.4	118.1	107.4	104.4	120.8	133.6	138.3	146.3	158.2	149.7
Manufacturing	101.0	89.1	81.8	79.9	73.3	74.2	76.0	76.5	78.0	76.3	74.5	72.3
Trade, Transportation, and Utilities	576.6	562.5	578.8	556.8	584.5	584.1	593.7	622.4	629.0	629.4	644.5	642.3
Information	165.9	160.1	168.8	159.3	160.6	174.8	178.6	185.1	189.1	192.6	189.6	201.3
Financial Activities	467.9	430.4	456.7	434.2	434.9	444.6	434.0	450.4	459.7	465.8	477.3	478.2
Professional and Business Services	591.4	578.7	600.9	583.5	606.1	639.3	639.4	672.4	699.8	723.4	757.6	761.9
Education and Health Services	707.0	756.4	738.5	764.1	781.9	763.9	819.9	845.3	869.4	930.2	991.0	984.0
Leisure and Hospitality	297.0	310.8	307.0	320.5	339.3	365.9	379.6	413.6	425.7	437.6	449.0	473.8
Other Services	158.1	162.3	164.0	167.0	157.5	171.1	174.1	179.8	184.8	187.3	194.3	194.2
Government	559.2	557.1	564.6	538.2	544.4	585.0	545.5	540.5	549.9	552.4	559.2	545.0
Total	3,742.6	3,727.1	3,785.5	3,721.6	3,789.9	3,907.3	3,961.6	4,119.6	4,223.7	4,341.3	4,495.2	4,502.7
Source: New York State Department of Labor												

New York City is also the center of media (journalism and publishing), arts, fashion, and design. Businesses in New York City can capitalize on the synergy created from the presence of more than 200,000 companies, the access to investment capital and consumers, and the City's attractive quality of life. Companies in New York City include headquarters and regional offices of leading world companies including 52 Fortune 500 firms—the highest of any city in the United States—making New York the nation's headquarters capital.

NYC EMPLOYMENT BY INDUSTRY (2000'S)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 (Sept)
Construction	118.5	119.7	124.4	118.1	107.4	104.4	120.8	133.6	138.3	146.3	158.2	160.6
Manufacturing	1010	89.1	818	79.9	73.3	74.2	76.0	76.5	78.0	76.3	74.5	72.7
Trade, Transportation, and Utilities	576.6	562.5	578.8	556.8	584.5	584.1	593.7	622.4	629.0	629.4	644.5	635.0
Information	165.9	160.1	168.8	159.3	160.6	174.8	178.6	185.1	189.1	192.6	189.6	200.3
Financial Activities	467.9	430.4	456.7	434.2	434.9	444.6	434.0	450.4	459.7	465.8	477.3	4718
Professional and Business Services	5914	578.7	600.9	583.5	606.1	639.3	639.4	672.4	699.8	723.4	757.6	752.5
Education and Health Services	707.0	756.4	738.5	764.1	7819	763.9	819.9	845.3	869.4	930.2	991.0	993.4
Leisure and Hospitality	297.0	310.8	307.0	320.5	339.3	365.9	379.6	413.6	425.7	437.6	449.0	496.2
Other Services	158.1	162.3	164.0	167.0	157.5	1711	174.1	179.8	184.8	187.3	194.3	194.2
Government	559.2	557.1	564.6	538.2	544.4	585.0	545.5	540.5	549.9	552.4	559.2	543.9
Total	3,742.6	3,727.1	3,785.5	3,7216	3,789.9	3,907.3	3,9616	4,119.6	4,223.7	4,3413	4,495.2	4,520.6

Source: New York State Department of Labor

From 2006 to September 2018, decreases in private employment in the city were seen in only a few of the sectors. There were increases in most sectors, which include Education and Health Services, Professional and Business Services, Professional and Business Services, and Government. The remaining sectors of employment have remained relatively stable.

Office-using employment amounts to approximately 30% of total New York City employment, reflective of the financial and services orientation of the local economy. New York City's prime office inventory is concentrated in Manhattan south of Central Park within the two major submarkets of Downtown and Midtown. Brooklyn's central business district in Downtown Brooklyn is anchored by Brooklyn Borough Hall and MetroTech Center, a 16-acre urban corporate campus. Long Island City in Queens is located across the East River from Midtown Manhattan and has long been a center of manufacturing, distribution, and industrial services

MANHATTAN ECONOMY AND EMPLOYMENT

Total private sector employment in Manhattan was over 2,000,000 in the past year, the highest level of any borough, representing 60.0% of the City's total. Private sector employment increased by 16.5% in the past decade, and is now 7.0% above its pre-crisis level in 2008. The biggest employers in 2018 are Education and Health Services, Leisure and Hospitality, Professional and Business Services, and Trade, Transportation, and Utilities. In the past decade, average private sector wages rose by 7.0%, after adjusting for inflation, compared to an increase of 3.3% citywide. Manhattan was the only borough to see wages rise over this time period, with wages falling in the other boroughs between 1% and 8%. The strongest wage growth over this period occurred in Finance and Insurance. 2018 estimate of average household income in New York City is $97,040 and median household income of $60,916

Manhattan had the second lowest unemployment rate across the five boroughs, with a 3.5% average in the past year and 3.8% unemployment rate as of August 2018. During the financial crisis, the annual average unemployment rate in Manhattan peaked at 8.6% in 2010 and has continued a strong decline since then. Over 80% of individuals between the ages of 24-65 were in the labor force in the past year, the highest across the five boroughs. Big business is dominant

in the borough: 20.1% of workers are employed in a firm with more than 500 employees, and 22.5% of workers are employed in a firm with less than 20 employees. These are the highest and lowest shares respectively amongst the five boroughs. Manhattan has more Fortune 1000 company headquarters than any county in the country. Manhattan is also home to the City's creative sector, accounting for 92.5% of all 'creative economy' employees. This share is even higher within certain subsectors, such as Television and Broadcasting and Advertising and Marketing. Three out of Manhattan's five fastest growing businesses are in Advertising and Marketing. Manhattan dominates the City's patent activity which has increased 198.8% since 2005.

AUGUST 2018 LABOR FORCE DATA

	Labor Force (000's)	Employed (000's)	Unemployed (000's)	Unemployment Rate
Bronx County (Bronx)	621.5	585.8	35.7	5.7%
Kings County (Brooklyn)	1,248.0	1,193.6	54.4	4.4%
New York County (Manhattan)	**941.8**	**905.9**	**35.9**	**3.8%**
Queens County (Queens)	1,192.8	1,148.3	44.5	3.7%
Richmond County (Staten Island)	227.3	217.6	9.7	4.3%
New York City	4,246.1	4,068.2	178.0	5.0%
Source: NYS Department of Labor				

NEW YORK CITY PERSONAL INCOME

Average household income in New York City increased by 68.3% between 2000 and 2018 from $57,645 to $97,040 . This is higher than the 58.8% increase experienced by New York State.

NYC & STATE HOUSEHOLD INCOME

	New York City		New York State	
	2000 Census	2018 Estimate	2000 Census	2018 Estimate
Average Household Income	$57,645	$97,040	$61,489	$97,619
Median Household Income	$38,846	$60,916	$44,138	$65,700
Source: The Nielsen Company				

Manhattan is the most affluent borough in New York City with a 2018 estimated average household income level of $143,098. The next highest borough in terms of average household income is Staten Island at $100,457 . The following table illustrates per capita income figures for New York City and the various boroughs.

NYC HOUSEHOLD INCOME

	Average Household Income 2000	Average Household Income 2018 (est)	% Change 2000-2018
Bronx	$38,885	$56,345	44.90%
Brooklyn	$46,279	$87,148	88.31%
Manhattan	**$83,976**	**$143,098**	**70.40%**
Queens	$54,663	$88,850	62.54%
Staten Island	$67,698	$100,457	48.39%
New York City	$57,645	$97,040	68.34%
Source: The Nielsen Company, U.S. Census			

As evident, Manhattan exhibits the highest average income among the New York City boroughs and is nearly twice the level of the United States overall.

Manhattan accounts for nearly 20% of New York State's total income. The borough is home to

nine of the wealthiest big city neighborhoods in the nation, testifying to its affluence. Nearly all of Manhattan's zip codes below 96th Street have median household incomes well above the national median. The most affluent concentrations of households' border Central Park on Manhattan's West Side between 77th and 91st Streets and on the East Side along Fifth, Park, and Madison Avenues between 60th and 96th Streets. Other affluent pockets include the southern tip of Manhattan at Battery Park City and the communities surrounding Lower Manhattan's Financial District such as TriBeCa. In contrast, the area north of Central Park, as well as portions of the Lower East Side, is where residents with the lowest median household incomes reside.

CULTURE AND RECREATION

New York City offers an unsurpassed variety of cultural activities. New York is a world-renowned center of culture, entertainment, and shopping. New York contains hundreds of museums, art galleries, theaters, restaurants, and retail stores.

The City is home to such musical institutions as the New York City Symphony, Carnegie Hall, Lincoln Center, Brooklyn Academy of Music, and Metropolitan Opera and, with its many Broadway and off-Broadway plays and musicals, is the performing arts capital of the world. Several world-famous dance troupes are located in New York including the Alvin Ailey Company and Dance Theater of Harlem.

World class museums include the Metropolitan Museum of Art, Museum of Modern Art, The Guggenheim, and Museum of Natural History. Other attractions include the Statue of Liberty, New York Aquarium, Bronx Zoo, Brooklyn Botanical Gardens, Empire State Building, United Nations, New York Stock Exchange, and many others, which draw millions of visitors each year.

New York City has significant parkland including Central Park, an 843-acre oasis in Manhattan; Prospect Park in Brooklyn; and Jamaica Bay National Wildlife Refuge in Queens. New York City has teams in every major professional sport.

EDUCATIONAL AND PROFESSIONAL FACILITIES

New York City has 173 schools of higher education including 21 two-year colleges, 45 four-year colleges, professional schools, law schools, and vocational schools. Manhattan is home to some of the most prominent educational institutions in the nation including Columbia University, New York University, The Juilliard School, and Manhattan School of Music. The CUNY (City University of New York) system offers an affordable education in its 6 community colleges and 11 campuses with 4-year and graduate programs across all 5 boroughs. Notable colleges and universities located outside Manhattan include Pratt Institute in Brooklyn—a well-recognized school of art and architecture; St. John's University and Queens College in Queens; and Fordham University in the Bronx. New York City also has two of the most highly regarded public high schools in the nation—Stuyvesant and Bronx Science. As in most urban areas, the City's public primary and secondary education system is considered only fair overall with a wide range in quality of education from district to district.

New York City has 75 short-term general hospitals, many of which are affiliated with local professional universities. World famous research hospitals include NYU-Cornell, Rockefeller,

Columbia, and New York Hospital. Other highly ranked hospitals include Memorial Sloan-Kettering Cancer Center, Mount Sinai Hospital, New York Eye and Ear Infirmary, and New York Presbyterian Hospital.

TRANSPORTATION

New York City is served by the most diverse transportation system in the United States. The region's transportation network links the area to the regional, national, and global commerce and trade. A brief synopsis of the area's transportation system follows:

RAIL NETWORK

As the densest urban area in the country, New York City is served by the biggest transit network, and is truly one of the only places where one does not need a car to get around. Rail systems include:

- ***NYC Subway System:*** The Metropolitan Transportation Authority (MTA) runs the 660-mile subway line servicing approximately 5.6 million passengers on an average weekday and approximately 1.7 billion passengers a year. NYC Transit operates approximately 6,485 cars 24 hours a day throughout Manhattan, Queens, Brooklyn, and the Bronx. The 26 subway routes are interconnected, and many lines feature express trains, across-the-platform transfers to local trains, and "skip-stop" express service. MTA capital projects include extending the 7 line beyond Times Square to Hudson Yards (the West Side) and the Second Avenue subway.

- ***Long Island Railroad (LIRR):*** The MTA runs this commuter railroad along 11 branch lines from the eastern tip of Long Island to Pennsylvania Station (Penn Station) in Manhattan and Atlantic Terminal in Brooklyn. The LIRR is the busiest commuter railroad in North America, carrying an average of 324,000 customers each week day on 728 daily trains. Annual ridership is approximately 81 million persons per year. The LIRR is currently constructing the $8.2 billion East Side Access, which will provide a new terminal at Grand Central Station, reducing travel times to Midtown Manhattan for millions of commuters.

- ***Metro North:*** Based in the landmark Grand Central Terminal in Midtown Manhattan, the MTA Metro North Railroad is the second busiest commuter line in the United States, providing approximately 281,000 customer trips each weekday and some 80 million trips per year. With 384 route miles and 775 miles of track, Metro North goes to 120 stations distributed in seven counties in New York State--Dutchess, Putnam, Westchester, Bronx, New York (Manhattan), Rockland, and Orange--and two counties in the state of Connecticut--New Haven and Fairfield. Metro North is currently in discussions to extend service to Penn Station.

- ***New Jersey Transit (NJT):*** NJT runs 11 lines from its terminals in New York-Penn Station, Newark, and Hoboken. NJT is the fourth busiest commuter railroad in the United States, providing approximately 276,000 customer trips each weekday and 78 million trips per year. With 536 miles, NJT goes to 151 stations primarily in Northern New Jersey. From Penn Station, NJT offers direct service along the Northeast Corridor Line to Trenton, the North Jersey Coast Line to Bay Head, and Montclair-Boonton Line to Hackettstown. Riders can also transfer at Secaucus, Hoboken, and Newark for service into New York City.

- ***Amtrak:*** Amtrak serves New York as the national provider of intercity rail service. Amtrak's predominant service from Penn Station is its Northeast Corridor Line (the busiest line in the U.S.), including high-speed Acela service, which includes stops in the major cities of Boston, Philadelphia, Baltimore, and Washington D.C. Amtrak also provides daily service to upstate New York, New England, Chicago, Miami, and New Orleans. In 2016, there were 10.4 million boardings and alightings at Penn Station, by far the highest of any Amtrak station in the country.

- ***Port Authority Trans-Hudson (PATH):*** The PATH carries 70% of all passengers entering New York City from New Jersey. Approximately 270,000 commuters use the PATH each weekday. The annual passenger trips for 2016 were 78.6 million.

BUS NETWORK

- ***New York City Transit:*** MTA offers bus service in New York City's five boroughs, handling 2.4 million riders daily and 738 million annually. 208 local and 36 express bus routes operate in the five boroughs, covering 2,109 miles.

- ***Port Authority Bus Terminals:*** Regional bus lines serve approximately 57 million passengers a year, with most service to and from New Jersey. The Port Authority operates two bus terminals in New York, one at 42nd Street, and one at the George Washington Bridge. Both provide several transfers to New York City transit routes. Bus lines include New Jersey Transit, Bolt Bus, Greyhound, Peter Pan, and Coach USA.

AIRPORT NETWORK

The New York area is home to the busiest airport system in the United States and second biggest in the world. The three major airports that service New York City are:

- ***John F. Kennedy Airport (JFK)*** is located in the southeastern section of Queens County on Jamaica Bay and consists of 6 terminals and 128 aircraft gates. More than 90 airlines operate at JFK, and it is a major hub for JetBlue Airways, American Airlines, and Delta Air Lines. It is less than 15 miles by highway from Midtown Manhattan, and there is rail service via the AirTrain.

- ***Newark Liberty International Airport (EWR)*** is located in Essex and Union Counties between the New Jersey Turnpike (accessible from Exits 13A and 14), U.S. Routes 1 & 9, and Interstate 78. Rail service is also available from Penn Station via Amtrak and New Jersey Transit. The airport is about 16 miles from Midtown Manhattan and consists of about 2,027 acres. Newark is a hub for United Airlines, as well as FedEx. In the future, the Port Authority plans to rebuild Terminal B and build a new Terminal A.

- ***LaGuardia Airport (LGA)*** consists of 680 acres and 72 aircraft gates. A $830 million redevelopment program in 2000 included expanding and modernizing the Central Terminal Building, reconfiguring and widening roadways, improving runways and taxiways, constructing a passenger terminal in the east end, airline modernization of gate areas and passenger service areas, and other rehabilitation projects. In June 2016 the Port Authority of New York and New Jersey began a $4 billion renovation of the airport which includes the construction of a new terminal.

VEHICLE NETWORK

There are several bridges and tunnels that provide access for automobiles and trucks to and through the island of Manhattan.

- ***Hudson River Crossings*** include the Lincoln Tunnel (connecting Weehawken, NJ and Midtown Manhattan), the Holland Tunnel (connecting Jersey City and Downtown Manhattan), and the George Washington Bridge (Interstate 95 connecting Fort Lee, NJ, and Northern Manhattan).

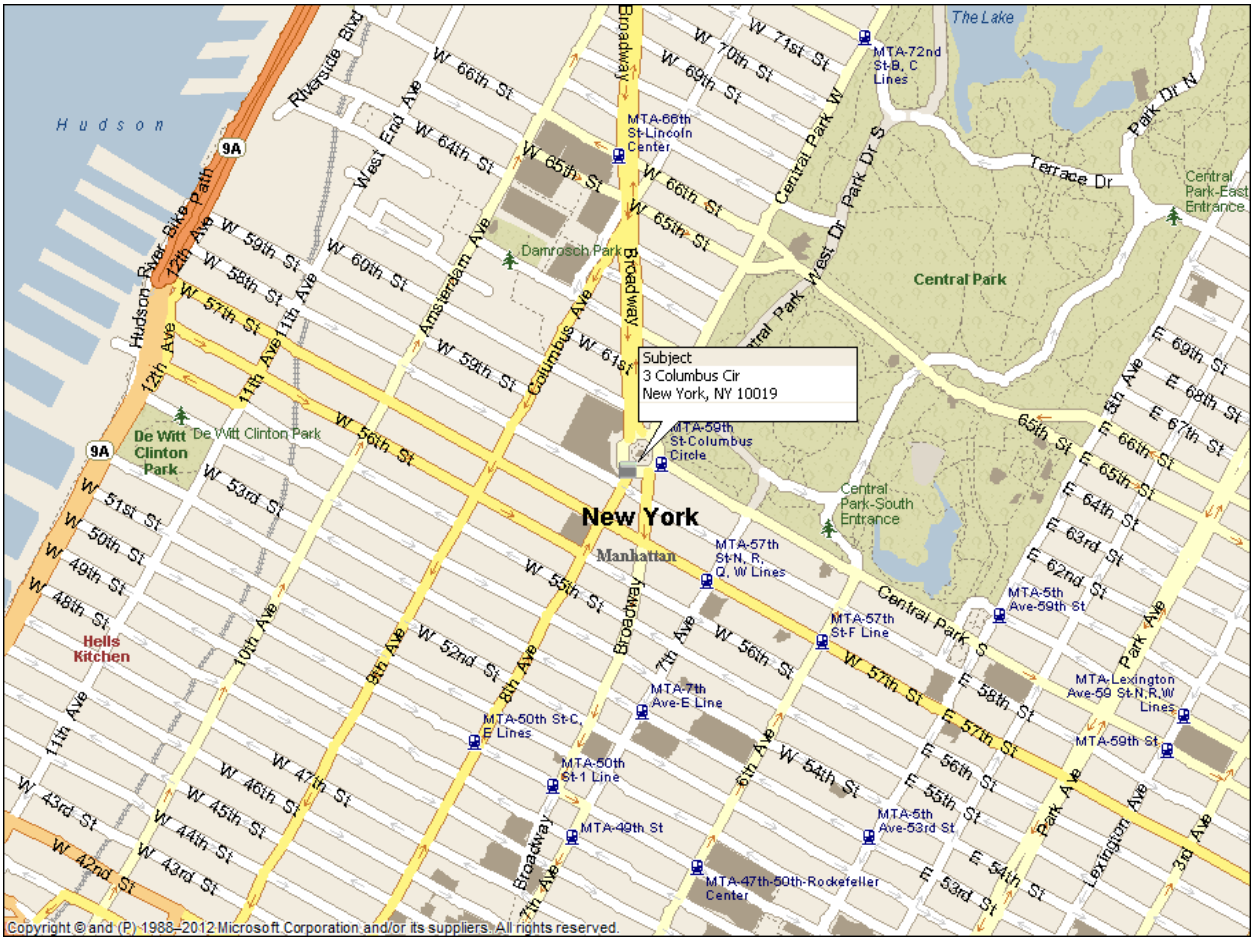
- ***East River Crossings*** include the Brooklyn Battery Tunnel (connecting Brooklyn and the Financial District), the Queens Midtown Tunnel (connecting Queens and Midtown), the Brooklyn Bridge (connecting Brooklyn and Lower Manhattan), the Manhattan Bridge (connecting Brooklyn and Lower Manhattan), the Williamsburg Bridge (connecting Williamsburg and Lower Manhattan), the Queensboro Bridge (connecting Long Island City and Midtown Manhattan).

- ***Major Road and Highways*** linking Manhattan include Interstate 78 (via the Holland Tunnel from New Jersey), Interstate 95 (via the George Washington Bridge from New Jersey to the Cross Bronx Expressway and New England), the Henry Hudson Parkway (to the Bronx and points north), and Interstate 495 (via the Queens Midtown Tunnel from Long Island). The FDR Drive, Harlem River Drive, West Side Highway, and Henry Hudson Parkway also serve as major routes along Manhattan's coast.

SUMMARY

Manhattan is often described as the cultural and financial capital of the world and hosts the United Nations Headquarters. Anchored by Wall Street in the Financial District of Lower Manhattan, New York City has been called both the most economically powerful city and the leading financial center of the world, and Manhattan is home to the world's two largest stock exchanges by total market capitalization: the New York Stock Exchange and NASDAQ.

NEIGHBORHOOD MAP



NEIGHBORHOOD DESCRIPTION

The subject property is located in Midtown Manhattan. Midtown comprises the area between 34th Street to 59th Street. As New York's largest central business district, Midtown Manhattan is the busiest single commercial district in the United States. The great majority of New York City's skyscrapers, including its tallest hotels and apartment towers, lie within Midtown. More than 700,000 commuters work in its offices, hotels, and retail establishments; the area also hosts many tourists, visiting residents, and students. Some areas, especially Times Square and Fifth Avenue, have massive clusters of retail establishments. Midtown Manhattan is the economic heart of Metropolitan New York, containing major corporate headquarters, retail businesses, financial service industries, and world class hotels. Midtown Manhattan is home to the city's tallest and most famous buildings such as the Empire State Building and Chrysler Building.

Midtown Manhattan has the headquarters of several companies, including Barnes & Noble, Calvin Klein, Cantor Fitzgerald, CBS Corporation, Colgate-Palmolive, Cushman & Wakefield, Deloitte, Estée Lauder Companies, McGraw-Hill, MetLife, Morgan Stanley, NBC Universal, The New York Times Company, Pfizer, Polo Ralph Lauren, Saks Incorporated, Simon & Schuster, Thomson Reuters, Time Warner, and Viacom.

Central Midtown is characterized by post-war and modern hi-rise office towers with some ground floor retail uses which primarily include major banks and various retailers. The major office corridors within Central Midtown are Park, Madison, Fifth, and Sixth Avenues with prime retail space concentrated on Madison and Fifth Avenues. New York's Diamond District is situated along West 47th Street between Fifth and Sixth Avenues.

Midtown East is dominated by mid- and high-rise office and residential buildings. Within the greater Midtown East area, there are several residential enclaves such as Sutton Place, Beekman Place, Tudor City, Turtle Bay, and Murray Hill. From a residential standpoint, the attraction of this area is its great convenience to employment and retail centers as well as the United Nations. For retailers and restaurants, Midtown East is one of Manhattan's most desirable locations, as it is extremely busy and congested during business hours. Midtown East is home to many of Manhattan's prestigious office buildings, numerous Fortune 500 firms, many of Manhattan's fashionable hotels and the headquarters of the United Nations.

Midtown West includes the Garment Center, Hell's Kitchen (Clinton) and Times Square. The Garment Center district has traditionally been the headquarters for the sale, manufacturing and display of the fashion and textile industry and is now home to several showrooms Hell's Kitchen is a mixed use neighborhood which has seen significant residential development and gentrification over the last ten years. Times Square is one of New York’s most charismatic neighborhoods characterized by a wide range of uses which include retail and entertainment, office buildings, residential, hotels and theaters. Times Square is considered a premier tourist destination, playing host to millions of visitors annually from around the world. The northern portion of Midtown West is home to The Time Warner Center, a 2,800,000 square foot office, retail, hotel, and condominium development.

SPECIFIC SUBJECT LOCATION

The subject property is located within the Columbus Circle district of Midtown. The Columbus Circle district is situated in the north west/central portion of Midtown and contains a mixture of uses including office buildings, hotels, and multi-family apartment buildings. There are several theaters and comedy clubs in the area and the music and entertainment industries have long maintained production and editing studios, recording studios, and general offices and related business in the immediate area. Carnegie Hall, a world renowned performance arts center and theater, the New York Opera and the Rose Museum are all located within the neighborhood.

The subject is located on the on the full block bound by West 57th and 58th Streets, Broadway, and 8th Avenue. The immediate area is mixed use in nature and is characterized by pre- and post-war hi-rise office towers with ground floor retail uses as well as hotel use, and some pre- and post- war multi-family residential apartment buildings. Columbus Circle and Central Park are located one block north of the subject.

SUBJECT ACCESS TO PUBLIC TRANSPORTATION



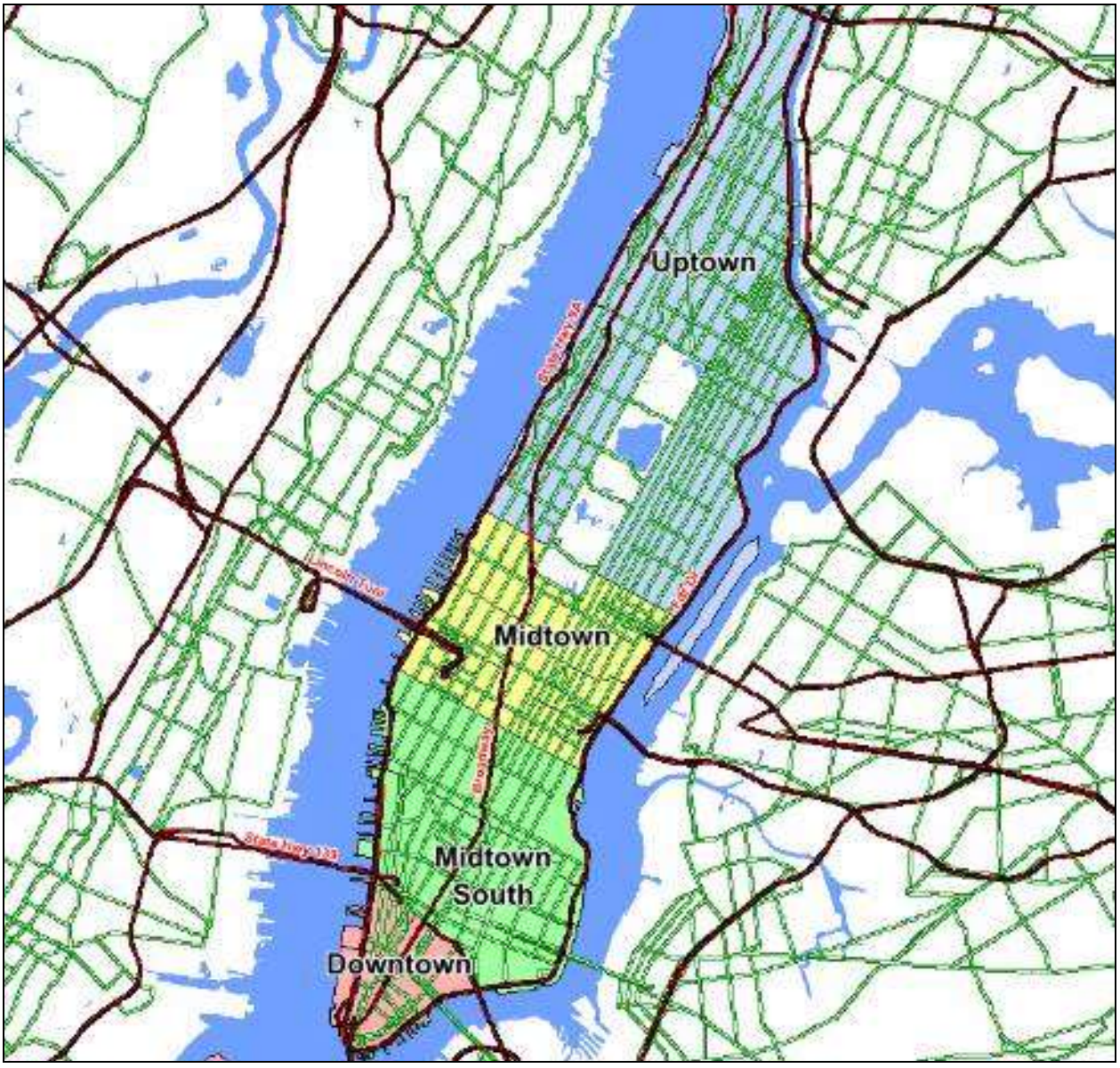
Access to public transportation in this area is excellent. North-south buses travel along Broadway, Eighth and Seventh Avenues. Cross-town buses travel along West 57th and West 59th Streets. The A, B, C, D and 1 lines stop at 59th Street Columbus Circle. The B, D and E lines have a stop at Seventh Avenue and 53rd Street. The N, Q and R lines have a stop at West 57th Street and Seventh Avenue. The West Side Highway can be accessed at West 57th Street.

SUMMARY AND CONCLUSION

The subject is located in the largest Central Business District (CBD) in the United States, improved primarily with hi-rise commercial office buildings but having some ancillary uses such as mixed commercial/residential buildings and hotels. Retailers provide a variety of goods and services aimed at both the local worker and the tourist to which Manhattan is a main draw due to cultural institutions, shopping, and the hi-rises themselves. The neighborhood benefits from its accessibility and proximity to residential neighborhoods and its conformity of use, allowing like and/or mutually beneficial businesses to locate near one another. Overall, this is a desirable commercial location that is expected to remain viable for the foreseeable future.

OFFICE MARKET ANALYSIS

OFFICE MARKET MAP



The Manhattan Office Market is divided into four submarkets: Midtown, Midtown South Downtown, and Uptown. Midtown is divided into seven districts such as Grand Central, Plaza, Penn Plaza/Garment, and Columbus Circle. Midtown South is divided into five districts, including SoHo, Greenwich Village, Gramercy Park, Hudson Square, and Chelsea. Downtown includes such districts as the Financial District and the Insurance District and Uptown includes the Upper East Side, Upper West Side and Harlem/North Manhattan.

The following office discussion is based on the 3Q 2018 Costar Office report for the Manhattan office market.

OVERVIEW

An evolution of the workplace strategies altered the focus of office demand, both in where, and what, prospective tenants require for their office needs. Properties offering an updated office design, in neighborhoods with modern amenities, are more appealing to a growing percentage of today's professional workforce. As a result, areas prime for new developments or major renovations are top destinations for office tenants. The major tower projects in the Hudson Yards continues to transform an underutilized section of Midtown into a modern urban community and the new World Trade Center office campus exemplifies a rebirth of the office district in Downtown, which has lost inventory to residential conversions. In Midtown South, new boutique office redevelopments are reshaping the office appeal in areas such as Chelsea and the Meatpacking District, with additional attraction from the enhancements of public use amenities like the High Line park.

However, the trend of New York's office tenant migration and its nation-leading total square feet under construction could force the market to an inflection point over the coming years. A significant amount of available supply is looming with planned tenant moves, many of which are downsizing footprints across the city. Giant office occupiers across many of Manhattan's prominent submarkets such as Grand Central, Plaza District, and Times Square will eventually vacate their respective offices, which could put downward pressure on occupancy rates and ultimately further depress market rents. The fate of the traditional, central Midtown office districts remains a point to watch in the coming years, which represent the largest submarkets in the metro by square footage. The trend of existing tenants relocating to new construction, coupled with the lack of new firms entering the metro, is a foreboding sign for future fundamentals. Nonetheless, the combined effort by the local government and property owners to renovate outdated office properties and the removal of obsolete buildings from inventory for residential conversions should help protect fundamentals in the short term.

Institutional-grade trophy office towers and value-add properties are selling at well above the previous peak, as the average New York office price per square foot has pulled away even further from the national average. An influx of foreign capital acquiring trophy Midtown towers propelled valuations and contracted the average cap rates roughly 200 basis points since the recession.

However, investor focus is not limited to the prestigious Midtown assets, as recent activity is highlighted by trades of large block assets over 1 million square feet in Chelsea. Value-add opportunities, especially in the desirable west side of Manhattan, accounts for a sizable portion of the sales volume over the past year. The total sales volume in 2018 already exceeds last year, yet transaction activity has decelerated considerably and the prospect of more interest-rate hikes in the near term appears to leave limited room for further cap rate compression. Additionally, rent growth is a cause for concern relative to gains posted in 2014-15, as the market rates have stabilized since and even incurred minor losses over the last year.

That said, the New York metro remains the national leader in sales volume and the top destination for international investment. Attracted by superior liquidity, limited supply for sale,

strong leasing demand and an educated workforce to satisfy long-term, conservative investors. Moreover, global capital distortions coupled with weaknesses abroad continue to push capital to quality assets, while unfavorable rates on government issued bonds in countries like Germany and Japan are sending investors elsewhere in search of yield. Both trends should continue to have a positive impact on property valuations.

LEASING

Tenant preference for quality 4 & 5 Star properties remains the driving force of leasing activity in the metro. New construction and renovated properties are the most desirable choices for office seekers, with many of the largest lease transactions signed in modern, amenity-rich offices. However, a concerning trend is the lack of new tenant entrants into Manhattan, as much of the new stock is being absorbed by existing tenants within the city. With new office properties sparking existing tenants to trade spaces between buildings and submarkets, a significant amount of vacant space is on the horizon once the dust settles. The stagnant rental growth indicates that owners are feeling supply-side pressure, restricted by the looming vacancies in their buildings and the rising trend of available space on the market. Even those landlords that have been able to backfill their spaces had to offer significant concessions in work amount and free rent.

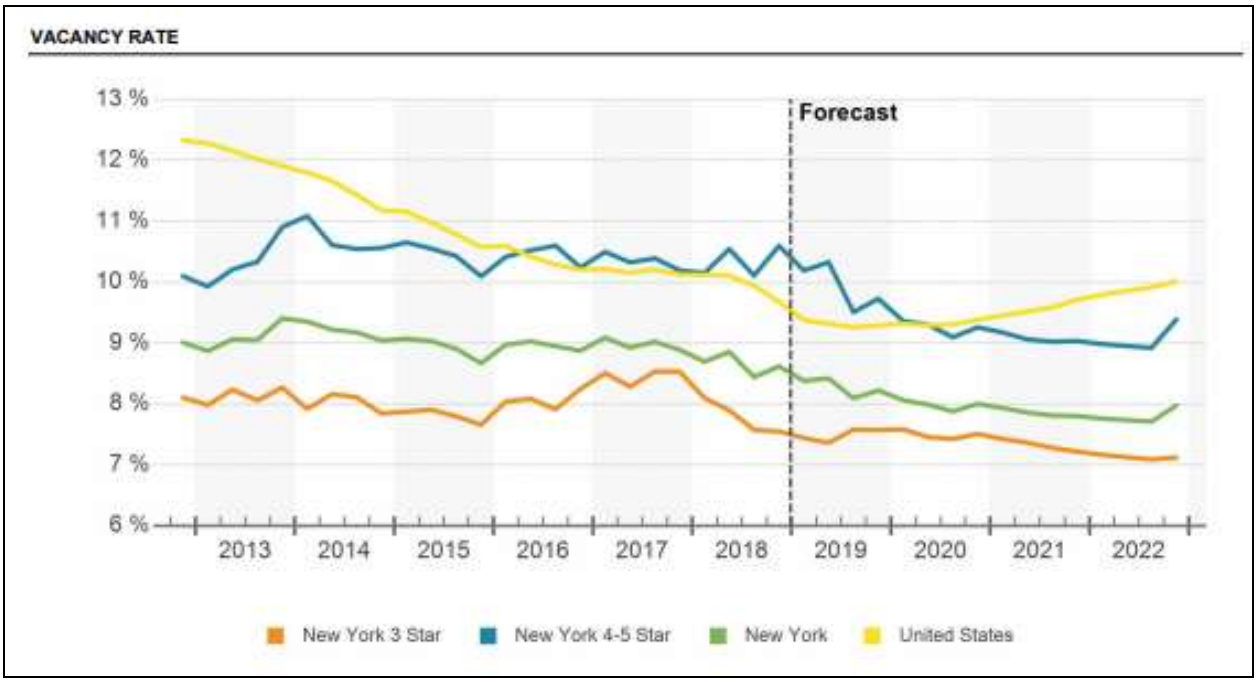
As a result, only gradual improvement in the fundamentals was gained since the start of the year. The overall vacancy rate has remained close to 9% over the past five years, and new supply in the pipeline may stress levels in the coming years. In fact, new supply has already pushed the vacancy rate for 4 & 5 Star inventory above the overall national vacancy rate since 2016, after being well below in previous cycles. Thus far in 2018, while net absorption levels rebounded from the previous two years, much of the absorption is from pre-leased spaces absorbed upon completion of the projects. Furthermore, the increasing amount of sublease space available on the market breeds concern on the true strength of the underlying fundamentals. At this stage in the current cycle, with an unprecedented amount of new deliveries set to hit the market, the New York metro fundamentals may be threatened with varying effects among the submarkets.

The leasing trends have caused a bifurcated effect across the submarkets in the metro. A pinnacle of modern office properties in Manhattan, the mixed-use complex at the Hudson Yards is the epitome of what many tenants demand. The complex provides a live/work/play community that has become popular among companies seeking new offices, especially those that employ and wish to attract the growing pool of the younger demographic that is flocking to such amenity-rich neighborhoods. It is no surprise that Tishman Speyer, Brookfield, and the Related Companies continue to lure companies away from older Midtown submarkets. In March 2018, longtime Grand Central occupant Pfizer Inc. signed for about 800,000 SF at Tishman Speyer's The Spiral. The biopharmaceutical company's plan to relocate its headquarters to new inventory represents yet another significant office occupier relocating to west Midtown. Late in 2017, Ernst & Young signed for over 670,000 SF at Brookfield's One Manhattan West, joining anchor tenant Skadden, Arps, Slate, Meagher & Flom LLP., which signed prior to the project breaking ground. Both the global professional advisory institution and the international law firm are expected to vacate their respective Times Square headquarters over the next few years. Related Companies' 50 Hudson Yards also landed BlackRock Inc. on May 2017 for close to 850,000 SF, representing one of the largest leases signed in 2017. The global asset manager will consolidate its footprint

across the city and vacate current offices in the Plaza District. The leasing trend shines a positive spotlight on the performance of the office market in the west side of Midtown yet casts a negative shadow on the outlook of the fundamentals in older central Midtown submarkets.

The prominence of the technology, advertising, marketing, and information (TAMI) sector not only spearheaded much of the recovery, but has elevated shared-office spaces into a viable option for many tenants in the market for office space. Primarily fueled by the emergence of start-up tech firms that needed flexible spaces to grow and modern amenities to appease their staff, co-working spaces are now also considered by established corporations to house divisions within the firm. In November 2017, Amazon signed to take all of WeWork's 122,000 SF at 2 Herald Square. The technology giant's deal with WeWork is the second deal in which the co-working company signed a single tenant to occupy all its spaces in one building. Earlier in 2017, IBM took all of the WeWork space at 88 University Place. With a focus to service large block tenants as part of its growth strategy, the company has become one of the metro's top real estate firms. As the company's valuation has skyrocketed to more than $15 billion, its number of locations has consistently expanded in Manhattan, Brooklyn, Queens, and Jersey City. During 2015, the co-working giant opened locations totaling nearly 792,000 SF, accounting for more than 20% of the metro's net absorption, an astronomical percentage. In 2016, that number grew to 1.1 million SF, and in 2018, the company currently leases more than 5 million SF in the metro. In September 2018, WeWork surpassed J.P. Morgan as New York's largest tenant.

Despite the TAMI industries' explosive employment growth this cycle, the financial sector is still the most influential sector for the local economy. In the years prior to the financial crisis (2004–07), net absorption in the New York metro averaged more than 10 million SF annually. In the aftermath of the recession, due to increased regulation, higher legal costs, and various mergers and acquisitions, many nonessential personnel were transplanted to lower-cost markets, as financial firms consolidated their offices and lowered their real estate obligations in the city. Absorption levels since have severely lagged, with an annual average of 2 million SF since 2011. Yet recent employment gains in the sector have translated to renewed leasing activity by the prominent financial firms, particularly in submarkets that were recently overshadowed. Early in 2018, J.P. Morgan Chase leased about 440,000 SF in Grand Central Submarket following AllianceBernstein renewing and expanding in the Columbus Circle Submarket for more than 990,000 SF the prior year. This is welcomed news for the respective submarkets, as tenant migrations to new neighborhoods have weighed heavily on the submarkets' recent performance and immediate outlook. The recent large-block leasing activity in the financial sector is an encouraging sign for industry; however, the overall leasing trends involve smaller hedge funds and private equity firms, which lease expensive space but do not fill large-block vacancies.



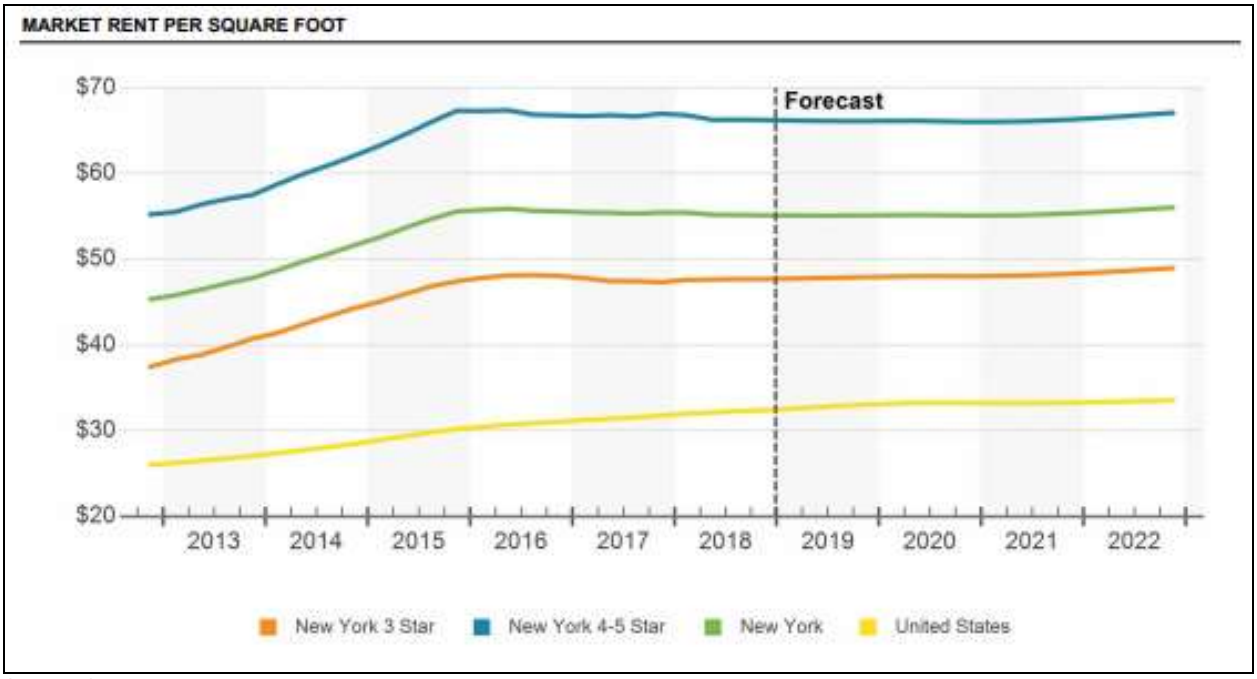
Source: Costar

RENT

The rental growth in the New York metro has fallen well below the national average growth after consistently exceeding it before 2016. The uptick in the 4 & 5 Star availability rate has precipitated a slowdown in rental momentum, and with more available space looming on the horizon, property landlords should remain hesitant to boost rates in the near term. The best gains of the cycle appear to have already been made, despite remaining well shy of the peaks of last cycle. After steady inclines fueled by strong leasing demand from technology, advertising, marketing, information (TAMI) sector firms, rental rates have slightly declined over the past two years - total drop of about 1%. Aside from the new state of-the-art deliveries that are securing tenants at market rents well above the metro average, landlords of older existing stock are losing the bargaining power. Facing a trend of tenants demanding modern offices in amenity filled areas, the owners of older buildings are reassessing their rent expectations while coming to terms with the reality of lower occupancies as many firms consolidate their offices and decrease their overall footprints.

As tenant preferences and expectations continue to change, Midtown's rent premium is likely to decrease further compared to the other office clusters. Midtown is the only one of Manhattan's three main office clusters where asking rents are still below 2008 levels, yet while the delta has contracted, it still remains the most expensive. The prices for new 5 Star properties located in prime areas of Midtown are still lofty enough to rank among the highest in the metro, evidenced by Citadel's record-breaking lease at 425 Park Ave. and numerous leases signed at the Hudson Yards that have fetched well over $100/SF in the tower floors. However, as the rents in new construction and redevelopments of prime assets are able to reach new rental heights, many of the existing prestigious properties in Midtown have decreased asking rents at one point over the last two years. Meanwhile, rents in both Lower Manhattan and Midtown South have eclipsed last cycle's peaks, thanks largely to the popularity of both areas with New York's rapidly expanding

TAMI tenants. The average asking rents in Midtown South submarkets are rapidly converging with those in Midtown, with rents in Gramercy, Soho, and Hudson Square already surpassing those in some areas of Midtown. Downtown submarkets still represent a cheaper option compared to most of Midtown and Midtown South, yet the modern office spaces at the World Trade Center have attained lease rents as high as $80/SF.



Source: Costar

CONSTRUCTION

Developments of Class A office properties continue to break ground in the New York metro as the new demand profile has motivated developers to invest in various project types, from modern skyscrapers to state-of-the-art boutique projects. Open floor plans to allow more natural light and amenities such as outdoor terraces have become the standard blueprint for developers. The preference for modern space, which has defined the leasing activity in recent years, triggered a dramatic spike in square feet under construction of 5 Star properties. The New York metro leads the nation, with about 25,900,000 SF under construction, far exceeding the other top markets such Washington, D.C. and DallasFort Worth. The remarkable amount of expected supply in the next few years will be the most since 2002-04; however, the demand for updated spaces has proven capable of withstanding the coming surge, with nearly 70% already pre-leased.

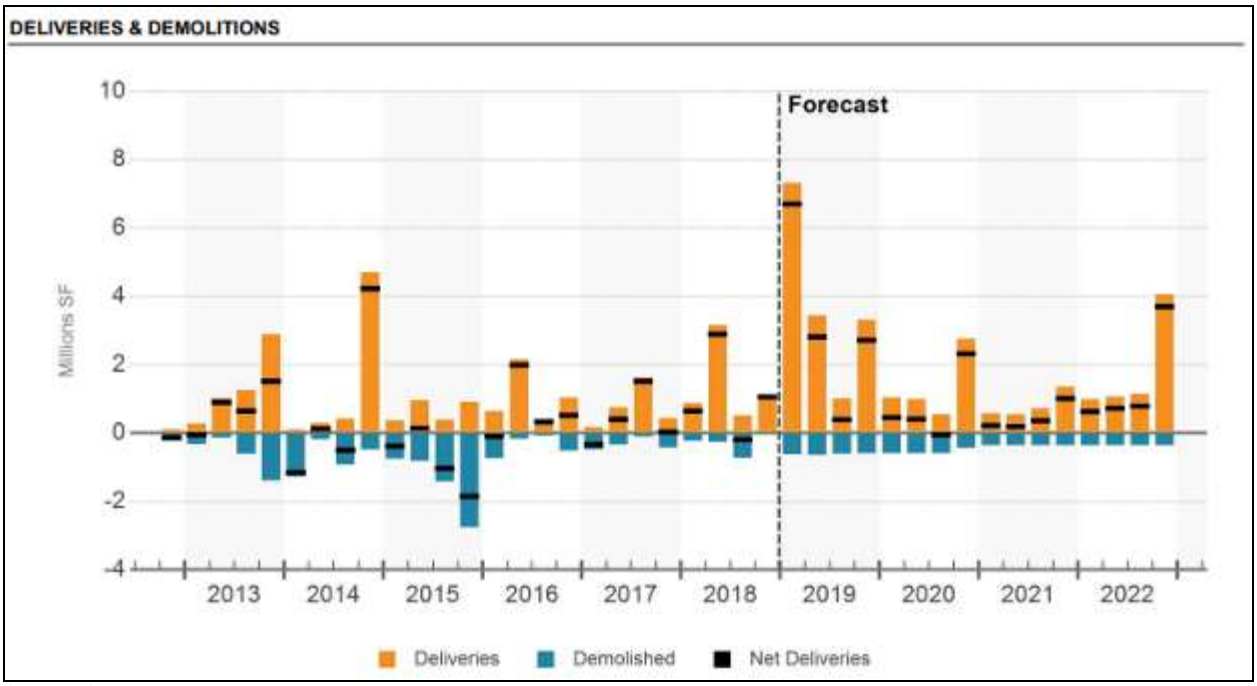
Leading the Manhattan construction boom is the mega development at the Hudson Yards, accounting for about half the total square feet under construction. The mixed-use, multi-property project on the west side of Midtown remains on the forefront of Manhattan's evolving office landscape. Specifically designed to meet the demands of companies looking for modern office spaces with outdoor amenities, the properties at the Hudson Yards continue to lure a variety of different industries. A tenant roster with recent additions such as Pfizer, BlackRock, and Ernst & Young, joining companies such as Time Warner, KKR, Skadden, Milbank among others that have taken large blocks of space, highlights the strong demand across a diverse mix of industries.

Despite the enormity of the towers, ranging from 1.5 million SF to 2.9 million SF, completed projects are at full occupancy and the majority of the square feet underway is already preleased. With additional proposed towers waiting in the wings to secure an anchor, the Hudson Yards will continue to be in the spotlight of the Manhattan's office market.

Renovations of outdated properties offer property owners another option to compliment demand. Vornado is investing hundreds of millions of dollars to update and redevelop its portfolio around the Penn Station transit hub. In August 2017, the former Farley Post Office began its redevelopment into the Moynihan Train Hall, which will offer 767,000 SF of Class A office space, with some of the space specifically designed to cater the growing life science research sector. The developer also finalized renovation plans to transform One and Two Penn Plaza into a modern office campus, rehabilitating the area directly above the Pennsylvania Train Station. The successful leasing trends at the nearby Hudson Yards played a key factor in the developer's decision to invest in significant capital improvements, as the potential jump in rental income with upcoming expiring leases justified the cost.

Construction projects are not just limited to the west side of Midtown, as central Midtown property owners have recognized the need to update their assets in order to stem the exodus of tenants. L&L Holding Company's redevelopment projects in the Plaza District and Grand Central are prime examples of investments bearing fruit. The majority of the existing structure at 425 Park Ave. was demolished for a new glass-clad office tower along the famed Park Avenue corridor. Expected to deliver in 2019, L&L made headlines when hedge fund manager Citadel signed to anchor the Plaza District building, at a blended rent of $175/SF including a record-breaking $300/SF for the top floor. A few blocks north of the Grand Central Terminal, 380 Madison Ave. was completely redesigned with amenities like outdoor terraces throughout the building. Subsequently rebranded as 390 Madison Ave., the property is now leased by J.P. Morgan, Shiseido, and Hogan Lovells LLP to full occupancy. Additionally, the Midtown East rezoning has opened opportunities for the historic office corridors like Grand Central and Park Avenue to add new 5 Star developments. SL Green's One Vanderbilt and J.P. Morgan's planned headquarters at 270 Park Ave. are early projects to spring from the new legislation.

New York’s office construction boom also includes boutique office construction in several of the evolving Midtown South neighborhoods. Offering distinct advantages such as being able to build on smaller land parcels and overall cheaper development costs compared to the larger tower projects, many boutique developments have delivered and successfully leased-up, motivating more to break ground in recent years. Thanks in large part to the TAMI demand that spurred the transformation of areas such as Chelsea and Meatpacking District, the amenities-driven boutique deliveries have easily secured rents well above $120/SF. Savanna's 540 West 26th St. was fully leased upon delivery, with asking rents well above $100/SF, while Rockpoint Group and Highgate Holdings' 412 West 15th St. landed multiple financial firms with average rents of $150/SF. Even as rental expectations are curbed metro wide, prominent developers such as Related Companies, Vornado, Normandy, and Aurora Capital still see a market for deep-pocketed tenants looking for new high end spaces in amenity-rich neighborhoods in Midtown South.



Source: Costar

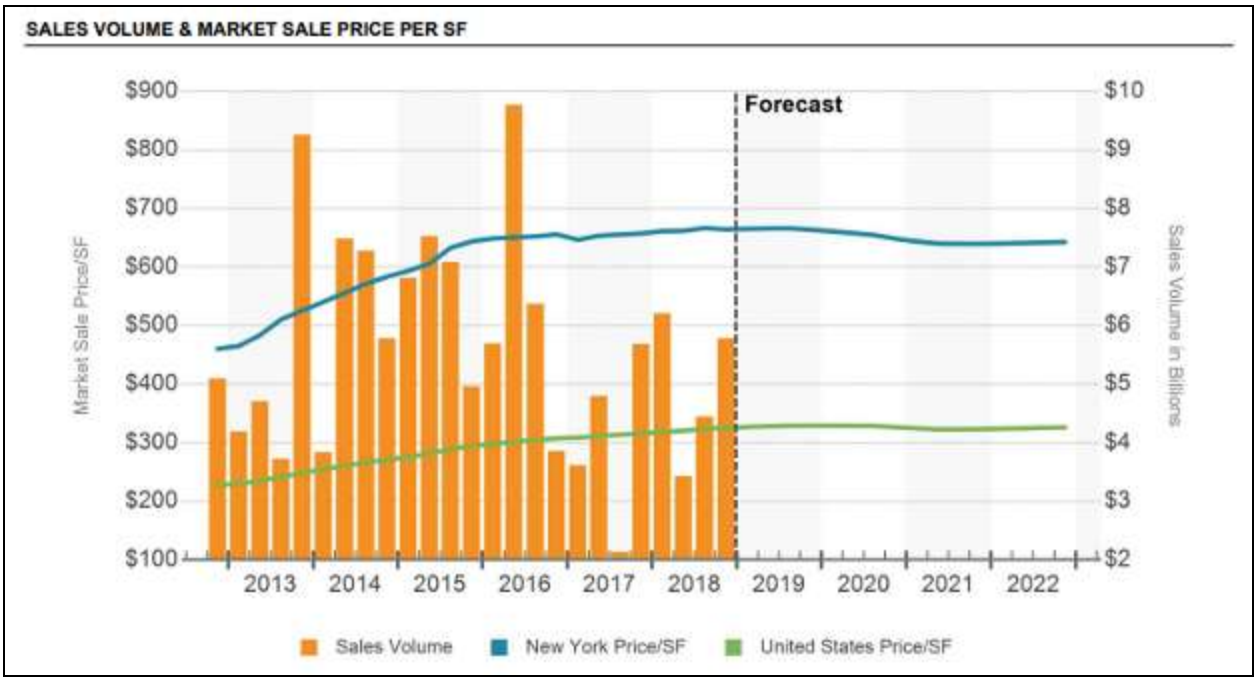
INVESTMENT MARKET

The New York office sales volume in 2018 has already exceeded last year, driven by the steep asset valuations. However, the number of deals decreased tremendously compared to previous years as investors remain cautious of where the economy stands in the cycle and expected interest-rate hikes in the near term appears to have limited cap rate compression. Fueled by lofty valuations and prices per SF well exceeding those of the last cycle's peak, average cap rates have compressed roughly 200 basis points since the recession and hovered around 5% for the metro. Meanwhile, assets in Manhattan are trading at cap rates well below the metro average, especially for prime properties identified for potential value addition.

While the prestigious office towers of central Midtown account for much of the most expensive assets in New York, recent trade activity in west side of Manhattan exemplifies how much value addition opportunities have pushed asset prices in the area. In October 2018, a joint venture of L&L Holding, Normandy Real Estate Partners and J.P. Morgan acquired the 1.2 million SF Terminal Stores for $880 million from GreenOak Real Estate and Waterfront NY Realty. Four years earlier, GreenOak Real Estate bought a 49% interest in the asset for $147 million from Waterfront NY Realty. The West Chelsea former warehouse complex represents a value-add redevelopment opportunity in a section of Manhattan that remains the forefront of the city's office landscape transformation. In March 2018, Google purchased the 1.2 million-SF Chelsea Market for almost $2.4 billion, well above the $800 million valuation Jamestown paid for the property in 2011. Benefiting from leasing demand focused on a migration to the western neighborhoods, areas in proximity to the Hudson Yards such as Chelsea experienced immense asset appreciation this cycle.

Far less than the feverish pace of 2015-16, global investors continue to allocate their capital to U.S. commercial real estate (CRE) and New York still benefits as the leading market in foreign capital. Brookfield Asset Management added to its stable of Manhattan CRE when it acquired a 100% leasehold interest in the office condominiums at 666 Fifth Ave., for about $1.3 billion in August 2018. The Canada-based asset manager paid an upfront sum for a 99-year leasehold with its subsidiary Brookfield Properties to operate the building. Located on the infamous Fifth Avenue corridor of Manhattan, the property was valued for having potential for improved rental return after major renovations to modernize the office spaces. Canadian investment regained the market share lead of foreign capital as China curtailed the flow of outbound capital into the United States. After years of aggressive trophy office acquisitions, Chinese government restraints reduced the deal flow and volume from one of New York City's most active buyers. Some owners are now trying to sell off their assets. Chinese conglomerate, HNA Group, has put 245 Park Ave. on the market after acquiring the asset for $2.21 billion in May 2017 at a 4.6% cap rate. Despite the drop-off in volume, New York City still remains the largest recipient of Chinese investment compared to other markets across the nation.

Sales volume in Downtown dropped off considerably in 2018, after notable transactions completed last year. Pricing gains haven’t been as dramatic in Downtown properties, due to higher vacancy rates and lower market rents. As such, investor interest in the area is mainly focused on prestigious Class A properties, viewed as safer investments due to higher occupancy and rental rates. In December 2017, Brookfield Properties sold a 49% interest of One Liberty Plaza to The Blackstone Group at a valuation of over $1.5 billion. The asset valuation of the trophy building marked one of the most expensive deals ever in the Downtown office market. Foreign investors are also keen to the prominent assets in Downtown. In May 2017, Canada-based Ivanhoe Cambridge partnered with Callahan Capital Properties and acquired 85 Broad St. for approximately $650 million. In January 2017, GIC Real Estate acquired 60 Wall St. in the Financial District for $1.04 billion. GIC Real Estate, Singapore's sovereign wealth fund, will own 95% of the 1.6 million-SF office building while Paramount will maintain a 5% interest and continue to serve as the property manager.



Source: Costar

The following is a summary of historical statistics for the Manhattan market:

Total Office Market Statistics — Third Quarter 2018

	Existing Inventory		Vacancy			Net	Deliveries		UC Inventory		Quoted
Period	# Blds	Total RBA	Direct SF	Total SF	Vac %	Absorption	# Blds	Total RBA	# Blds	Total RBA	Rates
2018 3q	3,839	566,121,786	39,006,879	43,760,256	7.7%	1,725,067	2	286,854	28	14,166,645	$61.52
2018 2q	3,837	565,834,932	40,553,681	45,198,469	8.0%	2,504,062	2	2,881,402	29	14,442,974	$60.33
2018 1q	3,834	562,921,130	39,941,494	44,788,729	8.0%	1,169,789	1	166,810	31	17,341,083	$61.19
2017 4q	3,834	562,760,028	40,484,781	45,797,416	8.1%	1,224,396	0	0	29	15,436,789	$61.56
2017 3q	3,834	563,002,078	41,958,515	47,263,862	8.4%	(1,433,435)	4	528,590	29	14,914,739	$61.45
2017 2q	3,829	562,452,888	40,623,007	45,281,237	8.1%	925,094	3	254,288	29	14,279,610	$59.86
2017 1q	3,826	562,198,600	41,422,124	45,952,043	8.2%	(1,768,069)	0	0	30	14,478,479	$61.28
2016	3,827	562,669,650	40,504,302	44,655,024	7.9%	412,689	5	2,402,536	28	14,314,651	$61.43
2015	3,838	561,027,957	39,694,160	43,426,020	7.7%	(1,985,680)	5	682,509	18	13,409,565	$59.67
2014	3,880	565,193,243	41,821,668	45,605,626	8.1%	4,332,809	2	41,322	13	6,194,505	$55.81
2013	3,909	563,289,769	43,901,853	48,034,961	8.5%	(2,788,260)	4	1,195,000	8	4,486,334	$52.46
2012	3,921	559,318,903	36,829,200	41,275,835	7.4%	(42,524)	4	352,342	11	8,584,105	$49.73
2011	3,937	560,711,910	38,683,171	42,626,318	7.6%	46,874	2	144,545	12	7,669,621	$47.90
2010	3,945	561,593,125	39,329,785	43,554,407	7.8%	(2,083,580)	5	436,435	14	7,212,739	$44.89
2009	3,953	561,106,064	34,622,497	40,983,766	7.3%	(3,160,474)	5	2,391,533	14	8,144,132	$44.04
2008	3,961	556,555,756	28,029,568	33,272,984	6.0%	(4,356,815)	1	91,828	18	9,344,503	$58.48

Source: CoStar Property®

MIDTOWN MARKET

The Midtown market consists of 323.8 million square feet in 1,549 properties. While its core office district is bound by Eighth and Third Avenues, the office district intermingles with residential neighborhoods and cultural attractions such as Rockefeller Center, the Empire State Building and Carnegie Hall. Midtown is comprised of seven submarkets: Murray Hill, Grand Central, United Nations, Times Square, Plaza, Penn Plaza/ Garment and Columbus Circle. The following chart summarizes the historic and current status of the Midtown Office Market.

HISTORICAL MARKET CONDITIONS – MIDTOWN

Period	Existing Inventory		Vacancy		Net	Delivered Inventory		UC Inventory		Quoted
	# Bldgs	Total RBA	Vacant SF	Vacancy %	Absorption	# Bldgs	Total RBA	# Bldgs	Total RBA	Rates
2018 3q	1,549	323,775,062	24,812,956	7.7%	816,835	0	0	11	12,608,589	$63.82
2018 2q	1,549	323,775,062	25,629,791	7.9%	693,174	1	20,000	11	12,608,589	$60.85
2018 1q	1,548	323,755,062	26,302,965	8.1%	527,677	0	0	12	12,628,589	$62.94
2017 4q	1,548	323,755,062	26,830,642	8.3%	1,092,956	0	0	10	10,588,449	$63.35
2017 3q	1,549	324,175,062	28,343,598	8.7%	(1,223,137)	1	87,717	9	9,888,449	$63.56
2017 2q	1,548	324,087,345	27,032,744	8.3%	685,971	1	221,720	7	8,989,166	$62.12
2017 1q	1,547	323,865,625	27,496,995	8.5%	(1,217,582)	0	0	8	9,210,886	$63.88
2016 4q	1,547	323,865,625	26,279,413	8.1%	1,426,815	0	0	7	9,120,381	$64.41
2016 3q	1,548	323,881,505	27,722,108	8.6%	(205,482)	0	0	6	7,387,426	$64.54
2016 2q	1,551	323,908,233	27,543,354	8.5%	1,091,060	1	1,813,159	6	7,387,426	$63.32
2016 1q	1,555	322,056,084	26,782,265	8.3%	(1,398,235)	0	0	8	9,342,412	$61.73
2015 4q	1,557	322,123,204	25,451,150	7.9%	(1,383,034)	0	0	7	9,200,585	$61.68
2015 3q	1,564	323,099,576	25,044,488	7.8%	99,696	1	74,442	6	9,112,868	$61.40
2015 2q	1,567	323,743,838	25,788,446	8.0%	(80,171)	1	473,672	6	8,482,066	$60.37
2015 1q	1,569	323,408,651	25,373,088	7.8%	3,315	0	0	4	2,582,993	$59.52
2014 4q	1,574	323,769,265	25,737,017	7.9%	(57,344)	0	0	4	2,582,993	$59.11

Source: CoStar Property®

Over the past four years the vacancy rate in Midtown remained between 7.7% and 8.7%. Asking rents increased through 2016 and have remained fairly stable between 2017 and 2018. The current asking rent is $63.82 per square foot.

COLUMBUS CIRCLE OFFICE MARKET

With the specter of large tenant move-outs looming, Columbus Circle is shaping up to be a net loser in the tenant musical chairs instigated by the revitalization of Lower Manhattan and the Hudson Yards/Manhattan West megadevelopments. Coming on the heels of Time's defection, both Time Warner and Related will leave large blocks of vacant space in Columbus Circle, as they continue the en masse migration to new product on the Far West Side and south of Chambers. The renewal of UBS's lease at 1285 Avenue of the Americas and Deutsche Bank signing for Time Warner's vacant 1.1 million SF was a saving grace, but there remains little doubt that this submarket faces challenges. Already, Columbus Circle's vacancy rate has eclipsed its recessionary peak, while 4 & 5 Star rents remain below their previous cyclical high. Mixed-use projects like Durst's Frank 57 West hold promise but, on balance, a sparse pipeline offers little solace for the submarket's net absorption prospects.

Across the submarket, renovations will probably be the key to bolstering occupancies and boosting rent growth over the coming years. In fact, this trend appears to be underway. Since losing its anchor tenant, Rockefeller Group began a $300 million renovation at 1271 (led by Pei Cobb Freed & Partners) which seems to have caught the eye of Major League Baseball. The commissioner's office is moving from its space at 245 Park Ave. (Grand Central) to occupy more than 380,000 SF at the Sixth Avenue tower in early 2019.

The subject is a Class A property within the Columbus Circle submarket. The following is a summary of statistics for the Class A space in Columbus Circle, Columbus Circle overall, Midtown and Manhattan:

THIRD QUARTER 2018

Market	Existing Inventory # Blds	Existing Inventory Total RBA	Vacancy Direct SF	Vacancy Total SF	Vacancy Vac %	YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
Columbus Circle Class A	29	24,685,582	1,354,476	1,629,116	6.6%	304,756	0	90,000	$75.56
Columbus Circle	129	36,213,555	1,871,706	2,165,374	6.0%	165,443	0	90,000	$58.10
Midtown	1,549	323,775,062	21,801,656	24,812,956	7.7%	2,037,686	20,000	12,608,589	$63.82
Manhattan	**3,839**	**566,121,786**	**39,006,879**	**43,760,256**	**7.7%**	**5,398,918**	**3,335,066**	**14,166,645**	**$61.52**

Source: Costar

CONCESSIONS

Tenant workletters are a typical feature within the Manhattan office market. A tenant workletter is paid by the landlord in order to finish the space according to individual tenant requirements. The cost of the landlord's tenant workletter will fluctuate directly with the negotiated contract rent and lease term. Tenant workletters within the subject's submarket market typically range from $0.00 to $85.00 per square foot within the subject's submarket. Lower tenant workletters are evident for smaller space users under shorter term leases. Conversely, the largest and most comprehensive tenant workletters are evident within the longer term, large space leases. Tenant workletters on renewal are typically used for re-carpeting and re-painting. Rent concessions in the subject's submarket typically range from zero to twelve months.

COMPETITIVE POSITION OF THE SUBJECT PROPERTY

Location: Specific office demand for a particular building or submarket is also driven by tenant preferences for particular building types or locations. In terms of location, the subject and its direct competition are located in close proximity to Central Park, Columbus Circle and local attractions. The property is afforded very good accessibility via area subways with station stops at Columbus Circle and plentiful bus service along the avenues and West 57th Street. Overall, the subject location is considered to be highly desirable for office use, bolstered by its prominent Columbus Circle address, and excellent exposure due to its full blockfront presence.

Functional Utility and Condition: Another consideration in preference comes from building prestige and decor. In addition to lobby appearance, avenue location has contributory impact on appeal. From a physical standpoint, the buildings in the subject's submarket are pre-war buildings that have been periodically renovated, in very good condition or newer buildings constructed in the 1960's to 1980's.

The subject was constructed in 1927 and was renovated in 2011. The property offers windows on all four sides with panoramic views of Central Park, Hudson River, and New York City, features an energy efficient glass curtail wall façade, a newly designed lobby and entrance featuring stellar white marble and bronze accents; usable terraces on multiple floors; and new modernized elevators and cabs. The building has been Wired Certified Gold and was awarded an Energy Star label in 2014, 2016, 2017 and 2018 for its operating efficiency. Overall, the subject falls at the middle to upper end of the comparable range.

SUMMARY AND CONCLUSION

To summarize issues of product preference, the subject falls within range of available space within the submarket. Items like view, natural light, unit layout, and location will have the

greatest impact on the appeal of the space when it competes in the future against other vacant space. Given all of the items impacting competition, the subject falls at the middle to upper end of the range of space with regard to appeal, quality, accessibility, interior finishes, amenities, layout, and location.

MANHATTAN RETAIL MARKET ANALYSIS

New York City is a major retail market and has one of the largest sales volumes of any city in the nation. The Manhattan retail market contains approximately 55 million square feet of space. Manhattan does not contain shopping centers in the sense that we use the term when talking about other cities or suburban areas. However, the City consists of shopping districts that function much like suburban malls. That is, the stores in that neighborhood are interdependent to some degree; each neighborhood has a couple of "anchor stores" whose performance can drive or stall dozens of smaller retailers. According to retail brokers, approximately 80% of Manhattan's retail space is in street level shops. Of the remainder, about 5 million square feet is in department stores and another 5 million square feet in office building atriums and retail projects configured as urban malls such as Trump Tower, Herald Center, Manhattan Mall, Rockefeller Center, and the Time Warner Center at Columbus Circle.

A comprehensive overview of current conditions within the Manhattan retail market is provided by CoStar Property Services, a market research firm. The following pages contain excerpts from the CoStar Retail Market Report for the New York City (Manhattan) retail market as of the end of the 3Q 2018.

According to the CoStar Property Manhattan Retail Market Report for 3Q2018, there are 54.8 million square feet of retail space within Manhattan with an overall vacancy rate of 4.2% and an average asking rent of $112.49 per square foot. We note that within Manhattan asking rents vary on a block by block basis, with rents ranging from $30 per square foot to over $4,500 per square foot in the most desirable locations.

Total Retail Market Statistics — Third Quarter 2018

	Existing Inventory		Vacancy			Net	Deliveries		UC Inventory		Quoted
Period	# Blds	Total GLA	Direct SF	Total SF	Vac %	Absorption	# Blds	Total GLA	# Blds	Total GLA	Rates
2018 3q	4,480	54,781,573	2,203,589	2,312,292	4.2%	(259,095)	2	29,680	20	2,517,023	$112.49
2018 2q	4,479	54,756,893	1,907,562	2,028,517	3.7%	132,197	3	117,750	21	2,469,703	$101.35
2018 1q	4,476	54,639,143	1,960,544	2,042,964	3.7%	58,242	3	137,025	24	2,587,453	$102.52
2017 4q	4,474	54,509,783	1,894,902	1,971,846	3.6%	62,940	1	249,394	27	2,724,478	$98.39
2017 3q	4,473	54,260,389	1,702,480	1,785,392	3.3%	7,309	3	23,910	23	2,748,292	$98.86
2017 2q	4,470	54,236,479	1,693,526	1,768,791	3.3%	195,347	1	10,380	24	2,761,202	$91.16
2017 1q	4,470	54,232,576	1,888,430	1,960,235	3.6%	75,571	3	114,528	24	2,674,862	$89.86
2016	4,468	54,127,312	1,866,148	1,930,542	3.6%	231,193	8	492,030	23	2,591,794	$83.83
2015	4,481	53,760,712	1,740,960	1,795,135	3.3%	(87,573)	5	103,990	21	2,691,527	$81.23
2014	4,533	54,099,699	2,000,481	2,046,549	3.8%	(811,377)	6	125,246	14	941,593	$93.86
2013	4,566	54,708,555	1,812,031	1,844,028	3.4%	(462,994)	7	202,265	10	581,688	$93.84
2012	4,582	54,729,074	1,319,878	1,401,553	2.6%	(112,489)	3	23,388	10	369,661	$94.77
2011	4,596	54,871,808	1,410,472	1,431,798	2.6%	361,889	6	416,298	9	334,461	$70.55
2010	4,606	54,607,531	1,503,635	1,529,410	2.8%	434,593	9	278,481	7	477,778	$92.99
2009	4,596	54,315,964	1,647,619	1,672,436	3.1%	763,529	7	143,258	13	660,251	$86.27
2008	4,609	53,843,807	1,928,508	1,963,808	3.6%	578,118	4	216,403	15	1,201,595	$80.61

Source: CoStar Property®

OVERVIEW

The New York City retail market experienced a moderate decline in market conditions in the third quarter 2018. The vacancy rate went from 3.7% in the previous quarter to 4.2% in the current quarter. Net absorption was negative (259,095) square feet, and vacant sublease space decreased by (12,252) square feet. Quoted rental rates increased from second quarter 2018 levels, ending at $112.49 per square foot per year. A total of 2 retail buildings with 29,680 square feet of retail space were delivered to the market in the quarter, with 2,517,023 square feet still under construction at the end of the quarter.

NET ABSORPTION

Retail net absorption was largely negative in New York City third quarter 2018, with negative (259,095) square feet absorbed in the quarter. In second quarter 2018, net absorption was positive 132,197 square feet, while in first quarter 2018, absorption came in at positive 58,242 square feet. In fourth quarter 2017, positive 62,940 square feet was absorbed in the market.

Tenants moving into large blocks of space in 2018 include: Morton Williams Supermarket moving into 29,535 square feet of new space at 1 W End Ave; and ESPN moving into 19,000 square feet at South Street Seaport aka Pier 17. There were no large retail move-outs.

VACANCY

New York City's retail vacancy rate increased in the third quarter 2018, ending the quarter at 4.2%. Over the past four quarters, the market has seen an overall increase in the vacancy rate, with the rate going from 3.6% in the fourth quarter 2017, to 3.7% at the end of the first and second quarter 2018, to 4.2% in the current quarter.

The amount of vacant sublease space in the New York City market has trended up over the past four quarters. At the end of the fourth quarter 2017, there were 76,944 square feet of vacant sublease space. Currently, there are 108,703 square feet vacant in the market.

LARGEST LEASE SIGNINGS

The largest lease signings occurring in 2018 included: the 45,000-square-foot-deal signed by Alamo Drafthouse Cinema at 28 Liberty St; and the 42,595-square-foot-lease signed by Forever 21 at 435 Seventh Avenue.

RENTAL RATES

Average quoted asking rental rates in the New York City retail market are up over previous quarter levels, and up from their levels four quarters ago. Quoted rents ended the third quarter 2018 at $112.49 per square foot per year. That compares to $101.35 per square foot in the second quarter 2018, and $98.39 per square foot at the end of the fourth quarter 2017. This represents an 11.0% increase in rental rates in the current quarter, and a 12.53% increase from four quarters ago.

INVENTORY & CONSTRUCTION

During the third quarter 2018, two buildings totaling 29,680 square feet were completed in the New York City retail market. Over the past four quarters, a total of 533,849 square feet of retail space has been built in New York City.

Total retail inventory in the New York City market area amounted to 54,781,573 square feet in 4,480 buildings and 11 centers as of the end of the third quarter 2018. No significant square footage was under construction at the end of the third quarter 2018.

SALES ACTIVITY

Tallying retail building sales of 15,000 square feet or larger, New York City retail sales figures rose during the second quarter 2018 in terms of dollar volume compared to the first quarter of 2018.

Total retail center sales activity in 2018 was down compared to 2017. In the first six months of 2018, the market saw five retail sales transactions with a total volume of $105,050,000. The price per square foot averaged $790.13. In the same first six months of 2017, the market posted eight transactions with a total volume of $173,725,000. The price per square foot averaged $1,017.81.

Cap rates have been higher in 2018, averaging 4.70% compared to the same period in 2017 when they averaged 2.17%.

CURRENT MARKET DATA FROM REBNY: FALL 2018 RETAIL REPORT

The REBNY (Real Estate Board of New York) Fall 2018 Retail Report, the most recent report published, summarizes the state of the market as follows:

The Manhattan retail market's orderly correction continued this fall with per square foot (psf) ground floor retail average asking rents declining year-over-year in 15 of the 17 high-profile corridors that the Real Estate Board of New York (REBNY) surveys bi-annually. There were four more corridors in decline in fall 2018 than in fall 2017, and this period marked the highest number of corridor declines in the Manhattan Retail Report's history.

The two corridors with year-over-year increases were: Harlem's 125th Street corridor, between Fifth Avenue and Morningside Avenue, where the ground floor retail average asking rent increased 14% year-over-year to $140 psf and the Upper West Side's Broadway corridor, between West 72nd and West 86th Streets, where the ground floor retail average asking rent rose five percent year-over-year to $306 psf. These increases were caused by changes in the profile of available ground floor retail spaces along these corridors, not an upward revision of asking rents for existing supply.

The rents quoted in this report are asking rents for available ground floor retail spaces. The physical components and location of a retail space factor greatly into its rental value. Attributes such as street/avenue frontage, ceiling height, and presence of below and above grade space can also affect value. Consequently, in corridors with low availability, a high quality retail space coming to market can increase the average and median asking rents greatly. Also, in smaller corridors, a lack of available spaces may lead, in some cases, to adjacent blocks becoming of greater interest to retailers.

AVERAGE ASKING RENT PSF – GROUND FLOOR RETAIL

	Fall 18	Spring 18	Fall 17	% Spring 18	% Fall 17
EAST SIDE					
East 86th St (Lexington Ave - 2nd Ave)	$367	$400	$450	-8%	-19%
Madison Ave (57th St -72nd St)	$1,160	$1,390	$1,348	-17%	-14%
Third Ave (60th St - 72nd St)	$233	$264	$261	-12%	-11%
WEST SIDE					
Broadway (72nd St -86th St)	$306	$325	$291	-6%	5%
Columbus Ave (66th St - 79th St)	$298	$304	$338	-2%	-12%
MIDTOWN					
East 57th St (5th Ave - Park Ave)	$925	$975	$1,294	-5%	-29%
5th Ave (49th St - 59th St)	$2,973	$3,900	$3,900	-24%	-24%
5th Ave (42th St - 49th St)	$939	$1,097	$1,158	-14%	-19%
Broadway & 7th Ave (42nd St - 47th St)	$1,860	$1,938	$2,100	-4%	-11%
MIDTOWN SOUTH					
Herald Square					
West 34th St (5th Ave - 7th Ave)	$573	$604	$633	-5%	-9%
Flatiron					
5th Ave (14th St - 23rd St)	$393	$422	$449	-7%	-13%
Broadway (14th St - 23rd St)	$378	$360	$384	5%	-2%
DOWNTOWN					
Meatpacking					
14th St (9th Ave - 10th Ave)	$303	$313	$323	-3%	-6%
West Village					
Bleecker St (7th Ave South - Hudson St)	$293	$332	$351	-12%	-17%
SoHo					
Broadway (Houston St - Broome St)	$558	$595	$644	-6%	-13%
Lower Manhattan					
Broadway (Battery Park - Chambers St)	$338	$368	$374	-8%	-10%
UPPER MANHATTAN					
Harlem					
125th St. (5th Ave - Morningside Ave)	$140	$124	$123	13%	14%

Source: REBNY

SUBMARKET PERFORMANCE

The subject property is located in the Columbus Circle retail submarket as defined by CoStar. CoStar does not indicate an average asking rent as of 3Q 2018. We note that as previously discussed, retail rents within Manhattan vary significantly on a block by block basis and average submarket rental rates can therefore vary depending on which particular spaces are on the market. According to CoStar, the overall vacancy rate for retail space in Columbus Circle was 0.9%.

SUMMARY AND CONCLUSION

The Manhattan retail market continues to be cautiously optimistic—with healthy consumer spending and densely populated city streets, driven by steady income growth, New York City continues to dominate in commerce, culture, and tourism and should maintain its position as one of the preeminent retail markets in the country.

The subject property has excellent retail frontage along two primary retail corridors in close proximity to Central Park, Columbus Circle and is in in close proximity to public transportation and other area attractions. Retailers in the neighborhood are a mix of national and local tenants servicing residents, workers and tourists and include a wide variety of restaurants, shops and services. Overall, the subject property is well located with a desirable mixed-use neighborhood and can be expected to compete well within the market.

ZONING SUMMARY

ZONING MAP



C5 is a restricted central commercial district often called the "gilt-edged" district because it is intended primarily for retail uses which serve the metropolitan region and for areas where continuous retail frontage is desired. The retail area of Fifth Avenue in Manhattan is zoned C5. The districts are typically developed with department stores, large office buildings, and mixed buildings with residential space above office or commercial floors. Home maintenance services, auto rental establishments and other uses such as bowling alleys are not permitted because they are not in character with the district.

SUMMARY OF BULK REGULATIONS

The following are the required bulk regulations for C5 districts:

C5 Commercial Districts					
	C5-1	C5-1A	C5-2 C5-4	C5-2A	C5-3 C5-5
Commercial FAR	4.0	4.0	10.0[1]	10.0	15.0[1]
Residential FAR[2]	10.0[1]	10.0	10.0[1]	10.0	10.0[1]
Residential District Equivalent	R10	R10A	R10	R10A	R10

[1] *FAR bonus up to 20% for a public plaza*
[2] *Increase in FAR with Inclusionary Housing Program bonus*

The following uses are permitted in C5 districts:

Category	Permitted Uses
Use Group 1	Single-family detached residences.
Use Group 2	Residences of all kinds including apartment hotels and non-profit residences for the elderly.
Use Group 3	Community facilities which include colleges or universities, libraries, museums, non-commercial art galleries, trade schools, nursing homes, and health related facilities,
Use Group 4	Churches, medical offices.
Use Groups 5, 6, 9-11	Retail and commercial uses including retail stores, art galleries and eating and drinking establishments (with restrictions on entertainment).

PARKING

All commercial uses in C5 zones are exempt from parking requirements because public transportation is easily available.

CONFORMITY

Based on a total site area of 32,375± square, the allowed commercial Floor Area Ratio results in the allowed "as of right" development (15.00 x 32,375 square feet) of 485,625± square feet. Since the subject building contains an aggregate 654,582± square feet of gross building area, it exceeds the bulk regulations of the zoning district. Since the improvements were constructed prior to the enactment of current zoning regulations, the subject property represents a legal, pre-existing non-complying bulk. The subject conforms to the use regulations of the zoning district. In terms of age, condition, size, and construction, the subject conforms to surrounding improvements within the immediate neighborhood.

It should be noted that we are not experts in the interpretation of complex zoning ordinances, but the subject property appears to be a conforming use, and a legal, pre-existing non-conforming bulk. The determination of compliance, however, is beyond the scope of a real estate appraisal. We know of no deed restrictions, private or public, that further limit the subject'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.

ASSESSED VALUE AND REAL ESTATE TAXES



3 Columbus Circle is designated on the tax maps as Block 1029, Lots 1001-1010 and 1012-1021. The 2018/2019 assessed value is summarized below:

ASSESSED VALUE

Lot	Actual Land	Actual Total	Actual Total Exemption	Trans Land	Trans Total	Transitional Total Exemption
1001	$501,223	$8,093,610	$166,276	$501,223	$6,055,691	$166,276
1002	$639,816	$4,467,516	$212,262	$639,816	$3,920,766	$212,262
1003	$610,935	$4,265,852	$202,680	$610,935	$3,743,781	$202,680
1004	$617,479	$4,311,544	$204,851	$617,479	$3,783,881	$204,851
1005	$629,334	$4,394,329	$208,784	$629,334	$3,856,533	$208,784
1006	$611,636	$4,270,751	$202,912	$611,636	$3,748,082	$202,912
1007	$386,942	$2,701,826	$128,370	$386,942	$2,371,169	$128,370
1008	$386,942	$2,701,826	$128,370	$386,942	$2,371,169	$128,370
1009	$386,942	$2,701,826	$128,370	$386,942	$2,371,169	$128,370
1010	$386,942	$2,701,826	$128,370	$386,942	$2,371,169	$128,370
1012	$651,286	$10,517,074	$216,066	$651,286	$7,868,942	$216,066
1013	$759,594	$12,266,065	$251,997	$759,594	$9,177,549	$251,997
1014	$639,816	$4,467,516	$212,260	$639,816	$3,920,766	$212,260
1015	$639,816	$4,467,516	$212,260	$639,816	$3,920,766	$212,260
1016	$639,816	$4,467,516	$212,260	$639,816	$3,920,766	$212,260
1017	$639,816	$4,467,516	$212,260	$639,816	$3,920,766	$212,260
1018	$386,942	$2,701,826	$128,368	$386,942	$2,371,169	$128,368
1019	$389,448	$2,719,323	$129,201	$389,448	$2,386,522	$129,201
1020	$201,587	$1,407,653	$66,880	$201,587	$1,235,379	$66,880
1021	$202,328	$1,412,753	$67,122	$202,328	$1,239,855	$67,122
Total	$10,308,640	$89,505,664	$3,419,919	$10,308,640	$74,555,890	$3,419,919

Increases in assessed value for commercial properties are phased in over a five-year transitional period. The "Transitional" assessed value represents the phased-in, and the "Actual" assessed value represents the future or target assessment when the transitional or phase-in period is over. The tax rate is applied to the lower of the transitional or actual assessed values.

TAX RATE

The City of New York has four tax categories for real properties. The subject property is a Class 4 tax property. The 2018/2019 tax rate for Class 4 properties is $10.514 per $100 of assessed value. Tax rate for subsequent years have not been announced. The following chart shows the historical tax rates for New York City.

REAL ESTATE TAX RATES, NEW YORK CITY

Year	Class 1	Class 2	Class 3	Class 4
2009/2010	17.088	13.241	12.743	10.426
2010/2011	17.364	13.353	12.631	10.312
2011/2012	18.205	13.433	12.473	10.152
2012/2013	18.569	13.181	12.477	10.288
2013/2014	19.191	13.145	11.902	10.323
2014/2015	19.157	12.855	11.125	10.684
2015/2016	19.554	12.883	10.813	10.656
2016/2017	19.991	12.892	10.934	10.574
2017/2018	20.385	12.719	11.891	10.514
2018/2019	20.919	12.612	12.093	10.514

Source: New York City Department of Finance

The Class 4 tax rate is currently $10.514 per $100 of assessed value. Over the past five years, the tax rate has remained fairly stable ranging from $10.514 to $10.684 per $100 of assessed value.

INDUSTRIAL AND COMMERCIAL INCENTIVE PROGRAM (ICIP)

The asset benefits from an ICIP exemption. The Industrial and Commercial Incentive Program (ICIP) was created on November 5, 1984, by a local law adopted by the Council pursuant to State enabling legislation. The program sunset in 2008, and was replaced by the Industrial and Commercial Abatement Program (ICAP). The ICIP program is established in Title 2D of the NYS Real Property Tax Law and NYC Administrative Code §11-256 to §11-267. The ICAP program is established in Title 2F of the NYS Real Property Tax Law and NYC Administrative Code §11-268 to §11-278. These programs were designed to stimulate economic development by means of tax exemptions and abatements for construction or rehabilitation of commercial, industrial or mixed-use structures.

ICIP provides a partial exemption from property taxes for periods of up to 25 years for eligible industrial and commercial buildings that are built, modernized, rehabilitated, expanded, or otherwise physically improved. For industrial construction, a property may receive an additional abatement for eligible work where such eligible work meets a higher minimum required expenditure threshold.

Our forecast of the tax liability after consideration of the exemption, which is in its last few years, is presented:

TAX LIABILITY FORECAST (TAX YEAR)

Tax Year	Non-Exempt Assessed Value	Full Exemption	Phase-Out	Applicable Exemption	Exempt Assessed Value	Tax Rate	Tax Liability
18/19	$74,555,890	$5,699,865	60%	$3,419,919	$71,135,971	10.514%	$7,479,236
19/20	$78,283,685	$5,984,858	40%	$2,393,943	$75,889,741	10.514%	$7,979,047
20/21	$82,197,869	$6,284,101	20%	$1,256,820	$80,941,048	10.514%	$8,510,142
21/22	$86,307,762		0%	$0	$86,307,762	10.514%	$9,074,398
22/23	$90,623,150		0%	$0	$90,623,150	10.514%	$9,528,118
23/24	$95,154,308		0%	$0	$95,154,308	10.514%	$10,004,524
24/25	$98,008,937		0%	$0	$98,008,937	10.514%	$10,304,660
25/26	$100,949,205		0%	$0	$100,949,205	10.514%	$10,613,799
26/27	$103,977,681		0%	$0	$103,977,681	10.514%	$10,932,213
27/28	$107,097,012		0%	$0	$107,097,012	10.514%	$11,260,180
28/29	$110,309,922		0%	$0	$110,309,922	10.514%	$11,597,985
29/30	$113,619,220		0%	$0	$113,619,220	10.514%	$11,945,925

Next, since the analysis period (calendar year) is inconsistent with the tax year (which runs July to June), we applied the second half of the 2018/19 liability and the first half of that forecasted for the 2019/2020 for the first year of analysis (and on for successive years):

TAX LIABILITY FORECAST (ANALYSIS YEAR)

Investment Year	Tax Liability First Half	Tax Liability Second Half	Fiscal Year Tax Liability
2019	$3,739,618	$3,989,524	$7,729,142
2020	$3,989,524	$4,255,071	$8,244,595
2021	$4,255,071	$4,537,199	$8,792,270
2022	$4,537,199	$4,764,059	$9,301,258
2023	$4,764,059	$5,002,262	$9,766,321
2024	$5,002,262	$5,152,330	$10,154,592
2025	$5,152,330	$5,306,900	$10,459,230
2026	$5,306,900	$5,466,107	$10,773,006
2027	$5,466,107	$5,630,090	$11,096,197
2028	$5,630,090	$5,798,993	$11,429,083
2029	$5,798,993	$5,972,962	$11,771,955

TAX PROJECTION LOT 1011

We note that although Tax Lot 1011 (floors 3-8) is not part of the subject property the owner pays the real estate taxes for this lot which is then fully reimbursed. Therefore, the real estate taxes for Lot 1011 will be projected.

Lot	Actual Land	Actual Total	Actual Total Exemption	Trans Land	Trans Total	Transitional Total Exemption
1011	$4,010,366	$28,002,387	$1,330,452	$4,010,366	$24,575,356	$1,330,452

This lot also has an ICIP exemption which phases out similar to the subject property lots.

TAX LIABILITY FORECAST (TAX YEAR) LOT 1011

Tax Year	Non-Exempt Assessed Value	Full Exemption	Phase-Out	Applicable Exemption	Exempt Assessed Value	Tax Rate	Tax liability
18/19	$24,575,356	$2,217,420	60%	$1,330,452	$23,244,904	10.514%	$2,443,969
19/20	$25,804,124	$2,328,291	40%	$931,316	$24,872,807	10.514%	$2,615,127
20/21	$27,094,330	$2,444,706	20%	$488,941	$26,605,389	10.514%	$2,797,291
21/22	$28,449,046		0%	$0	$28,449,046	10.514%	$2,991,133
22/23	$29,871,499		0%	$0	$29,871,499	10.514%	$3,140,689
23/24	$31,365,074		0%	$0	$31,365,074	10.514%	$3,297,724
24/25	$32,306,026		0%	$0	$32,306,026	10.514%	$3,396,656
25/26	$33,275,207		0%	$0	$33,275,207	10.514%	$3,498,555
26/27	$34,273,463		0%	$0	$34,273,463	10.514%	$3,603,512
27/28	$35,301,667		0%	$0	$35,301,667	10.514%	$3,711,617
28/29	$36,360,717		0%	$0	$36,360,717	10.514%	$3,822,966
29/30	$37,451,538		0%	$0	$37,451,538	10.514%	$3,937,655

Applying the second half of the 2018/19 liability and the first half of that forecasted for the 2019/2020 for the first year of analysis (and on for successive years) the taxes are forecast as follows:

TAX LIABILITY FORECAST (ANALYSIS YEAR) LOT 1011

Investment Year	Tax Liability First Half	Tax Liability Second Half	Fiscal Year Tax Liability
2019	$1,221,985	$1,307,563	$2,529,548
2020	$1,307,563	$1,398,645	$2,706,209
2021	$1,398,645	$1,495,566	$2,894,212
2022	$1,495,566	$1,570,345	$3,065,911
2023	$1,570,345	$1,648,862	$3,219,207
2024	$1,648,862	$1,698,328	$3,347,190
2025	$1,698,328	$1,749,278	$3,447,605
2026	$1,749,278	$1,801,756	$3,551,034
2027	$1,801,756	$1,855,809	$3,657,565
2028	$1,855,809	$1,911,483	$3,767,292
2029	$1,911,483	$1,968,827	$3,880,310

Taxes for this lot will be fully reimbursed.

SITE DESCRIPTION

The subject is located on the full block bound by West 57th and 58th Streets, Broadway, and 8th Avenue. The site contains a total of 32,375± square feet and is zoned C5-3 Commercial. The particulars of the subject sites are summarized as follows:

Location: The subject is located on the full block bound by West 57th and 58th Streets, Broadway, and 8th Avenue.

Size: The size of the lot is 32,375 square feet.

Shape: Mostly rectangular in shape.

Zoning: C5-3 Commercial zoning district.

Frontage:

Street	Frontage (ft)
8th Ave	200.83
Broadw ay	216.17
57th Street	201.21
58th Street	121.21

Topography: Generally level.

Paving: Streets are paved with asphalt in accordance with New York City Department of Highway standards. All streets appeared to be in good condition.

Curbing: The curbing is edged with steel. All curbing appeared to be in good condition.

Street Drainage: Street drainage is collected with the utilization of recessed catch basins. The catch basins empty by gravity into the New York City sewer storm system mains.

Street Lighting: Street lighting consists of standard New York City type lighting fixtures which are 400-watt, sodium vapor fixtures and controlled by photo cells. The lighting fixtures are post mounted as per New York City Department of Highway requirements.

Street Parking: Streetside parking during daytime business hours is limited.

Sidewalks: There are concrete sidewalks on all roadways.

UTILITIES

Water Supply:	Domestic water is supplied by the City of New York.
Gas Service:	Gas is supplied by the Consolidated Edison Gas Company.
Electrical:	The serving utility company is Consolidated Edison of New York.
Telephone:	Tenants individually subscribe through various telephone interconnect companies. The primary service provider to the building is Verizon.
Sub-Soil Conditions:	The appraisers are not aware of any adverse sub-soil conditions affecting the property.
Flood Hazard Status:	The subject site is within Zone X, an area of minimal flooding, according to the FIRM flood hazard map, Community Panel #360497-0088F, effective September 5, 2007. Flood insurance is not required.
Conclusion:	The subject site is comparable to other lots located in the immediate subject vicinity. The site conforms to neighboring standards in most respects, and there are no negative external factors affecting the sites. Based upon the current use of the site, all aspects of the property are functionally adequate.

FLOOD MAP


Subject
City of New York 360497
W 62ND STREET
W 61ST STREET
W 58TH STREET
W 57TH STREET
W 56TH STREET
W 55TH STREET
W 54TH STREET
LINCOLN PLAZA
CENTRAL PARK W
PARK DRIVE S
CENTRAL PARK S
8TH AVENUE
7TH AVENUE
5TH AVENUE
TRANSVERSE
MAP SCALE 1" = 500'
50 0 500 1000
FEET
NFIP
NATIONAL FLOOD INSURANCE PROGRAM
PANEL 0088F
FIRM
FLOOD INSURANCE RATE MAP
CITY OF
NEW YORK,
NEW YORK
BRONX, RICHMOND, NEW YORK, QUEENS, AND KINGS COUNTIES
PANEL 88 OF 457
(SEE MAP INDEX FOR FIRM PANEL LAYOUT)
MAP NUMBER
3604970088F
MAP REVISED
SEPTEMBER 5, 2007
Federal Emergency Management Agency

SUBJECT PROPERTY PHOTOS



57TH STREET





BROADWAY





58TH STREET





TERRACE AND VIEW OF CENTRAL PARK





ENTRANCE



LOBBY ELEVATORS



LOBBY





OFFICE INTERIORS





OFFICE INTERIORS





OFFICE INTERIORS





OFFICE INTERIORS





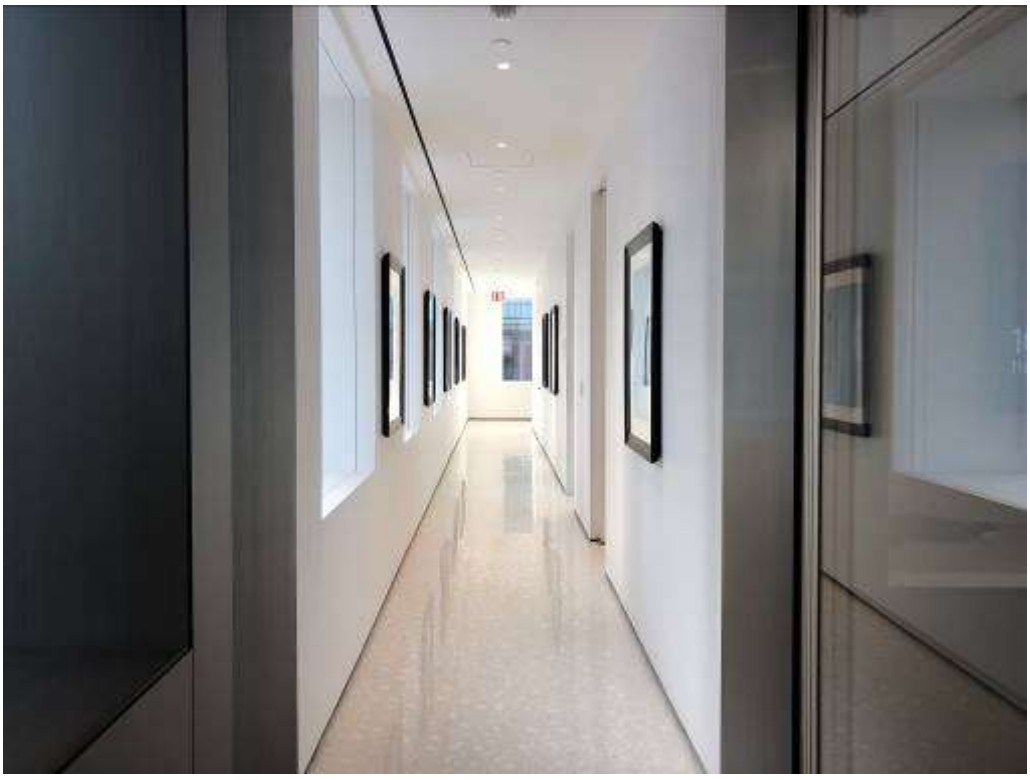
OFFICE INTERIORS





OFFICE INTERIORS





OFFICE INTERIORS





OFFICE INTERIORS





COMMON HALLWAYS





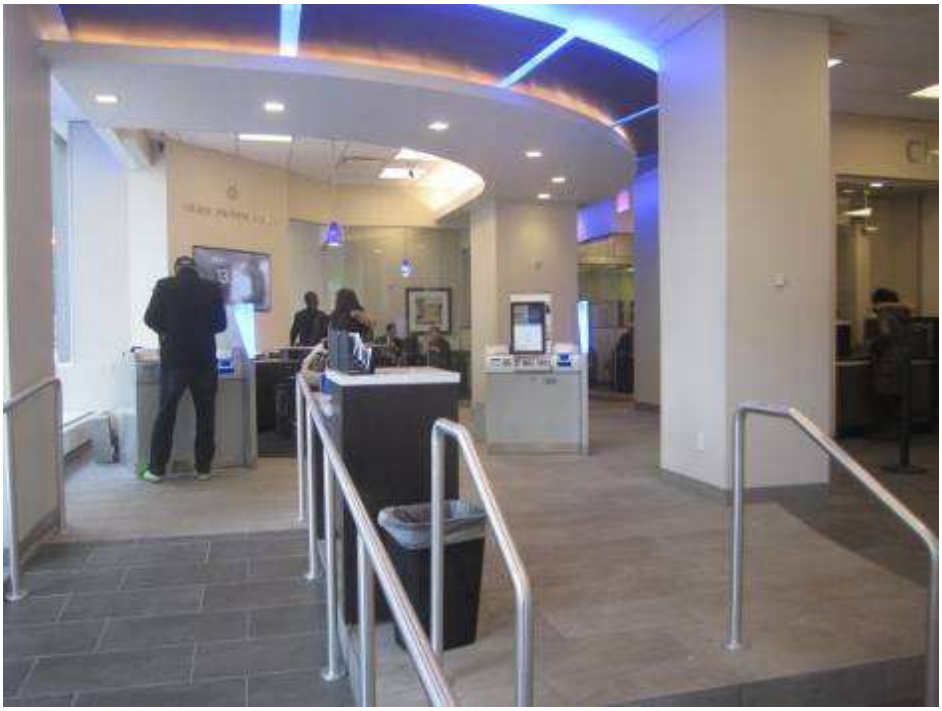
COMMON HALLWAYS





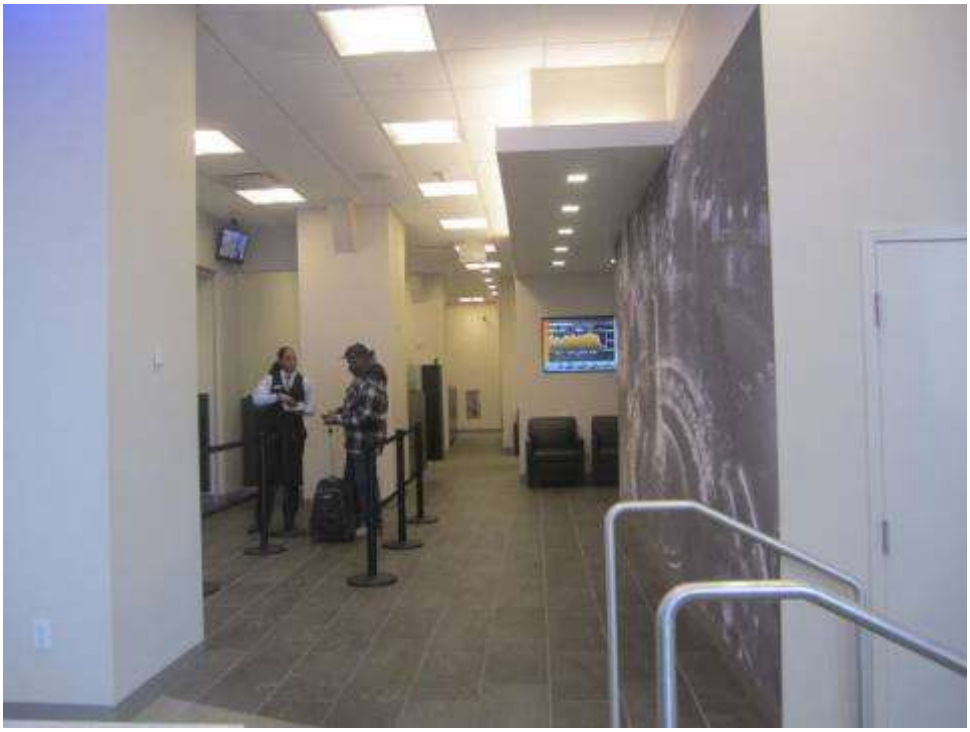
CHASE ENTRANCE





CHASE INTERIOR





CVS ENTRANCE



CVS GRADE LEVEL SPACE



CVS GRADE LEVEL SPACE



CVS SECOND FLOOR SPACE



NORDSTROM ENTRANCE

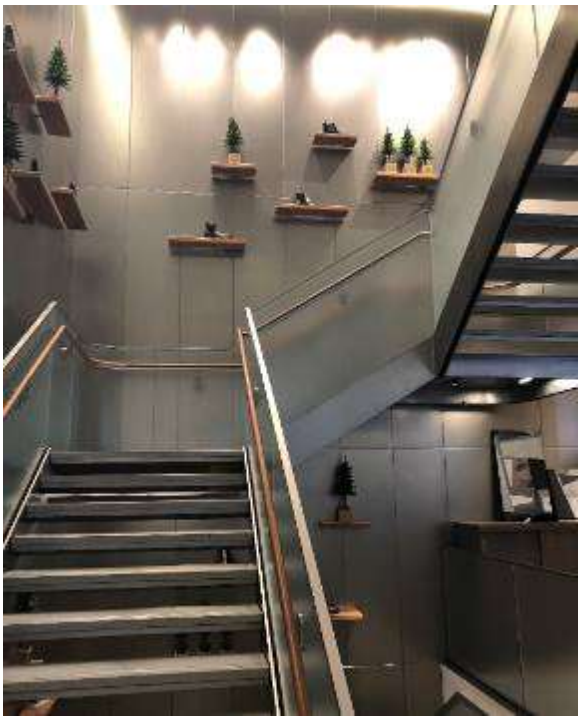


NORDSTROM INTERIORS





NORDSTROM INTERIORS







MECHANICALS



BOILER





ROOF





DESCRIPTION OF THE IMPROVEMENTS

The subject property consists of the retail and office space located within the basement, grade, 2nd and 9th through 27th floors of 3 Columbus Circle (aka 1775 Broadway). 3 Columbus Circle is a 26-story class A office building containing 654,582± square feet of gross building area (entire building).

The subject property is identified as Block 1029, Lots 1001 through 1010 and 1012 through 1021. Lot 1011, comprising the 3rd through 8th floors of 3 Columbus Circle, is not part of the property being appraised. The subject property contains a total of 536,897 square feet of leasable area. The improvements were constructed in 1927 and renovated in 2011.

The property offers windows on all four sides with panoramic views of Central Park, Hudson River, and New York City, features an energy efficient glass curtail wall façade, a newly designed lobby and entrance featuring stellar white marble and bronze accents; usable terraces on multiple floors; and new modernized elevators and cabs. The building has been Wired Certified Gold and was awarded an Energy Star label in 2014, 2016, 2017 and 2018 for its operating efficiency.

The following is a brief description of the subject improvements:

CONSTRUCTION DETAILS

Structural System:	Framed with structural steel columns and beams supporting reinforced concrete slabs.
Building Exterior:	Masonry and glass.
Entrances:	Main entrance is via Broadway. There is a freight entrance on 58th Street. The lobby entrance is canopied and consists of both swing out glass doors and revolving glass doors. Retail spaces have their own separate entrances – typically swing out full length glass doors. The entrance to CVS is on the corner of 57th Street and 8th Avenue. The entrance to Chase is on the corner of 58th Street and 8th Avenue. The entrance to Nordstrom is on Broadway.
Roof:	Flat roofing system consisting of built-up assemblies protected by a waterproof membrane. The roof houses signage.
Stairs:	Several interior stairways with concrete treads and steel railings.
Windows:	Aluminum and steel framed double hung thermopane windows.

Ceiling Height:	Generally, ceilings heights are 10 feet and 8 inches, slab to slab with finished ceiling heights of 8 feet in the office areas.

MECHANICAL SYSTEMS

HVAC:	The building contains two dual fuel boilers. Air conditioning is provided at each tenant floor level by packaged, electric driven units that range in total capacity from 20 to 30 tons per tenant.
Plumbing and Drainage:	Assumed to be adequate. Piping typically consists of PVC and black steel.
Electricity:	Typical commercial service with 120/220 volt service.
Life Safety:	The building is fully sprinklered with a wet system and has a Class "E" system.
Elevators:	The building contains several passenger and freight elevators.

INTERIOR FINISHES

Lobby Finishes:	The lobby features marble floors and walls, with decorative ceilings with recessed fluorescent lighting. There is a security desk and decorative wood, metal and glass walls. The lobby is modern and attractive.
Office Finishes:	Upper floor finishes vary from tenant to tenant and include polished concrete, marble, hardwood, carpeted and tiled flooring, painted plaster, gypsum or glass partition walls, and acoustic tiled or exposed painted ceilings with hung lighting. Offices contain high end pantries with stainless steel appliances, marble/stone countertops, and tile backsplashes. Finishes were found to be in excellent condition.
Common Hallways:	Finishes include marble tiled, granite tiled and carpeted floors, wallpapered walls and acoustic tiled ceilings with recessed lighting. Finishes range and fall at the middle to upper end of the competitive range.
Sub-Basement:	The sub-basement is used for tenant and building storage space, building mechanicals and various support functions.

Basement:	The basement is used as retail space, as well as tenant and building storage.
Retail Finishes:	Retail stores are finished according to the concept of each individual tenant. Finishes include carpeted, hardwood, or tiled floors, acoustic tiled or painted ceilings, and painted or wallpapered walls. Lighting is provided by decorative fluorescent and incandescent fixtures. Interiors are in good condition.
Lavatories:	There is at least one men's restroom and one women's restroom per floor; some floors have multiple restrooms. Finishes vary and range from average to very good condition, with new bathrooms meeting ADA requirements.
Loading:	There is a dedicated loading area on 58th Street.
Security:	24 hour guard service. Most tenants have an electronic key code entrance system to their spaces.

FUNCTIONAL UTILITY

From a utility standpoint, the subject is well laid out and adequately accommodates its present utilization. The subject benefits from its desirable location in an active commercial district. The subject property is able to accommodate its existing office and retail related tenants.

CONDITION

The improvements were constructed in 1927, renovated in 2011 and appear to be adequately maintained. At the time of inspection (January 7, 2019), the subject property appeared to be in very good condition, with no obvious signs of deferred maintenance. However, the appraisers are not qualified to render an opinion as to the adequacy or condition of the mechanical or structural components of the property.

EFFECTIVE AGE AND REMAINING ECONOMIC LIFE

The subject property has an estimated effective age of 20 years and the economic life span of a building like the subject is approximately 60+ years. Future capital investment will serve to improve the asset productivity and extend its life during the holding period.

CONCLUSION

To summarize, the subject property conforms to its immediate area with no evidence of unusual external negative forces foreseeable over the near future. It is the appraiser's opinion that the subject property will continue as a viable office/retail facility benefiting from its favorable

location in a desirable commercial district. The information contained in the sections entitled "Site Description" and "Building Analysis" was obtained from the following sources:

4. Formal field inspection, January 7, 2019.

5. The subject property owners.

6. Local planning, zoning, and assessment records; Sanborn Land Book.

7. Costar Property Services

HIGHEST AND BEST USE

The following definition of Highest and Best Use is set forth in Real Estate Appraisal Terminology sponsored by the American Institute of Real Estate Appraisers. Highest and Best Use is:

"That reasonable and probable use that will support highest present value, as defined, as of the effective date of the appraisal.

Alternately, that use, from among reasonable, probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in the highest land value."

In determining highest and best use, we have considered the following:

1. The current trends of supply and demand on the market.

2. Current zoning regulations and other possible restrictions.

3. Neighboring land uses.

It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use.

In estimating highest and best use, alternative uses are considered and tested for the subject site.

Possible Use - An analysis to determine those uses of the subject which can be deemed physically possible;

Permissible Use - An investigation into existing zoning regulations, lease terms, and deed restrictions on the site to determine which uses are legally permitted;

Feasibility - An analysis to determine which of those uses deemed possible and legal can provide a net return to the owner of the site;

Highest and Best Use - Among the feasible uses, which use will provide the highest net return or highest present worth.

AS IF VACANT

Legally permissible

The subject property is situated within a **Error! Not a valid link.** zoning district, which allows for a variety of office, retail, and industrial uses.

There are no known private deed restrictions which would preclude development of the above legal uses. Therefore, it is our opinion that the site, if vacant, could be developed for as a retail/flex-offices.

Physically possible

The subject site containing 32,375 square feet is of good size and has frontage on four streets. All necessary utilities are available, and there are no apparent easements or encroachments that would hinder development. The parcel is in the range of improved sites in the area and has good utility. Any of the above legally permitted uses, therefore, are physically possible.

Financially feasible

The subject site is located in a mixed use area which is mainly improved with office buildings and hotels although there is some residential use within the vicinity, particularly along the side streets. Hotel rates, office rents and residential condominiums all support new construction. Construction costs are typically higher for hotels, rendering office or residential (with ground floor retail) use the most profitable use. Commercial use allows a higher FAR (15) than residential space (10), so commercial use is more feasible than residential space. Based upon the foregoing, the most financially feasible use of the site as vacant would be development of a commercial building with ground floor retail.

Maximally productive/ highest and best use

All legally permissible, physically possible, and financially feasible uses of the subject property, as vacant, have been presented and examined. In conclusion, it is the opinion of the appraiser that the highest and best use of the subject property, as vacant, is commercial development.

As Is

Legally permissible	The subject represents a legal pre-existing non-complying bulk. In terms of use the subject property conforms to the zoning requirements of the applicable zoning district.
Physically possible	The subject improvements are physically possible as a result of their existence. In addition, the presence of similar improvements in the immediate area attests to the physical possibility of such improvements.
Financially feasible	There is a strong demand for the subject's office and retail space due to its location and tenancy. The net operating income generated by the subject property provides a sufficient return to the land. The property represents a financially feasible use as it continues to add value to the land. In addition, the subject is improved with a bulk not permitted under current zoning regulations. Therefore, it would be considered unreasonable to demolish the existing improvements, as the subject maintains value based upon its continued use.
Maximally productive/ highest and best use	All legally permissible, physically possible, and financially feasible uses of the subject property, as improved, have been presented and examined. Based on our analysis of the zoning, physical and economic conditions it is our view that the Highest and Best use of the subject property is continued office and retail use.

APPRAISAL VALUATION PROCESS

In deriving the value of the subject, we considered the three primary methods to real estate valuation: the Cost, Income, and Sales Comparison Approach.

The ***Cost Approach*** is based on the current cost to replace the subject property as of the effective date of appraisal. The value of a property can be derived by the current cost to construct a reproduction or replacement cost for the improvements less the amount of depreciation evident in the improvements from all causes plus the value of the land and on-site improvement costs.

While there is a tangible relationship between cost and value, this method is not the primary approach than investors use to analyze this asset class, especially once the asset is leased. Further, since the types of investors which develop differ from those that acquire stabilized assets, it is not likely a potential buyer would consider the cost of developing an alternative structure in an acquisition analysis. Thus, we have not applied the cost approach.

The ***Income Approach*** can be based on two methods of valuation: Direct Capitalization and Discounted Cash Flow. Direct capitalization measures a single year's anticipated income in order to determine its capital sum by means of an overall capitalization rate. This appropriate rate considers risk, debt, and equity requirements. This analysis relies on existing (or forecasted) income and market expenses in order to determine annual net operating income levels. The net operating income is capitalized to a present fair value. Direct Capitalization is especially useful when valuing properties with market-level leases, with regular appreciation.

Discounted Cash Flow analysis is applicable in a situation where a property is encumbered by a variety of leases that deviate from market levels and/or have varying expiration dates. This is the result of the fact that the analysis considers fluctuations in the income stream over the holding period. Further, the DCF method replicates the analysis undertaken by investors in similar asset classes. Therefore, it is our view that the Discounted Cash Flow Analysis would result in the most reliable demonstration of the value.

In the ***Sales Comparison Approach***, fair value is advanced by comparing the subject property to sales of similar properties. This approach is based on the principles of substitution and contribution which state that a knowledgeable investor will pay no more than would be paid for a comparable property. We will analyze improved building sales in the subject's market in order to establish a value for the subject property.

INCOME APPROACH

DIRECT VS. YIELD CAPITALIZATION

The income capitalization approach supports two methodologies: direct and yield capitalization.

- ***Direct capitalization***: A method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. This technique employs capitalization rates and multipliers extracted from sales. Only the first year's income is considered. Yield and value change are implied, but not identified overall. This method is most useful when the property is already operating on a stabilized basis.[2]

- ***Yield Capitalization:*** The capitalization method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate. This method explicitly considers a series of cash flows (net income over a holding period) over time together with any reversion value or resale proceeds. Since this technique explicitly reflects the investment's income pattern, it is especially suited to multi-tenant properties with varying leasing schedules as well as properties that are not operating at stabilized occupancy.[3]

CONCLUSION

Since the DCF method replicates the analysis undertaken by investors in similar asset classes, it is our view that this will result in the most reliable demonstration of the value. While we have not developed a direct capitalization in detail, we have reconciled the implied rate "going-in." Argus software has been used in making cash flow projections.

BASE RENTAL REVENUE

3 Columbus Circle currently offers 539,043± square feet of leasable area of which 459,655± square feet is office space, 74,701± square feet is retail space and 4,687± square feet is storage space. The subject is presently 95.3% occupied. Income from each source will be analyzed separately.

OFFICE INCOME

The following chart is the current in place office income at the subject – income from vacant space, lease expirations and rent steps are not indicated.

[2] *The Appraisal of Real Estate,* 12th edition (Chicago, IL: Appraisal Institute 2005): 493

[3] *The Appraisal of Real Estate,* 12th edition (Chicago, IL: Appraisal Institute 2005): 493

Tenant Name	Suite	Tenant Size	Lease Start Date	Lease Expiration Date	Current Annual Base Rent	Current Rent PSF
YOUNG & RUBICAM, INC.	0900	34,634	Sep-12	Aug-33	$2,375,892	$68.60
YOUNG & RUBICAM, INC.	1000	34,634	Sep-12	Aug-33	$2,375,892	$68.60
YOUNG & RUBICAM, INC.	1100	34,634	Jul-13	Aug-33	$2,147,308	$62.00
JAZZ AT LINCOLN CENTER, INC.	1200	30,653	Jul-12	Apr-28	$1,593,956	$52.00
TFO USA LTD	1201	4,052	Apr-18	Jul-23	$295,796	$73.00
NORTHERN PACIFIC GROWTH INV.	1401	4,407	Oct-16	Dec-21	$328,718	$74.59
KG FUNDS MANAGEMENT LLC	1402	3,798	Apr-12	Aug-20	$257,960	$67.92
CLAYTON FAMILY OFFICE	1403	1,719	Sep-16	Nov-21	$133,137	$77.45
DR JOSHUA LEVINE, MD PC	1410	2,130	Jan-13	Feb-23	$166,140	$78.00
BUILDING OFFICE	1412	2,831	Jun-12	Dec-45	$0	$0.00
TRUSTEES OF COLUMBIA	1408	6,031	Sep-15	Aug-25	$448,164	$74.31
KIFO USA	1420	6,190	Dec-16	Jul-26	$505,661	$81.69
TRUSTEES OF COLUMBIA	1422	1,920	Nov-15	Aug-25	$146,861	$76.49
TRUSTEES OF COLUMBIA	1425	3,100	Sep-15	Aug-25	$237,119	$76.49
TRUSTEES OF COLUMBIA	1430	3,111	Jun-17	Aug-25	$237,120	$76.22
EMERGE 212 3CC LLC	1500	33,442	Mar-13	Feb-28	$1,839,310	$55.00
EMERGE 212 3CC LLC	1600	23,917	Mar-13	Feb-28	$1,315,435	$55.00
LAURA & JOHN ARNOLD	1601	9,708	Mar-15	Jul-25	$543,648	$56.00
COLUMN PARK ASSET MGT	1700	3,240	Sep-15	Dec-20	$246,240	$76.00
GENEVA ENERGY MARKETS	1705	4,448	Apr-16	May-21	$378,525	$85.10
ARALEZ PHARMACEUTICALS	1710	4,096	Sep-15	Oct-20	$327,680	$80.00
TOKAI TOKYO SECURITIES	1715	2,964	Jun-15	Aug-22	$245,330	$82.77
PS BROADWAY HOLDINGS	1720	4,445	Jun-15	Aug-20	$355,600	$80.00
BR2 FINANCE	1730	5,933	Jun-15	May-25	$474,640	$80.00
XBTO LLC	1725	4,100	Mar-18	Nov-22	$328,000	$80.00
XBTO LLC	1735	4,896	Nov-17	Nov-22	$406,368	$83.00
YOUNG & RUBICAM, INC.	1800	34,177	Sep-12	Aug-33	$2,344,542	$68.60
YOUNG & RUBICAM, INC.	1900	21,315	Sep-12	Aug-33	$1,462,209	$68.60
VERSACE USA, INC.	2000	21,342	Jul-14	Jul-25	$1,536,624	$72.00
NOVA VENTURES	2105	3,649	Jul-18	Jan-29	$299,218	$82.00
CEFC Infrastructure Inv	2115	3,057	Oct-17	Oct-22	$259,845	$85.00
BENVOLIO GROUP LLC	2120	5,789	Aug-14	Jul-24	$466,015	$80.50
MEDIANT COMMUNICATIONS	2110	4,865	Nov-15	Nov-21	$408,660	$84.00
THE JUILLIARD SCHOOL	2200	3,886	Jan-14	Mar-25	$322,538	$83.00
THE JUILLIARD SCHOOL 2220	2220	5,789	Dec-13	Mar-25	$451,542	$78.00
683 CAPITAL MANAGEMENT	2205	3,574	Oct-13	Nov-21	$303,790	$85.00
HARVARD BUSINESS SCHOOL	2210	4,855	Mar-14	Feb-19	$359,270	$74.00
LAGODA INVESTMENT	2215	3,091	May-14	May-19	$264,404	$85.54
Cohen and Company LLC	2400	11,166	Aug-18	Feb-29	$926,778	$83.00
Weld North LLC	2405	4,998	Sep-18	Oct-23	$429,828	$86.00
BeLoveFine Ltd.	2410	5,227	Dec-18	Nov-28	$449,522	$86.00
Josephson	2500-2600	22,742	Jan-18	Jan-33	$2,274,200	$100.00
Subtotal/Average Occupied:		**434,555**			**$30,269,485**	**$69.66**
**TO BE LEASED	2100	3,874	Jun-19	May-29		
**TO BE LEASED	2300	21,226	Aug-19	Jul-34		
Subtotal Vacant		**25,100**				
TOTAL OFFICE		**459,655**				

RECENT OFFICE LEASING ACTIVITY

Tenant Name	Suite	Tenant Size	Lease Start Date	Lease Expiration Date	Current Annual Base Rent	Current Rent PSF	Free Rent (Mos.)	TI PSF
TFO USA LTD	1201	4,052	Apr-18	Jul-23	$295,796	$73.00	3	LL Work
XBTO LLC	1725	4,100	Mar-18	Nov-22	$328,000	$80.00	2	None
XBTO LLC	1735	4,896	Nov-17	Nov-22	$406,368	$83.00	5	None
NOVA VENTURES	2105	3,649	Jul-18	Jan-29	$299,218	$82.00	5	$20.00
BeLoveFine Ltd.	2410	5,227	Dec-18	Nov-28	$449,522	$86.00	2.5	LL Work
Weld North LLC	2405	4,988	Jul-18	Aug-23	$428,968	$86.00	2	LL Work
Cohen and Company LLC	2400	11,166	Aug-18	Feb-29	$926,778	$83.00	7	LL Work
Josephson	2500-2600	22,742	Jan-18	Jan-33	$2,274,200	$100.00	18	$139.47

Recent office leasing at the subject ranges from $73 to $100 per square foot. All tenants pay for their pro rata share of real estate taxes over base year plus electric. Tenant either pay annual base rent increases or operating expense escalations.

To gauge the reasonableness of the contract rent, as well as to forecast market, we have examined specific transactions in competitive projects. In this effort, we canvassed the immediate area for vacancies and surveyed local owners and property managers. We spoke with leasing agents and principals at JLL, CBRE, Cushman and Wakefield, and Newmark.

SURVEY OF COMPARABLE OFFICE LEASES

Rental	1	2	3A	3B	4	5
Address	1325 Ave of the Amer.	1370 Ave of the Amer.	1345 Ave of the Amer.	250 West 55th Street	1271 Ave of Amer.	888 Seventh Avenue
Cross Streets	6th Ave @ West 53rd Street	6th Ave @ West 56th Street	6th Ave @ West 55th Street	Bwy @ West 55th Street	50th & 51st Streets	7th Ave @ West 57th Street
Year Built/ Renovated	1989	1971/2002	1969/1988	2013	1961	1969
Building SF:	814,492	348,040	2,038,201	980,927	2,100,000	841,000
No. of Floors	35	35	49	38	48	45
Tenant Name	CW Television Network	Earth, Inc.	AICPA	Confidential	Bessemer Trust	Schreck Rose Dapello, etc.
Sign Date	Sep-18	Sep-18	May-18	Oct-17	Sep-18	Sep-17
Term (Years)	5	5	16	Unk.	16.5	13
Lease Type	Mod Gross	Mod Gross	Mod Gross	Mod Gross	Mod Gross	Mod Gross
Tenant Size	23,402	2,618	29,827	5,760	239,000	12,000
Rent PSF	$80	$73	$90	$89	$107	$85
Free Rent	2 months	5 months	12 months	Yes	18	Undisclosed
Workletter PSF	$25.00	$10.00	$100.00	Yes	$100.00	Undisclosed
Floor Location	32	6	27	25	42-48	19

DATA SOURCE: BBG FIELD SURVEY (UNLESS OTHERWISE NOTED)

RECONCILIATION AND FORECAST OF MARKET RENT

As indicated, the competitive spaces range from 2,618± square feet to 239,000± square feet. In terms of annual base rent, the range is between $73 and $107 per square foot. The range of spaces and rent per square foot is indicative of the factors that influence the value, including location, utility, lease terms and condition of the space and contributions of the tenant and landlord. In the development of our opinion of market rent, we considered:

- ***Market Conditions:*** Market rents growth has slowed in the past year, taking a pause over strong appreciation in the past five. In addition, the vacancy and availability rates have been fairly stable. Since all of the comparables are fairly recent, they are strong indications of value.

- ***Location:*** 3 Columbus Circle is excellently located in the Columbus Circle submarket of Manhattan. Numerous transportation options are available, supporting easy access via train, bus, ferry and automobile. The subject is located in close proximity to Central Park and Columbus Circle. Overall, the subject falls at the upper end of the competitive set.

- ***Size:*** Another strong element which affects value is the size of the space. The subject and the comparables present a wide variety of sizes attractive to tenants within the market.

- ***Lease Terms:*** Another consideration on market rent is lease terms, whereby all things being equal a NNN leased space will have a lower base rent than that with a semi net lease. All of the spaces are leased with terms whereby tenants will pay electricity costs and real estate taxes over base along with annual increases or operating expenses over base.

- ***Utility/Condition:*** The property was renovated in 2011, offers windows on all four sides with panoramic views of Central Park, Hudson River, and New York City, features an energy efficient glass curtail wall façade, a newly designed lobby and entrance featuring stellar white marble and bronze accents; usable terraces on multiple floors; and new modernized elevators and cabs. The building has been Wired Certified Gold and was awarded an Energy Star label in 2014, 2016, 2017 and 2018 for its operating efficiency.

The comparables suggest a range of $73.00 to $107.00 per square foot, with an average of $87.33 and a median of $87.00 per square foot. Overall, we expect 3 Columbus Circle to command market rent near the upper end of the range. Strong transport links and a long history of occupancy suggest there would be good demand. Most weight is given to the most recent indications as well as the subject's recent leasing activity which ranges from $73 to $100 per square foot. Given these factors, our Market Leasing Assumptions are presented below:

	Office Major	
	New Market	**Renewal Market**
Floors 9-15	$75	$75
Floors 16-18	$83	$83
Floors 19-23	$87	$87
Floors 24-26	$90	$90
Term (Years)	15	15
Reimbursements	Op Ex & RE Taxes over Base + Elec.	
Rent Steps	10% / 5y	
Tenant Improvements	$80.00	$40.00
Free Rent (Months)	10	5
Leasing Commissions	52.50%	26.25%
	Office Minor	
	New Market	**Renewal Market**
Floors 9-15	$75	$75
Floors 16-18	$83	$83
Floors 19-23	$87	$87
Floors 24-27	$92	$92
Term (Years)	10	10
Reimbursements	Op Ex & RE Taxes over Base + Elec.	
Rent Steps	10% / 5y	
Tenant Improvements	$50.00	$25.00
Free Rent (Months)	8	4
Leasing Commissions	40.00%	20.00%

MARKET RENT

Overall, the average in-place rent is $69.66 per square foot, suggesting the cash flow is secure and there is strong upside potential as tenants rollover. This dynamic will be considered in our Yield Capitalization Analysis.

RETAIL INCOME

The subject property contains 3 retail tenants: CVS which occupies 21,159 SF on the cellar, first, and second floors on the corner of 8th Avenue and 57th Street, Chase which occupies 6,551 SF at grade on the corner of 8th Avenue and 58th Street, and Nordstrom which occupies 46,991 SF of basement, first and second floor space. Retail income is summarized as follows:

Tenant	Frontage	Total SF	SF Breakdown	Lease Date	Annual Rent	Current Rent PSF	Terms
Nordstrom	Corner	43,018 SF multi level space plus 3,973 SF grade		4/2017 - 7/2040	$12,313,111	$262	2.5% annual increases for $9M rent in yr 2 followed by 12.5% increases in year 3, and every 5 years after. Increases every 5 years for $2,880,425 rent on 3,973 SF grade level space. Pro rata share taxes over base. Tenant pays 103% electric and water.
CVS	Corner	21,159	6,339 grade, 1,677 bsmt, 13,143 2nd floor	5/2013-7/2028	$4,088,000	$193	Rent increases 8/2023. Pro rata share of taxes over base plus water condenser charges.
JP Morgan Chase	Corner	6,551		1/2006-4/2021	$3,155,425	$482	Rent is flat from 2016 to end. Pro rata share taxes over base.
Total		**74,701**			**$19,556,536**	**$261.80**	

The following comparable retail rentals were used to determine the reasonableness of the subject's leases and market rent upon lease expiration. All of the comparable retail rentals were leased on a semi-net basis with the tenant responsible for increases over base year, maintenance of their space and electric consumption. The comparable rentals will be analyzed on the basis of rent per square foot which is considered to be the most commonly used unit of comparison for retail space.

SURVEY OF COMPARABLE RETAIL RENTALS

Comp No.	Lease Date	Address Tenant	Unit Size (SF)	Floor	Term (Yrs)	Base Rent (PSF) Ground	Base Rent PSF Others	Base Rent PSF Blended	Other Terms
1	4/18	850 Eighth Avenue Confidential	600	G	10	$460	N/A	N/A	Modified gross lease.
2	12/17	1691 Broadway Neopolitan Pizza	600 300 900	G LL Total	11.5	$675	$20-LL	$457	Modified gross lease. 6 months free rent, no TI.
3	7/17	1619 Broadway Fresh & Co.	1,702	G	10	$450	N/A	N/A	Modified gross lease.
4	7/17	1619 Broadway CVS	4,303 2,289 12,244 19,376	G LL 2 Total	15	$700	$75-LL $85-2	$206	6 months free rent. Modified gross lease terms. Rent includes signage.
5	11/16	947 Eighth Avenue	1,500	G	15	$376	N/A	N/A	Modified gross lease.
6	9/16	701 Seventh Avenue (20 Times Square) NFL/Cirque Du Soleil	1,030 13,100 12,500 12,500 39,130	1 2 3 4 Total	15	$1,250	$250-2 $150-3 $145-4	$211	3 months free rent, no TI. Modified Gross lease terms.
7	5/16	1632 Broadway Gregory's Coffee	1,000	G	10	$500	N/A	N/A	Modified gross lease.

DISCUSSION AND MARKET RENT CONCLUSION

- ***Location:*** The subject is located on an excellent commercial strip that has some of the with high foot traffic. Comparable 6 is located in Times Square which is a superior location. The remaining comparables are similarly located as the subject.

- ***Utility:*** With respect to physical utility, the retail units are very appealing and all offer corner frontage. The proportion of grade level space directly affects the average market rent with ground floor space renting for significantly more than secondary levels.

- ***Lease Terms:*** Another consideration on market rent is lease terms, whereby all things being equal a NNN leased space will have a lower base rent than that with a semi net lease. The comparable leases are generally modified gross, whereby the tenant reimburses real estate taxes over a base year and pays net electric similar to the subject's leases.

- ***Size:*** Typically larger spaces rent for less per square foot than smaller spaces. The subject and the comparables present a wide variety of sizes although Rentals 1 and 2 are significantly smaller than the subject's stores.

- ***Market Conditions:*** The REBNY Manhattan retail report indicates that asking rents decreased from 2016 to 2017 but remained fairly stable in 2018.

The comparables range from $376 to $1,250 to per square foot of ground floor area and $211 to $457 per square foot of total for the blended rents.

Retail rental rates are particularly location sensitive based on the extent of pedestrian traffic flow and other neighborhood characteristics; pedestrian and vehicular traffic in the subject area are considered high. The subject has a unique range of retail spaces. Considering the frontage, location and size of the individual stores, we will apply a market rent of $400 per square foot for the Chase unit and $425 at grade, $100 second floor and $50 basement for the CVS rent. The blended market rent is $193 per square foot. The current rent is $193 per square foot which is essentially market.

Nordstrom occupies 46,991 SF of basement, grade and second floor space at a blended rent is $262 per square foot. This conforms to the blended rents indicated by the comparables of $211 to $457 per square foot. This lease expires in 2040 and therefore does not revert to market during our holding period. Our retail Market Leasing Assumptions are summarized:

	Retail	
	New Market	**Renewal Market**
Chase	$425	$425
CVS Blended	$193	$193
Term (Years)	10	10
Reimbursements	RE Taxes over Base + Dir. Elec.	
Rent Steps	3% Annual Base Rent Increases	
Tenant Improvements	$0	$0
Free Rent (Months)	10	5
Leasing Commissions	40%	20%

STORAGE INCOME

The subject has 4,687 square feet of storage space of which 3,021 square feet is non-income producing building space. The occupied units have rental rates from $0.00 to $55.10 per square foot.

Tenant Name	Suite	Tenant Size	Lease Start Date	Lease Expiration Date	Current Annual Base Rent	Current Rent PSF
BeLoveFine Ltd.	24A	196	Sep-18	Nov-28	$10,800	$55.10
BUILDING STORAGE	B-01	3,021	Jun-12	Dec-45	$0	
YOUNG & RUBICAM, INC.	B-13	1,300	Aug-13	Aug-33	$42,250	$32.50
YOUNG & RUBICAM, INC.	B-14	170	Aug-13	Aug-33	$0	$0.00
Subtotal/Average Occupied:		**4,687**			**$53,050**	**$11.32**
Subtotal Vacant		**0**				
TOTAL OTHER		**4,687**				

Based on the utility of the basement space and conversations with brokers and managing agents in the market we have concluded to the following leasing assumptions for the subject's basement storage space.

	Storage	
	New Market	**Renewal Market**
Market Rent	$35	$35
Term (Years)	10	10
Reimbursements	None	
Rent Steps	10% / 5y	
Tenant Improvements	$0	$0
Free Rent (Months)	6	3
Leasing Commissions	40%	20%

Building storage space is not projected to produce income. Market rent is projected to increase at 3% per annum.

MARKET RENT GROWTH / RENT CHANGES

Given the high level of landlord investment and the attractive features of the office and retail space forecast 3% growth in underlying market rent; once a lease is signed, anticipated lease terms will call for periodic increases (10% psf every five years) in the contract rent.

RENEWAL PROBABILITY

According to PWC Investor Survey for 3Q 2018 institutional investors model 55% to 75% tenant retention probability within the Manhattan Office Market. Given the high-quality of this asset, substantial leasehold improvements, and the long-term tenure of existing tenants and their propensity to continually renew, we model 65% renewal probability.

SPACE ABSORPTION

According to the 3Q 2018 PriceWaterHouseCoopers Survey downtime between leases ranging from 2 to 12 months. Based on strong occupancy in the micro-market, we have forecast the

reabsorbing space in subsequent lease terms to lease 8 months after vacancy which considers that available space would be aggressively marketed prior to surrender.

VACANCY AND COLLECTION LOSS FACTOR

In advancing a view of the vacancy and collection loss that would be considered by an investor, we considered two factors: (1) the actual occupancy history of the asset; (2) broad market conditions, with a focus on the submarket. As presented earlier, Costar indicates office vacancy for Class A space within the Columbus Circle submarket at 6.6% as of 3Q 2018. In the PriceWaterHouseCoopers investor survey for the 3Q 2018, respondents utilize underlying vacancy and credit loss rates ranging from 1.0% to 10.0% within the Manhattan Office Market. Overall, this is a best-in-class asset with strong historical occupancy. Thus, with most weight on historical occupancy, and with consideration to the fact potential turnover is explicitly considered in the DCF while risk of repayment is implicit in the discount rate applied to the cash flow, we applied a 3.5% vacancy and a 1.5% collection loss allowance. Vacancy and collection loss will not be applied to creditworthy tenants Chase Bank, Young & Rubicam, Jazz at Lincoln Center, Trustees of Columbia, Jazz at Lincoln Center, Trustees of Columbia, Harvard Business School, CVS and Nordstrom. Argus will reduce general vacancy by turnover and absorption vacancy.

OTHER INCOME

Real Estate Tax and operating expense escalations and electric reimbursements are modeled based on the leases and historicals. CAM reimbursement and Tax reimbursement for the third through eighth floors are projected based on the historicals and our real estate tax projections. The subject generates miscellaneous income from tenant services, water charges, late fees, HVAC reimbursement and other miscellaneous income sources. Miscellaneous income for 2018 was $1,317,914 and the owner projected miscellaneous income at $127,530 for the upcoming year. We will project miscellaneous income at $250,000 for the upcoming year. Miscellaneous income is projected to increase at 3% per annum.

EXPENSE ANALYSIS

In advancing a forecast of operating expenses, we analyzed operating history for 2017 and 2018 (11 months actual plus one month budget) and the owner's pro forma for 2019. The historicals were cross checked with respective market trends as compared to other similar office buildings located in the subject's market area. Expenses are analyzed on a per square foot basis. Each comparable is an office building located within one-half mile of the subject property. All expense comparables are year-end 2017.

We note that the expenses are reported for the entire building and the landlord is reimbursed for CAM charges and Real Estate Taxes for floors 3-8. Therefore, the expenses are analyzed based on the gross building area of 654,582 square feet.

Our Income and Expense forecast and comparison to historical and comparable reporting is presented:

OPERATING EXPENSE ANALYSIS

3 Columbus Circle						GBA:	654,582	
Income & Expense Analysis								
	Actual 2017		2018 (11 Mo Actual + 1 Mo Budget)		2019 Budget		BBG Forecast 2019	
	Total	Per SF	Total	Per SF	Total	Per SF	Total	Per SF
POTENTIAL GROSS REVENUE								
Base Rental Income	$36,000,416	$55.00	$45,564,724	$69.61	$48,268,307	$73.74	$47,960,010	$73.27
Y & R CAM Reimbursement	Incl. in Misc.		$1,669,885	$2.55	$1,994,180	$3.05	$1,995,000	$3.05
Y & R RE Tax Reimbursement	Incl. in Misc.		Incl. in RE Tax Esc.		Incl. in Re Tax Esc.		$2,529,548	$3.86
Real Estate Tax Escalations	Incl. in Misc.		$2,833,940	$4.33	$4,076,338	$6.23	$1,853,518	$2.83
Operating Expense Escalations	Incl. in Misc.		$661,645	$1.01	$341,634	$0.52	$465,578	$0.71
Electric Reimbursement	Incl. in Misc.		$1,392,876	$2.13	$1,628,272	$2.49	$1,648,867	$2.52
Miscellaneous Income	$7,491,811	$11.45	$1,317,914	$2.01	$250,147	$0.38	$250,000	$0.38
TOTAL POTENTIAL GROSS REVENUE	$43,492,227	$66.44	$53,440,984	$81.64	$56,558,878	$86.40	$56,702,520	$86.62
Vacancy and Collection Loss	0	$0.00	0	0.00	0	0.00	(556,303)	(0.85)
EFFECTIVE GROSS REVENUE	$43,492,227	$66.44	$53,440,984	$81.64	$56,558,878	$86.40	$56,146,217	$85.77
OPERATING EXPENSES								
Insurance	$222,465	0.34	$52,473	0.08	$401,028	0.61	$400,000	$0.61
Electric	1,558,359	2.38	1,628,460	2.49	1,680,000	2.57	$1,685,000	2.57
Water & Sewer	83,086	0.13	85,533	0.13	80,000	0.12	$90,000	0.14
Payroll/Security	3,466,159	5.30	3,466,672	5.30	3,650,538	5.58	$3,650,000	5.58
Repairs & Maintenance	794,704	1.21	727,123	1.11	1,145,917	1.75	$1,150,000	1.76
Cleaning	493,491	0.75	336,970	0.51	455,492	0.70	475,000	0.73
Miscellaneous	1,139,306	1.74	1,416,859	2.16	299,524	0.46	$500,000	0.76
Management	1,085,452	1.66	508,160	0.78	240,000	0.37	842,193	1.29
Subtotal	**$8,843,022**	**$13.51**	**$8,222,250**	**$12.56**	**$7,952,499**	**$12.15**	**$8,792,193**	**$13.43**
Real Estate Taxes (Subject)	9,098,607	$13.90	4,961,602	$7.58	10,072,056	$15.39	7,729,142	$11.81
Real Estate Taxes (Lot 1011)	Incl. in Subj.		Incl. in Subj.		Incl. in Subj.		2,529,548	
TOTAL EXPENSES	$17,941,629	$27.41	$13,183,852	$20.14	$18,024,555	$27.54	$19,050,883	$29.10
				$0.00		$0.00		
NET OPERATING INCOME	$25,550,598	$39.03	$40,257,132	$61.50	$38,534,323	$58.87	$37,095,334	$56.67

3 Columbus Circle Expense Comparables										
COMP NO.	**1**	**2**	**3**	**4**	**5**	**6**	**Min**	**Max**	**Avg.**	**Subject**
Building Address	1500 Broadway	152 West 57th Street	250 West 57th Street	501-11 7th Avenue	1212 Sixth Avenue	1285 Sixth Avenue				
GBA (SF)	493,107	542,584	435,677	433,330	248,896	1,613,847				**654,582**
Expense Year	2017	2017	2017	2017	2017	2017				
OPERATING EXPENSES										
Insurance	$0.49	$0.94	$0.62	$0.42	$0.55	$0.48	$0.42	$0.94	$0.58	$0.61
Electric & Heat	$4.40	$2.91	$3.61	$3.60	$3.55	$3.90	$2.91	$4.40	$3.66	2.57
Water & Sewer	$0.34	$0.25	$0.25	$0.21	$0.22	$0.50	$0.21	$0.50	$0.30	0.14
Security and Payroll	$1.90	$2.54	$7.15	$3.68	$2.78	$3.57	$1.90	$7.15	$3.60	5.58
Repairs & Maintenance	$1.78	$2.99	$1.77	$1.33	$1.46	$2.07	$1.33	$2.99	$1.90	1.76
Cleaning	$3.00	$4.22	$0.60	$0.47	$3.54	$2.54	$0.47	$4.22	$2.40	0.73
Miscellaneous/Admin	$0.00	$1.33	$1.12	$0.59	$0.69	$0.13	$0.00	$1.33	$0.64	0.76
Management	$2.22	$2.09	$1.39	$1.13	$1.51	$2.49	$1.13	$2.49	$1.81	1.29
TOTAL EXPENSES EXCL. RE TAXES	**$14.13**	**$17.27**	**$16.51**	**$11.43**	**$14.30**	**$15.68**	**$11.43**	**$17.27**	**$14.89**	**$13.43**

YIELD CAPITALIZATION ANALYSIS

DISCOUNT RATE

In order to develop an indication of value by the Income Approach, it is necessary to establish an acceptable yield rate to discount the annual cash flows and the reversion value. We begin with a general discussion, and then will focus on the factors that influence the yield for the property.

This is a competitive rate of return reflecting the inherent risks, illiquidity, potential benefits, and availability of tax shelter of property ownership relative to prospective rates of return for alternative investment opportunities. Typical investors require a rate of return for investment quality property such as the subject which is greater than the safe or "risk-less" rate offered by long-term treasury bonds.

The difference between an investor's required rate of return and the safe rate is basically the premium necessary to compensate the investor for the added risks or lack of liquidity offered by a real estate investment. To support our opinion of an equity yield rate acceptable to a typical investor in the subject interest, we have begun with an analysis of competitive investment yields:

BENCHMARK RETURNS

Federal Funds Rate	2.20%
Prime Rate	5.25%
10-year Treasury Bond	2.86%
30-year Treasury Bond	3.11%
Corporate Bonds (AAA)	4.09%
Municipal Bonds	3.25%

Source: Federal Reserve Statistical Release Web Site, GMS Group Dec-18

- The **Federal Funds Rate** is a foundational rate determining the cost of funds by Federal Reserve banks to depository institutions.

- The **Prime Rate** is a base rate posted by large banks for loans to corporations. It is a rate for business loans to banks' most creditworthy customers. It is no longer a lending rate per se, but a base rate from which other rates are adjusted.

- The **10, 20 and the 30-Year** Treasury Bonds are long-term obligations that are guaranteed by the federal government. We note that yields are near all-time lows, reflecting strong demand for the perceived surety in the U.S. Government's ability to repay these securities. Yields generally decline in Treasury's when there is a "flight to quality" caused by events such as the recent credit meltdown and global recession.

- Corporate Bonds offered by **Aaa** credit rated organization are priced roughly 80 bps over Treasuries, indicating the market's perception of minimal risk. **Baa** debt is issued by weaker corporate borrowers and exhibits corresponding risk, liquidity, and pricing characteristics compared to higher-grade obligations.

- **Municipal Bonds** are generally tax exempt, and as such offer a lower yield to reflect the effective rate of return. The credit strength of the issuing local municipalities and the

security of the cash flow and/or guaranties by state or federal revenue affect the overall yield.

The values used as comparison points to widely published capital markets trading data (reported below) are reported by the Real Estate Research Corporation (R.E.R.C.) and Korpacz Real Estate investment surveys. These offerings summarize expected rates of return, including capitalization and income and expense growth from a representative sample of institutional investors. These published rates generally reflect the primary value indications on an unleveraged basis, since the capital structures of organizations varies so greatly. Overall property yields are presented first:

OVERALL PROPERTY YIELDS

Survey	Type of Product	IRR
PwC	Manhattan Office	5.50% to 9.00%
Third Quarter 2018	Market	6.90% average
Situs - R.E.R.C.	National CBD Office	6.50% to 8.80%
Second Quarter 2018	Market	7.3% average

Liquidity is an extreme concern to all investors, as transactional volume is down significantly from the pre-recession peak in most markets. Of all the property types, most credit is available for residential transactions, though the capital markets are liquid for "Core-class" office and retail projects with strong tenancy. These effects are measured below, as overall yields for real estate are compared to those of less-risky alternatives, which generally greater offer greater liquidity as such.

YIELD SPREADS

	2Q 2018	1Q 2018	2Q 2017	2Q 2016	2Q 2015	2Q 2014
Real Estate Yield (%)	7.9	7.9	7.8	7.6	7.9	8.3
Moody's Baa Corporate (%)	4.8	4.5	4.5	4.7	4.8	4.8
Moody's Aaa Corporate (%)	3.9	3.7	3.8	3.6	3.9	4.2
10-Year Treasuries (%)	2.9	2.8	2.3	1.8	2.2	2.6
Yield Spread (percentage points)						
Moody's Baa Corporate (%)	3.1	3.4	3.3	2.9	3.1	3.5
Moody's Aaa Corporate (%)	4.0	4.2	4.0	4.0	4.0	4.1
10-Year Treasuries (%)	5.0	5.1	5.5	5.8	5.7	5.7

Source: RERC

Increasing spreads are generally the result in the general perception of risk in real estate investing over alternatives. Since late 2013, spreads over the 10-year bond have remained fairly steady, reaching a high point in late 2016, but ranging primarily between 550 and 570 bps. In 2018 the spread has decreased to between 500 and 510 bps. At the same time, a level of volatility has been underlying the performance of key financial indices including the aforementioned Treasury bonds.

While steady incremental hikes do not have much impact on CRE, developers and investors may be adversely impacted by higher borrowing costs if the Fed maintains its pace of rate hikes. Higher interest rates lead to higher capitalization (cap) rates and lower property valuation, which in turn will impact transaction volume. For now, CRE has remained a stable asset class with NPI- ODCE and NFI-ODCE returning 3.39% and 3.82% YTD as of June 2018, respectively.

SUMMATION APPROACH

Since the overall real estate yield (7.9%) is indicative of an amalgamation of real estate asset classes, we expect specific income characteristics to affect the position within the market range. 3 Columbus Circle is a high quality commercial property. Thus, we expect the required rates of return to be directly correlated to the balance of highly attractive investment factors as compared to those achieved in most transactions. We have considered the following in advancing our view of the overall yield which would be required by an investor in the 3 Columbus Circle :

- ***Location:*** The better the location, the lower the IRR. The asset is extremely well located at the internationally renowned Columbus Circle in Midtown Manhattan, a core investment market where there is very strong demand for investment real estate. The site is a hub of regional transport links, and there is a concentration of internationally known office/retail users. Given the appeal of this location investors consider this a very attractive location.

- ***Physical Characteristics of the Subject Property:*** The newer the property, the higher the quality of construction and finishes, and the better the design and layout of the physical plant, the lower the IRR. The property was renovated in 2011 and offers windows on all four sides with panoramic views of Central Park, Hudson River, and New York City, features an energy efficient glass curtail wall façade, a newly designed lobby and entrance featuring stellar white marble and bronze accents; usable terraces on multiple floors; and new modernized elevators and cabs. The building has been Wired Certified Gold and was awarded an Energy Star label in 2014, 2016, 2017 and 2018 for its operating efficiency Overall, this asset has good physical features like high ceilings, good frontage/exposure and column spacing. Our cash flow explicitly considers the fact the sponsor anticipates limited capital investment as the asset is institutionally maintained and in excellent condition. Thus, there is limited risk and this asset will produce reliable cash flow.

- ***Degree of Forecasted Cash Flow Growth:*** The greater the growth forecasted, the higher the IRR. This asset is leased to long-term tenants with a relatively low degree of speculative cash flow as most income is contractual. As a result, cash flow growth is close inflation, while underlying market rents suggest strong upside potential. As such, the forecasted cash flow is extremely reliable and suggests an investor would accept a relatively low yield as a result. This is a substantial factor in weighing our opinion.

- ***Amount of Equity Investment Required***: The greater the required equity investment (that portion of the total acquisition cost not typically funded by conventional financing), the higher the IRR. Today's capital market allows for relatively high degrees of leverage, with LTV ratios near 50% to 75%.

- ***Length of Projection Period:*** The longer the projection period, the higher the IRR. Based on the leasing and turnover schedule, we have forecast a 11-year holding period, which is similar to most real estate investments.

- ***Institutional Appeal:*** The asset is an attractive, institutional property situated in an area with strong demographic trends and good access to regional transport links. It has a strong potential to generate reliable cash flow and as such, national and international institutional investors would consider acquisition. Since these investors have access to broad capital markets, their costs of capital are generally lower than regionals, leading them to accept lower rates of return.

- ***Tenant Quality:*** The asset is leased to a variety of corporate tenants with a long history of local occupancy, Young & Rubicam and Nordstrom are the largest office and retail tenants and the cash flow from such would be viewed as durable. Thus, an investor would accept a return well below the average yield for commercial real estate.

After analyzing and examining competitive yields, we also considered the risk, liquidity, and the time and expense of asset management inherent with income-producing property investment. Finally, we synthesized the location, age, and condition relative to competing real estate assets. Based on current Treasury yields, a 3.0% "safe rate" was used as our basis in the Summation Approach. This is increased asset management, liquidity and risk, resulting in a(n) 6.75% discount rate in the "As Is" scenario.

HOLDING PERIOD

According to PWC, institutional investors typical anticipate holding periods between 3 and 15 years, with most investors anticipating a 10-year hold. However, since there may be substantial turnover in year 11, an 11-year hold is forecast so the 12th year is capitalized.

TERMINAL CAPITALIZATION RATE AND FORECASTED REVERSION

As indicated in the investment surveys, terminal capitalization rates for retail properties typically range from roughly 3.00% to 7.00% for institutional quality investments, with the predominant rate near 5.23% to 6.20%. As described above, this is a high quality institutional property.

TERMINAL CAP RATES

Survey	Type of Product	Residual Cap Rate
PwC	Manhattan Office	3.00% to 6.75%
Third Quarter 2018	Market	5.23% average
Situs - R.E.R.C.	National CBD Office	5.50% to 7.00%
Second Quarter 2018	Market	6.2% average

As described above, this is a high quality institutional property, which is leased below market through the holding period. As the leases come to term, a new investor could realize the upside potential, though this is tempered a bit by the risk of prolonged vacancy and/or substantial capital cost to achieve. Further, this is a trophy asset for which demand would be very strong. Based on the foregoing we have concluded to a terminal capitalization rate of 5.00%. From this reversion we have deducted a 4.0% sales cost which includes commissions and transfer taxes.

SUMMARY OF CASH FLOW ASSUMPTIONS

Building Areas:	539,043 square feet of gross leasable area
Market Rent Growth Rate:	Office - increase at 3% per annum Retail - increase at 3% per annum.
Discount Rate:	6.75%
Terminal Capitalization Rate:	5.00%
Renewal Probability:	65%
Lag Vacancy:	Upon vacancy, we assumed between 8 months of downtime between leases.
General Vacancy Loss:	3.5%
Collection Loss Factor:	1.5% Collection loss is excluded for certain credit rated and not-for-profit tenancies.
Expenses:	Year 1 expenses will be entered according to the per square foot estimates summarized earlier.
Expense Growth Rate:	3.0%
Tax Growth Rate:	According to the schedule presented in the Assessed Value and Real Estate Taxes section.
Management Costs:	1.5%
Holding Period:	11 years
Cost of Sales:	4.0%

DISCOUNTED CASH FLOW ANALYSIS "AS IS"

	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
For the Years Ending	Year 1 Dec-19	Year 2 Dec-20	Year 3 Dec-21	Year 4 Dec-22	Year 5 Dec-23	Year 6 Dec-24	Year 7 Dec-25	Year 8 Dec-26	Year 9 Dec-27	Year 10 Dec-28	Year 11 Dec-29	Year 12 Dec-30
Rental Revenue												
Potential Base Rent	52,086,104	53,417,759	53,907,968	54,446,770	55,850,223	57,514,822	59,486,870	60,326,774	60,844,634	64,777,175	67,636,977	69,459,964
Absorption & Turnover Vacancy	-1,358,513	-226,711	-274,112	-426,933	-379,275	-186,065	-1,491,610	-142,742	0	-3,599,549	-886,312	-75,416
Free Rent	-2,767,581	-890,899	-668,155	-646,744	-746,263	-426,644	-1,426,563	-1,758,805	-161,775	-5,435,659	-3,991,301	-245,801
Scheduled Base Rent	47,960,010	52,300,149	52,965,701	53,373,093	54,724,684	56,902,113	56,568,697	58,425,227	60,682,860	55,741,967	62,759,364	69,138,748
Total Rental Revenue	47,960,010	52,300,149	52,965,701	53,373,093	54,724,684	56,902,113	56,568,697	58,425,227	60,682,860	55,741,967	62,759,364	69,138,748
Other Tenant Revenue												
Expense Recoveries												
Real Estate Tax w/ ICIP	646,315	816,002	1,003,787	1,179,681	1,342,546	1,478,518	1,512,974	1,497,475	1,593,897	1,693,230	1,795,543	1,900,926
Nordstrom RE Tax	295,257	340,967	388,049	436,544	486,493	537,941	590,932	645,513	701,731	759,636	819,278	880,710
Real Estate Taxes - w/o ICIP	911,946	1,146,785	1,338,601	1,530,597	1,746,768	1,891,021	1,960,176	2,116,355	2,336,945	1,742,548	1,461,382	1,680,053
Tenant Area Electric	1,648,867	1,738,822	1,786,432	1,835,493	1,888,270	1,949,348	1,956,446	2,086,182	2,158,049	2,122,809	2,254,042	2,353,987
Op Ex	465,578	572,188	677,057	798,152	934,304	1,076,882	1,182,377	1,324,620	1,527,859	1,500,317	1,572,689	1,791,865
Total Expense Recoveries	3,967,962	4,614,764	5,193,926	5,780,466	6,398,381	6,933,710	7,202,905	7,670,144	8,318,481	7,818,540	7,902,934	8,607,541
Total Other Tenant Revenue	3,967,962	4,614,764	5,193,926	5,780,466	6,398,381	6,933,710	7,202,905	7,670,144	8,318,481	7,818,540	7,902,934	8,607,541
Total Tenant Revenue	51,927,972	56,914,913	58,159,627	59,153,559	61,123,065	63,835,823	63,771,602	66,095,371	69,001,341	63,560,506	70,662,298	77,746,288
Other Revenue												
Y &R Condo RE Taxes	2,529,548	2,706,209	2,894,212	3,065,911	3,219,207	3,447,605	3,551,034	3,657,565	3,767,292	3,880,310	3,996,719	4,116,621
Y & R CAM/Cleaning	1,995,000	2,054,850	2,116,496	2,179,990	2,245,390	2,312,752	2,382,134	2,453,598	2,527,206	2,603,023	2,681,113	2,761,547
Miscellaneous	250,000	257,500	265,225	273,182	281,377	289,819	298,513	307,468	316,693	326,193	335,979	346,058
Total Other Revenue	4,774,548	5,018,559	5,275,933	5,519,083	5,745,974	6,050,175	6,231,681	6,418,632	6,611,191	6,809,526	7,013,812	7,224,226
Potential Gross Revenue	56,702,520	61,933,472	63,435,560	64,672,642	66,869,039	69,885,998	70,003,284	72,514,003	75,612,531	70,370,032	77,676,109	84,970,514
Vacancy & Credit Loss												
Vacancy Allowance	-231,314	-416,742	-364,031	-360,003	-465,841	-478,762	-194,321	-390,704	-390,704	0	-534,743	-1,005,896
Credit Loss	-324,989	-368,672	-389,203	-397,563	-411,283	-429,979	-431,677	-457,777	-488,688	-499,298	-591,622	-684,704
Total Vacancy & Credit Loss	-556,303	-785,414	-753,234	-757,566	-877,124	-908,740	-625,998	-848,481	-879,391	-499,298	-1,126,365	-1,690,601
Effective Gross Revenue	56,146,217	61,148,058	62,682,326	63,915,077	65,991,915	68,977,258	69,377,286	71,665,522	74,733,140	69,870,734	76,549,744	83,279,914
Operating Expenses												
Real Estate Tax w/ ICIP	7,729,142	8,244,595	8,792,270	9,301,258	9,766,321	10,154,592	10,459,230	10,773,066	11,096,197	11,429,083	11,771,955	12,125,114
Security & Payroll	3,650,000	3,759,500	3,872,285	3,988,454	4,108,107	4,231,350	4,358,291	4,489,040	4,623,711	4,762,422	4,905,295	5,052,454
Cleaning	475,000	489,250	503,928	519,045	534,617	550,655	567,175	584,190	601,716	619,767	638,360	657,511
Repairs & Maintenance	1,150,000	1,184,500	1,220,035	1,256,636	1,294,335	1,333,165	1,373,160	1,414,355	1,456,786	1,500,489	1,545,504	1,591,869
Gas	185,000	190,550	196,267	202,154	208,219	214,466	220,900	227,527	234,352	241,383	248,625	256,083
Electric	1,500,000	1,545,000	1,591,350	1,639,091	1,688,263	1,738,911	1,791,078	1,844,811	1,900,155	1,957,160	2,015,875	2,076,351
Water & Sewer	90,000	92,700	95,481	98,345	101,296	104,335	107,465	110,689	114,009	117,430	120,952	124,581
Insurance	400,000	412,000	424,360	437,091	450,204	463,710	477,621	491,950	506,708	521,909	537,567	553,694
Miscellaneous	500,000	515,000	530,450	546,364	562,754	579,637	597,026	614,937	633,385	652,387	671,958	692,117
Management Fees	842,193	917,221	940,235	958,726	989,879	1,034,659	1,040,659	1,074,983	1,120,997	1,048,061	1,148,246	1,249,199
Y&R Condo RE Taxes	2,529,548	2,706,209	2,894,212	3,065,911	3,219,207	3,447,605	3,551,034	3,657,565	3,767,292	3,880,310	3,996,719	4,116,621
Total Operating Expenses	19,050,883	20,056,525	21,060,872	22,013,075	22,923,202	23,853,085	24,543,639	25,283,111	26,055,308	26,730,401	27,601,056	28,495,593
Net Operating Income	37,095,334	41,091,534	41,621,454	41,902,002	43,068,714	45,124,173	44,833,647	46,382,411	48,677,832	43,140,333	48,948,689	54,784,321
Leasing Costs												
Tenant Improvements	2,159,958	286,547	421,931	646,461	692,673	422,047	2,967,041	256,936	0	6,201,128	1,445,170	0
Leasing Commissions	1,305,259	182,727	281,563	421,870	448,998	296,288	1,849,367	154,932	0	5,359,861	1,020,049	0
Total Leasing Costs	3,465,217	469,274	703,493	1,068,331	1,141,671	718,335	4,816,409	411,868	0	11,560,989	2,465,220	0
Capital Expenditures												
Capital Reserves	380,083	391,485	403,230	415,326	427,786	440,620	453,838	467,454	481,477	495,921	510,799	526,123
Total Capital Expenditures	380,083	391,485	403,230	415,326	427,786	440,620	453,838	467,454	481,477	495,921	510,799	526,123
Total Leasing & Capital Costs	3,845,299	860,759	1,106,723	1,483,658	1,569,457	1,158,954	5,270,247	879,322	481,477	12,056,910	2,976,019	526,123
Cash Flow Before Debt Service	33,250,035	40,230,775	40,514,731	40,418,344	41,499,256	43,965,218	39,563,400	45,503,089	48,196,355	31,083,423	45,972,670	54,258,198

YIELD CAPITALIZATION "AS IS"

Analysis Period	Period Ending	Cash Flow Before Debt	P.V. of Cash Flow @ 5.75 %	P.V. of Cash Flow @ 6.25 %	P.V. of Cash Flow @ 6.75 %	P.V. of Cash Flow @ 7.25 %	P.V. of Cash Flow @ 7.75 %
Year 1	Dec-19	33,250,035	31,442,113	31,294,150	31,147,574	31,002,363	30,858,501
Year 2	Dec-20	40,230,775	35,974,738	35,636,949	35,303,895	34,975,489	34,651,643
Year 3	Dec-21	40,514,731	34,258,775	33,777,394	33,304,990	32,841,354	32,386,284
Year 4	Dec-22	40,418,344	32,318,933	31,714,858	31,124,830	30,548,460	29,985,369
Year 5	Dec-23	41,499,256	31,378,952	30,647,540	29,936,491	29,245,147	28,572,874
Year 6	Dec-24	43,965,218	31,435,978	30,558,751	29,709,951	28,888,529	28,093,481
Year 7	Dec-25	39,563,400	26,750,442	25,881,595	25,044,849	24,238,877	23,462,412
Year 8	Dec-26	45,503,089	29,093,627	28,016,209	26,983,471	25,993,363	25,043,939
Year 9	Dec-27	48,196,355	29,140,085	27,928,894	26,773,382	25,670,746	24,618,335
Year 10	Dec-28	31,083,423	17,771,541	16,952,722	16,175,213	15,436,748	14,735,200
Year 11	Dec-29	45,972,670	24,855,104	23,598,337	22,410,575	21,287,733	20,225,984
Totals		450,197,295	324,420,289	316,007,400	307,915,221	300,128,810	292,634,024
Property Resale @ 5.00 %		1,051,858,963	568,687,098	539,932,148	512,756,048	487,065,314	462,772,395
Total Unleveraged Present			893,107,387	855,939,547	820,671,268	787,194,123	755,406,419
				Rounded:	**$820,000,000**		

VALUE OPINION "AS IS"
YIELD CAPITALIZATION
DECEMBER 31, 2018
$820,000,000

RECONCILIATION OF INCOME APPROACH

To test the reasonableness of our value opinion developed with the Discounted Cash Flow Method, we have analyzed "going in" capitalization rates indicated by the PricewaterhouseCoopers' and Real Estate Research Corporation's investment surveys, plus extracted rates from the direct comparables analyzed in the Sales Approach.

The discounted cash flow analysis produced an "as is" market value estimate of $820,000,000 (rounded). Based on the Year 1 NOI of $37,095,334 the implied going in cap rate is 4.5%

Survey	Type of Product	Overall Cap Rate
PwC	Manhattan Office	3.00% to 6.75%
Third Quarter 2018	Market	5.23% average
Situs - R.E.R.C.	National CBD Office	5.50% to 7.00%
Second Quarter 2018	Market	6.2% average

As indicated, "going-in" capitalization rates for institutional quality properties range widely from 3.00% to 7.00% with a central tendency near 5.23% to 6.20%. The primarily influencing factors are consistent with those highlighted in our analysis of the required yield, whereby a lower capitalization rate is associated with growth and nominal risk. Further, well-located and strongly tenanted assets typically garner more demand, a fact which on its own will drive down returns. In this regard, we see that the range of local sales is clustered toward the lower end of the national indication, with a range between 4.00% and 5.30%.

COMPARABLE SALES

Sale No.	Address	GLA	Sale Date	OAR
1	1745 Broadway, Office (Leasehold)	674,121	May-18	5.30%
2	5 Bryant Park	681,575	May-18	4.00%
3	75 Ninth Avenue - Chelsea Market	1,188,501	Mar-18	N/A
4	600 Lexington Avenue	303,515	Jan-18	4.09%
5	1515 Broadway	1,860,000	Nov-17	4.20%

Given the balance of the strong tenancy and stability of the income stream, bolstered by the potential for growth, it is our view an investor would accept a "going-in" OAR near the low-point of the broad-market range. Further, this is a best-in-class asset which would have global appeal to institutional investors, a dynamic which suggests a relatively low investment return. Thus, a 4.5% OAR is reasonable.

SALES COMPARISON APPROACH

In the Sales Comparison Approach, an opinion of fair value is advanced by comparing the subject property to transactions of competitive assets. A major premise is the principle of substitution which holds fair value is directly related to the prices of comparable properties as a knowledgeable investor will pay no more for a substitute.

The procedure involved in this Approach is to research the market for sales of improved properties which are comparable, select appropriate units of comparison, adjust the sale prices to the subject, and then reconcile the range of adjusted sale prices into an opinion of value.

UNIT OF COMPARISON

In order to analyze the comparable sales, it is necessary to alter the sale prices by an appropriate unit of comparison. The effect of this process is to make the sale prices more manageable as well as to adjust for differences among the sales. The comparable sales will be analyzed on the basis of sale price per square foot of leasable area, which is the unit by which market participants gauge their valuations.

VALUATION COMMENTS

Our research revealed several sales of projects comparable to the subject property all located in the general market area or in comparable area in terms of investment potential. These sales represent the most recent comparables and present a reliable indication of fair value. Included is a map indicating the location of each sale, a grid outlining the adjustments for each sale price, and the value indicated for the asset "As Is."

COMPARABLE SALES



Sale 1	
Location:	1745 Broadway, Office (Leasehold)
	
Legal Identification:	Block 1027, Lot 1502
Site Area (SF):	29,400
Gross Leasable Area (SF):	674,121
Gross Building Area (SF)	553,431
Property Description:	This is the sale of the office condominium located on floors 2-26 of a 50-story mixed-use condominium building. Residential condominiums are located on floors 27-50. There is also retail space and a 425-car parking garage that are not part of the sale. The property was constructed in 2003. At the time of sale the property was fully leased to tenants including Penguin Random House who occupies 604,000 square feet under a long term lease. The reported sale price is $633,000,000. The sale was recorded at $595,628,931 which reportedly accounts for certain cost adjustments. The ground lease expires in 2098 and we will adjust the sale price for to account for a value of approximately $95 million for the leased fee interest plus 5% to account for the additional risk of a leasehold.
Year Built:	2003
Sale Date:	May 24, 2018
Grantor:	SL Green
Grantee:	Invesco
Sale Price:	$633,000,000
Document Number:	2018000184019
Terms:	Market
Price PSF GLA:	$939
Cap Rate:	5.30%
NOI PSF:	$49.77
Current Asking Rent:	N/A

Sale 2	
Location:	5 Bryant Park
	
Legal Identification:	Block 993, Lot 29
Site Area (SF):	27,200
Gross Leasable Area (SF):	681,575
Gross Building Area (SF)	654,137
Property Description:	Located at the northwest corner of West 40th Street and Avenue of the Americas, 5 Bryant Park (1061 Avenue of the Americas) is a 35-story Class A- building was constructed in 1958. The property was reportedly 97.3% leased to 27 tenants at the time of sale. The buyer plans to commence a compreshensive renovation, includding lobby, common corridors, restrooms, windows and signage.
Year Built:	1958
Sale Date:	May 23, 2018
Grantor:	Trizechhan 1065 Avenue Americas Property Owner LLC (Blackstone Group)
Grantee:	5 Bryant Park Property Investors IV, LLC (Savanna)
Sale Price:	$640,000,000
Document Number:	2018000175311
Terms:	Market
Price PSF GLA:	$939
Cap Rate:	4.00%
NOI PSF:	$37.56
Current Asking Rent:	N/A

Sale 3	
Location:	75 Ninth Avenue - Chelsea Market
	
Legal Identification:	Block 713, Lot 1
Site Area (SF):	165,200
Gross Leasable Area (SF):	1,188,501
Gross Building Area (SF)	1,100,533
Property Description:	This is an 8-story Class A office and retail complex that is 100% occupied by 66 tenants. The former Nabisco factory occupies the entire block bound by Ninth and Tenth Avenues and West 15th and Wst 16th Streets. It is known for its ground floor food hall that is visited by more than 5000,000 locals and tourists per month. The buyer, Google, occupies a signficant portion of the office space.
Sale Data	1934, renovated 1996
Sale Date:	March 16, 2018
Grantor:	Jameston Premier Chelsea Market
Grantee:	Manhattan Chelsea Market LLC (Google)
Sale Price:	$2,397,501,899
Document Number:	2018000097639
Terms:	Market
Price PSF GLA:	$2,017
Cap Rate:	N/A
NOI PSF:	N/A
Current Asking Rent:	N/A

Sale 4	
Location:	600 Lexington Avenue
	
Legal Identification:	Block 1307, Lot 14
Site Area (SF):	11,050
Gross Leasable Area (SF):	303,515
Gross Building Area (SF)	268,106
Property Description:	A 35-story Class A office building that was reportedly 98.9% occupied by 37 tenants at the time of sale. The building is located at East 52nd Street and was renovated in 2013.
Sale Data	1983, renovated 2013
Sale Date:	January 9, 2018
Grantor:	SL Green Realty Corp.
Grantee:	WR Berkley Corporation
Sale Price:	$305,000,000
Document Number:	2018000025693
Terms:	Market
Price PSF GLA:	$1,005
Cap Rate:	4.09%
NOI PSF:	$41.06
Current Asking Rent:	$75-$88 psf

Sale 5	
Location:	1515 Broadway
	
Legal Identification:	Block 1016, Lot 36
Site Area (SF):	65,764
Gross Leasable Area (SF):	1,860,000
Gross Building Area (SF)	1,721,814
Property Description:	Known as One Astor Plaza this is a 54-story Class A office building located on the full western blockfront of Broadway between West 44th and West 45th Streets. At the time of sale it was reportedly 98.5% occupied by 20 tenants. SL Green sold a 43% stake in the building to Allianz Real Estate. The transaction closed in two parts - on November 29, 2017 and January 30, 2018. The sale price indicated represents the total building value based on the 30.1% transfer in Nov 17 for $586,950,000 and the 12.9% transfer in Jan 8 for $251,550,000.
Sale Data	1972/renovated 2010
Sale Date:	November 29, 2017
Grantor:	SL Green Realty Corp.
Grantee:	Allianz Real Estate of America
Sale Price:	$1,950,000,000
Document Number:	N/A
Terms:	Cash to seller.
Price PSF GLA:	$1,048
Cap Rate:	4.20%
NOI PSF:	$44.03
Current Asking Rent:	N/A

SUMMARY OF COMPARABLE SALES

No.	Address	GLA	Sale Date	Sale Price	Price PSF
1	1745 Broadway, Office (Leasehold)	674,121	May-18	$633,000,000	$939
2	5 Bryant Park	681,575	May-18	$640,000,000	$939
3	75 Ninth Avenue - Chelsea Market	1,188,501	Mar-18	$2,397,501,899	$2,017
4	600 Lexington Avenue	303,515	Jan-18	$305,000,000	$1,005
5	1515 Broadway	1,860,000	Nov-17	$1,950,000,000	$1,048

Adjustments for the comparable sales have been considered based on comparison to the subject for financing terms, conditions of sale, market conditions (time), location, size, utility, and age/condition.

Property Rights Appraised	The purpose of this adjustment is to account for differences in the property rights which were transferred with the sale. Sale 1 is a leasehold interest created by a ground lease that expires in 2098. We will adjust the sale price for to account for a value of approximately $95 million for the leased fee interest plus 5% to account for the additional risk of a leasehold. The subject and the remaining comparables are all leased fee properties and no adjustments are required.
Financing Terms	The purpose of adjusting for financing terms is to determine cash equivalent sale prices for the comparable sales in accordance with the definition of market value for this report. All of the sales were cash transactions or financed at market rates. No adjustments were required.
Conditions of Sale	All of the sales appear to be arm's length transactions and did not require adjustments.
Market Conditions (Time)	The comparable sales utilized herein sold between November 2017 and the present, a time in which the investment market has remained fairly stable. No adjustments will be applied.
Location	The subject property is located within the Columbus Circle submarket of Midtown Manhattan in close proximity to Columbus Circle and Central Park, a highly desirable office and retail location. Sale 4 is located in an inferior office and retail location and requires upward adjustment. Sale 3 is located in a superior location within Chelsea and requires a downward location. The remaining sales are in comparable locations and no adjustments are required.
Size	This adjustment accounts for the difference in size between each of the comparables and the subject property. Typically, a smaller building will sell at a higher price per square foot level than a similar larger sized building. The sales range in

	size from 303,515± to 1,860,000± square feet. The subject property contains 536,897± square feet of gross leasable area. Sales 3 and 5 contain more than 1 million square feet and require upward adjustment.
Utility	This adjustment reflects building height or number of stories, retail to building ratio, views, exterior appeal, and the interior finishes, design and layout of each comparable as compared to the subject property. The subject property is located on a full city block and offers windows on all four sides with panoramic views of Central Park, Hudson River, and New York City, features an energy efficient glass curtail wall façade, a newly designed lobby and entrance featuring stellar white marble and bronze accents; usable terraces on multiple floors; and new modernized elevators and cabs. The building has been Wired Certified Gold and was awarded an Energy Star label in 2014, 2016, 2017 and 2018 for its operating efficiency. In addition, the subject is projected to generate approximately 40% of its income from three levels of retail space. Sale 1 has no retail space and has buildings on either side which effects views and requires upward adjustment. Sale 2 is a Class A- building with inferior finishes and appeal and requires upward adjustment. Sales 5 and 6 have frontage on two and three sides respectively and have inferior light and views and require upward adjustment.
Condition	The subject building was constructed in 1927, renovated in 2011 is in very good condition. Sale 1 was constructed in 2003 and requires downward adjustment. Sale 2 required renovation at the time of sale and requires upward adjustment. The subject and the remaining sales are in generally similar condition and no adjustments are required.

SALES ADJUSTMENT GRID

Sale No.	1	2	3	4	5
Address:	1745 Broadway, Office (Leasehold)	5 Bryant Park	75 Ninth Avenue - Chelsea Market	600 Lexington Avenue	1515 Broadway
Sale Date:	May-18	May-18	Mar-18	Jan-18	Nov-17
Leasable Area (SF)	674,121	681,575	1,188,501	303,515	1,860,000
Sale Price:	$633,000,000	$640,000,000	$2,397,501,899	$305,000,000	$1,950,000,000
Sale Price Per Square Foot:	**$939**	**$939**	**$2,017**	**$1,005**	**$1,048**
Property Rights Appraised:	20%	0%	0%	0%	0%
Financing Terms:	0%	0%	0%	0%	0%
Conditions of Sale:	0%	0%	0%	0%	0%
Market Conditions (Time):	0%	0%	0%	0%	0%
Trended Unit of Comparison:	**$1,127**	**$939**	**$2,017**	**$1,005**	**$1,048**
Location:	0%	0%	-10%	25%	0%
Size:	0%	0%	5%	0%	10%
Utility:	30%	15%	0%	10%	5%
Condition:	-5%	20%	0%	0%	0%
Total Adjustment:	25%	35%	-5%	35%	15%
Adjusted Unit of Comparison:	**$1,409**	**$1,268**	**$1,916**	**$1,357**	**$1,206**

Unadjusted		Adjusted	
LOW	$939	LOW	$1,206
HIGH	$2,017	HIGH	$1,916
AVERAGE	$1,190	AVERAGE	$1,431
MEDIAN	$1,005	MEDIAN	$1,357

All adjustments are percentages. A positive adjustment indicates an inferior characteristic to subject. A negative adjustment indicates a superior characteristic to subject. The sale prices per square foot, prior to adjustments, range from $939 to $2,017 per square foot. After adjustments the comparable sales exhibited a range of $1,206 to $1,916 per square foot with an average of $1,431 per square foot and a median of $1,357 per square foot.

The range presented by the comparable sales is relatively wide after adjustment, due to varying occupancies. Within this range, differences are based primarily on differing income levels and occupancies. We note that Sale 2 which indicates the highest adjusted price is also leased at market rents. Considering the subject's good location and condition, as well as its occupancy, it is reasonable to conclude with a value of $1,525 per square foot of gross leasable area. The value conclusion for the subject is calculated as follows:

Concluded Value Per Square Foot		$1,525
Leasable Area	x	539,043
"As Is" Value Indication		$822,040,575
Rounded		$820,000,000

"AS IS" VALUE VIA THE SALES COMPARISON APPROACH
DECEMBER 31, 2018
$820,000,000

RECONCILIATION AND FINAL VALUE OPINIONS

The values arrived at by the respective approaches applied are as follows:

Value Scenario	Approach	Date	Value Opinion
Fair Value "As Is"	Cost	December 31, 2018	Not Applied
	Sales		$820,000,000
	Income		$820,000,000

The ***Cost Approach*** is based on the current cost to replace the subject property as of the effective date of appraisal. The value of a property can be derived by the current cost to construct a reproduction or replacement cost for the improvements less the amount of depreciation evident in the improvements from all causes plus the value of the land and on-site improvement costs. As mentioned earlier, we did not apply the Cost Approach.

In the ***Sales Comparison Approach***, fair value is advanced by comparing the subject property to sales of similar properties. This approach is based on the principles of substitution and contribution which state that a knowledgeable investor will pay no more than would be paid for a comparable property. As a result of the diversity of income characteristics of the competitive properties analyzed, this approach is generally given secondary consideration by investors. Since it is our view that these factors make this approach less reliable, it has been given nominal weight in our analysis.

The ***Income Approach*** can be based on two methods of valuation: Direct Capitalization and Discounted Cash Flow. Direct capitalization measures a single year's anticipated income in order to determine its capital sum by means of an overall capitalization rate. This appropriate rate considers risk, debt, and equity requirements. This analysis relies on existing (or forecasted) income and market expenses in order to determine annual net operating income levels. The net operating income is capitalized to a present fair value. Direct Capitalization is especially useful when valuing properties with market-level leases, with regular appreciation.

Discounted Cash Flow analysis is applicable in a situation where a property is encumbered by a variety of leases that deviate from market levels and/or have varying expiration dates. This is the result of the fact that the analysis considers fluctuations in the income stream over the holding period. Further, the DCF method replicates the analysis undertaken by investors in similar asset classes. Therefore, it is our view that the Discounted Cash Flow Analysis would result in the most reliable demonstration of the value.

Therefore, with greatest consideration given to the Income Approach our opinions of fair value are:

Value Scenario	Date	Value Opinion
Fair Value "As Is"	December 31, 2018	$820,000,000

ADDENDA

1. RENT ROLL
2. ASSUMPTIONS AND LIMITING CONDITIONS
3. CERTIFICATION
4. QUALIFICATIONS

RENT ROLL

Tenant Name	Suite	Lease Type	Lease	Area	Lease Start Date	Lease End Date	Potential Base Rent	Absorption & Turnover Rent	Free Rent	Scheduled Base Rent	Expense Recoveries	Potential Gross Revenue	Tenant Improvements	Leasing Commissions	Net Cash Flow
NORDSTROM	0101	Retail	Contract	43,018	9/1/2017	7/31/2040	9,432,686	0	0	9,432,686	439,259	9,871,946	0	0	9,871,946
CVS CAREMARK PHARMACY	0102	Retail	Contract	21,159	5/1/2013	7/31/2028	4,088,000	0	0	4,088,000	94,682	4,182,682	0	0	4,182,682
NORDSTOM GRADE	0106	Retail	Contract	3,973	4/1/2017	7/31/2040	2,880,425	0	0	2,880,425	0	2,880,425	0	0	2,880,425
CHASE BANK	0115	Retail	Contract	6,551	1/1/2006	8/31/2031	3,155,425	0	0	3,155,425	106,396	3,261,821	0	0	3,261,821
YOUNG & RUBICAM, INC.	0900	Office	Contract	34,634	9/1/2012	8/31/2033	2,375,933	0	0	2,375,933	368,491	2,744,424	0	0	2,744,424
YOUNG & RUBICAM, INC.	1000	Office	Contract	34,634	9/1/2012	8/31/2033	2,375,933	0	0	2,375,933	368,491	2,744,424	0	0	2,744,424
YOUNG & RUBICAM, INC.	1100	Office	Contract	34,634	7/1/2013	8/31/2033	2,147,308	0	0	2,147,308	314,315	2,461,623	0	0	2,461,623
JAZZ AT LINCOLN CENTER, INC.	1200	Office	Contract	30,653	7/1/2012	4/30/2028	1,593,956	0	0	1,593,956	329,111	1,923,067	0	0	1,923,067
TFO USA LTD	1201	Office	Contract	4,052	4/1/2018	7/31/2023	299,185	0	0	299,185	14,182	313,367	0	0	313,367
NORTHERN PACIFIC GROWTH	1401	Office	Contract	4,407	10/1/2016	12/31/2021	330,107	0	0	330,107	27,028	357,135	0	0	357,135
KG FUNDS MANAGEMENT LLC	1402	Office	Contract	3,798	4/1/2012	8/31/2020	259,670	0	0	259,670	24,344	284,014	0	0	284,014
CLAYTON FAMILY OFFICE	1403	Office	Contract	1,719	9/1/2016	11/30/2021	134,128	0	0	134,128	0	134,128	0	0	134,128
TRUSTEES OF COLUMBIA	1408	Office	Contract	6,031	9/1/2015	8/31/2025	452,627	0	0	452,627	19,601	472,227	0	0	472,227
DR JOSHUA LEVINE, MD PC	1410	Office	Contract	2,130	1/1/2013	2/28/2023	169,602	0	0	169,602	10,874	180,476	0	0	180,476
BUILDING OFFICE	1412	Office	Contract	2,831	6/1/2012	12/31/2045	0	0	0	0	0	0	0	0	0
KIFO USA	1420	Office	Contract	6,190	12/1/2016	7/31/2026	518,298	0	0	518,298	42,661	560,959	0	0	560,959
TRUSTEES OF COLUMBIA	1422	Office	Contract	1,920	11/1/2015	8/31/2025	148,333	0	0	148,333	6,240	154,573	0	0	154,573
TRUSTEES OF COLUMBIA	1425	Office	Contract	3,100	9/1/2015	8/31/2025	239,496	0	0	239,496	10,075	249,571	0	0	249,571
TRUSTEES OF COLUMBIA	1430	Office	Contract	3,111	6/1/2017	8/31/2025	240,677	0	0	240,677	10,111	250,788	0	0	250,788
EMERGE 212 3CC LLC	1500	Office	Contract	33,442	3/1/2013	2/29/2028	1,839,310	0	0	1,839,310	282,543	2,121,853	0	0	2,121,853
EMERGE 212 3CC LLC	1600	Office	Contract	23,917	3/1/2013	2/29/2028	1,315,435	0	0	1,315,435	202,140	1,517,575	0	0	1,517,575
LAURA & JOHN ARNOLD	1601	Office	Contract	9,708	3/1/2015	7/31/2025	543,648	0	0	543,648	53,521	597,169	0	0	597,169
COLUMN PARK ASSET MGT	1700	Office	Contract	3,240	9/1/2015	12/31/2020	246,240	0	0	246,240	27,775	274,015	0	0	274,015
GENEVA ENERGY MARKETS	1705	Office	Contract	4,448	4/1/2016	5/31/2021	384,051	0	0	384,051	33,050	417,101	0	0	417,101
ARALEZ PHARMACEUTICALS	1710	Office	Contract	4,096	9/1/2015	10/31/2020	327,680	0	0	327,680	34,951	362,631	0	0	362,631
TOKAI TOKYO SECURITIES	1715	Office	Contract	2,964	6/1/2015	8/31/2022	247,797	0	0	247,797	22,867	270,663	0	0	270,663
PS BROADWAY HOLDINGS	1720	Office	Contract	4,445	6/1/2015	8/31/2020	355,600	0	0	355,600	37,973	393,573	0	0	393,573
XBTO LLC	1725	Office	Contract	4,100	3/1/2018	11/30/2022	333,467	0	0	333,467	19,228	352,694	0	0	352,694
BR2 FINANCE	1730	Office	Contract	5,933	6/1/2015	5/31/2025	474,640	0	0	474,640	54,753	529,393	0	0	529,393
XBTO LLC	1735	Office	Contract	4,896	11/1/2017	11/30/2022	415,186	0	0	415,186	22,961	438,147	0	0	438,147
YOUNG & RUBICAM, INC.	1800	Office	Contract	34,177	9/1/2012	8/31/2033	2,344,582	0	0	2,344,582	242,992	2,587,574	0	0	2,587,574
YOUNG & RUBICAM, INC.	1900	Office	Contract	21,315	9/1/2012	8/31/2033	1,462,234	0	0	1,462,234	151,517	1,613,751	0	0	1,613,751
VERSACE USA, INC.	2000	Office	Contract	21,342	7/1/2014	7/31/2025	1,568,637	0	0	1,568,637	152,830	1,721,467	0	0	1,721,467
**TO BE LEASED	2100	Office	Speculative	3,874	6/1/2019	5/31/2029	329,290	137,204	192,086	0	7,712	7,712	193,700	129,521	-315,509
NOVA VENTURES	2105	Office	Contract	3,649	7/1/2018	1/31/2029	299,218	0	49,870	249,348	12,452	261,801	0	0	261,801
MEDIANT COMMUNICATIONS	2110	Office	Contract	4,865	11/1/2015	11/30/2021	409,511	0	0	409,511	37,364	446,876	0	0	446,876
CEFC Infrastructure Inv	2115	Office	Contract	3,057	10/1/2017	10/31/2022	259,845	0	0	259,845	16,502	276,347	0	0	276,347
BENVOLIO GROUP LLC	2120	Office	Contract	5,789	8/1/2014	7/31/2024	466,014	0	0	466,014	49,034	515,048	0	0	515,048
THE JUILLIARD SCHOOL	2200	Office	Contract	3,886	1/1/2014	3/31/2025	322,538	0	0	322,538	27,539	350,077	0	0	350,077
683 CAPITAL MANAGEMENT	2205	Office	Contract	3,574	10/1/2013	11/30/2021	303,790	0	0	303,790	32,504	336,294	0	0	336,294
HARVARD BUSINESS SCHOOL	2210	Office	Contract	4,855	3/1/2014	2/28/2019	403,774	103,169	185,704	114,902	16,321	131,223	163,856	111,979	-144,613
LAGODA INVESTMENT	2215	Office	Contract	3,091	5/1/2014	5/31/2019	263,429	65,684	87,578	110,167	12,894	123,061	104,321	71,293	-52,554
THE JUILLIARD SCHOOL 2220	2220	Office	Contract	5,789	12/19/2013	3/31/2025	390,758	0	0	390,758	49,224	439,981	0	0	439,981
**TO BE LEASED	2300	Office	Contract	21,226	8/1/2019	7/31/2034	1,804,210	1,052,456	751,754	0	30,181	30,181	1,698,080	992,466	-2,660,365
Cohen and Company LLC	2400	Office	Contract	11,166	8/1/2018	2/28/2029	926,778	0	154,463	772,315	38,104	810,419	0	0	810,419
Weld North LLC	2405	Office	Contract	4,998	9/1/2018	10/31/2023	429,828	0	0	429,828	17,056	446,884	0	0	446,884
BeLoveFine Ltd.	2410	Office	Contract	5,227	12/1/2018	11/30/2028	449,522	0	56,190	393,332	17,837	411,169	0	0	411,169
BeLoveFine Ltd.	24A	Storage	Contract	196	9/1/2018	11/30/2028	10,854	0	0	10,854	669	11,523	0	0	11,523
Josephson	2500-	Office	Speculative	22,742	1/26/2018	1/25/2033	2,274,200	0	1,289,936	984,264	77,607	1,061,871	0	0	1,061,871
BUILDING STORAGE	B-01	Storage	Contract	3,021	6/1/2012	12/31/2045	0	0	0	0	0	0	0	0	0
YOUNG & RUBICAM, INC.	B-13	Storage	Contract	1,300	8/1/2013	8/31/2033	42,250	0	0	42,250	0	42,250	0	0	42,250
YOUNG & RUBICAM, INC.	B-14	Storage	Contract	170	8/1/2013	8/31/2033	0	0	0	0	0	0	0	0	0
Total				**539,043**			**52,086,104**	**1,358,513**	**2,767,581**	**47,960,010**	**3,967,962**	**51,927,972**	**2,159,958**	**1,305,259**	**48,462,756**

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made with the following general assumptions:

1. Any legal description or plats reported herein are assumed to be accurate. Any sketches, surveys, plats, photographs, drawings or other exhibits are included only to assist the intended user to better understand and visualize the subject property, the environs, and the competitive data. We have made no survey of the property and assume no responsibility in connection with such matters.
2. The appraiser has not conducted any engineering or architectural surveys in connection with this appraisal assignment. Information reported pertaining to dimensions, sizes, and areas is either based on measurements taken by the appraiser or the appraiser's staff or was obtained or taken from referenced sources and is considered reliable. No responsibility is assumed for the costs of preparation or for arranging geotechnical engineering, architectural, or other types of studies, surveys, or inspections that require the expertise of a qualified professional.
3. No responsibility is assumed for matters legal in nature. Title is assumed to be good and marketable and in fee simple unless otherwise stated in the report. The property is considered to be free and clear of existing liens, easements, restrictions, and encumbrances, except as stated.
4. Unless otherwise stated herein, it is assumed there are no encroachments or violations of any zoning or other regulations affecting the subject property and the utilization of the land and improvements is within the boundaries or property lines of the property described and that there are no trespasses or encroachments.
5. BBG, Inc. assumes there are no private deed restrictions affecting the property which would limit the use of the subject property in any way.
6. It is assumed the subject property is not adversely affected by the potential of floods; unless otherwise stated herein.
7. It is assumed all water and sewer facilities (existing and proposed) are or will be in good working order and are or will be of sufficient size to adequately serve any proposed buildings.
8. Unless otherwise stated within the report, the depiction of the physical condition of the improvements described herein is based on visual inspection. No liability is assumed for the soundness of structural members since no engineering tests were conducted. No liability is assumed for the condition of mechanical equipment, plumbing, or electrical components, as complete tests were not made. No responsibility is assumed for hidden, unapparent or masked property conditions or characteristics that were not clearly apparent during our inspection.
9. If building improvements are present on the site, no significant evidence of termite damage or infestation was observed during our physical inspection, unless so stated in the report. No termite inspection report was available, unless so stated in the report. No responsibility is assumed for hidden damages or infestation.
10. Any proposed or incomplete improvements included in this report are assumed to be satisfactorily completed in a workmanlike manner or will be thus completed within a reasonable length of time according to plans and specifications submitted.

11. No responsibility is assumed for hidden defects or for conformity to specific governmental requirements, such as fire, building, safety, earthquake, or occupancy codes, except where specific professional or governmental inspections have been completed and reported in the appraisal report.

12. Responsible ownership and competent property management are assumed.

13. The appraisers assume no responsibility for any changes in economic or physical conditions which occur following the effective date of value within this report that would influence or potentially affect the analyses, opinions, or conclusions in the report. Any subsequent changes are beyond the scope of the report.

14. The value estimates reported herein apply to the entire property. Any proration or division of the total into fractional interests will invalidate the value estimates, unless such proration or division of interests is set forth in the report.

15. Any division of the land and improvement values estimated herein is applicable only under the program of utilization shown. These separate valuations are invalidated by any other application.

16. Unless otherwise stated in the report, only the real property is considered, so no consideration is given to the value of personal property or equipment located on the premises or the costs of moving or relocating such personal property or equipment.

17. Unless otherwise stated, it is assumed that there are no subsurface oil, gas or other mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered; unless otherwise stated. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.

18. Any projections of income and expenses, including the reversion at time of resale, are not predictions of the future. Rather, they are our best estimate of current market thinking of what future trends will be. No warranty or representation is made that these projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of an appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future in terms of expectations of growth in rental rates, expenses, and supply and demand. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.

19. Unless subsoil opinions based upon engineering core borings were furnished, it is assumed there are no subsoil defects present, which would impair development of the land to its maximum permitted use or would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

20. BBG, Inc. representatives are not experts in determining the presence or absence of hazardous substances, defined as all hazardous or toxic materials, wastes, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such substances or for loss as a result of the presence of such substances. Appraisers are not qualified to detect such substances. The client is urged to retain an expert in this field.

21. We are not experts in determining the habitat for protected or endangered species, including, but not limited to, animal or plant life (such as bald eagles, gophers, tortoises, etc.) that may be present on the property. We assume no responsibility for the studies or analyses which would

be required to determine the presence or absence of such species or for loss as a result of the presence of such species. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent endangered species impact studies, research, and investigation that may be provided.

22. No environmental impact studies were either requested or made in conjunction with this analysis. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, and investigation that may be provided.

23. The appraisal is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the report; further, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.

24. Neither all nor any part of the contents of this report or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales, or any other media, without the prior written consent and approval of the appraisers. This limitation pertains to any valuation conclusions, the identity of the analyst or the firm and any reference to the professional organization of which the appraiser is affiliated or to the designations thereof.

25. Although the appraiser has made, insofar as is practical, every effort to verify as factual and true all information and data set forth in this report, no responsibility is assumed for the accuracy of any information furnished the appraiser either by the client or others. If for any reason, future investigations should prove any data to be in substantial variance with that presented in this report, the appraiser reserves the right to alter or change any or all analyses, opinions, or conclusions and/or estimates of value.

26. If this report has been prepared in a so-called "public non-disclosure" state, real estate sales prices and other data, such as rents, prices, and financing, are not a matter of public record. If this is such a "non-disclosure" state, although extensive effort has been expended to verify pertinent data with buyers, sellers, brokers, lenders, lessors, lessees, and other sources considered reliable, it has not always been possible to independently verify all significant facts. In these instances, the appraiser may have relied on verification obtained and reported by appraisers outside of our office. Also, as necessary, assumptions and adjustments have been made based on comparisons and analyses using data in the report and on interviews with market participants. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

27. The American Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would 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 impact upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.

28. This appraisal report has been prepared for the exclusive benefit of the client. It may not be used or relied upon by any other party. Any other party who is not the identified client within this report who uses or relies upon any information in this report does so at their own risk.

29. The dollar amount of any value opinion herein rendered is based upon the purchasing power and price of the United States Dollar as of the effective date of value. This appraisal is based on market conditions existing as of the date of this appraisal.

30. The right is reserved by the appraiser to make adjustments to the analyses, opinions, and conclusions set forth in this report as may be required by consideration of additional or more reliable data that may become available. No change of this report shall be made by anyone other than the appraiser or appraisers. The appraiser(s) shall have no responsibility for any unauthorized change(s) to the report.

31. If the client instructions to the appraiser were to inspect only the exterior of the improvements in the appraisal process, the physical attributes of the property were observed from the street(s) as of the inspection date of the appraisal. Physical characteristics of the property were obtained from tax assessment records, available plans, if any, descriptive information, and interviewing the client and other knowledgeable persons. It is assumed the interior of the subject property is consistent with the exterior conditions as observed and that other information relied upon is accurate.

32. The submission of this report constitutes completion of the services authorized. It is submitted on the condition the client will provide reasonable notice and customary compensation, including expert witness fees, relating to any subsequent required attendance at conferences, depositions, and judicial or administrative proceedings. In the event the appraiser is subpoenaed for either an appearance or a request to produce documents, a best effort will be made to notify the client immediately. The client has the sole responsibility for obtaining a protective order, providing legal instruction not to appear with the appraisal report and related work files and will answer all questions pertaining to the assignment, the preparation of the report, and the reasoning used to formulate the estimate of value. Unless paid in whole or in part by the party issuing the subpoena or by another party of interest in the matter, the client is responsible for all unpaid fees resulting from the appearance or production of documents regardless of who orders the work.

33. Use of this appraisal report constitutes acknowledgement and acceptance of the general assumptions and limiting conditions, special assumptions (if any), extraordinary assumptions (if any), and hypothetical conditions (if any) on which this estimate of fair value is based.

34. If provided, the estimated insurable value is included at the request of the client and has not been performed by a qualified insurance agent or risk management underwriter. This cost estimate should not be solely relied upon for insurable value purposes. The appraisers are not familiar with the definition of insurable value from the insurance provider, the local governmental underwriting regulations, or the types of insurance coverage available. These factors can impact cost estimates and are beyond the scope of the intended use of this appraisal. The appraisers are not cost experts in cost estimating for insurance purposes.

CERTIFICATION

The appraisers certify that:

- Lauren Mann has personally prepared the analysis concerning the real estate that is the subject of this appraisal report.
- Michelle Zell, MAI personally inspected the interior and exterior of the subject property on January 7, 2019. Lauren Mann inspected the exterior of the subject property.
- Michelle Zell has reviewed the analyses, opinions and conclusions concerning the real estate contained in this appraisal report and fully concurs with the final market value conclusion.
- 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 my 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 previously appraised the property for the client in March 2015, March 2016, February 2017, February 2018 and have provided additional periodic value updates. We have not performed any other services as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- 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.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- No one provided significant real property appraisal assistance to the persons signing this certification.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Michelle Zell and Lauren Mann are currently certified under the continuing education program of the Appraisal Institute and are certified by the State of New York as General Real Estate Appraisers.
- As of the date of this report, Michelle Zell has completed the continuing education program for Designated Members of the Appraisal Institute.

- As of the date of this report, Michelle Zell has completed the Standards and Ethics Education Requirements for Practicing Affiliates of the Appraisal Institute.





Lauren Mann
Senior Appraiser
State Certified General Appraiser #46-50987

Michelle Zell, MAI
Senior Appraiser
State Certified General Appraiser #46-49921

QUALIFICATIONS

BBG

Michelle Zell, MAI
Senior Appraiser
Work: 212.682.8293
mzell@bbgres.com

PROFILE

Michelle is a Senior Appraiser at BBG in New York City (formerly Leitner Group). She has extensive experience analyzing all asset types. Appraisal assignments have included a range of property types including rental apartment buildings, condominium and cooperative residential properties, retail properties, hotels, office buildings, restaurants, industrial properties, and vacant land valuation. Michelle specializes in managing large portfolios, and valuing large scale existing and proposed developments. Prior to joining Leitner Group, Michelle received a Masters degree from Emory University and conducted health research for the City of New York. Notable assignments include:

- Valuation of multiple International Bond offerings with total appraised values of $1B.
- Valuation of Peter Cooper Village and Stuyvesant Town, a rental apartment complex in New York City with 12,000 units.
- The condominium conversion of the Apthorp, a rent stabilized pre-war building.
- Valuation of 701 7th Avenue- a proposed hotel and retail development in Times Square valued at $2B.

PROFESSIONAL AFFILIATIONS

General Certified Appraiser:
MAI Designated Member of the Appraisal Institute
State of New York (License # 46-49921)

EDUCATION

Cornell University, Ithaca, NY, B.S. 1997
Emory University, Atlanta, GA, M.P.H. 2000

Lauren Mann
Senior Appraiser
Work: 212.682.5619
lmann@bbgres.com

PROFILE

Lauren is a Senior Appraiser at BBG in New York City (formerly Leitner Group). Ms. Mann has more than fifteen years of experience in the real estate appraisal industry. Assignments have included appraisals of Class A, B and C office buildings, apartment buildings, condominium and cooperative complexes, industrial facilities, retail properties, shopping centers, vacant land and various special use facilities. In addition, she has provided litigation support and tax abatement/exemption analyses. Projection and modeling software utilized includes Argus and Microsoft Excel.

PROFESSIONAL AFFILIATIONS & LICENCES

General Certified Appraiser:

State of New York (License # 46000050987)

EDUCATION

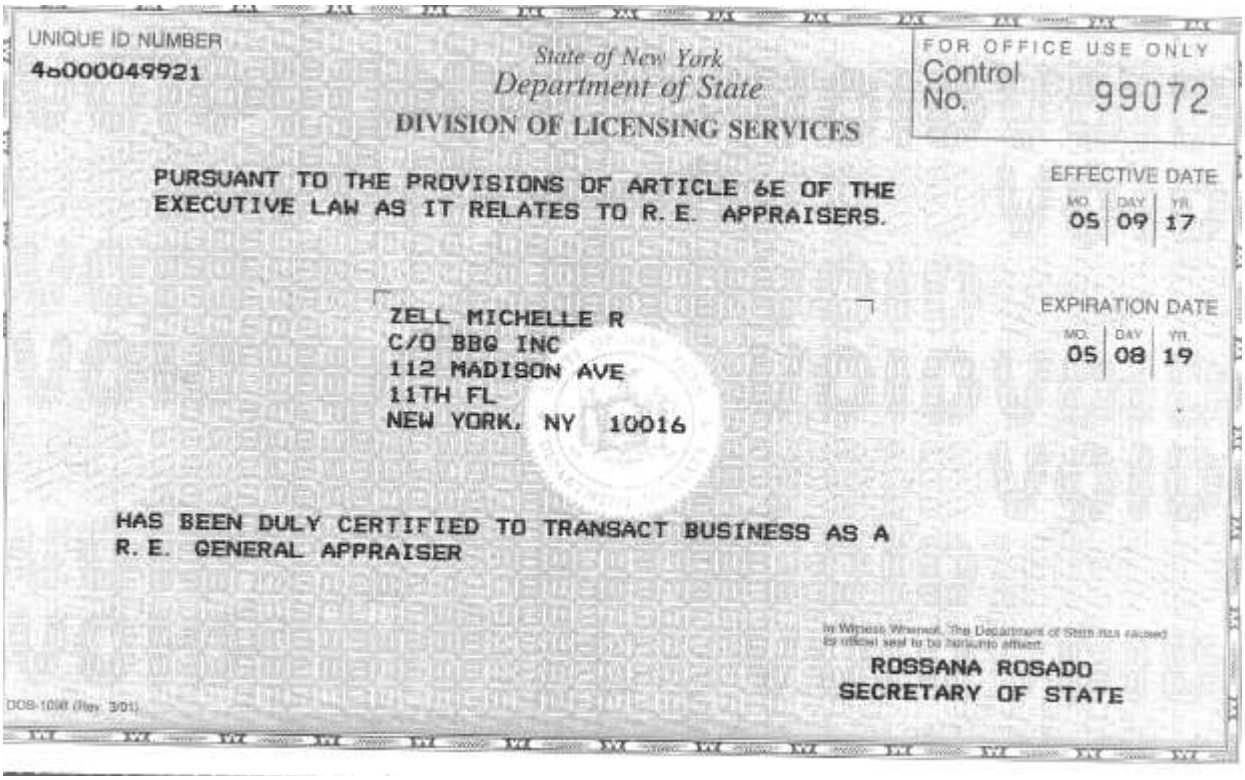
University of Pennsylvania (Philadelphia, Pennsylvania)
Bachelor of Arts in History

COURSEWORK

Appraisal Institute:

Basic Appraisal Principles
Basic Appraisal Procedures
National USPAP
General Market Analysis and Highest & Best Use
Statistics, Modeling and Finance
General Appraiser Sales Comparison Approach
General Appraiser Site Valuation and Cost Approach
General Appraiser Income Approach Part I
General Appraiser Income Approach Part II
General Appraiser Report Writing and Case Studies
Fair Housing, Fair Lending and Environmental Issues
Using the HP12C Financial Calculator

LICENSES



UNIQUE ID NUMBER
46000049921

State of New York
Department of State
DIVISION OF LICENSING SERVICES

FOR OFFICE USE ONLY
Control No. 99072

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

EFFECTIVE DATE
MO. 05 | DAY 09 | YR. 17

EXPIRATION DATE
MO. 05 | DAY 08 | YR. 19

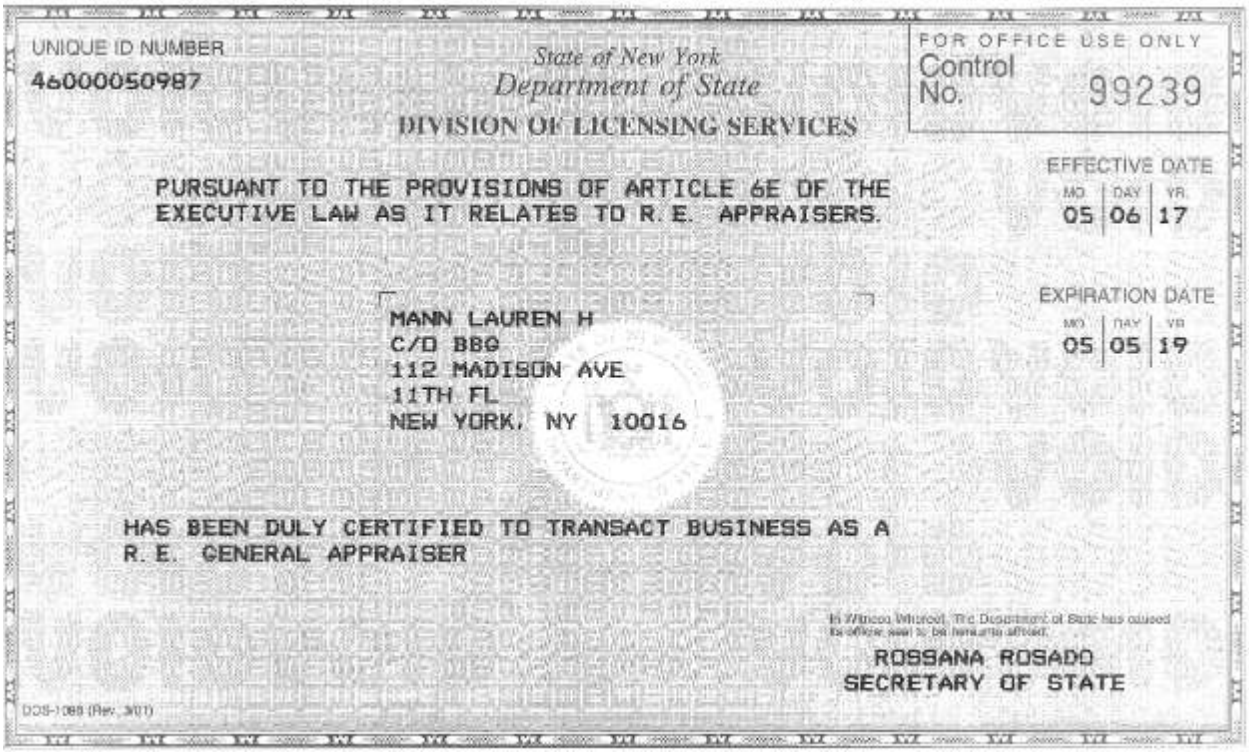
ZELL MICHELLE R
C/O BBG INC
112 MADISON AVE
11TH FL
NEW YORK, NY 10016

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-1088 (Rev. 3/01)



UNIQUE ID NUMBER
46000050987

State of New York
Department of State
DIVISION OF LICENSING SERVICES

FOR OFFICE USE ONLY
Control No. 99239

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

EFFECTIVE DATE
MO. 05 | DAY 06 | YR. 17

EXPIRATION DATE
MO. 05 | DAY 05 | YR. 19

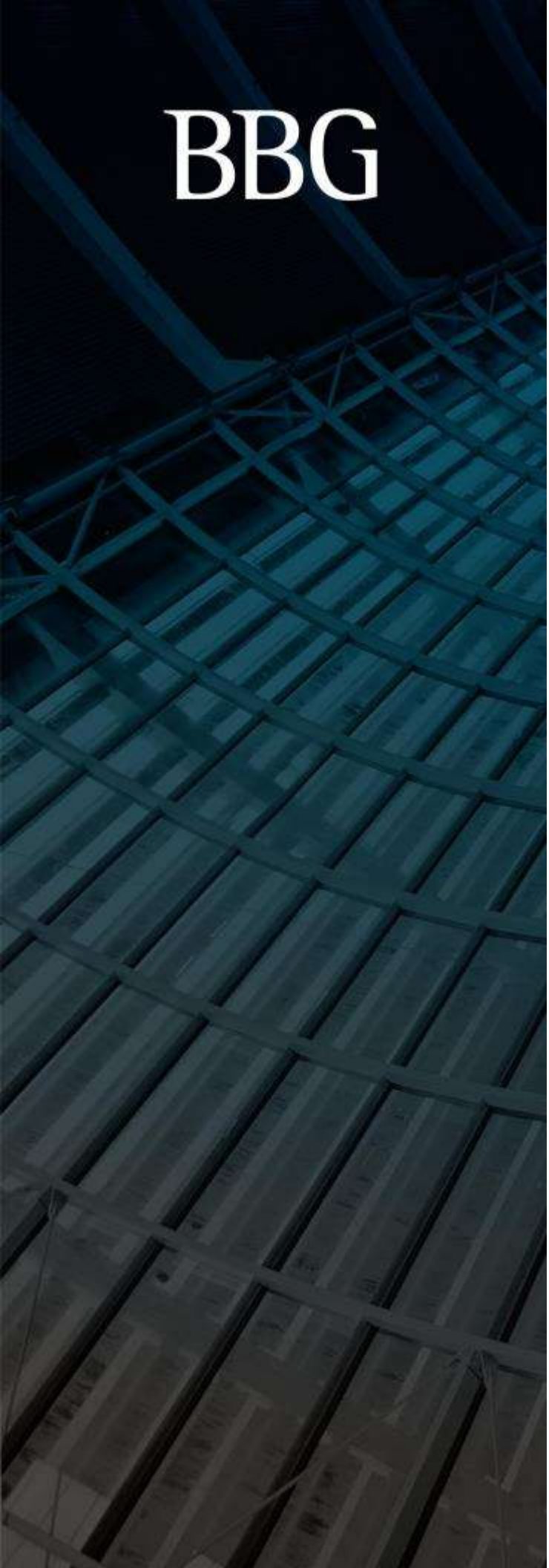
MANN LAUREN H
C/O BBG
112 MADISON AVE
11TH FL
NEW YORK, NY 10016

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-1088 (Rev. 3/01)



APPRAISAL REPORT

Two Attached, 14- and 36-Story Class A Office Buildings
535-545 Fifth Avenue
New York, New York 10017

REQUESTED BY

Mr. Yaron Babila
Finance and Accounting
The Moinian Group
3 Columbus Circle, 26th Floor
New York, New York 10019

PREPARED BY

BBG, Inc.
112 Madison Avenue, 11th Floor
New York, NY 10016

DATE OF VALUE

December 31, 2018

BBG

January 10, 2019

Mr. Yaron Babila
Finance and Accounting
The Moinian Group
3 Columbus Circle, 26th Floor
New York, New York 10019

Re: Appraisal File No. 118013478
Two Attached, 14- and 36-Story Class A Office Buildings
535-545 Fifth Avenue
New York, New York 10017

Dear Mr. Babila:

In accordance with your request, the undersigned have prepared an appraisal of the above-captioned property for the purpose of estimating the fair value of the subject property's leased fee estate in accordance with IFRS-13.

We have appraised the above referenced property, the conclusions of which are set forth in the attached appraisal report. This is an Appraisal Report that is intended to comply with the reporting requirements set forth under Standards Rule 2-2 of USPAP and the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute. In addition, this appraisal has been prepared in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). The depth of analysis discussed in this report is specific to the needs of the client and for the intended use stated in the report.

The appraisals are to be used by Moinian in preparation of IFRS financial statements in connection with a potential TASE offering.

We consent to the inclusion of the valuation in its entirety within the Moinian Limited BVI prospectus to be published in the Tel Aviv Stock Exchange in the first quarter of 2019. The Moinian Group is also an intended user of this report.

NEW YORK

P + 212.682.5360
F + 212.682.2233

112 MADISON AVENUE + 11TH FLOOR
NEW YORK, NY 10016

The subject property consists of two attached, 14- and 36-story, Class A office buildings containing 496,946± square feet of gross building area. The total gross leasable area for the subject is 508,792± square feet, of which 416,768± square feet is office space, 90,740± square feet is retail space, and 1,284± square feet is storage and telecom closet space. The property is 81.80% leased with 27,013 square feet of vacant office space, 65,178 square feet of vacant retail space, and 430 square feet of vacant storage space. The improvements were constructed in 1927-1930 and are in good condition, with recent renovations performed to the common areas.

The subject is located on the eastern blockfront of Fifth Avenue, East 44th and East 45th Streets, in the Grand Central submarket of the Midtown office district, in the Borough of Manhattan, City and State of New York. The site contains a total of 29,100± square feet (two lots) and is zoned C5-3 Commercial within the Special Midtown district. The sites are identified on the tax maps of New York County as Block 1279, Lots 1 and 69.

Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformance with the in accordance with appropriate Federal regulatory authority guidelines specifically the appraisal requirements outlined in Title XI of the Federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) as revised and amended and the Interagency Appraisal and Evaluation Guidelines.

The highest and best use of the subject property "as improved" is continued office and retail use. This conclusion is based, in part on historical and current trends, the demand for office space in the subject market area, and the conformity of the subject to neighboring buildings.

All of the approaches to value have been considered in this report; however, the Income Capitalization and Sales Comparison Approaches have been employed to derive an estimate of the fair value. The Cost Approach was not considered appropriate to the particular appraisal problem at hand for reasons cited within the report. The reported value represents cash or its equivalent value and assumes a marketing time of one year or less.

After carefully considering all available information concerning the subject property and all apparent factors affecting value, it is the opinion of the appraisers that the "as is" fair value of the subject's leased fee interest as of December 31, 2018, is:

SEVEN HUNDRED FORTY MILLION DOLLARS
$740,000,000

The opinion of value expressed herein is subject to the certification, assumptions, limiting conditions, and all other information contained in the following narrative appraisal report.

Thank you for the opportunity to serve you.

Sincerely,





Michelle Zell, MAI
Senior Appraiser
State Certified General Appraiser #46-49921

Philip Ginsberg
Senior Appraiser
Pginsberg@bbgres.com
(212) 682-2969

TABLE OF CONTENTS

INTRODUCTION 1
- IDENTIFICATION OF THE SUBJECT PROPERTY 1
- PURPOSE OF THE APPRAISAL 2
- FUNCTION OF THE APPRAISAL/INTENDED USER 2
- PROPERTY RIGHTS APPRAISED 2
- DATE OF VALUE ESTIMATE 2
- SUBJECT PROPERTY HISTORY 2
- DEFINITION OF REAL ESTATE-RELATED FINANCIAL TRANSACTION 3
- EXPOSURE TIME 4
- ESTIMATE OF REASONABLE MARKETING TIME 4
- EXTRAORDINARY ASSUMPTIONS 4
- HYPOTHETICAL CONDITIONS 4
- SCOPE OF THE APPRAISAL 5
- COMPETENCY 5

CURRENT ECONOMIC CONDITIONS 6
AREA ECONOMIC ANALYSIS - NEW YORK CITY 16
NEIGHBORHOOD DESCRIPTION 27
OFFICE MARKET ANALYSIS 33
GRAND CENTRAL SUBMARKET ANALYTICS 43
SUBMARKET ANALYSIS 50
MANHATTAN RETAIL MARKET ANALYSIS 64
ZONING SUMMARY 75
ASSESSED VALUE AND REAL ESTATE TAXES 78
SITE DESCRIPTION 81
DESCRIPTION OF THE IMPROVEMENTS 116
HIGHEST AND BEST USE 121
APPRAISAL VALUATION PROCESS 124
COST APPROACH 125
INCOME CAPITALIZATION APPROACH 126
- SURVEY OF COMPARABLE OFFICE RENTALS 139
- SURVEY OF COMPARABLE RETAIL RENTALS – SIDE STREET 146
- OPERATING EXPENSE ANALYSIS 151
- ESTIMATED OPERATING EXPENSES 154

DISCOUNT RATE 158
SUMMARY OF DISCOUNTED CASH FLOW ASSUMPTIONS 162
SALES COMPARISON APPROACH 169
COMPARABLE SALES ADJUSTMENT GRID 184
RECONCILIATION AND FINAL VALUE ESTIMATE 186
ADDENDA 187
RENT ROLL 188
ASSUMPTIONS AND LIMITING CONDITIONS 191
CERTIFICATION 196
QUALIFICATIONS 197
LICENSES 199

SUBJECT PHOTOGRAPH



SUMMARY OF FACTS AND CONCLUSIONS

Subject Property:	Two Attached, 14- and 36-Story Class A Office Buildings 535-545 Fifth Avenue New York, New York 10017
Location:	The subject is located on the eastern blockfront of Fifth Avenue, East 44th and East 45th Streets, in the Grand Central submarket of the Midtown office district, in the Borough of Manhattan, City and State of New York.
Tax Map Number:	Block 1279, Lots 1 and 69
Property Description:	The subject property consists of two attached, 14- and 36-story, Class A office buildings containing 496,946± square feet of gross building area. The total gross leasable area for the subject is 508,792± square feet, of which 416,768± square feet is office space, 90,740± square feet is retail space, and 1,284± square feet is storage and telecom closet space. The property is 81.80% leased with 27,013 square feet of vacant office space, 65,178 square feet of vacant retail space, and 430 square feet of vacant storage space. The improvements were constructed in 1927-1930 and are in good condition, with recent renovations performed to the common areas.
Gross Building Area:	496,946± square feet
Gross Leasable Area:	416,768± square feet – office 90,740± square feet – retail 1,284± square feet – storage/telecom closet 508,792± square feet – total
Current Occupancy:	The property is 81.80% leased with 27,013 square feet of vacant office space, 65,178 square feet of vacant retail space, and 430 square feet of vacant storage space.
Year Built:	1927-1930
Site Area:	29,100± square feet (two parcels)
Zoning:	C5-3 Commercial within the Special Midtown district zoning district.

Highest And Best Use:	As Vacant – office and retail development. As Improved – continued office and retail use.
Flood Zone:	The subject site is within Zone X, an area of minimal flooding, according to the FIRM flood hazard map, Community Panel #360497-0088F, effective September 5, 2007.
Exposure Time:	Six months to one year.
Marketing Time:	Six months to one year.
Date of Valuation:	December 31, 2018
Date of Inspection:	January 4, 2019
Property Rights Appraised:	Leased Fee Interest
VALUE ESTIMATES	
Cost Approach:	Not Applied
Income Capitalization Approach:	$740,000,000
Sales Comparison Approach:	$740,000,000
Estimated Fair Value:	$740,000,000

INTRODUCTION

IDENTIFICATION OF THE SUBJECT PROPERTY

The subject is located on the eastern blockfront of Fifth Avenue, East 44th and East 45th Streets, in the Grand Central submarket of the Midtown office district, in the Borough of Manhattan, City and State of New York. The site contains a total of 29,100± square feet (two lots) and is zoned C5-3 Commercial within the Special Midtown district. The sites are identified on the tax maps of New York County as Block 1279, Lots 1 and 69. A metes and bounds legal description is presented as follows:

LEGAL DESCRIPTION

535 Fifth Avenue

All that certain plot, piece or parcel of land, situate, lying and being in the Borough of Manhattan, County of New York, City and State of New York, bounded and described as follows:

BEGINNING at the corner formed by the intersection of the easterly side of Fifth Avenue with The northerly side of East 44th Street;

RUNNING THENCE northerly along the easterly side of Fifth Avenue, 125 feet 5 inches (125 feet 4 inches per survey);

THENCE easterly parallel with 44th Street, 100 feet;

THENCE southerly parallel with the easterly side of Fifth Avenue, 25 feet (29 feet 11 inches per survey);

THENCE easterly and again parallel with 44th Street, 40 feet;

THENCE southerly parallel with the easterly side of Fifth Avenue, 100 feet 5 inches to the northerly side of East 44th Street;

THENCE westerly along the northerly side of East 44th Street, 140 feet to the point or place of BEGINNING.

LEGAL DESCRIPTION

545 Fifth Avenue

All that certain plot, piece or parcel of land, situate, lying and being in the Borough of Manhattan, County of New York, City and State of New York, bounded and described as follows:

BEGINNING at the corner formed by the intersection of the easterly side of Fifth Avenue with the southerly side of East 45th Street;

RUNNING THENCE southerly along the easterly side of Fifth Avenue, 75 feet 5 inches;

THENCE easterly along a line parallel with the southerly side of East 45th Street, 100 feet;

THENCE southerly parallel with the easterly side of Fifth Avenue, 25 feet;

THENCE easterly at right angles to the last mentioned course, 50 feet;

THENCE northerly parallel with the easterly side of Fifth Avenue, 100 feet 5 inches to the southerly side of East 44th Street;

THENCE westerly along the southerly side of East 45th Street, 150 feet to the point or place of BEGINNING.

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to estimate the fair value of the subject property's leased fee interest as of December 31, 2018 in accordance with IFRS 13.

FUNCTION OF THE APPRAISAL/INTENDED USER

The type and definition of value sought in the appraisal of the subject was an "as is" Fair Value opinion for the leased fee interest in the property as of December 31, 2018, subject to the general underlying assumptions and limiting conditions cited herein, and in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). According to the International Financial Reporting Standard 13, Fair Value is defined as: "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

The appraisals are to be used by Moinian in preparation of IFRS financial statements in connection with a potential TASE offering.

We consent to the inclusion of the valuation in its entirety within the Moinian Limited BVI prospectus to be published in the Tel Aviv Stock Exchange in the first quarter of 2019. The Moinian Group is also an intended user of this report.

PROPERTY RIGHTS APPRAISED

The existence of leases within the subject property indicates that the property should be appraised on the basis of a leased fee estate (encumbered). A leased fee estate is an ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others; the rights of the lessor (the leased fee owner) and the lessee (leaseholder) are specified by contract terms contained within the lease.

DATE OF VALUE ESTIMATE

The valuation date of this appraisal is as of December 31, 2018. The property and its environs were inspected on January 4, 2019 by Philip Ginsberg.

SUBJECT PROPERTY HISTORY

According to public records, the subject property is owned by two separate but affiliated entities – 535 Fifth Avenue LLC and 535-545 Fee LLC (The Moinian Group). Both properties were acquired in March 2006 for a reported consideration of $232,500,000, allocated as $116,250,000 for each building as per public records. The Moinian Group purchased the property as part of portfolio along with 509 Fifth Avenue from Emmes Asset Management Co. LLC. The transaction was recorded as Documents 2006000232840 and 2006000232841. There have been no arm's length transfers of ownership since that time (2006). The property is not currently listed or offered for sale.

DEFINITION OF FAIR VALUE

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). That definition of fair value emphasis that fair value is a market-based measurement, not an entity-specific measurement.

When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value.

The IFRS explains that a fair value measurement requires an entity to determine the following:

(a) the particular asset or liability being measured;

(b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis;

(c) the market in which an orderly transaction would take place for the asset or liability; and

(d) the appropriate valuation technique(s) to use when measuring fair value. The valuation technique(s) used should maximize the use of relevant observable inputs and minimize unobservable inputs. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability.

DEFINITION OF REAL ESTATE-RELATED FINANCIAL TRANSACTION[1]

Any transaction involving:

1. The sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof; or

2. The refinancing of real property or interests in real property; or

3. The use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.

[1] *12 U.S.C. 3350(5) (FIRREA section 1121(5)*

EXPOSURE TIME

Exposure time has been defined as the estimated length of time the real property interest appraised would have been offered in the market prior to the hypothetical consummation of a sale at fair value on the effective date of appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.

Exposure time is always presumed to precede the effective date of appraisal. It is our opinion that a normal exposure time for the subject property is 12 months. This conclusion is predicated on interviews with brokers and other real estate industry sources and on information obtained in the verification process. The value reported herein presumes such an exposure time.

ESTIMATE OF REASONABLE MARKETING TIME

Given the subject's location and the marketing times for similar properties in the area, we estimate the marketing time for the subject to be within one year. According to the PriceWaterhouseCoopers (PwC) survey for the Fourth Quarter 2018, marketing time for Manhattan office properties have ranged between 1 and 6 months, with an average of 4.4 months, which is similar to 4.3 months from the prior quarter and below 4.7 months from one year ago.

Extraordinary Assumptions

An extraordinary assumption is defined by the Uniform Standards of Professional Appraisal Practice as “an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions. 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.” In the development of our opinions of value, we have applied the following Extraordinary Assumptions: ***None***.

Hypothetical Conditions

According to The Dictionary of Real Estate Appraisal (6th Edition), a Hypothetical Condition is "that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions 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." In the development of our opinions of value, we have applied the following Hypothetical Conditions: ***None***.

SCOPE OF THE APPRAISAL

BBG, Inc. has been retained by The Moinian Group to prepare a market valuation of the subject property. Within the course of this assignment, the following analyses were prepared:

Analyzed various population, labor, and economic growth statistics, development patterns, and recent real estate activity and competition and related these factors to their impact on the New York City Midtown office and retail markets.

Performed an interior and exterior inspection of the subject property.

Determined the Highest and Best Use of the subject property based on an analysis of all relevant factors.

Researched and ascertained various support information (e.g., rental data, improved comparable sales, market and area demographics, etc.) in deriving a current fair value estimate.

Projected occupancy based on the subject's present occupancy and neighborhood market conditions. Additional consideration was given to present supply and demand factors and current occupancy ratios in the subject area, as well as the availability of alternative office space in competitive areas.

Determined annual rent (as encumbered), projected occupancy, and forecasted operating expenses. The appraiser utilized actual income and expense information at the subject property and evaluated rentals and expenses of several nearby office buildings in order to determine the subject's income potential in deriving a current fair value estimate.

Estimated the “as is” fair value of the leased fee interest of the subject property as of December 31, 2018.

COMPETENCY

We have specific knowledge of appraisal methods and practices to complete the assignment competently and have extensive experience in appraising similar properties.

CURRENT ECONOMIC CONDITIONS

U.S. Economy – GDP growth accelerated in the second quarter due to strong agricultural export demand from China, ahead of tariff deadlines and a rebound of consumption spending from a sluggish first quarter. Non-residential business investment and government spending also added to growth while the national labor market remained robust. The only wavering sector is housing, which was a drag on first and second quarter growth.

Financial Markets – Equity markets struggled through the second quarter and only recently surpassed their prior highs set in February. However, fundamentals remain positive including the fiscal stimulus and tax cut, strong corporate profits, and record share buybacks. Wall Street profits were up strongly in the first half of the year.

Monetary Policy & Inflation – The Fed continued to tighten with measured rate hikes and has begun trimming its balance sheet, citing a strengthening labor market and an approaching inflation target. The higher short-term rates resulted in a flatter yield curve. The Fed also announced that nearly all banks passed the annual stress test exercise.

New York City Labor Market - While the City's labor market continued to grow moderately, the pace has slowed in the first half of the year. Although the unemployment rate is near records lows and the labor force participation rate has increased, wage growth remains muted. Most of the new jobs this year have come in education & health and professional & business services.

New York City Residential Market – Activity in the residential market downshifted in the first half of the year with condo sales and prices dropping. Financing has become more expensive as mortgage rates climbed half a percentage point in 2018. The growth of City rental rates slowed at the end of 2017 but have rebounded modestly this year.

New York City Office Market – The demand for office space remained robust with first half leasing totals up from the first half of 2017. Midtown leasing was particularly strong with major deals signed by Pfizer and JPMorgan. Downtown leasing was slower, and the opening of 3 World Trade Center added over a million and a half square feet of new inventory to the market.

New York City Tourism – Tourism in New York maintained momentum in the first half of the year. Hotel occupancy, prices, and Broadway attendance all rose through the start of 2018, and it is expected that the annual tally of visitors—both domestic and international—will set another record this year.

The U.S. Economy

The release of the comprehensive update to national GDP data revealed a stronger economy than earlier estimated, and the second quarter received an (expected) boost from booming agricultural exports as Chinese buyers stockpiled grain ahead of tariff deadlines. BEA's estimates of second quarter annualized growth was 4.2% while first quarter growth was revised to 2.2%, up 0.2 percentage points from the prior estimate. The slow first quarter was due partly to a weak contribution from consumption, which accounted for just 0.36 percentage points of growth, well under the 2 percentage point average over the last 5 years. Consumption spending on goods

subtracted 0.13 percentage point from first quarter growth, the first negative contribution in nearly 7 years, while spending on services was also slow. However, consumption rebounded in the second quarter, contributing about 2.6 percentage points to total growth.

Investment spending continues to provide a tailwind with non-residential business investment providing approximately 1.5% and 1.1% to growth in the first and second quarters, respectively, well above the 5-year average of 0.5 percentage points. This boost was evident in other measures of business spending. Manufacturers' new orders of non-defense capital goods excluding aircraft—a proxy for business investment—strengthened through 2017 and grew 7.2% (year over year) in the second quarter, up from 6.8% in the first.

However, the other two major investment components—housing and inventories—were a headwind. The contribution from residential investment was negative in the first half of the year, subtracting an average of about 0.1 percentage points per quarter from growth. Housing has been a drag in 6 of the last 10 quarters, and most indicators continue to signal subdued growth. Housing starts in the first quarter declined 4.2% (quarter over quarter), down from a 4.6% gain the first quarter. Likewise, over the same period, new home sales slumped, falling 1.5% from the first. While not as significant from a GDP standpoint, existing home sales also faded, dropping 1.7% in the second quarter after shedding 1.5% in the first. Mortgage rates have climbed half a percentage point in the first half of the year (to 4.5% as of July) and are expected to continue rising, which will constrain real estate sales. Likewise, change in private inventories was a large drag in the second quarter, subtracting a full percentage point from growth as producers ran down their stockpiles. Removing this volatile component yields an annualized growth rate of 5.3%, the highest since 2006.

Net exports provided nearly 1.2 percentage points to growth in the second quarter, up from a modest drag in the first. This was widely anticipated due to a surge in purchases of U.S. agricultural products in advance of regulatory tariffs. In April, China announced a 25% duty on U.S. soybeans triggered by the implementation of U.S. tariffs on Chinese goods, which ultimately occurred on July 6th. In anticipation of a price hike, Chinese soybean purchases boomed, with the value of U.S. exports more than doubling in May and June to $8.4 billion, 115% higher than the same year-ago period. The impact is expected to be transitory as China shifts its orders to other exporters, primarily Brazil and Argentina. Preliminary trade data supports this view. Exports of food, feeds, and beverages soared 14.1% in May (month over month) but contracted in June and July.

Government spending provided a boost in the first half of the year, due largely to robust defense expenditures. Federal spending in the second quarter provided 0.24 percentage points of growth, up from 0.17 percentage points in the first quarter and well above the 5-year average of about -0.1 percentage point (drag). This is likely a result of the 2-year increase in federal spending caps enacted in the Bipartisan Budget Act signed in February and, as such, will be temporary unless extended by Congress.

The advance GDP estimate released in July included the 5-year comprehensive update which revised data back to 1929, altered the base year for the GDP deflator, and incorporated a new seasonal adjustment methodology. Annual growth rates show only small changes. For example,

real GDP for 2017 was revised down by 0.1 percentage point to 2.2% while 2016 growth was revised up slightly. Adjustments nominal GDP levels were relatively large, however. The 2017 level increased by $94.8 billion (or 0.5%). One of the elements of this increase was a substantial boost to estimates of personal income, due largely to increases to proprietors' income and compensation levels. This, in turn, resulted in a large increase in the personal savings rate which was revised up from 3.5% to 6.7% in 2017. This significantly changes the view of consumer behavior. Prior to the revision, personal savings rates declined from 6.1% in 2015 to 3.4% in 2017. After the revisions, this drop has been significantly muted with savings rates now falling from 7.6% to 6.7% over the same period and remaining around 7% in the first half of 2018. From a growth standpoint, that implies that the current levels of consumption spending are likely sustainable in the near future.

The national labor market shows no signs of slowing. Through the first half of the year, the pace of job creation averaged 215,000 per month, up from 182,000 in 2017. With the unemployment rate near 18-year lows, the only way to maintain this pace is for the labor force participation to increase. Starting in March, the number of available openings has exceeded the number of workers searching for jobs. Driven by demographic trends, labor force participation has dropped steadily since 2000, hitting a low of 62.3% in 2015. Since then, it has been roughly flat, moving in a narrow band between 62.5% and 63%. There is some evidence that there are still some available workers on the sidelines. The last time the national unemployment rate fell below 4% (April 2000), the broadest measure of unemployment—including total unemployed, marginally attached workers, and total part-time workers who want full-time work—fell to 6.9%. Currently, this U6 measure is still a half percentage point higher at 7.4% in August.

Except for housing, nearly all economic cylinders are firing in sync and growth in the near term seems assured. However, the biggest risk is the building trade conflict between the U.S. and its major partners. While the scale of U.S. tariffs on Chinese goods started small, affecting $50 billion of products (about 10% of total U.S. imports from China in 2017), the Trump administration recently announced further levies on an additional $200 billion worth of Chinese goods. Aside from the impact on prices, the scrambling of investment decisions will lead to many unintended consequences such as the announcement that Harley-Davidson would move some of its production to Europe to avoid retaliatory tariffs from the EU. Should protectionism escalate, the realignment of global supply chains will ultimately impede global growth. A recent paper by the St. Louis Fed analyzes the macro performance of countries that raised tariffs and find that, on average, per capita GDP, wages, and investment to GDP ratios fall relative to trend after tariff actions. Moreover, as of September, the current economic expansion has entered its 111th month, the second longest run in the post-WWII period. While it is possible that the U.S. economy will surpass the record of 120 months set during the tech boom, the uncertainty created by the current trade frictions may constitute a significant headwind.

Financial Markets

After achieving a record high at the end of January, equity markets slumped heavily in February and struggled this year to regain their prior peaks. The S&P 500 and Dow hit all-time highs on January 26th, only to shed over 10% over the next 2 weeks. The S&P 500 slowly recovered and finally recouped the losses by the end of August. The Dow, however, remained below the prior peak. The second quarter was volatile with equity markets buffeted by escalating trade frictions

as the administration announced tariffs on an array of products from steel and aluminum to washing machines and solar panels. Predictably, these drew tit-for-tat responses from trading partners which scrambled investment plans and supply chains. Despite the uncertainty, equity prices managed modest increases in the second quarter with the S&P up 2.9% while the Dow eked out a 0.7% gain. Subsequently, the market strengthened through July and August with the S&P and Dow both advancing by nearly 7%.

Retail investors reacted predictably to the uncertainty. According to ICI data, investors pulled money out of equity mutual and equity ETF funds in 5 of 6 months ending in July, the longest stretch of outflows since the period just prior to the presidential election. Through the first 7 months of 2018, equity funds grew by $14 billion, just 10% of the inflows over the same period last year. By contrast, bond funds attracted $156 billion year to date through July.

Nevertheless, most market fundamentals are still strong. The fiscal stimulus from the tax cut and robust labor markets are helping to mitigate the negative impact of the trade spat. Corporate profits have grown for 5 consecutive quarters to $2.25 trillion (seasonally adjusted annual rate), surpassing the prior $2.19 trillion record set in third quarter 2014. Likewise, earnings growth for firms in the S&P 500 accelerated to nearly 27% (year over year) in the first and second quarters. In addition, firms have been repurchasing their shares at a record pace. S&P 500 firms bought back $190 billion of shares in the first quarter, surpassing the prior quarterly record of $172 billion in third quarter 2007.

There is evidence that a large portion of the buyback financing is coming from repatriated overseas profits. Moody's Investors Service estimates that total offshore cash held by U.S. non-financial firms was about $1.4 trillion in 2017, and the Tax Cut and Jobs Act ("TCJA") significantly lowered the incentives for U.S. firms to continue holding these profits overseas. As a result, BEA's international transactions data for the first half of 2018 showed a massive jump in direct investment dividends which soared to $464 billion, up from just $73 billion in the first half of 2017. Since the benefit of delaying the repatriation of overseas profits has been effectively eliminated by the TCJA, at the current pace, this boost is likely to continue for a year or more as firms return cash from offshore. One ancillary impact is that firms are relying less on debt markets. Over the past 5 years, the value of corporate bond issuance has grown an average of 3.8% per year and set new records from 2012 through 2017. This streak appears to be ending with issuance down 13% in the first half of 2018.

Record low interest rates were also an important factor driving the robust corporate borrowing over the past 5 years. However, interest rates have been climbing, particularly at shorter durations, with 2-year treasury yields rising 63 basis points in the first half of 2018. Over the same period, 10-year yields gained just 45 basis points, bringing the 10-year less 2-year spread to below a quarter percentage point for the first time since 2007. The concern is that an inverted yield curve—with longer yields below shorter rates—is a fairly dependable harbinger of an economic downturn. While the spreads have not yet become negative, the Fed intends to continue tightening which is expected to result in a flattening yield curve through the rest of the year.

Interest rate swings have consequences for Wall Street profits. A steep yield curve is generally good for banks since they borrower short and lend long. As a result, rising short rates have become a minor drag on profits. While NYSE member firms earned a robust $13.7 billion in the first half of 2018 (up 11% year over year), their interest expenses were up 83%.

Monetary Policy & Inflation

The Federal Reserve continues to gradually raise interest rates despite fears of an intensifying trade war. In the first half of the year, the Fed executed 2 quarter point hikes with the June tightening marking the sixth hike since 2015. The current target range is between 1.75% and 2%, and the current Effective Federal Funds Rate ("EFFR") is standing at 1.91% as of early July. The majority (76%) of respondents to the Blue Chip survey expect two more hikes by year end which would bring the benchmark to a range of 2.25% to 2.50%. In response to heightened risks from trade frictions, the Fed claims that its monetary stance remains accommodative despite recent tightening. In addition, the Fed has continued to urge large banks to maintain a significant level of capital through the annual stress test in case of financial volatility.

The paths of inflation and employment are 2 key factors for determining the number of rate hikes this year. On a year over year basis, the core personal consumption expenditures price index ("PCE"), the Fed's preferred inflation measure, hit the FOMC's longer term objective of 2% in May for the first time since April 2012. Citing faster economic growth driven by a tight labor market, tax cuts, and an increase in government spending, Fed officials expected the annual PCE price indexes to accelerate. However, inflation has remained relatively low by historical standards.

The June unemployment data bolstered the Fed's case for further hikes. The report showed employers added 213,000 jobs in June; meanwhile, the unemployment rate bounded back to 4% from 3.8% a month earlier. However, labor force participation grew by 601,000 as workers who were not actively looking for jobs are now re-entering the job market due to a more positive outlook. The right labor market raised concerns about potential risks to inflation and financial stability, which reinforced the direction of the current Fed rate policy.

The Fed has also begun to reduce its balance sheet by cutting back on the number of maturing bonds it reinvests in the market. The total assets held by the Fed have dropped from a peak of $4.5 trillion to $4.3 trillion in June. The reduction of its total asset holdings has been slow. On a monthly average, total assets held by the Fed fell at a rate of -0.5% for 2018. It would take the Fed decades to reach normalization at this current pace. The Fed held an average of $800 billion in total assets before the recession with data going back to 2002.

The behavior of the EFFR has recently become an issue as it approaches the upper boundary of the Fed's target. Fed Chairman Powell acknowledged this concern and announced measures to keep the rate "closer to the middle." One of the Fed's measures to exert control over the EFFR is the "interest on excess reserves" rate ("IOER"), which was kept at 1.95 despite the federal fund target ceiling rising to 2%. This set the interest rate paid on reserve balances 5 basis points below the upper bound of the target range. Due to the large amount of surplus in the financial system from the crisis-era quantitative-easing program, the Fed has been effectively controlling the target EFFR by influencing the IOER and the "overnight reserve repurchase" ("RRP").

As mentioned, another noticeable concern is the flattened yield curve, driven largely by the Fed's short-term rate hikes. The gap between the 2- and 10-year treasury yields has been declining steeply. If this continues, long-term interest rates will fall below short-term rates. Historically, an "inverted" yield curve has been a reliable harbinger of an impending recession. However, the interval between inversion and recession has been variable and, according to researchers at the San Francisco Fed, this could be somewhere between 6 months and 2 years.

As the interest rate gains momentum, the Congressional Budget Office ("CBO") has examined its effect on the growing federal debt. The forecasts in the CBO's recent annual long-term report reveal that borrowing costs and the growing levels of federal debt would make federal debt payments 3.1% of the gross domestic product in 2028 and reach 6.3% by 2048. If this trend continues, interest payments on national debt would equal Social Security expenses by 2048. The CBO claimed that the rising interest rate and rising government debt would reinforce each other in a vicious cycle. The CBO forecasts that the Federal Reserve will raise its benchmark interest rate to 4% in 2021. However, the Fed's March economic projection shows a more modest median rate of only 3.4% for 2020, below the CBO's estimation.

In its role as bank regulator, the Fed recently concluded its annual stress test exercise. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (i.e., "Dodd-Frank"), state non-member banks and state savings institutions with total consolidated assets of $10 billion or more are required to conduct annual stress tests. Dodd-Frank stress testing directed by the Fed evaluates whether banks have enough capital under adverse economic conditions. Banks were also faced with a severely adverse scenario, including a deep global recession, accompanied by a steepening yield curve in which U.S. real GDP dropped 7.5% from its pre-recession peak, unemployment reached 10%, and a financial meltdown occurred in Asia. In addition, the severe scenario projected banks would lose $578 billion during the recession.

The Fed announced in June that all 35 banks met the regulatory minimums for capital, which means that all would be able to keep lending in the severe recession scenario. However, only 34 banks could pay dividends and buy back their own shares—the lone outlier was the U.S. branch of Deutsche Bank. Meanwhile, two Wall Street giants—Goldman Sachs and Morgan Stanley—were given "conditional approval" to payouts under the conditions that they will keep their shareholders' payouts near last year's levels and increase capital cushions over the next year. Goldman Sachs and Morgan Stanley both reported one-time accounting losses due to the new tax law. Financial institutions that announced they had voluntarily scaled back planned payouts to win the Fed's approval were American Express, JPMorgan Chase, KeyCorp, and M&T Bank.

New York Labor Market

Private sector job growth remains solid but continues to decelerate from 2014's record high 3.8% annual average growth rate (an addition of 130,100 positions on an annual average basis). Since then, private job growth slowed to a 2.1% pace (81,000 jobs) in 2017. With public sector jobs contracting slightly in 2017, total unemployment grew just 1.9%, the first sub-2% pace in 7 years.

The New York City labor market slowed further in 2018; on an annual average basis, private employment through the first half of the year increased 1.9%. Forty-five percent of new jobs

were created in education & health services while 22% came from professional & business services. The breakdown was similar for full year 2017 when these two sectors accounted for 67% of private job growth. This was the highest proportion since 2010 during the rebound from the recession when they comprised over 90% of job growth.

Based on the seasonally adjusted monthly data, financial activities increased 2,300 positions through the first 6 months of 2018. This gain reflects strength in the financial and insurance subsector, which added 4,100 jobs and offset 1,800 job losses in real estate. Real estate employment, despite its recent slump, stands 8.7% above its pre-recession peak. The banking sector added 1,500 jobs while the insurance industry reduced its payrolls by 400. The highly compensated securities sector posted 2,900 new positions but is still 5.9% below its prior peak.

Several other sectors have been performing well. Retail trade has delivered 5,900 jobs through the first half of 2018, the most through this period since 2013. Meanwhile, leisure & hospitality employment advanced with 3,300 jobs. The information sector, which encompasses media such as newspapers, motion pictures, and sound recording as well as communications and many tech firms, added 1,100 positions through June and exceeded its pre-recession peak by 17.1%, or 29,100 jobs.

The slower job growth over the past few years is a result of the tightening labor market. The annual average unemployment rate in 2017 hit 4.6%, and hourly wages registered an annual average of $35.14 in 2017, representing 3.6% year over year growth, the strongest since 2008. As of June, the unemployment rate fell to a new record low of 4.3% while the labor force participation rate has been hovering near historic highs between 60% and 61%. However, despite a tight labor market, wage pressures are muted: hourly wages in the first half of 2018 averaged $35.89—2.4% higher than the same period a year ago.

Private sector wage earnings grew 7% in 2017 (the highest annual increase since 2014), driven by growth in the financial sector. The finance and insurance industry saw wage earnings jump 10.7% from the prior year, exceeding OMB's forecast. Earnings in the securities subsector grew by 12.7%. Excluding finance, private sector earnings grew 5.5%. Other sectors with notable earnings growth in 2017 were health care (6.6%--the highest since 2003) and retail trade (4.9%--the strongest since 2014).

New York City Residential Market

Residential market activity picked up in 2017 but revealed early signs of reversal this year. According to data from the Department of Finance ("DOF"), the total number of residential transactions, which include single-family homes, co-ops, and condominiums, grew 2.6% in 2017—bouncing back from the slight 0.2% decline in the prior year. The condominium market was particularly strong, registering 9.8% growth (strongest in 4 years) in transactions over the year. Through the first quarter of 2018, however, the sales count and average price of condos plummeted 16.3% and 17.8%, respectively, from the prior year. Manhattan condos were particularly affected; the sales count fell 23.9% for the worst decline since 2009, and the average price decreased by 15.3%, the worst since 2003.

Data from Douglas-Elliman Real Estate also indicates a downturn in higher end properties. According to the first quarter report, the average sale price for a condo in Manhattan fell 10.9% from the prior year while the number of sales plummeted 33%. In the second quarter, the price and sale count were down by 4.9% and 20.5% annually, respectively. Also in the second quarter, the absorption rate (estimated months required to sell all listings at the current rate of sales) for condos allowed from 7.2 months in the prior year to 9.5 months. Meanwhile, luxury properties (above $4 million) registered nearly flat average prices (0.2% increase) and a 18.6% decline in sales. The absorption rate for these properties jumped by 4 months.

Meanwhile, mortgage rates have been rising. In 2017, a 30-year fixed rate mortgage average 3.99%--the highest in 3 years. The payment on a mortgage for an average priced (of all residential transactions) New York City home in 2017 (assuming 20% down payment and tax liabilities) would require annual interest payments of approximately $20,000 along with a $27,000 principal. That's about an extra $2,500 in annual interest and $900 in principal than for an average priced home in 2016 when the mortgage rate was at a more favorable 3.65%. Affordability has deteriorated further in 2018 with the 30-year fixed mortgage rate increasing by 50 basis points through the first half.

According to the StreetEasy Rent Index, the City's rental rates grew 0.3% on an annual average basis, the slowest since the Great Recession. Growth resumed in the first half of 2018 with the rent index growing by 0.8% from the same period last year. The StreetEasy rental index uses a Case-Shiller repeat sales approach in that it tracks price changes using the asking rents for units with more than one recorded transaction in the StreetEasy system, thus controlling for composition changes in the rental inventory. Coverage includes Manhattan, Brooklyn, and Queens.

The issuance of building permits, a measure of future housing supply, remains robust albeit slower than the prior year. Through the first half of 2018, the City issued permits for 10,927 units—down from 12, 023 through the same period last year. So far this year, Brooklyn has been the top contributor of building permits with an issuance of 3,502 followed by the Bronx (2,865), Queens (2,259), and Manhattan (1,999). Staten Island saw the issuance of permits for 299 units.

New York City Office Market

Manhattan office demand remains robust. In 2017, leasing activity totaled 30.5 million square feet, up 16% from the prior year. Downtown leasing was especially active, rising 63.6% annual, while Midtown leasing grew 8.6%. The average rental rate by the end of 2017 was $72.25 per square foot, which was 0.8% lower than it was the previous year. Meanwhile, the total vacancy rate was down annually by 0.4 percentage points at 8.9%.

Work places are consolidating and using space more efficiently. Even though occupied office space in 2017 hits its highest level since 2008, there was less space allocated for each employee than even a year ago. In 2017, there was 257 square feet of occupied space for every office using employee vs. 261 square feet in 2016. This downward trend has been evident for many years, starting from the 1995 peak of 315 square feet per employee.

The office market is off to a solid start in 2018. Through the first half, leasing activity totaled 16.1 million square feet—up from 15.4 million square feet last year. Midtown leasing accounted for 13.4 million square feet, up 9.2% year over year, while Downtown activity was down 11.7%. A 7% rental rate jump Downtown accompanied its slump in leasing activity, due most likely to the relatively high rents in the new World Trade Center buildings. The overall vacancy rate was 9.2% in June—same as last year—due to the opening of 3 World Trade Center which added 1.6 million square feet of new inventory to the market.

Several major deals have fueled activity in Midtown. The largest lease in the first half of the year was Pfizer's nearly 800,000 square foot lease at 66 Hudson Boulevard. JPMorgan Chase, while planning to demolish and rebuild its 52-story headquarters at 270 Park Avenue, took on a 418,000 square foot lease at 390 Madison Avenue. In the next few years, Midtown activity will likely remain robust, and vacancy rates will increase as major ongoing projects such as One Manhattan West, On Vanderbilt, and 30 Hudson Yards enter the market.

Commercial sales have been mixed this year; through the first quarter, the sales count of commercial transactions declined 1% from the prior year. However, the average price jumped 65.2% year over year which, in turn, pushed the total transaction value for the first quarter up 63.6%. Sales of large commercial properties (valued at $100+ million) has also been outperforming. Through the first quarter of 2018, 12 large buildings changed hands with a total value of $6.5 billion, more than double than in the same period last year. The jump is attributable largely to Google's purchase of the Chelsea Market building for $2.4 billion.

New York City Tourism

Tourism in New York has also had a good start in 2018, and NYC & Company is forecasting strength for the full year. Hotel occupancy, room rates, and Broadway attendance all rose through the start of 2018. According to the NYC & Company forecast, the number of visitors will increase form 62.8 million in 2017 to 65.1 million in 2017, a 3.7% year over year growth. The gains will be driven by both domestic and international visitors. NYC & Company projections indicate that better economic conditions will boost domestic visitors to 3.6% (to 51.4 million) while it is expected that international visitors will increase 4.1% (to 13.7 million) if global economic and political condition hold. This would be the first time since 2013 that international markets outpace domestic travel growth.

Broadway, a major City attraction, reflected a strong first half in 2018. In the first 25 weeks of the year, Broadway shows reported gross revenue of $849.1 million, up 10.5% from $768.4 million in 2017. Attendance also grew by 1.1% (to 6.8 million), implying that much of the revenue growth was due to higher ticket prices.

Hotel inventory continues to expand in 2018, but at a slower pace than 2017. After a 4% jump from 112,000 rooms in 2016 to 116,500 in 2017, the active room inventory has grown in 2018, to 117,300 through April. However, this improvement was due to big jumps in January followed by declining inventory in the subsequent 3 months. Hotel room nights sold in first quarter 2018 increased 6.5% from the same period last year, the highest growth rate since first quarter 2014. Furthermore, the occupancy rate was 78.9%, the highest first quarter rate in 4 years. Room rates averaged about $224 in first quarter 2018, up from $215 in first quarter 2017.

REGIONAL MAP



AREA ECONOMIC ANALYSIS - NEW YORK CITY

The New York Metropolitan Statistical Area (MSA) consists of the City of New York's five counties and the counties of Westchester and Rockland. The subject property is located in the City of New York, New York County (Manhattan). New York City's five boroughs cover 309 square miles.

The borough of Manhattan, or New York County, forms the central political, financial, and cultural core of the City and is the economic growth engine for the Greater New York region. Seventy-five percent of the City's employees work in Manhattan, which is home to the Midtown and Downtown business districts. The City's other boroughs are the Bronx, Brooklyn, Queens, and Staten Island (otherwise known as Bronx, Kings, Queens, and Richmond Counties). They also have stronger, albeit significantly smaller, economies than Manhattan. Brooklyn and Queens have the largest behind Manhattan.

Population

NEW YORK CITY TOTAL POPULATION 1970-2023

	1970	1980	1990	2000	2010	Est. 2018	Est. 2023
Overall	7,894,862	7,071,639	7,322,564	8,008,278	8,175,133	8,598,697	8,816,703
% Change	N/A	-10.4%	3.5%	9.4%	2.1%	5.2%	2.5%
Bronx	1,471,701	1,168,972	1,203,789	1,332,650	1,385,108	1,470,151	1,514,767
% Change	N/A	-20.6%	3.0%	10.7%	3.9%	6.1%	3.0%
Brooklyn	2,602,012	2,230,936	2,300,664	2,465,326	2,504,700	2,647,777	2,717,521
% Change	N/A	14.3%	3.1%	7.2%	1.6%	7.0%	3.1%
Manhattan	***1,539,233***	***1,428,285***	***1,487,536***	***1,537,195***	***1,585,873***	***1,651,786***	***1,686,012***
% Change	***N/A***	***7.2%***	***4.1%***	***3.3%***	***3.2%***	***4.2%***	***2.1%***
Queens	1,986,473	1,891,325	1,951,598	2,229,379	2,230,722	2,350,974	2,413,050
% Change	N/A	4.8%	3.2%	14.2%	0.6%	5.4%	2.6%
Staten Island	295,443	352,121	378,977	443,728	468,730	478,009	485,353
% Change	N/A	19.2%	7.6%	17.1%	5.6%	2.0%	1.5%

Source: 1970-2010, US Census
2018 Nielsen Segmentation Solutions

New York City is home to nearly 8.6 million people in nearly 3.3 million households. Brooklyn is the most populous borough with 31% of the City's population. Manhattan's 1.65 million residents, at over 57,000 residents per square mile, make it one of the most densely populated residential areas in the nation. While the 1970's and 1980's saw the continuing trend of ex-migration of city residents to neighboring suburbs, due primarily to high housing costs and density of living, the total population is bolstered by the large number of immigrants arriving in the city each year.

The 9.4% increase in New York City's census population from 1990 to 2000 can be attributed to the increasing appeal of the City over the course of the long, recent economic expansion as well as the increasing immigrant population. In addition, more accurate Census counts may have benefited New York during this Census period. After a relatively modest increase of 2.08%

between 2000 and 2010, the City's population is expected to increase by 2.5% between 2018 and 2023. New York City was one of the nation's few major cities to experience an increase in its population during the past decade. The City's population now totals 43.45% of the state's total population. Except for Staten Island, each of New York City's five boroughs has a population greater than 1.47 million.

New York City Economic Overview – Historical

The economy of New York City is the largest regional economy in the United States. Anchored by Wall Street, in Lower Manhattan, New York City has been characterized as the world's premier financial center and is home to the New York Stock Exchange and NASDAQ, the world's largest stock exchanges by market capitalization and trading activity. In 2015, the New York City Metropolitan Statistical Area generated a gross metropolitan product (GMP) of over $1.60 trillion, while the Combined Statistical Area produced a GMP of over $1.83 trillion, both ranking first nationally by a wide margin and behind the GDP of only nine nations and seven nations, respectively. The city's economy accounts for the majority of the economic activity in the states of New York and New Jersey.

New York is distinctive for its high concentrations of advanced service sector firms in fields such as law, accountancy, banking and management consultancy, and is the top global center for the advertising industry, which is metonymously referred to as "Madison Avenue"; while Silicon Alley, metonymous for New York's broad-spectrum high technology sphere, continues to expand. Many major corporations are headquartered in New York City, including 45 Fortune 500 companies. New York is also unique among American cities for its large number of foreign corporations. One out of ten private sector jobs in the city is with a foreign company. New York City has been ranked first among cities across the globe in attracting capital, business, and tourists.

The financial, insurance, health care, and real estate industries form the basis of New York's economy. The city is also the most important center for mass media, journalism and publishing in the United States, and is the preeminent arts center in the country. Creative industries such as digital media, advertising, fashion, design and architecture account for a growing share of employment, with New York City possessing a strong competitive advantage in these industries.

New York City Economic Overview – Current

Private sector jobs in New York City rose over the year by 72,500, or 1.8 percent, to 4,025,500 in November 2018. Gains were greatest in educational and health services (+38,500), professional and business services (+12,000), leisure and hospitality (+11,000), natural resources, mining and construction (+5,700), other services (+4,700), and trade, transportation and utilities (+2,800). The manufacturing and finance sectors were relatively flat for the month (both -100), while information lost jobs (-2,000).

The city's over-the-year picture remained positive, with six sectors adding jobs for the 12 months through November 2018, while three sectors lost jobs. The city's over-the-year private sector growth rate (+1.8 percent) was above the comparable rate for the state (+1.4 percent), but below the nation (+1.9 percent).

The city's seasonally-adjusted unemployment rate was 4.0 percent in November 2018, unchanged from October and down 0.4 of a percentage point from November 2017. New York State's rate was 3.9 percent in November 2018. The share of the city's working age population (16+) who were employed was 58.4 percent in November 2018.

The following economic overview of New York City's economy with a focus on retail was provided by the ***Employment in New York State Newsletter*** (November 2018) prepared by the New York State Department of Labor, the most recent report available for the New York City market.

Overview

New York City has enjoyed strong, broad based employment growth during the current economic expansion. Between September 2009 and September 2018, New York City's private sector job count grew by 829,300, or 26.6%. This was well ahead of the nation's growth rate of 17.6% over the same period. Looking over the past year, the city's labor market remained strong as its private sector employment count rose by 1.9%, or 71,900, to 3,949,700. This was a new all-time high job count for the month of September.

Steady growth in the city's employment base helped to bring the city's seasonally adjusted unemployment rate down to 4.0% in September 2018, a new all-time low. In this article, we take a detailed look at four industry sectors that added private sector jobs in New York City between September 2017 and September 2018.

Growing Sectors

The educational and health services sector is the city's largest source of employment, accounting for about 25% of all private sector jobs. Employment in this sector tends to grow at a moderate, but steady, pace. It is largely driven by long-term demographic and sociological trends, such as an aging population, more people seeking college degrees and a rise in the number of dual-income families. Although the city experienced several hospital closures in recent years, this sector continued to grow, adding 40,400 jobs over the past year. Ambulatory care services and home health services were very strong performers within the sector, adding 19,200 and 20,500 jobs, respectively.

New York City welcomed 62.8 million tourists in 2017, breaking records for the eighth consecutive year. Strength in travel and tourism helped the city's leisure and hospitality sector reach an all-time employment high of 452,100. With growth continuing into 2018, the sector added 11,300 jobs since September 2017. This robust increase is due to several factors, including new hotel openings, especially in Brooklyn and the Long Island City portion of Queens, and a surge in restaurant and bar openings. Food services and drinking establishments added 6,000 jobs in September 2018, an increase of 1.9% from the year before.

The professional and business services sector – which employs more than 750,000 people working in everything from law offices to building maintenance firms – showed over-the-year job gains of 6,100 in September. Since the end of the recession, this sector has benefited from the recovery in corporate profit margins and has been a standout performer throughout the current economic expansion. Within the sector, professional, scientific and technical services saw particularly strong job gains (+6,000) in September 2018. A large part of that gain was due to an employment increase of 3,200 in computer systems design and related services. That industry has set new all-time employment highs in each of the past eight years and is well on track to repeat in 2018.

New York City's financial activities sector occupies a key position in the overall economy. About 65% of sector jobs in the state are located in New York City. Moreover, the sector brings in significant amounts of tax revenue to the state and city. Sector employment count grew by 2,300 over the past year. Finance and insurance, which contains the bulk of what are generally considered to be direct "Wall Street" jobs, grew by 2,300 jobs, while the job count in the real estate and rental component of the financial sector was flat compared to last year. Residential real estate prices have recently retreated from recent all-time highs.

Summary

Over the past several years, New York City has staged an impressive recovery from the depressed employment levels reached during the "Great Recession." At present, the city's private sector job count is at an all-time high for the month of September and is poised for continued growth. Moreover, the city's seasonally adjusted unemployment rate is now at an all-time low (current records extend back to 1976).

A diverse set of industry sectors continue to exhibit strength. If current trends persist, New York City's private sector will enjoy its ninth consecutive year of employment growth and could surpass the four million job mark by the end of 2018.

Employment

As of November 2018, Manhattan's unemployment rate decreased to 3.3%, down slightly from previous quarters averages and below the average for 2017. A similar trend is also evident for New York City as a whole, which indicates a currently unemployment rate of 3.7%, down from 4.5% as of 2017. Unemployment has fluctuated in New York State as well over the past few months, indicating a downward trend. Overall, the average unemployment rate for 2018 was lower than the 2017 and 2016 year averages for city and state levels. The following table illustrates historical and current unemployment rates for Manhattan, New York City, New York State, and the United States:

UNEMPLOYMENT RATES

Year	Manhattan	New York City	New York State	USA
2005	5.1%	5.8%	5.0%	5.1%
2006	4.3%	5.0%	4.5%	4.6%
2007	4.3%	5.0%	4.6%	4.6%
2008	4.9%	5.6%	5.4%	5.8%
2009	8.4%	9.3%	8.3%	9.3%
2010	8.6%	9.5%	8.6%	9.6%
2011	7.8%	9.1%	8.3%	8.9%
2012	8.0%	9.3%	8.5%	8.1%
2013	7.5%	8.8%	7.7%	7.4%
2014	6.1%	7.3%	6.3%	6.2%
2015	4.9%	5.7%	5.3%	5.3%
2016	4.5%	5.2%	4.8%	4.9%
2017	4.0%	4.5%	4.7%	4.4%
Nov. 2018	3.3%	3.7%	3.5%	3.7%

New York State Department of Labor, Bureau of Labor Statistics

New York City's employment base has historically enjoyed the distinction as an international center of business, commerce, tourism, and culture. The FIRE (finance, insurance, and real estate) and services (including the professions of legal, engineering services, consulting, tourism, recreation, health care, computers and data processing) segments are considered the primary sources of "white collar," or office prone, employment in the region. The top private sector employers in New York City are presented as follows:

TOP NON-GOVERNMENT EMPLOYERS NEW YORK CITY (EMPLOYEES)

Employer	# of Area Employees
Mount Sinai Health System	36,000
New York City Health and Hospitals Corp.	35,044
JPMorgan Chase & Co.	29,000
North Shore-Long Island Jewish Health System	27,125
New York-Presbyterian Hospital	21,992
Montefiore Medical Center	18,320
Citigroup Inc.	17,552
Macy's Inc.	17,000
New York University	16,021
Columbia University	15,420
Bank of America	14,000
Memorial Sloan Kettering Cancer Center	13,440
Consolidated Edison Inc.	11,668
Verizon Communications Inc.	10,300

Source: Crain's Book of Lists

Between 2009 and 2011, there had been significant job losses within Citigroup and JPMorgan Chase, as well as within a number of other financial institutions; companies such as Bear Stearns and Lehman Brothers ceased operations in 2009. Subsequently, financial firms had cut tens of thousands of jobs because of a slowdown in the mortgage business, the sluggish economy, the growth of online banking and new regulations.

New York City's largest employers are a diverse group of multinational corporations spanning a variety of industries including financial services/banking, telecommunications, health care, insurance, and pharmaceuticals. Businesses in New York City can capitalize on the synergy created from the presence of more than 200,000 companies, the access to investment capital and consumers, and the City's attractive quality of life.

From 2009 to 2017, the largest increases in the private employment of New York City were seen in Education and Health Services (210,800); Leisure and Hospitality (143,600) and Professional and Business Services (173,100). There were decreases in other sectors, the largest of which was Manufacturing (8,500) and Government (14,900). Overall, the New York City economy has added approximately 715,000 jobs between 2009 and 2017. Consistent with other large metropolitan areas, the manufacturing sector continues to decline, while construction has rebounded. Financial Activities jobs have also declined marginally. The following table illustrates historical and current employment by sector statistics within New York City:

NEW YORK CITY EMPLOYMENT BY INDUSTRY (000'S)

Sector	2009	2010	2011	2012	2013	2014	2015	2016	2017	2009-17 Change
Construction	120.8	112.5	112.3	116.1	122.2	129.2	139.3	147.2	151.1	25.1%
Manufacturing	81.6	76.3	75.7	76.3	76.4	76.6	77.8	76.1	73.1	-10.4%
Trade, Transportation, and Utilities	552.7	559.7	575.6	590.5	605.0	620.6	630.2	630.4	634.3	14.8%
Information	165.2	165.9	170.8	175.7	179.2	185.0	189.0	192.6	197.1	19.3%
Financial Activities	433.9	428.3	439.1	438.8	437.5	449.2	459.3	465.9	469.8	8.3%
Professional and Business Services	569.2	575.3	597.5	619.3	642.9	669.0	700.0	722.3	742.3	30.4%
Education and Health Services	752.6	771.6	789.2	805.6	831.1	866.4	896.9	928.7	963.4	28.0%
Leisure and Hospitality	308.5	322.2	342.2	365.7	385.4	408.5	427.8	440.2	452.1	46.5%
Other Services	160.3	160.6	165.2	170.4	174.9	180.2	185.7	190.1	191.5	19.5%
Government	567.0	558.0	550.6	546.1	544.4	545.4	549.9	552.3	552.1	-2.6%
Total	3,711.8	3,730.4	3,818.2	3,904.5	3,999.0	4,130.1	4,255.9	4,345.8	4,426.8	19.3%

Source: New York State Department of Labor

Office-using employment amounts to approximately 30% of total New York City employment, reflective of the financial and services orientation of the local economy. New York City's prime office inventory is concentrated in Manhattan, south of Central Park, within the two major submarkets of Downtown and Midtown. Brooklyn's central business district in Downtown Brooklyn is anchored by Brooklyn Borough Hall and MetroTech Center, a 16-acre urban corporate campus. Long Island City in Queens is located across the East River from Midtown Manhattan and has long been a center of manufacturing, distribution, and industrial services.

New York City Personal Income

Average household income in New York City increased by 68.34% between 2000 and 2018, or from $57,645 to $97,040. This increase is above the 58.76% increase experienced by New York State, which has slightly higher average and median household income levels. Average and median household income figures for New York City are anticipated to increase by 11.39% and 9.73%, respectively, between 2018 and 2023. The projections are based upon statistical models forecast by Nielsen Segmentation Solutions, a demographic service provider.

	New York City (5 Boroughs)			New York State		
	2000 Census	2018 Estimate	2023 Forecast	2000 Census	2018 Estimate	2023 Forecast
Average Household Income	$57,645	$97,040	$108,097	$61,489	$97,619	$107,122
Median Household Income	$38,846	$60,916	$68,196	$43,792	$65,700	$71,944

Source: Nielsen Segmentation Solutions

Manhattan is the most affluent borough in New York City, with a 2018 estimated average household income level of $143,098. The next highest borough in terms of average household

income is Staten Island at $100,457. The following table illustrates average and median income figures for New York City and the various boroughs.

NEW YORK CITY HOUSEHOLD INCOME

	Average Household Income 2018	Median Household Income 2018
Manhattan	$143,098	$83,217
Brooklyn	$87,148	$56,386
Queens	$88,850	$65,852
Bronx	$56,345	$37,879
Staten Island	$100,457	$77,157
New York City	$97,040	$60,916
New York State	$97,619	$65,700
United States	$86,278	$60,133

Source: Nielsen Segmentation Solutions

As evident, Manhattan exhibits the highest average income among the New York City boroughs and is nearly twice the level of the United States overall. The above trends indicate that income growth is projected to remain consistent over the next 5 years, with average annual growth rates of approximately 1% expected in New York City.

Manhattan accounts for nearly 20% of New York State's total income. The borough is home to nine of the wealthiest big city neighborhoods in the nation, testifying to the affluence of Manhattan. Nearly all of Manhattan's zip codes below 96th Street have median household incomes above the national median. The most affluent concentrations of households border Central Park on Manhattan's West Side between 77th and 91st Streets and on the East Side along Fifth, Park, and Madison Avenues between 60th and 96th Streets. Other affluent pockets include the southern tip of Manhattan at Battery Park City and the communities surrounding Lower Manhattan's Financial District such as TriBeCa. In contrast, the area north of Central Park, as well as portions of the Lower East Side, is where residents with the lowest median household incomes reside.

Culture and Recreation

New York City offers an unsurpassed variety of cultural activities. New York is a world renowned center of culture, entertainment, and shopping. New York contains hundreds of museums, art galleries, theaters, restaurants, and retail stores.

The City is home to such musical institutions as the New York City Symphony, Carnegie Hall, Lincoln Center, Brooklyn Academy of Music, and Metropolitan Opera and, with its many Broadway and off-Broadway plays and musicals, is the performing arts capital of the world. Several world famous dance troupes are located in New York including the Alvin Ailey Company and Dance Theater of Harlem.

World class museums include the Metropolitan Museum of Art, Museum of Modern Art, The Guggenheim, and Museum of Natural History. Other attractions include the Statue of Liberty, New York Aquarium, Bronx Zoo, Brooklyn Botanical Gardens, Empire State Building, United Nations, New York Stock Exchange, World Trade Center, and many others, which draw millions of visitors each year.

New York City has significant parkland including Central Park, an 843-acre oasis in Manhattan; Prospect Park in Brooklyn; and Jamaica Bay National Wildlife Refuge in Queens. New York City has teams in every major professional sport.

Educational and Professional Facilities

New York City has 173 schools of higher education including 21 two-year colleges, 45 four-year colleges, professional schools, law schools, and vocational schools. Manhattan is home to some of the most prominent educational institutions in the nation including Columbia University, New York University, The Juilliard School, and Manhattan School of Music. The CUNY (City University of New York) system offers an affordable education in its 6 community colleges and 11 campuses with 4-year and graduate programs across all 5 boroughs. Notable colleges and universities located outside Manhattan include Pratt Institute in Brooklyn—a well-recognized school of art and architecture; St. John's University and Queens College in Queens; and Fordham University in the Bronx. New York City also has two of the most highly regarded public high schools in the nation—Stuyvesant and Bronx Science. As in most urban areas, the City's public primary and secondary education system is considered only fair overall with a wide range in quality of education from district to district.

Of the over 270 hospitals in New York State, New York City has 62 acute care general hospitals, many of which are affiliated with local professional universities. World famous research hospitals include NYU-Cornell, Rockefeller, Columbia, and New York Hospital. Other highly ranked hospitals include Memorial Sloan-Kettering Cancer Center, Mount Sinai Hospital, New York Eye and Ear Infirmary, and New York Presbyterian Hospital.

Transportation

New York City is served by the most diverse transportation system in the United States. The region's transportation network links the area to the regional, national, and global commerce and trade. A brief synopsis of the area's transportation system follows:

RAIL SYSTEM

- ***NYC Subway System:*** a 688-mile subway line (including Staten Island) servicing approximately 5.67 million passengers on an average weekday and over 1.767 billion passengers a year. NYC Transit operates approximately 6,435 rail cars 24 hours a day throughout Manhattan, Queens, Brooklyn, the Bronx and Staten Island. The 27 subway routes are interconnected, and many lines feature express trains, across-the-platform transfers to local trains, and "skip-stop" express service. There are 473 subway stations and 21 rail stations.

- ***Metro North:*** Based in the landmark Grand Central Terminal in Midtown Manhattan, the MTA Metro North Railroad is the second largest commuter line in the United States, providing approximately 298,300 customer trips each weekday and some 87.1 million trips per year. With 384 route miles and 787 miles of track, Metro North goes to 123 stations distributed in seven counties in New York State–Dutchess, Putnam, Westchester, Bronx, New York (Manhattan), Rockland, and Orange–and two counties in the state of Connecticut–New Haven and Fairfield. The system employs 1,268 total rail cars.
- ***Long Island Railroad:*** This commuter line runs from the eastern tip of Long Island to Pennsylvania Station in Manhattan and to Atlantic Terminal in Brooklyn. The MTA Long Island Rail Road is the busiest commuter railroad in North America, carrying an average of 311,100 customers each weekday. Annual ridership is approximately 89.2 million persons per year. In 1998, the LIRR completed a 10-year, $2.1 billion investment in improvements including the transformation of Penn Station into a modern, safe and attractive facility with a newer 34th Street entrance. The system has 594 track miles, employs 1,151 total rail cars and has 124 rail stations.
- ***(PATH) Port Authority Trans-Hudson Subway System:*** The PATH carries 70% of all passengers entering New York City from New Jersey. Approximately 269,087 commuters use the PATH each weekday. The annual passenger trips for 2012 were 72.6 million, with over 72.8 million in 2013, approximately 73.7 million in 2014, 76.6 million in 2015, 78.5 million in 2016, and 82.8 million in 2017.

BUS SYSTEM

- ***New York City Transit:*** Regularly scheduled bus service in New York City's five boroughs handles over 121.6 million annually via 82 bus routes. The system has 812 total route miles and employs 1,255 buses.

- ***Port Authority Bus Terminal:*** This is the largest bus terminal in the United States. Regional bus lines serve about 537,000 people on an average weekday and more than 162 million people a year. The system employs more than 3,700 buses.

AIRPORTS

- ***Newark Airport:*** The Port Authority of New York and New Jersey has operated Newark Liberty International Airport (EWR) under a lease with the City of Newark since March 22, 1948. EWR is located in Essex and Union Counties between the New Jersey Turnpike (accessible from Exits 13A and 14), U.S. Routes 1 & 9, and I-78. The airport is about 16 miles from Midtown Manhattan. EWR consists of about 2,027 acres. In 2017, Newark Airport handled nearly 43.4 million passengers and nearly 883,000 tons of air cargo and mail.

- ***LaGuardia Airport:*** LaGuardia Airport (LGA) has been operated by The Port Authority of New York and New Jersey under a lease with the City of New York since June 1, 1947. LGA consists of 680 acres and 76 aircraft gates. In 2000, the combined Port Authority and airline investment for LaGuardia's Redevelopment Program was $830 million. The redevelopment program includes expanding and modernizing the Central Terminal Building, reconfiguring and widening roadways, improving runways and taxiways, a passenger terminal in the east end, airline modernization of gate areas and passenger service areas, and other rehabilitation projects. In 2017, LaGuardia Airport handled approximately 29.5 million passengers and 9,463 tons of air cargo and mail.

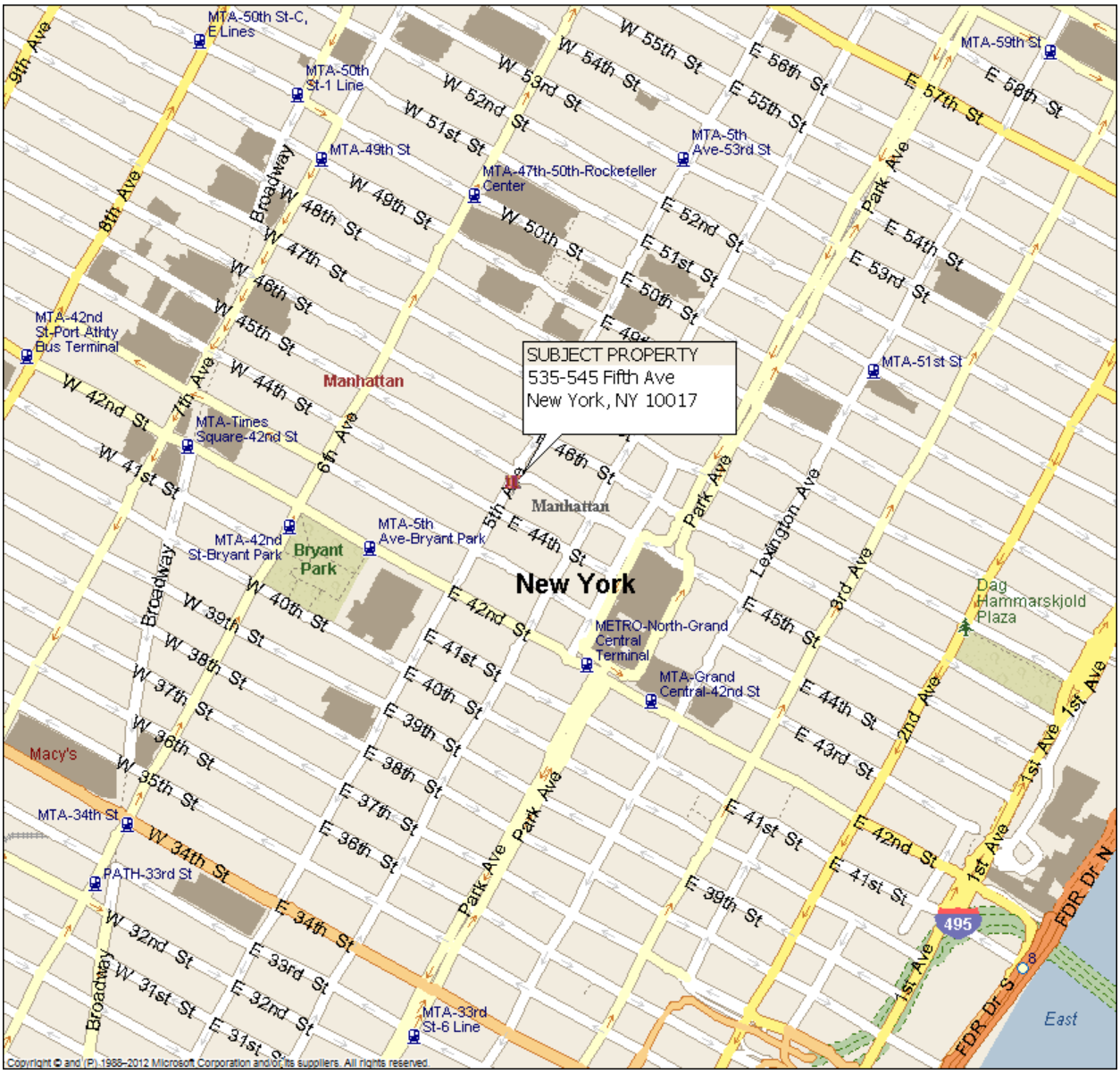
- ***John F. Kennedy Airport:*** John F. Kennedy International Airport (JFK) is operated by The Port Authority of New York and New Jersey under a lease with the City of New York since June 1, 1947. JFK is located in the southeastern section of Queens County, New York City, on Jamaica Bay. It is 15 miles by highway from midtown Manhattan. JFK consists of 4,930 acres, including 880 acres in the Central Terminal Area (CTA). The airport has more than 30 miles of roadway. In 2017, John F. Kennedy Airport handled over 59.3 million passengers and 1,487,973 million tons of air cargo and mail.

Summary

The New York City metropolitan area has several key competitive advantages, including access to talent, customers, partners, and investors, which will drive long-term employment growth. Knowledge-based industries, such as finance, legal services, and consulting, benefit from the area's key strengths.

Moody's Economy.com predicts the number of households will rise by an average of about 30,100 (0.9%) per year from 2018 to 2022, but the population will increase by an average of 35,650 (0.4%). Job growth is forecast to be choked off, with just 46,040 (1.0%) expected to be gained in 2018, followed by an average increase of just 15,687 (0.4%) in the three years afterward. Household average income growth is projected to be moderate.

NEIGHBORHOOD MAP



NEIGHBORHOOD DESCRIPTION

The subject property is located in the Grand Central District section of Midtown Manhattan. Midtown comprises the area between 34th Street to 57th Street. Midtown Manhattan is the economic heart of Metropolitan New York, containing major corporate headquarters, retail businesses, financial service industries, and world class hotels.



Central Midtown is characterized by post-war and modern hi-rise office towers with some ground floor retail uses which primarily include major banks and various retailers. The major office corridors within Central Midtown are Park, Madison, Fifth, and Sixth Avenues with prime retail space concentrated on Madison and Fifth Avenues.

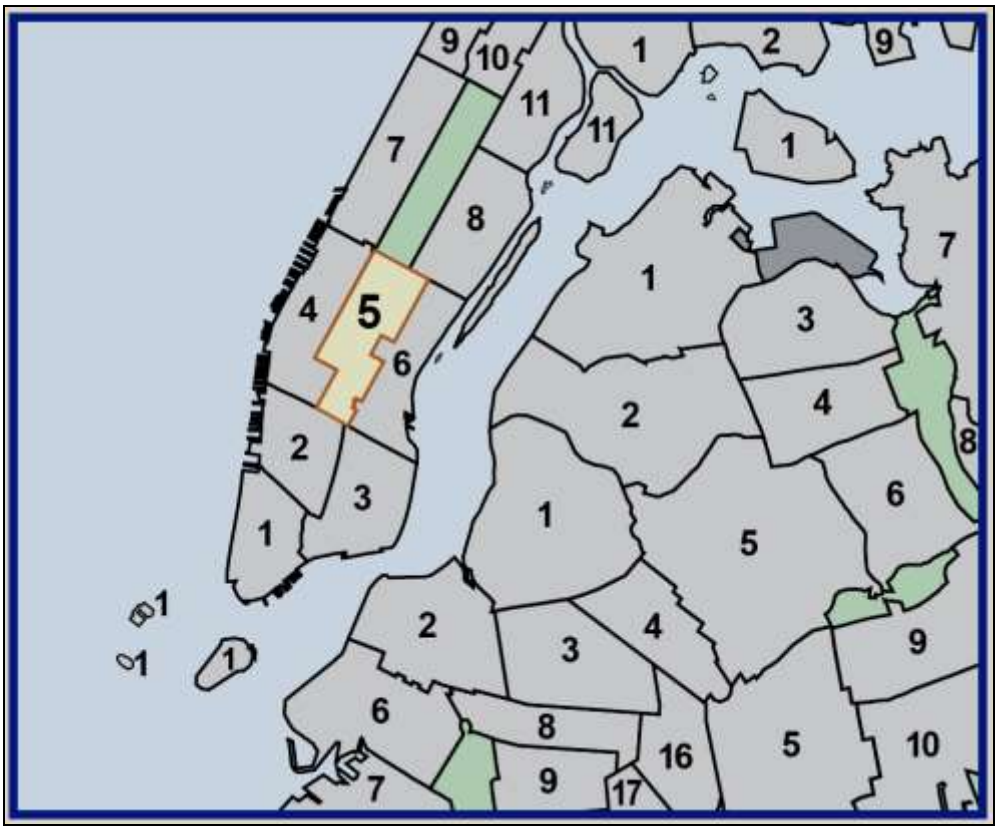
Park Avenue owes its development history and its name from the covering of the railroad tracks that lead to Grand Central terminal. Park Avenue is 140 feet wide and has a "greenbelt" dividing north and southbound traffic. It was the park-like center and exposure to air and light that drew residences. Originally developed with residential apartment buildings and hotels, the area from Grand Central to 59th Street was predominantly redeveloped with hi-rise office towers in the post-war era, the vast majority dating from the 1950's and 1960's. Park Avenue is considered Manhattan's premier business address owing to its width and its proximity to Grand Central terminal.

Madison Avenue is only 80 feet in width, somewhat less than the 100 feet standard for avenues in Manhattan. Nearly every building on Madison Avenue in the core is an office building. This, combined with the narrow width, make for a canyon-like environment which provides little air and light. Office improvements date from three distinct eras. The majority of the improvements along this strip are mid-rise, pre-war buildings built between 1910 and 1931. The next era of construction was the 1950's and 1960's. These buildings tend to be mid- to hi-rise structures of steel and glass. The last wave of construction obviously came during the 1980's and left Madison Avenue with a number of sleek, Class A buildings more or less grouped between 53rd and 57th Streets. This avenue is a highly trafficked retailing strip, long established with shops featuring men's and women's clothing.

Fifth Avenue in the 50's is one of the most prestigious shopping districts in the world. In fact, it may be better known as a retailing address than a business address. A representation of some of Fifth Avenue's finest shops include Bergdorf Goodman, Saks Fifth Avenue, Mark Cross, Tiffany, Louis Vuitton, and Cartier. In terms of offices, Fifth Avenue is anchored by Rockefeller Center which extends from 48th to 51st Streets. It, too, is dominated by pre-war construction although a number of interior sites have been filled with newer sliver buildings. Notable post-war office buildings include 505 Fifth Avenue, 712 Fifth Avenue and two mixed use towers -- Trump and Olympic, which have condominium residences above the office floors.

Avenue of the Americas, from 40th to 55th Streets, is an established office corridor lined almost exclusively with hi-rise towers situated on full blockfront lots, some of which make up 60% of a full City block. The focal point is the original Rockefeller Center complex developed in the 1930's on the east side of the avenue between 48th and 51st Streets. The west side of the avenue was largely developed in the 1960's and 1970's including four more office towers of like design intended to be the western extension of Rockefeller Center. These four, located between 47th and 51st Streets, were all built as free-standing structures on large lots, recessed from the street line to create large public plazas. One of the largest such buildings – The Time Life Building, or 1271 Avenue of the Americas at 2.1 million square feet – is currently undergoing a major transformation of its exterior curtain wall, outdoor plaza, landmarked lobby space, and mechanical makeup of the elevators and MEP systems. Other commercial buildings built around this time to the north include the Calyon Building (formerly Credit Lyonnais Building and originally built as the J.C. Penney Building), the New York Hilton Hotel, and the Burlington House, each occupying a full blockfront between 52nd and 55th Streets. Unlike adjacent avenues, retailing along this strip of Avenue of the Americas is limited. As noted, many of these properties are recessed from the street, devoting grade level space to large lobbies, bank branches, and, if at all, upscale restaurants. This may be part of the mystique of Avenue of the Americas to which corporate tenants have associated.

The subject's neighborhood includes some of Manhattan's most popular attractions. They are Radio City Music Hall, the Rockefeller Center Plaza and Promenade, which is home of the famous Christmas tree and skating rink, and St. Patrick's Cathedral. These landmark properties are all located within one or two blocks of each other. New York's Diamond District is situated along West 47th Street between Fifth and Sixth Avenues.



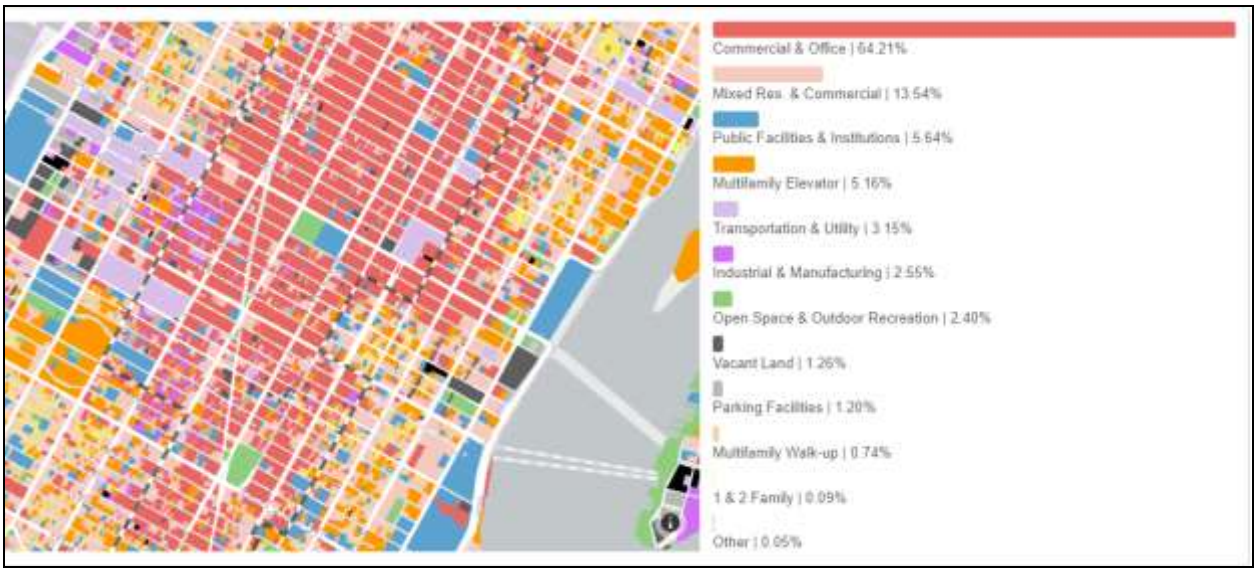
The Midtown office district is located within Manhattan Community District 5, which comprises Midtown, Times Square, Herald Square and Midtown South. Each year, the City of New York publishes compendiums of information on local neighborhoods in each of five boroughs. These volumes are known as "Community District Needs."

The 2017 benchmark information is the most recent data provided by New York City at present. The 2017 Community District Needs for Manhattan shows that between 1990 and 2000, the population of Community District 5 increased by 1.2%. The total population for the district, as of 2010 was estimated at 51,673, which represents a significant 17.4% increases over the 2000 estimate.

TOTAL POPULATION	1990	2000	2010
Number	43,507	44,028	51,673
% Change	—	1.2	17.4

The total land area in Community District 5 is 1,005.3 acres, or 1.6± square miles, for a population density of 32,296 persons per square mile. Most land in District 5 is used for mixed commercial/office purposes, with over 64% of the area dedicated for these uses. Mixed residential/commercial uses are the next largest category at 13.5%, while institutions comprise

5.6% of the total. Multi-family comprises only 5.9% of the land use within this district. A summary of the district's land use is presented as follows:



Some 23 public, private and parochial schools are located in Community District 5. Houses of worship can be found throughout the area, as well as a number of group day care centers. There are also 7 public libraries within the district. The Midtown / Midtown South district offer a multitude of restaurants, retail stores and entertainment centers. As there is almost no available land within the district, recreation areas are limited to small parks, playgrounds and sitting areas. District 5 is served by one primary police precinct and six fire department houses. Two senior citizen centers serve the elderly population of this area. This area is home to several of New York's leading medical facilities, including Bellevue Hospital, Beth Israel Medical Center, Cabrini Medical Center, the Hospital for Joint Diseases and the NYU Medical Center. In total, there are 17 hospitals and clinics.

City government has sought to influence development and protect landmark buildings in the area primarily through zoning. Much of the subject area is zoned C5 Commercial. Buildings constructed within this zoning district are limited to a maximum floor area ratio of either 10 or 15, although bonuses can allow developers to construct higher density structures. Such bonuses were given in the 1980's in exchange for the creation of plazas and other improvements to public areas.

A primary feature of the subject's location is its access to transportation, which links commuters from the neighborhood, community, and region to the site. The subject property enjoys easy access to all forms of mass transportation within Manhattan. Commuter rail stations are situated at Park Avenue and 42nd Street (Grand Central Terminal) and Seventh Avenue and West 32nd Street (Pennsylvania Station). Grand Central serves Westchester and Putnam Counties in New York as well as the southeasterly coastline of Connecticut. Penn Station serves New Jersey and Long Island and is a major stop in Amtrak's Northeast Corridor between Boston and Washington. Grand Central is also a major stop served by the IRT local and express service along the East Side of Manhattan and into Brooklyn and the Bronx. The #7 train also runs

through Grand Central from Queens. The closest subway stops to the subject are on the IRT 4, 5 and 6 subways at Grand Central Station; the 6 line has an additional stop at East 51st Street and Lexington Avenue. The E and M lines have a station stop at Third Avenue and East 53rd Street. Bus service runs uptown along Madison and Sixth Avenues and downtown along Fifth Avenue and Lexington avenue. Cross-town bus service is available along 42nd, 50th and 57th Streets.

Automobile river crossings near the subject include the Queens-Midtown Tunnel, Queensboro (a/k/a 59th Street) Bridge, and the Lincoln Tunnel to New Jersey. The Staten Island Ferry, located at the southern tip of Manhattan in Battery Park, is easily accessible by subway.

In summary, the Midtown area is almost fully built up with corporate towers. The structures lining Avenue of the Americas, known as "Corporate Row," the Rockefeller Center buildings, and the proximity of attractions like the Diamond District, Radio City Music Hall, St. Patrick's Cathedral, give the area long-term stability. This area is considered to be one of the most desirable business locations in the world.

Subject Specific Location

The subject property is located on the eastern blockfront of Fifth Avenue, between and fronting both East 44th and East 45th Streets. The property is located approximately two blocks and one avenue west of Grand Central Station (47th Street entrance at Madison Avenue). The immediate surrounding area is primarily improved with pre- and post-war office buildings, most with ground floor retail space. There are also a number of hotels and some residential apartment buildings in the area. Rockefeller Center, a main tourist attraction comprised of an outdoor plaza with numerous retailers, is located approximately four blocks north between Fifth and Sixth Avenues.

To the south, the subject is situated approximately five blocks north of the Chrysler Building, Bryant Park and the main branch of the New York Public Library. Bryant Park is a well planted oasis with chairs and tables available for office workers at lunchtime or for after work activities. A new outdoor bar and an indoor/outdoor restaurant separate the park from the rear of the New York Public Library. The park and library are located along the 42nd Street corridor. The desirability of the subject's neighborhood is enhanced by the existence of the Grand Central Partnership (GCP). Formed in 1988, the GCP is funded by occupants within the district to provide additional community services and improve the appearance and safety of the area. Their responsibilities include sanitation, social services, and capital improvements, among others.

Relatively recent developments (within the past 10 to 15 years) in the immediate neighborhood include the construction of the Bryant Park Hotel on 40th Street between Fifth and Sixth Avenues, the Marriot Hotel, a hi-rise, mixed-use development at 40th Street and Fifth Avenue, as well as 300 Madison Avenue, a 1.07 million square foot office building which was completed in 2003, with PriceWaterhouseCoopers occupying over 800,000 square feet. In addition, 505 Fifth Avenue, a 325,000 square foot Class A office building, was completed in 2006. Norges Bank Investment Management is the property's largest tenant. Also completed in 2009 was One Bryant Park, a 2.35 million square foot building, and 11 Times Square, a 1.1 million square foot building completed in 2010. Construction has commenced on One Vanderbilt Avenue, a 67-story, 1.7 million square foot office tower that will be completed by the end of 2020.

One of the dominant locational factors of the subject property is its proximity to mass transportation. The subject's benefits from its close proximity to Grand Central Terminal, with access to the 4, 5, 6, 7 and shuttle trains to Times Square, as well as its situation near the New York Public Library and Bryant Park, with access to the B, D, F, Q and 7 trains. Local bus service runs cross town on 42nd Street (connecting to the Port Authority Bus Terminal), southbound on Fifth Avenue and Lexington Avenues, and northbound on Madison Avenue and Third Avenue. 42nd Street provides convenient automobile links to the FDR Drive, the West Side Highway, Lincoln Tunnel and Queens Midtown Tunnel.

Conclusion

The subject is located in the largest Central Business District (CBD) in the United States, improved primarily with hi-rise commercial office buildings but having some ancillary uses such as mixed commercial/residential buildings and hotels. Retailers provide a variety of goods and services aimed at both the local worker and the tourist to which Manhattan is a main draw due to cultural institutions, shopping, and the hi-rises themselves. The neighborhood benefits from its accessibility and proximity to residential neighborhoods and its conformity of use, allowing like and/or mutually beneficial businesses to locate near one another. The quality and conditions of the improvements tend to vary from average to excellent.

The overall area provides excellent amenities including public transportation, retail, personal services, schools, hospitals, parks and recreational facilities, and houses of worship. Based on the subject's residential population and income status, as well as the active mixed use nature of the area dominated by quality office, residential and retail properties, we anticipate that this location will remain viable going forward as economic conditions stabilize and improve.

OFFICE MARKET ANALYSIS

Overview

The Manhattan Office Market is divided into four submarkets - Midtown, Midtown South Downtown, and Uptown. Midtown is divided into seven districts such as Grand Central, Plaza, Penn Plaza/Garment, and Columbus Circle. Midtown South is divided into five districts, including SoHo, Greenwich Village, Gramercy Park, Hudson Square, and Chelsea. Downtown includes such districts as the Financial District and the Insurance District and Uptown includes the Upper East Side, Upper West Side and Harlem/North Manhattan.

Midtown comprises the area in Manhattan from 30th to 60th Streets, river to river, and is among the largest central business districts in the world. While its core office district is bound by Eighth and Third Avenues, the office district intermingles with residential neighborhoods and cultural attractions such as Rockefeller Center, the Empire State Building and Carnegie Hall. Midtown has a highly diverse tenancy. While financial/banking firms occupy approximately one-third of the total inventory, law firms, insurance companies, entertainment/media conglomerates and publishers also represent a significant portion of the office inventory in Midtown.

Midtown South is bounded by 30th Street to the north, Canal Street to the south, the Hudson River to the west and the East River to the East. The smallest of Manhattan's three major markets, Midtown South has emerged as a true office market in only the past five years. The area has a mixed-use tenancy, home to a substantial residential population, multiple large institutions, and a burgeoning art community. Back office, government agencies, non-profits, and industrial firms have been the traditional tenants of Midtown South, but this has changed dramatically over the past several years. Numerous business services and Internet firms have moved into Midtown South, warranting the area's nickname "Silicon Alley". Recently, corporate tenants have also expressed an interest in relocating operations here, although the relatively small buildings comprising the office inventory will likely bar a wholesale re-tenanting of Midtown South.

Downtown comprises the southernmost section of Manhattan, from Canal Street to Battery Park and includes the Insurance District, World Trade Center District, Tribeca, the Financial District, and City Hall. The current office inventory is a mix of historic pre-war buildings, post-war steel and glass towers, and converted industrial loft buildings. Downtown is dominated by the financial services and insurance industries, although city agencies, high tech and telecom firms also maintain a large presence here. While Downtown has suffered a great loss, it is still home to many of the largest employers in New York. With the NYSE firmly rooted and planning on building a new headquarters, Downtown remains the home of many financial companies.

Uptown is bounded by 61st Street to the south, and extends north to the tip of Manhattan from river to river. This submarket consists of the Upper East Side, Upper West Side and Harlem/North Manhattan. This is the smallest office district in Manhattan and typically caters to smaller businesses. Most of the inventory in this district is situated within residential apartment buildings although there is a cluster of office buildings on 125th Street, including the office of former President Bill Clinton.

Manhattan has many unique attributes that will help its economy and its office market to maintain its current levels:

- ***Headquarters synergy***: Large corporations involved in manufacturing, communications, and business services may not keep their assembly lines or back office clerical staff in New York, but they will keep marketing, finance, legal, and public relations functions where they can exchange ideas and be visible.

- ***The place to be for wholesalers and retailers***: In most U.S. cities, employment in wholesale trade means jobs in warehouses. In New York, showrooms featuring giftware, fabrics, shoes, apparel, and linens use office space. Each firm may be small and employ only a few people, but there are many of them. Manufacturers' representatives need to be in New York and are willing to pay for better quality space today than they did 20 years ago.

- ***A global city***: Unlike other U.S. cities, New York is a truly international marketplace where businesses have to be if they are to succeed in the global economy. While U.S. businesses point to Manhattan's higher than average cost of doing business, offshore companies believe it is a bargain compared to other foreign financial centers. International business brings skilled professionals to New York; United Nations agencies, consulates, travel and tourism offices also increase the demand for office space.

- ***Decreasing occupancy costs relative to other locations***: The cost gap between Manhattan and its competitors has narrowed, the ability to draw workers to Midtown Manhattan is increasingly important. Manhattan's central location and multiple public transportation options make it easier for growing firms to recruit workers from the entire region.

- ***New York creativity***: New Yorkers generate new ideas and products in communications, publishing, entertainment, fashion, the arts, design, finance, and health care.

HISTORICAL PERFORMANCE – MANHATTAN OFFICE MARKET

Total Office Market Statistics — Third Quarter 2018

	Existing Inventory		Vacancy			Net	Deliveries		UC Inventory		Quoted
Period	# Bldg	Total RBA	Direct SF	Total SF	Vac %	Absorption	# Bldg	Total RBA	# Bldg	Total RBA	Rates
2018 3q	3,839	566,121,786	39,006,879	43,760,256	7.7%	1,725,067	2	286,854	28	14,166,645	$61.52
2018 2q	3,837	565,834,932	40,553,681	45,198,469	8.0%	2,504,062	2	2,881,402	29	14,442,974	$60.33
2018 1q	3,834	562,921,130	39,941,494	44,788,729	8.0%	1,169,789	1	166,810	31	17,341,083	$61.19
2017 4q	3,834	562,760,028	40,484,781	45,797,416	8.1%	1,224,396	0	0	29	15,436,789	$61.56
2017 3q	3,834	563,002,078	41,958,515	47,263,862	8.4%	(1,433,435)	4	528,590	29	14,914,739	$61.45
2017 2q	3,829	562,452,888	40,623,007	45,281,237	8.1%	925,094	3	254,288	29	14,279,610	$59.86
2017 1q	3,826	562,198,600	41,422,124	45,952,043	8.2%	(1,768,069)	0	0	30	14,478,479	$61.28
2016	3,827	562,669,650	40,504,302	44,655,024	7.9%	412,689	5	2,402,536	28	14,314,651	$61.43
2015	3,838	561,027,957	39,694,160	43,426,020	7.7%	(1,985,680)	5	682,509	18	13,409,565	$59.67
2014	3,880	565,193,243	41,821,668	45,605,626	8.1%	4,332,809	2	41,322	13	6,194,505	$55.81
2013	3,909	563,289,769	43,901,853	48,034,961	8.5%	(2,788,260)	4	1,195,000	8	4,486,334	$52.46
2012	3,921	559,318,903	36,829,200	41,275,835	7.4%	(42,524)	4	352,342	11	8,584,105	$49.73
2011	3,937	560,711,910	38,683,171	42,626,318	7.6%	46,874	2	144,545	12	7,669,621	$47.90
2010	3,945	561,593,125	39,329,785	43,554,407	7.8%	(2,083,580)	5	436,435	14	7,212,739	$44.89
2009	3,953	561,106,064	34,622,497	40,983,766	7.3%	(3,160,474)	5	2,391,533	14	8,144,132	$44.04
2008	3,961	556,555,756	28,029,568	33,272,984	6.0%	(4,356,815)	1	91,828	18	9,344,503	$58.48

Source: CoStar Property®

The Manhattan office market witnessed strong growth between 1995 and year end 2000 with overall vacancy rates dropping from 12.6% to 4.0% and average asking rents rising from approximately $25.00 to $48.88 per square foot.

A slowdown in the real estate market was evident at the beginning of 2001 with market softness by mid-year as the overall vacancy rate increased to 9.3% by year-end 2001. Activity increased after September 11th, although more space was added to the market immediately following the attacks than was earlier in the year. This short-lived activity, a result of displaced World Trade Center tenants in the market, subsequently slowed to levels indicative of an economic recession.

The year 2002 was a difficult one for the Manhattan office market. The national economy was plagued by corporate scandals, layoffs and the threat of war, while the New York City office market faced a significant decline in demand and rising amounts of sublease space. The continuing instability in the nation's financial markets manifested itself in job losses. According to the New York City Office of Management & Budget, for the period of September 2001 to September 2002, the City lost nearly 11 percent of its securities employment.

During 2003 and 2004, increased renewal and sublease activity added stability and strength to the Manhattan market. The New York City Office market ended 2004 on a strong note - vacancy rates dropped, absorption was positive, rents moved up and new supply remained under control. These strong conditions continued from 2005 through the second quarter of 2008 with average asking rents at historical highs and the overall vacancy rate in the five percent range.

Presently, overall vacancy rates within Manhattan have increased from a low of 6.0% (2008) to an overall vacancy rate of 7.7% as of the Third Quarter 2018. Average asking rents have increased by 5.2% from $58.48 in 2008 to $61.52 per square foot in the Third Quarter 2018. The average rental rate has fluctuated over the past 7 quarters, ranging from $59.86 to $61.56 per square foot.

CURRENT MARKET CONDITIONS – THIRD QUARTER 2018

Total Office Market Statistics — Third Quarter 2018

Market	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
	# Blds	Total RBA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
Downtown	481	122,255,288	10,334,540	11,356,503	9.3%	2,092,866	2,861,402	19,412	$55.21
Midtown	1,549	323,775,062	21,801,656	24,812,956	7.7%	2,037,686	20,000	12,608,589	$63.82
Midtown South	1,308	105,169,193	6,090,188	6,762,035	6.4%	1,303,326	453,664	948,716	$64.02
Uptown	501	14,922,243	780,495	828,762	5.6%	(34,960)	0	589,928	$51.51
Totals	3,839	566,121,786	39,006,879	43,760,256	7.7%	5,398,918	3,335,066	14,166,645	$61.52

Source: CoStar Property®

The following information was taken from the ***CoStar Property Manhattan Office Market Report*** for the Third Quarter 2018.

Overview

The New York City Office market ended the third quarter 2018 with a vacancy rate of 7.7%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 1,725,067 square feet in the third quarter. Vacant sublease space increased in the quarter, ending the quarter at 4,753,377 square feet. Rental rates ended the third quarter at $61.52, an increase over the

previous quarter. A total of two buildings delivered to the market in the quarter totaling 286,854 square feet, with 14,166,645 square feet still under construction at the end of the quarter.

Absorption

Net absorption for the overall New York City office market was positive 1,725,067 square feet in the third quarter 2018. That compares to positive 2,504,062 square feet in the second quarter 2018, positive 1,169,789 square feet in the first quarter 2018, and positive 1,224,396 square feet in the fourth quarter 2017.

Tenants moving out of large blocks of space in 2018 include: Omnicom Group moving out of 264,091 square feet at 437 Madison Avenue¸ RSM McGladery moving out of 165,000 square feet at 1185 Avenue of the Americas; and Arent Fox moving out of 111,283 square feet at 1675 Broadway.

Tenants moving into large blocks of space in 2018 include: GroupM moving into 697,487 square feet at 3 World Trade Center; WeWork moving into 258,000 square feet at 21 Penn Plaza; and New York City Office of Human Resources moving into 193,821 square feet at 375 Pearl Plaza.

The Class-A office market recorded net absorption of positive 1,823,656 square feet in the third quarter 2018, com- pared to positive 1,666,510 square feet in the second quarter 2018, positive 1,113,437 in the first quarter 2018, and positive 1,007,915 in the fourth quarter 2017.

The Class-B office market recorded net absorption of negative (19,704) square feet in the third quarter 2018, compared to positive 713,034 square feet in the second quarter 2018, positive 27,897 in the first quarter 2018, and positive 475,013 in the fourth quarter 2017.

The Class-C office market recorded net absorption of negative (78,885) square feet in the third quarter 2018 compared to positive 124,518 square feet in the second quarter 2018, positive 28,455 in the first quarter 2018, and negative (258,532) in the fourth quarter 2017.

Net absorption for New York City's central business district was positive 614,918 square feet in the third quarter 2018. That compares to positive 1,144,386 square feet in the second quarter 2018, positive 333,562 in the first quarter 2018, and positive 61,037 in the fourth quarter 2017.

Net absorption for the suburban markets was positive 1,110,149 square feet in the third quarter 2018. That compares to positive 1,359,676 square feet in second quarter 2018, positive 836,227 in the first quarter 2018, and positive 1,163,359 in the fourth quarter 2017.

Vacancy

The office vacancy rate in the New York City market area decreased to 7.7% at the end of the third quarter 2018. The vacancy rate was 8.0% at the end of the first and second quarter 2018, and 8.1% at the end of the fourth quarter 2017.

Class-A projects reported a vacancy rate of 8.7% at the end of the third quarter 2018, 9.2% at the end of the second quarter 2018, 8.9% at the end of the first quarter 2018, and 9.2% at the end of the fourth quarter 2017.

Class-B projects reported a vacancy rate of 6.6% at the end of the second and third quarter 2018, 7.0% at the end of the first quarter 2018, and 7.1% at the end of the fourth quarter 2017.

Class-C projects reported a vacancy rate of 5.7% at the end of the third quarter 2018, 5.6% at the end of second quarter 2018, 5.8% at the end of the first quarter 2018, and 5.8% at the end of the fourth quarter 2017.

The overall vacancy rate in New York City's central business district at the end of the third quarter 2018 decreased to 9.3%. The vacancy rate was 9.8% at the end of the second quarter 2018, 8.6% at the end of the first quarter 2018, and 8.9% at the end of the fourth quarter 2017.

The vacancy rate in the suburban markets decreased to 7.3% in the third quarter 2018. The vacancy rate was 7.5% at the end of the second quarter 2018, 7.8% at the end of the first quarter 2018, and 7.9% at the end of the fourth quarter 2017.

Largest Lease Signings

The largest lease signings occurring in 2018 included: the 270,536-square-foot lease renewal signed by JPMorgan Chase & Co at 237 Park Avenue in the Midtown market; the 455,461-squarefoot renewal deal signed by 1199SEIU Family of Funds at Deco Tower in the Midtown market; and the 406,661-square-foot lease signed by Latham & Watkins LLP at 1271 Avenue of the Americas in the Midtown market. Financial firm Evercore signed a 343,606 square foot lease at 55 East 52nd Street (Park Avenue Plaza) in the Midtown market. Other large lease deals include Pfizer taking 798,278 square feet at the Spiral Building in Hudson Yards in the Midtown market, Simon & Schuster renewing 300,150 square feet at 1230 Avenue of the Americas in the Midtown market, and WeWork leasing over 530,000 square feet of space in separate deals at 500 Seventh Avenue and 21 Penn Plaza in the Midtown market.

Sublease Vacancy

The amount of vacant sublease space in the New York City market increased to 4,753,377 square feet by the end of the third quarter 2018, from 4,644,788 square feet at the end of the second quarter 2018. There was 4,847,235 square feet vacant at the end of the first quarter 2018 and 5,312,635 square feet at the end of the fourth quarter 2017.

New York City's Class-A projects reported vacant sublease space of 3,492,659 square feet at the end of third quarter 2018, up from the 3,324,655 square feet reported at the end of the second quarter 2018. There were 3,180,055 square feet of sublease space vacant at the end of the first quarter 2018, and 3,342,950 square feet at the end of the fourth quarter 2017.

Class-B projects reported vacant sublease space of 925,471 square feet at the end of the third quarter 2018, down from the 1,007,897 square feet reported at the end of the second quarter

2018. At the end of the first quarter 2018 there were 1,222,177 square feet, and at the end of the fourth quarter 2017 there were 1,575,461 square feet vacant.

Class-C projects reported increased vacant sublease space from the second quarter 2018 to the third quarter 2018. Sublease vacancy went from 312,236 square feet to 335,247 square feet during that time. There was 445,003 square feet at the end of the first quarter 2018, and 394,224 square feet at the end of the fourth quarter 2017.

Sublease vacancy in New York City's central business district stood at 1,021,963 square feet at the end of the third quarter 2018. It was 1,020,071 square feet at the end of the second quarter 2018, 954,853 square feet at the end of the first quarter 2018, and 982,065 square feet at the end of the fourth quarter 2017.

Sublease vacancy in the suburban markets ended the third quarter 2018 at 3,731,414 square feet. At the end of the second quarter 2018 sublease vacancy was 3,624,717 square feet, was 3,892,382 square feet at the end of the first quarter 2018, and was 4,330,570 square feet at the end of the fourth quarter 2017.

Rental Rates

The average quoted asking rental rate for available office space, all classes, was $61.52 per square foot per year at the end of the third quarter 2018 in the New York City market area. This represented a 2.0% increase in quoted rental rates from the end of the second quarter 2018, when rents were reported at $60.33 per square foot.

The average quoted rate within the Class-A sector was $66.56 at the end of the third quarter 2018, while Class-B rates stood at $59.84, and Class-C rates at $53.38. At the end of the second quarter 2018, Class-A rates were $64.32 per square foot, Class-B rates were $60.44, and Class-C rates were $52.77.

The average quoted asking rental rate in New York City's CBD was $55.21 at the end of the third quarter 2018, and $63.45 in the suburban markets. In the second quarter 2018, quoted rates were $55.32 in the CBD and $62.00 in the suburbs.

Deliveries and Construction

During the third quarter 2018, two buildings totaling 286,854 square feet were completed in the New York City market area. This compares to two buildings totaling 2,881,402 square feet that were completed in the second quarter 2018, one building totaling 166,810 square feet completed in the first quarter 2018, and nothing completed in the fourth quarter 2017. There were 14,166,645 square feet of office space under construction at the end of the third quarter 2018.

CONSTRUCTION ACTIVITY **Markets Ranked by Under Construction Square Footage**

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Preleased SF	Preleased %	All Existing	U/C
Midtown	11	12,608,589	10,232,485	81.2%	209,022	1,146,235
Midtown South	11	948,716	248,499	26.2%	80,405	86,247
Uptown	5	589,928	582,543	98.7%	29,785	117,986
Downtown	1	19,412	19,412	100.0%	254,169	19,412
Totals	28	14,166,645	11,082,939	78.2%	147,466	505,952

Source: CoStar Property®

Some of the notable 2018 deliveries include: 3 World Trade Center, a 2,861,402-square-foot facility that delivered in second quarter 2018 and is now 42% occupied, and 57 11th Avenue, a 263,835-square-foot building that delivered in third quarter 2018 and is now 100% occupied.

RECENT DELIVERIES BY PROJECT SIZE **Breakdown of Year-to-Date Development Based on RBA of Project**

Building Size	# Bldgs	RBA	SF Leased	% Leased	Avg Rate	Single-Tenant	Multi-Tenant
< 50,000 SF	3	75,419	41,119	54.5%	$61.27	0	75,419
50,000 SF - 99,999 SF	0	0	0	0.0%	$0.00	0	0
100,000 SF - 249,999 SF	1	166,810	160,138	96.0%	$0.00	0	166,810
250,000 SF - 499,999 SF	1	263,835	263,835	100.0%	$0.00	0	263,835
>= 500,000 SF	1	2,861,402	1,230,403	43.0%	$0.00	0	2,861,402

Source: CoStar Property®

The largest projects underway at the end of third quarter 2018 were 30 Hudson Yards, a 2,600,000-square-foot building with 98% of its space pre-leased, and One Manhattan West, a 2,216,609-square-foot facility that is 86% pre-leased.

Inventory

Total office inventory in the New York City market area amounted to 566,121,786 square feet in 3,839 buildings as of the end of the third quarter 2018. The Class-A office sector consisted of 334,662,485 square feet in 486 projects. There were 1,462 Class-B buildings totaling 162,485,364 square feet, and the Class-C sector consisted of 68,973,937 square feet in 1,891 buildings. Within the Office market there were 163 owner-occupied buildings accounting for 23,403,622 square feet of office space.

Sales Activity

Tallying office building sales of 15,000 square feet or larger, New York City office sales figures fell during the second quarter 2018 in terms of dollar volume compared to the first quarter of 2018.

In the second quarter, 17 office transactions closed with a total volume of $2,811,702,434. The 17 buildings totaled 3,238,292 square feet and the average price per square foot equated to $868.27 per square foot. That compares to 17 transactions totaling $5,433,945,329 in the first quarter 2018.

The total square footage in the first quarter was 4,051,790 square feet for an average price per square foot of $1,341.12. Total office building sales activity in 2018 was up compared to 2017. In the first six months of 2018, the market saw 34 office sales transactions with a total volume of $8,245,647,763. The price per square foot averaged $1,131.08. In the same first six months of 2017, the market posted 27 transactions with a total volume of $7,090,591,305. The price per square foot averaged $788.17.

Cap rates have been higher in 2018, averaging 4.30% compared to the same period in 2017 when they averaged 3.44%. One of the largest transactions that has occurred within the last four quarters in the New York City market is the sale of 75 9th Avenue in New York. This 1,188,501-square-foot office building sold for $2,397,501,899, or $2,017.25 per square foot. The property sold on 3/16/2018.

Midtown Overview

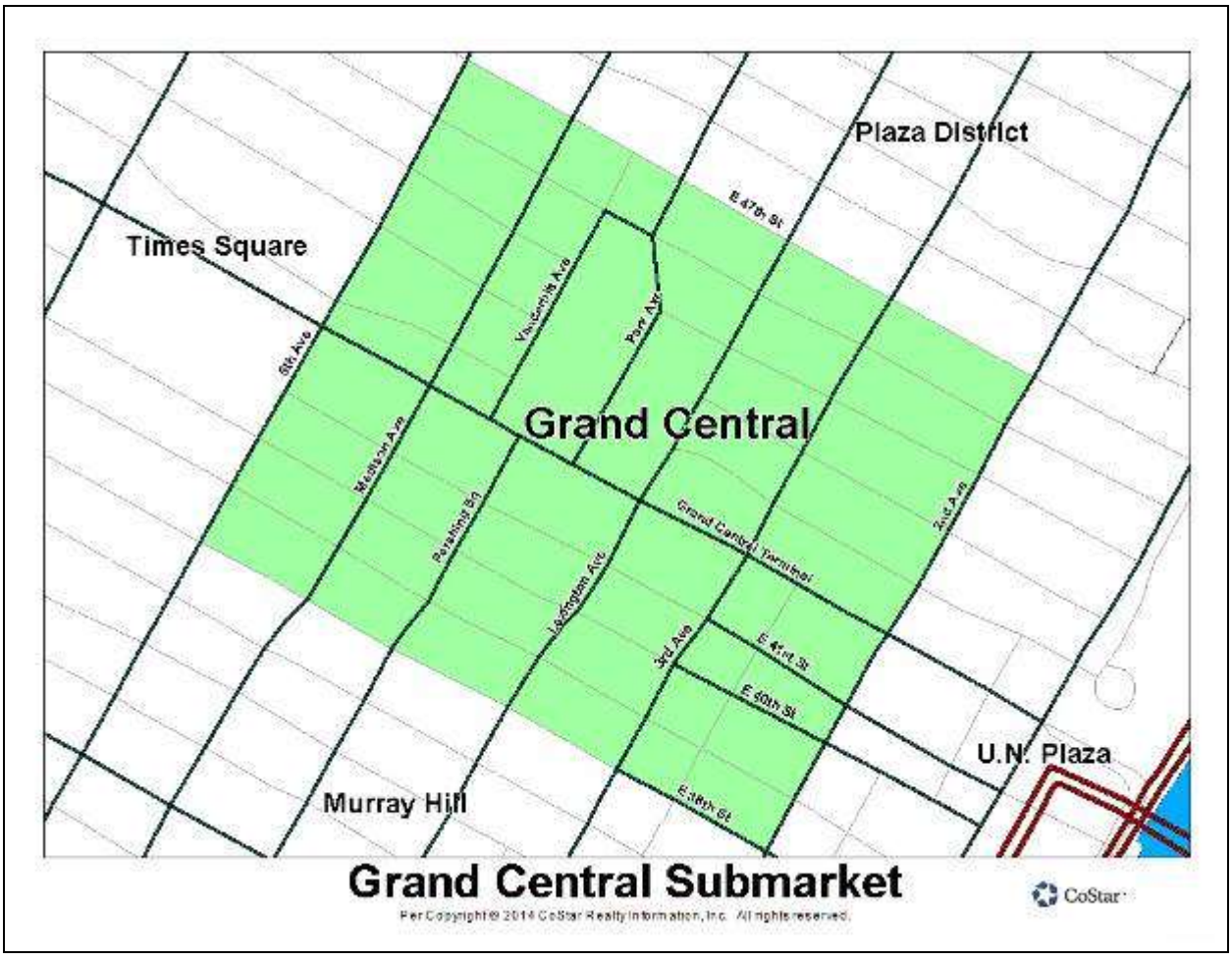
The subject property is located in the Midtown office market of Manhattan. The Midtown market is the largest of the four Manhattan office markets and consists of 323.8 million square feet in 1,549 properties. In terms of square footage, approximately 70.69% of all office space in Midtown is classified as Class A, while Class B space comprises 21.21%, and Class C space 8.11%. Midtown is comprised of seven submarkets: Columbus Circle, Grand Central, Murray Hill, Penn Plaza / Garment Center, Plaza District, Times Square and U.N Plaza. The following chart summarizes the status of the Midtown Office Market as of the end of the third quarter of 2018:

MIDTOWN MANHATTAN OFFICE MARKET

Period	Existing Inventory # Bldgs	Existing Inventory Total RBA	Vacancy Vacant SF	Vacancy %	Net Absorption	Delivered Inventory # Bldgs	Delivered Inventory Total RBA	UC Inventory # Bldgs	UC Inventory Total RBA	Quoted Rates
2018 3q	1,549	323,775,062	24,812,956	7.7%	816,835	0	0	11	12,608,589	$63.82
2018 2q	1,549	323,775,062	25,629,791	7.9%	693,174	1	20,000	11	12,608,589	$60.85
2018 1q	1,548	323,755,062	26,302,965	8.1%	527,677	0	0	12	12,628,589	$62.94
2017 4q	1,548	323,755,062	26,830,642	8.3%	1,092,956	0	0	10	10,588,449	$63.35
2017 3q	1,549	324,175,062	28,343,598	8.7%	(1,223,137)	1	87,717	9	9,888,449	$63.56
2017 2q	1,548	324,087,345	27,032,744	8.3%	685,971	1	221,720	7	8,989,166	$62.12
2017 1q	1,547	323,865,625	27,496,995	8.5%	(1,217,582)	0	0	8	9,210,886	$63.88
2016 4q	1,547	323,865,625	26,279,413	8.1%	1,426,815	0	0	7	9,120,381	$64.41
2016 3q	1,548	323,881,505	27,722,108	8.6%	(205,482)	0	0	6	7,387,426	$64.54
2016 2q	1,551	323,908,233	27,543,354	8.5%	1,091,060	1	1,813,159	6	7,387,426	$63.32
2016 1q	1,555	322,056,084	26,782,265	8.3%	(1,398,235)	0	0	8	9,342,412	$61.73
2015 4q	1,557	322,123,204	25,451,150	7.9%	(1,383,034)	0	0	7	9,200,585	$61.68
2015 3q	1,564	323,099,576	25,044,488	7.8%	99,696	1	74,442	6	9,112,868	$61.40
2015 2q	1,567	323,743,838	25,788,446	8.0%	(80,171)	1	473,672	6	8,482,066	$60.37
2015 1q	1,569	323,408,651	25,373,088	7.8%	3,315	0	0	4	2,582,993	$59.52
2014 4q	1,574	323,769,265	25,737,017	7.9%	(57,344)	0	0	4	2,582,993	$59.11

Source: CoStar Property®

The subject is located within the Grand Central submarket in Midtown. The following illustrates the boundaries of the Grand Central submarket:



The subject property is located in the Grand Central office submarket of Midtown. The following chart depicts the current conditions of the Grand Central submarket as compared to Midtown's other submarkets.

	Existing Inventory		Vacancy			Quoted
Submarket	**# Bldgs**	**Total RBA**	**Direct SF**	**Total SF**	**%**	**Rates**
Columbus Circle	129	36,213,555	1,871,706	2,165,374	6.0%	$58.10
Grand Central	***176***	***56,105,298***	***4,134,251***	***4,559,567***	***8.1%***	***$69.57***
Murray Hill	147	15,028,036	876,879	1,019,842	6.8%	$59.36
Penn Plaza / Garment	437	71,126,221	4,132,976	4,769,698	6.6%	$52.49
Plaza District	452	88,958,187	7,540,762	8,595,487	9.7%	$73.97
Times Square	175	50,377,320	3,062,711	3,499,926	6.9%	$64.33
U.N. Plaza	33	4,966,445	182,371	203,062	4.1%	$61.51
Totals/Average	1,549	323,775,062	21,801,656	24,812,956	7.7%	$63.82

Source: Costar Property 3rd Qtr 2018

As indicated in the chart, at 8.1% vacancy, the Grand Central submarket is underperforming the Midtown overall vacancy rate of 7.7%, but achieves the a relatively high average rental rate of $69.57 per square foot. This is due to the submarket comprising approximately 49,814,694 square feet (88.8%) of Class A office space. With 176 buildings, the Grand Central submarket has over 56.1 million square feet, for an average building size of 318,780 square feet.

Conclusion

The subject property is a good quality, Class A office facility (two attached buildings) located within the Grand Central office submarket in Midtown Manhattan. Occupancy rates within the Manhattan office market have remained relatively stable over the past two years, ranging from the high 7% to the mid 8% range which are measurable increases over 2007 through 2010 levels.

Market indications are that Manhattan still remains the first choice of businesses requiring new office space and the long term outlook for the Midtown office market remains positive through the end of 2018 and beyond as overall rental rates continue to increase.

As market psychology becomes more favorable, landlords are likely to seek opportunities to increase revenue by reducing concessions, thereby boosting net effective rents. In addition, over the long term, indicators are that industries (FIRE, legal, media or non-profit, among others) still have a very strong desire to remain in Manhattan.

GRAND CENTRAL SUBMARKET ANALYTICS

Overview

Grand Central Office

12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	12 Mo Rent Growth
0	1.2 M	7.9%	-1.3%

The Grand Central Submarket, bounded by 47th Street to the north, Second Avenue to the east, 38th Street to the south, and Fifth Avenue to the west, is one of New York's dominant submarkets. Grand Central Terminal provides easy commuter access via subway and the Metro-North commuter rail line (serving Westchester County, NY, and Fairfield and New Haven counties in Connecticut).

While not on the same level as the Plaza District, its tenant makeup is similar—finance tenants and law firms dominate. In fact, Grand Central boasts Midtown's largest concentration of financial and insurance employees, about twice that of the Plaza District. The only area of Manhattan with more finance exposure is Downtown. Therefore, it is not surprising that prominent finance tenants such as JPMorgan Chase, PricewaterhouseCoopers, Bloomberg L.P., Wells Fargo, Dreyfus Service Corporation, and Barclays Capital have an office presence in Grand Central. Other top tenants include law firms Davis Polk & Wardwell, Simpson Thacher & Bartlett, and Gibson, Dunn & Crutcher.

Due to an inventory of older office stock, the submarket's vacancy rate reached a cyclical high in the first quarter of 2014, as tenants vacated the submarket for newer office spaces. While landlords were able to backfill most of the large blocks of space, lowering vacancy rates below the metro average by the end of 2018, the submarket is facing looming vacancy elevations as more tenants are scheduled to move into the Hudson Yards and Downtown in the near future. While rent growth has been steady, growing approximately 30% from 2010-2015, it has decelerated over the past 3 years.

New deliveries have been nonexistent earlier in the cycle, however in order to curb the trend of tenants vacating the submarket, a rezoning plan was passed by the City Council in August 2017, which has spurred additional construction. Under the rezoning, which covers all of Midtown East from Third to Madison avenues, owners of land-marked buildings could sell up to four million SF in unused air rights to developers across the district at market rates. This has led to the completion of the renovated of 390 Madison (862,000 SF) in 2018 and a new office tower on the horizon, SL Green's 1.7 million SF One Vanderbilt, which broke ground in 2016 and should open in 2020.

Investor investment in the submarket is highlighted by recent trades of institutional grade assets which have closed with multiple asset valuations over $1 billion. Foreign and local institutional investment alike have been active in the submarket. Sales volume reached a cyclical peak in 2017, with close $3.5 billion, followed by $2.7 billion in 2018. The robust growth in price per SF has helped bolstered the recent high volumes and have compressed cap rates to a low of about 4%.

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Gross Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	49,498,273	8.0%	$75.88	12.3%	44,001	0	1,732,955
3 Star	6,475,638	7.4%	$62.47	8.8%	5,579	0	0
1 & 2 Star	605,096	3.8%	$57.58	5.1%	(2,600)	0	0
Submarket	**56,579,007**	**7.9%**	**$74.20**	**11.8%**	**46,980**	**0**	**1,732,955**

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-2.1%	9.0%	8.0%	15.4%	1994 Q4	1.8%	2000 Q2
Net Absorption SF	1.2 M	167,547	408,113	2,885,440	1998 Q3	(2,574,239)	2001 Q4
Deliveries SF	0	124,369	442,048	1,589,522	2002 Q3	0	2018 Q4
Rent Growth	-1.3%	4.1%	0.2%	25.5%	2007 Q3	-21.7%	2009 Q3
Sales Volume	$2.7 B	$1.4B	N/A	$4.0B	2006 Q1	$0	1995 Q2

Leasing

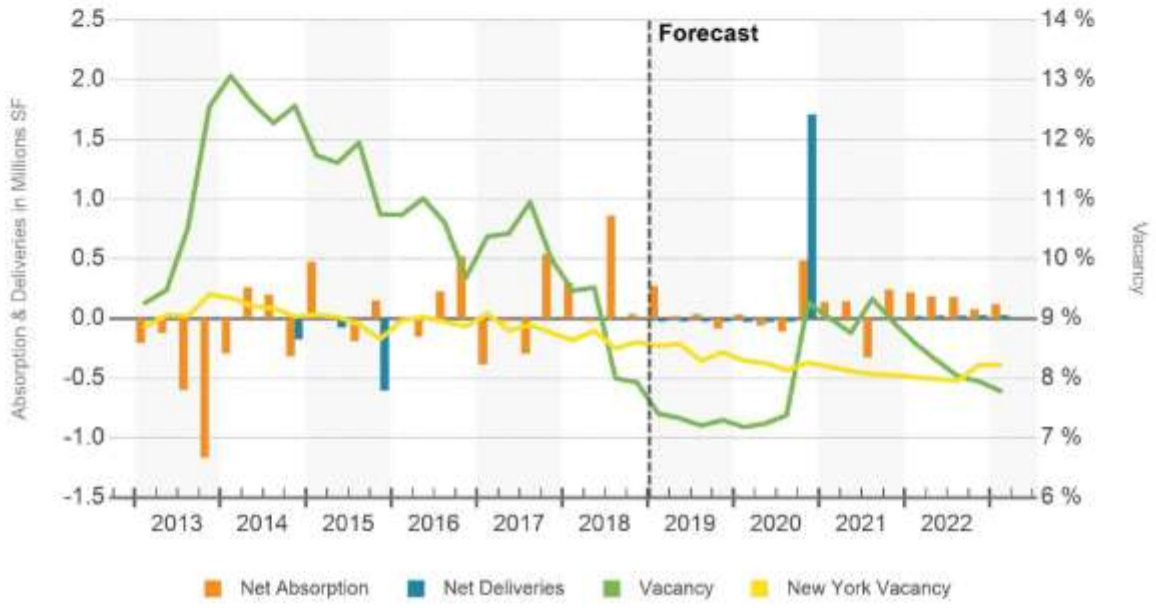
Grand Central Office

With many of Grand Central's buildings starting to show their age, several big tenants are headed to newer space. The recovery and subsequent economic expansion have not been particularly kind to Grand Central. Move-outs in 2013, including Young & Rubicam's from almost 500,000 SF at 285 Madison, put vacancies well above the metro average for the first time since 2003. And more recently, tenants have taken an interest in newly built or recently redeveloped properties elsewhere in the city. L'Oréal vacated a similarly sized office here in the middle of 2016 for the recently opened 10 Hudson Yards, and Wells Fargo is expected to leave 375,000 SF for an office condo at 30 Hudson Yards when it delivers in 2019. Pfizer plans to vacate the submarket to anchor The Spiral in 2022. But overall vacancies have been compressing in recent years, driven in part by large block leases of financial firms and healthcare providers, two of the top industries in the area.

Manhattan-wide, tenants have shown a strong preference for new, high-quality office space—so much so that occupancies among assets built from 1970–89 are roughly eight percentage points below the rates among the newest deliveries. Despite the fact that more than 85% of existing stock is composed of 4 & 5 Star assets, 95% of total SF in Grand Central is more than 20 years old. Only four properties larger than 50,000 SF have been built here since 2000, and none are less than 98% occupied.

Despite the recent and expected move-outs, it's certainly not all bad news for Grand Central. The submarket will always benefit from the Grand Central Terminal, whose 67 tracks serve four subway lines and numerous commuter trains and buses. Ease of access makes Grand Central an ideal location for a variety of companies, including Bloomberg, which has amassed a 475,000 SF campus here. JPMorgan Chase's massive footprint in the area continues to grow, and PricewaterhouseCoopers recently moved into 240,000 SF at 90 Park Ave., adding to the more than 800,000 SF it already occupies at 300 Madison. Healthcare organizations NYU Langone Medical and VNS Group Health Home Care moved into the submarket in 2017, signing leases of 377,000 SF and 237,000 SF, respectively.

NET ABSORPTION, NET DELIVERIES & VACANCY



Leasing

Grand Central Office

4 & 5 STAR MOST ACTIVE BUILDINGS IN SUBMARKET - PAST 12 MONTHS

Property Name/Address	Rating	RBA	Deals	SF	Vacancy (QTD)	Net Absorption SF (QTD)
605 Third Ave	★★★★☆	1,043,055	8	230,384	14.6%	21,229
2 Grand Central Tower 140 E 45th St	★★★★☆	700,000	10	77,011	11.9%	20,815
Grand Central District Tower 747 Third Ave	★★★★☆	437,519	11	73,940	6.1%	2,853
Fred F. French Building 551 Fifth Ave	★★★★☆	430,156	10	39,019	3.5%	0
655 Third Ave	★★★★☆	425,000	8	32,465	0%	0
295 Madison Ave	★★★★☆	332,003	15	51,507	6.1%	0
Landmark 275 Madison Ave	★★★★☆	336,000	14	53,575	4.4%	0
Chanin Building 122 E 42nd St	★★★★☆	862,081	12	48,651	12.3%	0
555 Fifth Ave	★★★★☆	243,294	7	19,470	19.1%	0
575 Fifth Ave	★★★★☆	569,000	7	57,114	45.5%	0
675 Third Ave	★★★★☆	350,000	6	38,389	7.5%	0
10 E 40th St	★★★★☆	375,000	6	39,728	20.0%	0
340 Madison Ave	★★★★☆	733,000	6	40,883	0%	0
350 Madison Ave	★★★★☆	369,913	5	85,862	17.6%	0
711 Third Ave	★★★★☆	592,265	5	66,104	8.8%	0
The Helmsley Building 230 Park Ave	★★★★★	1,406,044	9	187,731	8.0%	0
The News Building 220 E 42nd St	★★★★☆	1,135,000	7	60,326	13.2%	(3,082)
521 Fifth Ave 521 Fifth Ave	★★★★☆	495,914	7	52,440	4.3%	(6,580)
Graybar Building 420 Lexington Ave	★★★★☆	1,501,275	30	119,224	6.4%	(22,398)
One Grand Central Place 60 E 42nd St	★★★★☆	1,315,216	22	108,816	7.9%	(31,843)

Leasing

Grand Central Office

3 STAR MOST ACTIVE BUILDINGS IN SUBMARKET - PAST 12 MONTHS

Property Name/Address	Rating	RBA	Deals	SF	Vacancy (QTD)	Net Absorption SF (QTD)
545 Fifth Ave	★★★☆☆	189,862	5	22,000	4.1%	6,368
52 Vanderbilt Ave	★★★☆☆	162,330	6	12,534	0.3%	2,347
501 Fifth Ave	★★★☆☆	152,361	17	19,090	7.6%	782
274 Madison Ave	★★★☆☆	83,600	10	12,724	16.6%	0
Lexington Tower 369 Lexington Ave	★★★☆☆	153,412	8	22,774	8.4%	0
489 Fifth Ave	★★★☆☆	175,454	7	32,428	16.6%	0
Greenpoint Building 110 E 42nd St	★★★☆☆	293,878	6	26,577	13.1%	0
353 Lexington Ave	★★★☆☆	78,372	6	15,056	12.1%	0
228 E 45th St	★★★☆☆	230,000	5	41,365	1.0%	0
12 E 44th St	★★★☆☆	23,800	3	8,130	0%	0
144 E 44th St	★★★☆☆	77,320	3	7,660	18.2%	0
Craftsman Building 6 E 39th St	★★★☆☆	117,000	2	7,100	5.1%	0
30 E 40th St	★★★☆☆	68,000	5	7,340	8.0%	0
10 E 39th St	★★★☆☆	94,696	4	4,325	13.4%	0
271 Madison Ave	★★★☆☆	111,500	4	6,680	14.8%	0
The Madison's at Grand Central 292 Madison Ave	★★★☆☆	205,000	4	29,484	32.8%	0
286 Madison Ave	★★★☆☆	125,976	4	11,077	7.0%	0
366 Madison Ave	★★★☆☆	90,000	3	19,654	15.2%	0
6 E 45th St	★★★☆☆	90,000	3	11,074	5.1%	0
305-315 Madison Ave	★★★☆☆	148,370	3	2,562	19.9%	(557)

Rent

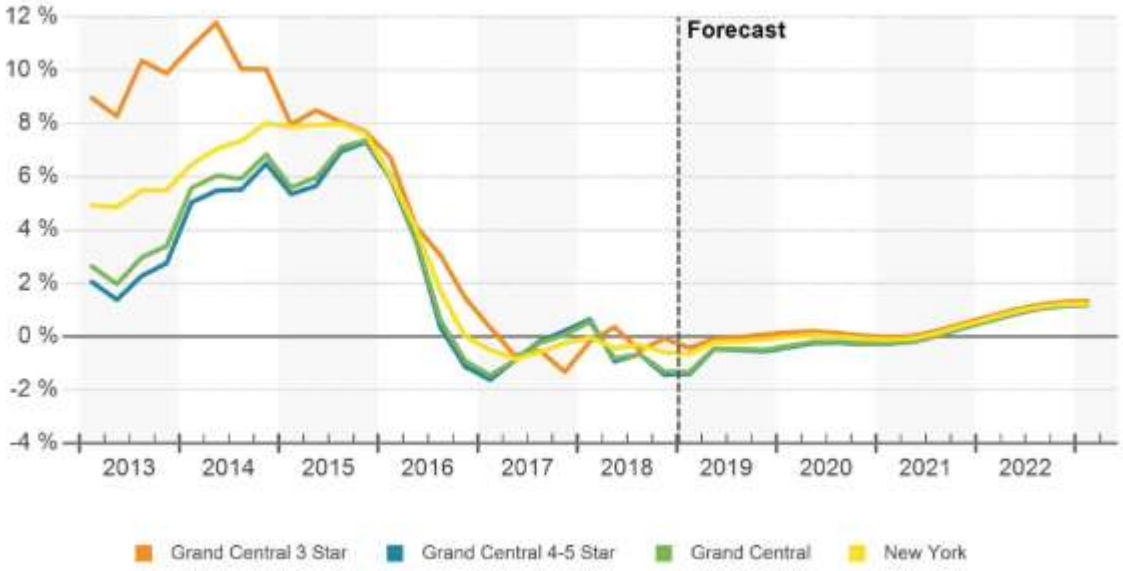
Grand Central Office

Grand Central's superior transit access and ideal Midtown location have helped rent growth remain steady, prior to 2016. Though it has been slowly decelerating, rent growth has averaged 6% annually from 2011-15. Faced with vacancy pop in 2014, when the overall vacancy rate reached an unprecedented high level, landlords were stripped of any leverage to boost rents any further and aside of landlords who have invested in capital improvements at their buildings to justify rent hikes, much of the submarket's rents have stalled.

Yet, Grand Central still represents one of the most expensive submarkets in the New York metro, along with neighboring submarkets such as the Plaza District and Times Square. Grand Central's high average rent is inflated by the high percentage of 4 & 5 Star stock in its inventory. Almost 90% of the submarket is accounted for in the 4 & 5 Star slice, despite the lack of new construction throughout the early years of the cycle, as Madison Avenue, Park Avenue and Lexington Avenue contain prestigious office properties

As the submarket continues to change due to the rezoning efforts, more landlords should see the benefit of investing in capital improvements to their assets, which in turn should help rental growth. Recent leases signed at 390 Madison Ave. and 1 Vanderbilt Ave. prove that tenants are willing to pay well above the submarket average for new modern office spaces in an older submarket such as Grand Central.

MARKET RENT GROWTH (YOY)



Construction

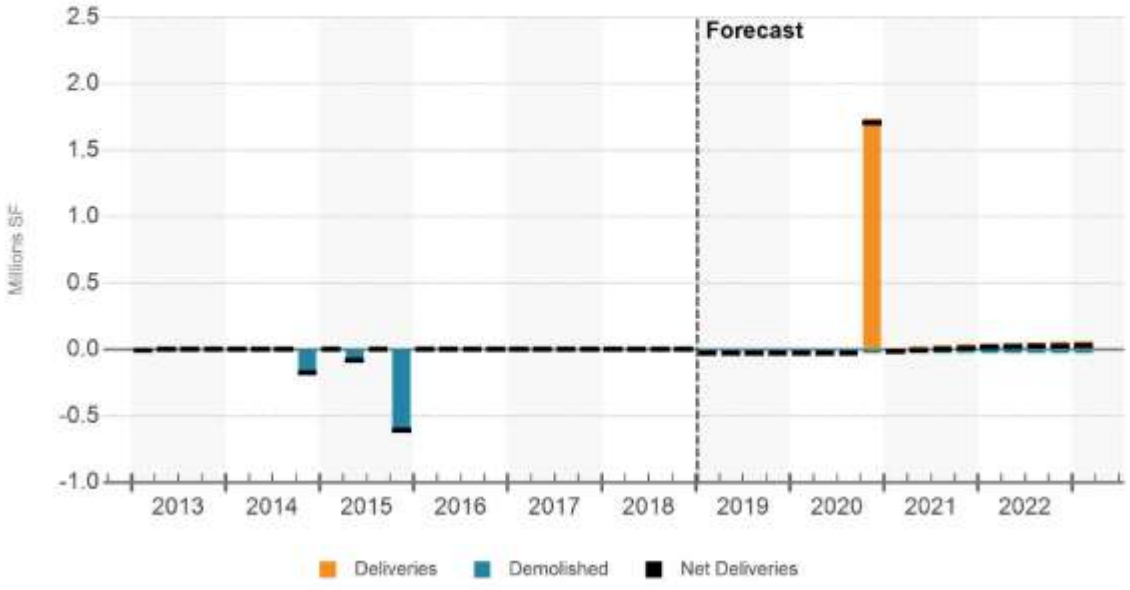
Grand Central Office

Although East Midtown historically has been one of the most sought-after office markets in the New York region, the average age of its office buildings is more than 70 years old. Much of East Midtown's office building stock has low floor-to-ceiling heights and numerous interior columns that fail to meet the needs of today's corporate tenants. Without new office buildings that meet modern standards, the area's competitiveness as a premier business district was compromised. The plan opens up the sale of unused development rights by owners of landmark properties throughout the district, setting a minimum contribution of $61.49 a square foot or 20% of the air-rights sale price to a fund for public projects. At the same time, building taller requires developers to invest in specific transit upgrades and public-space enhancements, including rehabilitated subway stations, new escalators and pedestrian plazas

While it is estimated it could take at least 20 years, the Midtown East Rezoning is already changing the submarket. The rezoning has allowed for much-needed new construction for the Grand Central Submarket. At the end of 2016, SL Green broke ground on its 1.7 million SF One Vanderbilt. TD Bank has already committed to 200,000 SF, German company DZ Bank committed to 35,500 SF, while law firm McDermott Will & Emery leased 106,000 SF. In January 2018, the global law firm Greenberg Traurig announced it will move its New York headquarters from the Met Life Building to One Vanderbilt, potentially taking about 140,000 SF when the asset delivers in 2020. And in August 2018, the Carlyle Group announced it is taking 94,000 SF for 15 years. As of 18Q4 the building is almost 40% pre-leased, with no other significant leasing announced.

The rezoning plan has also allowed for expansive renovations at older buildings where landlords are now allowed to further expand their assets to offer larger floor plans, all while updating the office spaces to meet the modern demands. Property owners and landlords have responded by undertaking significant capital improvements in the submarket. For instance, L+L Holdings has completely redeveloped what has been rebranded as 390 Madison (formerly 380 Madison), with asking rents at the building ranging from $80 SF–$100/SF. The law firm Hogan Lovells inked the first lease, taking 207,000 SF, followed by Shiseido who has recently moved into the building. In February 2018, JPMorgan Chase & Co. signed for 418,000 SF. JPMorgan Chase plans to house many of employs at 390 Madison while they build the future 2.5 million SF HQ at 270 Park, which is expected to complete in 2024.

DELIVERIES & DEMOLITIONS



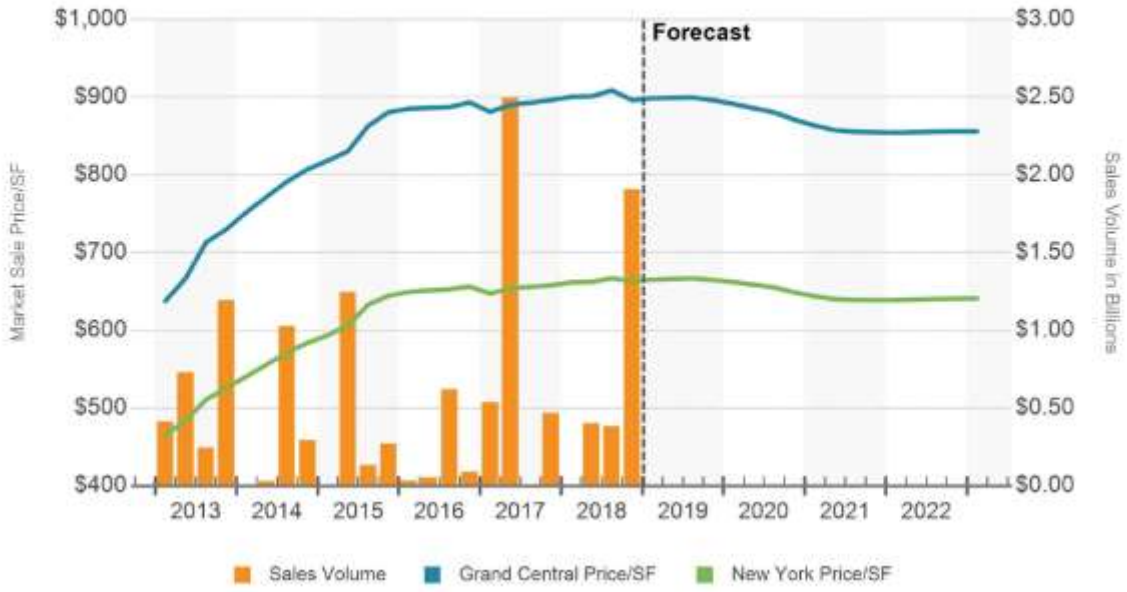
Sales

Grand Central Office

Sales volume and pricing reached the best two-year span this cycle over the past two years, with trades of top institutional quality assets. The $2.21 billion sale of Park Avenue 245 in May 2017 is one of the largest sales in Manhattan's recent history. At a 4.6% cap rate, HNA Group North America purchased the building for close to 150% more than the price NY State Teacher's Retirement System paid in 2003. However, amid recent political tension, investment from China has curtailed significantly this year and Chinese conglomerate partially sold its interest at the property to SL Green for $1.0 billion in November 2018. In July 2018, pharmaceutical company Pfizer sold its headquarters to Deutsche Bank as part of its planned move to the Hudson Yards. The 2-property portfolio trade valued at $370 million, included a sale/leaseback where the seller will remain until its new offices are ready for occupancy.

In 2015, the submarket received a boost from RXR Realty and Blackstone's joint acquisition of one of Grand Central's trophy assets, the Helmsley Building, for $1.2 billion ($858/SF) at a 3.6% cap rate. Despite macroeconomic uncertainty that precipitated a slowdown in investment in the first half 2016, sales picked up by year's end, and total sales volume ended close to $1 billion. In September 2016, RFR Holding purchased GreenOak Real Estate's interest in 285 Madison in a transaction that pegged the newly repositioned property's value at $334 million ($770/SF)—more than 75% above what the companies paid for the prewar asset in 2012. In August 2016, RPW Group picked up 275 Madison for $273 million ($812/SF). Although the building was more than 90% occupied when sold, almost 50% of that space is set to expire in the next five years, meaning the asset could be repositioned. RPW has already announced plans to renovate the lobby and common areas in the 336,000-SF building. In October 2016, Vanbarton Group paid $180 million to acquire 292 Madison from Marciano Investment Group, which includes the land sale. The 204,000-SF prewar building was 90% occupied when sold, with asking rents reportedly $70/SF and above. And 2017 hit record highs, with sales volume exceeding $3 billion, largely thanks to the aforementioned 245 Park Avenue sale.

SALES VOLUME & MARKET SALE PRICE PER SF



SUBMARKET ANALYSIS

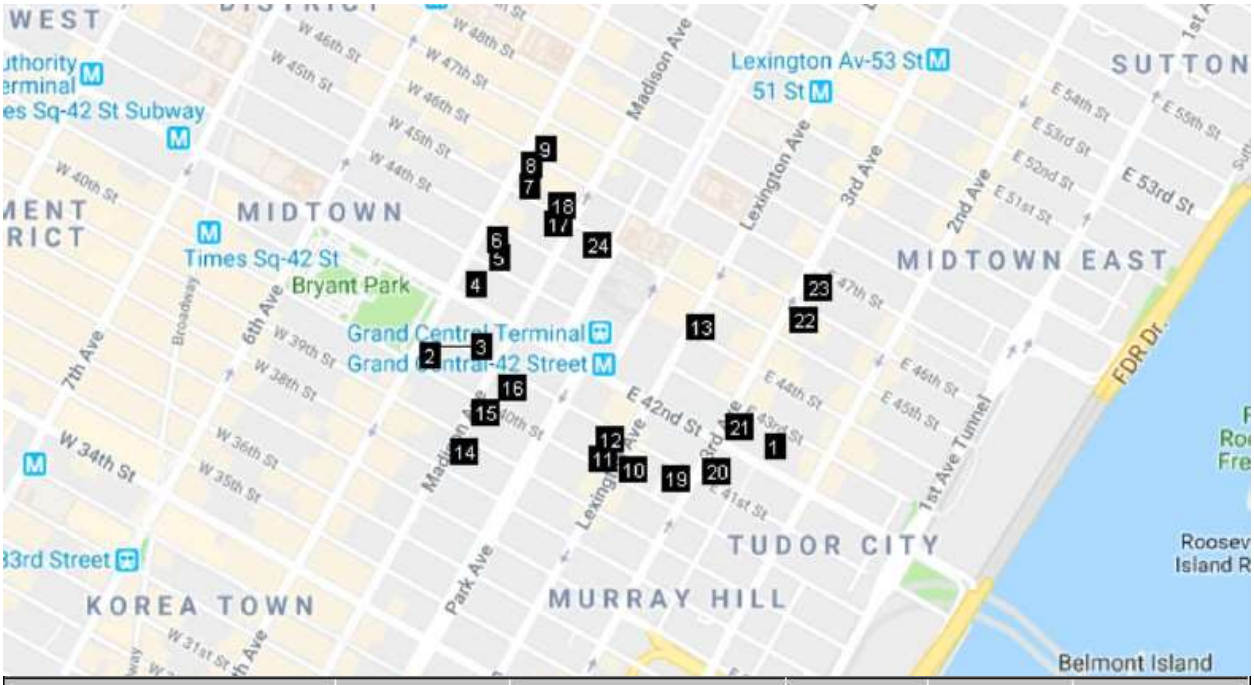
The subject property consists of two attached, 14- and 36-story, Class A office buildings containing 496,946± square feet of gross building area above grade. The total gross leasable area for the subject is 511,090± square feet. The property is 81.80% leased and occupied. The improvements were constructed in 1927-1930 and are in good condition.

Through the use of CoStar Property Services, we have surveyed a total of 24 Class A office buildings (excluding the subject) between 123,400 and 495,914 square feet in size within the subject's Grand Central submarket that are considered to be competitive with the subject property. The properties are all situated on avenues and have prominent avenue addresses. Virtually all of the properties are multi-tenanted properties with office and retail space.

All relevant physical and financial information on each competitive property was ascertained by the appraiser based on available property data through various reporting services. The building survey is summarized on the following pages.

Availability and Vacancy Building List

Building Address	Existing Rentable Bldg Area	Direct SF Vacant	Direct % Vacant	Total SF Vacant	Total % Vacant	Total SF Available	Direct SF Available	Sublet SF Available	Max SF Contig	Avg Rate
219 E 42nd St	350,000	0	0.0%	0	0.0%	0	0	0	0	-
461 Fifth Ave	200,835	46,280	23.0%	46,280	23.0%	28,335	28,335	0	14,268	-
475 Fifth Ave	275,764	0	0.0%	4,103	1.5%	0	0	0	0	-
505 Fifth Ave	325,111	24,413	7.5%	48,508	14.9%	37,355	13,260	24,095	15,624	-
521 Fifth Ave	495,914	21,533	4.3%	21,533	4.3%	30,636	22,248	6,580	6,580	-
529 Fifth Ave	282,278	17,925	6.4%	17,925	6.4%	24,980	17,925	7,055	17,925	$49.00/mg
551 Fifth Ave	430,156	14,851	3.5%	14,851	3.5%	22,489	14,851	7,538	7,538	$66.48/+elec
555 Fifth Ave	243,294	45,418	18.7%	46,418	19.1%	46,918	45,418	1,000	35,073	$49.00/+elec
565 Fifth Ave	367,627	10,850	3.0%	10,850	3.0%	10,850	10,850	0	10,850	$79.00/mg
355 Lexington Ave	256,272	58,410	22.8%	65,149	25.4%	52,562	45,823	6,739	16,199	$59.89/+elec
360 Lexington Ave	296,073	32,025	10.8%	32,025	10.8%	33,750	33,750	0	15,227	-
370 Lexington Ave	312,000	57,393	18.4%	67,449	21.6%	69,860	59,804	10,056	9,717	$68.31/+elec
441 Lexington Ave	123,400	0	0.0%	0	0.0%	0	0	0	0	$62.00/mg
261 Madison Ave	416,000	61,879	14.9%	61,879	14.9%	82,373	61,879	0	48,650	-
275 Madison Ave	336,000	8,432	2.5%	14,755	4.4%	54,605	33,201	9,904	11,305	$72.00/nnn
295 Madison Ave	332,003	20,144	6.1%	20,144	6.1%	22,144	20,144	0	10,748	-
350 Madison Ave	369,913	45,765	12.4%	65,281	17.6%	28,075	8,559	19,516	19,516	-
360 Madison Ave	370,000	142,476	38.5%	142,476	38.5%	127,793	127,793	0	50,932	-
630 Third Ave	237,202	12,551	5.3%	12,551	5.3%	12,551	12,551	0	7,173	-
655 Third Ave	425,000	0	0.0%	0	0.0%	22,545	22,545	0	6,678	-
675 Third Ave	350,000	26,404	7.5%	26,404	7.5%	44,662	43,662	0	10,235	-
733 Third Ave	445,000	40,805	9.2%	40,805	9.2%	190,416	141,538	16,878	131,554	-
747 Third Ave	437,519	21,799	5.0%	26,877	6.1%	45,098	25,320	14,778	9,700	-
52 Vanderbilt Ave	162,330	485	0.3%	485	0.3%	485	485	0	485	-
Grand Totals (24 Bldgs)	**7,839,691**	**709,838**	**9.1%**	**786,748**	**10.0%**	**988,482**	**789,941**	**124,139**	**131,554**	**$71.72/fs**



	Address	City	Property Type	Property Size	Space Avail	Rent/SF/Yr
1	219 E 42nd St	New York	Class A Office	350,000 SF	0 SF	-
2	461 Fifth Ave	New York	Class A Office	200,835 SF	28,335 SF	Withheld
3	475 Fifth Ave	New York	Class A Office	275,764 SF	0 SF	-
4	505 Fifth Ave	New York	Class A Office	325,111 SF	37,355 SF	Withheld
5	521 Fifth Ave	New York	Class A Office	495,914 SF	30,636 SF	Withheld
6	529 Fifth Ave	New York	Class A Office	282,278 SF	24,980 SF	Withheld
7	551 Fifth Ave	New York	Class A Office	430,156 SF	22,489 SF	$58.00-$78.00
8	555 Fifth Ave	New York	Class A Office	243,294 SF	46,918 SF	$49.00
9	565 Fifth Ave	New York	Class A Office	367,627 SF	10,850 SF	Withheld
10	355 Lexington Ave	New York	Class A Office	256,272 SF	52,562 SF	$57.00-$62.00
11	360 Lexington Ave	New York	Class A Office	296,073 SF	33,750 SF	Withheld
12	370 Lexington Ave	New York	Class A Office	312,000 SF	69,860 SF	$65.00-$71.00
13	441 Lexington Ave	New York	Class A Office	123,400 SF	0 SF	-
14	261 Madison Ave	New York	Class A Office	416,000 SF	82,373 SF	Withheld
15	275 Madison Ave	New York	Class A Office	336,000 SF	54,605 SF	$72.00
16	295 Madison Ave	New York	Class A Office	332,003 SF	22,144 SF	Withheld
17	350 Madison Ave	New York	Class A Office	369,913 SF	28,075 SF	Withheld
18	360 Madison Ave	New York	Class A Office	370,000 SF	127,793 SF	Withheld
19	630 Third Ave	New York	Class A Office	237,202 SF	12,551 SF	Withheld
20	655 Third Ave	New York	Class A Office	425,000 SF	22,545 SF	Withheld
21	675 Third Ave	New York	Class A Office	350,000 SF	44,662 SF	Withheld
22	733 Third Ave	New York	Class A Office	445,000 SF	190,416 SF	Withheld
23	747 Third Ave	New York	Class A Office	437,519 SF	45,098 SF	Withheld
24	52 Vanderbilt Ave	New York	Class A Office	162,330 SF	485 SF	Withheld

Building Historical Vacancy Report

Building	Period	SF Vacant			% Vacant			SF Vacant Available			% Vacant Available			Average Rate		
		Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total
219 E 42nd St	Current	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
Pfizer Bldg	2018 4Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
New York, NY 10017	2018 3Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
350,000 SF RBA	2018 2Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2018 1Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2017 4Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2017 3Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2017 2Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2017 1Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2016 4Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2016 3Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2016 2Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
461 Fifth Ave	Current	46,280	0	46,280	23.0%	0.0%	23.0%	28,335	0	28,335	14.1%	0.0%	14.1%	-	-	-
New York, NY 10017	2018 4Q	46,280	0	46,280	23.0%	0.0%	23.0%	46,280	0	46,280	23.0%	0.0%	23.0%	-	-	-
200,835 SF RBA	2018 3Q	39,347	11,232	50,579	19.6%	5.6%	25.2%	39,347	11,232	50,579	19.6%	5.6%	25.2%	-	-	-
	2018 2Q	53,162	11,232	64,394	26.5%	5.6%	32.1%	39,347	11,232	50,579	19.6%	5.6%	25.2%	-	-	-
	2018 1Q	64,394	11,232	75,626	32.1%	5.6%	37.7%	46,280	11,232	57,512	23.0%	5.6%	28.6%	-	-	-
	2017 4Q	7,134	0	7,134	3.6%	0.0%	3.6%	7,134	0	7,134	3.6%	0.0%	3.6%	-	-	-
	2017 3Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2017 2Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2017 1Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2016 4Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2016 3Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	$95.00/+elec	-	$95.00/+elec
	2016 2Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	$95.00/+elec	-	$95.00/+elec
475 Fifth Ave	Current	0	4,103	4,103	0.0%	1.5%	1.5%	0	0	0	0.0%	0.0%	0.0%	-	-	-
New York, NY 10017	2018 4Q	4,132	4,103	8,235	1.5%	1.5%	3.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
275,764 SF RBA	2018 3Q	4,132	0	4,132	1.5%	0.0%	1.5%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2018 2Q	16,077	0	16,077	5.8%	0.0%	5.8%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2018 1Q	16,077	0	16,077	5.8%	0.0%	5.8%	16,077	0	16,077	5.8%	0.0%	5.8%	-	-	-
	2017 4Q	16,077	0	16,077	5.8%	0.0%	5.8%	16,077	0	16,077	5.8%	0.0%	5.8%	-	-	-
	2017 3Q	16,077	0	16,077	5.8%	0.0%	5.8%	16,077	0	16,077	5.8%	0.0%	5.8%	-	-	-
	2017 2Q	32,106	0	32,106	11.6%	0.0%	11.6%	16,077	0	16,077	5.8%	0.0%	5.8%	-	-	-
	2017 1Q	29,487	0	29,487	10.7%	0.0%	10.7%	13,458	0	13,458	4.9%	0.0%	4.9%	-	-	-
	2016 4Q	44,862	0	44,862	16.3%	0.0%	16.3%	13,458	0	13,458	4.9%	0.0%	4.9%	-	-	-
	2016 3Q	83,610	0	83,610	30.3%	0.0%	30.3%	36,177	0	36,177	13.1%	0.0%	13.1%	-	-	-
	2016 2Q	83,610	0	83,610	30.3%	0.0%	30.3%	36,177	0	36,177	13.1%	0.0%	13.1%	-	-	-

Building Historical Vacancy Report

Building	Period	SF Vacant			% Vacant			SF Vacant Available			% Vacant Available			Average Rate		
		Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total
505 Fifth Ave	Current	24,413	24,095	48,508	7.5%	7.4%	14.9%	13,260	24,095	37,355	4.1%	7.4%	11.5%	-	-	-
New York, NY 10017	2018 4Q	24,413	24,095	48,508	7.5%	7.4%	14.9%	13,260	24,095	37,355	4.1%	7.4%	11.5%	-	-	-
325,111 SF RBA	2018 3Q	24,413	0	24,413	7.5%	0.0%	7.5%	24,413	0	24,413	7.5%	0.0%	7.5%	-	-	-
	2018 2Q	22,029	17,282	39,311	6.8%	5.3%	12.1%	22,029	17,282	39,311	6.8%	5.3%	12.1%	-	-	-
	2018 1Q	22,029	25,753	47,782	6.8%	7.9%	14.7%	22,029	25,753	47,782	6.8%	7.9%	14.7%	-	-	-
	2017 4Q	10,876	45,100	55,976	3.3%	13.9%	17.2%	10,876	34,224	45,100	3.3%	10.5%	13.9%	-	-	-
	2017 3Q	18,559	45,100	63,659	5.7%	13.9%	19.6%	10,876	45,100	55,976	3.3%	13.9%	17.2%	-	-	-
	2017 2Q	18,559	49,847	68,406	5.7%	15.3%	21.0%	10,876	27,818	38,694	3.3%	8.6%	11.9%	-	-	-
	2017 1Q	18,559	49,847	68,406	5.7%	15.3%	21.0%	10,876	49,847	60,723	3.3%	15.3%	18.7%	-	-	-
	2016 4Q	18,559	0	18,559	5.7%	0.0%	5.7%	10,876	0	10,876	3.3%	0.0%	3.3%	-	-	-
	2016 3Q	7,683	0	7,683	2.4%	0.0%	2.4%	7,683	0	7,683	2.4%	0.0%	2.4%	-	-	-
	2016 2Q	7,683	16,052	23,735	2.4%	4.9%	7.3%	7,683	16,052	23,735	2.4%	4.9%	7.3%	-	-	-
521 Fifth Ave	Current	21,533	0	21,533	4.3%	0.0%	4.3%	19,511	0	19,511	3.9%	0.0%	3.9%	-	-	-
521 Fifth Ave	2018 4Q	14,953	0	14,953	3.0%	0.0%	3.0%	12,931	0	12,931	2.6%	0.0%	2.6%	-	-	-
New York, NY 10175	2018 3Q	17,358	0	17,358	3.5%	0.0%	3.5%	0	0	0	0.0%	0.0%	0.0%	-	-	-
495,914 SF RBA	2018 2Q	29,752	3,509	33,261	6.0%	0.7%	6.7%	0	3,509	3,509	0.0%	0.7%	0.7%	-	-	-
	2018 1Q	50,739	0	50,739	10.2%	0.0%	10.2%	29,752	0	29,752	6.0%	0.0%	6.0%	-	-	-
	2017 4Q	50,739	0	50,739	10.2%	0.0%	10.2%	29,752	0	29,752	6.0%	0.0%	6.0%	-	-	-
	2017 3Q	50,739	5,484	56,223	10.2%	1.1%	11.3%	50,739	5,484	56,223	10.2%	1.1%	11.3%	-	-	-
	2017 2Q	50,853	0	50,853	10.3%	0.0%	10.3%	44,925	0	44,925	9.1%	0.0%	9.1%	-	-	-
	2017 1Q	50,853	5,484	56,337	10.3%	1.1%	11.4%	50,853	5,484	56,337	10.3%	1.1%	11.4%	-	-	-
	2016 4Q	55,863	15,029	70,892	11.3%	3.0%	14.3%	33,495	15,029	48,524	6.8%	3.0%	9.8%	-	-	-
	2016 3Q	61,724	8,449	70,173	12.4%	1.7%	14.2%	33,495	8,449	41,944	6.8%	1.7%	8.5%	$66.80/+elec	-	$66.80/+elec
	2016 2Q	61,724	15,145	76,869	12.4%	3.1%	15.5%	55,863	15,145	71,008	11.3%	3.1%	14.3%	$66.80/+elec	-	$66.80/+elec
529 Fifth Ave	Current	17,925	0	17,925	6.4%	0.0%	6.4%	17,925	0	17,925	6.4%	0.0%	6.4%	-	$49.00/mg	$49.00/mg
New York, NY 10017	2018 4Q	17,925	0	17,925	6.4%	0.0%	6.4%	17,925	0	17,925	6.4%	0.0%	6.4%	-	$49.00/mg	$49.00/mg
282,278 SF RBA	2018 3Q	17,925	0	17,925	6.4%	0.0%	6.4%	17,925	0	17,925	6.4%	0.0%	6.4%	-	-	-
	2018 2Q	17,925	0	17,925	6.4%	0.0%	6.4%	17,925	0	17,925	6.4%	0.0%	6.4%	-	-	-
	2018 1Q	17,925	0	17,925	6.4%	0.0%	6.4%	17,925	0	17,925	6.4%	0.0%	6.4%	-	-	-
	2017 4Q	20,453	5,305	25,758	7.2%	1.9%	9.1%	20,453	5,305	25,758	7.2%	1.9%	9.1%	$63.00/+elec	-	$63.00/+elec
	2017 3Q	2,528	5,305	7,833	0.9%	1.9%	2.8%	2,528	5,305	7,833	0.9%	1.9%	2.8%	$63.00/+elec	-	$63.00/+elec
	2017 2Q	12,243	0	12,243	4.3%	0.0%	4.3%	2,528	0	2,528	0.9%	0.0%	0.9%	$63.00/+elec	-	$63.00/+elec
	2017 1Q	2,528	0	2,528	0.9%	0.0%	0.9%	2,528	0	2,528	0.9%	0.0%	0.9%	$63.00/+elec	-	$63.00/+elec
	2016 4Q	2,528	0	2,528	0.9%	0.0%	0.9%	2,528	0	2,528	0.9%	0.0%	0.9%	$63.00/+elec	-	$63.00/+elec
	2016 3Q	2,528	0	2,528	0.9%	0.0%	0.9%	2,528	0	2,528	0.9%	0.0%	0.9%	$63.00/+elec	-	$63.00/+elec
	2016 2Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	$63.00/+elec	-	$63.00/+elec

Building Historical Vacancy Report

Building	Period	SF Vacant			% Vacant			SF Vacant Available			% Vacant Available			Average Rate		
		Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total
551 Fifth Ave	Current	14,851	0	14,851	3.5%	0.0%	3.5%	14,851	0	14,851	3.5%	0.0%	3.5%	$66.48/+elec	-	$66.48/+elec
Fred F. French Building	2018 4Q	14,851	0	14,851	3.5%	0.0%	3.5%	14,851	0	14,851	3.5%	0.0%	3.5%	$65.64/+elec	-	$65.64/+elec
New York, NY 10176	2018 3Q	10,593	0	10,593	2.5%	0.0%	2.5%	10,593	0	10,593	2.5%	0.0%	2.5%	$64.46/+elec	-	$64.46/+elec
430,156 SF RBA	2018 2Q	20,806	9,000	29,806	4.8%	2.1%	6.9%	20,806	9,000	29,806	4.8%	2.1%	6.9%	$62.46/+elec	-	$62.46/+elec
	2018 1Q	18,337	9,000	27,337	4.3%	2.1%	6.4%	18,337	9,000	27,337	4.3%	2.1%	6.4%	$63.19/+elec	-	$63.19/+elec
	2017 4Q	37,741	9,000	46,741	8.8%	2.1%	10.9%	27,436	9,000	36,436	6.4%	2.1%	8.5%	$63.19/+elec	$53.00/fs	$63.19/+elec
	2017 3Q	31,139	0	31,139	7.2%	0.0%	7.2%	20,834	0	20,834	4.8%	0.0%	4.8%	$61.82/+elec	-	$61.82/+elec
	2017 2Q	44,548	0	44,548	10.4%	0.0%	10.4%	39,646	0	39,646	9.2%	0.0%	9.2%	$61.62/+elec	-	$61.62/+elec
	2017 1Q	33,566	25,711	59,277	7.8%	6.0%	13.8%	25,459	985	26,444	5.9%	0.2%	6.1%	$62.24/+elec	$55.25/fe	$62.24/+elec
	2016 4Q	48,490	2,000	50,490	11.3%	0.5%	11.7%	35,513	2,000	37,513	8.3%	0.5%	8.7%	$62.01/negot	$55.25/fe	$62.01/negot
	2016 3Q	48,611	32,710	81,321	11.3%	7.6%	18.9%	48,611	32,710	81,321	11.3%	7.6%	18.9%	$63.53/+elec	$55.25/fe	$63.53/+elec
	2016 2Q	49,438	4,200	53,638	11.5%	1.0%	12.5%	46,178	4,200	50,378	10.7%	1.0%	11.7%	$63.89/+elec	$55.25/fe	$63.89/+elec
555 Fifth Ave	Current	45,418	1,000	46,418	18.7%	0.4%	19.1%	45,418	1,000	46,418	18.7%	0.4%	19.1%	$49.00/+elec	-	$49.00/+elec
New York, NY 10017	2018 4Q	45,418	1,000	46,418	18.7%	0.4%	19.1%	45,418	1,000	46,418	18.7%	0.4%	19.1%	$49.00/+elec	$46.50/+elec	$47.38/+elec
243,294 SF RBA	2018 3Q	10,963	1,000	11,963	4.5%	0.4%	4.9%	8,891	1,000	9,891	3.7%	0.4%	4.1%	$61.14/+elec	$46.50/+elec	$59.87/+elec
	2018 2Q	6,360	0	6,360	2.6%	0.0%	2.6%	6,360	0	6,360	2.6%	0.0%	2.6%	$61.14/+elec	$46.50/+elec	$59.87/+elec
	2018 1Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	$61.91/+elec	-	$61.91/+elec
	2017 4Q	3,827	0	3,827	1.6%	0.0%	1.6%	3,827	0	3,827	1.6%	0.0%	1.6%	$61.78/+elec	-	$61.78/+elec
	2017 3Q	7,118	6,031	13,149	2.9%	2.5%	5.4%	7,118	6,031	13,149	2.9%	2.5%	5.4%	$61.07/+elec	-	$61.07/+elec
	2017 2Q	0	6,031	6,031	0.0%	2.5%	2.5%	0	6,031	6,031	0.0%	2.5%	2.5%	$60.00/+elec	-	$60.00/+elec
	2017 1Q	0	6,031	6,031	0.0%	2.5%	2.5%	0	6,031	6,031	0.0%	2.5%	2.5%	$59.36/+elec	-	$59.36/+elec
	2016 4Q	0	6,031	6,031	0.0%	2.5%	2.5%	0	6,031	6,031	0.0%	2.5%	2.5%	$59.00/+elec	-	$59.00/+elec
	2016 3Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	$59.00/+elec	-	$59.00/+elec
	2016 2Q	6,879	0	6,879	2.8%	0.0%	2.8%	6,879	0	6,879	2.8%	0.0%	2.8%	$59.00/+elec	-	$59.00/+elec
565 Fifth Ave	Current	10,850	0	10,850	3.0%	0.0%	3.0%	10,850	0	10,850	3.0%	0.0%	3.0%	$79.00/mg	-	$79.00/mg
565 Fifth Avenue	2018 4Q	10,850	0	10,850	3.0%	0.0%	3.0%	10,850	0	10,850	3.0%	0.0%	3.0%	$79.00/mg	-	$79.00/mg
New York, NY 10017	2018 3Q	10,850	0	10,850	3.0%	0.0%	3.0%	10,850	0	10,850	3.0%	0.0%	3.0%	$79.00/mg	-	$79.00/mg
367,627 SF RBA	2018 2Q	10,850	0	10,850	3.0%	0.0%	3.0%	10,850	0	10,850	3.0%	0.0%	3.0%	$79.00/mg	-	$79.00/mg
	2018 1Q	20,130	0	20,130	5.5%	0.0%	5.5%	20,130	0	20,130	5.5%	0.0%	5.5%	$79.00/mg	-	$79.00/mg
	2017 4Q	20,130	0	20,130	5.5%	0.0%	5.5%	20,130	0	20,130	5.5%	0.0%	5.5%	$79.00/mg	-	$79.00/mg
	2017 3Q	20,130	0	20,130	5.5%	0.0%	5.5%	20,130	0	20,130	5.5%	0.0%	5.5%	$79.00/mg	-	$79.00/mg
	2017 2Q	20,130	0	20,130	5.5%	0.0%	5.5%	20,130	0	20,130	5.5%	0.0%	5.5%	$79.00/mg	-	$79.00/mg
	2017 1Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	$79.00/mg	-	$79.00/mg
	2016 4Q	10,850	0	10,850	3.0%	0.0%	3.0%	10,850	0	10,850	3.0%	0.0%	3.0%	-	-	-
	2016 3Q	10,850	0	10,850	3.0%	0.0%	3.0%	10,850	0	10,850	3.0%	0.0%	3.0%	-	-	-
	2016 2Q	10,850	0	10,850	3.0%	0.0%	3.0%	10,850	0	10,850	3.0%	0.0%	3.0%	-	-	-

Building Historical Vacancy Report

Building	Period	SF Vacant			% Vacant			SF Vacant Available			% Vacant Available			Average Rate		
		Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total
355 Lexington Ave	Current	58,410	6,739	65,149	22.8%	2.6%	25.4%	45,823	6,739	52,562	17.9%	2.6%	20.5%	$59.89/+elec	-	$59.89/+elec
New York, NY 10017	2018 4Q	58,410	6,739	65,149	22.8%	2.6%	25.4%	45,823	6,739	52,562	17.9%	2.6%	20.5%	$59.44/+elec	-	$59.44/+elec
256,272 SF RBA	2018 3Q	51,671	10,812	62,483	20.2%	4.2%	24.4%	51,671	9,612	61,283	20.2%	3.8%	23.9%	$59.44/+elec	-	$59.44/+elec
	2018 2Q	18,288	3,996	22,284	7.1%	1.6%	8.7%	18,288	3,996	22,284	7.1%	1.6%	8.7%	$59.56/+elec	-	$59.56/+elec
	2018 1Q	9,543	1,200	10,743	3.7%	0.5%	4.2%	9,543	1,200	10,743	3.7%	0.5%	4.2%	$58.36/+elec	-	$58.36/+elec
	2017 4Q	14,098	0	14,098	5.5%	0.0%	5.5%	14,098	0	14,098	5.5%	0.0%	5.5%	$58.03/+elec	-	$58.03/+elec
	2017 3Q	16,293	0	16,293	6.4%	0.0%	6.4%	12,345	0	12,345	4.8%	0.0%	4.8%	$55.00/+elec	-	$55.00/+elec
	2017 2Q	7,896	0	7,896	3.1%	0.0%	3.1%	7,896	0	7,896	3.1%	0.0%	3.1%	$55.00/+elec	-	$55.00/+elec
	2017 1Q	7,896	0	7,896	3.1%	0.0%	3.1%	7,896	0	7,896	3.1%	0.0%	3.1%	$55.00/+elec	-	$55.00/+elec
	2016 4Q	7,896	0	7,896	3.1%	0.0%	3.1%	7,896	0	7,896	3.1%	0.0%	3.1%	$55.00/+elec	-	$55.00/+elec
	2016 3Q	7,896	0	7,896	3.1%	0.0%	3.1%	7,896	0	7,896	3.1%	0.0%	3.1%	$55.00/+elec	-	$55.00/+elec
	2016 2Q	12,596	3,000	15,596	4.9%	1.2%	6.1%	12,596	3,000	15,596	4.9%	1.2%	6.1%	$55.00/+elec	-	$55.00/+elec
360 Lexington Ave	Current	32,025	0	32,025	10.8%	0.0%	10.8%	32,025	0	32,025	10.8%	0.0%	10.8%	-	-	-
New York, NY 10017	2018 4Q	32,025	0	32,025	10.8%	0.0%	10.8%	32,025	0	32,025	10.8%	0.0%	10.8%	-	-	-
296,073 SF RBA	2018 3Q	32,025	7,986	40,011	10.8%	2.7%	13.5%	32,025	0	32,025	10.8%	0.0%	10.8%	-	-	-
	2018 2Q	22,056	7,986	30,042	7.4%	2.7%	10.1%	22,056	7,986	30,042	7.4%	2.7%	10.1%	-	-	-
	2018 1Q	21,939	0	21,939	7.4%	0.0%	7.4%	21,939	0	21,939	7.4%	0.0%	7.4%	-	-	-
	2017 4Q	1,077	0	1,077	0.4%	0.0%	0.4%	1,077	0	1,077	0.4%	0.0%	0.4%	$57.00/+elec	-	$57.00/+elec
	2017 3Q	16,170	0	16,170	5.5%	0.0%	5.5%	1,077	0	1,077	0.4%	0.0%	0.4%	$57.00/+elec	-	$57.00/+elec
	2017 2Q	16,170	0	16,170	5.5%	0.0%	5.5%	16,170	0	16,170	5.5%	0.0%	5.5%	$57.00/+elec	-	$57.00/+elec
	2017 1Q	31,412	0	31,412	10.6%	0.0%	10.6%	16,170	0	16,170	5.5%	0.0%	5.5%	$57.00/+elec	-	$57.00/+elec
	2016 4Q	30,335	0	30,335	10.2%	0.0%	10.2%	30,335	0	30,335	10.2%	0.0%	10.2%	$57.00/negot	-	-
	2016 3Q	33,015	0	33,015	11.2%	0.0%	11.2%	30,335	0	30,335	10.2%	0.0%	10.2%	-	-	-
	2016 2Q	33,015	0	33,015	11.2%	0.0%	11.2%	30,335	0	30,335	10.2%	0.0%	10.2%	-	-	-
370 Lexington Ave	Current	57,393	10,056	67,449	18.4%	3.2%	21.6%	57,393	10,056	67,449	18.4%	3.2%	21.6%	$68.31/+elec	-	$68.31/+elec
New York, NY 10017	2018 4Q	52,493	3,847	56,340	16.8%	1.2%	18.1%	52,493	3,847	56,340	16.8%	1.2%	18.1%	-	-	-
312,000 SF RBA	2018 3Q	53,813	0	53,813	17.2%	0.0%	17.2%	53,813	0	53,813	17.2%	0.0%	17.2%	-	-	-
	2018 2Q	53,813	2,198	56,011	17.2%	0.7%	18.0%	53,813	0	53,813	17.2%	0.0%	17.2%	-	$55.00/mg	$55.00/mg
	2018 1Q	51,148	2,198	53,346	16.4%	0.7%	17.1%	51,148	2,198	53,346	16.4%	0.7%	17.1%	-	$55.00/mg	$55.00/mg
	2017 4Q	45,522	3,763	49,285	14.6%	1.2%	15.8%	44,242	3,763	48,005	14.2%	1.2%	15.4%	-	-	-
	2017 3Q	44,791	3,763	48,554	14.4%	1.2%	15.6%	43,189	3,763	46,952	13.8%	1.2%	15.0%	-	-	-
	2017 2Q	29,214	3,763	32,977	9.4%	1.2%	10.6%	29,214	3,763	32,977	9.4%	1.2%	10.6%	-	-	-
	2017 1Q	34,693	3,763	38,456	11.1%	1.2%	12.3%	23,502	3,763	27,265	7.5%	1.2%	8.7%	-	$55.55/mg	$55.55/mg
	2016 4Q	39,151	3,763	42,914	12.5%	1.2%	13.8%	29,988	3,763	33,751	9.6%	1.2%	10.8%	-	$54.04/mg	$54.04/mg
	2016 3Q	42,235	2,196	44,431	13.5%	0.7%	14.2%	38,038	2,196	40,234	12.2%	0.7%	12.9%	-	$55.14/mg	$55.14/mg
	2016 2Q	24,038	1,000	25,038	7.7%	0.3%	8.0%	24,038	1,000	25,038	7.7%	0.3%	8.0%	-	-	-

Building Historical Vacancy Report

Building	Period	SF Vacant			% Vacant			SF Vacant Available			% Vacant Available			Average Rate		
		Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total
441 Lexington Ave	Current	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	$62.00/mg	-	$62.00/mg
New York, NY 10017	2018 4Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	$62.00/mg	-	$62.00/mg
123,400 SF RBA	2018 3Q	4,870	1,795	6,665	3.9%	1.5%	5.4%	2,220	1,795	4,015	1.8%	1.5%	3.3%	$62.00/mg	-	$62.00/mg
	2018 2Q	4,870	0	4,870	3.9%	0.0%	3.9%	4,870	0	4,870	3.9%	0.0%	3.9%	$62.00/mg	-	$62.00/mg
	2018 1Q	4,870	0	4,870	3.9%	0.0%	3.9%	4,870	0	4,870	3.9%	0.0%	3.9%	$62.00/mg	-	$62.00/mg
	2017 4Q	4,870	0	4,870	3.9%	0.0%	3.9%	4,870	0	4,870	3.9%	0.0%	3.9%	$62.00/mg	-	$62.00/mg
	2017 3Q	4,870	3,904	8,774	3.9%	3.2%	7.1%	4,870	3,904	8,774	3.9%	3.2%	7.1%	$62.00/mg	-	$62.00/mg
	2017 2Q	2,650	3,904	6,554	2.1%	3.2%	5.3%	2,650	3,904	6,554	2.1%	3.2%	5.3%	$63.00/mg	-	$63.00/mg
	2017 1Q	2,840	3,904	6,744	2.3%	3.2%	5.5%	2,840	3,904	6,744	2.3%	3.2%	5.5%	$63.00/mg	-	$63.00/mg
	2016 4Q	4,740	0	4,740	3.8%	0.0%	3.8%	2,840	0	2,840	2.3%	0.0%	2.3%	$63.00/mg	-	$63.00/mg
	2016 3Q	11,483	0	11,483	9.3%	0.0%	9.3%	4,740	0	4,740	3.8%	0.0%	3.8%	$57.02/mg	-	$57.02/mg
	2016 2Q	10,033	0	10,033	8.1%	0.0%	8.1%	10,033	0	10,033	8.1%	0.0%	8.1%	$55.44/mg	-	$55.44/mg
261 Madison Ave	Current	61,879	0	61,879	14.9%	0.0%	14.9%	61,879	0	61,879	14.9%	0.0%	14.9%	-	-	-
New York, NY 10016	2018 4Q	56,232	0	56,232	13.5%	0.0%	13.5%	56,232	0	56,232	13.5%	0.0%	13.5%	-	-	-
416,000 SF RBA	2018 3Q	71,985	0	71,985	17.3%	0.0%	17.3%	54,059	0	54,059	13.0%	0.0%	13.0%	-	-	-
	2018 2Q	70,242	0	70,242	16.9%	0.0%	16.9%	70,242	0	70,242	16.9%	0.0%	16.9%	-	-	-
	2018 1Q	114,965	0	114,965	27.6%	0.0%	27.6%	114,965	0	114,965	27.6%	0.0%	27.6%	-	-	-
	2017 4Q	11,227	0	11,227	2.7%	0.0%	2.7%	11,227	0	11,227	2.7%	0.0%	2.7%	-	-	-
	2017 3Q	0	24,408	24,408	0.0%	5.9%	5.9%	0	24,408	24,408	0.0%	5.9%	5.9%	-	-	-
	2017 2Q	0	24,408	24,408	0.0%	5.9%	5.9%	0	24,408	24,408	0.0%	5.9%	5.9%	-	-	-
	2017 1Q	0	24,408	24,408	0.0%	5.9%	5.9%	0	24,408	24,408	0.0%	5.9%	5.9%	-	-	-
	2016 4Q	0	48,816	48,816	0.0%	11.7%	11.7%	0	48,816	48,816	0.0%	11.7%	11.7%	-	-	-
	2016 3Q	0	48,816	48,816	0.0%	11.7%	11.7%	0	48,816	48,816	0.0%	11.7%	11.7%	-	-	-
	2016 2Q	0	48,816	48,816	0.0%	11.7%	11.7%	0	48,816	48,816	0.0%	11.7%	11.7%	-	-	-
275 Madison Ave	Current	8,432	6,323	14,755	2.5%	1.9%	4.4%	8,432	6,323	14,755	2.5%	1.9%	4.4%	$72.00/nnn	-	$72.00/nnn
Landmark	2018 4Q	8,432	6,323	14,755	2.5%	1.9%	4.4%	8,432	6,323	14,755	2.5%	1.9%	4.4%	$72.00/nnn	-	$72.00/nnn
New York, NY 10016	2018 3Q	14,426	0	14,426	4.3%	0.0%	4.3%	14,426	0	14,426	4.3%	0.0%	4.3%	-	-	-
336,000 SF RBA	2018 2Q	18,354	2,488	20,842	5.5%	0.7%	6.2%	9,683	0	9,683	2.9%	0.0%	2.9%	-	-	-
	2018 1Q	18,570	2,488	21,058	5.5%	0.7%	6.3%	12,805	2,488	15,293	3.8%	0.7%	4.6%	-	-	-
	2017 4Q	11,808	0	11,808	3.5%	0.0%	3.5%	11,808	0	11,808	3.5%	0.0%	3.5%	-	-	-
	2017 3Q	34,239	0	34,239	10.2%	0.0%	10.2%	14,435	0	14,435	4.3%	0.0%	4.3%	-	-	-
	2017 2Q	43,085	0	43,085	12.8%	0.0%	12.8%	38,763	0	38,763	11.5%	0.0%	11.5%	-	-	-
	2017 1Q	50,091	3,581	53,672	14.9%	1.1%	16.0%	36,550	0	36,550	10.9%	0.0%	10.9%	-	-	-
	2016 4Q	62,407	3,581	65,988	18.6%	1.1%	19.6%	48,866	3,581	52,447	14.5%	1.1%	15.6%	-	-	-
	2016 3Q	55,785	0	55,785	16.6%	0.0%	16.6%	42,244	0	42,244	12.6%	0.0%	12.6%	-	-	-
	2016 2Q	40,766	0	40,766	12.1%	0.0%	12.1%	27,225	0	27,225	8.1%	0.0%	8.1%	-	-	-

Building Historical Vacancy Report

Building	Period	SF Vacant			% Vacant			SF Vacant Available			% Vacant Available			Average Rate		
		Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total
295 Madison Ave	Current	20,144	0	20,144	6.1%	0.0%	6.1%	20,144	0	20,144	6.1%	0.0%	6.1%	-	-	-
New York, NY 10017	2018 4Q	20,144	0	20,144	6.1%	0.0%	6.1%	20,144	0	20,144	6.1%	0.0%	6.1%	-	-	-
332,003 SF RBA	2018 3Q	26,346	945	27,291	7.9%	0.3%	8.2%	16,296	945	17,241	4.9%	0.3%	5.2%	-	-	-
	2018 2Q	47,797	0	47,797	14.4%	0.0%	14.4%	43,997	0	43,997	13.3%	0.0%	13.3%	-	-	-
	2018 1Q	43,118	0	43,118	13.0%	0.0%	13.0%	40,397	0	40,397	12.2%	0.0%	12.2%	-	-	-
	2017 4Q	50,468	0	50,468	15.2%	0.0%	15.2%	39,918	0	39,918	12.0%	0.0%	12.0%	-	-	-
	2017 3Q	57,455	0	57,455	17.3%	0.0%	17.3%	57,455	0	57,455	17.3%	0.0%	17.3%	-	-	-
	2017 2Q	31,020	0	31,020	9.3%	0.0%	9.3%	31,020	0	31,020	9.3%	0.0%	9.3%	-	-	-
	2017 1Q	27,713	1,730	29,443	8.3%	0.5%	8.9%	23,963	1,730	25,693	7.2%	0.5%	7.7%	-	-	-
	2016 4Q	27,983	175	28,158	8.4%	0.1%	8.5%	27,983	175	28,158	8.4%	0.1%	8.5%	-	-	-
	2016 3Q	33,803	6,566	40,369	10.2%	2.0%	12.2%	21,083	6,566	27,649	6.4%	2.0%	8.3%	-	-	-
	2016 2Q	30,463	180	30,643	9.2%	0.1%	9.2%	18,013	180	18,193	5.4%	0.1%	5.5%	-	-	-
350 Madison Ave	Current	45,765	19,516	65,281	12.4%	5.3%	17.6%	8,559	19,516	28,075	2.3%	5.3%	7.6%	-	-	-
New York, NY 10017	2018 4Q	45,765	19,516	65,281	12.4%	5.3%	17.6%	8,559	19,516	28,075	2.3%	5.3%	7.6%	-	-	-
369,913 SF RBA	2018 3Q	45,765	0	45,765	12.4%	0.0%	12.4%	45,765	0	45,765	12.4%	0.0%	12.4%	-	-	-
	2018 2Q	58,548	0	58,548	15.8%	0.0%	15.8%	19,516	0	19,516	5.3%	0.0%	5.3%	-	-	-
	2018 1Q	68,172	0	68,172	18.4%	0.0%	18.4%	58,548	0	58,548	15.8%	0.0%	15.8%	-	-	-
	2017 4Q	68,172	0	68,172	18.4%	0.0%	18.4%	68,172	0	68,172	18.4%	0.0%	18.4%	-	-	-
	2017 3Q	85,862	0	85,862	23.2%	0.0%	23.2%	68,172	0	68,172	18.4%	0.0%	18.4%	-	-	-
	2017 2Q	85,862	0	85,862	23.2%	0.0%	23.2%	85,862	0	85,862	23.2%	0.0%	23.2%	-	-	-
	2017 1Q	132,004	0	132,004	35.7%	0.0%	35.7%	85,862	0	85,862	23.2%	0.0%	23.2%	-	-	-
	2016 4Q	139,182	0	139,182	37.6%	0.0%	37.6%	85,862	0	85,862	23.2%	0.0%	23.2%	-	-	-
	2016 3Q	141,736	0	141,736	38.3%	0.0%	38.3%	141,736	0	141,736	38.3%	0.0%	38.3%	-	-	-
	2016 2Q	186,484	0	186,484	50.4%	0.0%	50.4%	124,046	0	124,046	33.5%	0.0%	33.5%	-	-	-
360 Madison Ave	Current	142,476	0	142,476	38.5%	0.0%	38.5%	127,793	0	127,793	34.5%	0.0%	34.5%	-	-	-
360 Madison Avenue	2018 4Q	142,476	0	142,476	38.5%	0.0%	38.5%	127,793	0	127,793	34.5%	0.0%	34.5%	$75.85/mg	-	$75.85/mg
New York, NY 10017	2018 3Q	136,301	0	136,301	36.8%	0.0%	36.8%	136,301	0	136,301	36.8%	0.0%	36.8%	$75.85/mg	-	$75.85/mg
370,000 SF RBA	2018 2Q	136,301	0	136,301	36.8%	0.0%	36.8%	136,301	0	136,301	36.8%	0.0%	36.8%	$75.85/mg	-	$75.85/mg
	2018 1Q	152,298	0	152,298	41.2%	0.0%	41.2%	152,298	0	152,298	41.2%	0.0%	41.2%	$75.85/mg	-	$75.85/mg
	2017 4Q	152,298	0	152,298	41.2%	0.0%	41.2%	152,298	0	152,298	41.2%	0.0%	41.2%	$75.85/mg	-	$75.85/mg
	2017 3Q	64,432	5,902	70,334	17.4%	1.6%	19.0%	64,432	0	64,432	17.4%	0.0%	17.4%	$75.85/mg	-	$75.85/mg
	2017 2Q	5,700	13,431	19,131	1.5%	3.6%	5.2%	5,700	13,431	19,131	1.5%	3.6%	5.2%	$75.85/mg	-	$75.85/mg
	2017 1Q	5,700	0	5,700	1.5%	0.0%	1.5%	5,700	0	5,700	1.5%	0.0%	1.5%	$79.53/mg	-	$79.53/mg
	2016 4Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	$85.00/+elec	-	$85.00/+elec
	2016 3Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	$85.00/+elec	-	$85.00/+elec
	2016 2Q	5,700	0	5,700	1.5%	0.0%	1.5%	0	0	0	0.0%	0.0%	0.0%	$85.00/+elec	-	$85.00/+elec

Building Historical Vacancy Report

Building	Period	SF Vacant			% Vacant			SF Vacant Available			% Vacant Available			Average Rate		
		Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total
630 Third Ave	Current	12,551	0	12,551	5.3%	0.0%	5.3%	12,551	0	12,551	5.3%	0.0%	5.3%	-	-	-
New York, NY 10017	2018 4Q	12,551	0	12,551	5.3%	0.0%	5.3%	12,551	0	12,551	5.3%	0.0%	5.3%	-	-	-
237,202 SF RBA	2018 3Q	7,173	0	7,173	3.0%	0.0%	3.0%	7,173	0	7,173	3.0%	0.0%	3.0%	-	-	-
	2018 2Q	7,173	0	7,173	3.0%	0.0%	3.0%	7,173	0	7,173	3.0%	0.0%	3.0%	-	-	-
	2018 1Q	7,173	0	7,173	3.0%	0.0%	3.0%	7,173	0	7,173	3.0%	0.0%	3.0%	-	-	-
	2017 4Q	8,838	0	8,838	3.7%	0.0%	3.7%	8,838	0	8,838	3.7%	0.0%	3.7%	-	-	-
	2017 3Q	7,173	0	7,173	3.0%	0.0%	3.0%	7,173	0	7,173	3.0%	0.0%	3.0%	-	-	-
	2017 2Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2017 1Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2016 4Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2016 3Q	5,506	0	5,506	2.3%	0.0%	2.3%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2016 2Q	5,506	0	5,506	2.3%	0.0%	2.3%	5,506	0	5,506	2.3%	0.0%	2.3%	-	-	-
655 Third Ave	Current	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
New York, NY 10017	2018 4Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
425,000 SF RBA	2018 3Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2018 2Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2018 1Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2017 4Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2017 3Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2017 2Q	1,787	0	1,787	0.4%	0.0%	0.4%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2017 1Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2016 4Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2016 3Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2016 2Q	3,931	0	3,931	0.9%	0.0%	0.9%	3,931	0	3,931	0.9%	0.0%	0.9%	-	-	-
675 Third Ave	Current	26,404	0	26,404	7.5%	0.0%	7.5%	26,404	0	26,404	7.5%	0.0%	7.5%	-	-	-
New York, NY 10017	2018 4Q	26,404	0	26,404	7.5%	0.0%	7.5%	26,404	0	26,404	7.5%	0.0%	7.5%	-	-	-
350,000 SF RBA	2018 3Q	42,671	6,330	49,001	12.2%	1.8%	14.0%	23,410	0	23,410	6.7%	0.0%	6.7%	-	-	-
	2018 2Q	41,900	6,330	48,230	12.0%	1.8%	13.8%	41,900	6,330	48,230	12.0%	1.8%	13.8%	-	-	-
	2018 1Q	41,878	6,330	48,208	12.0%	1.8%	13.8%	41,878	6,330	48,208	12.0%	1.8%	13.8%	-	-	-
	2017 4Q	46,687	6,330	53,017	13.3%	1.8%	15.1%	46,687	6,330	53,017	13.3%	1.8%	15.1%	-	-	-
	2017 3Q	70,296	6,330	76,626	20.1%	1.8%	21.9%	48,926	6,330	55,256	14.0%	1.8%	15.8%	-	-	-
	2017 2Q	8,189	6,330	14,519	2.3%	1.8%	4.1%	8,189	6,330	14,519	2.3%	1.8%	4.1%	-	-	-
	2017 1Q	8,189	0	8,189	2.3%	0.0%	2.3%	8,189	0	8,189	2.3%	0.0%	2.3%	-	-	-
	2016 4Q	8,189	0	8,189	2.3%	0.0%	2.3%	8,189	0	8,189	2.3%	0.0%	2.3%	-	-	-
	2016 3Q	11,676	7,324	19,000	3.3%	2.1%	5.4%	8,189	7,324	15,513	2.3%	2.1%	4.4%	-	-	-
	2016 2Q	3,487	13,969	17,456	1.0%	4.0%	5.0%	3,487	10,975	14,462	1.0%	3.1%	4.1%	-	-	-

Building Historical Vacancy Report

Building	Period	SF Vacant			% Vacant			SF Vacant Available			% Vacant Available			Average Rate		
		Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total
733 Third Ave	Current	40,805	0	40,805	9.2%	0.0%	9.2%	35,422	0	35,422	8.0%	0.0%	8.0%	-	-	-
New York, NY 10017	2018 4Q	40,805	0	40,805	9.2%	0.0%	9.2%	35,422	0	35,422	8.0%	0.0%	8.0%	-	-	-
445,000 SF RBA	2018 3Q	25,438	0	25,438	5.7%	0.0%	5.7%	25,438	0	25,438	5.7%	0.0%	5.7%	-	-	-
	2018 2Q	25,438	0	25,438	5.7%	0.0%	5.7%	25,438	0	25,438	5.7%	0.0%	5.7%	-	-	-
	2018 1Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2017 4Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2017 3Q	7,442	0	7,442	1.7%	0.0%	1.7%	0	0	0	0.0%	0.0%	0.0%	-	-	-
	2017 2Q	7,442	0	7,442	1.7%	0.0%	1.7%	7,442	0	7,442	1.7%	0.0%	1.7%	-	-	-
	2017 1Q	7,442	0	7,442	1.7%	0.0%	1.7%	7,442	0	7,442	1.7%	0.0%	1.7%	-	-	-
	2016 4Q	7,442	0	7,442	1.7%	0.0%	1.7%	7,442	0	7,442	1.7%	0.0%	1.7%	-	-	-
	2016 3Q	7,442	0	7,442	1.7%	0.0%	1.7%	7,442	0	7,442	1.7%	0.0%	1.7%	-	-	-
	2016 2Q	7,442	0	7,442	1.7%	0.0%	1.7%	7,442	0	7,442	1.7%	0.0%	1.7%	-	-	-
747 Third Ave	Current	21,799	5,078	26,877	5.0%	1.2%	6.1%	21,799	5,078	26,877	5.0%	1.2%	6.1%	-	-	-
Grand Central District Tower	2018 4Q	24,652	5,078	29,730	5.6%	1.2%	6.8%	21,799	5,078	26,877	5.0%	1.2%	6.1%	-	-	-
New York, NY 10017	2018 3Q	33,962	0	33,962	7.8%	0.0%	7.8%	24,652	0	24,652	5.6%	0.0%	5.6%	-	-	-
437,519 SF RBA	2018 2Q	34,416	9,700	44,116	7.9%	2.2%	10.1%	34,416	9,700	44,116	7.9%	2.2%	10.1%	-	-	-
	2018 1Q	34,149	29,588	63,737	7.8%	6.8%	14.6%	34,149	29,588	63,737	7.8%	6.8%	14.6%	-	-	-
	2017 4Q	27,062	47,845	74,907	6.2%	10.9%	17.1%	23,212	47,845	71,057	5.3%	10.9%	16.2%	-	-	-
	2017 3Q	30,111	44,010	74,121	6.9%	10.1%	16.9%	30,111	44,010	74,121	6.9%	10.1%	16.9%	-	-	-
	2017 2Q	26,408	0	26,408	6.0%	0.0%	6.0%	11,308	0	11,308	2.6%	0.0%	2.6%	-	-	-
	2017 1Q	26,408	0	26,408	6.0%	0.0%	6.0%	26,408	0	26,408	6.0%	0.0%	6.0%	-	-	-
	2016 4Q	31,800	0	31,800	7.3%	0.0%	7.3%	31,800	0	31,800	7.3%	0.0%	7.3%	-	-	-
	2016 3Q	18,205	0	18,205	4.2%	0.0%	4.2%	18,205	0	18,205	4.2%	0.0%	4.2%	-	-	-
	2016 2Q	18,791	350	19,141	4.3%	0.1%	4.4%	18,791	350	19,141	4.3%	0.1%	4.4%	-	-	-
52 Vanderbilt Ave	Current	485	0	485	0.3%	0.0%	0.3%	485	0	485	0.3%	0.0%	0.3%	-	-	-
New York, NY 10017	2018 4Q	2,832	0	2,832	1.7%	0.0%	1.7%	485	0	485	0.3%	0.0%	0.3%	-	-	-
162,330 SF RBA	2018 3Q	485	0	485	0.3%	0.0%	0.3%	485	0	485	0.3%	0.0%	0.3%	-	-	-
	2018 2Q	3,863	0	3,863	2.4%	0.0%	2.4%	3,863	0	3,863	2.4%	0.0%	2.4%	-	-	-
	2018 1Q	9,156	0	9,156	5.6%	0.0%	5.6%	9,156	0	9,156	5.6%	0.0%	5.6%	-	-	-
	2017 4Q	8,323	0	8,323	5.1%	0.0%	5.1%	8,323	0	8,323	5.1%	0.0%	5.1%	-	-	-
	2017 3Q	7,547	0	7,547	4.6%	0.0%	4.6%	7,547	0	7,547	4.6%	0.0%	4.6%	-	-	-
	2017 2Q	7,547	0	7,547	4.6%	0.0%	4.6%	7,547	0	7,547	4.6%	0.0%	4.6%	-	-	-
	2017 1Q	3,240	0	3,240	2.0%	0.0%	2.0%	3,240	0	3,240	2.0%	0.0%	2.0%	-	-	-
	2016 4Q	8,277	0	8,277	5.1%	0.0%	5.1%	8,277	0	8,277	5.1%	0.0%	5.1%	-	-	-
	2016 3Q	7,266	0	7,266	4.5%	0.0%	4.5%	7,266	0	7,266	4.5%	0.0%	4.5%	-	-	-
	2016 2Q	0	0	0	0.0%	0.0%	0.0%	0	0	0	0.0%	0.0%	0.0%	-	-	-

Building Historical Vacancy Report

Period	Properties	RBA	SF Vacant			% Vacant			SF Vacant Available			% Vacant Available			Average Rate		
			Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Avg Rate
Current	24	7,839,691	709,838	76,910	786,748	9.1%	1.0%	10.0%	608,859	72,807	681,666	7.8%	0.9%	8.7%	$72.34/fs	$49.00/fs	$71.72/fs
2018 4Q	24	7,839,691	702,043	70,701	772,744	9.0%	0.9%	9.9%	609,677	66,598	676,275	7.8%	0.8%	8.6%	$72.12/fs	$48.65/fs	$71.09/fs
2018 3Q	24	7,839,691	682,512	40,100	722,612	8.7%	0.5%	9.2%	599,753	24,584	624,337	7.7%	0.3%	8.0%	$70.23/fs	$48.13/fs	$69.91/fs
2018 2Q	24	7,839,691	720,020	73,721	793,741	9.2%	0.9%	10.1%	608,873	69,035	677,908	7.8%	0.9%	8.6%	$70.16/fs	$50.33/fs	$69.73/fs
2018 1Q	24	7,839,691	786,610	87,789	874,399	10.0%	1.1%	11.2%	729,399	87,789	817,188	9.3%	1.1%	10.4%	$71.14/fs	$55.00/fs	$71.01/fs
2017 4Q	24	7,839,691	617,427	117,343	734,770	7.9%	1.5%	9.4%	570,455	106,467	676,922	7.3%	1.4%	8.6%	$69.84/fs	$53.00/fs	$68.80/fs
2017 3Q	24	7,839,691	592,971	150,237	743,208	7.6%	1.9%	9.5%	488,034	144,335	632,369	6.2%	1.8%	8.1%	$70.66/fs	-	$70.66/fs
2017 2Q	24	7,839,691	451,409	107,714	559,123	5.8%	1.4%	7.1%	385,943	85,685	471,628	4.9%	1.1%	6.0%	$70.65/fs	-	$70.65/fs
2017 1Q	24	7,839,691	472,621	124,459	597,080	6.0%	1.6%	7.6%	350,936	96,152	447,088	4.5%	1.2%	5.7%	$65.73/fs	$56.36/fs	$65.34/fs
2016 4Q	24	7,839,691	548,554	79,395	627,949	7.0%	1.0%	8.0%	396,198	79,395	475,593	5.1%	1.0%	6.1%	$63.39/fs	$57.90/fs	$63.24/fs
2016 3Q	24	7,839,691	591,054	106,061	697,115	7.5%	1.4%	8.9%	466,518	106,061	572,579	6.0%	1.4%	7.3%	$68.17/fs	$55.98/fs	$67.67/fs
2016 2Q	24	7,839,691	602,436	102,712	705,148	7.7%	1.3%	9.0%	449,073	99,718	548,791	5.7%	1.3%	7.0%	$67.97/fs	$57.22/fs	$67.80/fs

Inventory/Vacancy Rates

The subject's competitive submarket consists of 7,839,691 square feet of space within 24 buildings. The submarket consists of competitive Class A office buildings located within the Grand Central office submarket within Midtown Manhattan. The properties are generally situated between 39th Street (south) and 47th Street (north), between Second Avenue (east) and Fifth Avenue (west). The buildings are pre- and post-war construction and range from average to very good condition. The buildings range in size from 123,400 and 495,914 square feet, averaging 326,654 square feet. All of the buildings are generally 10 stories or higher.

The competitive set has a current direct available vacancy rate of 9.1% and an overall available vacancy rate of 10.0%. The available vacancy rate is below the Grand Central submarket vacancy rate of 8.1% and above the overall Midtown vacancy rate of 7.7%. The competitive buildings exhibit vacancy rates of 0.0% to 38.5%, with only 9 of the 24 buildings at 95% occupancy or higher. Current availabilities range from 485 to 127,793 square feet. Excluding 360 Madison Avenue, the competitive set overall vacancy rate drops to from 10.0% to 8.6%.

Within this subset of properties, overall vacancy rates have fluctuated since the second quarter of 2016. Vacancy rates have ranged between roughly 7.1% and 11.2% over the past 12 periods. Sublet space has historically been modest within the subset, ranging from 0.5% to 1.9% of total vacancy. Sublease space at present is at 1.0% of inventory, or 76,910 square feet available.

Rental Rates

Offering rents for the competitive set of buildings within the subject's submarket generally range from the mid $60.00 range to the low to mid $70.00 range per square foot range. Upper floor units (i.e. 25 floors and above) with panoramic views can readily attain rents over $80.00 per square foot for quality Class A facilities within this submarket. Market rents have fluctuated significantly over the past few years. Rental rates reported are full service (typically the tenant reimburses the landlord for real estate tax increases over a base year and pay their own electric). An operating expense reimbursement may also be applicable to the tenants based upon the leasing structure of the particular building.

The following table illustrates historical and current average asking rental rates within the subject competitive set. We note that only a few of the surveyed properties reported average rental rates, and that the rents typically represent office space.

HISTORICAL AVERAGE RENTAL RATES

	Direct Average Asking Rate	Sublet Average Asking Rate	Total Average Asking Rate
Current	$72.34	$49.00	$71.72
2018 Q4	$72.12	$48.65	$71.09
2018 3Q	$70.23	$48.13	$69.91
2018 2Q	$70.16	$50.33	$69.73
2018 1Q	$71.14	$55.00	$71.01
2017 4Q	$69.84	$53.00	$68.80
2017 3Q	$70.66	N/A	$70.66
2017 2Q	$70.65	N/A	$70.65
2017 1Q	$65.73	$56.36	$65.34
2016 4Q	$63.39	$57.90	$63.24
2016 3Q	$68.17	$55.98	$67.67
2016 2Q	$67.97	$57.22	$67.80

Source: CoStar Property Services

Tenant workletters are a typical feature within the Manhattan office market. A tenant workletter is paid by the landlord in order to finish the space according to individual tenant requirements. The cost of the landlord's tenant workletter will fluctuate directly with the negotiated contract rent and lease term. Tenant workletters within the subject's submarket typically range from $50.00 to $100.00+ per square foot for Class A space. Lower tenant workletters are evident for smaller space users under shorter term leases. Conversely, the largest and most comprehensive tenant workletters are evident within the longer term, large space leases. Tenant workletters on renewals range from re-carpeting and re-painting to full prebuilds or buildouts for 5 to 7 year terms. Historical leasing at the subject suggests that standard Class A workletters are offered. Rent concessions (i.e. free rent) in the subject's submarket typically range from zero to twelve months or more, depending on the length of the lease and the quality of tenant.

Competitive Position of the Subject Property

Location: Specific office demand for a particular building or submarket is also driven by tenant preferences for particular building types or locations. In terms of location, the subject and its direct competition are located in relatively close proximity to Grand Central Station, the Empire State Building, Times Square, Herald Square and Penn Station. The property is afforded very good accessibility via area subways with station stops at 42nd Street/Grand Central, and plentiful bus service along Fifth Avenue. Overall, the subject location is considered to be highly desirable for office use, bolstered by its prominent Fifth Avenue address and multiple corner frontage and exposure.

Buildings located on side streets with no direct avenue frontage are not considered to be as desirable as avenue addresses. Taller buildings with panoramic views and plenty of natural light are more desirable than low floors on side streets. The subject has frontage on three roadways and is surrounded by both high rise and medium rise buildings which afford good to excellent

views for the subject's lower, medium and upper floors, as well as abundant natural light. Based on the foregoing, the subject falls at the middle to upper end of the comparable range.

Functional Utility and Condition: Another consideration in preference comes from building prestige and decor. In addition to lobby appearance, avenue location has contributory impact on appeal. From a physical standpoint, the buildings in the subject's submarket are a combination of older and newer buildings that are in good to very good condition. The subject buildings were constructed in 1927-1930, but have been updated and renovated over the years. Overall condition was observed to be good, with no significant functionality issues or detriments; the property functions well as a Class A office and retail facility.

Summary and Conclusion

Based on the previously discussed data, the following conclusions are drawn.

1. The subject's submarket, which consists of 24 buildings, generally underperforms the trend indicated by various Midtown submarkets, as well as the overall Midtown office market with regard to vacancy. Rents within the competitive set are typical of submarket for Class A buildings in the Grand Central office submarket.

2. Market rental rates are projected to increase at 3% per annum.

3. Future occupancy levels will likely be substantially influenced by property maintenance, rent levels, and concessions in order to compete well within the market. Assuming continued office use, the subject would remain a viable office property going forward.

Market players expect 2019 to become more stable for the Manhattan office market as more market oriented transactions are anticipated to occur. Future occupancy levels will likely be substantially influenced by property maintenance, rent levels, and concessions in order to compete well within the market. Our projections for repairs and maintenance, coupled with the tenant improvements are projected to maintain the subject in a competitive position for the future.

MANHATTAN RETAIL MARKET ANALYSIS

New York City is a major retail market and has one of the largest sales volumes of any city in the nation. The Manhattan retail market contains over 54.8 million square feet of space. Manhattan does not contain traditional shopping centers in the sense that the term is used when referencing other cities or suburban areas. However, the City consists of shopping districts that function much like suburban malls. That is, the stores in that neighborhood are interdependent to some degree; each neighborhood has a couple of "anchor stores" whose performance can drive or stall dozens of smaller retailers. According to retail brokers, approximately 80% of Manhattan's retail space is contained within street level shops. Of the remainder, about 6 million square feet is in department stores and another 5 million square feet in office building atriums and retail projects configured as urban malls such as Trump Tower, Herald Center, Manhattan Mall, Rockefeller Center, World Trade Center, Time Warner Center (Columbus Circle) and East River Plaza.

In the last decade, Manhattan's real estate boom extended to include all property types, with retail being no exception. Manhattan prime retail corridors—Madison and Fifth Avenues and 57th Street, Broadway in Times Square—were commanding rents in excess of $2,000 per square foot ($3,500 per square foot on Upper Fifth Avenue), making these shopping districts the most expensive in the world with the Champs Elysees of Paris following at a distant second. While rents spiked in New York's top districts, mainstream and high end retail corridors emerged in marginal areas that were once the domain of 99-cent stores, taxi repair shops, or food processing plants.

Current Retail Environment

A comprehensive overview of current conditions within the Manhattan retail market is provided by CoStar Property Services, a market research firm. The following pages contain excerpts from the CoStar Retail Market Report for the New York City (Manhattan) retail market as of the end of the Third Quarter 2018.

Total Retail Market Statistics — Third Quarter 2018

	Existing Inventory		Vacancy			Net	Deliveries		UC Inventory		Quoted
Period	# Bldg	Total GLA	Direct SF	Total SF	Vac %	Absorption	# Bldg	Total GLA	# Bldg	Total GLA	Rates
2018 3q	4,480	54,781,573	2,203,589	2,312,292	4.2%	(259,095)	2	29,680	20	2,517,023	$112.49
2018 2q	4,479	54,756,893	1,907,562	2,028,517	3.7%	132,197	3	117,750	21	2,469,703	$101.35
2018 1q	4,476	54,639,143	1,960,544	2,042,964	3.7%	58,242	3	137,025	24	2,587,453	$102.52
2017 4q	4,474	54,509,783	1,894,902	1,971,846	3.6%	62,940	1	249,394	27	2,724,478	$98.39
2017 3q	4,473	54,260,389	1,702,480	1,785,392	3.3%	7,309	3	23,910	23	2,748,292	$98.86
2017 2q	4,470	54,236,479	1,693,526	1,768,791	3.3%	195,347	1	10,380	24	2,761,202	$91.16
2017 1q	4,470	54,232,576	1,888,430	1,960,235	3.6%	75,571	3	114,528	24	2,674,862	$89.86
2016	4,468	54,127,312	1,866,148	1,930,542	3.6%	231,193	8	492,030	23	2,591,794	$83.83
2015	4,481	53,760,712	1,740,960	1,795,135	3.3%	(87,573)	5	103,990	21	2,691,527	$81.23
2014	4,533	54,099,699	2,000,481	2,046,549	3.8%	(811,577)	6	125,246	14	941,593	$93.86
2013	4,566	54,708,555	1,812,031	1,844,028	3.4%	(462,994)	7	202,265	10	581,688	$93.84
2012	4,582	54,729,074	1,319,878	1,401,553	2.6%	(112,489)	3	23,388	10	369,661	$94.77
2011	4,596	54,871,808	1,410,472	1,431,798	2.6%	361,889	6	416,298	9	334,461	$70.55
2010	4,606	54,607,531	1,503,635	1,529,410	2.8%	434,593	9	278,481	7	477,778	$92.99
2009	4,596	54,315,964	1,647,619	1,672,436	3.1%	765,529	7	143,258	13	660,251	$86.27
2008	4,609	53,843,807	1,928,508	1,963,808	3.6%	578,118	4	216,403	15	1,201,595	$80.61

Source: CoStar Property®

Overview

The New York City retail market experienced a moderate decline in market conditions in the third quarter 2018. The vacancy rate went from 3.7% in the previous quarter to 4.2% in the current quarter. Net absorption was negative (259,095) square feet, and vacant sublease space decreased by (12,252) square feet. Quoted rental rates increased from second quarter 2018 levels, ending at $112.49 per square foot per year. A total of 2 retail buildings with 29,680 square feet of retail space were delivered to the market in the quarter, with 2,517,023 square feet still under construction at the end of the quarter.

Net Absorption

Retail net absorption was largely negative in New York City third quarter 2018, with negative (259,095) square feet absorbed in the quarter. In second quarter 2018, net absorption was positive 132,197 square feet, while in first quarter 2018, absorption came in at positive 58,242 square feet. In fourth quarter 2017, positive 62,940 square feet was absorbed in the market.

Tenants moving into large blocks of space in 2018 include: Morton Williams Supermarket moving into 29,535 square feet of new space at 1 West End Avenue in the Uptown submarket; and ESPN moving into 19,000 square feet at South Street Seaport aka Pier 17 in the Downtown submarket. There were no large retail move-outs reported.

Vacancy

New York City's retail vacancy rate increased in the third quarter 2018, ending the quarter at 4.2%. Over the past four quarters, the market has seen an overall increase in the vacancy rate, with the rate going from 3.6% in the fourth quarter 2017, to 3.7% at the end of the first and second quarter 2018, to 4.2% in the current quarter.

The amount of vacant sublease space in the New York City market has trended up over the past four quarters. At the end of the fourth quarter 2017, there were 76,944 square feet of vacant sublease space. Currently, there are 108,703 square feet vacant in the market.

Largest Lease Signings

The largest lease signings occurring in 2018 included: the 46,583 square foot deal signed by TJ Maxx at 250 West 57th Street in the Columbus Circle submarket; the 45,000-square-foot-deal signed by Alamo Drafthouse Cinema at 28 Liberty Street in the Financial District submarket; and the 42,595-square-foot-lease signed by Forever 21 at 435 Seventh Avenue in the Penn Plaza / Garment Center submarket. The largest lease signings within the Manhattan retail market in 2018 are presented as follows:

Select Top Retail Leases

Based on Leased Square Footage For Deals Signed in 2018

	Building	Submarket	SF	Qtr	Tenant Name	Tenant Rep Company	Landlord Rep Company
1	250 W 57th St	Columbus Circle	46,583	2nd	TJ Maxx	Ripco Real Estate	Cushman & Wakefield
2	28 Liberty St	Financial District	45,000	2nd	Alamo Drafthouse Cinema	Charter Realty & Devmnt Corp	Newmark Knight Frank Retail
3	435 Seventh Ave	Penn Plaza/Garment	42,595	3rd	Forever 21	Cushman & Wakefield	Vornado Realty Trust
4	390 Madison Ave	Grand Central	24,947	1st	JP Morgan Chase Bank	Direct Deal	Cushman & Wakefield
5	DZ Bank Bldg	Plaza District	24,000	2nd	Puma	JLL	Cushman & Wakefield
6	Nomad Center At The Virgin Hotel	Chelsea	22,000	1st	Swingers: The Crazy Golf Club	JLL	Newmark Knight Frank Retail;Newmar
7	Kips Bay Court	Kips Bay MF	21,000	2nd	Target	Ripco Real Estate	Lee & Associates Commercial Real Es
8	Bloomberg Tower	Plaza District	18,750	3rd	Aqua Restaurant	JLL	Vornado Realty Trust
9	561 Broadway	Soho	17,300	1st	Mango NY Inc	N/A	Cushman & Wakefield
10	The Shops & Restaurants At Hudson Yards	Penn Plaza/Garment	16,000	1st	Forty Five Ten	N/A	N/A
11	1 Fulton St	Insurance District	15,904	1st	10 Corso Como	RKF	RKF
12	2473 Broadway*	Upper West Side	15,000	1st	Petco Animal Supplies	N/A	CBRE
13	009486193	Soho	14,129	3rd	Lululemon	RKF	CBRE
14	1 Penn Plaza	Penn Plaza/Garment	13,600	1st	Duane Reade	SRS Realty Partners	Ashkenazy Acquisition Corporation
15	11 Bond St	Greenwich Village	13,128	3rd	Showfields	N/A	Sirvin Real Estate; RFR Realty LLC
16	1251 Third Ave	Upper East Side	13,000	1st	Morton Williams Supermarket	Creative Leasing Concepts	Douglas Elliman
17	420 Seventh Ave*	Penn Plaza/Garment	13,000	2nd	Modell's Sporting Goods	N/A	N/A
18	45 W 25th St	Chelsea	12,756	2nd	David's Bridal	Crown Retail	CBRE
19	153 Tenth Avenue	Chelsea MF	11,010	3rd	Related	N/A	CBRE
20	244 W 54th St	Columbus Circle	11,000	2nd	Rocks Star Karaoke	Midtown Commercial Real Estate	Zar Property NY, LLC
21	30 Times Square	Times Square	10,040	2nd	Cover Girl	JLL	SL Green Realty Corp.; Robert K. Fu
22	64 W 48th St	Plaza District	9,762	1st	Tsuru Tan Tan Udon Noodle Brasserie	ABS Partners Real Estate LLC	Newmark Knight Frank Retail
23	350 Sixth Ave	Greenwich Village MF	8,000	2nd	Google Mini Golf	Lee & Associates Commercial Real Es	Lee & Associates Commercial Real Es
24	350 Seventh Ave*	Chelsea	7,250	1st	Mixx Graphics Inc	N/A	N/A
25	250 Vesey St	World Trade Center	7,151	2nd	Seamore's	Hospitality House	Hospitality House
26	Merchants Square Building	Tribeca	7,024	1st	Weill Cornell Medicine	N/A	Newmark Knight Frank Retail
27	The Alliance Capital Building	Columbus Circle	7,000	1st	Wagamama	Newmark Knight Frank Retail	Fisher Brothers Management Co.;CBR
28	Montparnasse	Greenwich Village MF	6,800	3rd	FitHouse	Cushman & Wakefield	Kassin Sabbagh Realty
29	2 W 45th St	Times Square	6,750	1st	Chick Pea	Rose Retail Realty Group, Inc.	Vornado Realty Trust
30	Frank 57 West	Lincoln Square MF	6,494	3rd	I Love Kick Boxing	N/A	Winick Realty Group LLC
31	64 W 48th St	Plaza District	6,313	1st	Judge Ray Bean	Norman Bobrow & Co Inc.	Newmark Knight Frank Retail
32	521 Broadway	Soho	6,300	1st	Calzedonia	Robin Zendell LLC	Isaacs and Company
33	676 Broadway	Greenwich Village	6,225	1st	BIA	N/A	Katz NYC
34	True North Union Square	Greenwich Village MF	5,857	1st	Bar Bacon	Eastern Consolidated	Robert K. Futterman & Associates, L
35	118 W 22nd St	Chelsea	5,800	1st	New York Cake	N/A	Newmark Knight Frank
36	The Carlton House - Retail Portion	Plaza District	5,800	2nd	Ralph & Russo	Baker New York	Thor Properties LLC
37	605 Third Ave	Grand Central	5,418	1st	Wagamama	Newmark Knight Frank Retail	Fisher Brothers Management Co.;CBR
38	866 United Nations Plz*	U.N. Plaza	5,415	1st	Citibank	JLL	JLL
39	676 Avenue Of The Americas	Chelsea	4,950	3rd	Sixth Ave Liquors	N/A	Bartels Consulting LLC
40	2 Penn Plaza	2 Penn Plaza	1,700	2nd	Chase		Vornado Realty Trust

Source: CoStar Property®
* Renewal

Rental Rates

Average quoted asking rental rates in the New York City retail market are up over previous quarter levels, and up from their levels four quarters ago. Quoted rents ended the third quarter 2018 at $112.49 per square foot per year. That compares to $101.35 per square foot in the second quarter 2018, and $98.39 per square foot at the end of the fourth quarter 2017. This represents an 11.0% increase in rental rates in the current quarter, and a 12.53% increase from four quarters ago.

Inventory and Construction

During the third quarter 2018, two buildings totaling 29,680 square feet were completed in the New York City retail market. Over the past four quarters, a total of 533,849 square feet of retail space has been built in New York City. In addition to the current quarter, three buildings with 117,750 square feet were completed in second quarter 2018, three buildings totaling 137,025 square feet completed in first quarter 2018, and 249,394 square feet in one building completed in fourth quarter 2017. There were 2,517,023 square feet of retail space under construction at the end of the third quarter 2018.

Some of the notable 2018 deliveries include: 432 Park Avenue South in the Gramercy Park submarket, a 109,625-square-foot facility that delivered in first quarter 2018 and is now 100% occupied, and 1 West End Avenue in the Upper West Side submarket, a 96,300- square-foot building that delivered in second quarter 2018 and is now 97% occupied.

Total retail inventory in the New York City market area amounted to 54,781,573 square feet in 4,480 buildings and 11 centers as of the end of the third quarter 2018. No significant square footage was under construction at the end of the third quarter 2018.

General Retail Properties

The General Retail sector of the market, which includes all freestanding retail buildings, except those contained within a center, reported a vacancy rate of 4.3% at the end of third quarter 2018. There was a total of 2,257,540 square feet vacant at that time. The General Retail sector in New York City currently has average rental rates of $112.49 per square foot per year. There are 2,517,023 square feet of space under construction in this sector, with 29,680 square feet having been completed in the third quarter. In all, there are a total of 4,467 buildings with 52,513,665 square feet of General Retail space in New York City.

Sales Activity

Tallying retail building sales of 15,000 square feet or larger, New York City retail sales figures rose during the second quarter 2018 in terms of dollar volume compared to the first quarter of 2018.

In the second quarter, two retail transactions closed with a total volume of $64,200,000. The two buildings totaled 65,019 square feet and the average price per square foot equated to $987.40 per square foot. That compares to three transactions totaling $40,850,000 in the first quarter 2018.

The total square footage in the first quarter was 67,933 square feet for an average price per square foot of $601.33.

Total retail center sales activity in 2018 was down compared to 2017. In the first six months of 2018, the market saw five retail sales transactions with a total volume of $105,050,000. The price per square foot averaged $790.13. In the same first six months of 2017, the market posted eight
transactions with a total volume of $173,725,000. The price per square foot averaged $1,017.81.

Cap rates have been higher in 2018, averaging 4.70% compared to the same period in 2017 when they averaged 2.17%. One of the largest transactions that has occurred within the last four quarters in the New York City market is the sale of Marriot Marquis Retail & Theatre in New York. This 56,160 square foot retail center sold for $442,000,000, or $7,870.37 per square foot. The property sold on 9/21/2018, at a 2.00% cap rate.

Current Market Data from REBNY: Fall 2018 Retail Report

The REBNY (Real Estate Board of New York) Fall 2018 Retail Report, the most recent report published, summarizes the state of the market as follows:

Introduction

Asking rents in the Manhattan retail leasing market continue to adjust after reaching unsustainable levels three years ago. Declines have been widespread across Manhattan's top retail corridors since spring 2015 and our Manhattan Retail Report Advisory Group stated that the market still faces many challenges. However, owners and retailers have been increasingly responsive to the new retail environment.

As discussed in previous reports, the existing hurdles in the Manhattan retail leasing market have been a byproduct of a natural fluctuation in the market as well as a changing retail industry. These issues will be resolved with shifting rents and lease structures, but time is required for this process to develop. Changes in retail markets take more time to manifest due to the impact of longer-term factors. Examples include a retailer's timeline for strategizing a business plan, securing financing, and planning improvements to a retail space to fit their business needs.

With this long-run view in mind, it is worth looking at the market now and comparing it to where it stood three years ago. Currently, there are 15 corridors, out of 17, with lower average asking rents for ground floor retail space than what they were in the fall of 2015. The average overall decline in these corridors is 25 percent when compared to three years ago. Ten of the 15 decreases were over 20 percent and three were over 30 percent.

A natural correction in retail rents has been well underway over the past three years and both owners and retailers have been responding accordingly. Lease terms are more flexible, owners are accepting more short-term deals, improvement allowances are more generous, and retailers are trying different concepts for the new retail market before they agree to a long-term deal.

Executive Summary

The Manhattan retail market's orderly correction continued this fall with per square foot (psf) ground floor retail average asking rents declining year-over-year in 15 of the 17 high-profile corridors that the Real Estate Board of New York (REBNY) surveys bi-annually. There were four more corridors in decline in fall 2018 than in fall 2017, and this period marked the highest number of corridor declines in the Manhattan Retail Report's history.

The two corridors with year-over-year increases were: Harlem's 125th Street corridor, between Fifth Avenue and Morningside Avenue, where the ground floor retail average asking rent increased 14 percent year-over-year to $140 psf and the Upper West Side's Broadway corridor, between West 72nd and West 86th Streets, where the ground floor retail average asking rent rose five percent year-over-year to $306 psf. These increases were caused by changes in the profile of available ground floor retail spaces along these corridors, not an upward revision of asking rents for existing supply.

The West Village average asking rent of $293 psf on Bleecker Street, between 7th Avenue South and Hudson Street, was a 17 percent decrease from last fall. This was the first period that the average asking rent in this corridor fell below $300 since we started tracking the corridor in the spring of 2008. Among the largest of these declines was the 37% drop of the average asking rent for ground floor retail space in the West Village on Bleecker Street, between 7th Avenue South and Hudson Street, from $468 psf in the fall of 2015 to $293 psf in the fall of 2018.

Upper Fifth Avenue, between 49th and 59th Streets, experienced a significant average asking rent decrease of 24 percent this fall leaving the average asking rent on the corridor at $2,973 psf. This drop was caused by increases in availability and the types of spaces available in the corridor. In previous periods, there were limited availabilities in the corridor and any available spaces were at the higher end of the market.

Average asking rents psf in the Eastside on Madison Avenue, between East 57th Street and East 72nd Street; in the Meatpacking District on West 14th Street, between 9th and 10th Avenues; and in SoHo on Broadway, between Houston and Broome Street, continued to decline this fall. The Madison Avenue corridor notched its seventh consecutive year-over-year drop to $1,160 psf. Average asking rents on the Meatpacking District's West 14th Street and SoHo's Broadway both fell for the sixth consecutive year-over-year period to $303 psf and $558 psf, respectively.

The rents quoted in this report are asking rents for available ground floor retail spaces. The physical components and location of a retail space factor greatly into its rental value. Attributes such as street/avenue frontage, ceiling height, and presence of below and above grade space can also affect value. Consequently, in corridors with low availability, a high quality retail space coming to market can increase the average and median asking rents greatly. Also, in smaller corridors, a lack of available spaces may lead, in some cases, to adjacent blocks becoming of greater interest to retailers.

AVERAGE ASKING RENT PSF – GROUND FLOOR RETAIL

	Fall 18	Spring 18	Fall 17	% Spring 18	% Fall 17
EAST SIDE					
East 86th St (Lexington Ave - 2nd Ave)	$367	$400	$450	-8%	-19%
Madison Ave (57th St -72nd St)	$1,160	$1,390	$1,348	-17%	-14%
Third Ave (60th St - 72nd St)	$233	$264	$261	-12%	-11%
WEST SIDE					
Broadway (72nd St -86th St)	$306	$325	$291	-6%	5%
Columbus Ave (66th St - 79th St)	$298	$304	$338	-2%	-12%
MIDTOWN					
East 57th St (5th Ave - Park Ave)	$925	$975	$1,294	-5%	-29%
5th Ave (49th St - 59th St)	$2,973	$3,900	$3,900	-24%	-24%
5th Ave (42th St - 49th St)	$939	$1,097	$1,158	-14%	-19%
Broadway & 7th Ave (42nd St - 47th St)	$1,860	$1,938	$2,100	-4%	-11%
MIDTOWN SOUTH					
Herald Square					
West 34th St (5th Ave - 7th Ave)	$573	$604	$633	-5%	-9%
Flatiron					
5th Ave (14th St - 23rd St)	$393	$422	$449	-7%	-13%
Broadway (14th St - 23rd St)	$378	$360	$384	5%	-2%
DOWNTOWN					
Meatpacking					
14th St (9th Ave - 10th Ave)	$303	$313	$323	-3%	-6%
West Village					
Bleecker St (7th Ave South - Hudson St)	$293	$332	$351	-12%	-17%
SoHo					
Broadway (Houston St - Broome St)	$558	$595	$644	-6%	-13%
Lower Manhattan					
Broadway (Battery Park - Chambers St)	$338	$368	$374	-8%	-10%
UPPER MANHATTAN					
Harlem					
125th St. (5th Ave - Morningside Ave)	$140	$124	$123	13%	14%

** NA denotes minimal availability for evaluation*
*** Statistics reflect availabilities on 10/15/18*

MEDIAN ASKING RENT PSF – GROUND FLOOR RETAIL

	Fall 18	Spring 18	Fall 17	% Spring 18	% Fall 17
EAST SIDE					
East 86th St (Lexington Ave - 2nd Ave)	$375	$400	$450	-6%	-17%
Madison Ave (57th St -72nd St)	$1,160	$1,361	$1,247	-15%	-7%
Third Ave (60th St - 72nd St)	$225	$275	$275	-18%	-18%
WEST SIDE					
Broadway (72nd St -86th St)	$325	$325	$295	0%	10%
Columbus Ave (66th St - 79th St)	$280	$276	$300	1%	-7%
MIDTOWN					
East 57th St (5th Ave - Park Ave)	$800	$900	$1,250	-11%	-36%
5th Ave (49th St - 59th St)	$2,600	$3,900	$3,900	-33%	-33%
5th Ave (42th St - 49th St)	$909	$1,000	$1,200	-9%	-24%
Broadway & 7th Ave (42nd St - 47th St)	$2,000	$1,975	$2,000	1%	0%
MIDTOWN SOUTH					
Herald Square					
West 34th St (5th Ave - 7th Ave)	$650	$625	$650	4%	0%
Flatiron					
5th Ave (14th St - 23rd St)	$418	$400	$409	5%	2%
Broadway (14th St - 23rd St)	$350	$343	$328	2%	7%
DOWNTOWN					
Meatpacking					
14th St (9th Ave - 10th Ave)	$300	$300	$300	0%	0%
West Village					
Bleecker St (7th Ave South - Hudson St)	$268	$319	$371	-16%	-28%
SoHo					
Broadway (Houston St - Broome St)	$547	$587	$600	-7%	-9%
Lower Manhattan					
Broadway (Battery Park - Chambers St)	$325	$375	$400	-13%	-19%
UPPER MANHATTAN					
Harlem					
125th St. (5th Ave - Morningside Ave)	$130	$130	$130	0%	0%

** NA denotes minimal availability for evaluation*
*** Statistics reflect availabilities on 10/15/18*

RANGE OF ASKING RENTS PSF – GROUND FLOOR RETAIL

	Fall 18			Spring 18			Fall 17		
EAST SIDE									
East 86th St (Lexington Ave - 2nd Ave)	$250	_	$475	$300	_	$500	$450	_	$450
Madison Ave (57th St -72nd St)	$720	_	$1,700	$720	_	$2,000	$520	_	$2,135
Third Ave (60th St - 72nd St)	$165	_	$300	$140	_	$400	$165	_	$300
WEST SIDE									
Broadway (72nd St -86th St)	$200	_	$450	$147	_	$500	$105	_	$500
Columbus Ave (66th St - 79th St)	$178	_	$458	$225	_	$500	$176	_	$500
MIDTOWN									
East 57th St (5th Ave - Park Ave)	$800	_	$1,175	$800	_	$1,200	$1,175	_	$1,500
5th Ave (49th St - 59th St)	$2,000	_	$4,000	$3,900	_	$3,900	$3,900	_	$3,900
5th Ave (42th St - 49th St)	$590	_	$1,744	$635	_	$1,600	$700	_	$1,600
Broadway & 7th Ave (42nd St - 47th St)	$1,000	_	$2,350	$1,800	_	$2,000	$1,800	_	$2,500
MIDTOWN SOUTH									
Herald Square									
West 34th St (5th Ave - 7th Ave)	$314	_	$750	$371	_	$800	$314	_	$1,000
Flatiron									
5th Ave (14th St - 23rd St)	$285	_	$511	$285	_	$555	$285	_	$750
Broadway (14th St - 23rd St)	$311	_	$500	$311	_	$445	$286	_	$540
DOWNTOWN									
Meatpacking									
14th St (9th Ave - 10th Ave)	$195	_	$450	$150	_	$700	$195	_	$700
West Village									
Bleecker St (7th Ave South - Hudson St)	$182	_	$465	$200	_	$450	$200	_	$450
SoHo									
Broadway (Houston St - Broome St)	$300	_	$900	$341	_	$1,000	$444	_	$1,000
Lower Manhattan									
Broadway (Battery Park - Chambers St)	$125	_	$500	$160	_	$600	$160	_	$600
UPPER MANHATTAN									
Harlem									
125th St. (5th Ave - Morningside Ave)	$76	_	$230	$76	_	$145	$76	_	$145

** NA denotes minimal availability for evaluation*
*** Statistics reflect availabilities on 10/15/18*

Conclusion

As evident, the Manhattan retail market has historically performed adequately, with vacancy rates ranging from 2.6% to 4.2% over the past 10 years dating back to 2007. There are a number of projects under construction, and additions to the market are ongoing as space continues to be absorbed within the market. Lease rates have fluctuated over the past several quarters, while net absorption has been positive for five of the past ten quarters. The following summary with regard to the Manhattan retail market is excerpted from Cushman & Wakefield MarketBeat Report (3Q 2018) for the Manhattan Retail market:

In Midtown, the average asking rental rate on Lower Fifth Avenue (42nd Street–49th Streets) closed the third quarter at $1,006 per square foot (psf), its lowest rate in six years. In Lower Manhattan's financial district, asking rents dropped 15.0% year-over-year to $363 psf, as prices dropped on Broadway and Wall Street. Counter to these declines, the Flatiron/Union Square West and Times Square Bowtie markets posted increases in asking rents during the third quarter, registering $437 psf and $1,995 psf, respectively.

As availability rates climb to historically high levels across many of Manhattan's highly regarded retail corridors, asking rents continue to fall. Continuing the trend from midyear, almost all retail statistical submarkets registered reduced asking rents due to lower-priced stores coming to the market and declining asking rents for existing availabilities.

Retail lease velocity has progressed positively during the third quarter of 2018, driven by the continued pop-up shop trend, especially as the holiday season draws near. As online sales grow, the need for accompanying new brick and mortar stores will potentially grow as well. However, the Manhattan retail market continues to be cautiously optimistic—with healthy consumer spending and densely populated city streets, driven by steady income growth, New York City continues to dominate in commerce, culture, and tourism.

ZONING MAP


MiD
BRYANT PARK
PUBLIC LIBRARY
GRAND CENTRAL TERMINAL
EAST FORTY-SECOND
BROADWAY
THE AVENUE OF THE AMERICAS
TIMES SQUARE
EAST
M1-6
C6-4.5
C5-3
C6-7
C6-6
C6-5.5
C6-7T
C5-5
C5-2
C5-2.5
C6-4
C6-6.5
C5-2.5
C6-4.5
C5-3
C6-2
C6-2A
C5-2.5
C5-2
R9X
R8B
R10
C1-9
C6-4.5
C6-4.5
C6-4.5
C6-6
C6-6
C6-6

ZONING SUMMARY

The subject property is located in a "C5-3" Commercial zoning district as designated by the City of New York, within the Special Midtown (MID) special purpose district. The district is mapped in Mid- and Lower Manhattan, Downtown Brooklyn and in Long Island City in Queens.

C5 is a restricted central commercial district often called the "gilt-edged" district because it is intended primarily for retail uses which serve the metropolitan region and for areas where continuous retail frontage is desired. The retail area of Fifth Avenue in Manhattan is zoned C5. The districts are typically developed with department stores, large office buildings, and mixed buildings with residential space above office or commercial floors. Home maintenance services, auto rental establishments and other uses such as bowling alleys are not permitted because they are not in character with the district.

The Special Midtown district was established to promote and protect public health, safety, and general welfare of the area, and to strengthen the business core of Midtown Manhattan. Included within the special district are three areas of special concern that are subject to additional regulations, but the subject does not lie within the boundaries of any of these subdistricts. The requirements of the Special Midtown district that are relevant to the subject primarily concern continuous retail and streetwall frontage along Fifth Avenue. The zoning requirements in this district expand the FAR requirements allowing FAR bonus provisions for urban plaza, transferable air rights, as-of-right incentives, etc.

Summary of Bulk Regulations

The following are the required bulk regulations for C5 districts:

Maximum Commercial Floor Area Ratio:	15.0, 18.0 with bonus
Maximum Residential Floor Area Ratio:	10.0
Minimum Required Open Space Ratio:	None
Yard Requirements:	None

The following uses are permitted in C5 districts:

Category	Permitted Uses
Use Group 1	Single-family detached residences.
Use Group 2	Residences of all kinds including apartment hotels and non-profit residences for the elderly.
Use Group 3	Community facilities which include colleges or universities, libraries, museums, non-commercial art galleries, trade schools, nursing homes, and health related facilities,
Use Group 4	Churches, medical offices.
Use Groups 5, 6, 9-11	Retail and commercial uses including retail stores, art galleries and eating and drinking establishments (with restrictions on entertainment).

Parking

All commercial uses in C5 zones are exempt from parking requirements because public transportation is easily available.

Conformity

Based on a total site area of 29,100± square, the allowed commercial Floor Area Ratio results in the allowed "as of right" development (15.0 x 29,100± square feet) of 436,500± square feet. Since the subject buildings contain an aggregate 496,946± square feet of gross building area, they exceed the bulk regulations of the "C5-3" Commercial zoning district. Since the improvements were constructed prior to the enactment of current zoning regulations, the subject property represents a legal, pre-existing non-complying bulk. The subject conforms to the use regulations of the zoning district. In terms of age, condition, size, and construction, the subject conforms to surrounding improvements within the immediate neighborhood.

It should be noted that we are not experts in the interpretation of complex zoning ordinances, but the subject property appears to be a conforming use, and a legal, pre-existing non-conforming bulk. The determination of compliance, however, is beyond the scope of a real estate appraisal. We know of no deed restrictions, private or public, that further limit the subject'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.

TAX MAP LOCATION



ASSESSED VALUE AND REAL ESTATE TAXES

The subject property is designated on the tax maps of the City of New York, Borough of Manhattan, as Block 1279, Lots 1 and 69. The 2018/2019 assessed values for the subject property are presented as follows:

Block 1279, Lot 1			
		Actual	Transitional
Land		$9,315,000	$9,315,000
Building	+	$40,640,400	$35,099,010
Total		$49,955,400	$44,414,010

Block 1279, Lot 69			
		Actual	Transitional
Land		$5,805,000	$5,805,000
Building	+	$36,919,350	$24,992,160
Total		$42,724,350	$30,797,160

Increases in assessed value for commercial properties are phased in over a five-year transitional period. The "Transitional" assessed value represents the phased-in, and the "Actual" assessed value represents the future or target assessment when the transitional or phase-in period is over. The tax rate is applied to the lower of the transitional or actual assessed values. Currently, the transitional assessments for both subject parcels are lower than the actual assessments.

Tax Assessment Comparables

The subject's aggregate actual assessments of $92,679,750 projects to $186.50 per square foot based upon a combined gross building area of 496,946 square feet. In order to determine the reasonableness of the subject's assessments, we have provided tax assessment comparables from other office buildings within the general area of the subject property.

Block	Lot	Address	Street	Year Built	Bldg SqFt	Act Total	Assess. /SqFt
1261	34	546-48	Fifth Avenue	1989	180,524	$28,578,600	$158.31
1278	1	521	Fifth Avenue	1929	408,911	$73,216,800	$179.05
1278	69	529	Fifth Avenue	1958	271,266	$43,314,750	$159.68
1281	69	553	Fifth Avenue	1955	206,378	$39,970,350	$193.68
1260	24	19	West 44th Street	1916	231,948	$45,063,450	$194.28
1287	21	477	Madison Avenue	1954	262,287	$46,388,700	$176.86
1258	1	47	West 42nd Street	1906	348,786	$66,770,550	$191.44
			AVERAGE				$179.04

The tax comparables range from $158.31 to $194.28 per square foot of assessed value, with an average of $179.04 per square foot of assessed value. The subject's actual assessment of $186.50 per square foot conforms to the comparable range, and the subject is therefore, considered reasonably assessed.

Tax Rate

The City of New York has four tax categories for real properties. The subject property consists of a Class 4 tax property. The following chart indicates the historical tax rates for New York City.

REAL ESTATE TAX RATES, NEW YORK CITY 2000-2019

Year	Class 1	Class 2	Class 3	Class 4
2000/2001	11.255	10.847	10.540	9.768
2001/2002	11.609	10.792	10.541	9.712
First-Half 2002/2003	11.936	10.564	10.607	9.776
Second-Half 2002/2003	14.160	12.517	12.565	11.580
2003/2004	14.550	12.620	12.418	11.431
2004/2005	15.094	12.216	12.553	11.558
2005/2006	15.746	12.396	12.309	11.306
2006/2007	16.118	12.737	12.007	10.997
2007/2008	14.434	11.928	11.577	10.059
2008/2009	16.196	12.596	12.137	10.241
2009/2010	17.088	13.241	12.743	10.426
2010/2011	17.364	13.353	12.631	10.312
2011/2012	18.205	13.433	12.473	10.152
2012/2013	18.569	13.818	12.477	10.288
2013/2014	19.191	13.145	11.902	10.323
2014/2015	19.157	12.855	11.125	10.684
2015/2016	19.554	12.883	10.813	10.656
2016/2017	19.991	12.892	10.934	10.574
2017/2018	20.385	12.719	11.891	10.514
2018/2019	20.919	12.612	12.093	10.514

Source: Historical Rates Provided by New York City Department of Finance for 2000/2001 through 2018/2019

For Class 1 properties, the overall tax rate has increased by 2.61% from the 2017/2018 rate to $12.919 per $100 of assessed value. The Class 2 rate has decreased by 0.84% after being on an increasing trend since 2013. The Class 3 rate has also increased by 1.70% over the 2017/2018 rate, a relatively small increase as compared to prior years. The Class 4 tax rate has remained the same as the 2017/2018 rate at $10.514 per $100 of assessed value.

2018/2019 Tax Liability Calculation

The Class 4 tax rate has fluctuated over the past few years and has shown both increases and decreases from year to year. Therefore, based on the recently released 2018/2019 tax rate of 10.514% and the 2018/2019 current transitional assessment, current annual real estate taxes are estimated as follows:

Taxable AV		Tax Rate		Tax Liability	GBA (SF)	Taxes/SF
$75,211,170	x	10.514%	=	$7,907,702	496,946	$15.91

The subject property consists of two separate buildings that are operated as single entity. However, tenant reimbursements for real estate taxes are based upon building location. Therefore, the projected tax burden for each property is stated as follows:

BLOCK 1279, LOT 1 (535 FIFTH AVENUE)

Taxable AV		Tax Rate		Tax Liability
$44,414,010	x	10.514%	=	$4,669,689

BLOCK 1279, LOT 69 (545 FIFTH AVENUE)

Taxable AV		Tax Rate		Tax Liability
$30,797,160	x	10.514%	=	$3,238,013

Business Improvement District Tax

The property is also subject to the Grand Central Business Improvement District (BID) taxes. The Grand Central BID tax is a supplemental real estate tax levied on commercial buildings located in the designated Grand Central District. The Grand Central District is a Special Assessment District in which private commercial real estate owners pay a nominal supplemental tax used to augment public services and provide special amenities to the area. According to the most recent tax bill, the annualized BID taxes allocated to the subject property are $93,842. BID taxes are projected to increase at 3% per annum. BID taxes are broken down for each property as follows:

Lot 1	$62,753	535 Fifth
Lot 69	$31,089	545 Fifth

SITE DESCRIPTION

The subject is located on the eastern blockfront of Fifth Avenue, East 44th and East 45th Streets, in the Grand Central submarket of the Midtown office district, in the Borough of Manhattan, City and State of New York. The site contains a total of 29,100± square feet (two lots) and is zoned C5-3 Commercial within the Special Midtown district. The sites are identified on the tax maps of New York County as Block 1279, Lots 1 and 69. The particulars of the subject sites are summarized as follows:

Location:	The subject is located on the eastern blockfront of Fifth Avenue, East 44th and East 45th Streets, in the Grand Central submarket of the Midtown office district, in the Borough of Manhattan, City and State of New York.
Size:	The size of the lot is 29,100 square feet (two parcels combined).
Shape:	Both sites are mostly rectangular in shape.
Zoning:	C5-3 Commercial within the Special Midtown district zoning district.
Frontage:	The subject site has approximately 200.84 feet of frontage on the east side of Fifth Avenue; 140.00 feet of frontage on the north side of East 44th Street, and 150.00 feet of frontage on the south side of East 45th Street.
Topography:	Generally level.
Paving:	Streets are paved with asphalt in accordance with New York City Department of Highway standards. All streets appeared to be in good condition.
Curbing:	The curbing is edged with steel. All curbing appeared to be in good condition.
Street Drainage:	Street drainage is collected with the utilization of recessed catch basins. The catch basins empty by gravity into the New York City sewer storm system mains.
Street Lighting:	Street lighting consists of standard New York City type lighting fixtures which are 400-watt, sodium vapor fixtures and controlled by photo cells. The lighting fixtures are post mounted as per New York City Department of Highway requirements.
Street Parking:	Streetside parking during daytime business hours is limited.

Sidewalks:	There are concrete sidewalks on all roadways.

Utilities

Water Supply:	Domestic water is supplied by the City of New York.
Gas Service:	Gas is supplied by the Consolidated Edison Gas Company.
Electrical:	The serving utility company is Consolidated Edison of New York.
Telephone:	Tenants individually subscribe through various telephone interconnect companies. The primary service provider to the building is Verizon.
Sub-Soil Conditions:	The appraisers are not aware of any adverse sub-soil conditions affecting the property.
Flood Hazard Status:	The subject site is within Zone X, an area of minimal flooding, according to the FIRM flood hazard map, Community Panel #360497-0088F, effective September 5, 2007. Flood insurance is not required.
Conclusion:	The subject sites are comparable to other lots located in the immediate subject vicinity. The sites conform to neighboring standards in most respects, and there are no negative external factors affecting the sites. Based upon the current use of the sites, all aspects of the property are functionally adequate.

SUBJECT PROPERTY PHOTOS



SUBJECT PROPERTY



SUBJECT PROPERTY



SUBJECT PROPERTY (TOWER)



SUBJECT PROPERTY



SUBJECT PROPERTY



RETAIL FACADE



RETAIL FAÇADE



RETAIL FACADE



RETAIL FAÇADE



535 FIFTH AVENUE ENTRANCE



545 FIFTH AVENUE ENTRANCE



FIFTH AVENUE – VIEW NORTH



FIFTH AVENUE – VIEW SOUTH



EAST 44TH STREET – VIEW WEST



EAST 44TH STREET – VIEW WEST



EAST 45TH STREET – VIEW EAST



EAST 45TH STREET – VIEW WEST



545 LOBBY



545 LOBBY



535 LOBBY



535 LOBBY



TYPICAL OFFICE SPACE



TYPICAL OFFICE SPACE



TYPICAL OFFICE SPACE



TYPICAL OFFICE SPACE



TYPICAL OFFICE SPACE (RAW SPACE)



TYPICAL OFFICE SPACE (RAW SPACE)



TYPICAL RESTROOM



LOBBY NEWSSTAND



NBA STORE (BASEMENT)



NBA STORE (SECOND FLOOR)



NBA STORE (GROUND FLOOR)



VACANT RETAIL (545 FIFTH – WEST 45TH STREET)



VACANT RETAIL (545 FIFTH AVENUE – AVENUE FRONTAGE)



VACANT RETAIL (545 FIFTH AVENUE – AVENUE FRONTAGE)



VACANT RETAIL (535 FIFTH AVENUE – LARGE UNIT GRADE)



VACANT RETAIL (535 FIFTH AVENUE – LARGE UNIT GRADE)



VACANT RETAIL (535 FIFTH AVENUE – LARGE UNIT MEZZANINE)



VACANT RETAIL (535 FIFTH AVENUE – LARGE UNIT MEZZANINE)



VACANT RETAIL - BASEMENT



VACANT RETAIL - BASEMENT



TYPICAL CORRIDOR



TYPICAL CORRIDOR



TYPICAL PACKAGE HVAC UNIT



TYPICAL PACKAGE HVAC UNIT



BASEMENT



BASEMENT STORAGE



STEAM ROOM



STEAM ROOM



MECHANICALS



MECHANICALS



ELECTRICAL



ELECTRICAL



545 FIFTH ROOF MECHANICALS



545 FIFTH ROOF MECHANICALS



545 FIFTH ROOF MECHANICALS



545 FIFTH ROOF MECHANICALS



535 FIFTH AVENUE LOWER ROOF



535 FIFTH AVENUE LOWER ROOF

DESCRIPTION OF THE IMPROVEMENTS

The subject property consists of two attached, 14- and 36-story, Class A office buildings containing 496,946± square feet of gross building area. The total gross leasable area for the subject is 508,792± square feet, of which 416,768± square feet is office space, 90,740± square feet is retail space, and 1,284± square feet is storage and telecom closet space. The property is 81.80% leased with 27,013 square feet of vacant office space, 65,178 square feet of vacant retail space, and 430 square feet of vacant storage space. The improvements were constructed in 1927-1930 and are in good condition, with recent renovations performed to the common areas. The following is a brief description of the subject improvements:

Construction Details

Structural System:	Framed with structural steel columns and beams supporting reinforced concrete slabs.
Building Exterior:	Predominantly brick with limestone and granite masonry.
Entrances:	Each building has a main lobby entrance on a side street; the lobby entrance for 535 Fifth Avenue is on East 44th Street, and the lobby entrance for 545 Fifth Avenue is on East 45th Street. Each lobby entrance is canopied and consists of both swing out glass doors and revolving glass doors. The entry for 545 Fifth Avenue is partially under renovation, while the lobby for 545 Fifth Avenue was renovated. Retail spaces have their own separate entrances – typically swing out full length glass doors. The majority of the retail space is under construction, and demised suites will have one or more entrances.
Roof:	Multi-ply bituminous roofing membrane covered with crushed stone. Parapet walls are brick with caste stone coping. The roof houses extensive package HVAC systems, two back-up generators, a water tower, and telecommunication equipment.
Stairs:	Each building contains two to three interior stairways with concrete treads and steel railings.
Windows:	Aluminum and steel framed double hung thermopane windows.

Mechanical Systems

HVAC:	Heat is provided by Consolidated Edison steam with a dedicated steam room (piping) in the sub-basement. Heating is dispersed via cast iron baseboards and radiators. Air conditioning is provided by individual tenant package units within utility closets and supplied by rooftop units including a cooling tower/chiller. The NBA store has its own package system consisting of 8 tandem units located on the roof. Most interior units are Carrier brand. Air conditioning is dispersed by a network of ceiling ducts.
Plumbing and Drainage:	Assumed to be adequate. Piping typically consists of PVC and black steel.
Electricity:	Typical commercial service. The main feed includes a 5,000 ampere service supplying both buildings, with a 1,200 ampere service dedicated to the NBA store, and a supplemental 2,000 ampere service. Electricity is typically direct metered or sub-metered to the tenants.
Life Safety:	The building is approximately 99% sprinklered with a wet system and has a Class "E" system.
Elevators:	Within Building 535, there are a total of 10 elevators, including 9 passenger and 1 freight. Each elevator has a capacity of 2,500 pounds. Passenger elevators operate in banks, with 3 dedicated to the lower floors, 3 dedicated to the medium floors, and 3 dedicated to the tower floors. Within Building 545, there are 4 elevators including 3 passenger and 1 freight. The passenger elevators have a capacity of 2,500 pounds each, while the freight has a 2,000-pound capacity. The three-level NBA store has its own elevators (2 units), as well as 2 escalators which access all floors of its space (basement through second floor).

Interior Finishes

Lobby Finishes:	The lobbies both feature marble floors and walls, with decorative and trey style ceilings with recessed fluorescent lighting.
Office Finishes:	Upper floor finishes vary from tenant to tenant and include sealed concrete, hardwood, carpeted and tiled flooring, painted plaster, gypsum or glass partition walls, and acoustic tiled or exposed painted ceilings with hung lighting. Newer office spaces in certain sections have open and exposed ceilings, and exposed painted brick walls. Finishes were found to be in average to excellent condition. Some office floors are currently in raw, unfinished condition and require demising/buildouts.
Common Hallways:	Finishes include marble tiled, granite tiled and carpeted floors, wallpapered walls and acoustic tiled ceilings with recessed lighting. Finishes range and fall at the middle to upper end of the competitive range.
Sub-Basement:	The sub-basement is used for tenant and building storage space, building mechanicals including the steam room and electrical room, and various support functions.
Basement:	The basement is used as retail space, as well as tenant and building storage.
Retail Finishes:	Retail stores are finished according to the concept of each individual tenant. Finishes include carpeted, hardwood, or tiled floors, acoustic tiled or painted ceilings, and painted or wallpapered walls. Lighting is provided by decorative fluorescent and incandescent fixtures. Interiors are in good condition for the finished units. The majority of the retail space is currently vacant and unfinished, and is undergoing demising work for future occupancy. Thus, the interiors are in raw condition. At present, the only retail tenant in occupancy is the NBA store. There is a vacant retail unit on East 45th Street, and extensive vacant, multi-level retail space fronting on Fifth Avenue and wrapping round to East 44th Street. The spaces are raw and suitable for buildout.

Lavatories:	There is at least one men's restroom and one women's restroom per floor; some floors have multiple restrooms. Finishes vary and range from average to very good condition, with new bathrooms meeting ADA requirements.
Loading:	Each building section has a dedicated loading area on East 44th Street (535 Fifth Avenue) and East 45th Street (545 Fifth Avenue).

Functional Utility

From a utility standpoint, the subject is well laid out and adequately accommodates its present utilization. The subject benefits from its desirable location in an active commercial district. The subject property is able to accommodate its existing office and retail related tenants.

The subject's gross building area is 496,946± square feet above-grade. The subject's total leasable area is approximately 508,792± square feet which is 2.38% greater than the gross building area. Within Manhattan "leasable" office area is generally not defined by "usable" area, rather it accounts for common area elements shared by tenants. Add-on factors within the market generally range 0 to 25% with some buildings having add-on factors up to 27% and most Class A and B office buildings have a total leasable area that is greater than the actual gross building area. The subject's leasable area conforms to market standards and is considered reasonable. We note that the subject rent roll does not exactly match the reported net rentable area due to future re-measured space as per REBNY standards, particularly for the vacant retail space.

Layout

The subject property improved with two attached, 14- and 36-story, Class A office buildings. Floors are both single and multi-tenanted. The following chart shows the use for each floor.

Floor	Use
Sub-Basement:	Building mechanical rooms, building storage, tenant storage.
Basement:	Retail space, storage
Ground Floor:	Lobby, retail stores
2nd Floor / Mezzanine	Retail space (existing and future)
3rd – 36th Floors:	Office space, common corridors

Condition

The improvements were constructed in 1927-1930 and have been renovated and updated over the years. At the time of inspection (January 4, 2019), the subject property appeared to be in good condition, with no obvious signs of deferred maintenance, with the ground and second floor retail space under construction/demising. However, the appraisers are not qualified to render an

opinion as to the adequacy or condition of the mechanical or structural components of the property.

Capital Improvements

The property recently underwent a major renovation to the majority of the basement, first and second floor space to create large blocks of multi-level, leasable retail area. The total cost of the project amounted to just over $10.6 million. The space is currently raw and being market for lease up and retains the flexibility to accommodate a variety of multiple tenancies, or one very large tenant. The retail space on the East 45th Street side of the building is also raw and suitable for lease up.

Effective Age and Remaining Economic Life

The subject property has an estimated effective age of 20 years and the economic life span of a building like the subject is approximately 60+ years. Future capital investment will serve to improve the asset productivity and extend its life during the holding period.

Conclusion

To summarize, the subject property conforms to its immediate area with no evidence of unusual external negative forces foreseeable over the near future. It is the appraiser's opinion that the subject property will continue as a viable office/retail facility (two attached buildings) benefiting from its favorable location in a desirable commercial district. The information contained in the sections entitled "Site Description" and "Building Analysis" was obtained from the following sources:

1. Formal field inspection, January 4, 2019.
2. Prior appraisal reports prepared by BBG in 2016 and 2017.
3. The subject property owners.
4. Local planning, zoning, and assessment records; Sanborn Land Book.
5. Costar Property Services.

HIGHEST AND BEST USE

According to The Dictionary of Real Estate Appraisal, Sixth Edition (2015), a publication of the Appraisal Institute, the highest and best use is defined as:

"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability."

Highest and Best Use Criteria

We have evaluated the sites' highest and best use both as currently improved and as if vacant. In both cases, the property's highest and best use must meet four criteria:

1. legally permissible;
2. physically possible;
3. financially feasible; and,
4. maximally productive.

Legally Permissible

The first test concerns permitted uses. The zoning code is the main law regarding the legality of development.

Physically Possible

The second test is what is physically possible. Size, shape, street layout are all factors that may or may not inhibit development.

Financial Feasibility and Maximal Productivity

The third and fourth tests are, respectively, what is feasible and what will produce the highest net return. After analyzing the physically possible and legally permissible uses of the property, the highest and best use must be considered in light of financial feasibility and maximum productivity. For a potential 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.

As Vacant

Legally permissible	The subject property is zoned C5-3 Commercial within the Special Midtown district with permissible uses for new construction including commercial (inclusive of hotel) and residential. No known zoning changes to uses other than these are currently being considered or anticipated. The mixed-use nature of the area and the current and expected trends in supply and demand, all support the current zoning. It is our opinion that the site, if vacant, could be developed for the above legally permitted uses.
Physically possible	The subject site, containing 29,100 square feet, has all necessary available utilities, and no apparent easements or encroachments that would hinder or prevent development. Drainage for the building appears to be adequate. The subject's site size falls within the range of improved sites in the area and is not considered to restrict the utility of the subject in relation to competing sites. The above legally permitted uses, therefore, are considered physically possible.
Financially feasible	The subject site is located in a mixed use area which is mainly improved with office buildings and hotels although there is some residential use within the vicinity, particularly along the side streets. Hotel rates, office rents and residential condominiums all support new construction. However, the subject specific location is not considered to be residentially oriented, with few surrounding luxury residential developments, particularly along Fifth Avenue. Furthermore, the maximum allowable residential FAR is 10.0, while the maximum allowable commercial FAR is 15.0 as of right. At the subject location, a newly constructed stabilized office building would sell for $2,000± per square and newly constructed stabilized hotels sell for $2,000± per square foot. Construction costs are typically higher for hotels, rendering office and retail use the most profitable use. Based upon the foregoing, the most financially feasible use of the site as vacant would be development of a commercial building (Class A office and retail).

Maximally productive/ highest and best use	All legally permissible, physically possible, and financially feasible uses of the subject property, as vacant, have been presented and examined. In conclusion, it is the opinion of the appraiser that the highest and best use of the subject property, as vacant, is for commercial (office and retail) development.

As Improved

Legally permissible	The subject represents a legal pre-existing non-complying bulk. In terms of use the subject property conforms to the zoning requirements of the applicable zoning district.
Physically possible	The subject improvements are physically possible as a result of their existence. In addition, the presence of similar improvements in the immediate area attests to the physical possibility of such improvements.
Financially feasible	There is a strong demand for the subject's office and retail space due to its location and tenancy. The net operating income generated by the subject property provides a sufficient return to the land. The property represents a financially feasible use as it continues to add value to the land. In addition, the subject is improved with a bulk not permitted under current zoning regulations. Therefore, it would be considered unreasonable to demolish the existing improvements, as the subject maintains value based upon its continued use.
Maximally productive/ highest and best use	It is our opinion that the highest and best use of the subject property, as improved, is the continued use as two attached, 14- and 36-story, Class A office buildings with retail space.

APPRAISAL VALUATION PROCESS

In estimating the fair value of the leased fee interest in the subject property, the appraiser has considered the three primary approaches to real estate valuation: the Cost Approach, the Sales Comparison Approach, and the Income Capitalization Approach.

The ***Cost Approach*** is based on the principle of substitution, which affirms that a prudent and informed purchaser will pay no more for a specific property than the cost of producing a substitute property of equal or similar desirability and utility. It is particularly applicable when the property is new or involves relatively new improvements with little, if any, accrued depreciation, and there is an active market in undeveloped land. It is also relevant in estimating the value of special purpose or use properties for which there is limited or no sale or rental market.

This approach is a method of valuation consisting of four basic steps:

1. Estimation of the property's land value, as if vacant.
2. Estimation of the current cost of replacing or reproducing the existing improvements.
3. Estimation and deduction of accrued depreciation from all causes.
4. Adding an entrepreneurial profit, the value of the land, and the depreciated value of the improvements.

The ***Income Capitalization Approach*** is predicated on the assumption that there is a definite relationship between the amount of income that a property is capable of producing and its value. The Income Capitalization Approach is based on the theory of anticipation, which affirms that value may be defined as the present worth of all rights to future benefits. In the Income Capitalization Approach, earning potential is forecast over a typical investor holding period, and appropriate deductions are made for expenses and vacancy and collection loss resulting in the net operating income.

In the ***Sales Comparison Approach***, fair value is estimated by comparing the subject property to sales of similar properties. This Approach is based on the principle of substitution and contribution which states that a knowledgeable investor will pay no more for a property than would be paid for a comparable substitute property. This approach produces a value indication by comparing the subject with sales of similar properties. We will analyze improved building sales in the subject's market in order to establish a value for the subject property.

Finally, the approaches to value are reconciled into a final fair value estimate. The strengths and weaknesses of each approach are discussed, and a final value estimate is established.

COST APPROACH

The Cost Approach is a set of procedures through which a value indication is derived for the fee simple interest in the subject property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated leased fee value of the subject property to reflect the value of the property interest being appraised."

The procedure for applying the Cost Approach within the appraisal framework for the subject property is as follows:

1. A land value estimate is derived.

2. An estimate of replacement cost new is estimated after a physical inspection of the improvements or a review of the architectural drawings. Replacement cost is defined as:

   The estimated cost to construct, at current prices as of the effective appraisal date, a building with utility equivalent to the building being appraised, using modern materials and current standards, design, and layout.

3. From replacement cost new, any accrued depreciation is deducted. These items can be segregated into physical, functional, and economic obsolescence.

4. Additional cost items would include indirect costs, developer's profit, and any other extraordinary items.

5. The final value via the Cost Approach is the sum of the land value and the depreciated cost of the improvements.

The Cost Approach is not applied herein due to the effective age and condition of the subject property. Since the original improvements were constructed over 88 to 91 years ago, construction costs and accrued physical depreciation that has occurred as a result of age and normal wear are somewhat difficult to estimate. This fact tends to make the Cost Approach a less effective and unreliable tool for estimating fair value. In addition, the Cost Approach gives only indirect consideration of the income-producing capabilities of a property such as the subject. Real estate investors today give little consideration to the Cost method of estimating value for investment-type properties such as the subject property.

INCOME CAPITALIZATION APPROACH

The Income Capitalization Approach is predicated on the assumption that there is a definite relationship between the amount of income that a property is capable of producing and its value. This approach considers the ability of a property to produce income and recognizes that value is the present worth of future benefits resulting from ownership of the property. The income capitalization approach supports two methodologies: direct and yield capitalization.

- ***Direct capitalization***: A method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. This technique employs capitalization rates and multipliers extracted from sales. Only the first year's income is considered. Yield and value change are implied, but not identified overall. This method is most useful when the property is already operating on a stabilized basis.[2]

- ***Yield Capitalization:*** The capitalization method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate. This method explicitly considers a series of cash flows (net income over a holding period) over time together with any reversion value or resale proceeds. Since this technique explicitly reflects the investment's income pattern, it is especially suited to multi-tenant properties with varying leasing schedules as well as properties that are not operating at stabilized occupancy.[3]

Conclusion

Since the Discounted Cash Flow method (yield capitalization) method replicates the analysis undertaken by investors in similar asset classes, it is our view that this will result in the most reliable demonstration of the value. In addition, we have reconciled the implied "going-in" capitalization rate. Argus software has been used in making cash flow projections.

Income

The subject property consists of two attached, 14- and 36-story, Class A office buildings containing 496,946± square feet of gross building area. The total gross leasable area for the subject is 508,792± square feet, of which 416,768± square feet is office space, 90,740± square feet is retail space, and 1,284± square feet is storage and telecom closet space. The property is 81.80% leased with 27,013 square feet of vacant office space, 65,178 square feet of vacant retail space, and 430 square feet of vacant storage space.

The subject comprehensive rent roll is presented as follows:

[2] *The Appraisal of Real Estate,* 12th edition (Chicago, IL: Appraisal Institute 2005): 493

[3] *The Appraisal of Real Estate,* 12th edition (Chicago, IL: Appraisal Institute 2005): 493

Unit(s)	Lease	Lease Type	Area	Lease From	Lease To	Term	Annual Rent	Annual Rent Per Area	Annual Rec. Per Area	Annual Misc Per Area
535 5TH AVENUE, New York										
	YOUNGKINS & SCHECTER, LLP	Office	0	1/1/2006	12/31/2049	44.00	$0	$0.00	$0.00	$0.00
0300	GARDINER & THEOBALD, INC	Office	18,952	10/7/2014	8/7/2025	10.83	$872,022	$46.01	$0.97	$0.00
0401	EMPIRE OFFICES 535 FIFTH HOLDINGS LLC	Office	19,096	9/1/2011	8/31/2021	10.00	$919,044	$48.13	$3.77	$4.09
0500	MANHATTAN ENDO, LLC	Office	16,211	7/13/2011	3/19/2022	10.67	$940,504	$58.02	$3.37	$0.00
0600	PRAJAPATI & COMPANY CPAS LLP	Office	3,695	5/1/2018	8/31/2023	5.33	$192,140	$52.00	$0.19	$0.00
0602	LYNX HOLDINGS LLC.	License	1,421	4/1/2015	Monthly	0.00	$0	$0.00	$0.00	$29.56
0603	FIELDER CAPITAL GROUP LLC	Office	1,437	10/30/2015	12/31/2020	5.25	$73,453	$51.12	$0.58	$3.59
0605	GOTHAM GASTROENTEROLOGY PLLC	Office	2,826	7/10/2017	7/9/2027	10.00	$153,522	$54.33	$0.57	$3.00
0610	TRANDON ASSOCIATES, INC	Office	3,340	5/1/1989	3/31/2024	34.92	$176,963	$52.98	$1.00	$4.83
0611, 0612	GOTHAM GASTROENTEROLOGY, PLLC	Office	2,953	8/13/2013	7/9/2027	13.92	$175,135	$59.31	$2.44	$4.50
0700	LABORATORY INSTITUTE OF MERCH	Office	17,003	5/10/2006	5/31/2021	15.08	$990,444	$58.25	$6.72	$1.34
0800, 0905, 1001, 1004	PENTON LEARNING SYSTEMS	Office	28,310	4/26/2007	5/31/2025	18.17	$1,351,926	$47.75	$0.51	$0.78
0906, 0920	LIFESOURCE CHIROPRACTIC, P.C.	Office	4,451	11/1/2009	5/31/2025	15.58	$242,390	$54.46	$3.30	$0.00
0910	SIO CAPITAL MANAGEMENT LLC and METHODICAL FUND SERVICES LLC	Office	3,411	10/23/2012	4/15/2020	7.50	$182,936	$53.63	$0.18	$0.00
1006	PHOENIX MANAGEMENT SERVICES LLC	Office	2,056	11/9/2013	5/31/2025	11.58	$113,472	$55.19	$2.16	$4.83
1008	FRP SERVICES & CO. (AMERICA) INC.	Office	1,446	10/13/2017	8/31/2025	7.92	$78,554	$54.33	$0.04	$3.25
1012	BROKERAGE SERVICES MANAGEMENT COMPANY LLC	Office	3,138	12/21/2015	2/29/2020	4.25	$168,140	$53.58	$0.58	$3.25
1100	WHITE PINE TRADING LLC	Office	13,467	12/18/2014	9/18/2025	10.75	$757,438	$56.24	$0.69	$0.07
1200	LM COHEN & CO. LLC	Office	12,859	6/22/2018	12/22/2028	10.50	$655,809	$51.00	$0.19	$0.00
1300	MEDIA 3 LTD	Office	7,300	7/1/2012	6/30/2019	7.00	$404,543	$55.42	$2.81	$0.00
1400	H.I.S. INTERNATIONAL TOURS (NY), INC.	Office	7,300	7/23/2013	2/22/2024	10.58	$362,603	$49.67	$2.17	$0.12
1500	SANDEEP DIAMOND CORP	Office	7,300	12/14/2012	5/13/2023	10.42	$400,868	$54.91	$2.81	$0.00
1600	THE NATIONAL COMMUNITY REINVESTMENT COALITION	Office	7,300	11/1/2014	1/1/2022	7.17	$433,397	$59.37	$1.10	$0.00
1700	LM COHEN & CO. LLC	Office	7,300	1/7/2019	12/28/2028	10.00	$386,900	$53.00	$0.00	$0.00
1800	H.K. DESIGNS, INC	Office	4,992	6/1/2015	8/31/2020	5.25	$278,507	$55.79	$0.82	$0.18
1900	THE CONSULATE OF THE REPUBLIC OF KAZAKHSTAN	Office	4,681	3/30/2010	5/31/2020	10.25	$236,923	$50.61	$0.47	$4.09
2000	IDD USA, LLC	Office	4,795	10/17/2012	5/16/2023	10.58	$293,604	$61.23	$3.87	$0.00
2100	S7 TECHNOLOGY GROUP LLC	Office	4,797	10/26/2018	1/31/2026	7.33	$268,632	$56.00	$0.00	$0.19
2200	DOUGLASS WINTHROP ADVISORS LLC	Office	4,848	4/5/2012	9/4/2020	8.42	$307,106	$63.35	$3.80	$0.00
2300	MANHATTAN MEDIA LLC	Office	4,698	4/13/2018	5/31/2021	3.17	$216,108	$46.00	$0.00	$0.19
2401	CAMERON ASSOCIATES INC.	Office	4,617	10/1/2014	12/1/2019	5.17	$275,367	$59.64	$0.87	$0.06
2500	GRECO NEYLAND, P.C. and LAW OFFICES OF JULIE RENDELMAN LLC	Office	4,845	12/15/2015	4/30/2021	5.42	$303,929	$62.73	$0.43	$0.00
2600	JAISAN RECOVERY CORPORATION	Office	4,795	12/27/2013	5/1/2019	5.42	$263,725	$55.00	$1.50	$0.00
2700	NIRU (NY) LTD	Office	4,848	12/1/2012	6/30/2023	10.58	$302,390	$62.37	$3.88	$0.00
2800	PRESTIGE JEWELRY INTERNATIONAL, INC	Office	4,738	4/18/2014	1/18/2025	10.75	$269,366	$56.85	$1.54	$0.06
2900	Megalith Capital Management LLC	Office	4,826	11/1/2018	2/28/2026	7.33	$275,082	$0.00	$0.00	$0.00
3000	GILDEA & IVANIS LLP	Office	4,833	7/13/2011	7/13/2021	10.00	$254,140	$52.58	$3.93	$0.00
3100	Judlau Contracting, Inc.	Office	4,859	12/1/2018	1/31/2024	5.17	$276,963	$57.00	$0.00	$0.06
3200	UNITED ARAB EMIRATES CONSULATE OF NEW YORK	Office	4,829	3/22/2016	3/31/2020	4.08	$358,616	$74.26	$0.63	$0.19
3500	HANCOCK & BERNSTEIN	Office	1,988	1/1/2015	5/31/2019	4.42	$111,104	$55.89	$0.70	$3.80
36A	MANHATTAN ENDO LLC	Storage	310	5/24/2012		0.00	$4,375	$14.11	$0.00	$0.00
BASED	MANHATTAN ENDO	Storage	144	1/9/2012		0.00	$3,168	$22.00	$0.00	$0.00
BASEE	MANHATTAN ENDO	Storage	108	1/11/2012		0.00	$2,376	$22.00	$0.00	$0.00
CAP	CAPTIVATE NETWORK	License	0	1/1/2016		0.00	$0	$0.00	$0.00	$0.00
ROOF2	Omnipoint Communications, Inc.	Storage	64	6/1/2009	5/31/2024	15.00	$48,690	$760.77	$0.00	$0.00
SUBC	COGENT COMMUNICATIONS, INC	Storage	146	11/5/2001		0.00	$0	$0.00	$0.00	$43.33
SUBD	RCN Business Solutions	Storage	0	9/21/2001		0.00	$0	$0.00	$0.00	$0.00
0200	VACANT	Vacant Retail	17,715			0.00	$0	$0.00	$0.00	$0.00
0606	VACANT	Vacant Office	935			0.00	$0	$0.00	$0.00	$0.00
1010	VACANT	Vacant Office	1,883			0.00	$0	$0.00	$0.00	$0.00
3300	VACANT	Vacant Office	4,859			0.00	$0	$0.00	$0.00	$0.00
3400	VACANT	Vacant Office	1,800			0.00	$0	$0.00	$0.00	$0.00
3600	VACANT	Vacant Office	907			0.00	$0	$0.00	$0.00	$0.00
36B	VACANT	Vacant Office	310			0.00	$0	$0.00	$0.00	$0.00
BASEA	VACANT	Vacant Retail	13,039			0.00	$0	$0.00	$0.00	$0.00
BASEB	VACANT	Vacant Retail	3,555			0.00	$0	$0.00	$0.00	$0.00
BASEC	VACANT	Vacant Retail	114			0.00	$0	$0.00	$0.00	$0.00
RTLA	VACANT	Vacant Retail	10,472			0.00	$0	$0.00	$0.00	$0.00
RTLB	VACANT	Vacant Retail	4,966			0.00	$0	$0.00	$0.00	$0.00
RTLC	VACANT	Vacant Retail	2,575			0.00	$0	$0.00	$0.00	$0.00
RTLE	VACANT	Vacant Retail	1,514			0.00	$0	$0.00	$0.00	$0.00
Subtotals / Average			**331,977**				**$14,382,374**	**$55.31**		

Unit(s)	Lease	Lease Type	Area	Lease From	Lease To	Term	Annual Rent	Annual Rent Per Area	Annual Rec. Per Area	Annual Misc Per Area
545 5TH AVENUE, New York										
0200, RETLC, RETLD	NBA Media Ventures	Retail	25,562	12/19/2014	12/31/2035	21.08	$7,500,000	$293.40	$0.00	$3.75
0300, 0301	GARDINER & THEOBALD INC.	Office	6,453	10/23/2014	8/23/2025	10.83	$313,206	$48.54	$2.55	$3.00
0309	NILETTI CREATIONS LTD	Office	1,752	3/15/2013	9/15/2028	15.50	$87,749	$50.08	$4.64	$3.50
0315	CANADIAN MEDIA SALES INC.	Office	1,921	10/1/2012	11/30/2019	7.17	$104,213	$54.25	$5.54	$3.50
0316	DAYANG TRANDS USA, INC.,	Office	2,631	9/11/2015	10/11/2020	5.08	$152,998	$58.15	$2.46	$3.84
0401	FEF MANAGEMENT SERVICES LLC	Office	3,474	10/27/2016	2/29/2020	3.42	$191,070	$55.00	$2.63	$3.51
0402	TRIDENT CORPORATE SERVICES	Office	1,545	7/29/2005	2/29/2020	14.67	$84,000	$54.37	$3.96	$3.04
0409	Management Office	Office	1,697	11/1/2014	N/A	0.00	$0	$0.00	$0.00	$0.00
0500	JEWISH FOUNDATION FOR EDUCATION OF WOMEN	Office	2,860	11/2/2015	5/31/2026	10.58	$156,216	$54.62	$2.43	$0.00
0500A	Forsyth U.S. Acquisition Company Inc.	Office	2,179	9/6/2013	11/5/2020	7.17	$122,803	$56.36	$4.15	$0.00
0501	Rational Retention LLC	Office	6,368	12/1/2018	2/29/2024	5.25	$331,136	$52.00	$0.00	$0.00
0510	MAXIMIRA, INC.	Office	1,752	11/15/2013	4/14/2019	5.42	$86,763	$49.52	$5.54	$3.50
0600	MANHATTAN PARKING SYSTEMS GARAGE CORP.	Office	3,425	12/1/2007	6/30/2028	3.92	$174,675	$51.00	$2.58	$3.40
0602, 0640	TRACHTENBERG RODES & FRIEDBERG	Office	7,609	6/1/2010	4/30/2020	9.92	$349,045	$45.87	$8.76	$0.00
0609	CAMPUS TRAVEL ,INC	Office	1,752	3/10/2006	8/31/2021	15.50	$71,704	$40.93	$3.81	$2.74
0701	LABORATORY INSTITUTE OF MERCH,	Office	13,157	5/10/2006	5/31/2021	15.08	$766,411	$58.25	$10.77	$0.00
0800	545 5TH AVE. OFFICES LLC	Office	13,157	9/15/2014	3/14/2025	10.50	$703,208	$53.45	$3.06	$0.07
0900	Out of Home Holdings	Office	3,643	9/1/2018	8/31/2019	1.00	$196,722	$54.00	$0.00	$0.25
0920	AMERICAN FRIENDS OF THE ISRAEL MUSEUM	Office	2,963	2/1/2016	4/30/2026	10.25	$168,784	$56.96	$2.50	$0.00
0940	TRANS WORLD CORPORATION	Office	1,918	12/15/1999	3/31/2020	20.33	$101,570	$52.96	$8.63	$3.12
0950	RAND THOMPSON CONSULTANTS, LLC	Office	2,376	4/30/2008	12/31/2020	12.75	$129,541	$54.52	$1.70	$3.50
1000	MYRON TOBACK INC.	Office	3,649	12/2/2015	3/31/2021	5.33	$197,432	$54.11	$2.19	$3.41
1003	AFFRONTATA INC. - MOVED OUT	Office	3,530	8/20/2010	11/30/2020	10.33	$201,226	$57.00	$7.26	$3.25
1005	LEARNING ALLY, INC	Office	3,177	3/1/1986	2/29/2020	34.00	$175,171	$55.14	$3.39	$0.00
1009	Advanced Orthopedics and Neurosurgery LLC	Office	1,708	4/10/2017	2/29/2020	2.92	$89,128	$52.18	$1.98	$3.54
1100	SOURCE FINANCIAL ADVISORS, LLC	Office	7,069	6/1/2014	11/1/2024	10.42	$382,586	$54.12	$3.05	$0.13
1103	ORBITZ, LLC	Office	1,189	9/24/2014	11/24/2019	5.17	$75,435	$63.44	$3.49	$3.94
1108	TELEMETRY INVESTMENTS, LLC	Office	2,517	9/21/2011	10/31/2019	8.17	$138,435	$55.00	$0.00	$3.46
1109	THE VIETNAM TRADE PROMOTION CENTER	Office	1,648	3/19/2009	4/30/2019	10.17	$77,903	$47.27	$3.60	$3.25
1205	CHILD FUND ALLIANCE	Office	2,921	4/15/2016	8/31/2023	7.42	$154,989	$53.06	$2.47	$0.00
1209	Capstone Equities	Office	1,746	10/1/2015	Monthly	0.00	$78,000	$44.67	$0.00	$3.50
1400	Megalith Capital Management LLC - License Agreement	Office	9,610	7/25/2018	1/31/2019	0.00	$0	$0.00	$0.00	$14.31
1404	Glazier Holdings, LLC	Office	1,734	4/1/2017	3/31/2022	5.00	$105,375	$60.77	$1.97	$0.00
CAP	CAPTIVATE NETWORK	License	0	1/1/2016		0.00	$0	$0.00	$0.00	$0.00
ROOF2	T-Mobile SSI24973	Telecom	0	12/1/1998		0.00	$0	$0.00	$0.00	$0.00
ROOF5	AT&T - CINGULAR FA NO 10097590-SSI25783	Telecom	0	6/18/2001	9/30/2021	20.33	$0	$0.00	$0.00	$0.00
SBSM4	RCN Business Solutions	Telecom	0	9/21/2001		0.00	$0	$0.00	$0.00	$0.00
SBSM5	COGENT COMMUNICATIONS, INC	Storage	146	11/5/2001		0.00	$0	$0.00	$0.00	$42.95
0400	VACANT	Vacant Office	3,722			0.00	$0	$0.00	$0.00	$0.00
0403	VACANT	Vacant Office	2,437			0.00	$0	$0.00	$0.00	$0.00
0910	VACANT	Vacant Office	1,738			0.00	$0	$0.00	$0.00	$0.00
1200	VACANT	Vacant Office	8,732			0.00	$0	$0.00	$0.00	$0.00
RETLB	VACANT	Vacant Retail	3,996			0.00	$0	$0.00	$0.00	$0.00
RETLE	VACANT	Vacant Retail	1,360			0.00	$0	$0.00	$0.00	$0.00
RETLGMZ	VACANT	Vacant Retail	2,000			0.00	$0	$0.00	$0.00	$0.00
RETLH	VACANT	Vacant Retail	1,504			0.00	$0	$0.00	$0.00	$0.00
RETLI	VACANT	Vacant Retail	2,368			0.00	$0	$0.00	$0.00	$0.00
ROOF6	VACANT	Vacant Storage	0			0.00	$0	$0.00	$0.00	$0.00
SBSM2	VACANT	Vacant Storage	0			0.00	$0	$0.00	$0.00	$0.00
SBSM3	VACANT	Vacant Storage	0			0.00	$0	$0.00	$0.00	$0.00
SBSM6	VACANT	Vacant Storage	120			0.00	$0	$0.00	$0.00	$0.00
Subtotals / Average			**176,815**				**$13,467,495**	**$90.48**		
Grand Total			**508,792**				**$27,849,869**			

Note: Megalith Capital Management is renting part of the 29th floor in Building 545 while it's demised space on the 14th floor in Building 535 is being built out (the base rent is listed on the above rent roll). The tenant will relocate to 535 Fifth at the end of January 2019. The current license agreement fee is $11,461.75 per month.

Office Income Summary

Tenant Name	Suite	Lease Type	Size (SF)	Lease Start	Lease End	Term (Yrs)	Annual Rent	Rent Per SF
GARDINER & THEOBALD, INC	0300	Office	18,952	10/7/2014	8/7/2025	10.83	$872,022	$46.01
EMPIRE OFFICES 535 FIFTH HOLDINGS LLC	0401	Office	19,096	9/1/2011	8/31/2021	10.00	$919,044	$48.13
MANHATTAN ENDO, LLC	0500	Office	16,211	7/13/2011	3/19/2022	10.67	$940,504	$58.02
PRAJAPATI & COMPANY CPAS LLP	0600	Office	3,695	5/1/2018	8/31/2023	5.33	$192,140	$52.00
FIELDER CAPITAL GROUP LLC	0603	Office	1,437	10/30/2015	12/31/2020	5.25	$73,453	$51.12
GOTHAM GASTROENTEROLOGY, PLLC	0604	Office	2,826	7/10/2017	7/9/2027	10.00	$153,522	$54.32
TRANDON ASSOCIATES, INC	0610	Office	3,340	5/1/1989	3/31/2024	34.92	$176,963	$52.98
GOTHAM GASTROENTEROLOGY, PLLC	0611, 0612	Office	2,953	8/13/2013	12/12/2023	10.33	$175,135	$59.31
LABORATORY INSTITUTE OF MERCH	0700	Office	17,003	5/10/2006	5/31/2021	15.08	$990,444	$58.25
PENTON LEARNING SYSTEMS	0800, 0905, 1001, 1004	Office	28,310	4/26/2007	5/31/2025	18.17	$1,351,926	$47.75
LIFESOURCE CHIROPRACTIC LLC	0902, 0920	Office	4,451	11/1/2009	10/31/2019	10.00	$242,390	$54.46
SIO CAPITAL MANAGEMENT LLC	0910	Office	3,411	10/23/2012	1/1/2018	5.25	$182,936	$53.63
PHOENIX MANAGEMENT SERVICES LLC	1006	Office	2,056	11/9/2013	1/8/2019	5.17	$113,472	$55.19
FRP SERVICES & CO.	1008	Office	1,352	10/13/2017	8/31/2025	7.92	$78,554	$58.10
BROKERAGE SERVICES MANAGEMENT COMPANY LLC	1012	Office	3,138	12/21/2015	2/29/2020	4.25	$168,140	$53.58
WHITE PINE TRADING LLC	1100	Office	13,467	12/18/2014	9/18/2025	10.75	$757,438	$56.24
LM COHEN & CO.	1200	Office	12,859	3/1/2018	8/31/2028	10.42	$655,809	$51.00
MEDIA 3 LTD	1300	Office	7,300	7/1/2012	6/30/2019	7.00	$404,543	$55.42
H.I.S. INTERNATIONAL TOURS (NY), INC.	1400	Office	7,300	7/23/2013	2/22/2024	10.58	$362,603	$49.67
SANDEEP DIAMOND CORP	1500	Office	7,300	12/14/2012	5/13/2023	10.42	$400,868	$54.91
THE NATIONAL COMMUNITY REINVESTMENT COALITION	1600	Office	7,300	11/1/2014	1/1/2022	7.17	$433,397	$59.37
LM COHEN & CO.	1700	Office	7,300	1/7/2019	12/28/2028	10.00	$386,900	$53.00
H.K. DESIGNS, INC	1800	Office	4,992	6/1/2015	8/31/2020	5.25	$278,507	$55.79
THE CONSULATE OF THE REPUBLIC OF KAZAKHSTAN	1900	Office	4,681	3/30/2010	5/31/2020	10.25	$236,923	$50.61
IDD USA, LLC	2000	Office	4,795	10/17/2012	5/16/2023	10.58	$293,604	$61.23
S7 TECHNOLOGY GROUP LLC	2100	Office	4,797	10/26/2018	1/31/2026	7.33	$268,632	$56.00
DOUGLASS WINTHROP ADVISORS LLC	2200	Office	4,848	4/5/2012	9/4/2020	8.42	$307,106	$63.35
MANHATTAN MEDIA LLC	2300	Office	4,698	4/13/2018	5/31/2021	3.17	$216,108	$46.00
CAMERON ASSOCIATES INC.	2401	Office	4,617	10/1/2014	12/1/2019	5.17	$275,367	$59.64
GRECO NEYLAND, P.C.	2500	Office	4,845	12/15/2015	4/30/2021	5.42	$303,929	$62.73
JAISAN RECOVERY CORPORATION	2600	Office	4,795	12/27/2013	5/1/2019	5.42	$263,725	$55.00
NIRU (NY) LTD	2700	Office	4,848	12/1/2012	6/30/2023	10.58	$302,390	$62.37
PRESTIGE JEWELRY INTERNATIONAL, INC	2800	Office	4,738	4/18/2014	1/18/2025	10.75	$269,366	$56.85
MEGALITH CAPITAL MANAGEMENT (February 2019)	2900	Office	4,826	11/1/2018	2/28/2026	7.33	$275,082	$57.00
GILDEA & IVANIS LLP	3000	Office	4,833	7/13/2011	7/13/2021	10.00	$254,140	$52.58
UNITED ARAB EMIRATES CONSULATE OF NEW YORK	3200	Office	4,829	3/22/2016	3/31/2020	4.08	$358,616	$74.26
HANCOCK & BERNSTEIN	3500	Office	1,988	1/1/2015	5/31/2019	4.42	$111,104	$55.89
GARDINER & THEOBALD INC.	0300, 0301	Office	6,453	10/23/2014	8/23/2025	10.83	$313,206	$48.54
NILETTI CREATIONS LTD	0309	Office	1,752	3/15/2013	9/15/2028	15.50	$87,749	$50.09
CANADIAN MEDIA SALES INC.	0315	Office	1,921	10/1/2012	11/30/2019	7.17	$104,213	$54.25
DAYANG TRANDS USA, INC.,	0316	Office	2,631	9/11/2015	10/11/2020	5.08	$152,998	$58.15
FEF MANAGEMENT SERVICES LLC	0401	Office	3,474	10/27/2016	11/30/2018	2.17	$191,070	$55.00
TRIDENT CORPORATE SERVICES	0402	Office	1,545	7/29/2005	2/29/2020	14.67	$84,000	$54.37
JEWISH FOUNDATION FOR EDUCATION OF WOMEN	0500	Office	2,860	11/2/2015	5/31/2026	10.58	$156,216	$54.62
Forsyth U.S. Acquisition Company Inc.	0500A	Office	2,179	9/6/2013	11/5/2020	7.17	$122,803	$56.36
Rational Retention LLC	501	Office	6,368	12/1/2018	2/29/2024	5.25	$331,136	$52.00
MAXIMIRA, INC.	0510	Office	1,752	11/15/2013	1/14/2019	5.17	$86,763	$49.52
MANHATTAN PARKING SYSTEMS GARAGE CORP.	0600	Office	3,425	12/1/2007	12/31/2017	10.08	$174,675	$51.00
TRACHTENBERG RODES & FRIEDBERG	0602, 0640	Office	7,609	6/1/2010	4/30/2020	9.92	$349,045	$45.87
CAMPUS TRAVEL ,INC - RENEWAL	0609	Office	1,752	3/10/2006	8/31/2021	15.50	$71,704	$40.93
LABORATORY INSTITUTE OF MERCH,	0701	Office	13,157	5/10/2006	5/31/2021	15.08	$766,411	$58.25
545 5TH AVE. OFFICES LLC	0800	Office	13,157	9/15/2014	3/14/2025	10.50	$703,208	$53.45
Out of Home Holdings	0900	Office	3,643	9/1/2018	8/31/2019	1.00	$196,722	$54.00

Tenant Name	Suite	Lease Type	Size (SF)	Lease Start	Lease End	Term (Yrs)	Annual Rent	Rent Per SF
AMERICAN FRIENDS OF THE ISRAEL MUSEUM	0920	Office	2,963	2/1/2016	4/30/2026	10.25	$168,784	$56.96
TRANS WORLD CORPORATION	0940	Office	1,918	12/15/1999	3/31/2020	20.33	$101,570	$52.96
RAND THOMPSON CONSULTANTS, LLC	0950	Office	2,376	4/30/2008	12/31/2020	12.75	$129,541	$54.52
MYRON TOBACK INC.	1000	Office	3,649	12/2/2015	3/31/2021	5.33	$197,432	$54.11
AFFRONTATA INC.	1003	Office	3,530	8/20/2010	11/30/2020	10.33	$201,226	$57.00
LEARNING ALLY, INC	1005	Office	3,177	3/1/1986	2/29/2020	34.00	$175,171	$55.14
Advanced Orthopedics	1009	Office	1,708	4/10/2017	2/29/2020	2.92	$89,128	$52.18
SOURCE FINANCIAL ADVISORS, LLC	1100	Office	7,069	6/1/2014	11/1/2024	10.42	$382,586	$54.12
ORBITZ, LLC	1103	Office	1,189	9/24/2014	11/24/2019	5.17	$75,435	$63.44
TELEMETRY INVESTMENTS, LLC	1108	Office	2,517	9/21/2011	10/21/2017	6.08	$138,435	$55.00
THE VIETNAM TRADE PROMOTION CENTER	1109	Office	1,648	3/19/2009	4/30/2019	10.17	$77,903	$47.27
CHILD FUND ALLIANCE	1205	Office	2,921	4/15/2016	8/31/2023	7.42	$154,989	$53.06
Capstone Equities	1209	Office	1,746	10/1/2015	M T M	0.00	$78,000	$44.67
Megalith Capital Management LLC - License Agreement	1400	Office	9,610	7/25/2018	1/31/2019	0.00	$0	$0.00
Glaser Holdings	1404	Office	1,734	4/1/2017	3/31/2022	5.00	$105,375	$60.77
			381,620				**$20,014,295**	**$52.45**

The summary office charts do not include the management office, a 1,697 square foot suite located on the fourth floor of 545 Fifth Avenue. Lynx Holdings LLC, occupies Suite 602 (1,481 square feet) in Building 535 on a rent free basis and pays a reimbursement charge of $29.56 per square foot. This is a license agreement. The Affrontata Inc. tenant has moved out of its space at 545 Fifth Avenue. However, the landlord is continuing to charge the tenant rent as the issue goes through the legal system.

In addition, there is approximately 34,623 square feet of vacant office space available for lease within 7 suites Building 535 (17,794 square feet total) and 5 suites in Building 545 (16,629 square feet total).

As indicated, in place office rents at the subject property average $52.45 per square foot, including the base rent for Megalith Capital (14th Floor) and other tenants including FRP Services, S7 Technology Group, Judlau Consulting and Rational Retention which are currently abated), with a low of $40.93 per square foot, and a high of $74.26 per square foot. Lease terms vary and can range from 3 to 15 years or longer with extensions and renewals.

Existing tenants generally pay real estate taxes over base year and annual base rent increases. Some leases additionally have periodic fixed rent bumps. Electric is the responsibility of the tenants and is sub-metered or reimbursed by a fixed amount. Recent office lease deals at the subject are presented as follows:

RECENT OFFICE LEASING ACTIVITY - 535-545 FIFTH AVENUE

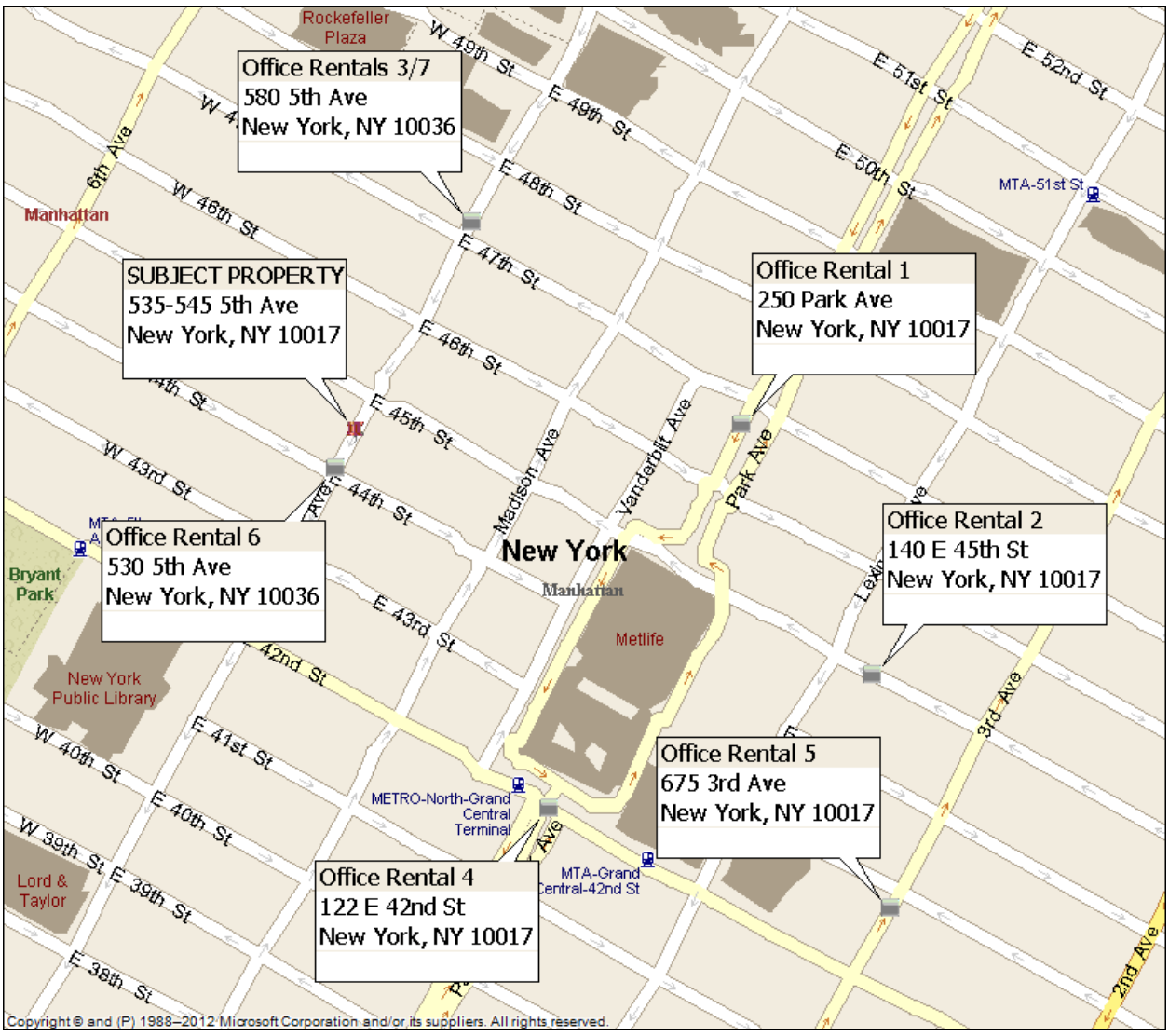
Tenant Name	Suite	Lease Type	Size (SF)	Lease Start	Lease End	Term (Yrs)	Annual Rent	Rent Per SF
PRAJAPATI & COMPANY CPAS LLP	0600	Office	3,695	5/1/2018	8/31/2023	5.33	$192,140	$52.00
LM COHEN & CO.	1200	Office	12,859	3/1/2018	8/31/2028	10.42	$655,809	$51.00
LM COHEN & CO.	1700	Office	7,300	1/7/2019	12/28/2028	10.00	$386,900	$53.00
S7 TECHNOLOGY GROUP	2100	Office	4,797	10/26/2018	1/31/2026	7.33	$268,632	$56.00
MANHATTAN MEDIA LLC	2300	Office	4,698	4/13/2018	5/31/2021	3.17	$216,108	$46.00
MEGALITH CAPITAL MANAGEMENT	2900	Office	4,826	11/1/2018	2/28/2026	7.33	$275,082	$57.00
RATIONAL RETENTION	0501	Office	6,368	12/1/2018	2/29/2024	5.25	$331,136	$52.00
OUT OF HOME HOLDINGS	0900	Office	3,643	9/1/2018	8/31/2019	1.00	$196,722	$54.00
TOTAL / AVERAGE			**48,186**				**$2,522,529**	$52.35

Recently signed leases range from $46.00 to $57.00 per square foot, averaging $52.35 per square foot. New leases typically have annual rent increases, and tenants pay for electric (inclusion or sub-meter) and increases in real estate taxes above a base year for their respective buildings (535 Fifth or 545 Fifth). The rent for most of the above tenancies, including Megalith Capital Management, LM Cohen expansion, S7 Technologies, Judlau Consulting and Rational Retention are still within their abatement periods.

Market Rent - Office

In order to estimate the market rental rate for the subject's office space, we have gathered comparable rental data of Class A office buildings including asking rents in the general market area. All market comparable rental tenants typically pay for their own electric plus their proportionate share of real estate taxes above base year. Most tenants also pay annual increases in lieu of operating expense increases as well as a periodic base rent step.

COMPARABLE OFFICE RENTALS MAP



COMPARABLE OFFICE RENTAL PHOTOS

RENTAL 1



250 PARK AVENUE
NEW YORK, NY

COMPARABLE OFFICE RENTAL PHOTOS

RENTAL 2



140 EAST 45TH STREET
NEW YORK, NY

COMPARABLE OFFICE RENTAL PHOTOS

RENTALS 3 & 7



580 FIFTH AVENUE
NEW YORK, NY

COMPARABLE OFFICE RENTAL PHOTOS

RENTAL 4



122 EAST 42ND STREET
NEW YORK, NY

COMPARABLE OFFICE RENTAL PHOTOS

RENTAL 5



675 THIRD AVENUE
NEW YORK, NY

COMPARABLE OFFICE RENTAL PHOTOS

RENTAL 6



530 FIFTH AVENUE
NEW YORK, NY

SURVEY OF COMPARABLE OFFICE RENTALS

Comp No.	Lease Date	Tenant	Address	Floor	Unit Size (SF)	Term	Lease Type	Base Rent (PSF)
1	11/18	Insight Global	250 Park Avenue Built 1924 Class A	11th	29,401	10 yrs	Direct	$76.00
2	10/18	SAF Capital	140 East 45th Street Built 1983 Class A	40th	2,001	4.5 yrs	Sublease	$69.00
3	4/18	Loomis-Secured Logistics Branch	580 Fifth Avenue Built 1927 Class A	4th	1,400	3 yrs	Direct	$67.00
4	2/18	Equiteq	122 East 42nd Street Built 1929 Class A	35th	4,731	5 yrs	Direct	$68.00
5	2/18	The ExecuSearch Group	675 Third Avenue Built 1966 Class A	4th	11,217	15 yrs	Direct	$65.00
6	1/18	Deltec Asset Management	530 Fifth Avenue Built 1957 Class A	24th	7,803	5 yrs	Direct	$80.00
7	1/18	Aaron Rubon	580 Fifth Avenue Built 1927 Class A	6th	1,250	5 yrs	Direct	$65.00

Source: Field Survey by BBG / CoStar Property Services

Summary and Market Rent Conclusion

The office rents range from $65.00 to $80.00 per square foot, with an average of $70.00 and a median of $68.00 per square foot.

All of the comparable rentals are located on avenues within the Grand Central and Plaza District submarkets, generally within a few blocks of the subject. The comparable rentals consist of both pre-war and post-war facilities containing 15 or more stories, and all offer Class A finishes and amenities. Most of the rentals have corner frontage and exposure, and are within a few blocks or immediate proximity of area subways. In general, the subject and comparable rentals are similar overall in utility, degree of finish and amenities offered. Rental 5 is located further east and would require an upward location adjustment.

The lease terms range from 3 to 15 years, averaging approximately 7 years. Free rent is typical of the market and typically ranges from 4 to 10+ months. Although workletter information was not available for the comparable rental data, market participants report workletters ranging from $50.00 to $100.00+ per square foot for new, Class A lease deals.

The subject property consists of two distinct but attached buildings. 535 Fifth Avenue has lower and medium level office floors, as well as a tower section from floors 17 through 36. 545 Fifth Avenue is a lower rise building, with only 14 levels. Based on the adjusted range, the upward pressure on market rents, as well as our projections for tenant improvements and free rent, the appraiser concluded at the following market rent for each floor tier which is consistent with ownership projections and historical leasing at the subject:

Office - 535 Fifth Avenue	Market Rent PSF Range
Floors 3-4	$50.00
Floors 5-10	$52.00
Floors 11-15	$54.00
Floors 16-19	$55.00
Floors 20-21	$57.00
Floors 22-23	$58.00
Floors 24-25	$60.00
Floors 26-27	$62.00
Floors 28-29	$64.00
Floors 30-31	$65.00
Floors 32-33	$68.00
Floors 34-36	$69.00

Office - 545 Fifth Avenue	Market Rent PSF Range
Floors 3-4	$53.00
Floors 5-10	$57.00
Floors 11-14	$59.00

The preceding market rent conclusion represents the average market rents for each floor and building tier. Market rent may be higher or lower based on factors including unit size, floor level and location within the building. As noted, the space within 545 is considered inferior to the 535 building primarily due to building height and views (light and air).

Lease terms are estimated to be 5 to 10 years, with 5 years for smaller suites and 10 years for larger suites. Upon lease turnover, new and renewal tenants are assumed to pay increases in real estate taxes over base year and 3% annual base rent increases. Electricity is the responsibility of the tenants and will be sub-metered or reimbursed at a fixed amount (typically $3.50 per square foot). Market rent is projected to increase by 3% per annum.

The comparable office rental data did not indicate the workletters. Workletters for this type of space typically ranges from $50.00 to $75.00 per square foot. Free rent for the comparable office rentals typically range from 3 to 12 months.

For the subject property, a workletter of $70.00 per square foot will be estimated for new office deals, as well as free rent of 10 months for new office space for 10 year deals. For renewals, $30.00 per square foot will be forecast, as well as 5 months free rent (10 year deals). For 5 year leases, 6 months of free rent will be forecast for new deals (3 months for renewals).

Market Versus Contract Rent – Office

The average in place office rent is approximately $52.45 per square foot which is generally below our market rent projections. Therefore, the subject's cash flow is supported and there is some upside upon lease turnover – particularly with regard to Building 545. Upon lease expiration, income will be projected at market rents.

Retail Income

The subject property contains 90,740± square feet of retail space, the majority of which is currently vacant. The retail tenancy and space layout are presented as follows:

Tenant Name	Suite	Lease Type	Lease Status	Tenant Size	Lease Start Date	Lease Expiration Date	Base Rental Revenue	Rent/SF
BIG BOX UNIT								
VACANT LOWER LEVEL	535-LL	Retail	Vacant	13,039	N/A	N/A	$0	$0.00
VACANT GRADE	535-GRADE	Retail	Vacant	10,472	N/A	N/A	$0	$0.00
VACANT MEZZANINE	535-MEZZ	Retail	Vacant	5,080	N/A	N/A	$0	$0.00
VACANT 2ND FLOOR	535-2ND	Retail	Vacant	17,715	N/A	N/A	$0	$0.00
TOTAL BIG BOX				46,306				
TOWNHOUSE UNIT								
VACANT LOWER LEVEL	537-LL	Retail	Vacant	3,555	N/A	N/A	$0	$0.00
VACANT GRADE	537-GRADE	Retail	Vacant	2,575	N/A	N/A	$0	$0.00
VACANT MEZZANINE	537-MEZZ	Retail	Vacant	1,514	N/A	N/A	$0	$0.00
TOTAL TOWNHOUSE				7,644				
NBA GRADE	545-GRADE	Retail	Contract	4,010	12/1/2014	11/30/2035	$3,967,100	$989.30
NBA - 2ND FLOOR	545-0200	Retail	Contract	8,744	12/1/2014	11/30/2035	$1,748,800	$200.00
NBA - BSMT	545-BSMT	Retail	Contract	12,808	12/1/2014	11/30/2035	$1,784,100	$139.30
VACANT (3 LEVEL 5th AVE)	545-GR/MEZZ/LL	Retail	Vacant	5,232	N/A	N/A	$0	$0.00
VACANT (2 LEVEL SIDE STREET)	545-GR/MEZZ	Retail	Vacant	5,996	N/A	N/A	$0	$0.00
Total / Average				**90,740**			**$7,500,000**	**$293.40**

The subject retail spaces include avenue fronted units and side street fronted units. In addition, there is rentable basement, grade level, mezzanine and second floor area. The only retail tenant

in occupancy is the NBA store, which leases and occupies three levels. Ownership has configured the vacant retail units as follows:

535 Fifth Avenue – Fifth Avenue Retail Frontage "Big Box"

This space comprises the majority of the newly configured retail space within Building 535 and extends to and wraps around East 44th Street. This 46,306 square foot space comprises 13,039 square feet of lower level space with 13 foot ceiling heights; 10,472 square feet of grade level area with up to 22 foot ceiling heights; 5,080 square feet of mezzanine space with 11.8 foot ceiling heights; and 17,715 square feet of second floor space with 10.6 foot ceiling heights.

545 Fifth Avenue – Fifth Avenue Retail Frontage "Boutique"

This unit is referred to as ownership as "The Boutique". This is a tri-level space which fronts on Fifth Avenue and is adjacent to the NBA Store. The space contains 5,232 square feet, of which 1,360 square feet is lower level (15.6 foot ceiling heights), 2,368 square feet is ground floor (15.6 foot ceiling heights), and 1,360 square feet is mezzanine level (11.8 foot ceiling heights).

537 Fifth Avenue – Fifth Avenue Retail Frontage "Townhouse"

Located to the north of the big box space on Fifth Avenue is a multi-level retail unit with an address of 537 Fifth Avenue. Created by ownership as the "Townhouse" unit, this 7,644 square foot space contains 3,555 square feet of lower level space with 13 foot ceiling heights; 2,575 square feet of ground floor space with up to 22 foot ceiling heights; and 1,514 square feet of mezzanine space with 11.8 foot ceiling heights.

545 Fifth Avenue Side Street Retail – East 45th Street

This unit fronts on East 45th Street and comprises 3,996 square feet of grade level space, and 2,000 square feet of mezzanine space with a two level glass façade. The grade level has 16 foot ceilings, while the mezzanine has 8 foot ceilings. Configured for a single tenant.

The existing retail tenant (NBA store) is responsible for their own electricity and pays a pro rata share of real estate tax increases over base year. Rent increases are periodic.

Market Rent - Retail

The following comparable retail rentals were used to determine the reasonableness of the subject's leases and market rent upon lease expiration. All of the comparable retail rentals were leased on a semi-net basis with the tenant responsible for increases over base year, maintenance of their space and electric consumption.

The comparable rentals will be analyzed on the basis of rent per square foot of ground floor area which is considered to be the most commonly used unit of comparison for retail space. We will provide separate comparable rentals for the avenue fronted and side street fronted retail spaces.

SURVEY OF COMPARABLE RETAIL RENTALS – AVENUE

No	Address	Tenant	Leasable Area (SF)	Ground Floor Area (SF)	Lease Signed	Annual Rent PSF Ground	Terms
1	560 Seventh Avenue	Margaritaville	16,991	1,762	Jul-19	$1,000.00	Modified gross terms
2	640 Fifth Avenue	Dyson	3,997	3,997	Dec-16	$1,200.00	Modified gross terms
3	580 Fifth Avenue	Sephora	16,408	7,367	Sep-16	$1,050.00	Net lease terms
4	565 Fifth Avenue	Adidas	47,290	8,000	Dec-15	$1,000.00	Net lease terms
5	509 Fifth Avenue	Sketchers	6,098	2,941	Mar-15	$986.00	Modified gross terms
6	585 Fifth Avenue	LFX Diamond	6,000	1,500	Mar-14	$1,200.00	Modified gross terms
Low						$986.00	
High						$1,200.00	
Average						$1,072.67	
Median						$1,025.00	

Summary and Market Rent Conclusion

Retail rental rates are particularly location sensitive based on the extent of pedestrian traffic flow and other neighborhood characteristics; pedestrian and vehicular traffic in the subject area are considered high.

All of the comparable avenue rentals are located on Fifth Avenue and are situated within relatively close proximity of the subject property, within a few blocks to the north. The rentals coincide with the Real Estate Board of New York Fall 2018 Manhattan retail guide which indicates that retail rents along Fifth Avenue between 42nd Street and 49th Street average $939 per square foot, a decrease of 14% from the Spring 2018 report, and a 19% decrease from the Fall 2017 report.

AVERAGE ASKING RENT PSF – GROUND FLOOR RETAIL

	Fall 18	Spring 18	Fall 17	% Spring 18	% Fall 17
MIDTOWN					
East 57th St (5th Ave - Park Ave)	$925	$975	$1,294	-5%	-29%
5th Ave (49th St - 59th St)	$2,973	$3,900	$3,900	-24%	-24%
5th Ave (42th St - 49th St)	$939	$1,097	$1,158	-14%	-19%
Broadway & 7th Ave (42nd St - 47th St)	$1,860	$1,938	$2,100	-4%	-11%

Source: REBNY Retail Market Report, Fall 2018

The comparable retail rentals ranged from $986.00 to $1,200.00 per square foot, averaging $1,072.67 per square foot. Based upon the foregoing, we have projected the following grade level retail rents for the subject Fifth Avenue fronted space:

Avenue Retail	Market Rent PSF Range
Fifth Avenue	$1,100.00

For the subject big box grade level area which has wrap around corner frontage on east 44th Street, a slightly higher market rent of $1,150 is forecast for the grade level.

Our market rent conclusions are at the high end of the market range of the comparable rental data presented, as well as the REBNY market survey. The subject's newly created retail space has extensive glass and visibility, as well as 22 foot ceiling heights for portions of the grade level areas. Thus, a concluded market rent at the high end of the range is considered reasonable.

We note that the subject NBA grade level space has a current contract rent of $989 per square foot for the grade level space but was signed in 2014/2015 and thus below current market levels.

Second Floor and Basement Retail

The subject has both saleable basement and second floor retail space which is leased and occupied by the NBA store (this tenant has both basement and second floor space. Typically, basement and second floor space leases at a discount to grade level area due to more diminished visibility and accessibility in comparison to grade level area. The discounts can vary, with basement and second floor area leasing at 10% to 40% of the grade level area. Based upon the current market rent of $1,100.00 per square foot for the subject grade level retail space along this section of Fifth Avenue, we have projected the following market rent for salable basement and second floor retail space:

Retail	% of Grade Rent	Market Rent PSF Range
Second Floor	17.5% - 20.0%	$195.00 - $220.00
Basement	15.0% - 17.5%	$165.00 - $195.00

As a check to the reasonableness of our projections, the following contract rents as applied to lower level and second floor areas are presented; these rentals were leased in conjunction with a grade level component.

Address	Lease Date	Lower Level Rent/SF	2nd Floor Rent/SF
685 Fifth Avenue	1st Qtr 2016	$150.00	$400.00
699 Fifth Avenue	4th Qtr 2015	$75.00	$300.00
680 Madison Avenue	3rd Qtr 2016	N/A	$185.00
760 Madison Avenue	2nd Qtr 2016	$175.00	N/A
625 Madison Avenue	1st Qtr 2015	$100.00	N/A
608 Fifth Avenue	3rd Qtr 2013	$50.00	$150.00
716 Madison Avenue	2nd Qtr 2016	N/A	$250.00
650 Fifth Avenue	3rd Qtr 2017	$50.00	$200.00
767 Fifth Avenue	4th Qtr 2016	N/A	$200.00
683 Fifth Avenue	2nd Qtr 2016	$150.00	$150.00

Blended Rent – Avenue Frontage

Based upon the foregoing analysis, we can extrapolate and project blended market rent for the subject multi-level retail units as follows:

BIG BOX - AVENUE

Space Type	Size (SF)	Projected Rent/SF	Annual Rent
Lower Level	13,039	$175.00	$2,281,825
Grade	10,472	$1,150.00	$12,042,800
Mezzanine	5,080	$250.00	$1,270,000
2nd Floor	17,715	$225.00	$3,985,875
Total/Average	46,306	$422.85	$19,580,500
Rounded		**$425.00**	

TOWNHOUSE - AVENUE

Space Type	Size (SF)	Projected Rent/SF	Annual Rent
Lower Level	3,555	$175.00	$622,125
Grade	2,575	$1,100.00	$2,832,500
Mezzanine	1,514	$250.00	$378,500
Total/Average	7,644	$501.46	$3,833,125
Rounded		**$500.00**	

BOUTIQUE - AVENUE

Space Type	Size (SF)	Projected Rent/SF	Annual Rent
Lower Level	1,360	$175.00	$238,000
Grade	2,368	$1,100.00	$2,604,800
Mezzanine	1,504	$250.00	$376,000
Total/Average	5,232	$615.21	$3,218,800
Rounded		**$615.00**	

Side Street Retail Rentals

Side street retail rentals are presented as follows:

SURVEY OF COMPARABLE RETAIL RENTALS – SIDE STREET

Comp No.	Lease Date	Address Tenant	Unit Size (SF)	Term (Yrs)	Base Rent (PSF)	Other Terms
1	6/18	238 West 56th Street Tenant not disclosed	1,905	10	$138.00	Triple net lease with 3.0% annual rent increases.
2	3/18	240 East 54th Street SoulCycle	3,800	16.10	$139.53	R.E. Taxes over base plus electricity. Annual base rent increases.
3	2/18	6 East 48th Street Ruradan	1,800	10	$175.00	R.E. Taxes over base plus electricity. Annual base rent increases.
4	9/17	317 West 46th Street Scarlatto	2,000	10	$150.00	R.E. Taxes over base plus electricity. Annual base rent increases.
5	5/17	158 East 39th Street R & M Food Services	600	10	$158.63	R.E. Taxes over base plus electricity. Annual base rent increases.

Summary and Market Rent Conclusion

Retail rental rates are particularly location sensitive based on the extent of pedestrian traffic flow and other neighborhood characteristics; pedestrian and vehicular traffic in the subject area are considered high.

The comparable side street rentals range from $138.00 to $175.00 per square foot, averaging $152.23 per square foot and are located within the Grand Central, Times Square and Plaza District submarkets, relatively close to avenues. For the subject's side street frontage retail unit along East 45th Street, we have projected the following market rent for the grade level area:

Side Street Retail	Market Rent PSF Range
Standard	$155.00

With regard to side street fronted space, due to the significantly lower base rate, basement and second floor space equates to approximately 30% to 45% of the grade level area. Therefore, for the subject's side street retail space, we have projected the following basement and second level retail rental rates:

Retail	% of Grade Rent	Market Rent PSF Range
Second Floor	30% - 45%	$50.00 - $75.00
Basement	30% - 45%	$50.00 - $75.00

Blended Rent – Side Street Frontage

Based upon the foregoing analysis, we can extrapolate and project blended market rent for the subject multi-level retail unit as follows:

Space Type	Size (SF)	Projected Rent/SF	Annual Rent
Grade	3,996	$155.00	$619,380
Mezzanine	2,000	$75.00	$150,000
Total/Average	5,996	$128.32	$769,380
Rounded		**$130.00**	

Market lease terms for retail space stipulate that retail tenants will pay a pro rata share of real estate tax increases over base year, and 3% annual rent increases. Electricity is the responsibility of the tenants. Lease terms are estimated to be 10 years. No workletter will be provided for retail tenants which is typical of the market. A 6-month free rent period is assumed for each new lease and 3 months free rent for re-leases. Market rent is projected to increase at 3% per annum.

Market Versus Contract Rent – Retail

As indicated, the subject's NBA store lease appears to be consistent with market parameters, having been signed in 2015.

Storage Income

A number of tenants lease storage space at the subject facility which consists of small basement units. The storage unit rent roll is presented as follows:

Tenant Name	Suite	Lease Type	Lease Status	Tenant Size	Lease Start Date	Lease Expiration Date	Base Rental Revenue	Rent/SF
MANHATTAN ENDO LLC	535-36A	Storage	Contract	310	5/24/2012	Monthly	$4,374.96	$14.11
MANHATTAN ENDO LLC	535-BSMT	Storage	Contract	144	1/9/2012	Monthly	$3,168.00	$22.00
MANHATTAN ENDO LLC	545-BSMT	Storage	Contract	108	1/11/2012	Monthly	$2,376.00	$22.00
VACANT	535-36B	Storage	N/A	310	N/A	N/A	N/A	N/A
VACANT	545-BSMT	Storage	N/A	120	N/A	N/A	N/A	N/A
COGENT COMMUNICATIONS, INC	535-SBSMT	Storage	Contract	146	11/5/2001	Monthly	$6,326.00	$43.33
COGENT COMMUNICATIONS, INC	545-SBSMT	Storage	Contract	146	11/1/2001	Monthly	$6,271.00	$42.95
Total / Average				**1,284**			**$22,516**	**$26.37**

The storage rentals range from $14.11 to $43.33 per square foot, averaging $26.37 per square foot. Ownership projects a market rent of $20.00 per square foot for the basement storage units which appears reasonable and is consistent with the marketplace. There is also an additional 430 square feet of vacant storage space available within 2 dedicated units.

Miscellaneous income

The subject generates miscellaneous income from tenant services, water charges, late fees, HVAC reimbursement and other miscellaneous income sources. Miscellaneous income also includes rental income from telecommunications leases to Cablevision, OmniPoint, T-Mobile, A T&T Cingular and RCN Business Solutions, which are listed on the rent roll with no

corresponding income amounts. Excluding expense reimbursements, but including sub-metered electric, miscellaneous income for 2015 amounted to approximately $2,164,545 as per the submitted income and expense statement (other operating income, other miscellaneous and sub-metered electric), decreasing to $1,562,626 for the 2016 year. For 2017, miscellaneous and other income was $1,075,754 which included storage and telecom income. For 2018, miscellaneous income amounted to $2,138,366 but included non-recurring tenant specific income of $1,267,568. Ownership has also budgeted miscellaneous income (including sub-metered electric) at $966,7118. Based upon the foregoing, considerate of year to year fluctuations, we will project other income as follows:

Submetered Electric	$800,000
Other/Miscellaneous	$200,000
Total	$1,000,000

Lease Up of Vacant Space

The subject facility currently has 65,178 square feet of vacant basement, grade and second floor retail space, 27,523 square feet of vacant office space, and 430 square feet of vacant storage space. We have assumed that all vacant spaces will lease up of the course of 6 to 18 months, subject to leasing commissions, free rent and tenant improvement allowances as applicable.

Renewal Probability

According to the PriceWaterHouseCoopers Korpacz (PwC) Investors Survey for the Fourth Quarter 2018, tenant retention (renewal probability) ranges from 50% to 80% within the Manhattan Office Market. Based upon current market conditions for office space within the market, we estimate a renewal probability factor of 75% for office and retail space which is consistent with ownership projections. We have assumed that all tenant spaces will roll to market upon current lease expiration.

Downtime Between Leases (Space Absorption)

According to the PriceWaterHouseCoopers Korpacz (PwC) Investors Survey for the Fourth Quarter 2018, downtime modeled between leases typically ranges from 2 to 12 months. The subject facility has varying degrees of office, retail and storage space. Based upon the strength of the market and ownership projections, downtime between leases is estimated at 8 months for all tenant spaces (office, retail, storage).

Leasing Fees and Tenant Improvements

For good quality Class A space, a tenant workletter of $70.00 per square foot will be granted for new deals, with renewal workletters of $30.00 per square foot. No tenant improvements are provided for retail tenants which is typical of the market. Ownership is working on demising the retail space – the majority of which is currently raw. The retail space will be developed into a "vanilla" shell suitable for further improvement which would be the responsibility of the tenant.

Market practice as applied to the subject indicates that brokerage commissions are based upon the following schedule for Class A office and retail space leases with 10 year terms: Year 1, 6.25%; Year 2, 5%; Years 3, 4 and 5; 4.375%, Years 6 through 10; 3.125%. For renewals, the commission schedule totals roughly 16% of the effective gross lease with percentage allocations as follows: Year 1, 2.5%; Year 2, 2%; Years 3, 4 and 5; 1.75%, Years 6 through 10; 1.25%. This schedule will also be applicable to retail tenant leases. For 5 year leases, the commission is equal to 24.375% for new deals and 12.195% for renewals. Leasing expenditures were analyzed on a lease-by-lease basis.

Holding Period

According to the PriceWaterHouseCoopers Survey for the Fourth Quarter 2018, typical holding periods range from 3 to 12 years, averaging 7.6 years. A typical holding period is ten-years, with the reversionary value based upon the net operating income in Year 11. Due to projected lease up of vacant retail space for 10 year terms, the 11th and 12th years of the discounted cash flow do not represent stabilized years. Therefore, we have utilized a 12-year holding period with the reversion based in Year 13.

Vacancy and Collection Loss

According to CoStar Property Services, the office vacancy rate in the New York City market area decreased to 7.7% at the end of the third quarter 2018. The vacancy rate was 8.0% at the end of the first and second quarter 2018, and 8.1% at the end of the fourth quarter 2017. Class-A projects reported a vacancy rate of 8.7% at the end of the third quarter 2018, 9.2% at the end of the second quarter 2018, 8.9% at the end of the first quarter 2018, and 9.2% at the end of the fourth quarter 2017.

A competitive set of 24 comparable office buildings indicated a current direct available vacancy rate of 9.1% and an overall available vacancy rate of 10.0%. The available vacancy rate is below the Grand Central submarket vacancy rate of 8.1% and above the overall Midtown vacancy rate of 7.7%. The competitive buildings exhibit vacancy rates of 0.0% to 38.5%, with only 9 of the 24 buildings at 95% occupancy or higher. Current availabilities range from 485 to 127,793 square feet. Excluding 360 Madison Avenue, the competitive set overall vacancy rate drops to from 10.0% to 8.6%.

According to the PriceWaterHouseCoopers Korpacz Survey for the Fourth Quarter 2018, respondents utilize underlying vacancy and credit loss rates ranging from 1.0% to 10.0% within the Manhattan Office Market.

New York City's retail vacancy rate increased in the third quarter 2018, ending the quarter at 4.2%. Over the past four quarters, the market has seen an overall increase in the vacancy rate, with the rate going from 3.6% in the fourth quarter 2017, to 3.7% at the end of the first and second quarter 2018, to 4.2% in the current quarter.

The subject property is approximately 81.80% leased, including pending leases for tenants which have yet to take occupancy. Approximately 93.49% of the office space is leased, with 27,013 square feet (6.51%) available. Ownership has assembled large blocks of retail space to lease up

to one or more larger tenants; therefore the retail occupancy has remained below market until such a time as a suitable tenant(s) can be procured.

Due to a continued strong demand for Class A space within the Midtown office market and based upon a blending of occupancy rates exhibited in comparable neighboring buildings and the subject property's present occupancy rate and expiration schedule, vacancy and collection loss for office space has been estimated at 7.0% throughout the projection period of which 5.0% is attributed to general vacancy and 2.0% to credit and collection loss. We have excluded vacancy and collection loss for certain credit rated and government tenants including The NBA Store, Consulate of Republic of Kazakhstan, United Arab Emirates Consulate of New York, Jewish Foundation for Education of Women, Jewish Fund, American Friends of the Israel, and Childfund Alliance. As we have assumed that high quality, national and global tenancies will occupy the vacant retail space (avenue frontage), we have excluded collection loss for these spaces as well. The Argus program will reduce general vacancy by turnover and absorption vacancy.

OPERATING EXPENSE ANALYSIS

An analysis of the subject's existing use and occupancy was utilized in conjunction with market-derived findings and information provided by the buyer. The subject expenses are analyzed on the basis of gross building area of 496,946± square feet. Historical information was provided for 2014, 2015, 2016, 2017 and 2018, as well as a budgeted projection for 2019.

The historical information was cross checked with respective market trends as compared to other similar office buildings located in the subject's market area. Expenses are analyzed on a per square foot basis. Each comparable is an office building located within one-half mile of the subject property. All expense comparables are year-end 2017.

The appraiser's reconstructed operating expense analysis was projected over the next 12 months from the effective date of valuation and is presented on the following pages.

535-545 Fifth Avenue Income & Expense Analysis (Combined)												
Gross Building Area:	**496,946 SF**											
	Actual 2014		**Actual 2015**		**Actual 2016**		**Actual 2017**		**Actual 2018**		**2019 Budget**	
	Total	**Per SF**	**Total**	**Per SF**	**Total**	**Per SF**	**Total**	**Per SF**	**Total**	**Per SF**	**Total**	**Per SF**
POTENTIAL GROSS REVENUE												
Base Rental Revenue (Net)	$20,907,879	$42.07	$20,863,326	$41.98	$31,215,530	$62.81	$29,124,406	$58.61	$27,765,384	$55.87	$27,103,124	$54.54
Real Estate Tax Escalations	$1,171,715	$2.36	$1,328,786	$2.67	$1,100,304	$2.21	$786,442	$1.58	$972,202	$1.96	$1,133,370	$2.28
Operating Expense Escalations	$472,520	$0.95	$454,118	$0.91	$542,657	$1.09	$580,815	$1.17	$517,241	$1.04	$457,650	$0.92
Miscellaneous Income (Sub Meter Elec)	$1,840,917	$3.70	$1,595,247	$3.21	$1,269,915	$2.56	$830,305	$1.67	$748,886	$1.51	$785,000	$1.58
Other Income	$407,205	$0.82	$569,298	$1.15	$292,710	$0.59	$245,450	$0.49	$1,389,481	$2.80	$181,718	$0.37
TOTAL GROSS REVENUE	$24,800,237	$49.91	$24,810,775	$49.93	$34,421,117	$69.27	$31,567,417	$63.52	$31,393,194	$63.17	$29,660,862	$59.69
OPERATING EXPENSES												
Insurance	$167,567	$0.34	$172,459	$0.35	$189,030	$0.38	$190,680	$0.38	$259,381	$0.52	$372,722	$0.75
Electric	$2,017,394	$4.06	$1,914,576	$3.85	$1,695,723	$3.41	$1,373,161	$2.76	$1,325,733	$2.67	$1,190,065	$2.39
Heat	$806,557	$1.62	$756,905	$1.52	$578,251	$1.16	$669,483	$1.35	$910,796	$1.83	$1,069,313	$2.15
Water & Sewer	$205,443	$0.41	$192,105	$0.39	$213,037	$0.43	$206,104	$0.41	$244,363	$0.49	$213,254	$0.43
Security (Payroll)	$144,169	$0.29	$268,170	$0.54	$225,238	$0.45	$209,749	$0.42	$234,285	$0.47	$293,744	$0.59
Repairs & Maintenance	$10,310,316	$20.75	$2,267,745	$4.56	$2,396,077	$4.82	$2,294,971	$4.62	$2,458,810	$4.95	$2,482,490	$5.00
Cleaning	$630,044	$1.27	$990,562	$1.99	$495,351	$1.00	$115,719	$0.23	$101,329	$0.20	$66,000	$0.13
Miscellaneous	$660,538	$1.33	$698,955	$1.41	$769,122	$1.55	$639,099	$1.29	$451,648	$0.91	$306,623	$0.62
Management	$532,244	$1.07	$402,302	$0.81	$993,301	$2.00	$919,946	$1.85	$937,165	$1.89	$889,839	$1.79
Subtotal	$15,474,272	$31.14	$7,663,780	$15.42	$7,555,130	$15.20	$6,618,912	$13.32	$6,923,510	$13.93	$6,884,050	$13.85
Real Estate Taxes	$6,770,294	$13.62	$7,372,664	$14.84	$7,293,173	$14.68	$7,322,225	$14.73	$7,676,385	$15.45	$8,121,558	$16.34
TOTAL EXPENSES	$22,244,566	$44.76	$15,036,444	$30.26	$14,848,303	$29.88	$13,941,137	$28.05	$14,599,895	$29.38	$15,005,608	$30.20
NET OPERATING INCOME	$2,555,671	$5.14	$9,774,332	$19.67	$19,572,814	$39.39	$17,626,280	$35.47	$16,793,299	$33.79	$14,655,254	$29.49

Note: The 2014 repairs and maintenance expenses are significantly overinflated due to nearly $7.9 million in reported miscellaneous expenses.

EXPENSE COMPARABLES

535-545 Fifth Avenue Expense Comparables											
COMP NO.	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**Min**	**Max**	**Avg.**
Building Address	**900 Third Avenue**	**215 Park Avenue South**	**515 Madison Avenue**	**65 East 55th Street**	**352 Madison Avenue**	**708 Third Avenue**	**750 Third Avenue**	**776 Third Avenue**			
GBA (SF)	**516,710**	**285,213**	**331,020**	**528,552**	**380,776**	**359,329**	**761,384**	**490,020**			
Expense Year	**2017**	**2017**	**2017**	**2017**	**2017**	**2017**	**2017**	**2017**			
OPERATING EXPENSES											
Insurance	$0.46	$0.56	$0.73	$0.43	$0.40	$0.49	$0.63	$0.26	$0.26	$0.73	$0.50
Electric	$2.48	$2.82	$2.68	$2.12	$2.49	$2.97	$2.71	$2.29	$2.12	$2.97	$2.57
Heat	$0.47	$0.59	$0.66	$0.77	$0.89	$1.57	$1.00	$0.49	$0.47	$1.57	$0.81
Water & Sewer	$0.12	$0.07	$0.83	$0.17	$0.18	$0.35	$0.23	$0.19	$0.07	$0.83	$0.27
Payroll/Security	$3.78	$3.30	$5.37	$4.56	$2.35	$3.38	$3.06	$1.46	$1.46	$5.37	$3.41
Repairs & Maintenance	$1.54	$3.27	$1.83	$2.19	$2.76	$1.18	$2.66	$1.66	$1.18	$3.27	$2.14
Cleaning	$3.10	$1.64	$0.98	$2.50	$3.34	$4.14	$4.17	$3.77	$0.98	$4.17	$2.96
Miscellaneous	$0.24	$1.48	$2.28	$2.66	$3.03	$0.77	$1.24	$3.71	$0.24	$3.71	$1.93
Management	$2.50	$1.83	$0.93	$1.40	$1.80	$1.10	$2.08	$2.21	$0.93	$2.50	$1.73
TOTAL EXPENSES EXCL. RE TAXES	**$14.69**	**$15.56**	**$16.29**	**$16.80**	**$17.24**	**$15.95**	**$17.78**	**$16.04**	**$14.69**	**$17.78**	**$16.29**

ESTIMATED OPERATING EXPENSES

The preceding expense pro forma for the subject property is based on operating projections effective over the next twelve months. The following is a summary of our expense estimates as applied to the subject property:

Real Estate Taxes:	The subject's real estate tax payment was based on the projected tax payment of $7,907,702 per annum, or $15.91 per square foot which does not include additional BID taxes of $93,842. Based on tax comparables (see "Assessed Value and Real Estate Taxes" section), the subject's tax burden appears reasonable. The breakdown for each building is as follows: $4,669,689 in real estate taxes and $62,753 in BID taxes for Building 535, and $3,238,013 in real estate taxes and $31,089 in BID taxes for Building 545.
Insurance:	The subject's historical insurance expenses have ranged from $0.34 to $0.52 per square foot, averaging $0.39 per square foot, with a 2019 budgeted amount of $0.75 per square foot, which is significantly higher than historical operations. The expense comparables range from $0.26 to $0.73 per square foot with an average of $0.50 per square foot. Based on the foregoing, we will project an insurance expense of $0.50 per square foot of GBA, or $248,473 annually (combined for both buildings).
Electric:	The subject's tenants reimburse the landlord for electric. The subject's reported combined electric expense for both buildings has ranged from $2.67 to $4.06 per square foot, averaging $3.35 per square foot, with a 2019 budgeted expense of $2.39 per square foot. The expense comparables indicated a wide range from $2.12 to $2.97 per square foot with an average of $2.57 per square foot. Based upon the foregoing, considerate of the declining trend at the subject property, we have projected electric expenses at $2.75 per square foot, which translates to $1,366,602 per annum for both buildings combined.
Heating/Fuel:	The buildings are heated with steam purchased from Consolidated Edison. The subject's historical expenses have ranged from $1.16 to $1.83 per square foot, averaging $1.50 per square foot, with a budgeted 2019 expense of $2.15 per square foot, which appears high. The expense comparables ranged from $0.47 to $1.57 per square foot with an average of $0.81 per square foot. Based upon historical operations, we have projected this expense at

	$1.75 per square foot or $869,656 per annum for both buildings combined.
Water & Sewer:	For water and sewer charges, the subject's historical expenses have consistently ranged from $0.39 to $0.49 per square foot, averaging $0.43 per square foot for both buildings, with a 2019 budgeted expense of $0.43 per square foot. The expense comparables ranged from $0.07 to $0.83 per square foot with an average of $0.27 per square foot. Based upon the foregoing, given the subject historical trend, we will project a total water and sewer expense of $0.45 per square foot, or $223,626 per annum.
Payroll/Security:	For traditional payroll items, the subject ownership includes contract and payroll services as part of "Repairs and Maintenance". The subject's historical expense ranged from $0.29 to $0.54 per square foot, averaging $0.44 per square foot for both buildings, with a 2019 budgeted expense of $0.59 per square foot. The expense comparables present a range of $1.46 to $5.37 per square foot with an average of $3.41 per square foot, which is higher on average than the subject historical expense. Since we will allocate most the payroll as part of the repairs and maintenance expense, a projected security expense of $0.60 per square foot is estimated, which translates to $298,168 per annum.
Repairs and Maintenance:	This expense varied depending on the age and quality of each building, management philosophy, services provided, and accounting methodology. Some management companies expense items which typically are included as a capital cost. In addition, repairs and maintenance costs may change from year to year; in some cases, repairs that require attention may be postponed due to cash flow considerations. In projecting a repairs and maintenance cost for the upcoming year, we considered the age and condition of the building as well as services provided. The subject historical expense for this category ranged from $4.56 to $20.75 per square foot, averaging $7.94 per square foot, with a budgeted 2019 expense of $5.00 per square foot. As noted previously, the 2014 expense of per square foot is grossly overinflated due to miscellaneous repairs and expenses reported of $7,882,677 or $15.86 per square foot. The 2015 and 2016 expenses were $4.56 and $4.82 per square foot, respectively, and included non-recurring items. The 2017 and 2018 expenses were $4.62

	and $4.95 per square foot, respectively. As noted previously, ownership has historically lumped various payroll expenses within repairs and maintenance costs, further inflating this category. The expense comparables present a wide range of $1.18 to $3.27 per square foot with an average of $2.14 per square foot. Considering all sources, we project a repair & maintenance expense of $4.50 per square foot of GBA, or $2,236,257 annually, which includes an allocation for most payroll items.
Cleaning:	The subject historical cleaning expense was has ranged from $0.20 to $1.99 per square foot, averaging $0.94 per square foot, with a 2019 budgeted expense of only $0.13 per square foot. The expense was nominal in 2017 and 2018. The expense comparables range from $0.98 to $4.17 with an average of $2.96 per square foot. Based upon both sources, a market oriented projection of $0.75 per square foot ($372,710 per annum) has been forecast.
Miscellaneous:	The reported expense for this category has ranged from $0.91 to $1.55 per square foot, averaging $1.30 per square foot, with a 2019 budgeted expense of $0.62 per square foot. This expense trend has also declined over the past few years. This category has included some non-recurring items such as consulting fees and other non-recurring professional fees. This category allows for any expenditures not included in the above categories of expenses including legal and professional fees, telephone usage, permits and dues, uniforms, exterminating and other miscellaneous items. The expense comparables present a range of $0.24 to $3.71 per square foot with an average of $1.93 per square foot. Based upon the foregoing, considerate of the declining historical trend, an expense of $1.00 per square foot has been forecast ($496,946 per annum).
Management:	Fees charges by local management companies for similar office properties are usually 2% to 5% of effective gross revenue (including recoveries). We estimate management at 3.0% of total effective gross revenue (including recoveries). This fee does not include leasing commissions. The 3.0% management fee translates into $856,036 in the first year of our analysis or $1.72 per square foot which conforms to the comparable range of $0.93 to $2.50 per square foot. The historical expense has ranged from $0.81

	to $2.00 per square foot, averaging $1.52 per square foot, with a 2019 budget of $1.79 per square foot. Management expenses increase significantly in stabilized years.

Operating expenses are projected as follows:

OPERATING EXPENSES		
Insurance	$248,473	$0.50
Electric	$1,366,602	$2.75
Heat	$869,656	$1.75
Water & Sewer	$223,626	$0.45
Payroll/Security	$298,168	$0.60
Repairs & Maintenance	$2,236,257	$4.50
Cleaning	$372,710	$0.75
Miscellaneous	$496,946	$1.00
Management	$856,036	$1.72
Subtotal	$6,968,472	$14.02
Real Estate Taxes	$8,001,544	$16.10
TOTAL EXPENSES	$14,970,016	$30.12

Expense Growth Rates

Real estate taxes are projected to increase at 3.0% per annum. With the exception of the management expense, which is a percentage of effective gross income, the balance of the operating expenses is projected to escalate at a rate of 3.0% per annum.

Reserves

Reserves provide for the periodic replacement of building components that wear out more rapidly than the building itself and that must be replaced periodically during the building's economic life. This item is estimated at $0.30 per square foot of gross building area.

Capital Improvements

As per ownership’s 2019 budget, approximately $383,004 will be deducted in the first year of the cash flow.

DISCOUNT RATE

In order to develop an indication of value by the Income Capitalization Approach, discounted cash flow analysis, it is necessary to establish an acceptable yield rate to discount the annual cash flows and the reversion value.

Typical investors require a rate of return for investment quality property such as the subject, which is greater than the safe, or "riskless" rates offered for long term treasury notes and bonds or high grade corporate bonds. The difference between an investor's required rate of return and the safe rate is basically the premium necessary to compensate the investor for the added risks of inflation, management, and lack of liquidity offered by a real estate investment. The following rates have been used as market indicators (Ycharts.com, St. Louis Fed, Moody's and Bloomberg websites, December 2018):

SURVEY OF COMPETITIVE RATES	
Federal Funds Rate	2.27%
Prime Rate	5.50%
10-year Treasury Notes	2.69%
20-year Treasury Notes	2.87%
30-year Treasury Notes	3.02%
Corporate Bonds (Aaa)	3.99%
Corporate Bonds (Baa)	5.13%
State and Local Bonds	3.38%

Source: YCharts.com, St. Louis Fed, Moody's, Bloomberg December 2018

The Federal Funds Rate is a foundational rate determining the cost of funds by Federal Reserve banks to depository institutions. The Prime Rate is a base rate posted by large banks for loans to corporations. Long term issues such as 10, 20 and 30-year Treasury Bonds are guaranteed by the federal government. Corporate Bonds are long term securities protected by the creditworthiness of the issuer. Municipal Bonds are free of tax liabilities and, therefore, the return is typically less than investment opportunities which are taxable.

Another source of anticipatory yield rates is provided by the Real Estate Research Corporation's and PricewaterhouseCoopers' investment surveys, which summarize expected rates of return, including capitalization rates and income and expense growth rates, from a representative sample of institutional investors. The rates reflect acceptable expectations of yields desired by investors currently in the market place. The rates reflect acceptable expectations of yields desired by investors currently in the market place. Situs R.E.R.C. and PricewaterhouseCoopers (PwC) report pre-tax yields for Manhattan and CBD (central business district) office buildings ranging from 5.25% to 9.00% with an average between 6.89% and 7.30%.

Survey	Property Type	Discount Rate
PriceWaterhouseCoopers (PwC)	Manhattan	5.50% to 9.00%
Fourth Quarter 2018	Office Market	6.90% average
PriceWaterhouseCoopers (PwC)	National CBD	5.25% to 9.00%
Fourth Quarter 2018	Office Market	6.89% average
Situs R.E.R.C.	National CBD	6.50% to 8.30%
Third Quarter 2018	Office Market	7.30% average

Liquidity, asset management and risk are concerns to all investors. Of all the property types, most credit is available for residential transactions, though the capital markets have recovered somewhat for "Core-class" projects with strong tenancy. These effects are measured below, as overall yields for real estate are compared to those of less-risky alternatives, which generally greater offer greater liquidity and require less management attention.

	3Q 2018	2Q 2018	3Q 2017	3Q 2016	3Q 2015	3Q 2014
Real Estate Yield (%)	7.8	7.9	7.8	7.8	7.9	8.1
Moody's Baa Corporate (%)	4.8	4.8	4.3	4.3	5.2	4.7
Moody's Aaa Corporate (%)	3.9	3.9	3.7	3.3	4.1	4.1
10-Year Treasurys (%)	2.9	2.9	2.2	1.6	2.2	2.5
Yield Spread (Percentage Points)						
Moody's Baa Corporate (%)	3.0	3.1	3.5	3.5	2.7	3.4
Moody's Aaa Corporate (%)	3.9	4.0	4.1	4.5	3.8	4.0
10-Year Treasurys (%)	4.9	5.0	5.6	6.2	5.7	5.6

Sources Situs RERC, Federal Reserve, Moody's; 3Q 2018; Federal Reserve, current as of September 30, 2018

After setting a low in mid-2007 to 2008, spreads over 10-years Treasuries reached a peak of 670 basis points in late 2009 early 2010. The increasing spreads were the result in the general perception of fear in the capital markets as virtually every class of investment has been damaged. By 2010-2011, the variance of yields has begun to tighten, as the spread over the 10 year bond tightened to 580 basis points, increasing back to 680 in the fourth quarter 2012. However, there is a mood of optimism in the most recent four quarters, as the spread has remained between 4.9%and 6.2%.

In selecting an appropriate discount rate, we have considered the foregoing yields as well as the subject property's location, age, and average condition relative to competing properties. We have also taken into consideration its current leasing status. In the development of the discount rate for the subject property, consideration was given to the risk, liquidity, and the time and expense of asset management inherent with income-producing property investment. The summation approach was utilized to account for yield expectations associated with these investment considerations.

A 3.50% basic rate was used based on the return exhibited by corporate and municipal bonds. The 3.50% basic rate is increased by 100 basis points for liquidity, 100 basis points for asset management, and 100 basis points for risk. This results in a 6.50% yield rate. Although there is existing vacancy at the subject, there exists significant upside potential with regard to procuring new tenancy. Furthermore, all costs have been expended for the creation of the demised retail areas, with only marketing and lease up required. Based on the foregoing, it is our opinion that a 6.50% before tax discount or yield rate would be required by a typical investor for an office building like the subject, based upon its existing location and tenancy.

The consensus of those actively engaged in the marketplace for office/retail buildings is that internal rates of return (based upon forecasting techniques and assumptions similar to those utilized herein) fall within a broad range depending upon numerous risk factors, including, among others:

- ***Location:*** the better the location, the lower the IRR. The subject is well located on Fifth Avenue in the Grand Central office submarket. The property has excellent accessibility via area subways and is close to Grand Central Terminal. The immediate area has very high pedestrian traffic. Given the appeal of this location, investors consider this a “core” location.

- ***Physical Characteristics of the Subject Property***: the newer the property, the higher the quality of construction and finishes, and the better the design and layout of the physical plant, the lower the IRR. The subject is an older facility but has been well maintained, having been renovated and updated as necessary.

- ***Degree of Forecasted Cash Flow Growth***: the greater the growth forecasted, the higher the IRR. The degree of cash flow growth is based on historic trends and current economic conditions.

- ***Amount of Equity Investment Required***: the greater the required equity investment (that portion of the total acquisition cost not typically funded by conventional financing), the higher the IRR. Today's capital market allows for relatively low degrees of equity.

- ***Length of Projection Period:*** the longer the projection period, the higher the IRR. We have utilized a slightly longer typical holding period in our analysis.

- ***Type of Investment:*** the riskier the perceived return on investment for a particular type of real estate, the higher the IRR. The subject is an attractive, quality Class A office property situated along Fifth Avenue within the confluence of several prime Midtown office submarkets and is leased by quality tenants. As such, national and international institutional investors would consider acquisition. Since these investors have access to broad capital markets, their costs of capital are generally lower than regionals, leading them to accept lower rates of return.

In our opinion, due to the subject property's: (a) prominent Grand Central office submarket location; (b) good overall condition due to ongoing upgrades, (c) the caution used in forecasting rental rates and vacancy; (d) the relatively low amount of equity that would be required in today's economic climate; (e) relatively typical holding period; and (f) average market risk due to market leasing in place and some below market tenancies, we believe that a 6.50% discount rate is appropriate for the subject property.

Terminal Capitalization Rate and Estimated Reversion

Survey	Property Type	Terminal Capitalization Rate
PriceWaterhouseCoopers (PwC)	Manhattan	3.00% to 6.75%
Fourth Quarter 2018	Office Market	5.23% average
PriceWaterhouseCoopers (PwC)	National CBD	4.50% to 8.50%
Fourth Quarter 2018	Office Market	6.02% average
Situs R.E.R.C.	National CBD	5.50% to 7.00%
Third Quarter 2018	Office Market	6.20% average

As indicated in the investment surveys, terminal capitalization rates for Manhattan and CBD office properties typically range from 3.00% to 8.50% for institutional quality investments, with the predominant rates between 5.23% and 6.20%.

As described above in our development of the overall IRR, the subject property represents a very good quality, Class A office property within a prominent office submarket and high value retail space. Therefore, we will utilize a 5.50% terminal capitalization rate to capitalize the reversionary year's projected net operating income into a reversion value. From this reversion we have deducted a 5.00% sales cost which includes commissions and transfer taxes.

SUMMARY OF DISCOUNTED CASH FLOW ASSUMPTIONS

Building Areas:	496,946 square feet of gross building area 508,792 square feet of gross leasable area
Market Rent Growth Rate:	Office - increase at 3% per annum. Retail - increase at 3% per annum.
Discount Rate:	6.50%
Terminal Capitalization Rate:	5.50%
Renewal Probability:	75% for all tenant spaces.
Lag Vacancy:	Upon vacancy, we assumed between 6 and 10 months of downtime between leases, with most tenants projected at 8 months.
General Vacancy Loss:	5.0% general vacancy.
Collection Loss Factor:	2.0%. Collection loss is excluded for certain credit rated and government / not-for-profit tenancies, and incoming retail tenancies (national/global companies). Total vacancy and collection loss is projected at 7.0%.
Expenses:	Year 1 expenses will be entered according to the per square foot estimates summarized earlier.
Expense Growth Rate:	3.0%
Tax Growth Rate:	3.0%
Management Costs:	3.0%
Leasing Commissions:	Leasing commissions are based upon the following schedule for new office and retail space leases with 10 year terms: Year 1, 6.25%; Year 2, 5%; Years 3, 4 and 5; 4.375%, Years 6 through 10; 3.125%. For renewals, the commission schedule totals roughly 16% of the effective gross lease with percentage allocations as follows: Year 1, 2.5%; Year 2, 2%; Years 3, 4 and 5; 1.75%, Years 6 through 10; 1.25%. For five year deals, the aggregate commission will be 24.375% for new leases and 12.195% for renewals.

Holding Period: 12 years

Cost of Sales: 5.00%

MARKET LEASING ASSUMPTIONS

Office:

Office - 535 Fifth Avenue	Market Rent PSF Range
Floors 3-4	$50.00
Floors 5-10	$52.00
Floors 11-15	$54.00
Floors 16-19	$55.00
Floors 20-21	$57.00
Floors 22-23	$58.00
Floors 24-25	$60.00
Floors 26-27	$62.00
Floors 28-29	$64.00
Floors 30-31	$65.00
Floors 32-33	$68.00
Floors 34-36	$69.00

Office - 545 Fifth Avenue	Market Rent PSF Range
Floors 3-4	$53.00
Floors 5-10	$57.00
Floors 11-14	$59.00

Lease terms are estimated to be 5 to 10 years, with 5 years for smaller suites and 10 years for larger suites. Upon lease turnover, new and renewal tenants are assumed to pay increases in real estate taxes over base year and 3% annual base rent increases. Electricity is the responsibility of the tenants and will be sub-metered or reimbursed at a fixed amount (typically $3.50 per square foot).

A $70.00 per square foot workletter will be provided for new lease deals, with $30.00 to per square foot for renewals (office tenants only). Free rent of 10 months for new deals and 5 months for renewals for 10 year leases, and 6 months / 3 months for 5 year deals.

Retail:

BIG BOX AVENUE

Space Type	Size (SF)	Projected Rent/SF	Annual Rent
Lower Level	13,039	$175.00	$2,281,825
Grade	10,472	$1,150.00	$12,042,800
Mezzanine	5,080	$250.00	$1,270,000
2nd Floor	17,715	$225.00	$3,985,875
Total/Average	46,306	$422.85	$19,580,500
Rounded		**$425.00**	

TOWNHOUSE AVENUE

Space Type	Size (SF)	Projected Rent/SF	Annual Rent
Lower Level	3,555	$175.00	$622,125
Grade	2,575	$1,100.00	$2,832,500
Mezzanine	1,514	$250.00	$378,500
Total/Average	7,644	$501.46	$3,833,125
Rounded		**$500.00**	

BOUTIQUE AVENUE

Space Type	Size (SF)	Projected Rent/SF	Annual Rent
Lower Level	1,360	$175.00	$238,000
Grade	2,368	$1,100.00	$2,604,800
Mezzanine	1,504	$250.00	$376,000
Total/Average	5,232	$615.21	$3,218,800
Rounded		**$615.00**	

SIDE STREET

Space Type	Size (SF)	Projected Rent/SF	Annual Rent
Grade	3,996	$155.00	$619,380
Mezzanine	2,000	$75.00	$150,000
Total/Average	5,996	$128.32	$769,380
Rounded		**$130.00**	

10 year terms

RE Taxes over base, tenant responsible for electric, 3% annual increases

No tenant improvement allowance. A 6-month free rent period is assumed for each new lease and 3 months free rent for re-leases. For initial lease up of the vacant retail spaces, a 10 month free rent abatement is forecast.

Storage:

Unit	Market Rent PSF
Storage	$20.00

5-year lease term

No reimbursements, 3.0% annual rent increases.

Date of Valuation December 31, 2018

Value Conclusion: $740,000,000 (rounded)

DISCOUNTED CASH FLOW

For the Years Ending	Year 1 Dec-2019	Year 2 Dec-2020	Year 3 Dec-2021	Year 4 Dec-2022	Year 5 Dec-2023	Year 6 Dec-2024	Year 7 Dec-2025	Year 8 Dec-2026	Year 9 Dec-2027	Year 10 Dec-2028	Year 11 Dec-2029	Year 12 Dec-2030	Year 13 Dec-2031
Potential Gross Revenue													
Base Rental Revenue	$40,927,442	$59,452,128	$61,794,085	$63,104,155	$64,583,758	$66,253,033	$68,113,892	$70,929,634	$72,746,518	$74,619,562	$76,594,164	$78,451,513	$81,585,671
Absorption & Turnover Vacancy	(301,804)	(610,688)	(722,272)	(248,348)	(249,970)	(676,200)	(1,635,880)	(597,512)	(88,605)	(417,710)	(9,102,437)	(1,138,212)	(1,382,794)
Base Rent Abatements	(12,962,918)	(13,158,764)	(1,609,350)	(1,332,001)	(455,086)	(1,149,689)	(3,298,274)	(2,141,698)	(256,049)	(420,435)	(8,933,628)	(14,501,455)	(2,274,482)
Scheduled Base Rental Revenue	27,662,720	45,682,676	59,462,463	61,523,806	63,878,702	64,427,144	63,179,738	68,190,424	72,401,864	73,781,417	58,558,099	62,811,846	77,928,395
Expense Reimbursement Revenue	1,427,802	1,596,091	1,526,913	1,566,303	1,785,742	1,935,935	1,889,872	1,960,747	2,224,447	2,457,016	2,428,766	2,264,581	2,296,489
Submetered Electric	800,000	824,000	848,720	874,182	900,407	927,419	955,242	983,899	1,013,416	1,043,819	1,075,133	1,107,387	1,140,609
Miscellaneous	200,000	206,000	212,180	218,545	225,102	231,855	238,810	245,975	253,354	260,955	268,783	276,847	285,152
Total Potential Gross Revenue	30,090,522	48,308,767	62,050,276	64,182,836	66,789,953	67,522,353	66,263,662	71,381,045	75,893,081	77,543,207	62,330,781	66,460,661	81,650,645
General Vacancy	(1,152,722)	(1,753,250)	(2,327,197)	(2,906,157)	(3,033,252)	(2,641,954)	(1,617,601)	(2,910,047)	(3,642,711)	(3,394,212)	0	(2,115,609)	(2,628,450)
Collection Loss	(404,561)	(438,631)	(456,684)	(479,923)	(513,382)	(512,204)	(465,973)	(524,958)	(587,903)	(598,473)	(587,068)	(570,862)	(601,801)
Effective Gross Revenue	28,533,239	46,116,886	59,266,395	60,796,756	63,243,319	64,368,195	64,180,088	67,946,040	71,662,467	73,550,522	61,743,713	63,774,190	78,420,394
Operating Expenses													
Real Estate Taxes - 535	4,732,442	4,874,416	5,020,648	5,171,267	5,326,405	5,486,197	5,650,783	5,820,306	5,994,916	6,174,763	6,360,007	6,550,807	6,747,331
Cleaning - 535	249,234	256,711	264,412	272,345	280,515	288,931	297,598	306,526	315,722	325,194	334,950	344,998	355,348
Repairs and Maintenance - 535	1,495,404	1,540,266	1,586,474	1,634,068	1,683,090	1,733,583	1,785,591	1,839,158	1,894,333	1,951,163	2,009,698	2,069,989	2,132,089
Electric - 535	897,242	924,160	951,884	980,441	1,009,854	1,040,150	1,071,354	1,103,495	1,136,600	1,170,698	1,205,819	1,241,993	1,279,253
Purchased Steam - 535	581,546	598,992	616,962	635,471	654,535	674,171	694,396	715,228	736,685	758,786	781,549	804,996	829,146
Water - 535	149,540	154,027	158,647	163,407	168,309	173,358	178,559	183,916	189,433	195,116	200,970	206,999	213,209
Security - 535	199,387	205,369	211,530	217,876	224,412	231,144	238,079	245,221	252,578	260,155	267,960	275,999	284,278
Administrative - 535	332,312	342,281	352,550	363,126	374,020	385,241	396,798	408,702	420,963	433,592	446,600	459,998	473,797
Management Fee - 535/545	855,997	1,383,507	1,777,992	1,823,903	1,897,300	1,931,046	1,925,403	2,038,381	2,149,874	2,206,516	1,852,311	1,913,226	2,352,612
Insurance - 535	166,156	171,141	176,275	181,563	187,010	192,620	198,399	204,351	210,481	216,796	223,300	229,999	236,899
Real Estate Taxes - 545	3,314,102	3,413,525	3,515,930	3,621,409	3,730,051	3,841,953	3,957,211	4,075,928	4,198,206	4,324,151	4,453,876	4,587,492	4,725,117
Cleaning - 545	123,476	127,180	130,995	134,925	138,973	143,142	147,436	151,859	156,415	161,108	165,941	170,919	176,047
Repairs & Maintenance - 545	740,853	763,079	785,971	809,550	833,837	858,852	884,617	911,156	938,490	966,645	995,644	1,025,514	1,056,279
Electric - 545	444,512	457,847	471,583	485,730	500,302	515,311	530,770	546,693	563,094	579,987	597,387	615,308	633,768
Purchased Steam - 545	288,110	296,753	305,655	314,825	324,270	333,998	344,018	354,338	364,968	375,918	387,195	398,811	410,775
Water - 545	74,085	76,308	78,597	80,955	83,384	85,885	88,462	91,116	93,849	96,665	99,564	102,551	105,628
Security - 545	98,780	101,744	104,796	107,940	111,178	114,514	117,949	121,487	125,132	128,886	132,753	136,735	140,837
Administrative - 545	164,634	169,573	174,660	179,900	185,297	190,856	196,582	202,479	208,553	214,810	221,254	227,892	234,729
Insurance - 545	82,317	84,787	87,330	89,950	92,649	95,428	98,291	101,240	104,277	107,405	110,627	113,946	117,364
Total Operating Expenses	14,990,129	15,941,666	16,772,891	17,268,651	17,805,391	18,316,380	18,802,296	19,421,580	20,054,569	20,648,354	20,847,405	21,478,172	22,504,506
Net Operating Income	13,543,110	30,175,220	42,493,504	43,528,105	45,437,928	46,051,815	45,377,792	48,524,460	51,607,898	52,902,168	40,896,308	42,296,018	55,915,888
Leasing & Capital Costs													
Tenant Improvements	3,204,310	2,931,751	3,445,208	1,103,436	1,060,635	1,925,647	7,412,008	2,728,549	469,465	1,444,593	3,154,710	4,572,068	5,052,666
Leasing Commissions	11,886,927	660,881	930,780	331,171	262,626	497,690	1,948,061	604,905	99,366	379,160	9,319,289	1,107,468	1,257,225
Capital Reserve - 535	96,972	99,881	102,878	105,964	109,143	112,417	115,790	119,263	122,841	126,526	130,322	134,232	138,259
Capital Reserve - 545	56,191	57,877	59,613	61,402	63,244	65,141	67,095	69,108	71,181	73,317	75,516	77,782	80,115
Capital Budget	383,004	0	0	0	0	0	0	0	0	0	0	0	0
Total Leasing & Capital Costs	15,627,404	3,750,390	4,538,479	1,601,973	1,495,648	2,600,895	9,542,954	3,521,825	762,853	2,023,596	12,679,837	5,891,550	6,528,265
Cash Flow Before Debt Service & INCOME TAX	($2,084,294)	$26,424,830	$37,955,025	$41,926,132	$43,942,280	$43,450,920	$35,834,838	$45,002,635	$50,845,045	$50,878,572	$28,216,471	$36,404,468	$49,387,623

PRESENT VALUE SUMMARY "AS IS"

Prospective Present Value
Cash Flow Before Debt Service plus Property Resale
Discounted Annually (Endpoint on Cash Flow & Resale) over a 12-Year Period

Analysis Period	For the Year Ending	Annual Cash Flow	P.V. of Cash Flow @ 6.50%
Year 1	Dec-2019	($2,084,294)	($1,957,084)
Year 2	Dec-2020	$26,424,830	$23,297,697
Year 3	Dec-2021	$37,955,025	$31,421,033
Year 4	Dec-2022	$41,926,132	$32,590,151
Year 5	Dec-2023	$43,942,280	$32,072,628
Year 6	Dec-2024	$43,450,920	$29,778,398
Year 7	Dec-2025	$35,834,838	$23,059,941
Year 8	Dec-2026	$45,002,635	$27,191,995
Year 9	Dec-2027	$50,845,045	$28,847,101
Year 10	Dec-2028	$50,878,572	$27,104,340
Year 11	Dec-2029	$28,216,471	$14,114,224
Year 12	Dec-2030	$36,404,468	$17,098,554
Total Cash Flow		$438,796,922	$284,618,978
Property Resale @ 5.50% Cap		$965,819,884	$453,629,040
Total Property Present Value			$738,248,018
Rounded to Thousands			$740,000,000
Per SqFt			$1,489.10

The income level increases significantly over the holding period due to the lease up of vacant retail space, which is projected to achieve $1,100.00+ per square foot for the grade level within the subject specific market.

DIRECT CAPITALIZATION

The subject facility is currently encumbered by some leases at below market rates, and is currently leased at 81.80% occupancy. In particular, there is significant retail space that is currently vacant and available for lease or occupied by existing tenancies with near term expirations at significantly below market rents. As market rents for retail space exceed $950.00 per square foot for avenue fronted space, there is considerable upside potential with regard to the subject's retail space. Due to the projected lease up of the retail space, stabilized occupancy is not projected to occur until approximately 3 years as per the discounted cash flow analysis.

Therefore, due to below market and vacant retail space, analysis of the property via the direct capitalization method is not considered to be especially meaningful as the in place net operating income is not optimized. Therefore, this method has not been applied for the estimate of value of the subject "as is."

Reconciliation of DCF Method

To test the reasonableness of our value opinion developed with the Discounted Cash Flow Method, we have analyzed "going in" capitalization rates indicated by the PricewaterhouseCoopers' and Real Estate Research Corporation's investment surveys, which reflect the investment expectations of institutional investors.

Survey	Property Type	Overall Capitalization Rate
PriceWaterhouseCoopers (PwC)	Manhattan	3.00% to 6.00%
Fourth Quarter 2018	Office Market	4.70% average
PriceWaterhouseCoopers (PwC)	National CBD	3.00% to 7.50%
Fourth Quarter 2018	Office Market	5.44% average
Situs R.E.R.C.	National CBD	4.50% to 6.50%
Third Quarter 2018	Office Market	5.60% average

As indicated in the investment surveys, overall capitalization rates for Manhattan and CBD office properties typically range from 3.00% to 7.50% for institutional quality investments, with the predominant rates between 4.70% and 5.60%.

Market Derived Capitalization Rates

Overall capitalization rates from office buildings within the Manhattan market are presented in the following table. The overall capitalization rates range from 3.14% to 4.66% averaging 3.91%.

Address	Size (GBA)	Sale Date	Capitalization Rate
222 East 41st Street (Leasehold)	389,522	May-18	4.00%
19 West 44th Street	303,943	Oct-17	3.20%
1515 Broadway (Partial Interest)	1,860,000	Nov-17	4.20%
1700 Broadway	625,000	Jan-18	4.50%
5 Bryant Park	681,575	May-18	4.00%
600 Lexington Avenue	303,515	Jan-18	4.30%
95 Morton Street	216,512	Apr-17	3.19%
85 Broad Street	993,570	May-17	3.90%
245 Park Avenue	1,586,876	May-17	4.66%
1180 Avenue of the Americas	399,211	Feb-18	3.14%
Low			3.14%
High			4.66%
Average			3.91%

Source: CoStar Property Services

The current net operating income at the subject property is approximately $13,543,110 based upon calculations from the first year of the discounted cash flow, primarily due to over 59,000 square feet of Fifth Avenue retail space. The current net operating income divided by the resultant property value of $740,000,000 via the discounted cash flow method indicates a going in overall capitalization rate of approximately 1.83%, which is far below the averages indicated by the investor surveys, as well as local comparable sale data. Therefore, it is our view that our value opinion derived from the Discounted Cash Flow Analysis is credible, since it offers an adequate return to an investor based upon the future value of the property leased at market rates to appropriate retail and office tenants.

Therefore, with sole reliance on the Discounted Cash Flow method, the "as is" fair value via the Income Capitalization Approach, as of December 31, 2018 is:

SEVEN HUNDRED FORTY MILLION DOLLARS
$740,000,000

SALES COMPARISON APPROACH

"In the Sales Comparison Approach, fair value is estimated by comparing the subject property to similar properties that have been sold recently or for which offers to purchase have been made. A major premise of the sales comparison approach is that the fair value of a property is directly related to the prices of comparable, competitive properties."

The Sales Comparison Approach is based on the principle of substitution. This implies that a knowledgeable investor will pay no more for a property than would be paid for a substitute property of similar utility and desirability. The procedure involved is to research the market for sales of improved properties similar to the subject, verify the information, select appropriate units of comparison, compare each sale to the subject property, adjust the sales to the subject, and reconcile the various value indicators into a single indication of value for the subject property.

As indicated in a previous section, the highest and best use of the subject site as improved is considered to be its continued use as an office building.

Unit of Comparison

In order to analyze the comparable sales, it is generally considered necessary to alter the sale prices by an appropriate unit of comparison. The effect of this process is to make the sale prices more manageable as well as to adjust for differences among the sales. For this report, the comparable sales will be analyzed on the basis of sale price per square foot of gross building area above grade which is considered to be the most commonly used unit of comparison for similar office buildings in the subject market area.

Research revealed several sales of office buildings considered to be comparable to the subject property. Due to a lack of recent comparable data of medium sized single tenant facilities within the subject's immediate market, it was necessary to analyze transactions of properties located within other Manhattan office submarkets, as well as older transactions. The sales represent the most recent comparable office building transactions and are described later in this section of the report. Included is a map indicating the location of each sale in relation to the subject, a photograph of each sale, a grid outlining the adjustments for each sale price, and the resultant indicated values for the subject property.

The subject property contains a total gross building area of 496,946± square feet.

COMPARABLE SALES MAP



Comparable Sale 1
400 Madison Avenue
New York, NY



Sale 1	
Address:	400 Madison Avenue
Location:	New York, NY
Legal Identification:	Block 1283, Lot 17
Site Area (SF):	8,987
Gross Leasable Area (SF):	186,628
Gross Building Area (SF)	146,191
Property Description:	This is the sale of a 20-story, Class A office building located at Madison Avenue and East 48th and 49th Streets, in the Plaza District office submarket. The building was constructed in 1929 and renovated in 1998. At the time of sale, the property was 92.8% leased by 40 tenants. The building has 7,847 square feet of retail space. Amenities include an attended marble lobby, conference center, operable windows and tenant controlled HVAC. A comprehensive capital improvement program is planned to upgrade the common areas and mechanicals.
Year Built:	1929
Sale Date:	October 24, 2018
Grantor:	ASB Capital Management LLC
Grantee:	Daishin Securities Co., Ltd.
Sale Price:	$194,535,000
Document Number:	2018000362712
Terms:	Conventional financing (mortgages from Midland National Life Insurance Company).
Price PSF GBA:	$1,331
Cap Rate:	N/A
NOI PSF:	N/A
Current Asking Rent:	N/A

Comparable Sale 2
425 Lexington Avenue
New York, NY



Sale 2	
Address:	425 Lexington Avenue
Location:	New York, NY
Legal Identification:	Block 1298, Lot 23
Site Area (SF):	35,145
Gross Leasable Area (SF):	728,171
Gross Building Area (SF)	627,691
Property Description:	Located on the full eastern blockfront of Lexington Avenue between East 43rd and East 44th Streets, this 31-story Class A building was constructed in 1987. The property was reportedly 100% leased to 11 tenants at the time of sale. In 2017 Canadian Imperial Bank of Commerce renewed its lease for 138,000 square feet. The property previously sold on June 28, 2013 for $664 million. The purchase price indicated is based on reports from Costar and the Real Deal. The sale price was confirmed with public records (ACRIS).
Year Built:	1987
Sale Date:	October 30, 2018
Grantor:	425 Lexington Realty Company LLC (JP Morgan Asset Management)
Grantee:	Vanbarton Group
Sale Price:	$701,000,000
Document Number:	2018000371431
Terms:	Market financing.
Price PSF GBA:	$1,117
Cap Rate:	4.50%
NOI PSF:	$43.32
Current Asking Rent:	N/A

Comparable Sale 3
600 Lexington Avenue
New York, NY



Sale 3	
Address:	600 Lexington Avenue
Location:	New York, NY
Legal Identification:	Block 1307, Lot 14
Site Area (SF):	11,050
Gross Leasable Area (SF):	303,515
Gross Building Area (SF)	268,106
Property Description:	A 35-story Class A office building that was reportedly 98.9% occupied by 38 tenants at the time of sale. The building is located at East 52nd Street and Lexington Avenue in the Plaza District submarket, and was built in 1983 and renovated in 2013. Amenities include 24 hour/7 day access, concierge, tenant controlled HVAC, and seven foot high continuous windows.
Year Built:	1983, renovated 2013
Sale Date:	January 9, 2018
Grantor:	SL Green Realty Corp.
Grantee:	WR Berkley Corporation
Sale Price:	$305,000,000
Document Number:	2018000025692
Terms:	Market financing.
Price PSF GBA:	$1,138
Cap Rate:	4.30%
NOI PSF:	$43.21
Current Asking Rent:	$75-$88 psf

Comparable Sale 4
245 Park Avenue
New York, NY



Sale 4	
Address:	245 Park Avenue
Location:	New York, NY
Legal Identification:	Block 1301, Lot 1
Site Area (SF):	81,336
Gross Leasable Area (SF):	1,787,000
Gross Building Area (SF)	1,586,876
Property Description:	This is the sale of a 45-story, Class A office building located at Park Avenue and East 47th and East 48th Streets, in the Grand Central office submarket. The building was constructed in 1966 and renovated in 2000. At the time of sale, the property was 91.6% leased by 37 tenants. The building has 58,177 square feet of retail space. Amenities include a concierge, outdoor plaza and food service.
Year Built:	1966
Sale Date:	May 5, 2017
Grantor:	BOP 245 Park LLC (NY State Teachers)
Grantee:	245 Park Avenue Property LLC (HNA Group)
Sale Price:	$2,210,000,000
Document Number:	2017000179764
Terms:	Conventional financing (mortgages from JPMorgan Chase Bank).
Price PSF GBA:	$1,393
Cap Rate:	4.66%
NOI PSF:	$57.63
Current Asking Rent:	69

Comparable Sale 5
551 Madison Avenue
New York, NY



Sale 5	
Address:	551 Madison Avenue
Location:	New York, NY
Legal Identification:	Block 1291, Lot 21
Site Area (SF):	7,541
Gross Leasable Area (SF):	149,675
Gross Building Area (SF)	125,495
Property Description:	This is the sale of a 17-story Class A, post-war office building located at Madison Avenue and East 55th Street within the Plaza District office submarket. The building was constructed in 1922 and renovated in 2009. At the time of sale, the property was approximately 95.8% leased by 32 tenants. The property contains 21,000 square feet of retail space and a full concierge service.
Year Built:	1922
Sale Date:	January 20, 2017
Grantor:	Barings Real Estate Advisors LLC
Grantee:	Lexin Capital
Sale Price:	$155,000,000
Document Number:	2017000043327
Terms:	Principal and mezzanine financing from Principal Life Insurance Company.
Price PSF GBA:	$1,235
Cap Rate:	N/A
NOI PSF:	N/A
Current Asking Rent:	N/A

SUMMARY OF COMPARABLE SALES

No.	Address	Location	GBA	Sale Date	Sale Price	Price PSF	OAR
1	400 Madison Avenue	New York, NY	146,191	Oct-18	$194,535,000	$1,331	N/A
2	425 Lexington Avenue	New York, NY	627,691	Oct-18	$701,000,000	$1,117	4.50%
3	600 Lexington Avenue	New York, NY	268,106	Jan-18	$305,000,000	$1,138	4.30%
4	245 Park Avenue	New York, NY	1,586,876	May-17	$2,210,000,000	$1,393	4.66%
5	551 Madison Avenue	New York, NY	125,495	Jan-17	$155,000,000	$1,235	N/A

Adjustments for the comparable sales have been considered based on comparison to the subject for financing terms, conditions of sale, market conditions (time), location, size, utility, and age/condition.

Property Rights Appraised:	The purpose of this adjustment is to account for differences in the property rights which were transferred with the sale. The subject and the comparable sales are all leased fee properties no adjustments are required.
Financing Terms:	The purpose of adjusting for financing terms is to determine cash equivalent sale prices for the comparable sales in accordance with the definition of fair value for this report. All of the sales were sold all cash to the seller, debt assumption at market rates or financed at market rates by a disinterested third party. No adjustment for financing terms was considered appropriate.
Conditions of Sale:	Conditions of sale refer to the motivations of the buyer and seller involved in a particular transaction. All sales appear to be arm's length transactions and did not require adjustments.
Market Conditions (Time):	The comparable sales utilized herein sold between January 2017 and October 2018, a period of approximately 24 months. While market conditions have continued to strengthen, it is difficult to credibly extract an adjustment, and the analysis is further complicated by changes in leasing status making it difficult to isolate appreciation simply as result of market trends. Thus, we will consider timing qualitatively in our reconciliation.

Location:	The subject is located within the Grand Central office submarket, within a few blocks of Grand Central Terminal, and has a prominent Fifth Avenue address. This property is highly accessibly via public transportation and is considered to be within a desirable office submarket, with high value retail potential owing to current retail rental rates exceeding $1,000 per square foot along Fifth Avenue between 42nd and 49th Streets. Comparable Sale 1 is located in the Plaza District submarket. Office rental rates are generally comparable to the subject location for non-tower height buildings. This property has minimal retail space (less than 8,000 square feet) and is adjusted upward for its inferior retail potential as compared to the subject. Comparable Sale 2 is located within the Grand Central office submarket, within a few blocks of Grand Central Terminal. This sale lacks the retail potential of the subject and has been adjusted upward. Comparable Sale 3 is located in the Plaza District submarket. Office rental rates are generally comparable to the subject location for non-tower height buildings. This property has minimal retail space (less than 4,000 square feet) and is adjusted upward for its inferior retail potential as compared to the subject. Comparable Sale 4 is located within the Grand Central office submarket, within a few blocks of Grand Central Terminal. This sale lacks the retail potential of the subject and has been adjusted upward. Comparable Sale 5 is located on Madison Avenue and 55th Street in the desirable Plaza District submarket. Office rental rates are generally comparable to the subject location for non-tower height buildings. This sale has much less avenue retail frontage in comparison to the subject and therefore has been adjusted upward.
Size:	This adjustment accounts for the difference in size between each of the comparable sales and the subject property. Typically, a smaller building will sell at a higher price per square foot level than a similar larger sized building, although this is less of a consideration

	with regard to multi-tenanted properties. The sales range in size from 125,495± to 1,586,876± square feet. The subject property contains 496,946± square feet of gross building area. Due to its significantly larger size, we have processed an upward adjustment to Sale 4 which exceeds 1.5 million square feet. No other adjustments are noted.
Utility:	This adjustment reflects building height or number of stories, retail to building ratio, views, exterior appeal, and the interior finishes, design and layout of each comparable as compared to the subject property. The subject is an excellent quality, Class A office building with upper floor views and frontage and exposure on three fronting roadways. The comparable sales are generally considered similar overall in comparison to the subject with regard to utility.
Occupancy:	The subject facility is approximately 82% leased with high quality tenants. All of the comparable sales have higher occupancy rates ranging from 92% to 100%. Thus, downward adjustments are noted to all of the comparable sales.
Age/Condition:	The improvements were constructed in 1927-1930 and appear to have been well maintained, having been renovated/updated over the years, including brand new retail space. The subject and comparable sales consist of a combination of pre-war and post-war buildings that have been well maintained, with updates and renovations preformed as necessary. On an overall basis, no adjustments are noted except to Sale 1, which is adjusted downward as the property requires capital upgrades, having last been renovated in 1998.

The comparable sale adjustment grid is presented as follows:

COMPARABLE SALES ADJUSTMENT GRID

Sale No.	1	2	3	4	5
Address:	400 Madison Avenue	425 Lexington Avenue	600 Lexington Avenue	245 Park Avenue	551 Madison Avenue
Location:	New York, NY	New York, NY	New York, NY	New York, NY	New York, NY
Sale Date:	Oct-18	Oct-18	Jan-18	May-17	Jan-17
Gross Building Area:	146,191	627,691	268,106	1,586,876	125,495
Sale Price:	$194,535,000	$701,000,000	$305,000,000	$2,210,000,000	$155,000,000
Sale Price Per Square Foot:	**$1,331**	**$1,117**	**$1,138**	**$1,393**	**$1,235**
Property Rights Appraised:	0%	0%	0%	0%	0%
Financing Terms:	0%	0%	0%	0%	0%
Conditions of Sale:	0%	0%	0%	0%	0%
Market Conditions (Time):	0%	0%	0%	0%	0%
Trended Unit of Comparison:	**$1,331**	**$1,117**	**$1,138**	**$1,393**	**$1,235**
Location:	15%	15%	25%	10%	10%
Size:	0%	0%	0%	10%	0%
Utility:	0%	0%	0%	0%	0%
Occupancy:	-5%	-5%	-5%	-5%	-5%
Age/Condition:	10%	0%	0%	0%	0%
Total Adjustment:	20%	10%	20%	15%	5%
Adjusted Unit of Comparison:	**$1,597**	**$1,228**	**$1,365**	**$1,602**	**$1,297**

	Unadjusted		Adjusted	
LOW	**$1,117**		**LOW**	**$1,228**
HIGH	**$1,393**		**HIGH**	**$1,602**
AVERAGE	**$1,243**		**AVERAGE**	**$1,418**
MEDIAN	**$1,235**		**MEDIAN**	**$1,365**

All adjustments are percentages. A positive adjustment indicates an inferior characteristic to subject. A negative adjustment indicates a superior characteristic to subject. The sale prices per square foot, prior to adjustments, range from $1,117 to $1,393 per square foot, with an average of $1,243 and a median of $1,235 per square foot. After adjustments the comparable sales exhibited a range of $1,228 to $1,602 per square foot with an average of $1,418 per square foot and a median of $1,365 per square foot.

The range presented by the comparable sales is relatively wide after adjustment, in part due to varying occupancies. Considering the subject's location and condition as well as its occupancy and retail potential, it is reasonable to conclude with a value of $1,485 per square foot of gross building area. The "as is" fair value conclusion for the subject is calculated as follows:

Concluded Value Per Square Foot		$1,485
Gross Building Area	x	496,946
"As Is" Value Indication		$737,964,810
Rounded		$740,000,000

VALUE VIA THE SALES COMPARISON APPROACH
AS IS
DECEMBER 31, 2018
$740,000,000

RECONCILIATION AND FINAL VALUE ESTIMATE

Approach	Fair Value	Date	Conclusion
Income Approach	"As Is"	December 31, 2018	$740,000,000
Sales Comparison			$740,000,000
Cost Approach			Not Applied

The Cost Approach is traditionally a good indicator of value when properties being appraised are new or close to new. The subject improvements were constructed in 1927-1930 and suffer from accrued physical depreciation as a result of age and normal wear. Difficulty in estimating all forms of accrued depreciation limits the reliability of this Approach. In addition, the Cost Approach gives only indirect consideration of the income-producing capabilities of a property such as the subject. Real estate investors today give little consideration to the Cost method of estimating value for investment-type properties such as the appraised property. Therefore, the Cost Approach was not applied.

The Income Capitalization Approach is considered to be a good indicator of value when market rents, stabilized expenses, capitalization rates, discount rates and vacancy rates are based on reliable market data. For our analysis, income and expenses were derived from actual and market figures and were considered reliable. Vacancy rates were based on a neighborhood survey and were considered to be reflective of market demand for the subject property. The capitalization and discount rates were derived from reliable market surveys of investor criteria.

The Sales Comparison Approach is considered a reliable indicator of value when few differences exist between the sales and the subject, and the sales data collected is considered to be reliable and accurate. The sales used to estimate the value of the subject property were considered to be comparable in most respects, although adjustments were required.

Overall, the Income Capitalization Approach is considered a better indicator of value than the Sales Comparison Approach, even though both methods produced similar values. The value indicated by the Income Capitalization Approach is a reflection of a prudent investor's analysis of an income-producing property. Since the subject property is income-producing by nature, an analysis of income, expenses, overall capitalization rates and yield rates is considered to be an appropriate method. In the case of the subject, the Sales Comparison Approach value is similar to the Income Capitalization Approach value and, therefore, provides secondary support.

With greatest consideration given to the Income Capitalization Approach to value, supported by the Sales Comparison Approach as a secondary analysis, it is the opinion of the appraisers that the "as is" fair value of the subject's leased fee interest as of December 31, 2018, is:

SEVEN HUNDRED FORTY MILLION DOLLARS
$740,000,000

ADDENDA

1. RENT ROLL

2. CONTINGENT AND LIMITING CONDITIONS

3. CERTIFICATION

4. QUALIFICATIONS

5. LICENSE

RENT ROLL

Rent Roll

All Selected Properties From Date: 12/01/2018 By Property

Property	Unit(s)	Lease	Lease Type	Area	Lease From	Lease To	Term	Monthly Rent	Monthly Rent Per Area	Annual Rent	Annual Rent Per Area	Annual Rec. Per Area	Annual Misc Per Area
ny53002 - 535 5TH AVENUE,New York													
Current Leases													
ny53002		YOUNGKIN & SCHECTER, LLP	Office NET/Exclusive	0.00	1/1/2006	12/31/2049	528.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53002	0300	GARDINER & THEOBALD, INC	Office NET/Exclusive	18,952.00	10/7/2014	8/7/2025	130.00	72,668.50	3.83	872,022.00	46.01	0.97	0.00
ny53002	0401	EMPIRE OFFICES 535 FIFTH HOLDINGS LLC	Office NET/Exclusive	19,096.00	9/1/2011	8/31/2021	120.00	76,587.00	4.01	919,044.00	48.13	3.77	4.09
ny53002	0500	MANHATTAN ENDO, LLC	Office NET/Exclusive	16,211.00	7/13/2011	3/19/2022	128.00	78,375.33	4.83	940,503.96	58.02	3.37	0.00
ny53002	0600	PRAJAPATI & COMPANY CPAS LLP	Office NET/Exclusive	3,695.00	5/1/2018	8/31/2023	64.00	16,011.67	4.33	192,140.04	52.00	0.19	0.00
ny53002	0602	LYNX HOLDINGS LLC.	License	1,421.00	4/1/2015		0.00	0.00	0.00	0.00	0.00	0.00	29.56
ny53002	0603	FIELDER CAPITAL GROUP LLC	Office NET/Exclusive	1,437.00	10/30/2015	12/31/2020	63.00	6,121.05	4.26	73,452.60	51.12	0.58	3.59
ny53002	0605	GOTHAM GASTROENTEROLOGY PLLC	Office NET/Exclusive	2,826.00	7/10/2017	7/9/2027	120.00	12,793.54	4.53	153,522.48	54.33	0.57	3.00
ny53002	0610	TRANDON ASSOCIATES, INC	Office NET/Exclusive	3,340.00	5/1/1989	3/31/2024	419.00	14,746.94	4.42	176,963.28	52.98	1.00	4.83
ny53002	0611, 0612	GOTHAM GASTROENTEROLOGY, PLLC	Office NET/Exclusive	2,953.00	8/13/2013	7/9/2027	167.00	14,594.61	4.94	175,135.32	59.31	2.44	4.50
ny53002	0700	LABORATORY INSTITUTE OF MERCH	Office NET/Exclusive	17,003.00	5/10/2006	5/31/2021	181.00	82,537.04	4.85	990,444.48	58.25	6.72	1.34
ny53002	0800, 0905, 1001, 1004	PENTON LEARNING SYSTEMS	Office NET/Exclusive	28,310.00	4/26/2007	5/31/2025	218.00	112,668.50	3.98	1,351,926.00	47.75	0.51	0.78
ny53002	0906, 0920	LIFESOURCE CHIROPRACTIC, P.C.	Office NET/Exclusive	4,451.00	11/1/2009	5/31/2025	187.00	20,199.19	4.54	242,390.28	54.46	3.30	0.00
ny53002	0910	SIO CAPITAL MANAGEMENT LLC and METHODICAL FUND SERVICES LLC	Office NET/Exclusive	3,411.00	10/23/2012	4/15/2020	90.00	15,244.67	4.47	182,936.04	53.63	0.18	0.00
ny53002	1006	PHOENIX MANAGEMENT SERVICES LLC	Office NET/Exclusive	2,056.00	11/9/2013	5/31/2025	139.00	9,456.00	4.60	113,472.00	55.19	2.16	4.83
ny53002	1008	FRP SERVICES & CO. (AMERICA) INC.	Office NET/Exclusive	1,446.00	10/13/2017	8/31/2025	95.00	0.00	0.00	0.00	0.00	0.04	3.25
ny53002	1011	BROKERAGE SERVICES MANAGEMENT COMPANY LLC	Office NET/Exclusive	3,138.00	12/21/2015	2/29/2020	51.00	14,011.66	4.47	168,139.92	53.58	0.58	3.25
ny53002	1100	WHITE PINE TRADING LLC	Office NET/Exclusive	13,467.00	12/18/2014	9/18/2025	129.00	63,119.86	4.69	757,438.32	56.24	0.69	0.07
ny53002	1200	LM COHEN & CO. LLC	Office NET/Exclusive	12,859.00	6/22/2018	12/22/2028	126.00	54,650.75	4.25	655,809.00	51.00	0.19	0.00
ny53002	1300	MEDIA 3 LTD	Office NET/Exclusive	7,300.00	7/1/2012	6/30/2019	84.00	33,711.93	4.62	404,543.16	55.42	2.81	0.00
ny53002	1400	H.I.S. INTERNATIONAL TOURS (NY), INC.	Office NET/Exclusive	7,300.00	7/23/2013	2/22/2024	127.00	30,216.88	4.14	362,602.56	49.67	2.17	0.12
ny53002	1500	SANDEEP DIAMOND CORP	Office NET/Exclusive	7,300.00	12/14/2012	5/13/2023	125.00	33,405.63	4.58	400,867.56	54.91	2.81	0.00
ny53002	1600	THE NATIONAL COMMUNITY REINVESTMENT COALITION	Office NET/Exclusive	7,300.00	11/1/2014	1/1/2022	86.00	36,116.42	4.95	433,397.04	59.37	1.10	0.00
ny53002	1700	CONTROL RISKS GROUP, LLC	Office NET/Exclusive	7,300.00	4/12/2011		0.00	66,950.74	9.17	803,408.88	110.06	3.36	0.00
ny53002	1800	H.K. DESIGNS, INC	Office NET/Exclusive	4,992.00	6/1/2015	8/31/2020	63.00	23,208.88	4.65	278,506.56	55.79	0.82	0.18
ny53002	1900	THE CONSULATE OF THE REPUBLIC OF KAZAKHSTAN	Office NET/Exclusive	4,681.00	3/30/2010	5/31/2020	123.00	19,743.62	4.22	236,923.44	50.61	0.47	4.09
ny53002	2000	IDO USA, LLC	Office NET/Exclusive	4,795.00	10/17/2012	5/16/2023	127.00	24,467.00	5.10	293,604.00	61.23	3.87	0.00
ny53002	2100	S7 TECHNOLOGY GROUP LLC	Office NET/Exclusive	4,797.00	10/26/2018	1/31/2026	88.00	0.00	0.00	0.00	0.00	0.00	0.19
ny53002	2200	DOUGLASS WINTHROP ADVISORS LLC	Office NET/Exclusive	4,848.00	4/5/2012	9/4/2020	101.00	25,592.13	5.28	307,105.56	63.35	3.80	0.00
ny53002	2300	MANHATTAN MEDIA LLC	Office NET/Exclusive	4,698.00	4/13/2018	5/31/2021	38.00	18,009.00	3.83	216,108.00	46.00	0.00	0.19
ny53002	2401	CAMERON ASSOCIATES INC.	Office NET/Exclusive	4,617.00	10/1/2014	12/1/2019	62.00	22,947.27	4.97	275,367.24	59.64	0.87	0.06
ny53002	2500	GRECO NEYLAND, P.C. and LAW OFFICES OF JULIE RENDELMAN LLC	Office NET/Exclusive	4,845.00	12/15/2015	4/30/2021	65.00	25,327.39	5.23	303,928.68	62.73	0.45	0.00
ny53002	2600	JAISAN RECOVERY CORPORATION	Office NET/Exclusive	4,795.00	12/27/2013	5/1/2019	65.00	21,977.08	4.58	263,724.96	55.00	1.50	0.00
ny53002	2700	NERU (NY) LTD	Office NET/Exclusive	4,848.00	12/1/2012	6/30/2023	127.00	25,199.14	5.20	302,389.68	62.37	3.88	0.00
ny53002	2800	PRESTIGE JEWELRY INTERNATIONAL, INC	Office NET/Exclusive	4,738.00	4/18/2014	1/18/2025	129.00	22,447.19	4.74	269,366.28	56.85	1.54	0.06
ny53002	2900	Megalith Capital Management LLC	Office NET/Exclusive	4,826.00	11/1/2018	2/28/2026	88.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53002	3000	GILDEA & IVANIS LLP	Office NET/Exclusive	4,833.00	7/13/2011	7/13/2021	120.00	21,178.31	4.38	254,139.72	52.58	1.93	0.00
ny53002	3100	Judlau Contracting, Inc.	Office NET/Exclusive	4,859.00	12/1/2018	1/31/2024	62.00	0.00	0.00	0.00	0.00	0.00	0.06
ny53002	3200	UNITED ARAB EMIRATES CONSULATE OF NEW YORK	Office NET/Exclusive	4,829.00	3/22/2016	3/31/2020	49.00	29,884.67	6.19	358,616.04	74.26	0.63	0.19
ny53002	3500	HANCOCK & BERNSTEIN	Office NET/Exclusive	1,988.00	1/1/2015	5/31/2019	53.00	9,258.67	4.66	111,104.04	55.89	0.70	3.80
ny53002	36A	MANHATTAN ENDO LLC	Office NET/Exclusive	310.00	5/24/2012		0.00	364.58	1.18	4,374.96	14.11	0.00	0.00
ny53002	BASED	MANHATTAN ENDO	Office NET/Exclusive	144.00	1/8/2012		0.00	264.00	1.83	3,168.00	22.00	0.00	0.00
ny53002	BASEE	MANHATTAN ENDO	Office NET/Exclusive	108.00	1/11/2012		0.00	198.00	1.83	2,376.00	22.00	0.00	0.00
ny53002	CAP	CAPTIVATE NETWORK	License	0.00	1/1/2016		0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53002	ROOF2	Omnipoint Communications, Inc.	Office NET/Exclusive	64.00	6/1/2009	5/31/2024	180.00	4,057.46	63.40	48,689.52	760.77	0.00	0.00
ny53002	SUBC	COGENT COMMUNICATIONS, INC	Office NET/Exclusive	146.00	11/5/2001		0.00	0.00	0.00	0.00	0.00	0.00	41.33
ny53002	SUBD	RCN Business Solutions	Office NET/Exclusive	0.00	9/21/2001		0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53002	0200	VACANT		17,715.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53002	0606	VACANT		935.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53002	1010	VACANT		1,883.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53002	3300	VACANT		4,859.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00

Rent Roll

All Selected Properties From Date: 12/01/2018 By Property

Property	Unit(s)	Lease	Lease Type	Area	Lease From	Lease To	Term	Monthly Rent	Monthly Rent Per Area	Annual Rent	Annual Rent Per Area	Annual Rec. Per Area	Annual Misc Per Area
ny53002	3400	VACANT		1,800.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53002	3600	VACANT		907.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53002	36B	VACANT		310.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53002	BASEA	VACANT		13,039.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53002	BASEB	VACANT		3,555.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53002	BASEC	VACANT		114.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53002	RTLA	VACANT		10,472.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53002	RTLB	VACANT		4,966.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53002	RTLC	VACANT		2,575.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53002	RTLE	VACANT		1,514.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Current				**331,977.00**				**1,158,304.30**	**3.49**	**13,899,651.60**	**41.87**	**1.56**	**0.84**

	Total Units	Total Area	Percentage	Monthly Rent	Annual Rent
Occupied	51.00	267,333.00	80.53	1,158,304.30	13,899,651.60
Vacant	14.00	64,644.00	19.47	0.00	0.00
Total	**65.00**	**331,977.00**		**1,158,304.30**	**13,899,651.60**

ny53003 - 545 5TH AVENUE,New York

Current Leases

ny53003	0200, RETLC, RETLD	NBA Media Ventures	Retail Gross/Inclusive	25,562.00	12/19/2014	12/31/2035	253.00	625,000.00	24.45	7,500,000.00	293.40	0.00	3.75
ny53003	0300, 0301	GARDINER & THEOBALD INC.	Office NET/Exclusive	6,453.00	10/23/2014	8/23/2025	130.00	26,100.50	4.04	313,206.00	48.54	2.55	3.00
ny53003	0309	NILETTI CREATIONS LTD	Office NET/Exclusive	1,752.00	3/15/2013	9/15/2028	186.00	7,312.39	4.17	87,748.68	50.08	4.64	3.50
ny53003	0315	CANADIAN MEDIA SALES INC.	Office NET/Exclusive	1,921.00	10/1/2012	11/30/2019	86.00	8,684.38	4.52	104,212.56	54.25	5.54	3.50
ny53003	0316	DAYANG TRANDS USA, INC.,	Office NET/Exclusive	2,631.00	9/11/2015	10/11/2020	61.00	12,749.85	4.85	152,998.20	58.15	2.46	3.84
ny53003	0401	FEF MANAGEMENT SERVICES LLC	Office NET/Exclusive	3,474.00	10/27/2016	2/29/2020	41.00	15,922.50	4.58	191,070.00	55.00	2.63	3.51
ny53003	0402	TRIDENT CORPORATE SERVICES	Office NET/Exclusive	1,545.00	7/29/2005	2/29/2020	176.00	7,000.00	4.53	84,000.00	54.37	3.96	3.04
ny53003	0409	Management Office	Office NET/Exclusive	1,697.00	11/1/2014		0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53003	0500	JEWISH FOUNDATION FOR EDUCATION OF WOMEN	Office NET/Exclusive	2,860.00	11/2/2015	5/31/2026	127.00	0.00	0.00	0.00	0.00	2.43	0.00
ny53003	0500A	Forsyth U.S. Acquisition Company Inc.	Office NET/Exclusive	2,179.00	9/6/2013	11/5/2020	86.00	10,233.60	4.70	122,803.20	56.36	4.15	0.00
ny53003	0501	Rational Retention LLC	Office NET/Exclusive	6,368.00	12/1/2018	2/29/2024	63.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53003	0510	MAXIMIRA, INC.	Office NET/Exclusive	1,752.00	11/15/2013	4/14/2019	65.00	7,230.27	4.13	86,763.24	49.52	5.54	3.50
ny53003	0600	MANHATTAN PARKING SYSTEMS GARAGE CORP.	Office NET/Exclusive	3,425.00	12/1/2007	6/30/2028	247.00	14,556.25	4.25	174,675.00	51.00	2.58	3.40
ny53003	0602, 0640	TRACHTENBERG RODES & FRIEDBERG	Office NET/Exclusive	7,609.00	6/1/2010	4/30/2020	119.00	29,087.09	3.82	349,045.08	45.87	8.76	0.00
ny53003	0609	CAMPUS TRAVEL ,INC	Office NET/Exclusive	1,752.00	3/10/2006	8/31/2021	186.00	5,975.36	3.41	71,704.32	40.93	3.81	2.74
ny53003	0701	LABORATORY INSTITUTE OF MERCH,	Office NET/Exclusive	13,157.00	5/10/2006	5/31/2021	181.00	63,867.55	4.85	766,410.60	58.25	10.77	0.00
ny53003	0800	545 5TH AVE. OFFICES LLC	Office NET/Exclusive	13,157.00	9/15/2014	3/14/2025	126.00	58,600.67	4.45	703,208.04	53.45	3.06	0.07
ny53003	0900	Out of Home Holdings	Office NET/Exclusive	3,643.00	9/1/2018	8/31/2019	12.00	16,393.50	4.50	196,722.00	54.00	0.00	0.25
ny53003	0920	AMERICAN FRIENDS OF THE ISRAEL MUSEUM	Office NET/Exclusive	2,963.00	2/1/2016	4/30/2026	123.00	14,065.37	4.75	168,784.44	56.96	2.50	0.00
ny53003	0940	TRANS WORLD CORPORATION	Office NET/Exclusive	1,918.00	12/15/1999	3/31/2020	244.00	8,464.20	4.41	101,570.40	52.96	8.63	3.12
ny53003	0950	RAND THOMPSON CONSULTANTS, LLC	Office NET/Exclusive	2,376.00	4/30/2008	12/31/2020	153.00	10,795.07	4.54	129,540.84	54.52	1.70	3.50
ny53003	1000	MYRON TOBACK INC.	Office NET/Exclusive	3,649.00	12/2/2015	3/31/2021	64.00	16,452.70	4.51	197,432.40	54.11	2.19	3.41
ny53003	1003	AFFRONTATA INC. - MOVED OUT	Office NET/Exclusive	3,530.00	8/20/2010	11/30/2020	124.00	16,768.87	4.75	201,226.44	57.00	7.26	3.25
ny53003	1005	LEARNING ALLY, INC	Office NET/Exclusive	3,177.00	3/1/1986	2/29/2020	408.00	14,597.55	4.59	175,170.60	55.14	3.39	0.00
ny53003	1009	Advanced Orthopedics and Neurosurgery LLC	Office NET/Exclusive	1,708.00	4/10/2017	2/29/2020	35.00	7,427.33	4.35	89,127.96	52.18	1.98	3.54
ny53003	1100	SOURCE FINANCIAL ADVISORS, LLC	Office NET/Exclusive	7,069.00	6/1/2014	11/1/2024	125.00	31,882.14	4.51	382,585.68	54.12	3.05	0.13
ny53003	1103	ORRITZ, LLC	Office NET/Exclusive	1,189.00	9/24/2014	11/24/2019	62.00	6,286.21	5.29	75,434.52	63.44	3.49	3.94
ny53003	1108	TELEMETRY INVESTMENTS, LLC	Office NET/Exclusive	2,517.00	9/21/2011	10/31/2019	98.00	11,536.25	4.58	138,435.00	55.00	0.00	3.46
ny53003	1109	THE VIETNAM TRADE PROMOTION CENTER	Office NET/Exclusive	1,648.00	3/19/2009	4/30/2019	122.00	6,491.93	3.94	77,903.16	47.27	3.60	3.25
ny53003	1205	CHILD FUND ALLIANCE	Office NET/Exclusive	2,921.00	4/15/2016	8/31/2023	89.00	12,915.79	4.42	154,989.48	53.06	2.47	0.00
ny53003	1209	Capstone Equities	Office NET/Exclusive	1,746.00	10/1/2015		0.00	6,500.00	3.72	78,000.00	44.67	0.00	3.50
ny53003	1400	MEGALITH CAPITAL MANAGEMENT LLC	Office NET/Exclusive	9,610.00	7/25/2018		0.00	0.00	0.00	0.00	0.00	0.00	14.31
ny53003	1404	Glazer Holdings, LLC	Office NET/Exclusive	1,734.00	4/1/2017	3/31/2022	60.00	8,781.27	5.06	105,375.24	60.77	1.97	0.00
ny53003	CAP	CAPTIVATE NETWORK	License	0.00	1/1/2016		0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53003	ROOF2	T-Mobile SSI24973	Office NET/Exclusive	0.00	12/1/1998		0.00	0.00	0.00	0.00	0.00	0.00	0.00

Rent Roll

All Selected Properties From Date: 12/01/2018 By Property

Property	Unit(s)	Lease	Lease Type	Area	Lease From	Lease To	Term	Monthly Rent	Monthly Rent Per Area	Annual Rent	Annual Rent Per Area	Annual Rec. Per Area	Annual Misc Per Area
ny53003	ROOF5	AT&T - CINGULAR FA NO 10097590-SSI25783	Office NET/Exclusive	0.00	6/18/2001	9/30/2021	244.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53003	SBSM4	RCN Business Solutions	Office NET/Exclusive	0.00	9/21/2001		0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53003	SBSM5	COGENT COMMUNICATIONS, INC	Office NET/Exclusive	146.00	11/5/2001		0.00	0.00	0.00	0.00	0.00	0.00	42.95
ny53003	0400	VACANT		3,722.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53003	0403	VACANT		2,437.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53003	0910	VACANT		1,738.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53003	1200	VACANT		8,732.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53003	RETLB	VACANT		3,996.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53003	RETLE	VACANT		1,360.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53003	RETLGMZ	VACANT		2,000.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53003	RETLH	VACANT		1,504.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53003	RETLI	VACANT		2,368.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53003	ROOF6	VACANT		0.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53003	SBSM2	VACANT		0.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53003	SBSM3	VACANT		0.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
ny53003	SBSM6	VACANT		120.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Current				**176,815.00**				**1,081,678.59**	**6.12**	**12,980,143.08**	**73.41**	**2.63**	**2.93**

	Total Units	Total Area	Percentage	Monthly Rent	Annual Rent
Occupied	42.00	148,838.00	84.18	1,081,678.59	12,980,143.08
Vacant	13.00	27,977.00	15.82	0.00	0.00
Total	**55.00**	**176,815.00**		**1,081,678.59**	**12,980,143.08**

Grand Total				**508,792.00**				**2,239,982.89**	**4.40**	**26,879,794.68**	**52.83**	**1.93**	**1.57**

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made with the following general assumptions:

1. Any legal description or plats reported herein are assumed to be accurate. Any sketches, surveys, plats, photographs, drawings or other exhibits are included only to assist the intended user to better understand and visualize the subject property, the environs, and the competitive data. We have made no survey of the property and assume no responsibility in connection with such matters.
2. The appraiser has not conducted any engineering or architectural surveys in connection with this appraisal assignment. Information reported pertaining to dimensions, sizes, and areas is either based on measurements taken by the appraiser or the appraiser's staff or was obtained or taken from referenced sources and is considered reliable. No responsibility is assumed for the costs of preparation or for arranging geotechnical engineering, architectural, or other types of studies, surveys, or inspections that require the expertise of a qualified professional.
3. No responsibility is assumed for matters legal in nature. Title is assumed to be good and marketable and in fee simple unless otherwise stated in the report. The property is considered to be free and clear of existing liens, easements, restrictions, and encumbrances, except as stated.
4. Unless otherwise stated herein, it is assumed there are no encroachments or violations of any zoning or other regulations affecting the subject property and the utilization of the land and improvements is within the boundaries or property lines of the property described and that there are no trespasses or encroachments.
5. BBG, Inc. assumes there are no private deed restrictions affecting the property which would limit the use of the subject property in any way.
6. It is assumed the subject property is not adversely affected by the potential of floods; unless otherwise stated herein.
7. It is assumed all water and sewer facilities (existing and proposed) are or will be in good working order and are or will be of sufficient size to adequately serve any proposed buildings.
8. Unless otherwise stated within the report, the depiction of the physical condition of the improvements described herein is based on visual inspection. No liability is assumed for the soundness of structural members since no engineering tests were conducted. No liability is assumed for the condition of mechanical equipment, plumbing, or electrical components, as complete tests were not made. No responsibility is assumed for hidden, unapparent or masked property conditions or characteristics that were not clearly apparent during our inspection.
9. If building improvements are present on the site, no significant evidence of termite damage or infestation was observed during our physical inspection, unless so stated in the report. No termite inspection report was available, unless so stated in the report. No responsibility is assumed for hidden damages or infestation.
10. Any proposed or incomplete improvements included in this report are assumed to be satisfactorily completed in a workmanlike manner or will be thus completed within a reasonable length of time according to plans and specifications submitted.

11. No responsibility is assumed for hidden defects or for conformity to specific governmental requirements, such as fire, building, safety, earthquake, or occupancy codes, except where specific professional or governmental inspections have been completed and reported in the appraisal report.
12. Responsible ownership and competent property management are assumed.
13. The appraisers assume no responsibility for any changes in economic or physical conditions which occur following the effective date of value within this report that would influence or potentially affect the analyses, opinions, or conclusions in the report. Any subsequent changes are beyond the scope of the report.
14. The value estimates reported herein apply to the entire property. Any proration or division of the total into fractional interests will invalidate the value estimates, unless such proration or division of interests is set forth in the report.
15. Any division of the land and improvement values estimated herein is applicable only under the program of utilization shown. These separate valuations are invalidated by any other application.
16. Unless otherwise stated in the report, only the real property is considered, so no consideration is given to the value of personal property or equipment located on the premises or the costs of moving or relocating such personal property or equipment.
17. Unless otherwise stated, it is assumed that there are no subsurface oil, gas or other mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered; unless otherwise stated. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
18. Any projections of income and expenses, including the reversion at time of resale, are not predictions of the future. Rather, they are our best estimate of current market thinking of what future trends will be. No warranty or representation is made that these projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of an appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future in terms of expectations of growth in rental rates, expenses, and supply and demand. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.
19. Unless subsoil opinions based upon engineering core borings were furnished, it is assumed there are no subsoil defects present, which would impair development of the land to its maximum permitted use or would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
20. BBG, Inc. representatives are not experts in determining the presence or absence of hazardous substances, defined as all hazardous or toxic materials, wastes, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such substances or for loss as a result of the presence of such substances. Appraisers are not qualified to detect such substances. The client is urged to retain an expert in this field.

21. We are not experts in determining the habitat for protected or endangered species, including, but not limited to, animal or plant life (such as bald eagles, gophers, tortoises, etc.) that may be present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such species or for loss as a result of the presence of such species. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent endangered species impact studies, research, and investigation that may be provided.
22. No environmental impact studies were either requested or made in conjunction with this analysis. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, and investigation that may be provided.
23. The appraisal is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the report; further, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.
24. Neither all nor any part of the contents of this report or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales, or any other media, without the prior written consent and approval of the appraisers. This limitation pertains to any valuation conclusions, the identity of the analyst or the firm and any reference to the professional organization of which the appraiser is affiliated or to the designations thereof.
25. Although the appraiser has made, insofar as is practical, every effort to verify as factual and true all information and data set forth in this report, no responsibility is assumed for the accuracy of any information furnished the appraiser either by the client or others. If for any reason, future investigations should prove any data to be in substantial variance with that presented in this report, the appraiser reserves the right to alter or change any or all analyses, opinions, or conclusions and/or estimates of value.
26. If this report has been prepared in a so-called "public non-disclosure" state, real estate sales prices and other data, such as rents, prices, and financing, are not a matter of public record. If this is such a "non-disclosure" state, although extensive effort has been expended to verify pertinent data with buyers, sellers, brokers, lenders, lessors, lessees, and other sources considered reliable, it has not always been possible to independently verify all significant facts. In these instances, the appraiser may have relied on verification obtained and reported by appraisers outside of our office. Also, as necessary, assumptions and adjustments have been made based on comparisons and analyses using data in the report and on interviews with market participants. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

27. The American Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would 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 impact upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.
28. This appraisal report has been prepared for the exclusive benefit of the client. It may not be used or relied upon by any other party. Any other party who is not the identified client within this report who uses or relies upon any information in this report does so at their own risk.
29. The dollar amount of any value opinion herein rendered is based upon the purchasing power and price of the United States Dollar as of the effective date of value. This appraisal is based on market conditions existing as of the date of this appraisal.
30. The right is reserved by the appraiser to make adjustments to the analyses, opinions, and conclusions set forth in this report as may be required by consideration of additional or more reliable data that may become available. No change of this report shall be made by anyone other than the appraiser or appraisers. The appraiser(s) shall have no responsibility for any unauthorized change(s) to the report.
31. If the client instructions to the appraiser were to inspect only the exterior of the improvements in the appraisal process, the physical attributes of the property were observed from the street(s) as of the inspection date of the appraisal. Physical characteristics of the property were obtained from tax assessment records, available plans, if any, descriptive information, and interviewing the client and other knowledgeable persons. It is assumed the interior of the subject property is consistent with the exterior conditions as observed and that other information relied upon is accurate.
32. The submission of this report constitutes completion of the services authorized. It is submitted on the condition the client will provide reasonable notice and customary compensation, including expert witness fees, relating to any subsequent required attendance at conferences, depositions, and judicial or administrative proceedings. In the event the appraiser is subpoenaed for either an appearance or a request to produce documents, a best effort will be made to notify the client immediately. The client has the sole responsibility for obtaining a protective order, providing legal instruction not to appear with the appraisal report and related work files and will answer all questions pertaining to the assignment, the preparation of the report, and the reasoning used to formulate the estimate of value. Unless paid in whole or in part by the party issuing the subpoena or by another party of interest in the matter, the client is responsible for all unpaid fees resulting from the appearance or production of documents regardless of who orders the work.
33. Use of this appraisal report constitutes acknowledgement and acceptance of the general assumptions and limiting conditions, special assumptions (if any), extraordinary assumptions (if any), and hypothetical conditions (if any) on which this estimate of fair value is based.
34. If provided, the estimated insurable value is included at the request of the client and has not been performed by a qualified insurance agent or risk management underwriter. This cost estimate should not be solely relied upon for insurable value purposes. The appraisers are not

familiar with the definition of insurable value from the insurance provider, the local governmental underwriting regulations, or the types of insurance coverage available. These factors can impact cost estimates and are beyond the scope of the intended use of this appraisal. The appraisers are not cost experts in cost estimating for insurance purposes.

CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- Philip Ginsberg has inspected the property, and has prepared the analysis concerning the real estate that is the subject of this appraisal report
- Michelle Zell, MAI has reviewed the analyses, opinions and conclusions concerning the real estate contained in this appraisal report and fully concurs with the final fair value conclusion.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my 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 performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment, most recently in December 2017.
- 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.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- No one provided significant real property appraisal assistance to the person signing this certification.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Michelle Zell has completed the continuing education program for Designated Members of the Appraisal Institute.





Michelle Zell, MAI
Senior Appraiser
State Certified General Appraiser #46-49921

Philip Ginsberg
Senior Appraiser
(212) 682-2969
Pginsberg@bbgres.com

QUALIFICATIONS

BBG

Michelle Zell, MAI
Senior Appraiser
Work: 212.682.8293
mzell@bbgres.com

PROFILE

Michelle is a Senior Appraiser at BBG in New York City (formerly Leitner Group). She has extensive experience analyzing all asset types. Appraisal assignments have included a range of property types including rental apartment buildings, condominium and cooperative residential properties, retail properties, hotels, office buildings, restaurants, industrial properties, and vacant land valuation. Michelle specializes in managing large portfolios, and valuing large scale existing and proposed developments. Prior to joining Leitner Group, Michelle received a Masters degree from Emory University and conducted health research for the City of New York. Notable assignments include:

- Valuation of multiple International Bond offerings with total appraised values of $1B.
- Valuation of Peter Cooper Village and Stuyvesant Town, a rental apartment complex in New York City with 12,000 units.
- The condominium conversion of the Apthorp, a rent stabilized pre-war building.
- Valuation of 701 7th Avenue- a proposed hotel and retail development in Times Square valued at $2B.

PROFESSIONAL AFFILIATIONS

General Certified Appraiser:
MAI Designated Member of the Appraisal Institute
State of New York (License # 46-49921)

EDUCATION

Cornell University, Ithaca, NY, B.S. 1997
Emory University, Atlanta, GA, M.P.H. 2000

BBG

Philip Ginsberg
Senior Appraiser
Work: 212.682.2969
pginsberg@bbgres.com

PROFILE

Phil is a Senior Appraiser at BBG in New York City (formerly Leitner Group). Phil has over twenty five years of experience in the real estate appraisal industry. Prior to joining Leitner Group, Inc., I was an associate appraiser with Joseph J. Blake and Associates, a national Real Estate valuation company, appraising various types of commercial and industrial property. Assignments were completed in New York, New Jersey, Connecticut, Pennsylvania, Maryland, Ohio, Minnesota, Missouri, Oklahoma, Nebraska, Nevada, California, Illinois, Maine, Vermont and Idaho.

Prior to Joseph J. Blake and Associates, I was a senior appraiser at McGrath Basciani and Associates in Westchester County, New York (now McGrath & Company). Assignments consisted mostly of residential form and narrative reports, as well as tax certiorari analysis of various residential and commercial properties in Westchester County.

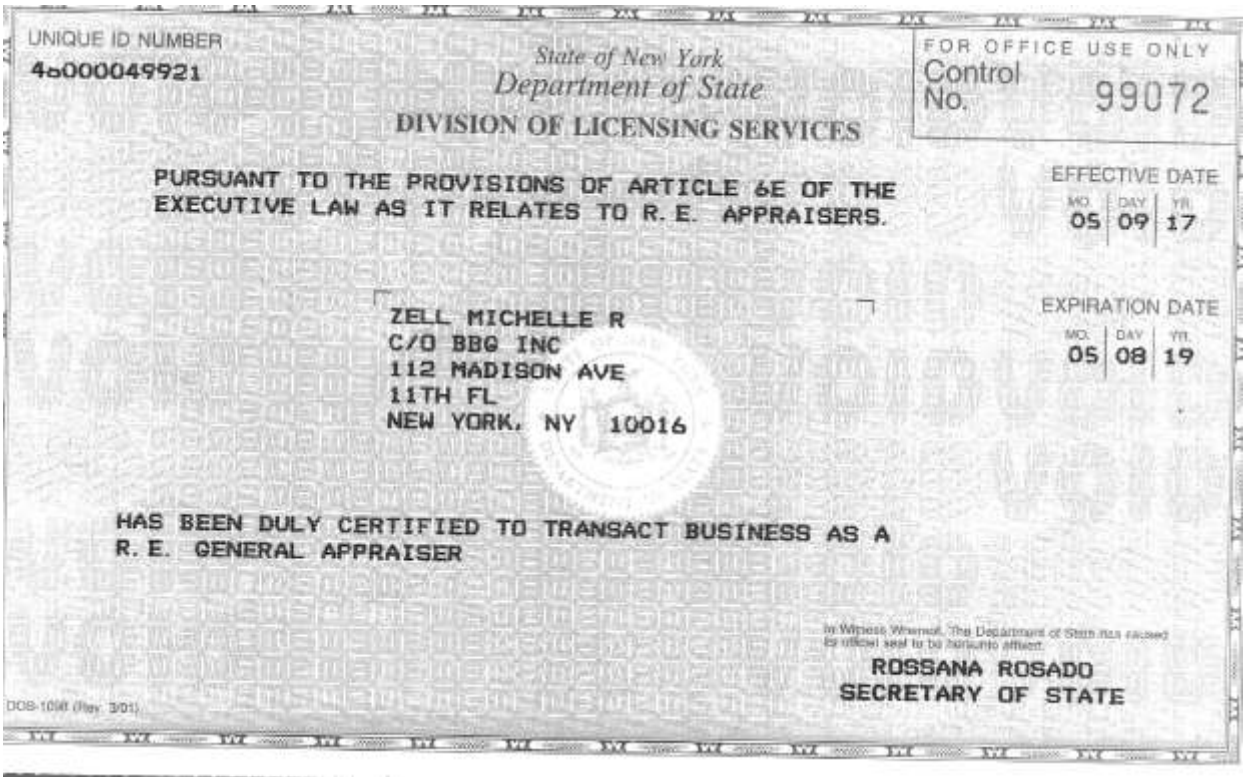
EDUCATION

New York University (New York, New York), Master of Science in Real Estate Valuation and Analysis
Pace University (Pleasantville, New York), Bachelor of Business Administration in Finance

COURSEWORK

Real Estate Appraisal Principles
Residential Valuation Procedures
Basic Valuation Procedures
Uniform Standards of Professional Appraisal Practice
Business Practices and Ethics

LICENSES



UNIQUE ID NUMBER
4b000049921

State of New York
Department of State
DIVISION OF LICENSING SERVICES

FOR OFFICE USE ONLY
Control No. 99072

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

EFFECTIVE DATE
MO. 05 | DAY 09 | YR. 17

EXPIRATION DATE
MO. 05 | DAY 08 | YR. 19

ZELL MICHELLE R
C/O BBG INC
112 MADISON AVE
11TH FL
NEW YORK, NY 10016

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-1080 (Rev. 3/01)