LEVELVALUATION

244 5th Avenue, Suite E82, New York, NY 10001 | www.levelvaluation.com

Appraisal Report

Appraisal of a Development Site Located at 455-479 Smith Street, Brooklyn, New York

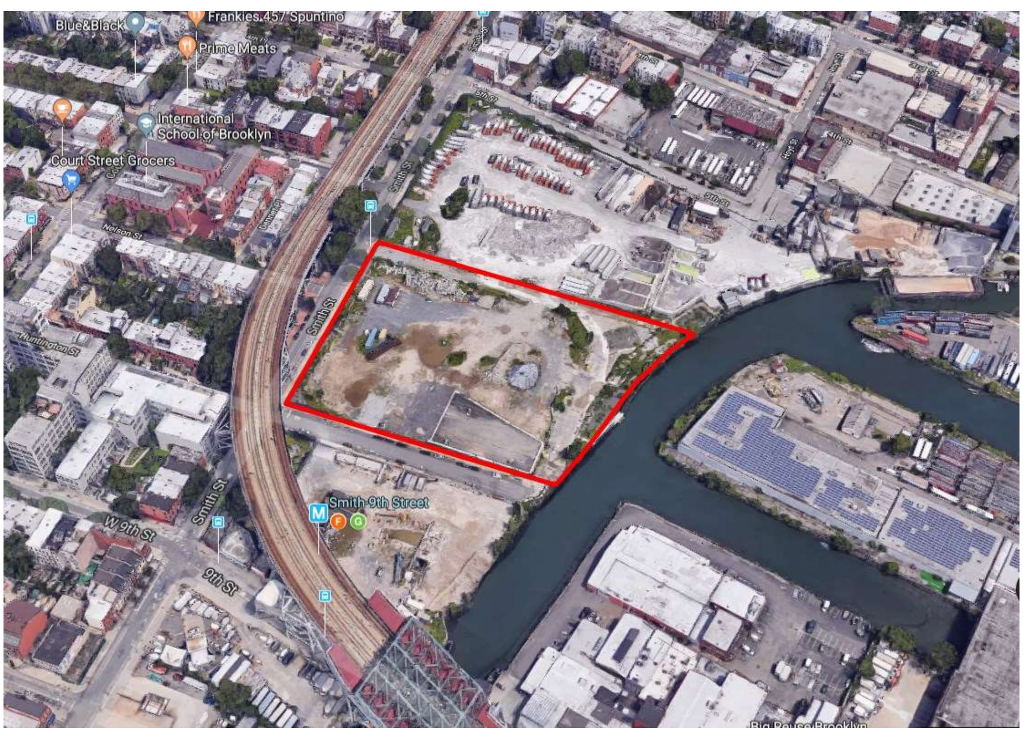
As of March 31, 2019

PREPARED FOR:

Yizhar Shimoni
All Year Holdings Limited
199 Lee Avenue
Brooklyn, NY 11211

SUBJECT PROPERTY – FRONT VIEW

SUBJECT PROPERTY – AERIAL VIEW



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May 20, 2019

Yizhar Shimoni
All Year Holdings Limited
199 Lee Avenue
Brooklyn, NY 11211

Dear Mr. Shimoni,

Level Valuation provided valuation services (the "Services") to All Year Holdings Limited ("Client"). Pursuant to our engagement agreement dated May 12, 2019, Level Valuation estimated the fair value of a development site located at 455-479 Smith Street, Brooklyn, Kings County, New York (the "Property" or the "Site"). The Property is comprised of 165,840 square feet and is located on the northeast corner of Smith and Huntington Streets, within the Gowanus neighborhood of Brooklyn, NY. The Property has 353 feet of frontage on Smith Street, 420 feet of frontage on Huntington Street, and approximately 390 feet of frontage on Gowanus Canal. The Property is leased to Brooklyn Union Gas Company (d/b/a National Grid New York) for the purposes of conducting remediation work on the Site.

As of March 31, 2019 (the "Effective Date"), the Property was vacant and undergoing environmental remediation.

This appraisal report documents the results of our analysis. The date as of which our analysis shall apply is March 31, 2019, under market conditions and information available as of this time frame. The date of the report is May 20, 2019.

This is an appraisal report prepared according to reporting guidelines as contained in the Uniform Standards of Professional Appraisal Practice (USPAP), Standard Rule 2-2(a). The report lists our assumptions and describes the limiting conditions under which our analysis has been made.

This appraisal is performed **strictly** for financial reporting purposes in accordance with IFRS 13, *Fair Value Measurement* and IAS 40, *Investment Property*. This appraisal has been conducted to conform to USPAP as promulgated by the Appraisal Foundation and the Code of Professional Ethics of the Appraisal Institute.

Level Valuation understands that its fair value estimate for the Property is to be used to aid All Year Holdings Limited in the preparation of its financial statements. Level Valuation gives full consent to the inclusion of the appraisal report in its **entirety** within the Client's financial statements, to be published in the Tel Aviv Stock Exchange in May 2019.

Based upon our analysis, and subject to the assumptions and limiting conditions described in the accompanying report, it is our opinion that the fair value of the Property, as of March 31, 2019 was:

455-479 Smith Street - Value Conclusion Detail					
Valuation Type	Value Premise	Value Perspective	Interest Appraised	Effective Date	Indicated Value
Fair Value	As Is [1]	Current	Fee Simple	3/31/2019	$166,000,000

Note [1]: Based on the information provided by the Client we understand that the Property is environmentally contaminated.

The Client provided us with a Brownfield Site Cleanup Agreement ("BCP Agreement"), Index # A2-0610-0808, Site # C224012. Within the BCP Agreement:

- Brooklyn Union Gas Company (aka KeySpan Corporation / National Grid USA) ("National Grid") is an Applicant accepted into the BCP as a Participant, and
- The City of New York, Vichar, Inc., and Harvic International Ltd are applicants accepted into the BCP as Volunteers.

We note that the Client acquired the Vichar Inc.'s interest in Parcel III of the BCP Agreement, which is an Applicant accepted as a Volunteer. Based on the above, our understanding is that Vichar Inc. / the Client, as a Volunteer, is an Applicant who is **not liable** for the disposal of hazardous waste or discharge of petroleum at the Property. The Client confirmed that it is **not liable** for any remediation costs associated with the Property.

If the above proves false, our fair value estimate will likely change.

The following table presents certain valuation metrics relating to the current valuation, the prior valuation (as of June 30, 2018), and any material changes we noted since the prior valuation.

Comparison to Prior Appraisal				
Item	Current	Prior (as of 2Q 2018)	Change (%)	Comments
Fair Value	$166,000,000	$141,000,000	18%	[1]
$/SF of Site Area	$1,001	$850	18%	
$/SF of Curent FAR	$500	$425	18%	

[1] The value increase is due to recent transaction activity (see Comparables 1 and 6) which indicate much higher land values. It should be noted that the Draft Rezoning Proposal for certain sections of Gowanus (covering the subject and the comps) was released in January 2019.

The accompanying prospective financial analyses are based on estimates and assumptions developed in connection with the appraisal. However, some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our prospective financial analyses will vary from our estimates and the variations may be material.

This report, the final estimate of value and the prospective financial analyses are intended solely for your information and assistance for the function stated above, and should not be relied upon for any other purpose. Neither our report nor any of its contents nor any reference to the appraisers or our firm, may be included or quoted in any document, offering circular or registration statement, prospectus, sales brochure, other appraisal, loan or other agreement without Level Valuation's prior written approval of the form and context in which it will appear.

Level Valuation appreciates this opportunity to be of service to you. If you have any questions or comments about this report, please do not hesitate to call us.

Respectfully submitted,

LEVEL VALUATION LLC

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NY General Real Estate Appraiser
License Number: 46000044217
Expiration: March 6, 2021

TABLE OF CONTENTS

EXECUTIVE SUMMARY....8

INTRODUCTION 11

AREA ANALYSIS....14

NEIGHBORHOOD ANALYSIS....30

PROPERTY ANALYSIS....42

SITE DESCRIPTION....42

HIGHEST AND BEST USE 50

VALUATION METHODOLOGY 52

SALES COMPARISON APPROACH....53

RECONCILIATION 60

CERTIFICATION 63

Addendum A – Assumptions and Limiting Conditions
Addendum B – Property Photographs
Addendum C – Comparable Land Grid
Addendum D – Comparable Land Sale Write-ups
Addendum E – Qualifications / License

EXECUTIVE SUMMARY

455-479 Smith Street - Executive Summary	
Subject Physical	
PROPERTY IDENTIFICATION:	
Address	455-479 Smith Street
City, State, Zip Code	Brooklyn, New York 11231
Neighborhood	Gowanus
Block	471
Lot	200
Property Type	Land
Property Sub Type	Industrial
SITE DATA:	
Dimensions (W x L)	353 x 527.87
Site Area (SF)	165,840
Parcel Type	Corner
Shape	Nearly rectangular
Number of Lots	1
Environmental Issue? [1]	Yes
ZONING SUMMARY:	
Zoning Code	M3-1
Zoning Description	Manufacturing District
Permitted Uses	Most industrial, service or office, hotel, retail and community uses
Allowable Floor Area Ratio	2.00
FLOOD ZONE SUMMARY:	
Flood Zone	X (Area of Min. Flood Hazard), AE (0.2% Annual Chance Flood Hazard), A (Special Flood Hazard Area)
Flood Map Number	3604970211F
Flood Map Effective Date	9/5/2007

455-479 Smith Street - Executive Summary (continued)

Client and Appraisal Info

CLIENT	All Year Holdings Limited
PROPERTY OWNER	Smith Street Owner LLC
APPRAISER	Lev Yagudayev
PURPOSE AND INTENT OF APPRAISAL:	
Purpose	Estimate Fair Value
Intended Use	Financial Reporting
Intended User	Client
REAL PROPERTY INTEREST APPRAISED	Fee Simple
RELEVANT DATES:	
Analysis Date	5/20/2019
Effective Date of Fair Value	3/31/2019
Date of Field Visit	3/4/2018
HIGHEST AND BEST USE:	
Highest And Best Use as Improved	N/A (vacant land)
Highest and Best Use as Vacant	Multifamily or mixed-use development (after Property rezoning)
EXPOSURE TIME:	6 Months
SALES HISTORY:	
Most Recent Transfer [2]	7/21/2017
Purchase Price	$48,000,000
VALUATION APPROACHES USED:	
Use Cost Approach?	No
Use Sale Approach?	Yes
Use Income Approach?	No

Notes:

[1] Please refer to Note 1 in the Transmittal Letter for additional information.

[2] Reportedly, the contract was signed in April 18, 2016.

455-479 Smith Street - Value Indications		
Analysis	**Value Indication**	**$/SF of Buildable GBA**
Cost	N/A	N/A
Sales Comparison [1]	$166,000,000	$500
Income Capitalization	N/A	N/A
Final Value Estimate [1]	$166,000,000	$500

Note [1]: Based on the information provided by the Client we understand that the Property is environmentally contaminated.

The Client provided us with a Brownfield Site Cleanup Agreement ("BCP Agreement"), Index # A2-0610-0808, Site # C224012. Within the BCP Agreement:

- Brooklyn Union Gas Company (aka KeySpan Corporation / National Grid USA) ("National Grid") is an Applicant accepted into the BCP as a Participant, and
- The City of New York, Vichar, Inc., and Harvic International Ltd are applicants accepted into the BCP as Volunteers.

We note that the Client acquired the Vichar Inc.'s interest in Parcel III of the BCP Agreement, which is an Applicant accepted as a Volunteer. Based on the above, our understanding is that Vichar Inc. / the Client, as a Volunteer, is an Applicant who is **not liable** for the disposal of hazardous waste or discharge of petroleum at the Property. The Client confirmed that it is **not liable** for any remediation costs associated with the Property.

If the above proves false, our fair value estimate will likely change.

INTRODUCTION

PROPERTY IDENTIFICATION

The Property is a development site located at 455-479 Smith Street, Brooklyn, Kings County, New York. The Property is comprised of 165,840 square feet and is located on the northeast corner of Smith and Huntington Streets, within the Gowanus neighborhood of Brooklyn, NY. The Property has 353 feet of frontage on Smith Street, 420 feet of frontage on Huntington Street, and approximately 390 feet of frontage on Gowanus Canal. As of the Effective Date, the Property was vacant and undergoing environmental remediation. The Property is leased to National Grid for the purposes of conducting remediation work on the Site. The Site is identified on Kings County tax map as Block 471, Lot 200.

PROPERTY OWNERSHIP

The Property is owned by Smith Street Owner LLC, who acquired the Property in July 2017 from Vichar, Inc. (the “Seller”) for $48,000,000. According to the contract for sale, which was signed in April 2016, the Seller provided a first mortgage financing (the “Seller’s Mortgage”) in the amount of $36,000,000 to facilitate the sale. The Seller’s Mortgage bares an interest rate of 4.583% paid semi-annually (interest-only), with a balloon payment after five years.

Our estimate of value as of the Effective Date is significantly higher than the purchase price of the Property. The contract to purchase the Property was signed roughly a year prior to closing which suggests that it was marketed for sale late 2015/early 2016. At the time it was marketed for sale, the chances of a re-zoning were much less certain than they were as of the Effective Date. The value increase is supported by recent transaction activity (see Comparables 1 and 6) which indicate much higher land values.

It should be noted that the Draft Rezoning Proposal (discussed later in this report) for certain sections of Gowanus (covering the subject and the comps) was released in January 2019.

We are not aware of any other transactions involving the Property within the past three years and the Property is currently not listed for sale.

SCOPE OF WORK

The objective of this appraisal is to estimate the fair value of the Property as of the Effective Date. In preparing this appraisal, we performed the following:

- Visited the Property and most of the comparable properties;
- Reviewed documentation provided by the Client, including copies of the contract for sale, a lease agreement between the Seller and National Grid, and the BCP Agreement;
- Researched regional and local social and economic data;
- Researched regional and local real estate market data;
- Reviewed Property related data, including site dimensions and size, zoning, real estate taxes, easements, city utilities, etc;
- Performed a highest and best use analysis of the Site;
- Determined the applicable approaches to estimate the fair value of Property, and performed associated analysis;
- Determined reasonable exposure time associated with the concluded fair value.

As part of this analysis, the Client management ("Management") provided Level Valuation with a lease agreement between the Seller and National Grid, and the BCP Agreement, as well as other relevant information necessary to complete the analysis. We relied on information provided by Management relating to the Property, and we did not verify the accuracy of such information.

We have made a best effort to identify and list herein all of the information provided by the Client which was relied upon by Level Valuation. There might have been information provided by the Client which was relied upon by Level Valuation which is not listed herein. In general, we relied on all information provided by the Client and did not in any way independently verify that information.

DEFINITION OF VALUE

For financial reporting purposes, the type of value is fair value. Fair value is defined by IFRS 13, *Fair Value Measurement*, 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".

INTEREST APPRAISED

The real property interest appraised is considered to be the fee simple Interest in the Property. According to the Sixth Edition of the *Dictionary of Real Estate Appraisal*, fee simple interest is defined as the "absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

PURPOSE AND INTENDED USE OF THE REPORT

As stated in the engagement agreement dated May 12, 2019 between Level Valuation LLC and All Year Holdings Limited (the "Client"), the Services and Level Valuation's work product are **solely** for the Client's internal use to assist it in meeting its financial reporting requirements with regards to the Property.

Level Valuation understands that its fair value estimate for the Property is to be used to aid All Year Holdings Limited in the preparation of its financial statements. Level Valuation gives full consent to the inclusion of the appraisal report in its **entirety** within the Client's financial statements, to be published in the Tel Aviv Stock Exchange in May 2019.

INTENDED USER

The Client is the sole intended user of Level Valuation's work product.

EXPOSURE PERIOD

The *Dictionary of Real Estate Appraisal*, Sixth Edition, defines exposure time as "the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market."

Marketing times look forward to how long it will take to sell a property while exposure time looks backward to how long the property was on the market before it sold. An indication of an exposure time can be seen from reviewing marketing times.

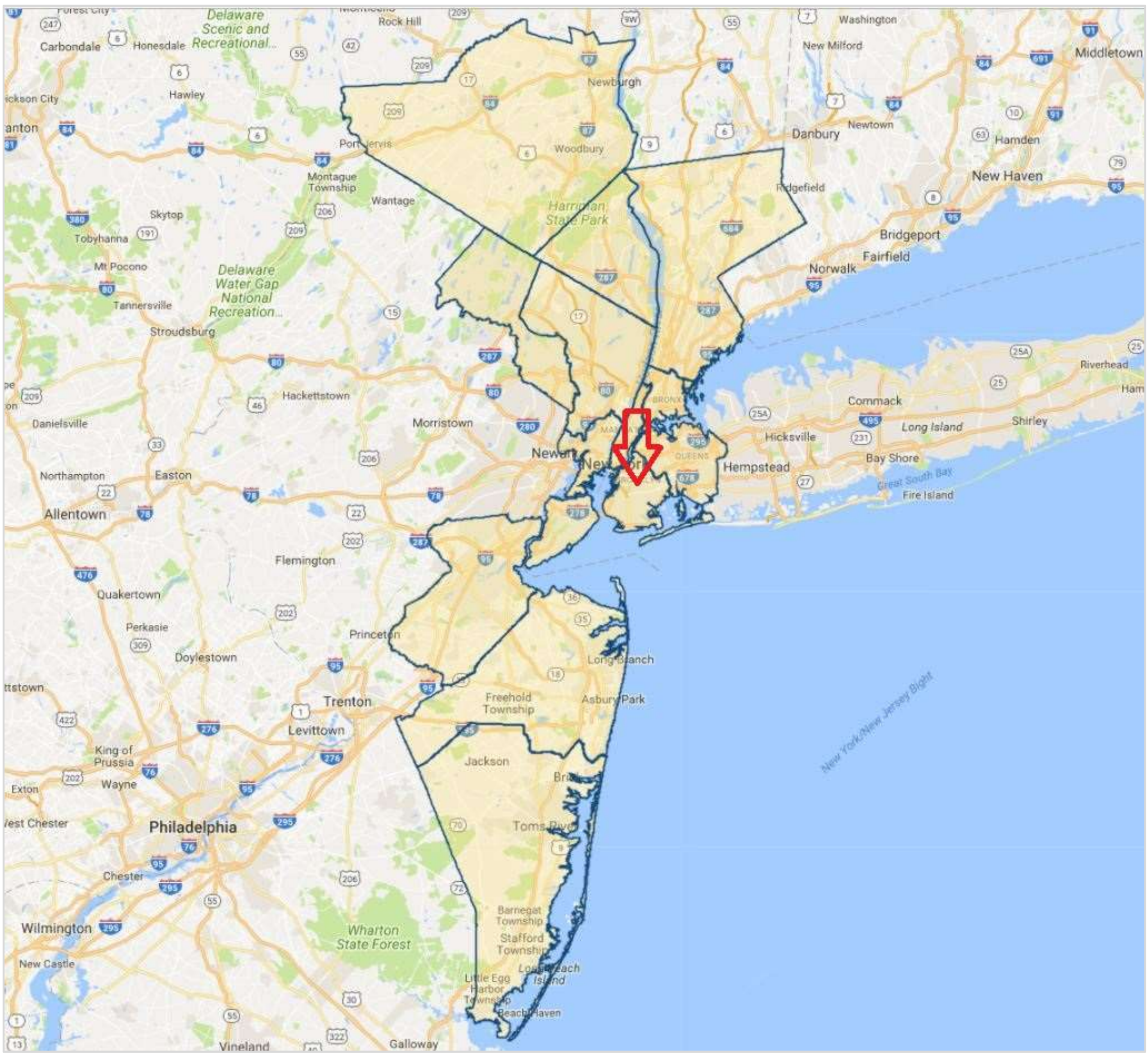
To determine an exposure time for the Property, marketing times for similar properties were reviewed. We estimated an exposure time of approximately 6 months.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

We did not make any extraordinary assumptions or assumed any hypothetical conditions as part of this appraisal assignment. Please refer to the list of specific assumptions made as part of this appraisal assignment, as listed earlier in this report.

AREA ANALYSIS

The Property is located in Brooklyn, Kings County, New York in the New York-Jersey City-White Plains, NY-NJ Metropolitan Statistical Area (MSA). The Property's location within the MSA is displayed in the map below.



NEW YORK CITY

New York City (the "City" or "NYC"), the most populous city in the US, is located at the southern tip of the State of New York. The City is the center of the New York metropolitan area, which is one of the most populous urban clusters in the world. Being a global center of commerce, finance, media, art, fashion, research, technology, education, and entertainment, the City is considered as one of the world's most powerful metropolitans.

Dutch settlers first came to the City in 1624 and founded New Amsterdam in Lower Manhattan. The British seized the City in 1664 and renamed it New York. Over the next century, diverse immigration from Europe and Africa grew the City's population. The City served as capital of the United States between 1785 and 1790, and remained the largest city in the country ever since.

NYC consists of five boroughs, each of which is a separate county of New York State. The five boroughs – Brooklyn, Queens, Manhattan, Bronx, and Staten Island – all previously independent cities that were consolidated into a single city in 1898 increasing its population from 2 million to almost 3.5 million people overnight. The opening of the subway in 1904 helped bind the new city together. Throughout the first half of the 20th century, the City became a world center for industry, commerce, and communication. Returning World War II veterans created a post-war economic boom and New York emerged from the war as the leading city of the world, with Wall Street leading America's place as the world's dominant economic power. The United Nations Headquarters was completed in 1952, solidifying New York's global geopolitical influence.

In the 1970s, job losses due to industrial restructuring caused NYC to suffer from economic problems and rising crime rates. While a resurgence in the financial industry greatly improved the City's economic health in the 1980s, the City's crime rate continued to increase through that decade and into the beginning of the 1990s. By the mid-1990s, crime rates started to drop dramatically due to revised police strategies, improving economic opportunities, gentrification, and the influx of new residents, both Americans and new immigrants from Asia and Latin America. Important new sectors, such as the City’s high tech industry (referred to as “Silicon Alley”), emerged in the City's economy.

Population

New York's population reached 8 million people in 2000, and was reported at approximately 8.4 million people in 2018. With famous attractions like Times Square, Central Park, the Empire State Building and the Statue of Liberty - to name a few – NYC drew 60.5 million visitors in 2016, 61.8 million visitors in 2017, and 65.1 million visitors in 2018.

The table below presents historical population statistics for NYC.

New York City Population

Geographic Area	2010 Census	Current Statistics	Change (#)	Change (%)
Bronx	1,384,603	1,432,132	47,529	3.4%
Brooklyn	2,504,717	2,582,830	78,113	3.1%
Manhattan	1,586,360	1,628,701	42,341	2.7%
Queens	2,230,578	2,278,906	48,328	2.2%
Staten Island	468,730	476,179	7,449	1.6%
New York City Total	**8,174,988**	**8,398,748**	**223,760**	**2.7%**

Source: U.S. Census Bureau

Bronx had the highest growth in population with a total increase of 3.4% over the 2010 Census. The NYC boroughs are all projected to experience moderate growth, ranging between 1.6% and 3.4% over 2010 Census.

Number of Households

Number of households statistics based on census data are summarized as follows:

New York City Number of Households

Geographic Area	2010 Census	Current Statistics	Change (#)	Change (%)
Bronx	484,902	495,356	10,454	2.2%
Brooklyn	931,786	944,650	12,864	1.4%
Manhattan	750,419	758,345	7,926	1.1%
Queens	780,644	777,904	-2,740	-0.4%
Staten Island	165,784	166,150	366	0.2%
New York City Total	**3,113,535**	**3,142,405**	**28,870**	**0.9%**

Source: U.S. Census Bureau

As illustrated in the table above, NYC has a total of 3.1 million households with Brooklyn having the highest number households and Staten Island the lowest.

Household Median Income

Household median income statistics based on census data are summarized as follows:

New York City Household Median Income				
Geographic Area	2010 Census	Current Statistics	Change ($)	Change (%)
Bronx	$34,299	$36,593	$2,294	6.7%
Brooklyn	$48,201	$52,782	$4,581	9.5%
Manhattan	$72,871	$79,781	$6,910	9.5%
Queens	$57,720	$62,008	$4,288	7.4%
Staten Island	$73,197	$76,244	$3,047	4.2%

Source: U.S. Census Bureau

As illustrated in the table above, Manhattan has the highest household income of the NYC boroughs and Bronx has the lowest.

Housing Units

Housing units statistics based on census data are summarized as follows:

New York City Housing Units				
Geographic Area	2010 Census	Current Statistics	Change (#)	Change (%)
Bronx	511,896	528,806	16,910	3.3%
Brooklyn	1,000,293	1,044,337	44,044	4.4%
Manhattan	847,090	886,408	39,318	4.6%
Queens	835,127	857,157	22,030	2.6%
Staten Island	176,656	180,599	3,943	2.2%
New York City Total	**3,371,062**	**3,497,307**	**126,245**	**3.7%**

Source: U.S. Census Bureau

As illustrated in the table above, NYC has a total of 3.5 million housing units with Brooklyn having the highest number units and Staten Island the lowest.

Employment

An overview of the total civilian labor force in the New York-Jersey City-White Plains, NY-NJ Metropolitan Statistical Area from 2008 through March 2019 is included in the following chart supplied by the Bureau of Labor Statistics. From March 2018 to March 2019, the trend shows an increase of 1.5%. When looking at the industries separately, over the past ten years Leisure and Hospitality sector exhibited the most significant positive growth. On the other hand, the Manufacturing sector had a significant decline.

The following table presents a more detailed picture of the non-agricultural industry trends from 2008 to March 2019.

Non-Agricultural Industry Trends: New York-Jersey City-White Plains, NY-NJ Metropolitan Division

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Mar-18	Mar-19	Avg Annual Growth: 2008 to 2018	Avg Annual Growth: 2009 to 2018	Avg Annual Growth: March-2018 to March-2019
NON-FARM EMPLOYMENT																
Goods Producing	495.0	437.2	413.0	412.8	415.8	426.9	439.1	457.0	467.6	472.6	478.3	468.2	478.2	-0.3%	1.0%	2.1%
Service-Providing	5,769.2	5,633.1	5,668.1	5,768.9	5,873.2	5,984.5	6,139.9	6,289.4	6,412.9	6,534.4	6,637.7	6,578.2	6,671.5	1.4%	1.8%	1.4%
Total Non-Farm Employment	6,264.2	6,070.3	6,081.1	6,181.7	6,289.0	6,411.4	6,579.0	6,746.4	6,880.5	7,007.0	7,116.0	7,046.4	7,149.7	1.3%	1.8%	1.5%
Employment Growth	0.6%	-3.1%	0.2%	1.7%	1.7%	1.9%	2.6%	2.5%	2.0%	1.8%	1.6%	2.3%	1.5%	N/A	N/A	N/A
SELECT NON-AGRICULTURAL INDUSTRIES																
Mining, Logging, and Construction	244.1	214.4	199.9	201.1	205.5	217.6	230.2	246.4	256.8	264.3	271.5	261.8	270.8	1.1%	2.7%	3.4%
Manufacturing	251.0	222.9	213.2	211.7	210.3	209.3	208.9	210.6	210.7	208.3	206.8	206.4	207.4	-1.9%	-0.8%	0.5%
Trade, Transportation, and Utilities	1,121.4	1,069.9	1,077.0	1,097.8	1,118.6	1,136.1	1,159.3	1,174.2	1,177.9	1,191.1	1,194.3	1,179.0	1,181.2	0.6%	1.2%	0.2%
Information	230.2	220.7	219.2	222.9	227.6	230.3	236.5	240.6	243.7	249.5	252.1	251.7	254.4	0.9%	1.5%	1.1%
Financial Activities	624.1	586.5	577.0	586.6	584.2	584.1	592.7	603.6	613.5	620.3	627.9	621.2	618.0	0.1%	0.8%	-0.5%
Professional and Business Services	961.1	902.5	911.6	947.8	979.9	1,009.6	1,039.8	1,079.4	1,109.5	1,131.3	1,152.9	1,134.3	1,155.1	1.8%	2.8%	1.8%
Education and Health Services	1,119.3	1,143.8	1,169.8	1,191.9	1,216.4	1,248.0	1,293.1	1,336.0	1,382.3	1,430.5	1,484.2	1,490.1	1,542.8	2.9%	2.9%	3.5%
Leisure and Hospitality	499.7	497.0	514.7	538.2	564.3	590.2	619.4	643.1	660.8	683.4	692.4	670.6	673.7	3.3%	3.8%	0.5%
Other Services	261.9	258.1	258.0	263.8	271.6	276.3	284.0	291.3	298.0	299.0	302.1	299.0	306.7	1.4%	1.8%	2.6%
Government	951.5	954.6	940.9	919.8	910.8	909.9	915.1	921.2	927.2	929.3	931.8	932.3	939.6	-0.2%	-0.3%	0.8%
Total Select Non-Agricultural Empl.	6,264.3	6,070.4	6,081.3	6,181.6	6,289.2	6,411.4	6,579.0	6,746.4	6,880.4	7,007.0	7,116.0	7,046.4	7,149.7	1.3%	1.8%	1.5%

Source: U.S. Department of Labor. Figures are in millions.

Employment Statistics

The following table presents the unemployment data from the U.S. Bureau of Labor Statistics for New York City from 2008 through March 2019.

New York City - Employment Statistics					
Year	Labor Force	Employment	Change in Employment	Unemployment	Unemployment Rate
2008	3,926,197	3,705,457	N/A	220,740	5.6%
2009	3,960,774	3,591,529	-3.07%	369,245	9.3%
2010	3,950,405	3,573,552	-0.50%	376,853	9.5%
2011	3,962,833	3,602,687	0.82%	360,146	9.1%
2012	4,022,460	3,646,479	1.22%	375,981	9.3%
2013	4,084,536	3,723,927	2.12%	360,609	8.8%
2014	4,090,981	3,794,359	1.89%	296,622	7.3%
2015	4,106,873	3,872,803	2.07%	234,070	5.7%
2016	4,126,071	3,911,759	1.01%	214,312	5.2%
2017	4,131,368	3,940,937	0.75%	190,431	4.6%
2018	4,119,533	3,949,366	0.21%	170,167	4.1%
March 2018	4,144,082	3,964,610	0.06%	179,472	4.3%
March 2019	4,128,489	3,954,376	-0.26%	174,113	4.2%

Notes:

[1] Source: New York State Department of Labor

[2] Annual numbers represent average over the year.

As illustrated in the table above, NYC was severely impacted by the Great Recession; however, has since then recovered and the current unemployment rate is below pre-recession levels.

Transportation

New York's network of expressways includes four major interstates. North/South highways spanning the City include I-87 and I-95, each of these interstates enter and stop within the City limits. East/West highways include I-78 and I-80. I-80's eastern terminus is in Teaneck, New Jersey and connects I-287, which is a beltway around the City.

The John F. Kennedy ("JFK") Airport is located in the borough of Queens, and is the United States' 5th busiest airport in terms of total passenger traffic and the busiest airport in terms of international passenger traffic. It is situated on 4,930 acres and contains more than 131 gates within six terminals. 2018 statistics show there were approximately 455,000 plane movements serving approximately 61.6 million passengers, and over 1.43 million tons of Air Cargo were moved through the JFK Airport.

The LaGuardia Airport is also located in the borough of Queens, and is the United States' 20th busiest airport. It is situated on 680 acres and can accommodate up to 79 aircraft gates at a time. 2018 statistics show there were over 370,000 plane movements serving approximately 30.1 million passengers passing through LaGuardia Airport. LaGuardia Airport is currently undergoing a multi-billion dollar redevelopment (terminals, parking lots, access roads, etc.) which is scheduled to be completed in various phases during 2019 and 2020.

The Newark Liberty International Airport is located in Newark, New Jersey and is the United States' 15th busiest airport in terms of total passenger traffic and the 6th busiest airport in terms of international passenger traffic. It is situated on 425 acres and contains 122 gates within three terminals. 2018 statistics show there were almost 460,000 plane movements serving approximately 46.0 million passengers, and almost 850,000 tons of Air Cargo were moved through Newark Liberty International Airport.

The New York City area is served by the MTA subway and bus system, which provides a fixed-fare subway and bus service throughout the New York City metropolitan area. New York is cited as having the most extensive public transportation system in the nation, with an annual estimated of 2.5 billion passengers using the system. Amtrak provides the long distance ground travel for New York with rails connecting New York to several large cities along the east coast from Canada to Florida.

Tourism

According to NYC & Company, the City's official marketing, tourism and partnership organization, a record 65.1 million visitors arrived in New York City in 2018, surpassing the previous record of 62.8 million visitors set in 2017. New York City's number of visitors increased from 36.2 million visitors in 2000 to 47.1 million visitors in 2008 (a 30% increase), and after an approximately 3% decline to 45.6 million visitors in 2009 rebounded and consistently grown by a total of 43% through 2018 (or over 2 million per year). According to NYC & Company, approximately 51.5 million of the 2018 visitations were domestic travelers and the remaining 13.6 million were international. NYC & Company is forecasting yet another increase in 2019 (67.1 million visitors), a figure that in prior years was expected to be achieved only by 2021.

BROOKLYN

Brooklyn is the most populous of NYC's five boroughs, with an estimated 2.64 million residents in 2015. Since 1896, Brooklyn has had the same boundaries as Kings County, the most populous county in the State of New York, and the second-most densely populated county in the United States, after the County of New York (Manhattan). In fact, if each of the five boroughs was a separate city today, Brooklyn would rank as the third most populous city in the US, behind Los Angeles and Chicago.

The Dutch colonized Brooklyn in 1646, establishing six different towns with defined borders, which eventually became English settlements, and later consolidated to create the City of Brooklyn. The original six Brooklyn towns settled by the Dutch were Bushwick, Brooklyn, Flatlands, Gravesend, New Utrecht and Flatbush. Present-day Brooklyn neighborhoods bearing these names are located roughly in the center of each of these original towns. Brooklyn experienced multiple economic cycles during its history. Supported by waves of immigrations in the 19th and 20th centuries, Brooklyn's economy experienced several expansion periods, and the rise and fall of industries over the years. The New York Bridge Company was founded in 1865 and constructed the Brooklyn Bridge, which opened in 1883 and brought a new wave of people into Brooklyn who were seeking relief from the high rents and small apartments of New York City (much like the current days).

By the 1950s, Brooklyn's industrial energies began to wane. Heavy manufacturers began to move to cheaper locations in other cities, and the ports became less active as large container ships, requiring deep harbors, began to dominate the shipping trade. Economic dislocation and the easy availability of government-sponsored housing loans spurred the middle classes to leave their old neighborhoods for the suburbs. Hundreds of thousands of middle class residents abandoned Brooklyn for Queens, Long Island's Nassau County, Staten Island, and New Jersey. Once-vibrant neighborhoods fell into disrepair, decay, and poverty. Manufacturing fell by one half between 1954 and 1990, and the Brooklyn dockyards were largely abandoned. Even the Brooklyn Navy Yard, which was built in 1801, closed in 1966. The blackout of 1977 became one of Brooklyn's worst moments. The power failure led to widespread rioting, looting, and arson; entire sections of various neighborhoods went up in flames.

Despite the turmoil of the 1970s and early 1980s, the final decade of the 20th century witnessed a revival in Brooklyn's fortunes. Crime rates decreased during the 1990s, and neighborhoods like Brooklyn Heights, Fort Greene, and Clinton Hill began to spring back to life. The Brooklyn Academy of Music began to draw avant-garde crowds from Manhattan, the Navy Yard began redevelopment into a booming industrial park, and a new generation of artists, fleeing from the high rents in Manhattan, created vibrant new communities in DUMBO (Down Under the Manhattan Bridge Overpass), Williamsburg, and Greenpoint. Additional new waves of immigrants continued to make the borough their home, lending new accents, flavors, and textures to old Brooklyn neighborhoods.

In the first decade of the 21st century, Brooklyn has experienced a renaissance as an avant-garde destination for hipsters, with associated gentrification, dramatic house price increases, and a decrease in housing affordability. Since 2010, Brooklyn has evolved into a thriving hub of entrepreneurship and high technology startup firms, and of postmodern art and design.

Expected Long-Term Population Trend

The following table presents historical population statistics for NYC and its boroughs between 1950 and 2010 as well as the forecast through 2040. An interesting and import trend to note is with regards to expected future composition of the population of Brooklyn as a total percentage of NYC population. The population of Brooklyn as a percentage of total NYC population is expected to increase in the future. This is opposite for Manhattan, where population as a percentage of total NYC population is expected to decrease with residents from Manhattan presumably moving to a lower cost alternative (Brooklyn).

New York City Population by Borough, 1950 - 2040

Geographic Area	1950	1960	1970	1980	1990	2000	2010	2020	2030	2040
Bronx	1,451,277	1,424,815	1,471,701	1,168,972	1,203,789	1,332,650	1,385,108	1,446,788	1,518,998	1,579,245
Brooklyn	2,738,175	2,627,319	2,602,012	2,230,936	2,300,664	2,465,326	2,552,911	2,648,452	2,754,009	2,840,525
Manhattan	1,960,101	1,698,281	1,539,233	1,428,285	1,487,536	1,537,195	1,585,873	1,638,281	1,676,720	1,691,617
Queens	1,550,849	1,809,578	1,986,473	1,891,325	1,951,598	2,229,379	2,250,002	2,330,295	2,373,551	2,412,649
Staten Island	191,555	221,991	295,443	352,121	378,977	443,728	468,730	487,155	497,749	501,109
New York City Total	7,891,957	7,781,984	7,894,862	7,071,639	7,322,564	8,008,278	8,242,624	8,550,971	8,821,027	9,025,145
Bronx	18.4%	18.3%	18.6%	16.5%	16.4%	16.6%	16.8%	16.9%	17.2%	17.5%
Brooklyn	34.7%	33.8%	33.0%	31.5%	31.4%	30.8%	31.0%	31.0%	31.2%	31.5%
Manhattan	24.8%	21.8%	19.5%	20.2%	20.3%	19.2%	19.2%	19.2%	19.0%	18.7%
Queens	19.7%	23.3%	25.2%	26.7%	26.7%	27.8%	27.3%	27.3%	26.9%	26.7%
Staten Island	2.4%	2.9%	3.7%	5.0%	5.2%	5.5%	5.7%	5.7%	5.6%	5.6%
New York City Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

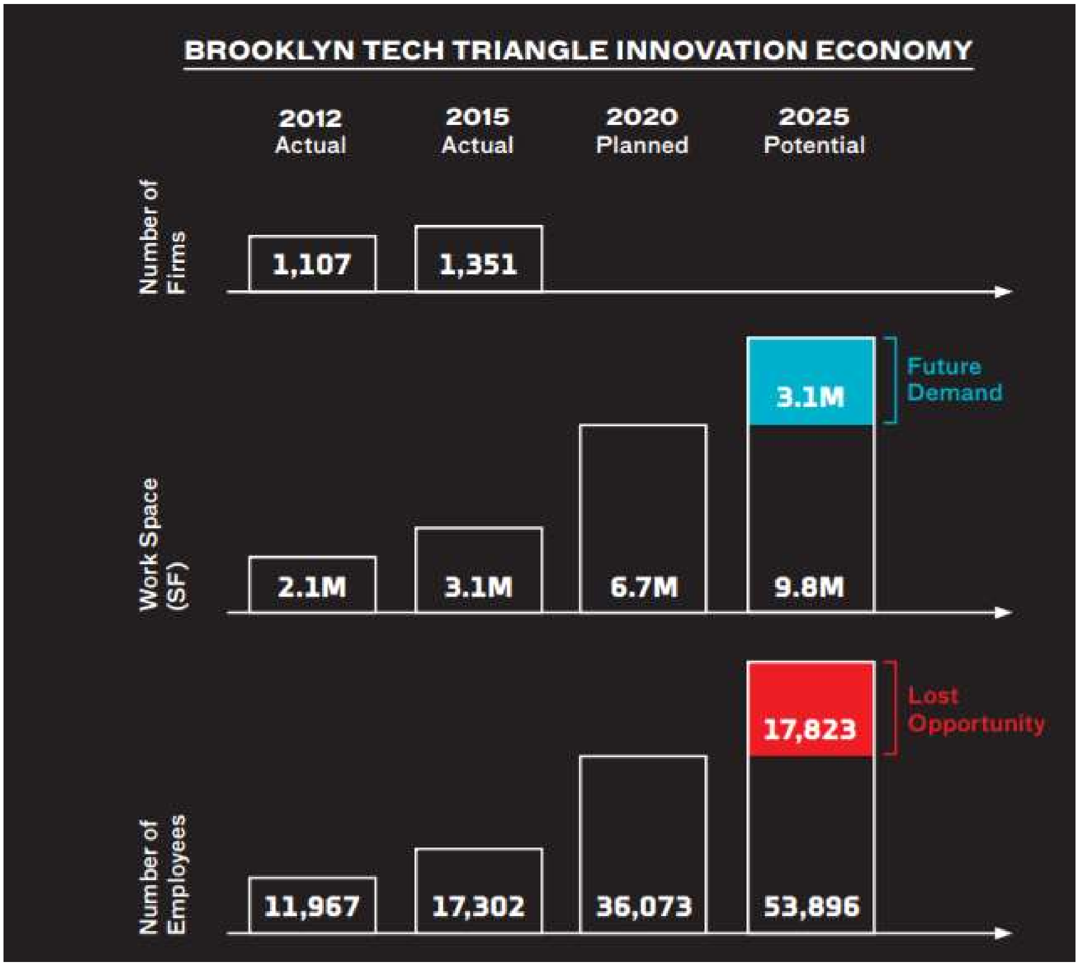
Source: NYC Population Projections by Age/Sex & Borough, 2010–2040 published by The City of NY and Department of City Planning, 12-2013

POPULATION, BUSINESS AND JOBS

Demographic changes in Brooklyn over the past 15 years have been fairly dramatic. Data by the U.S. Census Bureau indicates that Brooklyn's population grew from roughly 2.5 million in 2000 to approximately 2.6 million at the end of 2018. The overall population has increased by about 5% over the past 15 years, which has largely been driven by the influx of Millennials (those born between 1981 and 1997). Since 2000, Brooklyn's population between the ages of 25 and 34 has exploded by more than 19.5% while that age group has increased by only 8.4% across the US as a whole.

According to a June 2018 report by the State Controller, Brooklyn added approximately 172,600 net new jobs between 2009 and 2017. This was primarily due to job growth in three industries – Health Care and Social Assistance, Retail Trade, and Tourism and Entertainment – which accounted for more than 135,000 net new jobs, almost 80% of the total growth. Ten New York City neighborhoods experienced over 40% growth in private sector employment during these years, eight of which are located in Brooklyn, including Bedford-Stuyvesant (78%), Borough Park (72%), Flatbush (68%), and Williamsburg/Greenpoint (44%). The neighborhoods surrounding Gowanus, which include Park Slope, Carroll Gardens and Red Hook experienced over 30% growth in private sector employment between during the same period. Brooklyn's 2017 job growth rate of 4.4% was more than twice the City's job growth rate and approximately three times the national average. Brooklyn's unemployment rate declined to 4.6% in June 2017, the lowest rate since the early 1990s.

Technology and Innovation are widely recognized as drivers of economic growth. According to the Brooklyn Chamber of Commerce, Brooklyn naturally developed a thriving ecosystem for tech, creative, and innovation firms; the Greater Downtown Brooklyn area has seen a rise in entrepreneurship, technology and creative firms over the last decade, especially in the DUMBO and Brooklyn Navy Yard areas (these three neighborhoods are known as the Tech Triangle). These tech and innovation (creative or arts) firms have a tremendous impact on the Brooklyn economy and are expected to continue growing rapidly. This growth is demonstrated by the following chart (source: most recent update by the Brooklyn Tech Triangle as of 2015).



According the June 2018 report by the State Controller, Employment at tech firms has grown by 57%, which equates to approximately 3,500 jobs, since 2009, and reached a record of 9,800 jobs in 2017. With an average salary of $92,900, tech is among the borough's highest-paying industries.

A study by the Brooklyn Tech Triangle found the following:

- The Brooklyn Tech Triangle is home to approximately 10% of all tech firms citywide – the largest concentration outside Manhattan.
- 12% of firms surveyed moved to Brooklyn from other (non-NYC) places in the U.S. and abroad.
- More than 30% of firms surveyed started in one of the other boroughs of NYC and moved to Brooklyn.
- Over 99% of firms currently in the Tech Triangle would like to stay there.
- Top factors in real estate selection were rent, proximity to transit, and neighborhood character, neighborhood amenities.
- 77% of Tech Triangle Firms say that more than half of employees live in Brooklyn.
- 32% of Tech Triangle firms say that all their employees live in Brooklyn.
- Similar percentages were found for firms located outside the Tech Triangle.
- 57% of surveyed firms originated in Brooklyn.
- 26% of Tech Triangle firms purchase more than half of their supplies/services in Brooklyn.

These findings indicate that, under the right conditions, the innovation and technology sector will continue to play an important and expanding role in the economic growth of Brooklyn in the years ahead.

Further, the Brooklyn Chamber of Commerce emphasizes that indicators of innovation illustrate Brooklyn's rapid transformation of its economy and labor force. Patents per worker are increasing, the share of adults with terminal degrees (e.g., graduate and professional degrees) is increasing faster than the rest of the City, State, and Country, and so is the number of adults with degrees in science and engineering fields. Brooklyn is growing and attracting a large number of entrepreneurs. Furthermore, Brooklyn has high rates of small and relatively young companies, which tend to drive innovation.

LINKAGE

The NYC subway system is the primary means of transportation, connecting between the boroughs, with an average weekday ridership of 5.6 million passengers in 2017. The following photo is a portion of the NYC subway map.

As can be seen in the subway map, Northern Brooklyn is very accessible via the subway system, with the famous L-train running along Manhattan's 14th Street through Williamsburg and the Northern part of Bushwick before turning south towards East New York. The J, Z and M trains serve the southern part of Bushwick and Williamsburg, as well as Bedford Stuyvesant, which is also well served by the A and C trains. Crown Heights is connected through the red, green and blue lines which are running through Downtown Brooklyn, east and west of Manhattan and all the way to the Bronx.

The Property is located approximately two blocks from the Smith-9th Street station, which is served by the F train that runs from downtown Brooklyn, through Manhattan and into Queens, and by the G train that runs along the western part of Queens and Brooklyn.

Of note is the "L-train shutdown" in order to repair damages caused by Hurricane Sandy in 2012. During Hurricane Sandy, millions of gallons of corrosive seawater flooded into every single MTA tunnel under the East River, causing severe damage to circuits, tracks, switches, and signals. The 13-foot storm surge was particularly brutal for the aging Canarsie Tube, as the L train tunnel is called, and by 2016, it was clear that drastic measures would be necessary to repair it.

Initially, the MTA considered a three-year partial closure, but ultimately decided on a full stoppage of service for 15 month between Eighth Avenue in Manhattan and Bedford Avenue in Brooklyn. The shutdown was scheduled to begin in April 2019. However, on January 3, 2019, Governor

Andrew Cuomo announced an unexpected reprieve, saying that engineers would use a new technology from Europe to make critical repairs to the tunnel without having to close it entirely. With the revised approach, the L will continue as normal during the busiest weekday times. During nights and weekends, L service will be reduced, however the MTA will be adding M, G, 7, and bus service, as well as a special 'Williamsburg Link' bus for additional service.

RESIDENTIAL REAL ESTATE

The evolution of Northern Brooklyn's residential market development over recent years should be viewed in conjunction with the major growth in a specific population age group – the Millennials. According to a June 2016 article published by The Real Deal, the impact of Millennials on real estate has to be viewed through the lens of the broader sharing economy that Millennials have embraced, as well as their demand for experiences over things, social engagement and — above all else — flexibility. The article notes that research on Millennials indicates that they are not making decisions about where they are going to live beyond the next 12 months.

With the barrier of entry to buying residential real estate much higher now than it was before the financial crisis in 2008, many New Yorkers (particularly younger ones) have been forced to rent. This fact has not been lost on developers who have geared much of their NYC rental product to Millennials — whether it's extra bike storage (one in five Millennials bikes at least once a week, according to the Urban Land Institute), USB charging ports in apartments (two-thirds of Millennials don't have landlines, according to the Centers for Disease Control) or co-working space (according to a 2017 study by the America's Small Business Development Center, nearly one-third of Millennials are self-employed, and almost half plan on starting their own business in the next three years).

Millennials are more used to a college sort of mentality of living with neighbors in close proximity, and they like saving $500 to $1,000 a month on rent which they can spend on entertainment. While data on co-living spaces and shared living is still hard to come by, landlords can achieve a higher price per foot since bedrooms are smaller than they are in average apartments — even as tenants pay at- or below-market rates for apartments.

OFFICE REAL ESTATE

Brooklyn is no longer completely dependent on Manhattan for employment. During 2016, Brooklyn averaged 687,217 jobs accounting for approximately 16.5% of all jobs in the City and 7.5% of jobs in NY State. If Brooklyn were an independent city, it would be the city with second largest job base in the NY State after Manhattan.

Brooklyn has recovered well since the Great Recession based on the Employment Statistics presented in the table below.

Brooklyn - Employment Statistics

Year	Labor Force	Employment	Change in Employment	Unemployment	Unemployment Rate
2008	1,106,224	1,039,579	N/A	66,645	6.0%
2009	1,119,823	1,008,638	-2.98%	111,185	9.9%
2010	1,163,502	1,047,981	3.90%	115,521	9.9%
2011	1,170,616	1,058,657	1.02%	111,959	9.6%
2012	1,190,125	1,073,762	1.43%	116,363	9.8%
2013	1,212,011	1,098,648	2.32%	113,363	9.4%
2014	1,213,629	1,121,072	2.04%	92,557	7.6%
2015	1,214,639	1,142,945	1.95%	71,694	5.9%
2016	1,217,585	1,152,734	0.86%	64,851	5.3%
2017	1,215,333	1,158,095	0.47%	57,238	4.7%
2018	1,211,721	1,160,501	0.21%	51,220	4.2%
March 2018	1,218,802	1,165,177	0.05%	53,625	4.4%
March 2019	1,214,807	1,162,141	-0.26%	52,666	4.3%

Notes:

[1] Source: New York State Department of Labor

[2] Annual numbers represent average over the year.

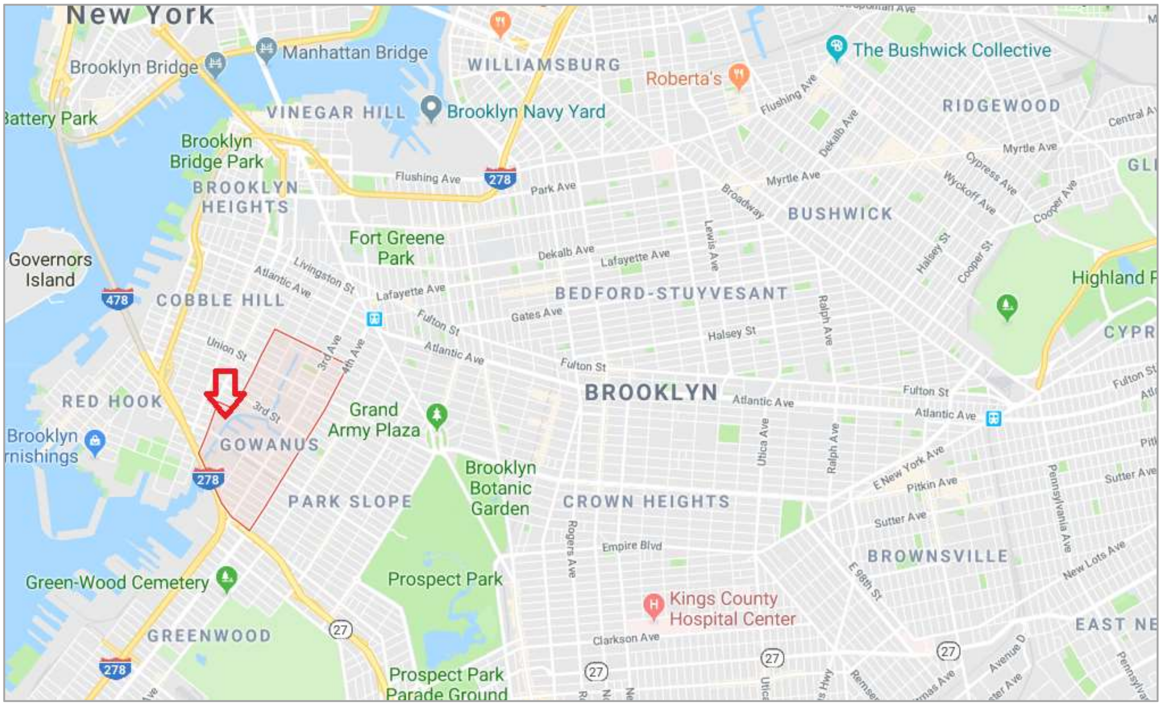
Total office inventory in Brooklyn stands at 35.5 million square feet as of 1Q 2019, according to Newmark Grubb Knight Frank (“NGKF”). This is about 7.9% of the total office inventory of Manhattan which stood at 451 million square feet as of 1Q 2019.

CONCLUSION

The Property is located in NYC within the borough of Brooklyn. Over the past few years, Brooklyn has evolved into a thriving hub of entrepreneurship and high technology startup firms, and of postmodern art and design. Various Brooklyn neighborhoods which went through (and are going through) a process of gentrification, drawing in young population which has been changing the makeup of neighborhood demographics and the job market in Brooklyn. All indications are showing that this trend can continue in coming years, strengthening demand for rental properties.

NEIGHBORHOOD ANALYSIS

The Property is located in the Gowanus neighborhood of Brooklyn. The map of Gowanus as well as the Property location within Gowanus is presented below.



The neighborhood of Gowanus is situated at the center of the old township of Brooklyn, which also included territories that are now part of Red Hook, Carrol Gardens, Cobble Hill, Brooklyn Heights, Downtown Brooklyn, Boerum Hill, Clinton Hill and Bedford-Stuyvesant, and became part of the City of Brooklyn in 1683. Gowanus is located in Southern/Western Brooklyn, and shares borders with Carrol Gardens (west), Boerum Hill (north), Park Slope (east), and Greenwood (south).

The Gowanus Canal

The Gowanus Bay was the site of the first settlement by Dutch farmers in what is now Brooklyn. In the late 1840's, Brooklyn elected officials decided to covert the Gowanus Creek, which until then was a tidal estuary surrounded mostly by farms and mills, into a canal that would serve as a transportation system to help promote commerce and industry. The construction of the Gowanus Canal began in 1849 and included deepening and widening the Gowanus Creek, as well as creating bulkheads along the waterfront. The Canal, which was fully completed by 1869, is a 100-foot wide and 1.8-mile long.

As expected, the Gowanus Canal became a major industrial transportation route, and attracted metal casting factories, shipyards, manufactured gas plants ("MGP", where coal was converted to gas which was used for lighting, heating and cooking), coal yards, paper mills, and paint and ink factories to the waterfront and adjacent lots. By 1870, the surrounding area, with its natural marshlands and freshwater streams, had been fully urbanized and industrialized.

As there was little environmental regulation during the 19th century and most of the early 20th century, waste from these industries was discharged directly to adjacent waterbodies without treatment. In addition, contamination flowed into the Canal from overflows from sewer systems that carry sanitary waste from homes and rainwater from storm drains and industrial pollutants. As a result, the Gowanus Canal has become one of the nation's most seriously contaminated water bodies.

The heavy sewage flow into the canal required regular dredging to keep the waters navigable. However, by the 1950s, Brooklyn's fuel trade was already converting from coal and artificial gas to petroleum, which was served by the wider and deeper Newtown Creek at the border of Brooklyn and Queens, and natural gas, which arrived by pipeline. Around this time, sewage going to the Gowanus Canal was redirected into sewage treatment plants near the Buttermilk Channel (between Brooklyn and Governor’s Island). Nevertheless, with the failure of the city sewage and pump station infrastructure, the Gowanus Canal was used as a dumping place for almost three decades.

There were three MGPs located along the Gowanus Canal, which are believed to be the sources of much of the polycyclic aromatic hydrocarbon (“PAH”) contamination in the Canal:

- the former Fulton MGP site;
- the former Citizens Gas Works MGP site (a.k.a. Carroll Gardens/Public Place); and
- the former Metropolitan Gas Light Company MGP site.

We note that the Property is part of the former Citizens Gas Works MGP site. National Grid USA acquired the legal liability for the three former MGP sites in 2006, as part of its acquisition of KeySpan Corporation, which was formed in 1998 as a result of the merger between Brooklyn Union Gas Company and Long Island Lighting Company.

There were several attempts to clean-up the Canal and redevelop the area since the 1960s, with limited success. A restoration and feasibility study by the New York Department of Environmental Protection (“DEP”) and the US Army Corp of Engineers (“COE”) was initiated in 2002. In April 2009, the US Environmental Protection Agency (“EPA”) proposed putting the Gowanus Canal on the Superfund National Priorities List, and despite opposition by the City of New York, the Site was placed on the Superfund National Priorities List in March 2010.

The EPA, in conjunction with New York City and National Grid, performed supplemental field work to characterize the nature and extent of contamination in the Canal and develop alternatives for remediation. In December 2012, the EPA released a proposed plan which recommended removing all of the contaminated sediment that has accumulated as a result of industrial and sewer discharges from the bottom of the canal by dredging and capping. The plan was approved and signed in September 2013.

In 2014, the EPA issued an order to National Grid, The City of New York, and more than 30 other potentially responsible parties (“PRP”) requiring them to design the selected remedial action in the Canal. The EPA issued a second order to the City of New York requiring it to design a combined sewer overflow (“CSO”) retention tanks and certain other elements of the remedial action. The first phase of the design was submitted in June 2017, with the remaining design phases scheduled to be completed by September 2019.

Pilots are being performed by National Grid to provide information necessary to complete the full-scale dredging and capping design for the upper canal, and scheduled to be completed by late spring 2018. Remedial actions scheduled timeline is as follows:

- Upper Canal – Butler Street to 3rd Street, and 4th and 5th Street Basins – 2017-2018;
- Middle Canal – From 3rd Street to 9th Street – 2019-2020;
- Lower Canal – From 9th Street to 21st Street/Erie Basin – 2021-2022;

We note that the Property's waterfront is along the Middle Canal section.

On May 29, 2018, the EPA announced a $100 million agreement with National Grid for cleanup of the Gowanus Canal Superfund site. According to the EPA, the milestone settlement will support cleanup work near the head of the Gowanus Canal, including the cleanup and restoration of Thomas Greene Park, as well as the Douglass and DeGraw Pool.

In November 2018, the Pilot program for the cleanup of the Upper Canal was completed, and EPA representatives indicated that this section of the Canal has a clean bottom for the first time in 150 years. EPA representatives also indicated that they expect to complete the cleanup of the remaining sections of the Canal sooner than the initially projected completion target of 2022.

The total cost of the cleanup plan was estimated to be approximately $500 million. In addition, the price of two sewage retention tanks the City will construct as part of the effort to clean up the Gowanus Canal has jumped more than 15 times beyond initial estimates – from $78 million to $1.2 billion.

Proposed Redevelopment / Rezoning

In October 2016, the Department of City Planning ("DCP") hosted a kickoff meeting for the Gowanus Neighborhood Planning Study process, looking to foster a thriving neighborhood by reinforcing and encouraging a robust local economy anchored by a mix of uses and businesses, while creating opportunities for new housing with affordable housing in appropriate locations.

In April 2017, the DCP piloted an online engagement platform called Plan Gowanus to broaden public participation through interactive tools and a user-friendly interface. Input provided on the website, together with feedback gathered through public meetings and other outreach, was to be used by the DCP and other city agencies to develop a draft planning and land use framework that documents recommendations and proposes strategies to support the study goals.

A draft framework report titled "Gowanus: A Framework for a Sustainable, Inclusive, Mixed-use Neighborhood" (the "Framework") was released by the DCP on June 5, 2018. The Framework outlined a roadmap for potential goals and strategies, including recommended land use changes, to be developed and implemented as part of a Neighborhood Plan. The vision laid out by the Framework aims to foster a thriving, inclusive and more resilient Gowanus where existing and future residents and workers are able to participate in civic, cultural and economic activities and where a wholly unique resource – the canal – can thrive and play an active role in that equitable and sustainable growth.

The Framework was the culmination of more than 100 hours of public outreach and community meetings to solicit input that have been held since the Gowanus planning study launched in October 2016. It was informed by previous reports and studies, as well as ongoing community efforts by government agencies and community stakeholders and organizations.

The Framework was a product of all those voices and ideas, bringing them together in objectives and proposed strategies in seven categories of Sustainability and Resiliency, Environmental Remediation, Community and Cultural Resources, Housing, Economic and Job Development, Transportation, and Land Use and Urban Form.

The Framework – Land Use and Urban Form

The land use framework identifies three types of areas with distinct approaches and land use recommendations: Industrial and Commercial, Enhanced Mixed-Use and the Canal Corridor. These three areas respond to characteristics – including current and past land use patterns, market trends, site contamination, and block and lot size and orientation – that contribute to the overall objective of a dynamic, mixed-use neighborhood. Together they balance denser, transformative growth in strategic areas with contextually sensitive growth, preservation and places to reinforce and encourage a mix of job-generating uses. Overall, the land use framework seeks to balance the shared priorities, goals and objectives voiced by the community and develop a vision to shape the neighborhood's future.

Each of the three areas has the following general goals:

Industrial and Commercial

Strengthen existing clusters of light industrial and commercial activity and promote new, job-generating uses, including industrial, arts and cultural uses.

- Maintain prohibition on new residential use.
- Increase allowable density to promote the growth of industrial, arts-oriented, commercial and other non-residential uses.
- Create new building envelope that encourages loft-style buildings that respond to the neighborhood scale.
- Right-size parking requirements.

Enhanced Mixed-Use

Encourage and reinforce a vibrant, live-work neighborhood by balancing preserving neighborhood scale and encouraging growth that promotes a mix of uses and allows for improvements to the public realm and local services while affirming the qualities that make the neighborhood distinct.

- Encourage contextually sensitive development that is responsive to existing land uses and lot and building types.
- Support the "Gowanus mix" of uses through allowances, incentives and requirements for active frontages and non-residential uses identified by the community as priorities, such as supermarkets, community facilities, light industry, and arts uses.
- Make Mandatory Inclusive Housing ("MIH") program applicable within the area, including on the previously rezoned portion of 4th Avenue, requiring permanently affordable housing to be included in new developments.
- Zone for higher densities at appropriate locations to facilitate brownfield remediation, activate streets with uses that serve the public and provide more affordable housing.

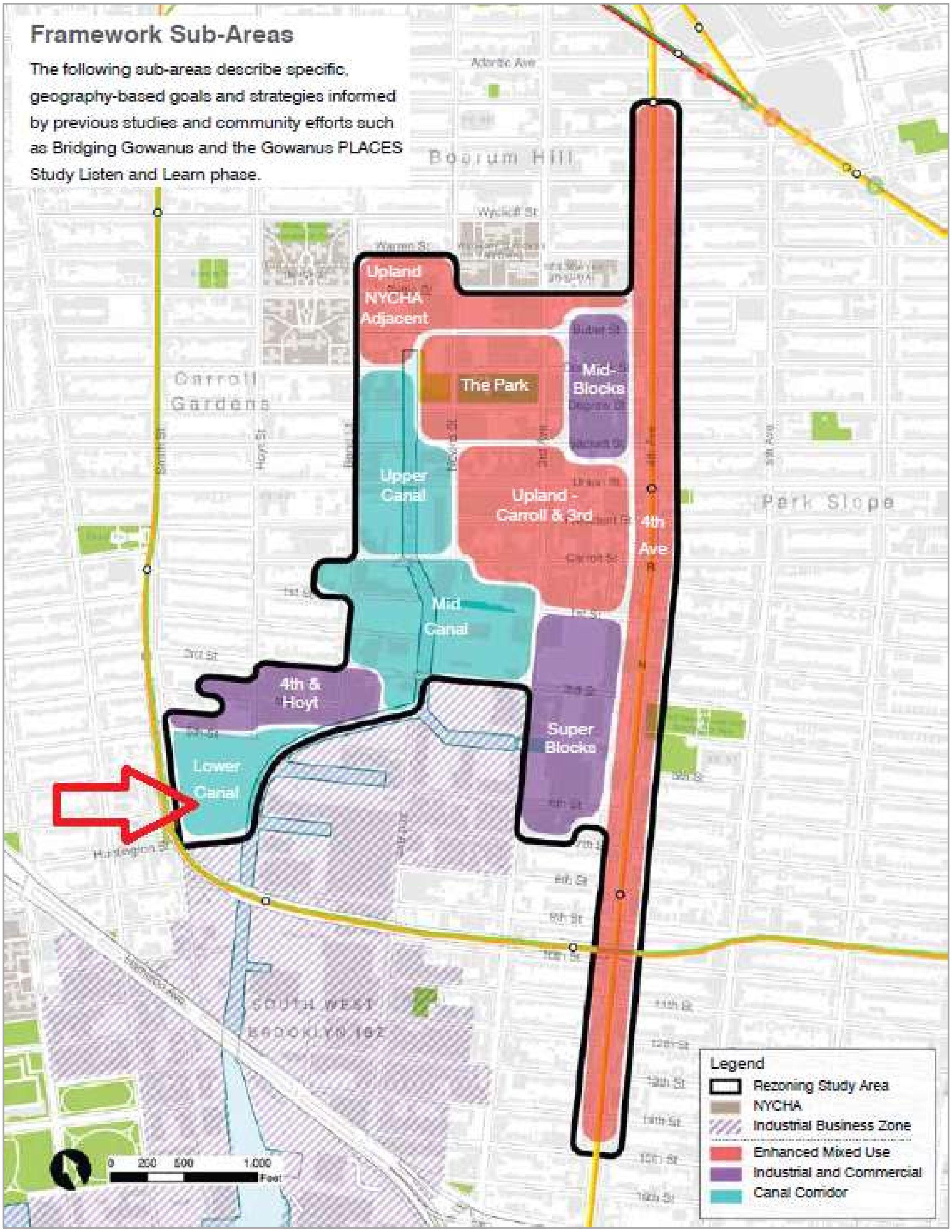
Canal Corridor

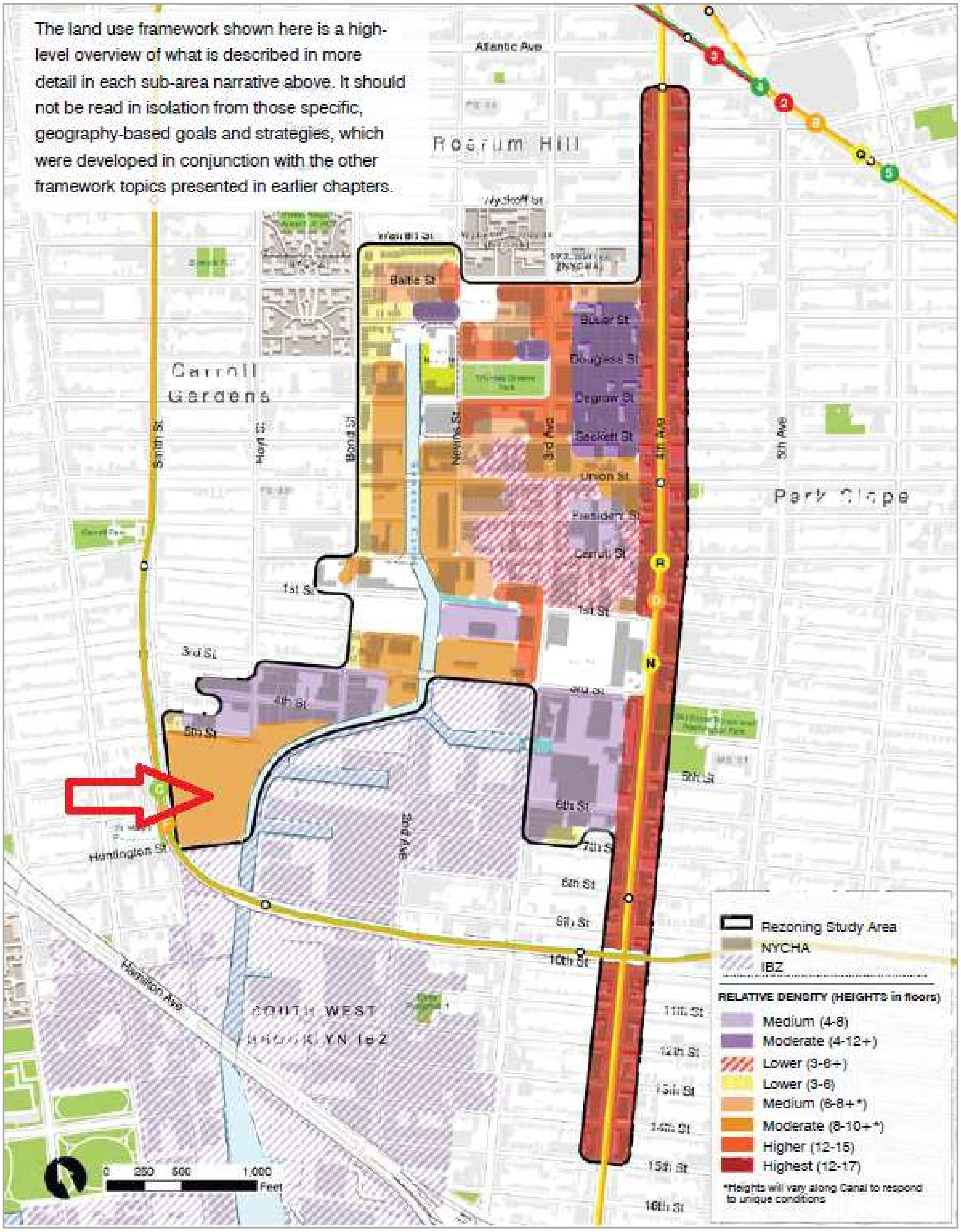
Promote the creation of a vibrant, accessible, resilient and diverse waterfront esplanade that celebrates the unique nature of the Canal and is flanked by a mix of uses that includes new permanently affordable housing as well as commercial, artist and maker space.

- Establish a Waterfront Access Plan (WAP) to ensure new waterfront development creates welcoming access to the Canal and respond to its distinct character.
- Encourage variation and diversity along the Canal in future programing, open spaces, site planning and design.
- Adapt and prepare for climate change and sea level rise through both strategic infrastructure improvements and implementation of standards for a resilient shoreline and flood-resilient buildings.
- Make MIH program applicable within the area, requiring permanently affordable housing in new developments, while requiring non-residential uses at strategic locations to encourage active, vibrant streets and public space along the Canal.

The map on the next page indicates the geographic coverage of each of the three types of areas. As can be seen in this map, the Property is located within the Lower Canal section of Canal Corridor.

The map and color coded descriptions of the proposed density and goals for the various areas are available in the following pages. The Property is located within a moderate density zone, with height restriction of 5-7 stories along the Canal and up to 22 stories (or even more) further away for the canal.


Framework Sub-Areas
The following sub-areas describe specific, geography-based goals and strategies informed by previous studies and community efforts such as Bridging Gowanus and the Gowanus PLACES Study Listen and Learn phase.
Boerum Hill
Carroll Gardens
Park Slope
Upland NYCHA Adjacent
The Park
Mid-Blocks
Upper Canal
Upland - Carroll & 3rd
4th Ave
Mid Canal
4th & Hoyt
Lower Canal
Super Blocks
SOUTH WEST BROOKLYN IBZ
Legend
Rezoning Study Area
NYCHA
Industrial Business Zone
Enhanced Mixed Use
Industrial and Commercial
Canal Corridor
0 200 500 1,000 Feet


The land use framework shown here is a high-level overview of what is described in more detail in each sub-area narrative above. It should not be read in isolation from those specific, geography-based goals and strategies, which were developed in conjunction with the other framework topics presented in earlier chapters.
Atlantic Ave
Boerum Hill
Carroll Gardens
Park Slope
Baltic St
Butler St
Douglass St
Degraw St
Sackett St
Union St
President St
Carroll St
1st St
3rd St
4th St
5th St
6th St
7th St
8th St
9th St
10th St
11th St
12th St
13th St
14th St
15th St
16th St
Huntington St
Hamilton Ave
Smith St
Hoyt St
Bond St
Nevins St
3rd Ave
4th Ave
5th Ave
2nd Ave
SOUTH WEST BROOKLYN IBZ
Rezoning Study Area
NYCHA
IBZ
RELATIVE DENSITY (HEIGHTS in floors)
Medium (4-8)
Moderate (4-12+)
Lower (3-6+)
Lower (3-6)
Medium (6-8+*)
Moderate (8-10+*)
Higher (12-15)
Highest (12-17)
*Heights will vary along Canal to respond to unique conditions
0 250 500 1,000 Feet

- Increase allowable density for industrial, commercial and arts-oriented uses
- Incentivize range of job-generating uses
- Create new building envelopes
- Promote reuse of loft-style buildings on Bond Street
- No new residential uses, except where appropriate, and restriction on new hotels

- Allow medium-density, mixed-use development
- Allow existing uses to remain and enlarge
- New developments or enlargements at a scale of 6-8 stories
- Make MIH program applicable

- Increase allowable density for industrial, commercial and arts-oriented uses
- Incentivize range of job-generating uses
- Create new building envelopes
- Promote reuse of loft-style buildings at key locations
- No new residential uses and restriction on new hotels

- Allow moderate density mixed-use development
- Allow existing uses to remain and enlarge
- Promote and incentivize non-residential uses
- Create flexible, special bulk envelopes for Canal sites to facilitate superior building and public open space design
- Strict base heights (5-7 stories) along Canal and narrow streets and additional height or density (8-10, 18+, 22+) in key locations, where appropriate
- Make MIH program applicable

- Bring existing residences into conformance with zoning
- Reinforce mixed-use, industrial and commercial character
- Allow existing uses to remain and enlarge
- New developments or enlargements at an appropriate scale (3-6+ stories)
- Make MIH program applicable

- Allow higher density mixed-use development
- Allow existing uses to remain and enlarge
- New developments at a scale of 12-15 stories
- Require active ground floor uses at key locations
- Promote and incentivize non-residential uses
- Make MIH program applicable

- Bring existing residences into conformance with zoning
- Allow new residential uses and existing uses to remain and enlarge
- New developments or enlargements at an appropriate scale (3-6 stories)
- Make MIH program applicable

- Allow highest density mixed-use development
- Allow for multiple-floors of non-residential uses
- New developments at a scale of 12-17 stories
- Require active ground floor uses
- Explore strategies to activate ground floors currently used for parking
- Make MIH program applicable, including on previously rezoned 4th Avenue block frontages

It is noted that the Framework land use recommendations addressed future development density in a qualitative form, indicating relative density (i.e. lower density, medium density, moderate density and higher density) and height in terms of number of floors. For the Property, the Framework recommends moderate density with height restriction to 5-7 stories along the canal, with additional heights (8-10, 18+, or 22+ stories) in key locations (i.e. within the site, however set back from the canal).

Draft Zoning Proposal

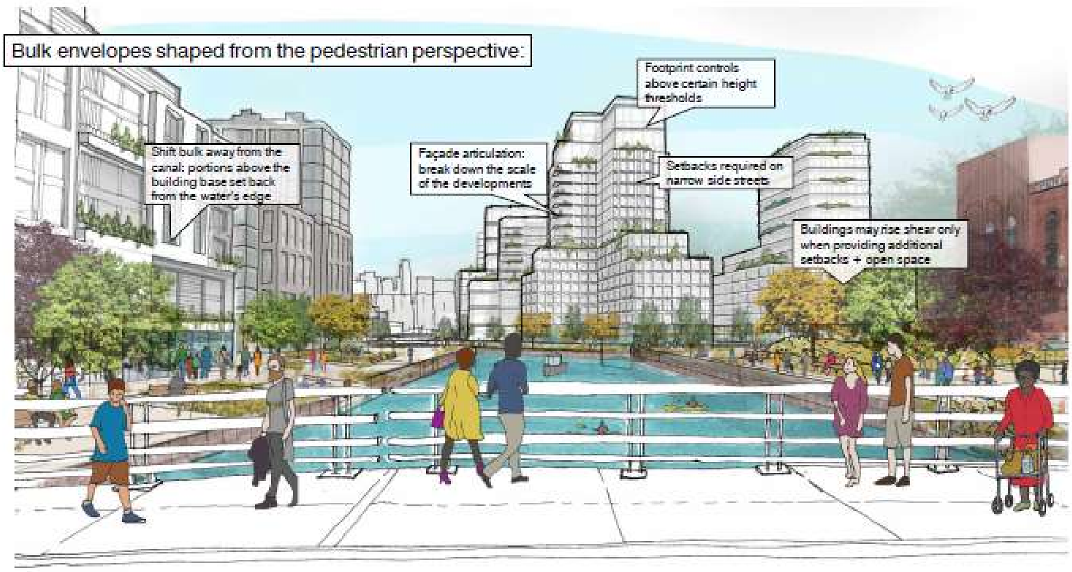
On January 31, 2019, the DCP released the draft Gowanus zoning proposal based on the extensive outreach and planning with local elected officials and community members. The draft Gowanus zoning proposal, which will be a part of a comprehensive package of City initiatives, seeks to achieve the goals which were outlined in the Gowanus Framework with areas to support mixed-use growth with affordable housing, areas to maintain and grow Gowanus' commercial and industrial businesses, and special tools to activate ground floors and create new public spaces. The Gowanus Canal will become the centerpiece of a green, resilient neighborhood with new, sustainable, mixed use development boasting more open space and parks and community resources.

The following map presents the draft proposed zoning for Gowanus.

As can be seen in the map on the prior page, the proposed zoning for the Property is M1 (3) / R7-2 – canal corridor. The purpose of this zoning district is to leverage the unique nature of the Canal to create a vibrant, accessible, resilient and diverse waterfront with a mix of uses, new housing, including new permanently affordable housing, commercial, artist and maker space.

The tables and charts in the following page provide indication related to some of the technical specifications for the M1 (3) / R7-2 zoning district. For a mixed use scenario, the draft zoning proposes a maximum residential floor area ratio ("FAR") of 4.4x and a maximum non-residential FAR of 0.6x, resulting in a total FAR of 5.0x.

The following sketches depict the vision for the canal corridor.

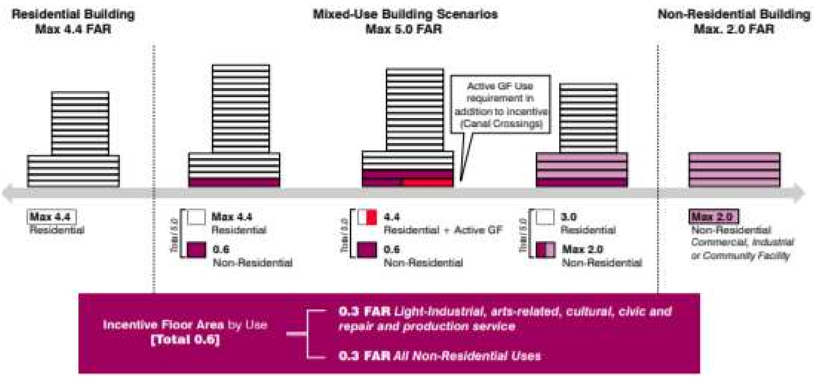


Illustrative sketch looking north from 3rd Street

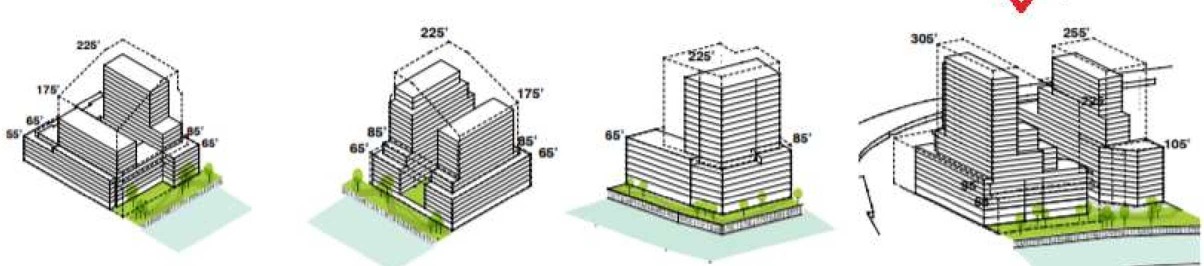
Illustrative sketch looking north from Union Street

Gowanus Mix: Incentives and Requirements

This below illustrates a continuum of how the proposed zoning with non-residential incentives and requirements would integrate a mix of uses within new buildings along the Canal. Where developments front a bridge, the ground floor use requirement would require active ground floor space, which cannot be used toward the incentive floor area. This could encourage multiple floors of non-residential space as illustrated below.



Conceptual Bulk Envelopes:



M1(3)/R7-2**
[e.g. Upper Canal- Bond Street]

M1(3)/R7-2**
[e.g. Upper Canal - Nevins Street]

M1(3)/R7-2**
[e.g. Mid Canal - 3rd Street]

M1(3)/R7-2**
[e.g. Lower Canal - Huntington and Smith Street]

**The zoning would include site-specific height and setback requirements for certain waterfront parcels

Canal Corridor

District	M1(3) / R7-2
Uses	
Use Groups	2-14, 16, 17, 18
Max FAR by Use	
Retail/Entertainment Other Commercial	2
Community Facility Industrial	3
Residential	4.4
Total MAX FAR	**5***
Heights (in stories) by Location	
Bond Street	5-6
Nevins Street Canal Frontage	6-8
Max. Heights [Midblocks (after base heights and setbacks)]	6-8; 17-22; 25-30 [Block 471]
Special Use / FAR Regulations	
Req. Non-Residential Ground Floor Use	Yes (Canal Crossings)
Parking Requirement	
Market Rate Units	20%
Affordable Units Non-Residential	0%
Loading Requirement	
None for smaller businesses; reduced for larger	

**Achieved only in buildings with residential, commercial, and Gowanus mix of uses.*

The draft zoning proposal lays the foundation for how the neighborhood can grow and change. It is also a foundational piece in the next step which will include environmental review analysis that will analyze potential new development that may occur if the zoning proposal were enacted and what the resulting needs on infrastructure, like schools, traffic, water and sewers, and a number of other technical areas of review. An additional step in the coming months (and potentially a few years), would be a Uniform Land Use Review Procedure ("ULURP") process which will seek to effectuate the proposed zoning and land use changes.

Local Demographic Statistics

The following table provides a brief demographic comparison of a 1-, 3- and 5-mile radii around the Property.

Neighborhood Profile

Item	1 Mile Radius	3 Mile Radius	5 Mile Radius
Population	96,803	1,029,347	2,683,257
Households	42,422	397,150	1,063,786
Average Age	36.90	36.40	36.80
Median HH Income	$109,740	$71,739	$68,871
Population Growth 2019 to 2024	1.2%	2.9%	2.0%
Household Growth 2019 to 2024	1.0%	3.1%	2.0%

Source: CoStar, 1Q 2019

Conclusion

The neighborhood is expected to continue to develop and gentrify in the future.

PROPERTY ANALYSIS

SITE DESCRIPTION

General

The following table summarizes the Site's characteristics:

455-479 Smith Street - Site Characteristics	
Address	455-479 Smith Street
City, State, Zip Code	Brooklyn, New York 11231
Neighborhood	Gowanus
Block	471
Lot	200
Site Area (SF)	165,840
Parcel Type	Corner
Shape	Nearly rectangular
Topography	Level
Environmental Conditions	None known
Flood Risk	See Flood Zone section
Utilities	All public
Access	Average
Frontage	Smith Street - 353'
	Huntington Street - 420'
	Gowanus Canal - ~390'
Zoning	M3-1
Conforming to Zoning	N/A (vacant land)

Location

The Property is comprised of 165,840 square feet and is located on the northeast corner of Smith and Huntington Streets, within the Gowanus neighborhood of Brooklyn, NY. The Property has 353 feet of frontage on Smith Street, 420 feet of frontage on Huntington Street, and approximately 390 feet of frontage on Gowanus Canal.

The following tax map shows the Site boundaries and positioning.

Access, Frontage and Visibility

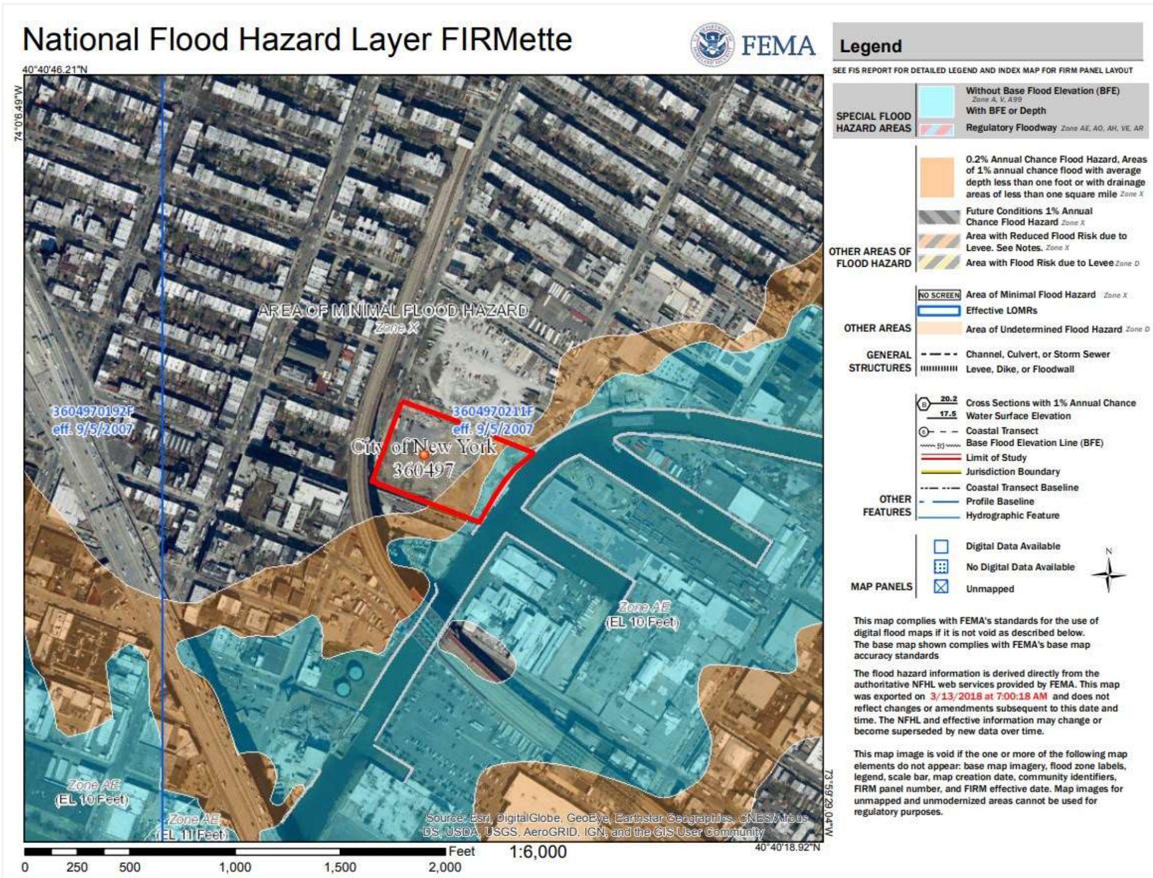
The Property occupies approximately half-a-block and has frontage on Smith and Huntington Streets, as well as the Gowanus Canal. The Site is located approximately two-blocks away from the Smith-9th Street F and G subway station. The Site is also located with walking distance (approximately 20 minutes) from the Union Street D, N, R and W subway station.

Given that the Property is currently vacant, its visibility is limited. Once developed (in the future), the improvements are expected to have typical visibility for similar type of developments.

Flood Zone

The Site is located within the following flood zone areas, as indicated by FEMA Panel 3604970211F, dated September 5, 2007: Zone X (areas determined to be outside the 500 year flood plain), Zone AE (areas with 0.2% annual chance of flood hazard), and Zone A (which is a special flood hazard area).

The flood map is shown below.

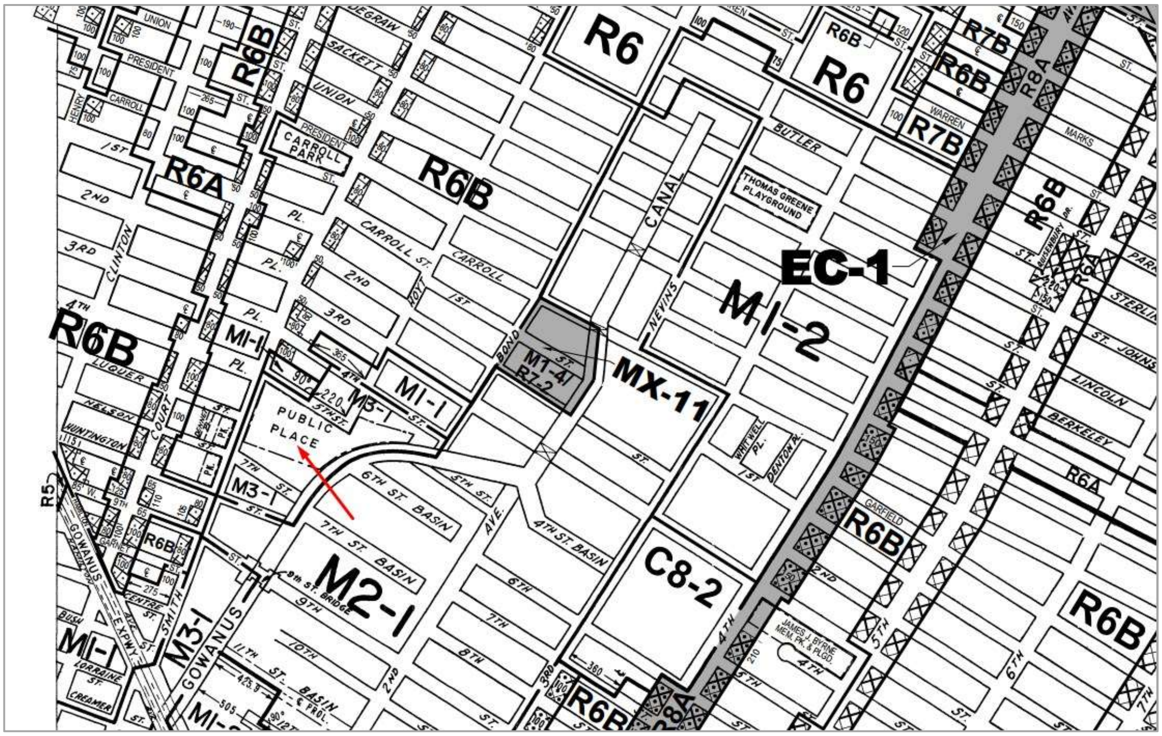


Topography

The Site is level and is at street grade.

Zoning

The following map shows the Site's zoning, and the zoning in the immediate area.



The Site is currently zoned M3-1.

Manufacturing Districts: M3. M3 districts are designated for areas with heavy industries that generate noise, traffic or pollutants. Typical uses include power plants, solid waste transfer facilities and recycling plants, and fuel supply depots. Even in M3 districts, uses with potential nuisance effects are required to conform to minimum performance standards.

M3 districts are usually located near the waterfront and buffered from residential areas. Large M3 districts are mapped along the Arthur Kill in Staten Island, along the East River shore of the South Bronx, and along the Gowanus Canal in Brooklyn. Smaller M3 districts, such as portions of Astoria, are located along the waterfront in all five boroughs and accommodate public utilities.

The two M3 districts, both with a maximum floor area ratio (FAR) of 2.0 and a -maximum base height before setback of 60 feet, differ only in parking requirements. M3-1 districts are subject to the same parking requirements as M1-1, M1-2, M1-3, M2-1 and M2-2 districts; M3-2 districts, found only in Manhattan, are exempt.

Gowanus Rezoning: As discussed in the Neighborhood Section of this report, as part of the Gowanus rezoning process, a draft proposed zoning was released on January 2019, in which the Site is located within an M1 (3) / R7-2 zoning district, and under a mixed use scenario, the proposed maximum residential FAR is 4.4x and maximum non-residential FAR of 0.6x, resulting in a total FAR of 5.0x. Given the size of the Site (165,840 square feet), up to approximately 830,000 of total buildable square feet are expected.

Zoning Conclusion. In the past few years, market participants anticipated that the rezoning will occur, at which point the gentrification of the area will continue at a much faster pace. With the draft prosed zoning, future zoning changes and FARs can be predicated with more certainty, and market participants indicated that any negotiated transactions of land site within the rezoning area is already done based on future FAR rather than current FAR.

Environmental and Soil Conditions

As noted earlier, the Site is part of the former Citizens Gas Works MGP site. The Site comprises three contiguous properties, referred to as "Parcel I" (Block 471, Lot 1), "Parcel II" (Block 471, Lot 100), and "Parcel III" (Block 471, Lot 200 – which is the subject of this report), and Parcel IV, which is Active truck maintenance facility and commercial truck lot. The following photo shows the four parcels.

An MGP operated on the site from approximately the 1860's through the early 1960's. Brooklyn Union Gas, a predecessor company to National Grid, owned the site and operated the MGP from 1895 (when it was purchased from Citizens Gas Company), until decommissioning. Brooklyn Union sold the entire site in the 1960's to a private company. Portions of the site subsequently were sold or leased to other businesses. The City of New York acquired ownership of Parcels I and II in 1975 through tax proceedings, one of which is vacant, the other being the location of the active concrete plant. Parcel III, which was owned by Vichar, Inc., was acquired by the Client and is the subject of this appraisal. The Site is enclosed by fencing and is generally secure from public access.

The results of remedial investigation and supplemental remedial investigation of the MGP site resulted in a number of key findings about the environmental conditions associated with the former operations. The DEC summarized the key findings in a fact sheet announcing the completion of the Final Remedial Investigation Report as follows:

- The site exhibits the characteristics and contaminants expected of a former MGP site, including the presence of coal tar and dense non-aqueous phase liquid ("DNAPL"). The contaminants have been found in all four parcels and at several offsite locations, are all below the surface, and have been found to depths of up to 150 feet.

- Subsurface groundwater is transporting the chemical constituents expectable of a former MGP site. Some groundwater containing these chemical constituents is entering into as well as transiting under the Gowanus Canal.
- A qualitative assessment of human health exposures to contaminants of concern in soil, groundwater and soil vapor at the site determined that current users of each parcel have a very low potential to come into contact with the contaminants in excess of values determined by the New York State Department of Health to be protective of human health. This reflects that most of the site is covered with pavement, industrial buildings and concrete waste. Groundwater is not used for any purpose in the area near the site. Human exposure to contaminants of concern in the Gowanus Canal associated with the former MGP operations is highly unlikely because of very limited human use given historical impacts to the waterway from other sources and the high concentrations of bacteria associated with the discharge of sewerage from time-to-time into the Canal.
- The EPA's remedial investigation asserts that fish and other wildlife may be impacted by the chemical constituents associated with the former MGP operations. However, it is important to note that species observed on the site are highly transient and are not likely to be exposed to these constituents for significant portions of their life cycles. Previous studies have also found that aquatic life in the Gowanus Canal is limited by the impacts of 26 sewer discharge points in the Canal, road runoff and other industrial sources.

The Client provided us with a Brownfield Site Cleanup Agreement ("BCP Agreement"), Index # A2-0610-0808, Site # C224012. Within the BCP Agreement:

- Brooklyn Union Gas Company (aka KeySpan Corporation / National Grid USA) is an Applicant accepted into the BCP as a Participant, and
- The City of New York, Vichar, Inc., and Harvic International Ltd are applicants accepted into the BCP as Volunteers.

We note that the Client acquired the Vichar Inc.'s interest in Parcel III of the BCP Agreement, which is an Applicant accepted as a Volunteer. Based on the above, our understanding is that Vichar Inc. / the Client, as a Volunteer, is an Applicant who is **not liable** for the disposal of hazardous waste or discharge of petroleum at the Property. The Client confirmed that it is **not liable** for any remediation costs associated with the Property.

In addition, the Client provided us with a lease agreement between Vichar Inc. and National Grid dated February 2013, according to which National Grid leased the Site for five years (through December 31, 2017), with five, 1-year extension options. As part of the lease payments, National Grid paid Vichar Inc. a lump-sum amount of $988,000 as compensation for National Grid's use and occupancy of the Site prior to the lease term, as well as reimbursement for past property taxes paid by Vichar Inc. During the original lease term, National Grid paid $100,000 per annum in rent. Rent during the first two extension years, if extended by National Grid, will be $165,000 per annum. Rent during the last three extension years, if extended by National Grid, will be $250,000 per annum. National Grid is also responsible for paying property tax during the lease period.

We note that the lease was signed in order to allow National Grid access to Site to perform certain investigation and remediation activities at the Site and the adjacent Gowanus Canal. The Client indicated that it is expected that the remediation work will be completed on or before the timeframe of the last extension year.

Site – Conclusion

The Property is comprised of 165,840 square feet and is located on the northeast corner of Smith and Huntington Streets, within the Gowanus neighborhood of Brooklyn, NY. The Property has 353 feet of frontage on Smith Street, 420 feet of frontage on Huntington Street, and approximately 375 feet of frontage on Gowanus Canal. As of the Effective Date, the Property was vacant and undergoing environmental remediation.

The size, shape, and topography of the site appear adequate to support most any typical dense development observed in the neighborhood. Part of the Site is located in a flood zone, which is expected given the frontage on the Canal. The Site is located in an area which is expected to be rezoned sometime in the near future at which point the gentrification of the area is expected to continue at a much faster pace.

HIGHEST AND BEST USE

Highest and best use is defined by *The Dictionary of Real Estate Appraisal*, Sixth Edition published by the Appraisal Institute 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.*

Analyzing the Property's highest and best use requires consideration of all legal, physical and economic factors. Economic factors such as supply and demand are especially important. Our highest and best conclusions are listed below.

HIGHEST AND BEST USE, AS VACANT

Legally Permissible Uses

While it would be physically possible to develop the Site with a variety of different structures, it is generally limited in its uses by zoning regulations. The Property is currently zoned M3-1 by the City of New York. According to the zoning ordinance, the allowable uses include industrial, service or office, hotel, retail and community uses. However, as previously discussed, the area is expected to be rezoned at some point in the future, which is what market participants anticipate. If rezoned, residential and mixed-uses will be allowed on the Site. Therefore, we consider most residential and mixed-use uses would be legal uses.

Physically Possible Uses

The Site is generally level and contains an area of 165,840 square feet and is located on the northeast corner of Smith and Huntington Streets, within the Gowanus neighborhood of Brooklyn, NY. The Property has 353 feet of frontage on Smith Street, 420 feet of frontage on Huntington Street, and approximately 375 feet of frontage on Gowanus Canal.

There appears to be no physical limitations as to the type of improvements possible on the Site; with its relatively large size, there are many uses that could be supported. Overall, there does not appear to be any issues with regard to any development that could physically take place on the Site.

Financially Feasible Uses

The determination of financial feasibility is dependent primarily on the relationship of supply and demand for the legally permissible land uses compared to the cost to create those uses.

As was previously discussed, Gowanus was historically an industrial area which is surrounded by residential neighborhoods. Market participants expect this area to gentrify in the future with use changes from industrial to multi-family and mixed-use.

Assuming a healthy capital markets environment, development of a mixed-use residential is considered currently feasible as rental rates, occupancy levels, and typical incentives are adequate to support such development.

Maximally Profitable Use

As noted in the previous section, the Site could support a number of different uses, the majority of which would be profitable. However, it was determined during our analysis that the maximally profitable use for the Site be an apartment or mixed-use complex.

Conclusion

Given the possible uses narrowed down by the stages of highest and best use analysis, Level Valuation has determined the highest and best use of the Site as vacant would be to develop an apartment or mixed-use complex post rezoning and environmental remediation of the Site. The most probable owner is an institutional real estate investor or local/regional developer.

VALUATION METHODOLOGY

As part of our analysis, we considered and evaluated each of the three traditional approaches to value: income capitalization, sales comparison, and cost. The three approaches are defined briefly as follows:

Cost Approach

The cost approach involves an analysis of the physical value of the property. That is, the current market value of the land, assumed to be vacant, plus the depreciated cost of the improvements present on the site. Depreciated cost is based on the estimated cost of replacing the structural and site improvements, less any accrued depreciation from physical deterioration, functional obsolescence, and or external obsolescence.

Sales Comparison Approach

This approach is based on the principle of substitution. That is, when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming no costly delay occurs in making the substitution. Since no two properties are ever truly identical, the necessary adjustments for differences in quality, location, size, services, and market appeal between the appraised property and comparable (substitute) properties are a function of the appraiser's experience and judgment.

Income Approach

This approach entails an analysis of the property in terms of its ability to provide a sufficient net annual return on investment capital. There are two techniques used to assess the economic potential of the appraised property; direct capitalization and discounted cash flow analysis. The discounted cash flow analysis technique discounts a property's forecasted future income flows over a stipulated holding period to arrive at an indication of present value. Direct capitalization employs an overall capitalization rate to a stabilized income stream to arrive at an indication of value.

Given that the Property is vacant land, only the sales comparison approach was completed for this assignment.

SALES COMPARISON APPROACH

The Sales Comparison Approach is defined by *The Dictionary of Real Estate Appraisal*, Sixth Edition, Appraisal Institute, as follows: "The process of deriving a value indication for the subject property by comparing market information for similar properties with the property being appraised, identifying appropriate units of comparison, and making qualitative comparisons with or quantitative adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison."

The Sales Comparison Approach to value is based on the principal of substitution. That is, when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming no costly delay occurs in making the substitution. Traditional appraisal techniques for estimating value by means of substitution involve the collection and analysis of sale and listing data on properties that have as many characteristics as possible similar to those of the property being evaluated. The validity of findings by this approach depends primarily on the quantity and quality of available data.

Because no two properties are ever truly identical, the prices of market indicators must be adjusted to reflect the value of the property being appraised. Typically, adjustments reflect significant differences for such factors as the terms of the sale, market conditions changes, physical characteristics, and economic characters.

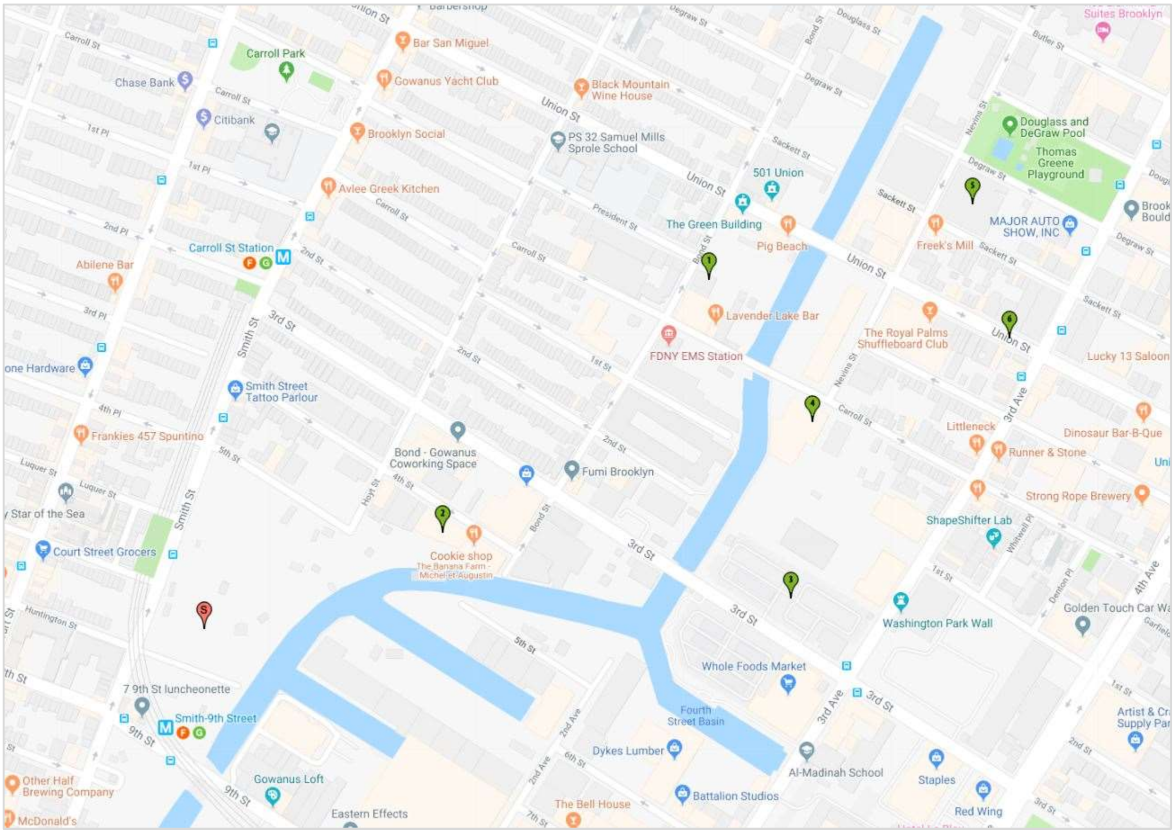
In researching the surrounding market for land sale transactions, a variety of sales were investigated and the most relevant transactions have been selected for this report. The transactions included in this analysis consist of four executed sales, one property under contract to be sold, and one property being marketed sale. The sales located and analyzed further within the report are mapped below and followed by a summary of our analysis.

Please refer to Addendum C for the presentation of the Comparable Land Grid and Addendum D for the presentation of the Comparable Land Sale Write-ups.

For readers convenience we present a brief summary table of land sales in the table below.

455-479 Smith Street - Summary of Land Transactions								
Item	**Address**	**Site Area (SF)**	**Allowable Gross Building Area (SF)**	**Current FAR**	**Draft Zoning Proposal - Maximum FAR**	**Sale Date**	**Effective Sale Price**	**Price per Buildable Area SF**
Subject	455-479 Smith Street	165,840	331,680	2.00	5.00	N/A	N/A	N/A
Sale # 1	313-327 Bond Street	92,520	185,040	2.00	5.00	In-Contract	$92,000,000	$497
Sale # 2	80 4th Street	18,000	36,000	2.00	3.00	Mar-18	$12,800,000	$356
Sale # 3	169-225 3rd Street	139,865	279,730	2.00	5.00	Apr-18	$125,000,000	$447
Sale # 4	420-430 Carroll Street	68,258	136,516	2.00	5.00	Feb-18	$47,500,000	$348
Sale # 5	537-545 Sackett Street	40,000	80,000	2.00	3.60 / 6.00	Dec-17	$26,500,000	$331
Sale # 6	232-250 Third Avenue & 577 Union Street	52,395	104,790	2.00	3.60 / 4.60	Listing	$52,500,000	$501
							MIN	**$331**
							MAX	**$501**
							AVERAGE	**$413**

Comparable Vacant Land Sales Map



ANALYSIS OF LAND SALES

Land assets in the Property's market are generally purchased on a price per buildable area basis. The following analysis discusses the land transactions in a corresponding manner. It should be noted that based on discussions with market participants, land is currently valued on in-place zoning; however, consideration is given to prospective re-zoning.

Subjectivity of Adjustments

Paired sales quantifying explicit adjustments are difficult to estimate given the number of sales and availability of the right combination of sales to extract the various adjustments. Without adequate data to extract quantitative assessments, an appraiser must rely on qualitative assessments. The appraiser forms these assessments based on many factors relating to prior experience, market observations and judgment as an experienced professional. The appraiser then can provide explicit quantitative adjustments based on these qualitative assessments, as long as the adjustments are not presented in a misleading manner. As stated throughout the history of valuation, an appraisal is not an exact science and relies on judgment and experience coupled with the best market information available. Given the nature of the assignment and the use of the report, we have presented explicit quantitative adjustments that in some cases reflect qualitative assessments based on our judgment as a professional. This decision process exists in many professional fields. According to *The Appraisal of Real Estate*, 14th Edition, the sales comparison approach is not formulaic. It does not lend itself to detailed mathematical precision. Rather, it is based on judgment and experience as much as quantitative analysis.

Method of Adjustment

The comparable sales are adjusted using additive adjustment method.

The following discussion presents adjustments made to the comparable sales.

Property Rights Conveyed

A transaction price is predicated on the real property interest conveyed. Many types of real estate, particularly income-producing property, are sold subject to existing leases. The revenue-generating potential of a property is often fixed, or limited, by the terms of the existing leases. In the valuation process, adjustments must be made to reflect the difference between contract rent and market rent and how this difference affects property price.

All the comparables involved in the transfer are of fee simple interests. As a result, no property rights conveyed adjustments were required.

Financing Terms

In analyzing sale transactions, consideration must be given to the financial terms of sale that apply to the particular properties. Sales with favorable financing must be converted to a cash price in order to compare the sales on a like basis. Premiums are typically paid for sales involving favorable financing.

The sales presented in this analysis all sold on a cash basis or involved terms at market interest rates. As a result, no cash equivalency calculations were required.

Conditions of Sale

Adjustments for conditions of sale are sometimes needed to reflect the motivations of buyers and sellers in sales that cause them not to be truly arms-length transactions. Various conditions may exist, including an existing relationship between the parties; inadequate market exposure; financial constraints; or legal considerations that influence the price or timing of the sale.

Comparables 2, and 4 through and 6, transferred under normal conditions; as a result, no conditions of sale adjustment were warranted for those transactions. Comparable 1 was adjusted downward by $3 million based on the credit to be provided by the seller to the purchaser. For Comparable 3, a promote structure was put in-place which results in an economic purchase price to be approximately $10 million above the recorded purchase price - this was accounted for as a Conditions of Sale Adjustment.

Expenditures Immediately After Sale

If a market participant at the time of a transaction is aware of an expenditure to be incurred on the property, that market participant will subtract it from the offer price in expectation of incurring this cost right after purchase. Demolition cost is a good example of such expenditure.

Several of the comparables had improvements at the time of sale - the cost to demolish these improvements was not deemed to be material; as a result, an adjustment was not made to account for the cost to demolish existing improvements.

Additionally, we note that the Property and the comparables are impacted by various levels of environmental contamination related to the Gowanus Canal and historical operations of each respective site (as previously discussed in this report). As a result, an adjustment for environmental remediation was not deemed necessary.

Market Conditions

Comparable sales that occurred under market conditions different from those applicable to the subject on the effective date of appraisal require adjustment for any differences that affect their values. An adjustment for market conditions is made if general property values have increased or decreased since the transaction dates.

Based on our research, property values have been increasing in the area; as such comparables 2 through 5 have been adjusted upward to account for increasing property values. See table below for primary support for our assumption.

455-479 Smith Street - Support for Market Condition Adjustment						
Item	Address	Condition at Sale	Contract Date	Sale Price	Effective Sale Price	Annual Change
Current Sale	313-327 Bond Street	Improved Land, No Entitlements	Feb-19	$95,000,000	$92,000,000	30.34%
Prior Sale	313-327 Bond Street	Improved Land, No Entitlements	Aug-17	$61,000,000	$61,000,000	
Estimate						**25.00%**

An adjustment was not necessary for comparable 1 as the transaction was recently negotiated and comparable 6 which is based on recent offers.

Location

An adjustment for location within a market area may be required when the locational characteristics of a comparable property are different from those of the subject property. Excessive locational differences may disqualify a property from use as a comparable sale.

In this case, in estimating location adjustments, we considered the following locational attributes:

- Current activity - the level of development in the surrounding of each comparable (residential developments, established retail, etc.) eliminates some uncertainty with respect to a development project's financial feasibility and linkage;

- Future development – the potential of the comparable to fit into the future neighborhood plan. We considered the following locational factors affecting the perception regarding future activity:

  - Canal frontage – once cleaned up, the Gowanus Canal is expected to be the epicenter of the neighborhood, and frontage along the canal warrants a premium;
  - Proximity to the train – linkage to other parts of Brooklyn and the City, and proximity to a train station (in terms of walking distance/number of blocks) warrants a premium.

Comparable 1 is similar to the Property in terms of canal frontage, superior to the Property in terms of current activity, and inferior to the Property in terms of proximity to the train. Therefore, this comparable sale did not require a location adjustment.

Comparable 2 is similar to the Property in terms of current activity and proximity to the train; however, it does not have canal frontage and is substantially inferior to the Property in terms proposed density. Therefore, we applied an upward location adjustment for this sale.

Similar to the Property, comparable 3 has significant canal frontage. This site is located directly across the street from Whole Foods with substantially more traffic (both pedestrian and vehicular), which warrants a downward adjustment. However, this adjustment is eliminated given the Property's superior location in terms of proximity to the train.

Comparable 4 is similar to the Property in terms of canal frontage. While this site is superior to the Property in terms of current activity, it is located a few blocks from the train. Therefore, this comparable sale did not require a location adjustment.

Comparable 5 and 6 are located in a more established area; however, they do not have any canal frontage. Therefore, an upward adjustment was applied for location.

Size

Comparables 2, 4, 5, and 6 are significantly smaller than the Site and were adjusted downward.

Shape

The shape of the Site is generally similar to the comparables; as a result, no adjustments were made.

Utilities

No adjustment was warranted to the comparables for this category.

Topography

No adjustment was warranted to the comparables for this category.

Zoning/Entitlements

The Property and all of the comparables (with the exception of comparable 2) have similar zoning; as a result, no adjustments were warranted to the comparables for this category. Comparable 2 is expected to have a much lower maximum FAR when compared to the Property under the draft zoning framework, as such, it was adjusted upward.

Please refer to Addendum C for the presentation of the Comparable Land Grid and Addendum D for the presentation of the Comparable Land Sale Write-ups.

SALES COMPARISON APPROACH CONCLUSION - LAND

The indicated fair value for the Site is presented in the following table. In arriving at our price per buildable area conclusion, we generally placed more emphasis on more recent transactions (i.e. Comparables 1 and 6).

We also placed emphasis on discussions with brokers who are familiar with the Property.

455-479 Smith Street - Adjusted Price Indications	
Minimum Adjusted Price per Buildable Area	$466
Maximum Adjusted Price per Buildable Area	$589
Average Adjusted Price per Buildable Area	$516
Median Adjusted Price per Buildable Area	$512
Relative Standard Deviation Adjusted Price (%)	8%

455-479 Smith Street - Indicated Value	
Subject Buildable Area	331,680
Reconciled Value per Buildable Area	$500
Indicated Value	$165,840,000
Rounded	**$166,000,000**

RECONCILIATION

Based upon our analysis, and subject to the assumptions and limiting conditions described in the accompanying report, it is our opinion that the fair value of the Property, as of March 31, 2019 was:

455-479 Smith Street - Value Indications		
Analysis	**Value Indication**	**$/SF of Buildable GBA**
Cost	N/A	N/A
Sales Comparison [1]	$166,000,000	$500
Income Capitalization	N/A	N/A
Final Value Estimate [1]	$166,000,000	$500

Note [1]: Based on the information provided by the Client we understand that the Property is environmentally contaminated.

The Client provided us with a Brownfield Site Cleanup Agreement ("BCP Agreement"), Index # A2-0610-0808, Site # C224012. Within the BCP Agreement:

- Brooklyn Union Gas Company (aka KeySpan Corporation / National Grid USA) ("National Grid") is an Applicant accepted into the BCP as a Participant, and
- The City of New York, Vichar, Inc., and Harvic International Ltd are applicants accepted into the BCP as Volunteers.

We note that the Client acquired the Vichar Inc.'s interest in Parcel III of the BCP Agreement, which is an Applicant accepted as a Volunteer. Based on the above, our understanding is that Vichar Inc. / the Client, as a Volunteer, is an Applicant who is **not liable** for the disposal of hazardous waste or discharge of petroleum at the Property. The Client confirmed that it is **not liable** for any remediation costs associated with the Property.

If the above proves false, our fair value estimate will likely change.

COST APPROACH

The cost approach was not developed as the Property is vacant land and this approach was not deemed to be applicable.

SALES COMPARISON APPROACH

The sales comparison approach was developed utilizing six transactions of similar properties within the Gowanus neighborhood of Brooklyn. The sales are recent and the adjustments are considered reasonable. Overall, the data was considered adequate to provide a reliable indication of value for the subject. The sales comparison approach is given primary weight in the final reconciliation.

INCOME APPROACH

The income approach was not developed as the Property is vacant land and this approach was not deemed to be applicable.

FAIR VALUE CONCLUSION

Based upon our analysis, and subject to the assumptions and limiting conditions described in the accompanying report, it is our opinion that the fair value of the Property, as of March 31, 2019 was:

455-479 Smith Street - Value Conclusion Detail					
Valuation Type	Value Premise	Value Perspective	Interest Appraised	Effective Date	Indicated Value
Fair Value	As Is [1]	Current	Fee Simple	3/31/2019	$166,000,000

Note [1]: Based on the information provided by the Client we understand that the Property is environmentally contaminated.

The Client provided us with a Brownfield Site Cleanup Agreement ("BCP Agreement"), Index # A2-0610-0808, Site # C224012. Within the BCP Agreement:

- Brooklyn Union Gas Company (aka KeySpan Corporation / National Grid USA) ("National Grid") is an Applicant accepted into the BCP as a Participant, and
- The City of New York, Vichar, Inc., and Harvic International Ltd are applicants accepted into the BCP as Volunteers.

We note that the Client acquired the Vichar Inc.'s interest in Parcel III of the BCP Agreement, which is an Applicant accepted as a Volunteer. Based on the above, our understanding is that Vichar Inc. / the Client, as a Volunteer, is an Applicant who is **not liable** for the disposal of hazardous waste or discharge of petroleum at the Property. The Client confirmed that it is **not liable** for any remediation costs associated with the Property.

If the above proves false, our fair value estimate will likely change.

CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I 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.
- I have performed services, as an appraiser, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My 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.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have made a personal inspection of the property that is the subject of this report.
- 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, which includes the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Lev Yagudayev, MAI has completed the requirements of the continuing education program of the Appraisal Institute for Designated Members.

LEVEL VALUATION LLC

Lev Yagudayev, MAI

NY General Real Estate Appraiser
License Number: 46000044217
Expiration: March 6, 2021

Addenda

Addendum A – Assumptions and Limiting Conditions

Addendum B – Property Exterior Photographs Taken on March 4, 2018

Addendum C – Comparable Land Grid

Addendum D – Comparable Land Sale Write-ups

Addendum E - Qualifications / License

Addendum A

Assumptions and Limiting Conditions

- This appraisal report has been based on, and is subject to, the following general assumptions and limiting conditions:

- The market values reported are only applicable to the purpose, function, and terms stated in this report and shall not be used for any other purpose.

- The appraisers have assumed that the reader(s) of this report is well versed in real estate and is a sophisticated and knowledgeable business person(s).

- No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property(ies) is assumed to be good and marketable unless otherwise stated. The property(ies) is appraised free and clear of any or all liens or encumbrances unless otherwise stated. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property(ies) described and that there is no encroachment or trespass unless noted in the report.

- Responsible ownership and competent property management are assumed.

- The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

- All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property(ies).

- It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.

- It is assumed that the property(ies) is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described and considered in the appraisal report. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the market value estimates contained in this report are based.

- It is assumed that the property(ies) conforms to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described and considered in the appraisal report.

- The appraisers shall not be required to give testimony as a witness or to appear in any capacity in any legal or administrative hearing or procedure, or to have any continued service responsibility unless compensated, by the engager of this report, in advance, according to their fee schedule then in effect.

- Unless otherwise stated in this appraisal report, the existence of hazardous materials, which may or may not be present on the property(ies), was not observed by the appraiser. The appraiser has no knowledge of the existence of such material on or in the property(ies). The appraiser, however is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials may affect the market value of the property(ies). The market value estimated is predicated on the assumption that there are no such material on or in the property(ies) that would cause a loss in market value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The Client is urged to retain an expert in this field, if desired.

- The appraisers are not engineers, no warranties are made by references to physical property characteristics in terms of quality, condition, cost, suitability, soil conditions, flood risk, obsolescence, etc., and no liability is assumed for any engineering-related issues.

- Possession of this report or a copy thereof does not imply right of publication, nor use for any purpose by anyone other than the person to whom it is addressed, without the written consent of Level Valuation.

- The liability of Level Valuation, and its affiliates, employees, officers, directors and agents, is limited to the Client and the limits of liability are covered in the engagement agreement between the Client and Level Valuation. This appraisal was prepared specifically for the Client, to whom this appraisal was addressed.

- The Client acknowledges that Level Valuation is a limited liability company and agrees that any claim made by the Client arising out of any act or omission of any director, officer, agent, or employee of Level Valuation, in the execution or performance of its contractual or professional responsibilities shall be made solely against Level Valuation and not against any such director, officer, agent or employee.

- Cash flow projections are forecasts of estimated future operating characteristics and are predicated on the information and assumptions contained within the appraisal report. The achievement of the financial projections will be affected by fluctuating economic conditions and is dependent upon other future occurrences that cannot be assured. Actual results may well vary from the projections contained herein. The appraisers do not warrant that these forecasts will occur. Projections may be affected by circumstances beyond the current realm of knowledge or control of the appraisers. The appraisers are not trying to forecast the future but rather are attempting to replicate techniques utilized by market participants for properties similar to the subject property(ies).

- Level Valuation is not an “expert” as such term is used in the Securities Act of 1933, as amended, and that Level Valuation is neither an issuer nor an underwriter of securities and has no direct liability to any investor in securities which are backed by payments.

- The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey and analysis of the subject property(ies) to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property (ies), together with a detailed analysis of the requirements for the ADA, could reveal that the property(ies) is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the market value of the property(ies). Since we have no direct evidence relating to this issue, we did not consider possible non-compliance with the requirements of the ADA in estimating the market value of the property(ies).

Addendum B

Property Exterior Photographs Taken on March 4, 2018

View of the Property from Smith Street and Huntington Street Corner

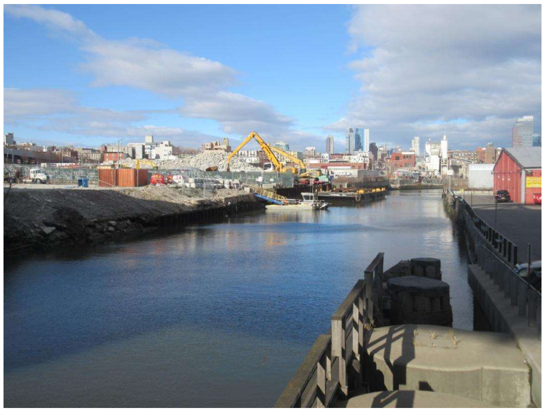
Looking North on Smith Street, Property on Left

Inside View of the Property

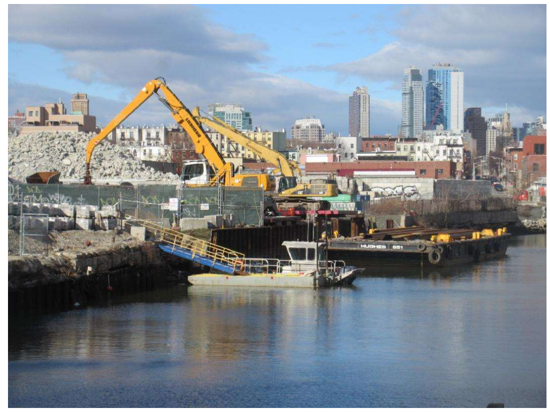
Inside View of the Property

Looking S. on Smith St, Property on Right

Inside View of the Property



View of the Property from West 9th Street



View of the Property from West 9th Street

Addendum C

Comparable Land Grid

455-479 Smith Street - Land Sales Summary							
	Subject	Sale #1	Sale #2	Sale #3	Sale #4	Sale #5	Sale #6
PROPERTY IDENTIFICATION:							
Address	455-479 Smith Street	313-327 Bond Street	80 4th Street	169-225 3rd Street	420-430 Carroll Street	537-545 Sackett Street	232-250 Third Avenue & 577 Union Street
City, State, Zip Code	Brooklyn, New York 11231	Brooklyn, New York 11231	Brooklyn, New York 11231	Brooklyn, New York 11215	Brooklyn, New York 11231	Brooklyn, New York 11217	Brooklyn, New York 11215
Neighborhood	Gowanus	Gowanus	Gowanus	Gowanus	Gowanus	Gowanus	Gowanus
Block	471	438 & 445	471	972	453	426	433 & 440
Lot	200	Multiple	116	1, 43, 58	1, 21	1	Multiple
SITE DATA:							
Site Area (SF)	165,840	92,520	18,000	139,865	68,258	40,000	52,395
Allowable Gross Building Area (SF)	331,680	185,040	36,000	279,730	136,516	80,000	104,790
FAR	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Zoning Code	M3-1	M2-1	M3-1	M2-1	M2-1	M1-2	M1-2
Parcel Type	Corner	Through Lot	Interior	Double Corner	Double Corner	Double Corner	Corner
Shape	Nearly rectangular	Irregular	Irregular	Rectangular	Irregular	Square	Irregular
Number of Lots	1	7	1	3	2	1	9
Site Plans Approved?	No	No	No	No	No	No	No
Gowanas Canal Frontage (Feet)	390	360	0	220	240	0	0
Framework Relative Density / FAR	Moderate (8-10+)	Moderate (8-10+) Lower (3-6)	Medium (4-8)	Moderate (8-10+) Higher (12-15)	Moderate (8-10+)	Higher (12-15) Medium (6-8+)	Moderate (8-10+) Lower (3-6)
Draft Zoning Proposal	M1 (3) / R7-2	M1 (3) / R7-2	M1 (3)	M1 (3) / R7-2	M1 (3) / R7-2	M1 (4) / R7X M1 (3) / R6A	M1 (3) / R6A M1 (3) / R7A
Description	Mixed-Use	Mixed-Use	Industrial/ Commercial	Mixed-Use	Mixed-Use	Mixed-Use	Mixed-Use
Draft Zoning Proposal - Maximum FAR	5.00	5.00	3.00	5.00	5.00	3.60 / 6.00	3.60 / 4.60
TRANSACTION DATA:							
Contract Date	N/A	2/26/2019	1/19/2018	12/22/2017	9/7/2017	8/9/2017	N/A
Sale Date	N/A	In-Contract	3/29/2018	4/18/2018	2/7/2018	12/15/2017	Listing
Seller	N/A	Multiple	Individual	SL Green & Kushner Companies	Property Markets Group	ATS Realty, Inc.	Multiple
Buyer	N/A	N/A	The Brooklyn Home Company	RFR Realty	The Domain Companies	The Domain Companies	N/A
SALE CHARACTERISTICS:							
Property Rights Conveyed	N/A	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Conditions of Sale	N/A	Arms Length	Arms Length	Arms Length	Arms Length	Arms Length	Arms Length
Financing Terms	N/A	Typical	Typical	Typical	Typical	Typical	Typical
SALE PRICE ANALYSIS:							
Sale Price	N/A	$95,000,000	$12,800,000	$115,000,000	$47,500,000	$26,500,000	$52,500,000
Property Rights Conveyed Adj.	N/A	$0	$0	$0	$0	$0	$0
Financing Terms Adj.	N/A	$0	$0	$0	$0	$0	$0
Conditions of Sale Adj.	N/A	($3,000,000)	$0	$10,000,000	$0	$0	$0
Expenditures Immediately After Sale Adj.	N/A	$0	$0	$0	$0	$0	$0
Effective Sale Price	N/A	$92,000,000	$12,800,000	$125,000,000	$47,500,000	$26,500,000	$52,500,000
UNITS OF COMPARISON:							
Price per Buildable Area	N/A	$497	$356	$447	$348	$331	$501

455-479 Smith Street - Sales Comparison Approach (continued)							
		Sale #1	Sale #2	Sale #3	Sale #4	Sale #5	Sale #6
TIME/MARKET CONDITIONS	Annual Increase	In-Contract	Mar-18	Apr-18	Feb-18	Dec-17	Listing
% Adjustment	25.0%	0.0%	29.9%	31.8%	39.0%	41.0%	0.0%
LOCATION		Similar	Inferior	Similar	Similar	Inferior	Inferior
% Adjustment		0.0%	10.0%	0.0%	0.0%	10.0%	10.0%
SIZE		Similar	Smaller	Similar	Smaller	Smaller	Smaller
% Adjustment		0.0%	-10.0%	0.0%	-5.0%	-5.0%	-5.0%
SHAPE		Similar	Similar	Similar	Similar	Similar	Similar
% Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
UTILITIES		Similar	Similar	Similar	Similar	Similar	Similar
% Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOPOGRAPHY		Similar	Similar	Similar	Similar	Similar	Similar
% Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT ZONING / ENTITLEMENTS		Similar	Inferior	Similar	Similar	Similar	Similar
% Adjustment		0.0%	20.0%	0.0%	0.0%	0.0%	0.0%
Total Adjustments to Time Adjusted Price per Buildable Area							
Net % Adjustments		0.0%	49.9%	31.8%	34.0%	46.0%	5.0%
Total % Adjustments		0.0%	69.9%	31.8%	44.0%	56.0%	15.0%
Adjusted Price per Buildable Area		**$497**	**$533**	**$589**	**$466**	**$484**	**$526**

455-479 Smith Street - Adjusted Price Indications	
Minimum Adjusted Price per Buildable Area	$466
Maximum Adjusted Price per Buildable Area	$589
Average Adjusted Price per Buildable Area	$516
Median Adjusted Price per Buildable Area	$512
Relative Standard Deviation Adjusted Price (%)	8%

455-479 Smith Street - Indicated Value	
Subject Buildable Area	331,680
Reconciled Value per Buildable Area	$500
Indicated Value	$165,840,000
Rounded	**$166,000,000**

Addendum D

Comparable Land Sale Write-ups

Land Sale No. 1

PROPERTY

Address	313-327 Bond Street	**Property Type**	Land
Neighborhood	Gowanus	**Property Subtype**	Industrial Land
City, State	Brooklyn, New York		
Block / Lot	438 & 445 / Multiple		

SITE

Site Area (SF)	92,520	**Number of Lots**	7
Parcel Type	Through Lot	**Buildable Area**	185,040
Shape	Irregular	**Zoning**	M2-1

TRANSACTION

Date of Contract	2/26/2019	**% of Interest Conveyed**	100%
Date of Sale	N/A	**Conveyance Doc. Type**	N/A
Sale Status	In-Contract	**Document #**	N/A
		Seller	Multiple
		Buyer	N/A

SALE PRICE

Sale Price	$95,000,000		
PR Conveyed Adj.	$0	**PR Conveyed**	Fee Simple
Financing Adj.	$0	**Financing Terms**	Typical
Conditions Adj.	-$3,000,000	**Conditions of Sale**	Arms Length
Exp. After P. Adj.	$0	**Expenditures After Sale**	N/A
Effective Sale Price	$92,000,000		
Effective SP / SF	$497		

REMARKS

The site is located along the west band of the Gowanus Canal, between the two bridges crossing the upper section of the Canal on Union and Carroll Streets. The site has approximately 360' of frontage along the Canal.

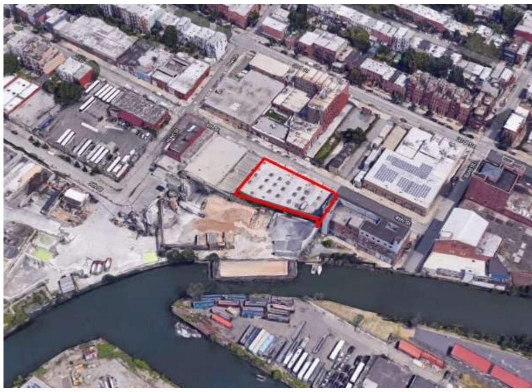
Based on the rezoning framework which was published in June 2018, most of the site is located within a moderate density zone (8-10+ stories) within which the framework recommends to allow moderate density mixed-use development, with restricted base heights (5-7 stories) along the Canal and narrow streets and additional height or density (8-10, 18+, 22+ stories) in key locations, where appropriate. The framework also recommends making Mandatory Inclusionary Program ("MIH") applicable for these rezoned sites.

Based on the draft Gowanus zoning proposal, the site's future zoning will be M1 (3) / R7-2, which, under a mixed use scenario, proposes a maximum residential FAR of 4.4x and a maximum non-residential FAR of 0.6x, resulting in a total FAR of 5.0x.

In addition, a small portion of the site is located within a lower density zone (3-6 stories) within which the framework recommends to bring existing residences into conformance with zoning, allow new residential uses and existing uses to remain and enlarge. The framework also recommends making Mandatory Inclusionary Program ("MIH") applicable for these rezoned sites.

The Purchaser shall receive a credit to the Purchase price in the amount of $3,000,000 ("Bulkhead Credit"); this was reflected in the Conditions of Sale Adjustment.

Land Sale No. 2



PROPERTY

Address	80 4th Street	**Property Type**	Land
Neighborhood	Gowanus	**Property Subtype**	Industrial Land
City, State	Brooklyn, New York		
Block / Lot	471 / 116		

SITE

Site Area (SF)	18,000	**Number of Lots**	1
Parcel Type	Interior	**Buildable Area**	36,000
Shape	Irregular	**Zoning**	M3-1

TRANSACTION

Date of Contract	1/19/2018	**% of Interest Conveyed**	100%
Date of Sale	3/29/2018	**Conveyance Doc. Type**	Bargain and Sale Deed
Sale Status	Closed	**Document #**	2018040400751001
		Seller	Individual
		Buyer	The Brooklyn Home Comp.

SALE PRICE

Sale Price	$12,800,000		
PR Conveyed Adj.	$0	**PR Conveyed**	Fee Simple
Financing Adj.	$0	**Financing Terms**	Typical
Conditions Adj.	$0	**Conditions of Sale**	Arms Length
Exp. After P. Adj.	$0	**Expenditures After Sale**	N/A
Effective Sale Price	$12,800,000		
Effective SP / SF	$356		

REMARKS

The property is 18,000 SF of land located on 4th Street between Hoyt and Bond Streets in the Gowanus neighborhood of Brooklyn. The site is improved with a 17,942 SF, single-story, brick, warehouse building. The site is an internal block site with no frontage along the Gowanus Canal.

Based on the rezoning framework which was published in June 2018, the site is located within a medium density zone (4-8 stories) within which the framework recommends to increase allowable density for industrial, commercial and art-oriented uses and promote reuse of loft-style buildings; however, recommendation also suggest no new residential uses (except where appropriate) and restriction on new hotels.

Based on the draft Gowanus zoning proposal, the site’s future zoning will be M1 (3), which proposes a maximum retail FAR of 2.0x and a maximum other commercial FAR of 3.0x.

Land Sale No. 3

PROPERTY

Address	169-225 3rd Street	**Property Type**	Land
Neighborhood	Gowanus	**Property Subtype**	Industrial Land
City, State	Brooklyn, New York		
Block / Lot	972 / 1, 43, 58		

SITE

Site Area (SF)	139,865	**Number of Lots**	3
Parcel Type	Double Corner	**Buildable Area**	279,730
Shape	Rectangular	**Zoning**	M2-1

TRANSACTION

Date of Contract	12/22/2017	**% of Interest Conveyed**	100%
Date of Sale	4/18/2018	**Conveyance Doc. Type**	Bargain and Sale Deed
Sale Status	Closed	**Document #**	2018041900805001001
		Seller	SL Green & Kushner Comp.
		Buyer	RFR Realty

SALE PRICE

Sale Price	$115,000,000		
PR Conveyed Adj.	$0	**PR Conveyed**	Fee Simple
Financing Adj.	$0	**Financing Terms**	Typical
Conditions Adj.	$10,000,000	**Conditions of Sale**	Arms Length
Exp. After P. Adj.	$0	**Expenditures After Sale**	N/A
Effective Sale Price	$125,000,000		
Effective SP / SF	$447		

REMARKS

The ~3.2-acre site is located at 169-225 Third Street between Third Avenue and Gowanus Canal. Situated between Brooklyn's Park Slope and Carroll Gardens communities and accessible to the F, G and R lines, the property is directly across the street from the recently opened Whole Foods Market and near several of the area's newest dining and recreational outposts. The site has 220’ of frontage along the upper section of the Gowanus Canal.

According to a party to the transaction, a promote structure was put in-place which results in an economic purchase price to be approximately $10 million above the recorded purchase price - this was accounted for as a Conditions of Sale Adjustment.

Based on the rezoning framework which was published in June 2018, most of the site is located within a moderate density zone (8-10+ stories) within which the framework recommends to allow moderate density mixed-use development, with restricted base heights (5-7 stories) along the Canal and narrow streets and additional height or density (8-10, 18+, 22+ stories) in key locations, where appropriate. The framework also recommends making Mandatory Inclusionary Program (“MIH”) applicable for these rezoned sites.

Based on the draft Gowanus zoning proposal, the site’s future zoning will be M1 (3) / R7-2, which, under a mixed use scenario, proposes a maximum residential FAR of 4.4x and a maximum non-residential FAR of 0.6x, resulting in a total FAR of 5.0x.

In addition, a small portion of the site is located within a higher density zone (12-15 stories) within which the framework recommends to allow higher density mixed-use development, with active ground floor uses in key locations. The framework also recommends making Mandatory Inclusionary Program (“MIH”) applicable for these rezoned sites.

The property previously sold in October 2014 for $72.5 million.

Land Sale No. 4

PROPERTY

Address	420-430 Carroll Street	**Property Type**	Land
Neighborhood	Gowanus	**Property Subtype**	Industrial Land
City, State	Brooklyn, New York		
Block / Lot	453 / 1, 21		

SITE

Site Area (SF)	68,258	**Number of Lots**	2
Parcel Type	Double Corner	**Buildable Area**	136,516
Shape	Irregular	**Zoning**	M2-1

TRANSACTION

Date of Contract	9/7/2017	**% of Interest Conveyed**	100%
Date of Sale	2/7/2018	**Conveyance Doc. Type**	Deed
Sale Status	Closed	**Document #**	2018021201241001
		Seller	Property Markets Group
		Buyer	The Domain Companies

SALE PRICE

Sale Price	$47,500,000		
PR Conveyed Adj.	$0	**PR Conveyed**	Fee Simple
Financing Adj.	$0	**Financing Terms**	Typical
Conditions Adj.	$0	**Conditions of Sale**	Arms Length
Exp. After P. Adj.	$0	**Expenditures After Sale**	N/A
Effective Sale Price	$47,500,000		
Effective SP / SF	$348		

REMARKS

The property is comprised of two adjacent lots with total area of 68,258 SF of industrial land improved with a three-story, brick, warehouse building located on Carroll Street (with ~240 SF of Gowanus Canal Waterfront) in the Gowanus neighborhood of Brooklyn. The buyer plans to rezone the site and improving the site with a large-scale residential and mixed-use property.

Based on the rezoning framework which was published in June 2018, the site is located within a moderate density zone (8-10+ stories) within which the framework recommends to allow moderate density mixed-use development, with restricted base heights (5-7 stories) along the Canal and narrow streets and additional height or density (8-10, 18+, 22+ stories) in key locations, where appropriate. The framework also recommends making Mandatory Inclusionary Program (“MIH”) applicable for these rezoned sites.

Based on the draft Gowanus zoning proposal, the site’s future zoning will be M1 (3) / R7-2, which, under a mixed use scenario, proposes a maximum residential FAR of 4.4x and a maximum non-residential FAR of 0.6x, resulting in a total FAR of 5.0x.

The site is improved with an industrial building of 59,547 SF.

Land Sale No. 5

PROPERTY

Address	537-545 Sackett Street	**Property Type**	Land
Neighborhood	Gowanus	**Property Subtype**	Industrial Land
City, State	Brooklyn, New York		
Block / Lot	426 / 1		

SITE

Site Area (SF)	40,000	**Number of Lots**	1
Parcel Type	Double Corner	**Buildable Area**	80,000
Shape	Square	**Zoning**	M1-2

TRANSACTION

Date of Contract	8/9/2017	**% of Interest Conveyed**	100%
Date of Sale	12/15/2017	**Conveyance Doc. Type**	Bargain and Sale Deed
Sale Status	Closed	**Document #**	2017122700874001
		Seller	ATS Realty, Inc.
		Buyer	The Domain Companies

SALE PRICE

Sale Price	$26,500,000		
PR Conveyed Adj.	$0	**PR Conveyed**	Fee Simple
Financing Adj.	$0	**Financing Terms**	Typical
Conditions Adj.	$0	**Conditions of Sale**	Arms Length
Exp. After P. Adj.	$0	**Expenditures After Sale**	N/A
Effective Sale Price	$26,500,000		
Effective SP / SF	$331		

REMARKS

The property is 40,000 SF of industrial land improved with a one-story, brick, warehouse building located on the corner of Nevins Street between Sackett and Degraw Streets in the Gowanus neighborhood of Brooklyn. The buyer plans to rezone the site and improving the site with a large-scale residential and mixed-use property. The site does not have frontage along the Gowanus Canal.

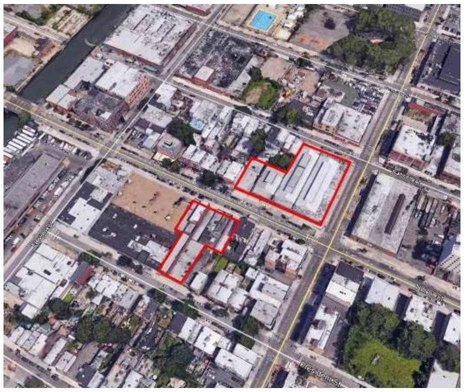
Based on the rezoning framework which was published in June 2018, approximately three quarters of the site is located within a higher density zone (12-15 stories) within which the framework recommends to allow higher density mixed-use development, with active ground floor uses in key locations. The framework also recommends making Mandatory Inclusionary Program (“MIH”) applicable for these rezoned sites.

In addition, a quarter of the site is located within a medium density zone (6-8+ stories) within which the framework recommends to allow medium density mixed-use development. The framework also recommends making Mandatory Inclusionary Program (“MIH”) applicable for these rezoned sites.

Based on the draft Gowanus zoning proposal, portions the site’s future zoning will be M1 (4) / R7X and other portions of the site’s future zoning will be M1 (3) / R6A, which will allow maximum FARs ranging from 3.60x to 6.00x.

The site is improved with an industrial building of 41,050 SF.

Land Sale No. 6



PROPERTY

Address	232-250 3rd / 577 Union	**Property Type**	Land
Neighborhood	Gowanus	**Property Subtype**	Industrial Land
City, State	Brooklyn, New York		
Block / Lot	433 & 440 / Multiple		

SITE

Site Area (SF)	52,395	**Number of Lots**	9
Parcel Type	Corner	**Buildable Area**	104,790
Shape	Irregular	**Zoning**	M1-2

TRANSACTION

Date of Contract	N/A	**% of Interest Conveyed**	100%
Date of Sale	N/A	**Conveyance Doc. Type**	N/A
Sale Status	Listing	**Document #**	N/A
		Seller	Multiple
		Buyer	N/A

SALE PRICE

Sale Price	$52,500,000		
PR Conveyed Adj.	$0	**PR Conveyed**	Fee Simple
Financing Adj.	$0	**Financing Terms**	Typical
Conditions Adj.	$0	**Conditions of Sale**	Arms Length
Exp. After P. Adj.	$0	**Expenditures After Sale**	N/A
Effective Sale Price	$52,500,000		
Effective SP / SF	$501		

REMARKS

This is a listing of two sites (Site A and Site) which have a total combined area of 52,395 square feet. According to parties to the transaction, offers from potential buyers are coming in around $500 per buildable FAR (based on current M1-2 zoning).

Based on the draft Gowanus zoning proposal, portions the site's future zoning will be M1 (3) / R6A and other portions of the site's future zoning will be M1 (3) / R7A, which will allow maximum FARs ranging from 3.60x to 4.60x.

Addendum E

Qualifications / License

LEVELVALUATION

PROFESSIONAL QUALIFICATIONS

Lev Yagudayev, MAI
Office: 646-929-3893
Cell: 917-885-4419
lev@levelvaluation.com

Experience

Lev Yagudayev has over 20 years of experience in different facets of commercial real estate and is a specialist in the area of valuation for financial reporting purposes. He has valued real estate and instruments secured by real estate in nearly every major market in the U.S. and comprising most property types.

Prior to joining Level Valuation, Mr. Yagudayev worked for approximately two years in the appraisal practice at Situs RERC, where he served as a director and Northeast practice leader. While at Situs RERC, Mr. Yagudayev was responsible for managing Situs RERC's Northeast practice and delivering the following services: portfolio valuation services, purchase price allocation studies, International Financial Reporting Standards (IFRS) valuation services, investor reporting, and due diligence services.

Prior to Situs RERC, Mr. Yagudayev worked for nine years in the real estate consulting practice at Deloitte. In his latest role, he served as senior manager and portfolio valuation services leader for the East region. While at Deloitte, Mr. Yagudayev provided valuation and due diligence services to alternative investment managers; advised and consulted clients on a variety of issues relating to commercial real estate and real estate instruments; worked with clients to improve their processes relating to valuation, financial reporting, and investor reporting; and interacted daily with senior executives and decision makers at many real estate firms.

Prior to Deloitte, Mr. Yagudayev worked at Emigrant Bank, where he focused on commercial real estate valuation, REO management/disposition, mortgage underwriting, loan origination, and foreclosures.

Mr. Yagudayev is also an adjunct professor at the Fordham Graduate School of Business where he teaches real estate finance and is a faculty advisor to the real estate club.

Education

- Fordham University
  - M.B.A., finance and professional accounting
- Hofstra University
  - B.S., biochemistry

UNIQUE ID NUMBER

46000044217

State of New York

Department of State

DIVISION OF LICENSING SERVICES

FOR OFFICE USE ONLY

Control No. 113862

EFFECTIVE DATE

MO.	DAY	YR.
03	07	19

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

EXPIRATION DATE

MO.	DAY	YR.
03	06	21

YAGUDAYEV LEV

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)

BBG

May 15, 2019

Mr. Yizhar Shimoni
All Year Holdings
199 Lee Avenue, #693
Brooklyn, NY 11211

Re: Value of Denizen (123 Melrose Street and 54 Noll Street, Brooklyn, NY) as of March 31, 2019.

Dear Mr. Shimoni:

BBG, Inc. prepared an appraisal report for Denizen (123 Melrose Street and 54 Noll Street, Brooklyn, NY) as of December 31, 2018. The purpose of this letter is to provide a value as of March 31, 2019 for financial reporting.

We confirm that we have given our full consent to the inclusion of the valuations (value date of March 31, 2019) in their entirety (including by a way of reference) within the All Year Holdings Limited financial statements to be published in the Tel Aviv Stock Exchange in May 2019.

In addition, we confirm that we have given our full consent to the inclusion of this consent letter within the All Year Holdings Limited financial statements to be published in the Tel Aviv Stock Exchange in May 2019.

The as is value as of December 31, 2018 was $316M for phase 1 and $285M for phase 2 for a total of $601M. The residential and retail market (market rents, vacancy, cap rates) have remained stable in Bushwick in the first quarter of 2019. To derive an as is value as of March 31, 2019, we updated the residual value analysis to account for the construction costs spent and the amount remaining, and the profit applied.

As of March 31, 2019, phase 1 (54 Noll) is complete and $7,107,793 was remaining to be spent on phase 2 (123 Melrose) as summarized below. Note the total construction budget for phase 2 is unchanged from the December 31, 2018 budget.

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

	Phase 1 (54 Noll St)	Phase 2 (123 Melrose St)	Total
Total Construction Costs	$128,677,818	$140,154,570	$268,832,388
Spent to Date:	$128,677,818	$133,046,777	$261,724,595
% Completed	100%	95%	97%
Remaining Costs	$0	$7,107,793	$7,107,793

SUMMARY OF LEASING TO DATE AT THE SUBJECT PROPERTY

Leasing in Phase 1 began in July 2018, and 245 units are leased as of March 31, 2019 (46 affordable units and 199 market rate units), which equates to a leasing velocity of 27 units per month (22 market rate units per month). We note that the leasing velocity decreased from 38 units per month because the first quarter is the least active leasing quarter in New York City. The studios average $2,463. The one bedrooms average $3,227. The two bedrooms average $4,074 per month. The studio and one bedrooms are in line with our projections from December 2018, while the 2 bedrooms have a lower average rate. However, there are only 26 leased market rate two bedroom units so several low leases skews the average. We have updated the projected rents for the vacant units based on the leasing activity to date.

We have also considered the fact that all of tenants that have moved into the subject to date have moved into a development that has been under construction. This led the owner to lease these units at a lower rent per month. Further, as the amenities are primarily in Phase 2, the current tenants have not had access to the amenities. Considering that Phase 2 is expected to be completed this quarter, we project units leased going forward will achieve rents above what has been achieved to date

	Phase 1	Studio	1BR	2BR	Total/Avg.
Phase 1	# of Units Rented	76	97	26	199
	Annual Income	$2,245,800	$3,755,700	$1,271,100	$7,272,600
	Average Monthly Rent	$2,463	$3,227	$4,074	$3,045
	# Units to be Rented	2	109	44	155
	Annual Income	$64,800	$4,381,800	$2,217,600	$6,664,200
	Average Monthly Rent	$2,700	$3,350	$4,200	$3,583
	Avg Monthly Rent	$2,469	$3,292	$4,153	$3,281
	Total Annual Income	$2,310,600	$8,137,500	$3,488,700	$13,936,800
	Phase 2	**Studio**	**1BR**	**2BR**	**Total/Avg.**
Phase 2	# Units	148	147	79	374
	Annual Income	$4,619,294	$5,963,958	$4,123,350	$14,706,602
	Average Monthly Rent	$2,610	$3,392	$4,358	$3,287
Total	Annual Income	$6,929,894	$14,101,458	$7,612,050	$28,643,402
	Average Rent Per Month	$2,555	$3,329	$4,257	$3,279

The proforma for phase 1 and 2 are shown below. Note the free market income has been updated based on the leasing activity and the remaining assumptions (except for the commercial income in phase 2) are unchanged from December.

MASTER LEASE FOR COMMERCIAL SPACE IN PHASE 2

On March 31, 2019, ownership signed a 10 year master lease for the majority of the commercial space in phase 2. The tenant is Black Lake Holdings LLC. The rent is $1.3M in years 1 and 2 followed by 3% annual increases thereafter. We apply this income in our proforma for phase 2. The only space not included in the master lease is 3,276 SF at grade. We project a rent of $50 psf for this space which equates to a rent of $163,800. We add this to the commercial income in our proforma for phase 2.

Phase 1			
	$	**PSF**	**Per Unit**
Income			
Residential Income - Free Market Units	$13,936,800	$37.96	$31,460
Residential Income - Inclusionary Housing Units	$1,113,684	$3.03	$2,514
Commercial Income	$2,200,000	$5.99	$4,966
Commercial Real Estate Tax Reimbursement	$7,348	$0.02	$17
Laundry Income	$25,000	$0.07	$56
Other Income (Storage, Amenity Fees, Misc.)	$354,400	$0.97	$800
Garage Income	$562,950	$1.53	$1,271
Potential Gross Residential Income	$18,200,182	$49.57	$41,084
Less Residential V/C Loss @ 3.0% Market Rate and .05% IH	-$446,181	-$1.22	-$1,007
Less Commercial Income V/C Loss @ 2%	-$44,147	-$0.12	-$100
Effective Gross Income	$17,709,854	$48.24	$39,977
Operating Expenses			
Real Estate Taxes	$4,419,835	$12.04	$9,977
Insurance	$146,858	$0.40	$332
Electricity	$220,288	$0.60	$497
Fuel	$165,216	$0.45	$373
Water & Sewer	$310,100	$0.84	$700
Repairs & Maintenance	$312,074	$0.85	$704
Payroll	$531,600	$1.45	$1,200
Reserves	$88,600	$0.24	$200
Miscellaneous	$183,573	$0.50	$414
Management & Administration	$531,296	$1.45	$1,199
Total Operating Expenses	$6,909,439	$18.82	$15,597
Total Expenses Excluding RE Taxes	$2,489,604	$6.78	$5,620
Net Operating Income	$10,800,414	$29.42	$24,380
Operating Expense Ratio	39%		
Cap at 4.25%	**$254,127,394**		
Add 421a	**$68,749,623**		
Value as Stabilized	**$323,000,000**		

Phase 2			
	$	**PSF**	**Per Unit**
Income			
Residential Income - Free Market Units	$14,706,602	$39.70	$31,424
Residential Income - Inclusionary Housing Units	$1,167,216	$3.15	$2,494
Commercial Income	$1,463,800	$3.95	$3,128
Laundry Income	$25,000	$0.07	$53
Other Income (Storage, Amenity Fees, Misc.)	$374,400	$1.01	$800
Garage Income	$562,950	$1.52	$1,203
Potential Gross Residential Income	$18,299,968	$49.40	$39,102
Less Residential V/C Loss @ 3.0% Market Rate and .05% IH	-$469,902	-$1.27	-$1,004
Less Commercial Income V/C Loss @ 2%	-$29,276	-$0.08	-$63
Effective Gross Income	$17,800,790	$48.06	$38,036
Operating Expenses			
Real Estate Taxes	$4,711,843	$12.72	$10,068
Insurance	$148,168	$0.40	$317
Electricity	$222,252	$0.60	$475
Fuel	$166,689	$0.45	$356
Water & Sewer	$327,600	$0.88	$700
Repairs & Maintenance	$314,857	$0.85	$346
Payroll	$561,600	$1.52	$1,200
Reserves	$93,600	$0.25	$200
Miscellaneous	$185,210	$0.50	$396
Management & Administration	$534,024	$1.44	$1,141
Total Operating Expenses	$7,265,843	$19.62	$15,525
Total Expenses Excluding RE Taxes	$2,554,000	$6.89	$5,457
Net Operating Income	$10,534,947	$28.44	$22,511
Operating Expense Ratio	41%		
Cap at 4.25%	**$247,881,104**		
Add 421a	**$74,097,368**		
Value as Stabilized	**$322,000,000**		

There are 2 residential master leases and one commercial master lease in phase 1. One residential master lease covers 185 residential units and the other residential lease covers 157 residential units within phase 1. In addition, the commercial space in phase 1 have been separately master leased. The landlord is the subject owner, Evergreen Gardens II, LLC. The tenant is The NY Zen LLC.

Both residential master leases are 5 year terms beginning June 29, 2018 (185 units) and September 29, 2018 (154 units). There are two additional five-year renewal options. The rent is $6,300,000 (185 units) and $6,100,000 (157 units) annually and is flat during the rental period (with 3% increases per renewal term). The landlord is responsible for all residential operating expenses, capital repairs/completion costs, and apartment lease-up costs. The residential master lease tenant is solely responsible for their gross rent payment.

The residential master leases allow the landlord early termination should the building be sold or refinanced and subject to a qualifying refinance event. Specifically, the early termination option can be exercised contingent upon the master lease inhibiting or preventing the landlord from obtaining a customary loan at ordinary rates and terms. Early termination cannot be exercised until 6 months beyond the lease begin date. If exercised, the landlord must pay the tenant a "Guaranteed Profit Amount" of $900,000 (185 units) and $720,000 (157 units) plus the difference between any residential master lease rent paid and residential rent generated by the apartments to the lease termination date. If the early termination option is exercised beyond the initial 6 months of the lease term, the Guaranteed Profit Amount is reduced by $35,000 per month after the initial 6-month period. We project the early termination payment to be $7,276,505 (will be illustrated later).

As our fair value opinion herein assumes a hypothetical sale of the property as of our effective date of value, we have considered the likelihood that a buyer would exercise the early termination option in our analysis and adjusted our value conclusion accordingly. We have utilized this methodology because the rent achievable by leasing the individual units exceeds that of the master lease. In addition, there is greater upside potential for the owner in the long term considering the master lease rents are flat. We have also considered the scenario in which the owner does not terminate the master leases, but master leased residential buildings are very rare in New York City. Rent growth and investor demand high quality residential buildings remains strong. The NOI for Phase 1 applying the master lease income is $9.9M versus $10.8M based on terminating the leases. Thus, it is in the owners best interest to terminate the leases.

The retail master lease (which accounts for the ground, cellar and sub-cellar of phase 1) is under triple net terms with a begin date of March 30, 2018. The retail master lease term is ten years and there are no renewal options. The rent increases at 3% per annum. The retail master lease tenant is responsible for all related commercial operating expenses, including the commercial tax burden.

To arrive at the as is value as of March 31, 2019, we deduct the remaining construction costs, lease up cost, and profit, and the early termination cost for phase 1. Phase 1 is complete and there is $7,107,793 remaining to be spent on phase 2.

In December 2018 we deducted a profit factor of 3% of the stabilized value of phase 2. We use a profit factor of 2% as phase 2 is almost complete. As phase 1 is completed, we assume all profit has been realized.

Only 3,276 SF of commercial space is not covered by the master commercial lease in phase 2 so we deduct commercial leasing commission, lease up, and free rent deductions only for this space.

The deductions are summarized below.

Residential Rent Loss	A 12-month period assumes a gradual lease-up of the free market units. Consequently, each unit will be vacant for an average of 6 months (phase 2). Therefore, the rent loss is equal to one-half of the absorption period, or 6 months, from the free market units of phase 2 which is $7,353,301. As phase 1 has begun leasing, we deduct 3 months of rent loss for the unleased (155) market rate units, which is

	$1,666,050.
Residential Marketing Costs	This includes all costs involved in advertising and promoting the lease-up of the apartments. We deduct 5% of the free market PGI which equates to $333,210 in phase 1 (unleased units only) and $735,330 in phase 2.
Retail Lease Up Costs	The unleased retail space has a PGI of $163,800. We deduct 33% as a leasing commission ($54,054) and 10 months of free rent/rent loss ($136,500).
Concessions	We assume that one month free rent will be offered to all free market units. This equates to $555,350 phase 1 and $1,225,550 phase 2.
Remaining Construction Costs	The remaining construction costs are $7,107,793 for phase 2.
Early Termination Payment for Residential Master Lease	As of March 31, 2019, 121 units within the 185 unit lease have been leased and the average rent is $3,014 per month, and 65 units within the 157 unit lease have been leased and the average rent is $3,028. We have updated the master lease termination calculations using these average rents, and the actual leasing velocity. The early termination payment is based on the below analysis for the rent loss payment, plus the termination fee of $720K and $900K.

Projection of Master Lease Payment Due to Rent not yet Achieved

Month	First 6 months	Lease Payment	Units Rented	Total Units Rented	Rent Achieved based on $3,028 thru 3/19 and $3,314 per month going forward	Rent Not Achieved
1	Oct-18	$508,333	12	12	$36,337	$471,996
2	Nov-18	$508,333	12	24	$72,674	$435,659
3	Dec-18	$508,333	11	35	$105,983	$402,351
4	Jan-19	$508,333	10	45	$147,636	$360,698
5	Feb-19	$508,333	10	55	$180,444	$327,890
6	Mar-19	$508,333	10	65	$213,251	$295,082
7	Apr-19	$508,333	12	77	$252,621	$255,712
8	May-19	$508,333	15	92	$301,833	$206,501
9	Jun-19	$508,333	17	109	$357,606	$150,727
10	Jul-19	$508,333	16	125	$410,099	$98,234
11	Aug-19	$508,333	16	141	$462,592	$45,742
12	Sep-19	$508,333	16	157	$515,084	$0
		$5,083,333	**157**		**$3,056,158**	**$3,050,592**

Rent Not Achieved through March 2018	$3,050,592
Guaranteed Profit	$720,000
Total Early Termination Payment	$3,770,592

Projection of Master Lease Payment Due to Rent not yet Achieved

Month	First 6 months	Lease Payment	Units Rented	Total Units Rented	Rent Achieved based on $3,014 thru 3/19 and $3,314 per month going forward	Rent Not Achieved
1	Jul-18	$525,000	19	19	$57,259.09	$467,741
2	Aug-18	$525,000	19	38	$114,518	$410,482
3	Sep-18	$525,000	18	56	$168,764	$356,236
4	Oct-18	$525,000	16	72	$216,982	$308,018
5	Nov-18	$525,000	15	87	$262,186	$262,814
6	Dec-18	$525,000	10	97	$292,323	$232,677
7	Jan-19	$525,000	8	105	$344,483	$180,517
8	Feb-19	$525,000	8	113	$370,729	$154,271
9	Mar-19	$525,000	8	121	$396,976	$128,024
10	Apr-19	$525,000	15	136	$446,188	$78,812
11	May-19	$525,000	16	152	$498,680	$26,320
12	Jun-19	$525,000	16	168	$551,173	$0
13	Jul-19	$525,000	17	185	$606,946	$0
		$6,825,000	**185**		**$4,327,207**	**$2,605,912**

Rent Not Achieved through December 2018	$2,605,912
Guaranteed Profit	$900,000
Total Early Termination Payment	$3,505,912

Total Termination payment	$7,276,505

Profit	We deduct a profit factor equal to 2% of the stabilized value of phase 2, which is $6,440,000. As phase 1 is completed we do not deduct a profit factor.

The as is value as of March 31, 2019 is $313,000,000 for phase 1 and $299,000,000 for phase 2 as calculated below. The total as is value is $612,000,000.

As Is Value Calculation	Phase 1	Phase 2
Value "As Stabilized"	$323,000,000	$322,000,000
Less Residential Vacancy of 3 months phase 1 and 6 months phase 2	$1,666,050	$7,353,301
Less one Month free rent for Market Rate Units	$555,350	$1,225,550
Less Leasing Costs of 5% PGI Free Market Units	$333,210	$735,330
Less Retail Leasing Commissions (33% of Commercial PGI): Phase 2 only	$0	$54,054
Less Free Rent Commercial Units (5 months) and Rent Loss (5 months) Phase 2 only	$0	$136,500
Less Profit Factor of 2% of stabilized value phase 2	$0	$6,440,000
Less Remaining Construction Costs	$0	$7,107,793
Less Early Termination Payment for Residential Master Lease	$7,276,505	$0
As Is Value	$313,168,885	$298,947,472
Final Value Opinion (RD)	**$313,000,000**	**$299,000,000**

Thank you for the opportunity to serve you.

Sincerely,

Michelle Zell, MAI
(212) 682-8293
mzell@bbgres.com