BBG

Third-party reports by a true third party

Appraisal Report

## APPRAISAL REPORT

Denizen
A Mixed Use Residential Development
123 Melrose Street and 54 Noll Street
Brooklyn, NY 11206

## REQUESTED BY

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

## PREPARED BY

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

## DATE OF VALUE ESTIMATE

June 30, 2019

VALUATION   ADVISORY   ASSESSMENT   ZONING

BBG

August 23, 2019

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

Re: Appraisal File No. 0119008124
Mixed Use Residential Development known as Denizen
123 Melrose Street and 54 Noll Street
Brooklyn, NY 11206

Dear Mr. Shimoni:

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

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

The report is intended for use only by All Year Holdings, its successors, assigns, and affiliates. The report is intended only for use in All Year Holdings financial statements and financial reporting. The use by others is not intended by BBG, Inc.

We confirm that we have given our full consent to the inclusion of the valuation (value date of June 30, 2019) in its 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 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 2019.

The subject, known as Denizen, consists of two mixed-use buildings, one with 8-stories and one with 9-stories, that feature a total of 911 units and 130,904 square feet of commercial space on the ground and cellar levels, as well as 417 parking spaces located on the sub-cellar level. The subject contains a gross building area of 1,008,411 square feet, which includes the cellar and sub-cellar levels. The above grade gross building area is 737,566 square feet. The 911 residential units contain 557,818 square feet of net rentable area. Denizen is an 80/20 building with 728 free market units and 183 regulated units. The unit mix is 282 studios, 442 one-bedroom units and 187 two-bedroom units. The average unit is 612 square feet. Each building has a cellar and a sub-cellar level. The sub-cellar level provides the required amount of parking for both commercial and residential uses with 417 parking spaces in total.

The buildings feature 5 courtyards that house the outdoor amenities such as a zen garden, reading space, outdoor lounge with water feature, performance space and children's play area. In addition, the roof features a mini golf course, reading area, outdoor theater, yoga deck and outdoor entertainment area with kitchen, grilling stations and wet bar. There is an 18,000-square foot public park spanning between Stanwix Street and Evergreen Avenue that connects the two buildings.

In addition to the outdoor amenities, the subject has comprehensive indoor amenities including a multi-level gym with boxing room, golf simulation rooms, a climbing wall, a spinning room and an indoor pool with multiple jacuzzis. The sub-cellar has an indoor movie theater as well as an extensive spa amenity space. Most of the indoor amenities are located on the ground, cellar, and sub-cellar portion of both buildings.

The subject was developed in two phases. Phase 1, known as 54 Noll Street, was completed in Q2 2018. Phase 2, known as 123 Melrose Street, is currently under construction and is expected to be completed in Q3 2019. Initial lease up of Phase 1 began in July 2018 with 402 units leased as of June 17, 2018, which equates to a leasing velocity of 33.4 units per month. The 402 leased units included 339 free market units or 96% of the Phase 1 total and 63 low income units or 71% of Phase 1. Stabilization is expected by Q3 2019. Initial lease up of Phase 2 has just begun in Q2 2019 with 4 free market units leased with stabilization expected within 12 months or by Q2 2020.

The subject property is located on the entire block bounded by Melrose Street to the south, Noll Street to the north, Stanwix Street to the west and Evergreen Avenue to the east, within the Bushwick neighborhood of Brooklyn, New York. There is 446.92 feet of frontage on Melrose Street, 501.36 feet on Stanwix Street, 350.0 feet on Noll Street and 440.23 feet on Evergreen Avenue. The site is designated on the New York County tax maps as Block 3152 Lots 1, 48 and 100. The site contains 155,490 square feet and is zoned R6A and R7A with a C2-4 commercial overlay, which permits a total developable area of 626,318 square feet, as of right. The proposed ZFA is 626,016 square feet. The square footage for each Phase is summarized below.

| | Phase 1 (54 Noll St) | Phase 2 (123 Melrose St) | Total |
|---|---|---|---|
| GBA (Including Cellar and Sub-Cellar) | 502,215 | 506,196 | 1,008,411 |
| GBA (Above Grade) | 370,420 | 367,146 | 737,566 |
| Zoning Floor Area (ZFA) | 310,984 | 315,032 | 626,016 |

Per the client's request, we have provided separate values for Phase 1 and 2. The details of Phase 1 and 2 are summarized below.

| | Phase 1 (54 Noll St) | Phase 2 (123 Melrose St) | Total |
|---|---|---|---|
| GBA (Above Grade) | 370,420 | 367,146 | 737,566 |
| Net Rentable Residential Area | 280,096 | 277,722 | 557,818 |
| Total Number of Units | 443 | 468 | 911 |
| Free Market Units | 354 | 374 | 728 |
| % Leased | 96% | 1% | 47% |
| Affordable Units | 89 | 94 | 183 |
| % Leased | 71% | 0% | 34% |
| SF Commercial Space | 78,661 | 52,243 | 130,904 |
| Parking Spaces | | | 417 |
| % Completed as of 6/30/19* | 100% | 97% | 98% |
| Date of Completion | 2Q2018 | 3Q2019 | |

Note: Punch list items totaling $1.5M remain in Phase 1.

There are two residential master leases and one commercial master lease in Phase 1 and one commercial master lease in Phase 2. One residential master lease covers 185 residential units and the other residential lease covers 157 residential units within Phase 1. This covers a total of 342 units or 96% of the free market units in Phase 1. The commercial space in Phase 1 has been separately master leased. The landlord is the subject owner, Evergreen Gardens II, LLC. The tenant is The NY Zen LLC. The commercial lease in Phase 2 covers all of the commercial space with the exception of 3,276 SF at grade.

Both residential master leases are 5-year terms beginning June 29, 2018 (185 units) and September 29, 2018 (157 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. We have received signed copies of the leases.

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 in one master lease and $33,000 per month in the other master lease after the initial 6-month period. We project the early termination payment to be approximately $6.2 million.

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 owner's best interest to terminate the leases. See Addenda for further discussion.

The retail master lease in Phase 1 (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.

The retail master lease in Phase 2 (which accounts for the ground and lower level space with the exception of 3,276 SF at grade) is under triple net terms with a begin date of March 31, 2019. The retail master lease term is ten years and there are no renewal options. The rent is $1.3 million in Years 1 and 2 and increases at 3% per annum thereafter. The retail master lease tenant is responsible for all related commercial operating expenses, including the commercial tax burden.

Our analyses, opinions and conclusions were developed, and this appraisal has been prepared, in conformance with the Standards of Professional Practice and Code of Professional Ethics of the American Institute, the Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Standards Board of the Appraisal foundation of FIRREA Title XI, 12 CFR Part 323 (FDIC) and 12 CFR Part 34 (RTC). The appraisal is prepared in compliance with the Interagency Appraisal and Evaluation Guidelines, dated December 2, 2010.

After carefully considering all available information concerning the subject property and all apparent factors affecting value, it is the opinion of the appraiser that the fair value conclusions are as follows:

| Value | Date | Conclusion |
|---|---|---|
| Prospective Fair Value "As Stabilized" | Q2 2020 | $645,000,000 |
| Prospective Fair Value "As Is" | June 30, 2019 | $619,000,000 |
| Fair Value As Stabilized Phase 1 | Q2 2019 | $323,000,000 |
| Fair Value As Stabilized Phase 2 | Q2 2020 | $322,000,000 |
| Fair Value As Is Phase 1 | June 30, 2019 | $315,000,000 |
| Fair Value As Is Phase 2 | June 30, 2019 | $304,000,000 |

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

Thank you for the opportunity to serve you.

Sincerely,

Michelle Zell, MAI
Senior Appraiser
(212) 682-8293
mzell@bbgres.com
State Certified General Appraiser #46-49921

## SUMMARY OF SALIENT FACTS AND CONCLUSIONS

**SUBJECT PROPERTY:**

Mixed Use Residential Development known as Denizen
123 Melrose Street and 54 Noll Street
Brooklyn, NY 11206

**LOCATION:**

The subject is on the entire block bounded by Melrose Street to the south, Noll Street to the north, Stanwix Street to the west and Evergreen Avenue to the east, within the Bushwick neighborhood of Brooklyn, New York.

**TAX MAP NUMBER:**

Block 3152, Lot 1, 48 and 100.

**PROPERTY DESCRIPTION:**

The site contains 155,490 square feet and is zoned R6A and R7A with a C2-4 commercial overlay, which permits a total developable area of 626,318 square feet, as of right. The proposed ZFA is 626,016 square feet.

The subject, known as Denizen, consists of two mixed-use buildings, one with 8-stories and one with 9-stories, that feature a total of 911 units and 130,904 square feet of commercial space on the ground and cellar levels, as well as 417 parking spaces located on the sub-cellar level. The subject contains a gross building area of 1,008,411 square feet, which includes the cellar and sub-cellar levels. The above grade gross building area is 737,566 square feet. The 911 residential units contain 557,818 square feet of net rentable area. Denizen is an 80/20 building with 728 free market units and 183 regulated units. The unit mix is 282 studios, 442 one-bedroom units and 187 two-bedroom units. The average unit is 612 square feet. Each building has a cellar and a sub-cellar level. The sub-cellar level provides the required amount of parking for both commercial and residential uses with 417 parking spaces in total.

The buildings feature 5 courtyards that house the outdoor amenities such as a zen garden, reading space, outdoor lounge with water feature, performance space and children's play area. In addition, the roof features a mini golf course, reading area, outdoor theater, yoga deck and outdoor entertainment area with kitchen, grilling stations and wet bar. There is an 18,000-square foot public park spanning between Stanwix Street and Evergreen Avenue that connects the two buildings.

In addition to the outdoor amenities, the subject has comprehensive indoor amenities including a multi-level gym with boxing room, golf simulation rooms, a climbing wall, a spinning room and an indoor pool with multiple jacuzzis. The sub-cellar has an indoor movie theater as well as an extensive spa amenity space. Most of the indoor amenities are located on the ground, cellar, and sub-cellar portion of both buildings.

| | Phase 1 (54 Noll St) | Phase 2 (123 Melrose St) | Total |
|---|---|---|---|
| GBA (Including Cellar and Sub-Cellar) | 502,215 | 506,196 | 1,008,411 |
| GBA (Above Grade) | 370,420 | 367,146 | 737,566 |
| Zoning Floor Area (ZFA) | 310,984 | 315,032 | 626,016 |

The subject was developed in two phases. Phase 1, known as 54 Noll Street, was completed in Q2 2018. Phase 2, known as 123 Melrose Street, is currently under construction and is expected to be completed in Q3 2019. Initial lease up of Phase 1 began in July 2018 with 402 units leased as of June 17, 2018, which equates to a leasing velocity of 33.4 units per month. The 402 leased units included 339 free market units or 96% of the Phase 1 total and 63 low income units or 71% of Phase 1. Stabilization is expected by Q3 2019. Initial lease up of Phase 2 has just begun in Q2 2019 with 4 free market units leased with stabilization expected within 12 months or by Q2 2020.

| | Phase 1 (54 Noll St) | Phase 2 (123 Melrose St) | Total |
|---|---|---|---|
| GBA (Above Grade) | 370,420 | 367,146 | 737,566 |
| Net Rentable Residential Area | 280,096 | 277,722 | 557,818 |
| Total Number of Units | 443 | 468 | 911 |
| Free Market Units | 354 | 374 | 728 |
| % Leased | 96% | 1% | 47% |
| Affordable Units | 89 | 94 | 183 |
| % Leased | 71% | 0% | 34% |
| SF Commercial Space | 78,661 | 52,243 | 130,904 |
| Parking Spaces | | | 417 |
| % Completed as of 6/30/19* | 100% | 97% | 98% |
| Date of Completion | 2Q2018 | 3Q2019 | |

Note: Punch list items totaling $1.5M remain in Phase 1.

**SITE AREA:** 155,490± square feet.

| | |
|---|---|
| **ZONING:** | The site is zoned R6A and R7A with a C2-4 commercial overlay (along Evergreen Avenue). |
| **HIGHEST AND BEST USE:** | **As vacant** – development of a residential building<br>**As is**- continued use as a residential building |
| **FLOOD ZONE:** | Zone X, an area of minimal flooding per Flood Insurance Rate Map #3604970208F, effective September 5, 2007. |
| **DATE OF VALUATION:** | June 30, 2019 |
| **DATE OF INSPECTION:** | June 14, 2019 |
| **PROPERTY RIGHTS APPRAISED:** | Leased Fee Interest. |
| **PURPOSE OF THE APPRAISAL:** | To estimate the following fair values of the subject property: 1) the "as is" fair value of the leased fee interest; 2) the future prospective value of the leased fee interest upon stabilization. |

**VALUE CONCLUSIONS:**

| Value | Date | Conclusion |
|---|---|---|
| Prospective Fair Value "As Stabilized" | Q2 2020 | $645,000,000 |
| Prospective Fair Value "As Is" | June 30, 2019 | $619,000,000 |
| Fair Value As Stabilized Phase 1 | Q2 2019 | $323,000,000 |
| Fair Value As Stabilized Phase 2 | Q2 2020 | $322,000,000 |
| Fair Value As Is Phase 1 | June 30, 2019 | $315,000,000 |
| Fair Value As Is Phase 2 | June 30, 2019 | $304,000,000 |

## TABLE OF CONTENTS

**PHOTO**

# INTRODUCTION

## IDENTIFICATION OF THE SUBJECT PROPERTY

The subject, known as Denizen, consists of two mixed-use buildings, one with 8-stories and one with 9-stories, that feature a total of 911 units and 130,904 square feet of commercial space on the ground and cellar levels, as well as 417 parking spaces located on the sub-cellar level. The subject contains a gross building area of 1,008,411 square feet, which includes the cellar and sub-cellar levels. The above grade gross building area is 737,566 square feet. The 911 residential units contain 557,818 square feet of net rentable area. Denizen is an 80/20 building with 728 free market units and 183 regulated units. The unit mix is 282 studios, 442 one-bedroom units and 187 two-bedroom units. The average unit is 612 square feet. Each building has a cellar and a sub-cellar level. The sub-cellar level provides the required amount of parking for both commercial and residential uses with 417 parking spaces in total.

The buildings feature 5 courtyards that house the outdoor amenities such as a zen garden, reading space, outdoor lounge with water feature, performance space and children's play area. In addition, the roof features a mini golf course, reading area, outdoor theater, yoga deck and outdoor entertainment area with kitchen, grilling stations and wet bar. There is an 18,000-square foot public park spanning between Stanwix Street and Evergreen Avenue that connects the two buildings.

In addition to the outdoor amenities, the subject has comprehensive indoor amenities including a multi-level gym with boxing room, golf simulation rooms, a climbing wall, a spinning room and an indoor pool with multiple jacuzzis. The sub-cellar has an indoor movie theater as well as an extensive spa amenity space. Most of the indoor amenities are located on the ground, cellar, and sub-cellar portion of both buildings.

| | Phase 1 (54 Noll St) | Phase 2 (123 Melrose St) | Total |
|---|---|---|---|
| GBA (Including Cellar and Sub-Cellar) | 502,215 | 506,196 | 1,008,411 |
| GBA (Above Grade) | 370,420 | 367,146 | 737,566 |
| Zoning Floor Area (ZFA) | 310,984 | 315,032 | 626,016 |

The subject was developed in two phases. Phase 1, known as 54 Noll Street, was completed in Q2 2018. Phase 2, known as 123 Melrose Street, is currently under construction and is expected to be completed in Q3 2019. Initial lease up of Phase 1 began in July 2018 with 402 units leased as of June 17, 2018, which equates to a leasing velocity of 33.4 units per month. The 402 leased units included 339 free market units or 96% of the Phase 1 total and 63 low income units or 71% of Phase 1. Stabilization is expected by Q3 2019. Initial lease up of Phase 2 has just begun in Q2 2019 with 4 free market units leased with stabilization expected within 12 months or by Q2 2020.

The subject is situated on the entire block bounded by Melrose Street to the south, Noll Street to the north, Stanwix Street to the west and Evergreen Avenue to the east, within the Bushwick neighborhood of Brooklyn, New York. There is 446.92 feet of frontage on Melrose Street, 501.36 feet on Stanwix Street, 350.0 feet on Noll Street and 440.23 feet on Evergreen Avenue. The site is designated on the New York County tax maps as Block 3152 Lot 1, 48 and 100.

The site contains 155,490 square feet and is zoned R6A and R7A with a C2-4 commercial overlay, which permits a total developable area of 626,318 square feet, as of right. The proposed ZFA is 626,016 square feet. The key elements of phase 1 and 2 are summarized below.

| | Phase 1 (54 Noll St) | Phase 2 (123 Melrose St) | Total |
|---|---|---|---|
| GBA (Above Grade) | 370,420 | 367,146 | 737,566 |
| Net Rentable Residential Area | 280,096 | 277,722 | 557,818 |
| Total Number of Units | 443 | 468 | 911 |
| Free Market Units | 354 | 374 | 728 |
| % Leased | 96% | 1% | 47% |
| Affordable Units | 89 | 94 | 183 |
| % Leased | 71% | 0% | 34% |
| SF Commercial Space | 78,661 | 52,243 | 130,904 |
| Parking Spaces | | | 417 |
| % Completed as of 6/30/19* | 100% | 97% | 98% |
| Date of Completion | 2Q2018 | 3Q2019 | |

Note: Punch list items totaling$1.5M remain in Phase 1.

## FUNCTION OF THE APPRAISAL/INTENDED USER

The type and definition of value sought in the appraisal of the subject was an “as is” Fair Value opinion for the leased fee interest in the property as of June 30, 2019, subject to the general underlying assumptions and limiting conditions cited herein, and in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). According to the International Financial Reporting Standard 13, Fair Value is defined as: “The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.”

The report is intended for use only by All Year Holdings, its successors, assigns, and affiliates. The report is intended only for use in All Year Holdings financial statements and financial reporting. The use by others is not intended by BBG, Inc.

We confirm that we have given our full consent to the inclusion of the valuation (value date of June 30, 2019) in its 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 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 2019.

## DEFINITION OF FAIR VALUE

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

(a) the particular asset or liability being measured;

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

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

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

## PROPERTY RIGHTS APPRAISED

For our analysis of the subject property as a rental apartment building, the property interest being appraised is the leased fee interest. A leased fee interest is created by a lease (or several leases) on a property, and it reflects the lessor's (landlord's) ownership interest in the real estate. The lessor's interest consists of the right to receive contract rental payments during the term of the lease and the ultimate return of the rights of use and possession of the property at lease expiration. According to the *Dictionary of Real Estate Appraisal*, a leased fee interest is "the ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires".

## DATE OF VALUE ESTIMATE

The date of our valuation is June 30, 2019. Michelle Zell, MAI inspected the site on June 14, 2019. The subject was developed in two phases. Phase 1, known as 54 Noll Street, was completed in Q2 2018. Phase 2, known as 123 Melrose Street, is currently under construction and is expected to be completed in Q3 2019. Initial lease up of Phase 1 began in July 2018 with 402 units leased as of June 17, 2018, which equates to a leasing velocity of 33.4 units per month. The 402 leased units included 339 free market units or 96% of the Phase 1 total and 63 low income units or 71% of Phase 1. Stabilization is expected by Q3 2019. Initial lease up of Phase 2 has just begun in Q2 2019 with 4 free market units leased with stabilization expected within 12 months or by Q2 2020.

## HISTORY OF THE SUBJECT PROPERTY

The developer acquired the site known as 123 Melrose Street and currently designated as Block 3152, Lot 48 on October 13, 2015 for $68,500,000. The developer acquired the site known as 54 Noll Street and designated as Block 3152, Lot 1, on April 5, 2016 for $72,200,000. In total, the lots cost $140,700,000. The acquisitions are summarized below.

| Address | Lot | Sale Date | Sale Price | Grantor | Grantee |
|---|---|---|---|---|---|
| 123 Melrose Street | 3152/48 | 10/13/2015 | $68,500,000 | JTB 930 V LLC, JTB 930 VI LLC, Stanev Lots LLC | Evergreen Gardens LLC |
| 54 Noll Street (formerly 28 Stanwix Street) | 3152/1 | 4/5/2016 | $72,200,000 | JTB 930 V LLC, JTB 930 VI LLC, Stanev Lots LLC | Evergreen Gardens II LLC |

The total construction budget and amount spent to date on each Phase is presented below. To date, the developer has spent $129,621,377 on Phase 1 and $143,832,952 million on Phase 2, as summarized below. Note the construction costs do not include $90 million in interest.

| | Phase 1 (54 Noll St) | Phase 2 (123 Melrose St) | Total |
|---|---|---|---|
| Total Construction Costs | $131,127,633 | $149,034,405 | $280,162,038 |
| Spent to Date: | $129,621,377 | $143,832,952 | $273,454,329 |
| % Completed | 99% | 97% | 98% |
| Remaining Costs | $1,506,256 | $5,201,453 | $6,707,709 |

We note that the construction budget totaled $268,832,388 as of Q1 2019, with $128,677,818 allocated to Phase 1 and $140,154,570 allocated to Phase 2. The increased budget is due to the addition of amenities in Phase 2. Further, there are contracts in place for the full project which set an accurate total.

## EXPOSURE TIME

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

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

## ESTIMATE OF REASONABLE MARKETING TIME

Given the subject's present condition and location and the marketing times for similar properties in New York City, we estimate the marketing time for the subject to be between six months and one year.

## EXTRAORDINARY ASSUMPTIONS

According to The Dictionary of Real Estate Appraisal (6th Edition), an Extraordinary Assumption is "An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis." This appraisal is subject to the following extraordinary assumptions: *None.*

### HYPOTHETICAL CONDITION

According to The Dictionary of Real Estate Appraisal (6th Edition), a Hypothetical Condition is 1. A condition that is presumed to be true when it is known to be false; 2. A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis.

Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis." In the development of our opinions of value, we have applied the following Hypothetical Condition: *None.*

### ACCURACY OF INFORMATION

Information, estimates and opinions furnished to us and contained in the report were obtained from sources considered reliable and believed to be accurate. The opinions of value stated herein are based on this assumption.

Various estimates of gross building area, number of apartments and total livable area were sourced from the zoning analysis and the projected rent roll supplied by the owner. The opinions of value reported herein are based on the assumption that the data provided are the most recent and accurate.

### COMPETENCY

We have experience appraising similar properties and possess the knowledge and competency to produce a credible value opinion.

### SCOPE OF THE APPRAISAL

BBG, Inc. has been retained by Mr. Yizhar Shimoni of All Year Holdings to prepare a fair valuation of the subject property. Within the course of this assignment, we have:

- Researched and investigated the subject's location in terms of its economic activity, development patterns, and future trends and related their impact on the subject's market.
- Determined the Highest and Best Use of the subject property based on an analysis of all relevant factors.
- Analyzed income, expenses, and cap rates for rental properties to derive a value for the property as a rental upon completion.

- Utilized market-derived information including rental data and improved comparable sales in deriving a current fair value estimate.

- Reconciled the value conclusions to a final as is value as of June 30, 2019.

## CURRENT ECONOMIC CONDITIONS[1]

- Solid job growth; unemployment rate at record low
- Labor force participation rate and employment-to-population ratio remain at record highs
- Average hourly earnings up
- New commercial leasing activity surges due to new inventory; vacancy rates and rents flat.
- Apartment sales down in Manhattan, Brooklyn, and Queens
- Average sales prices down in Manhattan and Brooklyn; up in Queens
- NYC leading economic indicators mixed, but continue to point to growth.

The City's economy grew 3.0 percent in Q1 2019, after a 3.5 percent growth in Q4 2018. Growth was fueled by a strong labor market and strong wage growth as measured by average hourly earnings. The banking sector, a key driver of the City's economy, continued to perform strongly aided by lower corporate tax rates and deregulation. Net income after taxes for the top six banks in the U.S. rose to almost $32.0 billion in Q1 2019, the best first quarter level on record. Although the pre-tax net income of these banks fell 0.4 percent, taxes for the top six U.S. banks fell by 12.2 percent in Q1 2019 from the prior year, courtesy of TCJA, which reduced the federal corporate income tax rate from 35 percent to 21 percent.

U.S. GDP surged 3.2 percent in Q1 2019 from 2.2 percent in Q4 2018. The biggest contributor to GDP growth was net exports, contributing 1.03 percentage points (pp) to the 3.2 percent GDP growth, mostly because of a big decline (3.7 percent) in imports.

The second biggest contributor to GDP growth was private investment, contributing 0.92 pp to the GDP. Growth in private investment is usually a positive but in this quarter most of the increase was in private inventories, which contributed 0.65 pp to the GDP growth. If demand does not pick up in subsequent quarters the growth in inventories will foreshadow a reduction in production.

A surge in consumer spending might have been predicted from the strength in the labor market and the associated growth in wages. However, consumer spending grew only 1.2 percent contributing only 0.82 pp to the GDP growth, mostly as a result of spending on health care, financial services, and insurance.

Finally, government expenditures contributed 0.41 pp to the GDP growth with most of this growth coming from state and local expenditure. Nondefense Federal government expenditure fell 5.9 percent in Q1 2019, the second consecutive quarter of decline.

[1] NYC Quarterly Economic Update 1Q2019

## PRIVATE-SECTOR HIRING SOARED

Job growth in the City cooled off during Q1 2019. Establishments in New York City (including government) added 18,800 jobs, an increase of 1.6 percent on a seasonally adjusted annualized rate (SAAR) basis, significantly lower than the 28,800 jobs created in Q4 2018. U.S. jobs grew 1.7 percent (SAAR) in Q1 2019, the same as in Q4 2018.

The City's private sector added 18,000 jobs or 1.8 percent (SAAR) in Q1 2019, significantly less than the 26,900 jobs created in Q4 2018. The public sector added 800 jobs in Q1 2019. Nationally, private-sector employment grew 1.9 percent (SAAR) in Q1 2019, a decrease from the 2.1 percent growth in Q4 2018.

Across the private sector, the largest gains were in health care and social assistance (10,800 new jobs) of which, 6,500 were in home healthcare services (and may be a result of changes in Medicaid allowing family members to be paid to care for their loved ones). Education services lost 3,000 jobs, the first decline in over a year. Other services added 2,700 jobs, the biggest gain in 19 years (since Q4 1999). Construction added 2,600 jobs, the biggest increase in two years.

Information added 1,800 jobs. Retail trade added 1,700, less than half of the 3,800 jobs created in Q4 2018. Wholesale trade added 1,000 jobs in Q1 2019 after six consecutive quarters of job losses. Professional and business services added 900 new jobs of which 700 were in legal services. Leisure and hospitality added 700 jobs. Manufacturing added 200 jobs.

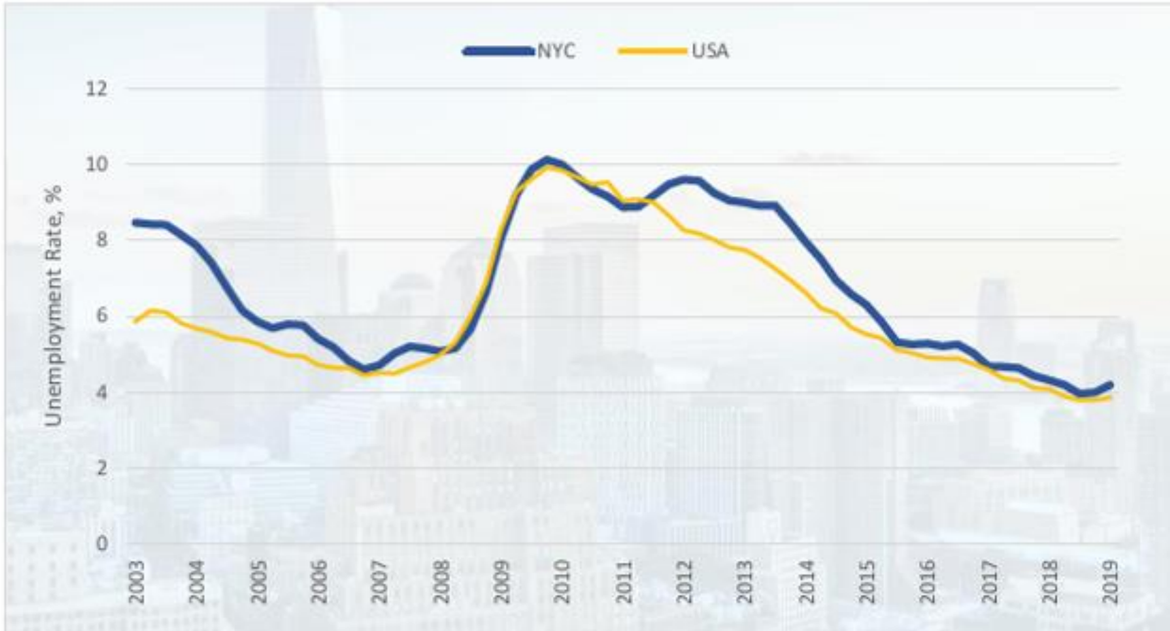
Employment in the financial activities sector shrank by 3,100 jobs after losing 1,500 jobs in Q4 2018. The financial services sector has traditionally been an important sector in the City and recent losses are concerning.

Housing employment, which includes construction and workers in the real estate and property sector, added 1,100 jobs in Q1 2019. However, the number of office workers fell by 500 in Q1 2019, the first decline since Q4 2009.

Medium-wage industries lost 300 jobs in Q1 2019, the first job loss in this important sector in over two years. However, low-wage industries created 15,700 of the 18,000 new private-sector jobs and high-wage industries added 2,600 jobs.

Another concerning result from Q1 2019 employment statistics is that almost all the new private-sector jobs created (17,700 or 98.0 percent) were in the local-sector industries, such as education and health services. Export-sector industries, such as leisure and hospitality and professional and business services, were only 2.0 percent of the new private-sector jobs. Export sector jobs (generally higher paying) provide goods and services to people and firms outside of the five boroughs and depend more heavily on the national and global economies. Local sector jobs provide support for the export sector and the local population or local consumption.

**UNEMPLOYMENT RATE REMAINS NEAR RECORD LOW**




Source: U.S. Bureau of Labor Statistics (BLS) and NYS Department of Labor

NYC's unemployment rate, adjusted for seasonality, rose to 4.2 percent in Q1 2019 from the record low of 4.0 percent in Q4 2018. The U.S. unemployment rate also rose, to 3.9 percent in Q1 2019 from 3.8 percent in Q4 2018. The number of unemployed in the City grew by 8,900 to 173,300 in Q1 2019. The labor force fell by 1,100 to 4.1 million in Q1 2019.

The unemployment rate (not seasonally adjusted) rose in Manhattan and Brooklyn, remained unchanged in Queens and Staten Island, but fell in the Bronx in Q1 2019 from Q1 2018. Except for the Bronx, which had the lowest first-quarter unemployment rate on record, unemployment rates in all the other boroughs were hovering around their historical lows. The borough unemployment rates in Q1 2019 were:

- 4.0 percent in Queens;
- 4.1 percent in Manhattan;
- 4.5 percent in Staten Island;
- 4.7 percent in Brooklyn; and
- 6.2 percent in the Bronx.

The number of employed City residents (who may work in the City or the commutable suburbs) fell by 9,900 in Q1 2019 to over 3.9 million in Q1 2019. The City's employment-to-population ratio fell marginally to 58.3 percent in Q1 2019 from 58.4 percent in Q4 2018, which was the highest ratio ever recorded. The national employment-to-population ratio rose to 60.7 percent in Q1 2019, the highest rate in over a decade. The spread between the nation's and the City's employment-to-population ratios (which can be explained by differences in demographics, i.e. age or skill levels) rose to 2.3 percentage points in Q1 2019 from 2.2 percentage points in Q4 2018.

The City's labor force contracted by 1,100 in Q1 2019. However, the City's labor-force-participation rate (LFPR), which is the ratio of the total labor force to the total non-institutional population aged 16 years old and over, remained unchanged at a record high of 60.9 percent in Q1 2019, the same as in the previous quarter and still below the national labor-force-participation rate of 63.1 percent.

### PERSONAL INCOME TAX COLLECTIONS DECLINED AS A RESULT OF TECHNICAL TAX FACTORS, BUT AVERAGE HOURLY EARNINGS CONTINUED TO RISE

Reported NYC personal income tax (PIT) collections, usually a proxy for personal income, fell 16.0 percent or $701.2 million on a year-over-year basis to about $3.7 billion in Q1 2019. This record year-over-year decline is a result of extraordinary non-recurring PIT collections in the first quarter of 2018 from delaying 2017 income into 2018 and the repatriation of offshore revenues. Withholding tax revenues fell 0.7 percent in Q1 2019 after increasing 15.7 percent in Q1 2018 also a tax reform effect from those able to defer bonuses. Weakness in the first quarter was offset significantly by strength in the month of April. If we consider tax collections from April, year-to-date tax collections are only down 1.3 percent and withholding taxes are up about 2.5%. Estimated taxes were similarly down because of the large increase in non-wage income deferred into 2018. Based on the turnaround in the monthly data for April we expect income tax collections to resume their upward trend.

Average hourly earnings (AHE) of all private NYC employees rose 4.5 percent on a year-over-year basis to $37.43 in Q1 2019, the biggest first-quarter increase since Q1 2008. U.S. average hourly earnings were $27.74 in Q1 2019, 3.3 percent higher than the $26.86 recorded in Q1 2018. This was the fastest first-quarter increase since 2009.

The inflation rate, as measured by the year-over-year change in the Consumer Price Index for urban consumers, was 1.5 percent in the New York metro area and 1.6 percent in the U.S. in Q1 2019

### VENTURE CAPITAL INVESTMENT IN THE NEW YORK METRO AREA HITS A RECORD FIRST-QUARTER HIGH IN Q1 2019

According to PwC/CB MoneyTree Report, total VC investment in the New York metro area rose 64.9 percent from a year ago to $4.46 billion in Q1 2019, the highest first-quarter level on record. Total VC investment in the New York metro area was $2.13 billion in Q4 2018. New York VC funding rounds included six rounds of over $100 million, including a one billion dollar round raised by co-working space provider WeWork.

Investment in the San Francisco/North Bay area, which usually has the highest concentration of VC investment, rose 5.9 percent from a year ago to $7.12 billion in Q1 2019. Also, investment in Silicon Valley rose 7.7 percent on a year-over-year basis to $4.34 billion in Q1 2019. Total venture capital investment in the U.S. increased 7.7 percent to $24.66 billion.

The number of VC deals in the U.S., San Francisco, New York metro area, and Silicon Valley all fell in Q1 2019, on a year-over-year basis, reflecting a trend to fewer investments at higher values. The number of deals in the New York metro area fell to 205 in Q1 2019 from 220 in Q1 2018. The number of deals in the U.S. fell to 1,279 from 1,524 in Q1 2018.

The NY metro area's share of VC investment rose to 18.1 percent in Q1 2019 from 11.8 percent in Q1 2018. The share of deals rose to 16.0 percent in Q1 2019 from 14.4 percent in Q1 2018. San Francisco's share of VC investment fell to 28.9 percent while the share of VC investment in Silicon Valley remained unchanged at 17.6 percent.

### NEW COMMERCIAL LEASING STRONG; RENTS AND VACANCY RATES INCREASE

According to Cushman and Wakefield, new commercial leasing activity in Manhattan rose 16.6 percent, on a year-over-year basis, to nearly 8.3 million square feet (msf) in Q1 2019, the best first quarter since 2014. This increase was mainly due to 2.6 msf of leasing in Downtown, the strongest first quarter on record. New leasing in Midtown was 4.5 msf in Q1 2019, lower than 4.9 msf a year ago and in Midtown South it was 1.2 msf, the highest first quarter since 2014.

Despite the increase in new commercial leasing, Manhattan's overall commercial vacancy rate increased to 10.2 percent in Q1 2019 from 8.8 percent in Q1 2018. The predominant reason was increased supply of available space, which increased by about 6.1 msf. Available space in Downtown increased by about 2.1 msf, and in Midtown South and Midtown by about 2.0 msf each, on a year-over-year basis. On a year-over-year basis, the vacancy rate rose 0.7 percentage points in Midtown to 10.1 percent, it increased 2.8 percentage points in Midtown South to 9.3 percent, and it increased 2.1 percentage points in Downtown to 11.0 percent in Q1 2019.

On a weighted average basis commercial rents increased slightly in Manhattan although there were differences by neighborhood. Compared with Q1 2018, rents fell in Midtown, but increased in Downtown and Midtown South as higher-priced space entered those markets in Q1 2019.

### RESIDENTIAL REAL ESTATE SALES DECLINE IN MANHATTAN, BROOKLYN AND QUEENS

**Table 2. Residential Sales Falls in Manhattan, Brooklyn, and Queens**

| | Manhattan | Brooklyn | Queens |
|---|---|---|---|
| Avg. Sales Price | $2,118,780 | $964,324 | $620,498 |
| Avg. Sales Price (Y/Y, %) | 9.6% | -1.8% | -0.6% |
| Number of Sales | 2,121 | 2,216 | 2,907 |
| Number of Sales (Y/Y, %) | -2.7% | -8.1% | -12.0% |
| Listing Inventory | 6,673 | 3,203 | 5,271 |
| Listing Inventory (Y/Y, %) | 8.9% | 56.8% | 25.7% |
| Absorption Rate (Months) | 9.4 | 4.3 | 5.4 |
| Days on Market | 99 | 94 | 83 |
| Days on Market (Y/Y, %) | -7.5% | 11.9% | -18.6% |

Source: Douglas Elliman

House prices in Manhattan, as measured by the average sales price and average price per square foot, rose for the second consecutive quarter on a year-over-year basis in Q1 2019 by 9.6 percent and 4.2 percent, respectively, after five consecutive quarters of year-over-year decline. However, the number of sales declined for the sixth consecutive quarter, causing an increase in listing inventories. The decline in the number of sales could be due to the new federal tax law that limits the deductibility of mortgage interest and property taxes, the rise in mortgage interest rates, and other uncertainties including higher interest rates in the early part of the first quarter.

According to Douglas Elliman, on a year-over-year basis, the average sales price in Manhattan rose 9.6 percent to over $2.1 million. Similarly, the average price per square foot rose 4.2 percent to $1,769 in Q1 2019 over Q1 2018. The number of sales fell 2.7 percent to 2,121 in Q1 2019, pushing the listing inventory up 8.9 percent from the prior year to 6,673. As a result, the absorption rate, defined as the number of months to sell all inventory at the current rate of sales, rose to 9.4 months in Q1 2019 from 8.4 months in Q1 2018. Days on the market from the last list date fell to 99 days in Q1 2019 from 107 days a year ago.

Unlike Manhattan, housing prices fell in Brooklyn and Queens. In Brooklyn, the average sales price fell 1.8 percent to $964,324 in Q1 2019 from $982,093 in Q1 2018. Also, the number of sales declined 8.1 percent, on a year-over-year basis, to 2,216, leading to a 56.8 percent rise in the listing inventory to 3,203. The absorption rate rose to 4.3 months and the number of days on the market rose to 94 in Q1 2019, compared with 2.5 months and 84 days, respectively, in Q1 2018.

In Queens, the average sales prices fell 0.6 percent to $620,498 and the number of sales fell 12.0 percent to 2,907 in Q1 2019 over Q1 2018. As a result, the listing inventory rose 25.7 percent to 5,271 in Q1 2019 compared with the same period last year. The number of days on the market fell to 83 days in Q1 2019, 18.6 percent less than the 102 days in Q1 2018. The absorption rate rose to 5.4 months in Q1 2019 from 3.8 months in Q1 2018.

Douglas Elliman also reports that the number of 1- to 3-family homes sold fell in Brooklyn (-4.4 percent), and in Queens (-11.5 percent) in Q1 2019, on a year-over-year basis. However, the average sales price per square foot rose 12.9 percent in Brooklyn and 8.0 percent in Queens in Q1 2019 over Q1 2018.

The weakness in home sales helped the rental market. Rental prices and the number of new leases increased in March 2019 from March 2018. The average rental price rose 1.9 percent and the number of new leases rose 21.4 percent in Manhattan in March 2019 on a year-over-year basis according to Douglas Elliman. At the same time the vacancy rate in Manhattan fell to 1.86 percent in March 2019 from 2.05 percent in March 2018.

The number of new leases rose 40.3 percent in Brooklyn and 26.3 percent in Queens in March 2019. The average rental price rose 3.2 percent in Brooklyn and 2.4 percent in Queens in March 2019 over March 2018.

StreetEasy provides further signs of softness in the residential housing market. According to StreetEasy, the citywide median sale-to-list ratio, which is the final recorded sales price of a home or apartment as a percentage of its initial asking price, was 94.9% in Q1 2019, down from 96.8% in Q1 2018, and below the long-term (since 2010) average of 96.3%. A lower sale-to-list ratio is an indicator that sellers are not realizing the value they believe they have in their properties. Additionally, the share of all active sales listings on StreetEasy that had a reduction in asking price during Q1 2019 was 11.7 percent, higher than the 9.2 percent in recorded in Q1 2018.

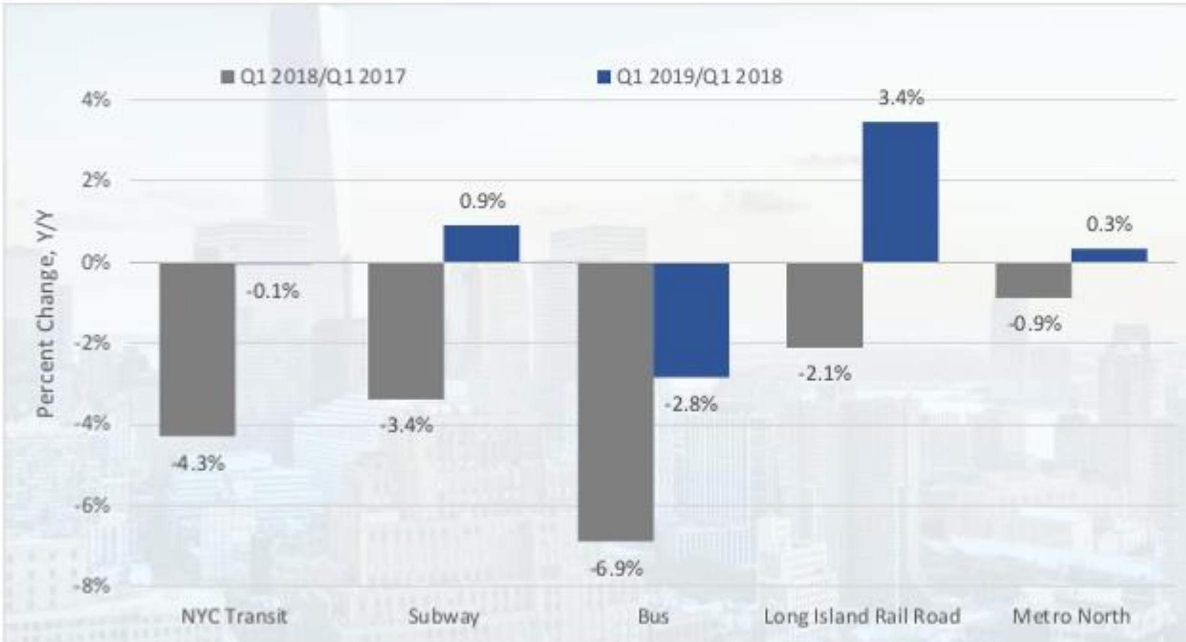
Finally, according to the Case-Shiller index, which tracks single-family home prices, single family homes in the New York metro area lagged price growth in the U.S. on average. The New York metro area home price index increased 2.8 percent in January-February 2019 over the same period in 2018, while the U.S. 20-city composite index rose 3.3 percent. As a comparison, both the U.S. and NYC inflation rates were 1.5 percent in January-February 2019 on a year-over-year basis.

According to Case-Shiller, U.S. home prices have recovered their losses from the last recession while the New York metro area still lags behind. As of February 2019, the U.S. 20-city composite index was 57.3 percent higher than its trough in 2012 and 4.0 percent above its previous peak in 2006. In comparison, the New York metro area home price index was 26.7 percent higher than at its trough in March of 2012, but was still 6.1 percent below the peak reached in May 2006.

#### OTHER INDICATORS: TRANSIT RIDERSHIP AND TOURISM

Average weekday ridership on MTA NYC Transit fell 0.1 percent in the Q1 2019 from a year ago. Average weekday ridership on the system's subways rose 0.9 percent, the first quarterly increase since 2016. However, bus ridership fell 2.8 percent. During the same period, ridership on the Long Island Rail Road (LIRR) rose 3.4 percent and rose 0.3 percent on Metro North (Chart 11). Ridership, especially on the LIRR and Metro North, usually reflects the City's economic activity and employment. A reason for the apparent disconnect this cycle could be found in a recent New York City Transit ridership analysis attributing the decline in ridership in public transport to "poor service, the rapid rise of Uber and other for-hire vehicles and fare evasion." The report notes that the trend of declining public transit usage is also seen in other large systems nationally.

Chart 11. NYC Public Transportation Ridership Mixed




Source: Metropolitan Transportation Authority

According to the Broadway League, Broadway show ticket sales and attendance increased in Q1 2019, on a year-over-year basis. First-quarter total gross weekly Broadway ticket sales increased for the sixth consecutive year to over $407 million in Q1 2019, 5.5 percent more than in Q1 2018. First-quarter total attendance increased for the second consecutive year to over 3.5 million in Q1 2019, 12.0 percent more than in Q1 2018. Both of these numbers were the highest since 1997, when data was first made available.

The City's hospitality market cooled off in the January-February of 2019 over the same period in 2018. According to CBRE Hotels, the hotel occupancy rate in Manhattan averaged 75.6 percent in January-February 2019, lower than 76.7 percent during the same time in 2018. Similarly, the average daily room rate was $204.24 in January-February 2019, lower than $208.82 in January-February 2018.

### LEADING ECONOMIC INDICATORS CONTINUE TO POINT TO GROWTH

Leading economic indicators signal continued expansion. An assessment of business conditions among firms in the New York City area is provided by ISM-New York, Inc. The most recent report shows that business conditions in New York City metro area were still doing well in Q1 2019 despite a decline from Q4 2018. The current business condition index (which measures the current state of the economy from the perspective of business procurement professionals) fell for the second consecutive quarter to 63.8 percent in Q1 2019, from the all-time peak of 74.7 percent in Q3 2018. However, any number above 50 percent indicates the expectation of continued expansion. The ISM six-month outlook (which measures where procurement professionals expect the economy to be in six months) also fell for the second consecutive quarter to 60.9 in Q1 2019, still well above the 50 percent threshold. The NY-BCI (which measures the cumulative change in business activity) rose to a record high of 861.6 in Q1 2019 from 840.4 in Q4 2018.

Initial unemployment claims, which shows the number of applicants for unemployment insurance, declined for the fifth consecutive quarter (on a year-over-year basis) to its lowest first quarter level on record in Q1 2019. According to the NYS Department of Labor, average initial unemployment claims fell 6.4 percent, on a year-over-year basis, to 27,862 in Q1 2019.

The U.S. Department of Housing and Urban Development, which provides the number of building permits in the City, shows that the total number of building permits in the City surged 22.4 percent from a year ago to 6,329, the highest first-quarter level since 2007 (Table 3). Higher number of building permits signals more construction expected in the future.

**Table 3: Leading Economic Indicators Mixed, But Positive**

| | Q1 2018 | Q4 2018 | Q1 2019 |
|---|---|---|---|
| **ISM-New York Metro Area, SA*** Current Business Conditions | 60.3 | 67.7 | 63.8 |
| **ISM-New York Metro Area, SA*** Six-Month Outlook | 68.8 | 67.1 | 60.9 |
| **ISM-New York Metro Area, SA*** NY-BCI | 770.1 | 840.4 | 861.6 |
| **Initial Unemployment Claims** (Source: NYS DOL) | 29,761 | 25,966 | 27,862 |
| **Number of Building Permits** (Source: HUD) | 5,170 | 5,803 | 6,329 |

Source: ISM-New York, Inc.

**Table 4: First Quarter 2019 Economic Indicators Compared to Q4 2018 and Q1 2018**

| | | Q1 2018 | Q4 2018 | Q1 2019 |
|---|---|---|---|---|
| **County Unemployment Rate, NSA** (Source: NYS DOL) | Bronx | 6.3% | 5.3% | 6.2% |
| | Kings | 4.6% | 4.0% | 4.7% |
| | New York | 4.0% | 3.5% | 4.1% |
| | Queens | 4.0% | 3.4% | 4.0% |
| | Richmond | 4.5% | 3.8% | 4.5% |
| **Commercial Vacancy Rate** (Source: Cushman & Wakefield) | Midtown | 9.3% | 9.3% | 10.1% |
| | Midtown South | 6.5% | 7.2% | 9.3% |
| | Downtown | 9.0% | 10.8% | 11.0% |
| | Manhattan Total | 8.8% | 9.2% | 10.2% |
| **Commercial Rental Rate (per sq ft)** (Source: Cushman & Wakefield) | Midtown | $77.06 | $75.03 | $75.42 |
| | Midtown South | $69.13 | $76.82 | $80.62 |
| | Downtown | $59.67 | $63.57 | $63.27 |
| | Manhattan Total | $72.13 | $72.28 | $73.28 |
| **Number of Apartment Sales** (Source: Douglas Elliman) | Manhattan | 2,180 | 2,432 | 2,121 |
| | Brooklyn | 2,411 | 2,474 | 2,216 |
| | Queens | 3,302 | 3,248 | 2,907 |
| **Case-Shiller Home Price Index, NSA** (Source: S&P) 100=2000 | NY Metro Area | 196.55 | 201.38 | 201.76* |
| | US 20-City Composite | 206.70 | 213.27 | 212.49* |
| **Hotel Industry** (Source: CBRE Hotels) | Average Daily Occupancy Rate | 80.5% | 91.0% | 75.6%* |
| | Average Daily Room Rate | $229.10 | $343.20 | $204.24* |
| **MTA Average Weekday Ridership** (Source: MTA) | NYC Transit | 7,142,404 | 7,320,145 | 7,138,752 |
| | Subway | 5,330,127 | 5,524,163 | 5,377,978 |
| | Bus | 1,812,277 | 1,795,982 | 1,760,774 |
| | Long Island Rail Road | 295,937 | 322,417 | 306,121 |
| | Metro North | 278,090 | 298,374 | 278,984 |
| **ISM-New York Metro Area, SA** (Source: ISM-New York, Inc.) | Current Business Conditions | 60.3 | 67.7 | 63.8 |
| | Six-Month Outlook | 68.8 | 67.1 | 60.9 |
| | NY-BCI | 770.1 | 840.4 | 861.6 |
| **Initial Unemployment Claims** (Source: NYS DOL) | Initial Unemployment Claims | 29,761 | 25,966 | 27,862 |
| **Number of Building Permits** (Source: HUD) | Number of Building Permits | 5,170 | 5,803 | 6,329 |

*Data for Q1 2019 includes January and February, excludes March.

## BROOKLYN REGIONAL ANALYSIS

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

The City's other boroughs are Manhattan (New York County), which forms the central political, financial, and cultural core of the City and is the economic growth engine for the Greater New York region; the Bronx (Bronx County); Queens (Queens County); and Staten Island (Richmond County). Brooklyn and Queens have the largest economies behind Manhattan.

Geographically, Brooklyn is situated at the western tip of Long Island and is bounded to the north and east by Jamaica Bay and Queens County, to the west by Upper and Lower New York Bays and the East River, and to the south by the Atlantic Ocean.

### POPULATION

#### NYC TOTAL POPULATION, 1980-2024

| | 1980 | 1990 | 2000 | 2010 | 2019 | Est 2024 |
|---|---|---|---|---|---|---|
| Overall | 7,071,639 | 7,322,564 | 8,008,278 | 8,175,133 | 8,680,063 | 8,903,224 |
| % Change | | 3.55% | 9.36% | 2.08% | 6.18% | 2.57% |
| Bronx | 1,168,972 | 1,203,789 | 1,332,648 | 1,385,108 | 1,484,024 | 1,528,028 |
| % Change | | 2.98% | 10.70% | 3.94% | 7.14% | 2.97% |
| **Brooklyn** | **2,230,936** | **2,300,664** | **2,465,323** | **2,504,700** | **2,663,688** | **2,729,851** |
| **% Change** | | **3.13%** | **7.16%** | **1.60%** | **6.35%** | **2.48%** |
| Manhattan | 1,428,285 | 1,487,536 | 1,537,201 | 1,585,873 | 1,674,506 | 1,714,395 |
| % Change | | 4.15% | 3.34% | 3.17% | 4.16% | 2.07% |
| Queens | 1,891,325 | 1,951,598 | 2,229,379 | 2,230,722 | 2,375,848 | 2,440,085 |
| % Change | | 3.19% | 14.23% | 0.06% | 6.51% | 2.70% |
| Staten Island | 352,121 | 378,977 | 443,728 | 468,730 | 481,997 | 490,865 |
| % Change | | 7.63% | 17.09% | 5.63% | 2.83% | 1.84% |

Source: 1980-2010, US Census; 2018 The Nielsen Company

New York City is home to more than 8 million people in over 3 million households. Brooklyn is the most populous borough with 31% of the City's population. Manhattan's 1.66 million residents, at approximately 49,100 residents per square mile, make it one of the most densely populated residential areas in the nation. While the 1970's and 1980's saw the continuing trend of migration of city residents to neighboring suburbs, due primarily to high housing costs and density of living, the total population is bolstered by the large number of immigrants arriving in the city each year.

The 6.18% increase in the City's census population from 2010 to 2018 can be attributed to the decrease in unemployment rate over the past several years as well as increasing appeal of the City over the time period. In addition, more accurate Census counts may have benefited New York during this Census period. The City's population is expected to grow over the next 5 years at a slightly slower pace than that exhibited in the previous 5 years. New York City was one of the nation's few major cities to experience an increase in its population during the past decade.

The City's population now totals 43% of the state's total population. Except for Staten Island, each of New York City's five boroughs has a population greater than 1,000,000.

**BROOKLYN POPULATION TRENDS 2010-2024**

| Description | 2010 Census | 2019 Estimate | % Change 2010-2019 | 2024 Projection | % Change 2019-2024 |
|---|---|---|---|---|---|
| Population | 2,504,700 | 2,663,688 | 6.35% | 2,729,851 | 2.48% |
| Households | 916,856 | 989,055 | 7.87% | 1,018,358 | 2.96% |
| Families | 573,363 | 614,593 | 7.19% | 631,736 | 2.79% |

Source: The Nielsen Company

Claritas estimates the 2019 Estimate population for Brooklyn at 2,663,688 and projects 2.48% increase by 2023. The number of households in Brooklyn is also projected to increase 2.96% between 2018 and 2023 from 989,055 to 1,018,358. These statistics are reflective of a stable, mature market.

## NEW YORK CITY ECONOMY AND EMPLOYMENT

The economy of New York City is the biggest regional economy in the United States and is home to the New York Stock Exchange and NASDAQ, the world's largest stock exchanges by market capitalization and trading activity. New York is distinctive for its high concentrations of advanced service sector firms in fields such as law, accountancy, banking, and management consultancy. Likewise, creative industries such as new media, advertising, fashion, design, and architecture account for a growing share of employment, with New York City possessing a strong competitive advantage in these industries.

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

**NEW YORK CITY'S LARGEST EMPLOYERS**

| Employer | # of Employees |
|---|---|
| J.P.Morgan Chase & Co. (JPM) | 249,257 |
| Citigroup Inc. (C) | 219,000 |
| ABM Industries (ABM) | 110,000 |
| Pfizer Inc. (PFE) | 96,500 |
| Ichan Enterprises, LP (IEP) | 90,980 |
| Philip Morris International (PM) | 79,500 |
| Omnicom Group (OMC) | 78,500 |
| PwC | 60,790 |
| Alcoa (AA) | 60,000 |
| Marsh & McLennan (MMC) | 60,000 |

Source: Crain's Book of Lists 2016

New York City's largest employers are a diverse group of multinational corporations spanning a variety of industries including financial services/banking, telecommunications, health care, insurance, and pharmaceuticals. Businesses in New York City can capitalize on the synergy created from the presence of more than 200,000 companies, the access to investment capital and consumers, and the City's attractive quality of life. Companies in New York City include headquarters and regional offices of leading world companies including 52 Fortune 500 firms—the second highest of any city in the United States followed by California which has 54 Fortune 500 firms—making New York one of the nation's headquarters capital.

### NYC EMPLOYMENT BY INDUSTRY (000'S)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 (Jan) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Construction | 119.7 | 124.4 | 118.1 | 107.4 | 104.4 | 120.8 | 133.6 | 138.3 | 146.3 | 158.2 | 157.8 | 155.9 |
| Manufacturing | 89.1 | 81.8 | 79.9 | 73.3 | 74.2 | 76.0 | 76.5 | 78.0 | 76.3 | 74.5 | 70.6 | 68.9 |
| Trade, Transportation, and Utilities | 562.5 | 578.8 | 556.8 | 584.5 | 584.1 | 593.7 | 622.4 | 629.0 | 629.4 | 644.5 | 631.2 | 637.5 |
| Information | 160.1 | 168.8 | 159.3 | 160.6 | 174.8 | 178.6 | 185.1 | 189.1 | 192.6 | 189.6 | 204.4 | 201.4 |
| Financial Activities | 430.4 | 456.7 | 434.2 | 434.9 | 444.6 | 434.0 | 450.4 | 459.7 | 465.8 | 477.3 | 474.7 | 471.3 |
| Professional and Business Services | 578.7 | 600.9 | 583.5 | 606.1 | 639.3 | 639.4 | 672.4 | 699.8 | 723.4 | 757.6 | 762.1 | 752.3 |
| Education and Health Services | 756.4 | 738.5 | 764.1 | 781.9 | 763.9 | 819.9 | 845.3 | 869.4 | 930.2 | 991.0 | 1,006.2 | 1,026.2 |
| Leisure and Hospitality | 310.8 | 307.0 | 320.5 | 339.3 | 365.9 | 379.6 | 413.6 | 425.7 | 437.6 | 449.0 | 463.0 | 442.3 |
| Other Services | 162.3 | 164.0 | 167.0 | 157.5 | 171.1 | 174.1 | 179.8 | 184.8 | 187.3 | 194.3 | 193.1 | 194.5 |
| Government | 557.1 | 564.6 | 538.2 | 544.4 | 585.0 | 545.5 | 540.5 | 549.9 | 552.4 | 559.2 | 588.3 | 579.4 |
| Total | 3,727.1 | 3,785.5 | 3,721.6 | 3,789.9 | 3,907.3 | 3,961.6 | 4,119.6 | 4,223.7 | 4,341.3 | 4,495.2 | 3,963.0 | 4,529.7 |

Source: New York State Department of Labor

From 2008 to January 2019, decreases in private employment in the city were seen in only a few of the sectors. There were increases in most sectors, the largest of which were Education and Health Services, Professional and Business Services, and Leisure and Hospitality. Manufacturing has been hit the hardest by the financial crisis and recession. The remaining sectors of employment have remained relatively stable.

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

### BROOKLYN ECONOMIC DEVELOPMENT

Brooklyn's job market is driven by three main factors: the performance of the national/city economy, population flows, and the borough's position as a convenient back office for New York's businesses. Since 2003, the number of businesses in Brooklyn has grown at a much faster rate of growth than in the rest of the City. Job growth has also been strong, nearly twice as fast as in the rest of New York City. Jobs in the borough have traditionally been concentrated in manufacturing, but since 1975, Brooklyn has shifted from a manufacturing-based economy to a service-based economy.

Over the past decade, Brooklyn has expanded at a rapid pace by attracting new businesses and residents. Downtown Brooklyn is New York City's largest business district outside of Manhattan, and there are a few other important economic centers in the borough, including the Brooklyn Navy Yard, Sunset Park, Williamsburg and Greenpoint.

The Greater Downtown Brooklyn area is the borough's largest business district, accounting for 17 percent of the jobs in the borough. With its proximity to Manhattan, lower-cost Class A office space and excellent transportation options, Downtown Brooklyn has attracted sizable job concentrations in business and professional services, finance and education.

Brooklyn is becoming popular with high-tech and creative firms, as well as online retailers such as Etsy. Many of these firms are locating in Downtown Brooklyn, Dumbo and the Brooklyn Navy Yard, an area known as the Brooklyn Tech Triangle.

The Brooklyn Navy Yard, one component of the Brooklyn Tech Triangle, is a 300-acre industrial park with 4 million square feet of leasable space. The Navy Yard has more than 330 businesses (including manufacturers, artists, distributors, a distillery, food processors, filmmakers and a medical lab) that employ nearly 7,000 people. The Navy Yard has been undergoing an expansion, with new or renovated buildings to include a sustainable design center, a green manufacturing center, new film and television studio facilities, and a new 240,000-square-foot medical lab.

Nearly 8 percent of the jobs in Brooklyn are in Sunset Park. Sunset Park is a major manufacturing center, with activity clustered in three facilities. Industry City is a shipping and manufacturing terminal dating from the 1890s. It is New York's largest privately held manufacturing property, with 6 million square feet in 16 buildings on 30 acres. The property is seeking to attract a growing group of manufacturers in food, clothing and technology. MakerBot, a manufacturer of 3-D printers, opened a 50,000-square-foot factory at the site in 2013. Nearby is the Brooklyn Army Terminal, a 97-acre City-owned former military depot which has been converted to commercial and manufacturing uses. The City plans to invest $100 million in the Terminal to create new commercial space. The third facility is the South Brooklyn Marine Terminal, an 88-acre site along the Bay Ridge Channel. In 2012, the New York City Economic Development Corporation completed $115 million in renovations to help reactivate maritime freight services. The site also has the City's first large recycling facility, completed in 2013, which is a state-of-the-art design with a rooftop solar array.

The following table summarizes the labor force statistics of Brooklyn compared to the other boroughs of New York City.

**JANUARY 2019 LABOR FORCE DATA**

| | Labor Force (000's) | Employed (000's) | Unemployed (000's) | Unemployment Rate |
|---|---|---|---|---|
| Bronx County (Bronx) | 605.9 | 565.6 | 40.3 | 6.7% |
| **Kings County (Brooklyn)** | **1,207.0** | **1,146.8** | **60.1** | **5.0%** |
| New York County (Manhattan) | 914.7 | 874.7 | 40.0 | 4.4% |
| Queens County (Queens) | 1,157.5 | 1,107.8 | 49.7 | 4.3% |
| Richmond County (Staten Island) | 219.9 | 209.2 | 10.6 | 4.8% |
| New York City | 4,105.0 | 3,904.2 | 200.8 | 4.9% |

Source: NYS Department of Labor

## UNEMPLOYMENT RATES

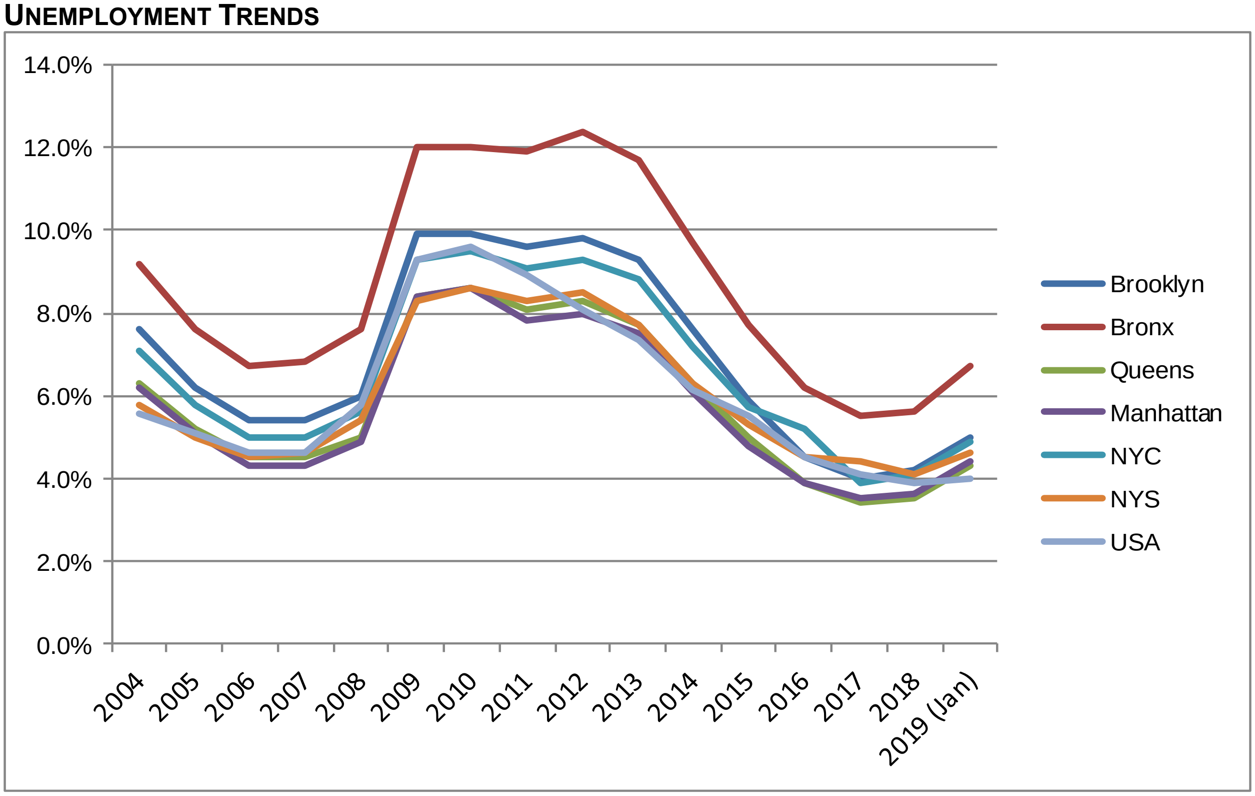
As of January 2019, Brooklyn's unemployment rate was 5.0% which is slightly higher than New York City (4.9%), New York State (4.6%), and the country overall (4.0%). These statistics indicate a slight increase in unemployment since year end 2017. This is a change compared to the last few years of continued decrease in unemployment. While historically, employment in Brooklyn has lagged that of New York City the gap has closed with unemployment lower than pre-recession levels. The following table illustrates historical and current unemployment rates:

### UNEMPLOYMENT RATES

| Year | Brooklyn | Bronx | Queens | Manhattan | NYC | NYS | USA |
|---|---|---|---|---|---|---|---|
| 2004 | 7.6% | 9.2% | 6.3% | 6.2% | 7.1% | 5.8% | 5.5% |
| 2005 | 6.2% | 7.6% | 5.2% | 5.1% | 5.8% | 5.0% | 5.1% |
| 2006 | 5.4% | 6.7% | 4.5% | 4.3% | 5.0% | 4.5% | 4.6% |
| 2007 | 5.4% | 6.8% | 4.5% | 4.3% | 5.0% | 4.6% | 4.6% |
| 2008 | 6.0% | 7.6% | 5.0% | 4.9% | 5.6% | 5.4% | 5.8% |
| 2009 | 9.9% | 12.0% | 8.4% | 8.4% | 9.3% | 8.3% | 9.3% |
| 2010 | 9.9% | 12.0% | 8.6% | 8.6% | 9.5% | 8.6% | 9.6% |
| 2011 | 9.6% | 11.9% | 8.1% | 7.8% | 9.1% | 8.3% | 8.9% |
| 2012 | 9.8% | 12.4% | 8.3% | 8.0% | 9.3% | 8.5% | 8.1% |
| 2013 | 9.3% | 11.7% | 7.7% | 7.5% | 8.8% | 7.7% | 7.4% |
| 2014 | 7.6% | 9.7% | 6.3% | 6.1% | 7.2% | 6.3% | 6.2% |
| 2015 | 5.9% | 7.7% | 5.0% | 4.8% | 5.7% | 5.3% | 5.5% |
| 2016 | 4.5% | 6.2% | 3.9% | 3.9% | 5.2% | 4.5% | 4.5% |
| 2017 | 4.0% | 5.5% | 3.4% | 3.5% | 3.9% | 4.4% | 4.1% |
| 2018 | 4.2% | 5.6% | 3.5% | 3.6% | 4.1% | 4.1% | 3.9% |
| 2019 (Jan) | 5.0% | 6.7% | 4.3% | 4.4% | 4.9% | 4.6% | 4.0% |

Source: NYS Department of Labor, Bureau of Labor Statistics

### UNEMPLOYMENT TRENDS



## NEW YORK CITY PERSONAL INCOME

Average household income in New York City increased by 74.2% between 2000 and 2019 from $57,645 to $100,415.

### NYC AND STATE HOUSEHOLD INCOME

| | New York City | | New York State | |
|---|---|---|---|---|
| | 2000 Census | 2019 Estimate | 2000 Census | 2019 Estimate |
| Average Household Income | $57,645 | $100,415 | $61,489 | $101,507 |
| Median Household Income | $38,846 | $63,345 | $44,138 | $68,067 |

Source: The Nielsen Company

The following table illustrates per capita income figures for New York City and the various boroughs. While Brooklyn exhibits the second lowest average household income among the New York City boroughs, it has experienced the highest income growth since 2000.

### NEW YORK CITY HOUSEHOLD INCOME

| | Average Household Income 2000 | Average Household Income 2019 (Est) | % Change 2000-2019 |
|---|---|---|---|
| Bronx | $38,885 | $58,521 | 50.50% |
| **Brooklyn** | **$46,279** | **$92,079** | **98.96%** |
| Manhattan | $83,976 | $145,795 | 73.62% |
| Queens | $54,663 | $90,660 | 65.85% |
| Staten Island | $67,698 | $108,205 | 59.83% |
| New York City | $57,645 | $101,507 | 76.09% |

Source: The Nielsen Company, U.S. Census

## CULTURE AND RECREATION

New York City offers an unsurpassed variety of cultural activities, containing hundreds of museums, art galleries, theaters, restaurants, and retail stores. The City is home to such musical institutions as the New York City Symphony, Carnegie Hall, Lincoln Center, Brooklyn Academy of Music, and Metropolitan Opera and, with its many Broadway and off-Broadway plays and musicals, is the performing arts capital of the world. Several world-famous dance troupes are located in New York including the Alvin Ailey Company and Dance Theater of Harlem.

World class museums include the Metropolitan Museum of Art, Museum of Modern Art, The Guggenheim, and Museum of Natural History. Other attractions include the Statue of Liberty, New York Aquarium, Bronx Zoo, Brooklyn Botanical Gardens, Empire State Building, United Nations, New York Stock Exchange, and many others, which draw millions of visitors each year. Brooklyn is home to the Brooklyn Museum and Brooklyn Botanical Gardens on Eastern Parkway in Prospect Heights as well as the Brooklyn Children's Museum at Brooklyn Avenue and St. Marks Place in Crown Heights. The New York Aquarium is located in Coney Island.

Brooklyn also has a vibrant arts and culture scene, with more than 350 arts organizations, including musical, theatre and dance companies as well as museums and historical sites. These range from large, internationally known organizations through small avant-garde groups. A 2010 survey by the Downtown Brooklyn Arts Alliance found that 21 arts organizations served 2.7 million people had a payroll of $36.2 million and yielded $10.6 million in tax revenues.

The Brooklyn Museum, founded in 1895, is the City's second largest in physical size (after the Metropolitan Museum of Art). It features a renowned Egyptian collection, and traditional American, Asian, and Islamic art as well as modern and contemporary artworks. Brooklyn has more than 230 performing arts spaces.

The Brooklyn Academy of Music (BAM) is the country's oldest performing arts center (it was 156 years old in 2017) and includes a 2,109- seat opera house and an 874-seat theater. Nearby, the Theater for a New Audience opened its new 27,000-square-foot home at the Polansky Shakespeare Center in 2013. This is the first new venue for classical theater in the City since the completion of Lincoln Center in 1965.

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

New York City has teams in every major professional sport. The real estate developer Bruce Ratner purchased the New Jersey Nets basketball team and relocated the team to Brooklyn. The Barclays Center opened in 2012 and is located above Atlantic Yards at the intersection of Flatbush and Atlantic Avenues in Downtown Brooklyn.

## EDUCATIONAL AND PROFESSIONAL FACILITIES

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

Brooklyn is also home to world-class cultural and academic institutions, which are integral parts of the local economy and the quality of life. Brooklyn's primary institutions of higher learning include Brooklyn College, Pratt Institute, and Brooklyn Law School. Brooklyn is also home to Kingsborough Community College. Brooklyn's premier public school is Brooklyn Technical, considered along with Stuyvesant and Bronx Science to be in the top three public high schools. Brooklyn is also home to many notable private schools include Packer Collegiate Institute and St. Ann's in Brooklyn Heights, The Friends School in Boerum Hill, Berkeley Carroll in Park Slope, and Poly Prep Country Day School in Dyker Heights.

New York City has 75 short-term general hospitals, many of which are affiliated with local professional universities. World famous research hospitals include NYU-Cornell, Rockefeller, Columbia, and New York Hospital. Other highly ranked hospitals include Memorial Sloan-

Kettering Cancer Center, Mount Sinai Hospital, New York Eye and Ear Infirmary, and New York Presbyterian Hospital. Brooklyn is home to Long Island College Hospital, New York Methodist Hospital, Maimonides Hospital, Brooklyn Hospital, and Downstate Medical Center, among others.

### TRANSPORTATION

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

### RAIL SYSTEM

- ***NYC Subway System***: a 710-mile subway line servicing 4.5 million passengers on an average weekday and approximately 1.4 billion passengers a year. NYC Transit operates approximately 6,400 cars 24 hours a day throughout Manhattan, Queens, Brooklyn, and the Bronx. The 25 subway routes are interconnected, and many lines feature express trains, across-the-platform transfers to local trains, and "skip-stop" express service.

- ***Metro North***: Based in the landmark Grand Central Terminal in Midtown Manhattan, the MTA Metro North Railroad is the second largest commuter line in the United States, providing approximately 250,000 customer trips each weekday and some 73,000,000 trips per year. With 384 route miles and 775 miles of track, Metro North goes to 120 stations distributed in seven counties in New York State--Dutchess, Putnam, Westchester, Bronx, New York (Manhattan), Rockland, and Orange--and two counties in the state of Connecticut--New Haven and Fairfield.

- ***Long Island Railroad***: This commuter line runs from the eastern tip of Long Island to Pennsylvania Station in Manhattan and Atlantic Terminal in Brooklyn. The MTA Long Island Rail Road is the busiest commuter railroad in North America, carrying an average of 274,000 customers each weekday on 730 daily trains. In 1998, the LIRR completed a 10-year, $2.1 billion investment in improvements including the transformation of Penn Station into a modern, safe and attractive facility with a new 34th Street entrance.

- (***PATH) Port Authority Trans-Hudson Subway System***: The PATH carries 70% of all passengers entering New York City from New Jersey. Approximately 220,000 commuters use the PATH each weekday.

### BUS SYSTEM

- ***New York City Transit***: Regularly scheduled bus service in New York City's five boroughs handles 2.5 million riders daily and 762 million annually. 181 local and 38 express bus routes operate in the five boroughs, covering 2,109 miles.

- ***Port Authority Bus Terminal***: Regional bus lines serve approximately 55 million passengers a year, with most service to and from New Jersey.

## AIRPORTS

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

- ***LaGuardia Airport*** (LGA) has been operated by The Port Authority of New York and New Jersey under a lease with the City of New York since June 1, 1947. LGA consists of 680 acres and 72 aircraft gates. By the end of 2000, the combined Port Authority and airline investment for LaGuardia's Redevelopment Program was $830 million. The redevelopment program includes expanding and modernizing the Central Terminal Building, reconfiguring and widening roadways, improving runways and taxiways, a passenger terminal in the east end, airline modernization of gate areas and passenger service areas, and other rehabilitation projects.

- ***John F. Kennedy Airport*** (JFK) has been operated by The Port Authority of New York and New Jersey under a lease with the City of New York since June 1, 1947. JFK is located in the southeastern section of Queens County on Jamaica Bay. It is 15 miles by highway from Midtown Manhattan and consists of 4,930 acres, including 880 acres in the Central Terminal Area (CTA). The airport has more than 30 miles of roadway.

## SUMMARY

In the last two decades, Brooklyn has emerged as a destination for art, commerce, and industry. As it has moved away from its blue-collar roots, the borough has developed a thriving services sector, a diverse manufacturing base, and an increasing number of public and private cultural institutions that continue to lend cachet to Brooklyn. Major public-private initiatives, such as the Atlantic Yards complex, the redevelopment of the East River waterfront, and the continued expansion of the Brooklyn Navy Yard Industrial Park, all suggest that the City’s efforts are oriented around broadening the borough’s economic base, and improving the quality of life for residents, including an increasing number of high-income earners.

Recently completed and planned economic development projects will further strengthen the borough’s economy. Brooklyn’s public and private sectors, working alongside its academic and cultural institutions, are helping to create a favorable environment for economic growth.

## NEW YORK MULTI-FAMILY MARKET

Costar is the source for the following data. The data reflects conditions of 2019 Q1, the most recent data available. The initial discussion provides information on the overall New York Multi-Family market, followed by the subject's submarket. The subject is located within the Bushwick submarket, which will be discussed later in this report.

Costar rates multi-family properties using a star rating, in which 1 and 2-star properties generally equate to the more traditional Class C rating; 3-star properties generally equate to Class B; and 4 and 5-star properties generally equate to Class A.

Class A – They are characterized by high quality construction and finishes, high occupancy levels, sophisticated amenities, and top rental rates. A+ properties would suggest "trophy" properties with the characteristics noted above.

Class B – These apartment properties are regarded as modern (although not necessarily new) buildings, or old (i.e., Class C) structures recently renovated to modern standards. Good locations, reasonably high occupancy levels, and competitive rental rates characterize these buildings.

Class C – The lowest quality apartments available in the market are found in Class C buildings. These buildings are generally old, but in fair condition. Rental rates are the lowest within the market and amenities are minimal.

### KEY INDICATORS AT A GLANCE

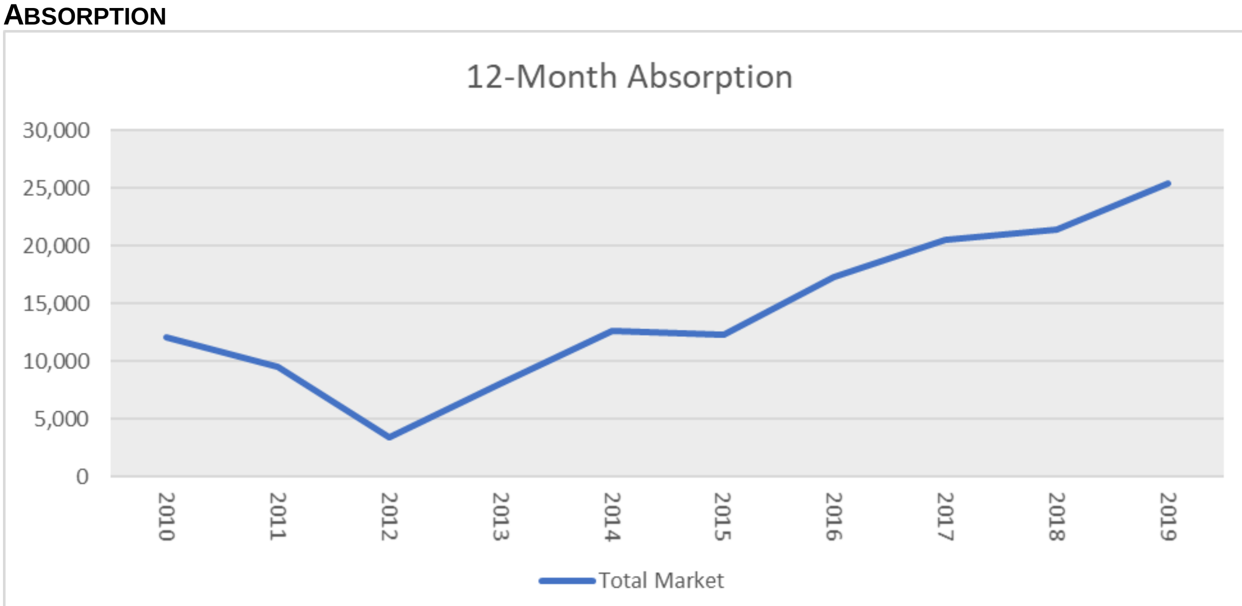
| | PRIOR QUARTER | CURRENT QUARTER | COMPARISON |
|---|---|---|---|
| Vacancy (%) | 2.24% | 2.20% | decreased 4 points |
| Absorption (Units) | 6,541 | 4,953 | decreased 1,588 Units |
| Quoted Rental Rates ($/Unit/Month) | $2,759 | $2,787 | increased $28.51 Per Unit |
| Inventory (Units) | 1,355,827 | 1,360,213 | increased 4,386 Units |
| Net Deliveries (Units) | 5,418 | 4,386 | decreased 1,032 Units |
| Under Construction (Units) | 54,467 | 52,950 | decreased 1,517 Units |

### NEW YORK MULTI-FAMILY MARKET STATISTICS

| PERIOD | EXISTING INVENTORY (UNITS) | VACANCY % | NET ABSORPTION (UNITS) | NET COMPLETIONS (UNITS) | UNDER CONST. (UNITS) | QUOTED RATES ($/UNIT/MONTH) |
|---|---|---|---|---|---|---|
| 2019 Q1 | 1,360,213 | 2.20% | 4,953 | 4,386 | 52,950 | $2,787 |
| 2018 Q4 | 1,355,827 | 2.24% | 6,541 | 5,418 | 54,467 | $2,759 |
| 2018 Q3 | 1,350,409 | 2.34% | 7,074 | 6,526 | 55,230 | $2,764 |
| 2018 Q2 | 1,343,883 | 2.39% | 6,886 | 4,114 | 54,193 | $2,751 |
| 2018 | 1,339,769 | 2.60% | 21,382 | 19,782 | 53,840 | $2,710 |
| 2017 | 1,319,983 | 2.76% | 20,480 | 19,959 | 52,980 | $2,672 |
| 2016 | 1,300,025 | 2.84% | 17,303 | 15,316 | 54,217 | $2,639 |
| 2015 | 1,284,709 | 3.03% | 12,273 | 9,670 | 40,171 | $2,561 |
| 2014 | 1,275,039 | 3.26% | 12,606 | 9,906 | 28,039 | $2,477 |
| 2013 | 1,265,133 | 3.50% | 8,108 | 6,820 | 20,336 | $2,418 |
| 2012 | 1,258,313 | 3.62% | 3,422 | 5,366 | 14,986 | $2,377 |
| 2011 | 1,252,947 | 3.48% | 9,510 | 8,585 | 9,203 | $2,352 |
| 2010 | 1,244,362 | 3.58% | 12,111 | 10,840 | 11,351 | $2,264 |

The New York Multi-Family market ended the first quarter with a vacancy rate of 2.20%. The vacancy rate decreased over the previous quarter, with net absorption totaling 4,953 units in the first quarter. Rental rates increased compared to the previous quarter, ending first quarter at $2,787. A total of 4,386 units was delivered to the market, with 52,950 units still under construction at the end of the quarter.

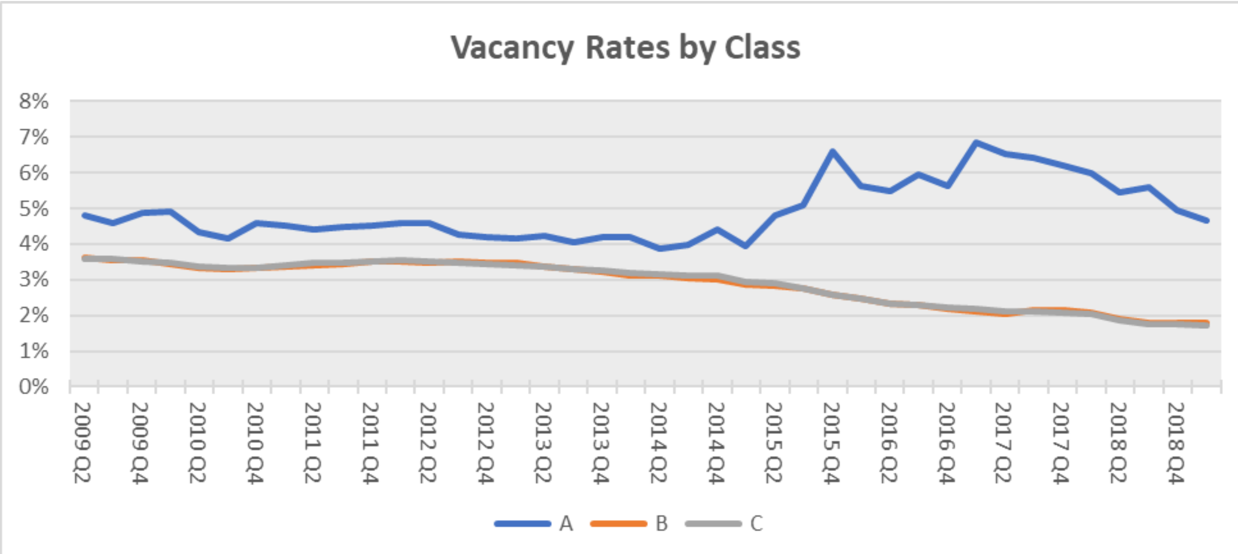
### ABSORPTION




Net absorption for the overall New York Multi-Family market was 4,953 units in the first quarter 2019. That compares to 6,541 units in the fourth quarter 2018, 7,074 units in the third quarter 2018, and 6,886 units in the second quarter 2018. Net absorption in the market over the prior 12 months totaled 25,454 units.

Net absorption for the Bushwick submarket was 262 units in the first quarter 2019. That compares to 337 units in the fourth quarter 2018, 385 units in the third quarter 2018, and 357 units in the second quarter 2018.

### VACANCY




Vacancy for the overall New York Multi-Family market decreased to 2.20% in the first quarter 2019. That compares to 2.24% in the fourth quarter 2018, 2.34% in the third quarter 2018, and 2.39% in the second quarter 2018.

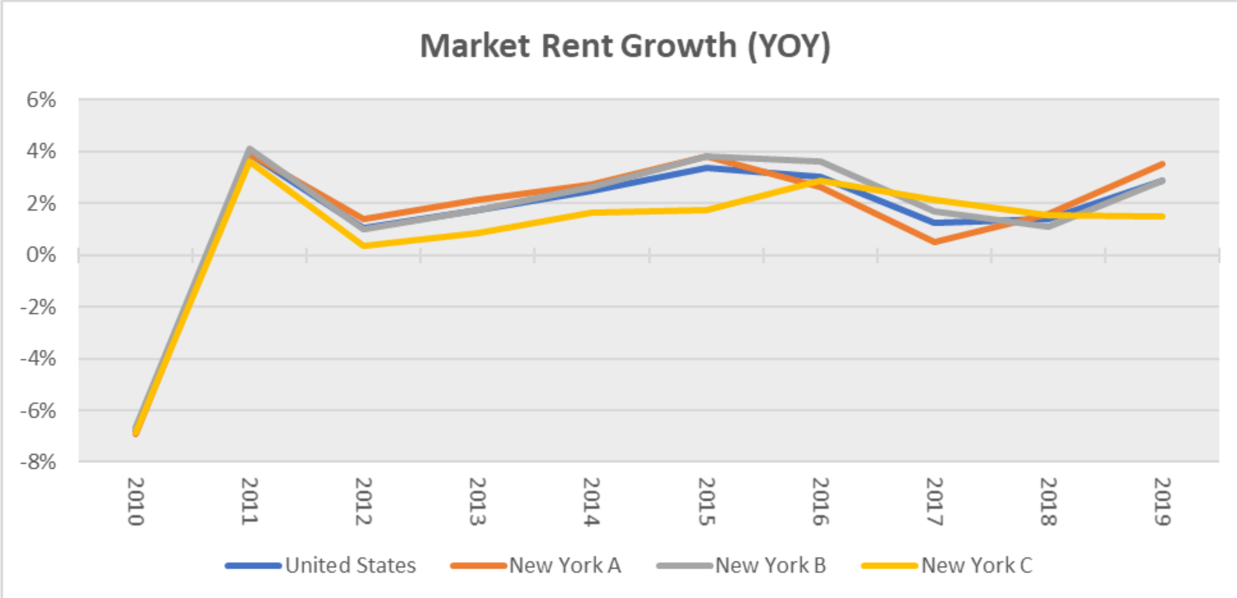
Class A (4 & 5 Star) projects reported a vacancy rate of 4.66% at the end of the first quarter 2019, 4.93% at the end of the fourth quarter 2018, 5.58% at the end of the third quarter 2018, and 5.45% at the end of the second quarter 2018.

Class B (3 Star) projects reported a vacancy rate of 1.79% at the end of the first quarter 2019, 1.79% at the end of the fourth quarter 2018, 1.79% at the end of the third quarter 2018, and 1.89% at the end of the second quarter 2018.

Class C (1 & 2 Star) projects reported a vacancy rate of 1.73% at the end of the first quarter 2019, 1.75% at the end of the fourth quarter 2018, 1.77% at the end of the third quarter 2018, and 1.87% at the end of the second quarter 2018.

The overall vacancy rate in the New York Bushwick submarket at the end of the first quarter 2019 was 3.02%. The vacancy rate was 2.64% at the end of the fourth quarter 2018, 3.14% at the end of the third quarter 2018 and 2.41% at the end of the second quarter 2018.

### RENTAL RATES




The average asking rental rate for available Multi-Family space, all classes, was $2,787 per unit per month at the end of the first quarter 2019 in the New York market area. This represented a 1.0% increase in quoted rental rates from the end of the fourth quarter 2018, when rents were reported at $2,759 per unit.

The average quoted rate within the Class A (4 & 5 Star) sector was $3,819 at the end of the first quarter 2019, while Class B (3 Star) rates stood at $2,631, and Class C (1 & 2 Star) rates at $1,884. At the end of the fourth quarter 2018, Class A (4 & 5 Star) rates were $3,768 per unit, Class-B (3 Star) rates were $2,606, and Class C (1 & 2 Star) rates were $1,875.

The average quoted asking rental rate in New York's Bushwick district was $2,330 per unit per month at the end of the first quarter 2019. In the fourth quarter 2018, quoted rates were $2,324.

### INVENTORY & CONSTRUCTION

During the first quarter 2019, a total of 4,386 units was completed in the New York market area. This compares to a total of 5,418 units completed in the fourth quarter 2018, a total of 6,526 units completed in the third quarter 2018, and 4,114 units completed in the second quarter 2018.

There were 52,950 units of Multi-Family space under construction at the end of the first quarter 2019.

| SUBTYPE | EXISTING INVENTORY (UNITS) | NET DELIVERIES (12 MONTHS) | UNDER CONSTRUCTION (UNITS) |
|---|---|---|---|
| Class A (4 & 5 Star) | 206,900 | 17,549 | 39,037 |
| Class B (3 Star) | 495,733 | 3,132 | 13,726 |
| Class C (1 & 2 Star) | 657,580 | -237 | 187 |
| **Total** | **1,360,213** | **20,444** | **52,950** |

### MARKET OUTLOOK

The New York Multi-Family market ended the first quarter 2019 with an overall vacancy rate of 2.20%. The vacancy rate decreased over the previous quarter, with net absorption totaling 4,953 units in the first quarter 2019. Rental rates increased $28.51 per unit per month over the previous quarter and ended at $2,787 per unit per month. A total of 4,386 units was delivered in the quarter, with 52,950 units still under construction at the end of the quarter.

### BUSHWICK MULTI-FAMILY MARKET

#### KEY INDICATORS AT A GLANCE

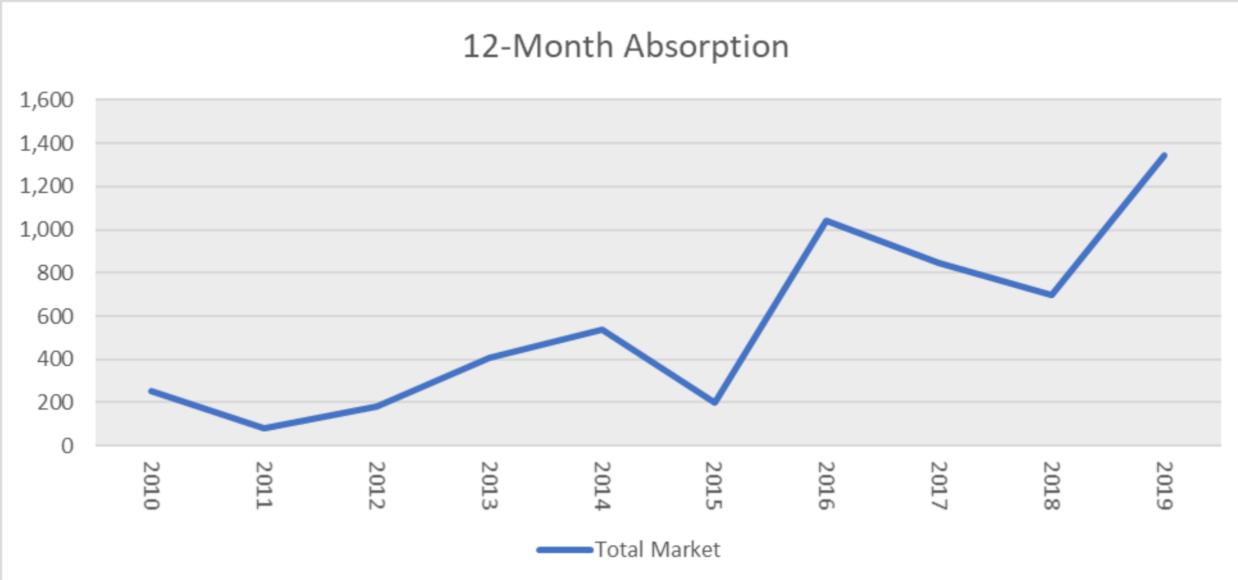
| | PRIOR QUARTER | CURRENT QUARTER | COMPARISON |
|---|---|---|---|
| Vacancy (%) | 2.64% | 3.02% | increased 38 points |
| Absorption (Units) | 337 | 262 | decreased 75 Units |
| Quoted Rental Rates ($/Unit/Month) | $2,324 | $2,330 | increased $6.10 Per Unit |
| Inventory (Units) | 35,701 | 36,111 | increased 410 Units |
| Net Deliveries (Units) | 163 | 410 | increased 247 Units |
| Under Construction (Units) | 3,172 | 2,871 | decreased 301 Units |

#### BUSHWICK MULTI-FAMILY MARKET STATISTICS

| PERIOD | EXISTING INVENTORY (UNITS) | VACANCY % | NET ABSORPTION (UNITS) | NET COMPLETIONS (UNITS) | UNDER CONST. (UNITS) | QUOTED RATES ($/UNIT/MONTH) |
|---|---|---|---|---|---|---|
| 2019 Q1 | 36,111 | 3.02% | 262 | 410 | 2,871 | $2,330 |
| 2018 Q4 | 35,701 | 2.64% | 337 | 163 | 3,172 | $2,324 |
| 2018 Q3 | 35,538 | 3.14% | 385 | 660 | 3,287 | $2,319 |
| 2018 Q2 | 34,878 | 2.41% | 357 | 313 | 3,843 | $2,338 |
| 2018 | 34,565 | 2.56% | 697 | 745 | 4,121 | $2,333 |
| 2017 | 33,820 | 2.48% | 843 | 795 | 2,853 | $2,307 |
| 2016 | 33,025 | 2.69% | 1,039 | 762 | 2,278 | $2,273 |
| 2015 | 32,263 | 3.61% | 202 | 144 | 1,065 | $2,206 |
| 2014 | 32,119 | 3.80% | 539 | 423 | 572 | $2,156 |
| 2013 | 31,696 | 4.22% | 406 | 540 | 458 | $2,112 |
| 2012 | 31,156 | 3.86% | 184 | 271 | 567 | $2,085 |
| 2011 | 30,885 | 3.61% | 79 | 72 | 475 | $2,066 |
| 2010 | 30,813 | 3.64% | 255 | 235 | 260 | $1,968 |

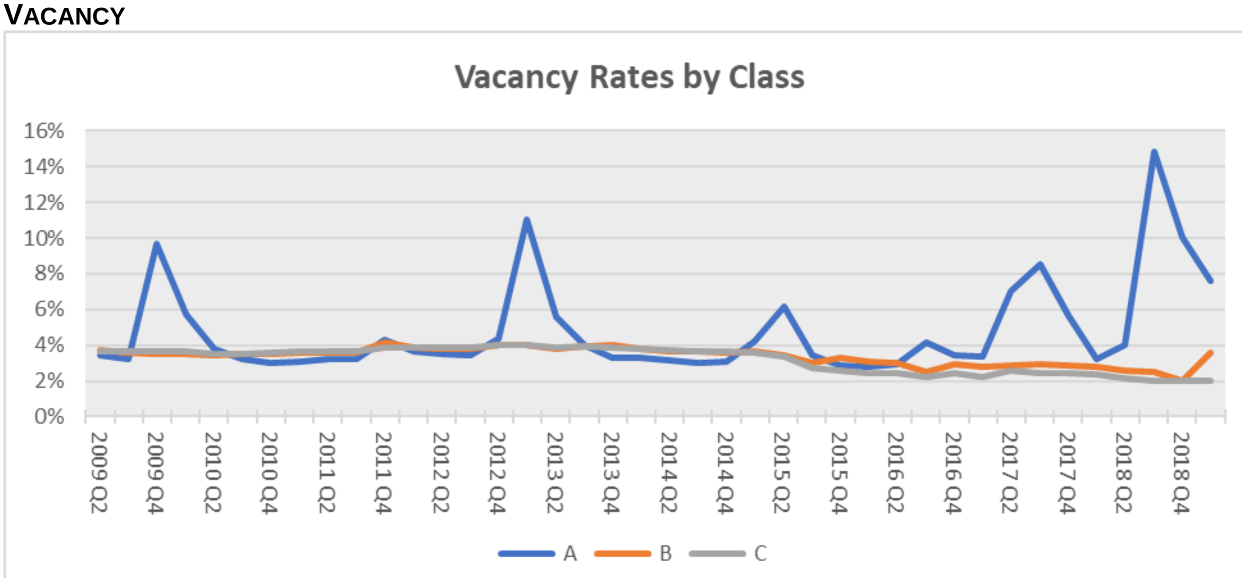
The Bushwick Multi-Family market ended the first quarter with a vacancy rate of 3.02%. The vacancy rate increased over the previous quarter, with net absorption totaling 262 units in the first quarter. Rental rates increased compared to the previous quarter, ending first quarter at $2,330. A total of 410 units was delivered to the market, with 2,871 units still under construction at the end of the quarter.

**ABSORPTION**




Net absorption for the overall Bushwick Multi-Family market was 262 units in first quarter 2019. That compares to 337 units in fourth quarter 2018, 385 units in third quarter 2018, and 357 units in second quarter 2018. Net absorption in the market over the prior 12 months totaled 1,341 units.

**VACANCY**



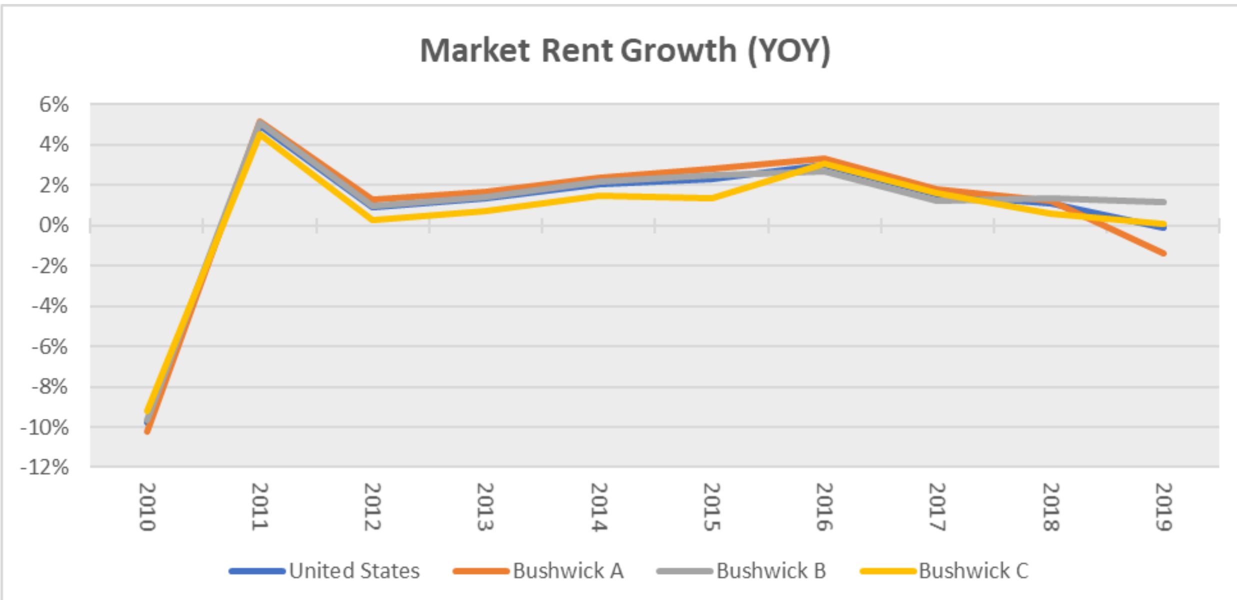

Vacancy for the overall Bushwick Multi-Family market increased to 3.02% in the first quarter 2019. That compares to 2.64% in the fourth quarter 2018, 3.14% in the third quarter 2018, and 2.41% in the second quarter 2018.

Class A (4 & 5 Star) projects reported a vacancy rate of 7.62% at the end of the first quarter 2019, 10.01% at the end of the fourth quarter 2018, 14.86% at the end of the third quarter 2018, and 3.99% at the end of the second quarter 2018.

Class B (3 Star) projects reported a vacancy rate of 3.59% at the end of the first quarter 2019, 2.04% at the end of the fourth quarter 2018, 2.53% at the end of the third quarter 2018, and 2.57% at the end of the second quarter 2018.

Class C (1 & 2 Star) projects reported a vacancy rate of 1.99% at the end of the first quarter 2019, 2.00% at the end of the fourth quarter 2018, 2.00% at the end of the third quarter 2018, and 2.15% at the end of the second quarter 2018.

### RENTAL RATES




The average asking rental rate for available Multi-Family space, all classes, was $2,330 per unit per month at the end of the first quarter 2019 in the Bushwick market area. This represented a 0.3% increase in quoted rental rates from the end of the fourth quarter 2018, when rents were reported at $2,324 per unit.

The average quoted rate within the Class A (4 & 5 Star) sector was $2,710 at the end of the first quarter 2019, while Class B (3 Star) rates stood at $2,489, and Class C (1 & 2 Star) rates at $1,800. At the end of the fourth quarter 2018, Class A (4 & 5 Star) rates were $2,699 per unit, Class-B (3 Star) rates were $2,486, and Class C (1 & 2 Star) rates were $1,794.

### INVENTORY & CONSTRUCTION

During the first quarter 2019, a total of 410 units was completed in the Bushwick market area. This compares to a total of 163 units completed in the fourth quarter 2018, a total of 660 units completed in the third quarter 2018, and 313 units completed in the second quarter 2018.

There were 2,871 units of Multi-Family space under construction at the end of the first quarter 2019.

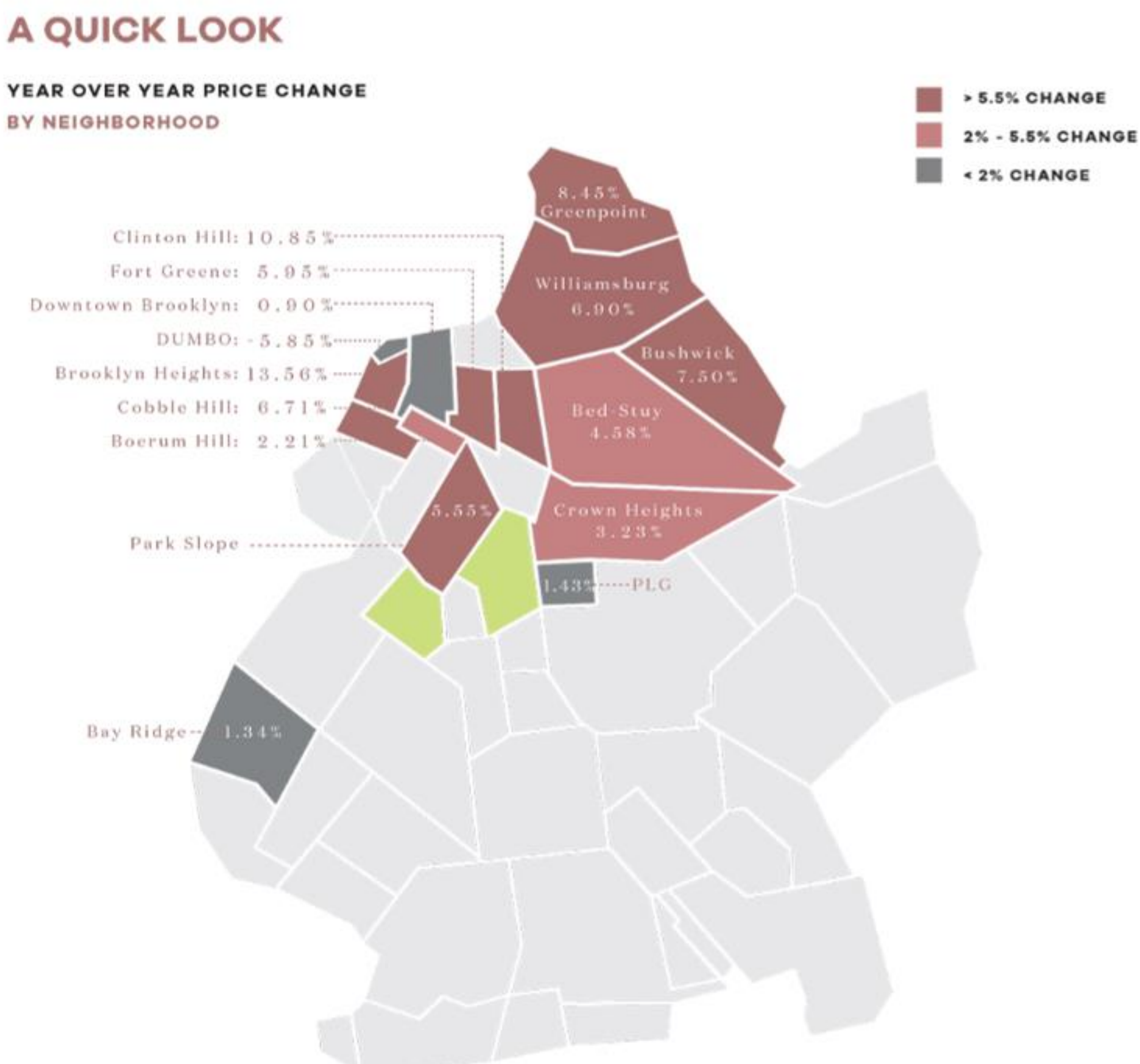
| SUBTYPE | EXISTING INVENTORY (UNITS) | NET DELIVERIES (12 MONTHS) | UNDER CONSTRUCTION (UNITS) |
|---|---|---|---|
| Class A (4 & 5 Star) | 2,885 | 866 | 1,927 |
| Class B (3 Star) | 13,071 | 688 | 884 |
| Class C (1 & 2 Star) | 20,155 | -8 | 60 |
| **Total** | **36,111** | **1,546** | **2,871** |

### BUSHWICK MARKET OUTLOOK

The Bushwick Multi-Family market ended the first quarter 2019 with an overall vacancy rate of 3.02%. The vacancy rate increased over the previous quarter, with net absorption totaling 262 units in the first quarter 2019. Rental rates increased $6.10 per unit per month over the previous quarter and ended at $2,330 per unit per month. A total of 410 units was delivered in the quarter, with 2,871 units still under construction at the end of the quarter.

## MNS BROOKLYN RENTAL MARKET REPORT DECEMBER 2018

Below is information from the May 2019 MNS Brooklyn Rental Report:

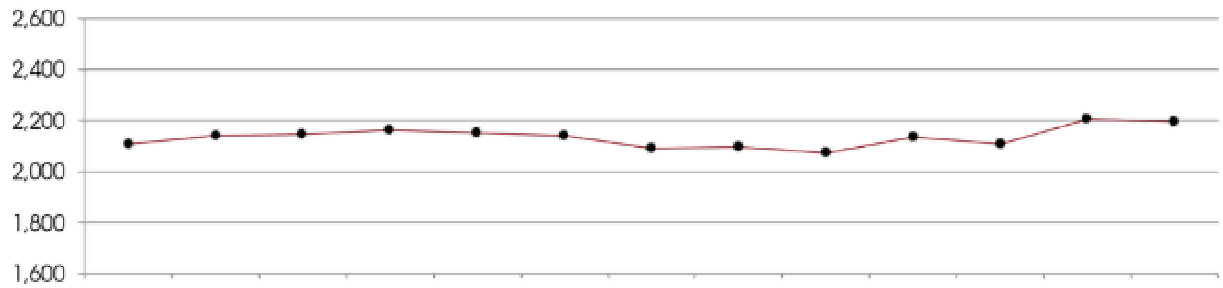



Source: Brooklyn Rental Market Report, MNS.com

## BUSHWICK

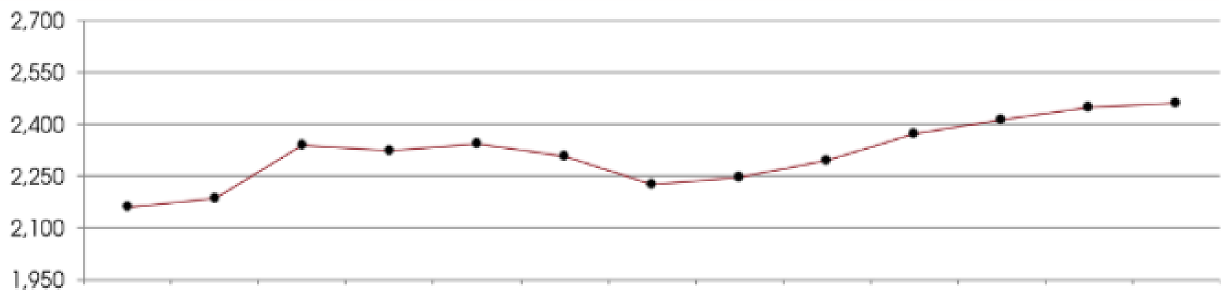
• Following a large increase last month, the average rental price in Bushwick stabilized during May, increasing by just 0.41%.

**BUSHWICK STUDIO PRICE TRENDS**



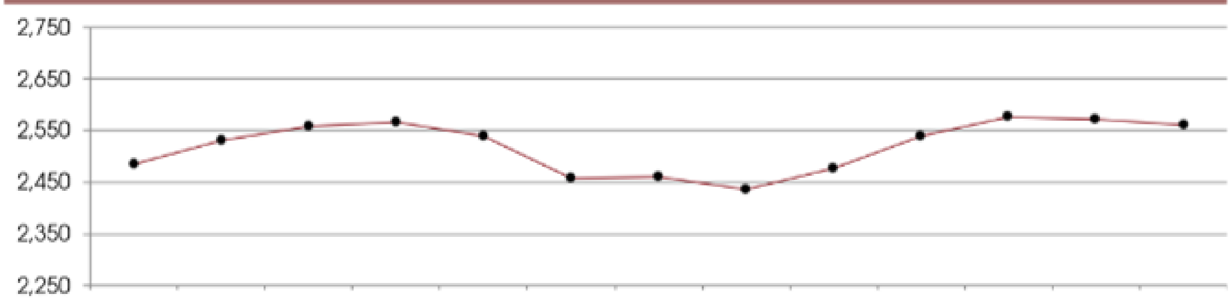

| MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2,107 | 2,142 | 2,145 | 2,166 | 2,153 | 2,140 | 2,094 | 2,097 | 2,074 | 2,136 | 2,109 | 2,205 | 2,196 |

**BUSHWICK ONE-BEDROOM PRICE TRENDS**




| MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2,160 | 2,187 | 2,340 | 2,323 | 2,345 | 2,306 | 2,225 | 2,247 | 2,295 | 2,372 | 2,414 | 2,451 | 2,462 |

**BUSHWICK TWO-BEDROOM PRICE TRENDS**




| MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2,485 | 2,531 | 2,558 | 2,567 | 2,540 | 2,458 | 2,459 | 2,436 | 2,478 | 2,539 | 2,576 | 2,572 | 2,560 |

Source: Brooklyn Rental Market Report, MNS.com

The average price of a studio, one bedroom, and two bedroom in Bushwick was $2,196, $2,462, and $2,560 respectively. Overall, the Bushwick market is looked at with increased optimism by investors and real estate developers as this neighborhood benefits from good subway access and an influx of trendy restaurants and shops. In addition, it is seen as a better value than higher priced neighborhoods further west along the L train such as Williamsburg.

### BROOKLYN PROPERTY SALES REPORT, CUSHMAN & WAKEFIELD Q1 2019

#### NEW YORK CITY OVERVIEW

After posting a historically strong year in 2018, the New York City investment sales market failed to carry over the momentum through the first quarter of 2019, posting a dollar volume of $10.1 billion—the lowest since the third quarter of 2017 and down 21.6% year-over-year. The level of activity through the first quarter of 2019 trended down as well, with 743 properties sold, the lowest since the first quarter of 2013 and down 15.9% from the same time last year. Price per square foot (psf) for core product averaged $587, the highest on record, up 11.2% from year-end 2018, suggesting underlying fundamentals remain strong. The decline in transactional volume can be attributed to the stagnation within multifamily, as looming rent regulation legislation has left investors hesitant towards this sector. Historically, multifamily properties have accounted for at least 50.0% of all properties sold annually since 2009, and at least 25.0% of the dollar volume since 2012, but have accounted for just 40.9% and 21.0% respectively through first quarter 2019. As New York City's most abundant and active asset class, this downtick has had a tangible effect on overall volume, which will lead to further regression until the second half of the year. However, the economy and market fundamentals suggest there are drivers in place to ignite a strong second half of 2019.

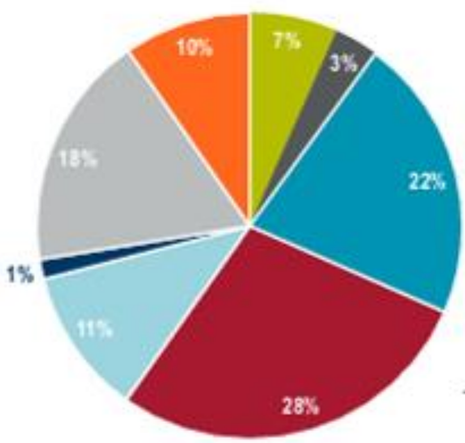
#### PROPERTY SALES VOLUME & TURNOVER

The Brooklyn property sales market recorded 232 transactions consisting of 269 properties sold through the first quarter, marking a decrease from first quarter 2018's total of 255 transactions consisting of 310 properties sold. The transactional volume in the Brooklyn market declined, largely due to investors waiting on the sidelines pending New York City's upcoming rent regulation reform vote in the second quarter. Mixed-use properties accounted for the most properties sold in the first quarter with 76, followed by walk-up apartments with 58 properties sold. The turnover for Brooklyn in 2018 was 1.65% of the total stock of properties, down from the peak turnover rate of 3.34% in 2014. The market finished with a turnover rate less than 2.0% for the first time since 2011.

#### DOLLAR VOLUME

Despite the dip in transactions, the aggregate sales consideration through first quarter 2019 was nearly $1.9 billion, the third highest first-quarter total on record and a 29.1% increase compared to the first quarter of 2018. Brooklyn has now exceeded $1.25 billion in dollar volume in the first quarter for six consecutive years. Development sites recorded the highest volume in the first quarter, with $639 million in dollar volume, followed by elevator apartments with $528 million in aggregate sales. The average price per property in Brooklyn through the first quarter was $7.0 million, up 23.1% from year-end 2018.

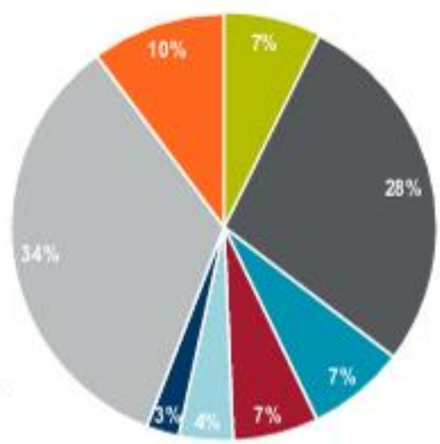
#### PROPERTIES SOLD BY TYPE




#### FIRST QUARTER 2019

| | | |
|---|---|---|
| 18 | Industrial | $138,872,490 |
| 9 | Elevator | $528,438,750 |
| 58 | Walk-Up | $140,319,326 |
| 76 | Mixed-Use | $122,483,370 |
| 30 | Retail | $77,581,500 |
| 4 | Office | $46,950,000 |
| 48 | Development | $639,140,000 |
| 26 | Specialty-Use | $192,262,501 |
| — | Hotel | — |
| 269 | TOTAL | $1,886,047,937 |

#### DOLLAR VOLUME BY TYPE



**DOLLAR VOLUME AND NUMBER OF PROPERTIES SOLD**


## ELEVATOR APARTMENT PROPERTIES

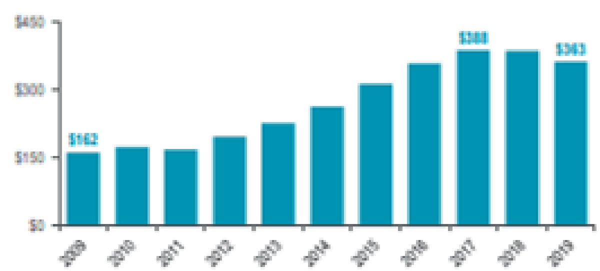
- Dollar volume in Q1 2019 was $528M, up 19% YOY
- 9 properties were sold, down 36% YOY
- Price per square foot (psf) averaged $610, up 49% from YE18

AVERAGE PRICE PSF


## WALK-UP APARTMENT PROPERTIES

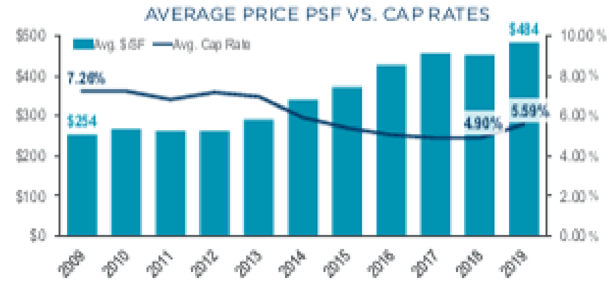
- Dollar volume in the Q1 2019 was $140M, down 26.3% YOY
- 58 properties were sold, down 18% YOY
- Cap rates averaged 4.76%, up 11 bps from YE18
- Gross Rent Multiplier (GRM) decreased from 15.86x in 2018 to 13.52x
- Price psf averaged $363, down 6% from YE18

AVERAGE PRICE PSF



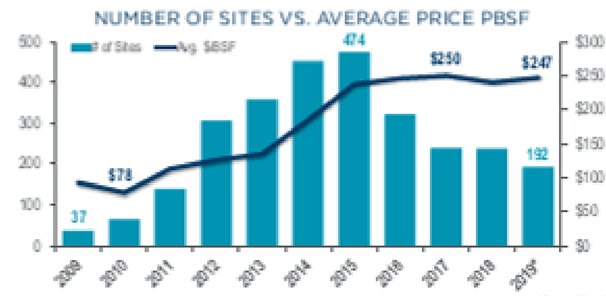
## MIXED-USE PROPERTIES

- Dollar volume in Q1 2019 was $122M, down 42.0% YOY
- 76 properties were sold, down 29% YOY
- Cap rates averaged 5.59%, up 65 bps from YE18
- Price psf averaged $484, increasing 7% from YE18




## DEVELOPMENT SITES

- Dollar volume in Q1 2019 was $639M, up 93% YOY
- 48 sites were sold, down 11% YOY
- Price pbsf averaged $247, up 3% from YE18



## BROOKLYN RENTAL MARKET
## MARCH & 1ST QUARTER 2019, CITI HABITATS

The report that follows tracks the Manhattan and Brooklyn rental market during March as well as throughout the first quarter of 2019 according to Citi Habitats.

When looking at the most recent data for March, we found a strengthening market for landlords. Rents rose slightly for all apartment sizes in both boroughs, while the vacancy rate fell to the lowest level since August 2018. While still relatively prevalent, the percentage of new leases that included an incentive also declined.

**While rents trended downward throughout much of last year, they have started to climb again in 2019.**

In March 2019, Manhattan rents rose 2% for studio and one-bedroom homes when compared to February – while pricing for two- and three-bedrooms was up 1% and 3%, respectively.

As in Manhattan, rents for Brooklyn apartments also rose across the board from February to March. Rents for studio, one- and three-bedrooms were all 2% higher than the month prior, while they were up 3% for two-bedrooms during the same period.

Rents also climbed across the board in both communities year-over-year. Overall, rents rose an average of 6% in Manhattan - and 7% in Brooklyn - since March 2018.

**In March, the Manhattan vacancy rate fell to the lowest level in 7 months.**

The borough's vacancy rate has experienced three consecutive months of declines. In March, the rate fell to 1.33% - from 1.40% in February. In fact, the last time there was less inventory available for rent was in August 2018, when the vacancy rate dipped to 1.29%

Manhattan's vacancy rate is also lower than it was at this time last year. In March 2018, 1.63% of apartments in the borough were vacant.

**While move-in incentives were found on fewer leases in March, they remain a significant marketing tool.**

The percentage of leases that included a move-in incentive fell to 29% in March, from 31% in February. Year-over-year, their prevalence also declined (from 35% in March 2018).

When comparing boroughs, concessions were much more prevalent in Brooklyn. In March, 44% of leases in the borough included an incentive, versus 20% in Manhattan.

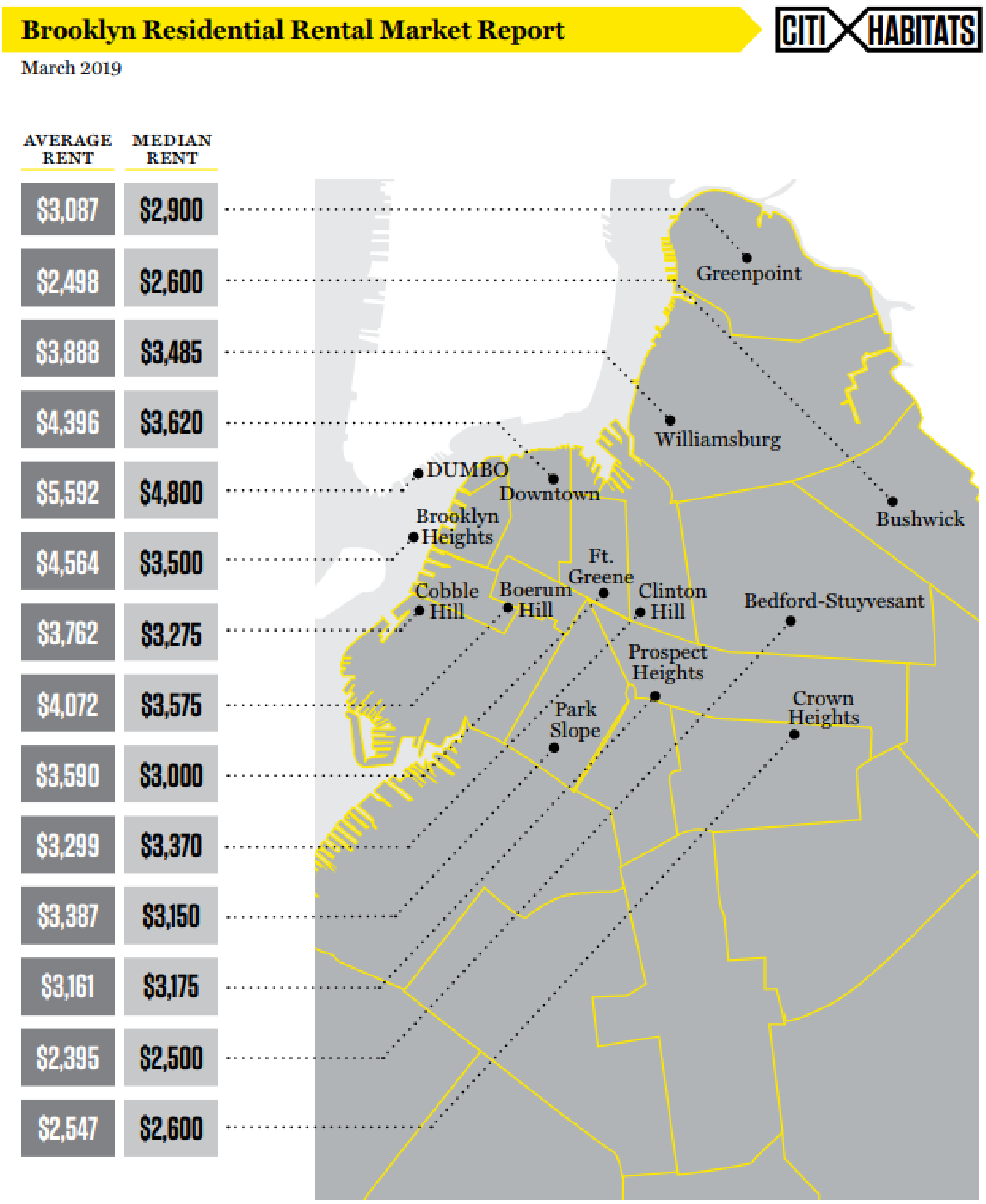
While concessions are most common at new-construction luxury buildings, they are offered by landlords across the spectrum to move apartments that aren't leasing quickly – or to gain a competitive advantage in an especially crowded local marketplace.

**Quarterly trends also show an overall improvement in market conditions for landlords.**

During the first quarter of 2019, rents in Manhattan and Brooklyn rose slightly overall - both when compared to Q4 2018 and year-over-year.

The Manhattan vacancy rate fell to 1.39% during Q1 – from 1.53% in Q4 2018. The rate is also lower than Q1 2018's rate of 1.77%. This means fewer available apartment choices for potential tenants.

During Q1 overall, 31% of new leases included an inventive, which is slightly more than the 30% last quarter – but fewer than the 35% during Q1 2018.

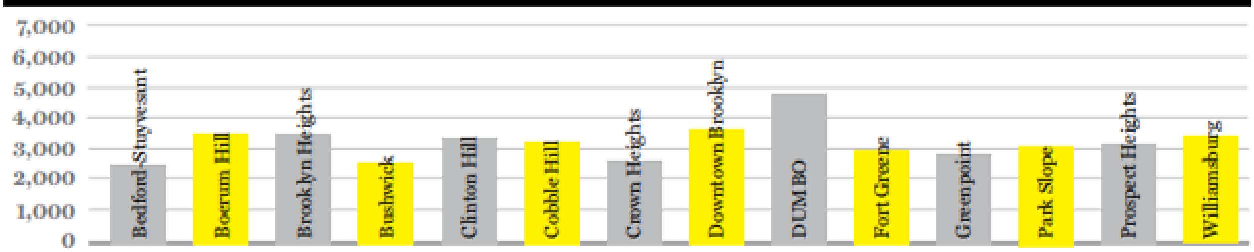


# Brooklyn Residential Rental Market Report

March 2019

| AVERAGE RENT SUMMARY: March 2019 | | | | |
|---|---|---|---|---|
| **Location** | **Studio** | **1BR** | **2BR** | **3BR** |
| Bedford-Stuyvesant | $1,833 | 2,274 | 2,566 | 2,905 |
| Boerum Hill | $2,480 | 3,194 | 4,513 | 6,100 |
| Brooklyn Heights | $2,571 | 3,273 | 5,220 | 7,191 |
| Bushwick | $1,995 | 2,378 | 2,622 | 2,995 |
| Clinton Hill | $2,400 | 3,023 | 3,575 | 4,196 |
| Cobble Hill | $2,250 | 3,024 | 4,550 | 5,225 |
| Crown Heights | $2,028 | 2,364 | 2,694 | 3,100 |
| Downtown Brooklyn | $2,836 | 3,580 | 4,655 | 6,511 |
| DUMBO | $3,017 | 4,403 | 5,682 | 9,267 |
| Fort Greene | $2,583 | 3,048 | 4,010 | 4,720 |
| Greenpoint | $2,633 | 2,913 | 3,258 | 3,543 |
| Park Slope | $2,158 | 2,820 | 3,564 | 5,005 |
| Prospect Heights | $2,308 | 2,554 | 3,503 | 4,277 |
| Williamsburg | $2,935 | 3,262 | 4,204 | 5,150 |
| Average: March | $2,431 | 3,008 | 3,901 | 5,013 |
| Average: February | $2,379 | 2,938 | 3,803 | 4,897 |
| % Change | 2% | 2% | 3% | 2% |

**MEDIAN RENT SUMMARY: March 2019**




| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Median | $2,500 | $3,575 | $3,500 | $2,600 | $3,370 | $3,275 | $2,600 | $3,620 | $4,800 | $3,000 | $2,900 | $3,150 | $3,175 | $3,485 |

Source: Citi Habitats

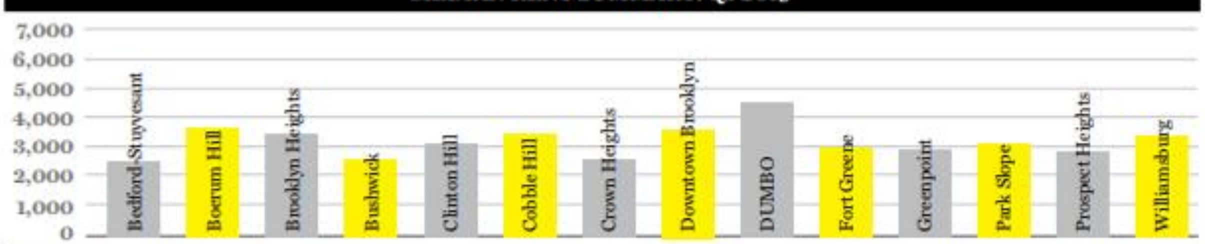
## Brooklyn Residential Rental Market Report

First Quarter 2019

**AVERAGE RENT SUMMARY: Q1 2019**

| Location | Studio | 1BR | 2BR | 3BR |
|---|---|---|---|---|
| Bedford-Stuyvesant | $1,881 | 2,180 | 2,600 | 2,886 |
| Boerum Hill | $2,468 | 2,994 | 4,293 | 5,620 |
| Brooklyn Heights | $2,548 | 3,257 | 5,455 | 7,302 |
| Bushwick | $2,138 | 2,313 | 2,572 | 2,977 |
| Clinton Hill | $2,321 | 2,802 | 3,365 | 4,027 |
| Cobble Hill | $2,133 | 2,966 | 4,312 | 5,072 |
| Crown Heights | $1,930 | 2,296 | 2,636 | 2,994 |
| Downtown Brooklyn | $2,861 | 3,532 | 4,740 | 6,612 |
| DUMBO | $3,170 | 4,416 | 5,541 | 9,342 |
| Fort Greene | $2,478 | 2,976 | 3,972 | 4,497 |
| Greenpoint | $2,632 | 2,821 | 3,175 | 3,633 |
| Park Slope | $2,216 | 2,850 | 3,563 | 4,679 |
| Prospect Heights | $2,123 | 2,505 | 3,230 | 3,962 |
| Williamsburg | $2,837 | 3,220 | 4,060 | 4,834 |
| Average: Q1/19 | $2,410 | 2,938 | 3,823 | 4,888 |
| Average: Q4/18 | $2,357 | 2,851 | 3,647 | 5,071 |
| % Change | 2.2% | 3.0% | 4.8% | -3.6% |
| Average: Q1/18 | $2,280 | 2,767 | 3,561 | 4,786 |
| % Change: Q1-18/19 | 5.7% | 6.2% | 7.3% | 2.1% |

**MEDIAN RENT SUMMARY: Q1 2019**




| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Median | $2,470 | $3,590 | $3,385 | $2,535 | $3,120 | $3,425 | $2,580 | $3,550 | $4,475 | $3,015 | $2,870 | $3,050 | $2,870 | $3,370 |

Source: Citi Habitats

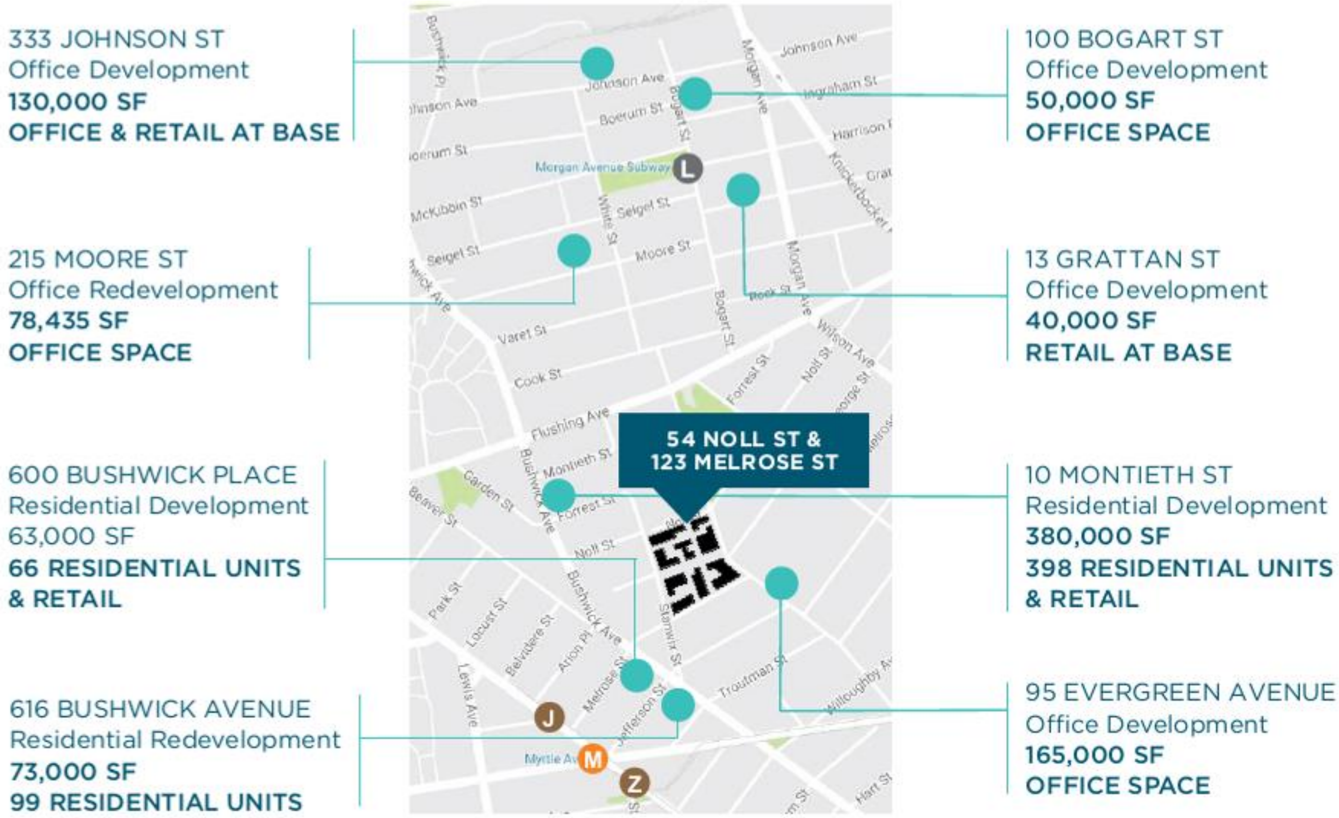
## BUSHWICK NEW CONSTRUCTION DEVELOPMENTS

Below we summarize large residential developments in Bushwick and the surrounding areas:

| Address/Development | Status | # of Units | Description | Leasing |
|---|---|---|---|---|
| Rhinegold Brewery<br>10 Montieth Street | Recently Completed | 500 | ODA designed, Rabsky developed project with 500 units and spans 475,125 square feet. 20% of units are set aside for below market rates. The property received its Temporary Certificate of Occupancy (TCO) in September 2018. Retail space includes coffee shops and art galleries. A 60,000 square foot roof hosts an urban garden and exercise space. An 18,000 square foot park divides the project. | Leasing began in summer 2018. Property is approximately 70% leased. Average monthly rents are $2,590 for studios, $3,122 for 1BRs and $4,447 for 2BR units. |
| The Dekalb<br>740 Dekalb Avenue | Recently Completed | 37 | 37-unit luxury rentals. Amenities: Landscaped roof deck, virtual doorman system, bike storage, fitness center, resident lounge, billiard room, laundry room, package room and on-site parking. | Leasing began in early 2017. Recent rents are $2,3000-$2,408 for 1BRs, $3,1750-$4,000 for 2BRs and $2,949 for a 3BR unit. |
| 1875 Atlantic Avenue | Recently Completed | 118 | Nine-story, 118-unit residential building. Amenities include a 59-car garage on the ground floor, storage for 59 bikes, a laundry, and three separate recreational areas located on the ground, eighth, and nine floors. | Leasing began in late 2017. Recent rents are $1,950 for studios, $1,971-$2,205 for 1BRs, $2,063-$2,200 for 2BR and $2,435 for 3BR units. |
| 336 Himrod Street | Recently Completed | 63 | 5-story multi-family with retail on the ground and lower level. Developer is Ash NYC with Hustvedt & Cutler Architects. | Leasing began in June 2018. Rents are $2,515-$2,975 for 1BRs, $3,138-$3,323 for 2Brs and $3,850-$3,875 for 3BRs |
| 961 Willoughby Avenue | Recently Completed | 63 | 5-story multi-family building. Developer is Louis Handler and architect is Karl Fischer Architect. | Leasing began in Dec 2017. Rents are $2,2416-$2,383 for 1BRs, $2,395-$2,570 for 2Brs, and approx $3,000 for 3BRs. |
| The Mill<br>16-26 Madison Street | Recently Completed | 89 | 7-story mutli-family building offering studios, 1 and 2-bedroom luxury rentals in the Ridgewood neighborhood. Amenities include an outdoor terrace and lounge area business center and onsite parking. | Leasing began in mid 2017. Rents are $2,000 for studios, $2,200-$2,400 for 1BR units and $2,500-$3,225 for 2BR units. |
| 338 Evergreen Avenue | Recently Completed | 177 | 5-story multi-family property include studios, 1BR, 2BR and 3BR units. Moshe Braver is the owner with Syndicate Architecture. | Leasing began in late 2018. Rents are approximately $3,800 for 4BR units. |
| 626 Bushwick Avenue | Recently Completed | 99 | 616 Bushwick Avenue is a 72,891 square foot building in Bushwick. The property is part of the former St. Mark's Lutheran School and Evangelical Church. The property has 99 residential units, including affordble units, and was completed in 2017. Common amenities in the complex include roof decks, laundry, parking for 12 cars and bike storage. | Leasing began in mid 2017. Rents are $2,150 for studios, $2,325-$2,975 for 1BR units and $2,585-$3,325 for 2BR units. |
| 115 Stanwix Street | Recently Completed | 130 | 8-story multi-family building. Developer is JCS Realty and Architect is ND Architecture & Design P.C. Each unit features floor to ceiling windows, harwood floors and modern stainless steel appliances. Some units have outdoor space. Amenities include co-working space, coffee bar, gym, yoga room, library, screening room, mail room, lounge, communal kitchen, event space, children's playroom. | Leasing began in December 2018. Rents are approximately $2,200 for studios, $2,600 for 1BR units, $3,300 for 2BR units and $4,600 for 3BR units. |
| 600 Bushwick Avenue | Under Construction/ Almost Complete | 66 | Formerly a commercial garage, the new property will span 63,000 square feet and offer 66 two-bedroom units with an average size of 984 sf as well as retail space. Amenities to inclue parking, and a shared roof deck. Some units will feature private outdoor space. Architect is Hustvedt & Cutler Architechts. CCM Property Mangement LLC development. | |
| 833 Myrtle Avenue | Under Construction | 301 | 7 building development on the former Cascade Linen Factory with 301 units (66 affordable). Will likely be condos. There will be parking and a grocery store. Expected Phase 1 completion in late 2018. | |
| 668 Bushwick Avenue | Under Construction | 50 | Studio Galls architect; Soft Stone Development. | |
| 889 Bushwick Avenue | Under Construction | 54 | Building will contain studios, 1BR, 2Br and 3BR units. Syndicate Architecture. | |
| 1 DeSales Place | Under Construction | 76 | 8-story 76-unit multi-family building. Developer is Georgica Green Ventures, LLC. | |
| 722-733 Myrtle Avenue | Proposed | 87 | JMS Realty Corp planning an 8 story mixed use development with 87 apartments (25 affordable), 16,137 square feet of CUF/retail, 30 parking spaces. Expected delivery 2020. | |
| Broadway Triangle<br>687 Flushing Avenue | Proposed | 1,147 | The Rabsky Group is seeking to rezone this former Pfizer development site bounded by Walton Street to the north, Harrison Avenue to the east, Gerry Street to the south, and Union Avenue. They propose a seven building development with 1,147 residences (344 affordable), 65,000 square feet of retail space for seven-plus stores as well as 427 non-attended parking spaces and a 26,000 square foot privately owned park open to the public. | |
| 405 Evergreen Avenue | Proposed | 68 | 5-story multi-family property owned by Moshe Braver with Karl Fischer Architect. | |
| 301 Himrod Street | Proposed | 55 | 12-story multi family proposed by MKF Group with Boro Architects. | |
| 23 Monteith Street | Proposed | 86 | Developer Southside United HDFC; Architect RKTB Architects, P.C. | |

Below is a map of new developments within several blocks of the subject.

#### MAP OF NEW DEVELOPMENTS



### TRANSPORTATION MAP AND NEIGHBORHOOD TENANTS

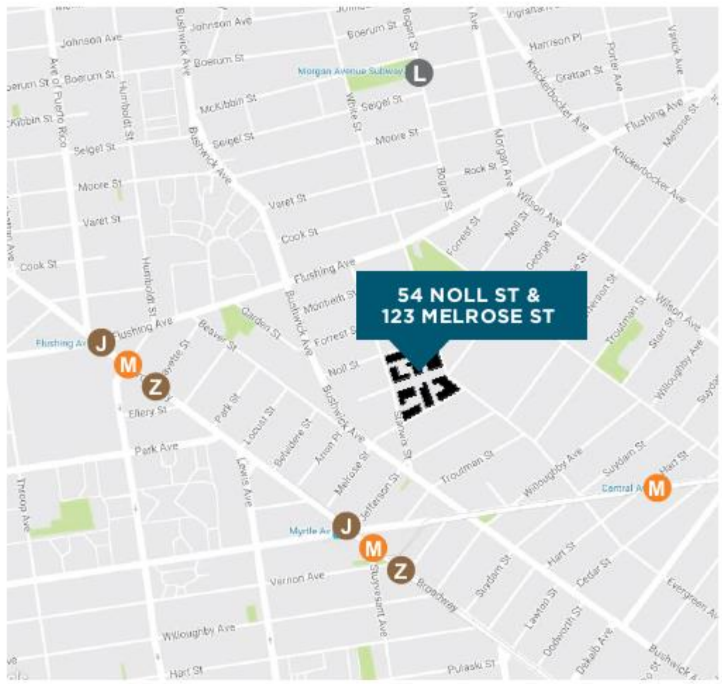
The subject benefits from good access to public transportation. The L train is a 15-minute walk. The J, M, and Z trains are a 10-minute walk.

## TRANSPORTATION

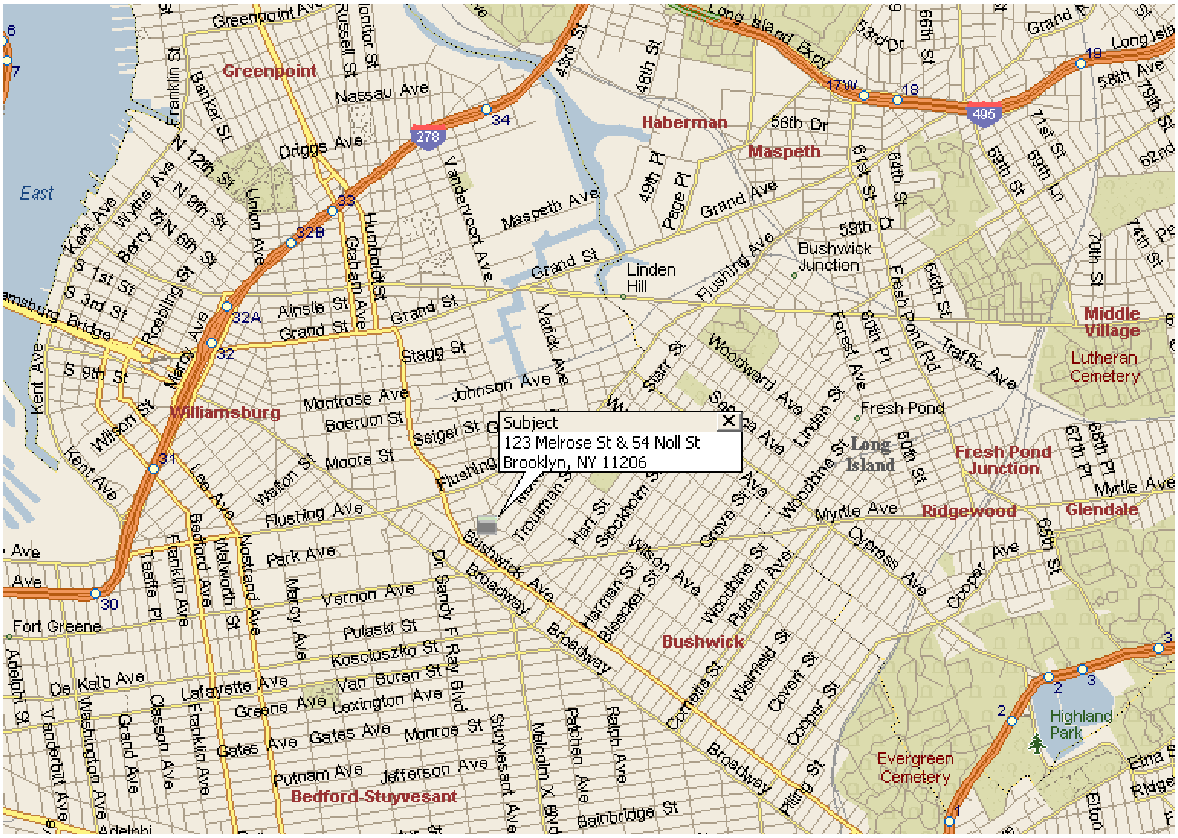
| | | |
|---|---|---|
| 5 Min Walk | At Myrtle Avenue | J M Z |
| 8 Min Walk | At Flushing Avenue | J M Z |
| 10 Min Walk | At Central Avenue | M |
| 10 Min Walk | At Morgan Avenue | L |

## NEIGHBORHOOD TENANTS

Anchored Inn
Arrogant Swine
Brooklyn's Natural
Cape House
City of Saints
El Cortez
Falansi
Fitzcarraldo
Food Story
Forrest Point
Guadalupe Inn
House of Yes
Livestream
Momo Sushi Shack
Montana's
Other Times
Rebecca's
Roberta's
Supercrown Coffee Roasters
Swallow Cafe
Syndicated BK
Wick



## NEIGHBORHOOD DESCRIPTION



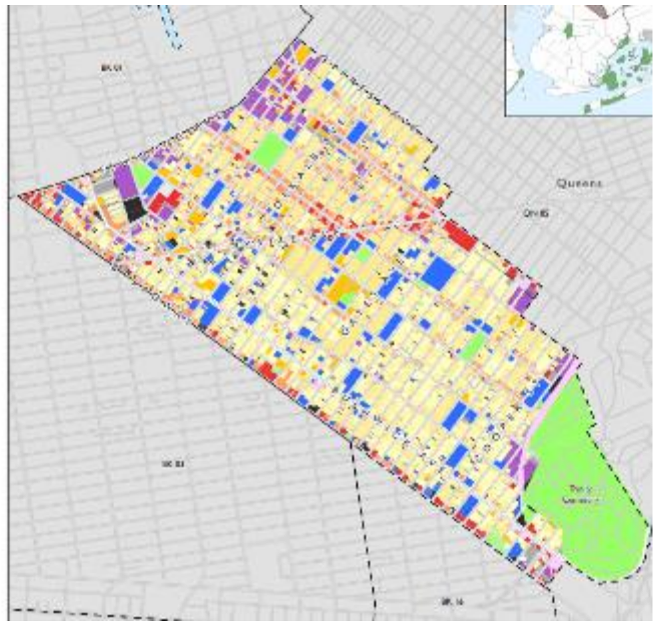

### BUSHWICK OVERVIEW

The subject property is located in the Borough of Brooklyn, City and State of New York. The section of Brooklyn encompassing the subject is known as Bushwick. In relation to other sections of the borough, this neighborhood is bounded by Ridgewood, Queens to the east, East Williamsburg and Maspeth, Queens, to the north, Bedford-Stuyvesant to the west and Brownsville to the south.

Bushwick is primarily residential in character. The predominant land use in the immediate subject neighborhood generally consists of multi-family low-rise development and one to four-family homes. The southern periphery of the neighborhood is defined by Cemetery of the Evergreens.

**LAND USE, 2014**

| | Lots | Lot Area Sq. Ft.(000) | % |
|---|---|---|---|
| 1- 2 Family Residential | 4,179 | 8,429.3 | 21.2 |
| Multi-Family Residential | 4,502 | 12,445.8 | 31.3 |
| Mixed Resid. / Commercial | 1,067 | 2,740.4 | 6.9 |
| Commercial / Office | 251 | 1,500.2 | 3.8 |
| Industrial | 211 | 2,128.8 | 5.4 |
| Transportation / Utility | 63 | 507.0 | 1.3 |
| Institutions | 193 | 3,507.9 | 8.8 |
| Open Space / Recreation | 93 | 6,327.4 | 15.9 |
| Parking Facilities | 325 | 1,035.7 | 2.6 |
| Vacant Land | 322 | 833.5 | 2.1 |
| Miscellaneous | 112 | 318.2 | 0.8 |
| **Total** | 11,318 | 39,774.2 | 100.0 |



The subject property is located within Brooklyn Community District 4. Community District 4 encompasses 2.0 square miles in the northeastern portion of the Borough of Brooklyn. District 4 generally comprises the Bushwick neighborhood. The physical boundaries of District 4 are generally Broadway to the west and south, Flushing Avenue to the north and the Queens Borough line to the east. The Community District Needs for Brooklyn indicates that the population for District 4 came to 112,643 in 2010, up 7% since 2000. The population continues to grow as people continue to move further east in search of a lower cost of living. There has been an increase interest in Bushwick in recent years as more renovated apartment units have come online.

Compared to overall Brooklyn, Districts 4 contains a higher percentage of residential use. Due to the fact that District 4 contains a one of the largest cemeteries in New York City, the open space and recreation land use is somewhat inflated. Excluding the cemetery, the open space and recreation land use is less than 5% which is the significantly less than the Borough as a whole. The remaining uses generally parallel the overall Brooklyn land uses.

Bushwick is generally well served by all supporting facilities including local retail shopping, public transportation, schools, hospitals, and houses of worship. Buses provide service along major roadways. The Nassau Street line (M train) runs along Broadway in the south portion of Bushwick and the Canarsie line (L) runs along Wyckoff Street in central Bushwick. These lines provide access to other areas of Brooklyn as well as Midtown and Lower Manhattan.

There are numerous public, private, and parochial schools in operation in the area as well as several day care and senior citizen facilities. Police and fire protection, as well as other City services, is considered adequate.

Although generally regarded as a low- to moderate-income area, changing demographics have pushed development east in Brooklyn to lesser-known locations like Bushwick. There are number of new developments in the neighborhood. Multifamily buildings have been gut renovated all over the area. The appeal of newly renovated units has drawn people further east, making a Bushwick a stronger rental market.

Bushwick has seen revitalization in shopping, restaurants and an emerging art scene in recent years. Renowned restaurants including Roberta’s is located in Bushwick. Also, as Manhattan office rents continue to increase, some tech startups and newer firms have moved their offices east into Brooklyn and Bushwick has benefitted from this. Livestream, a popular streaming site, recently moved their offices from Chelsea into Bushwick.

In summary, Bushwick is considered a low to moderate-income residential community. It has fairly steady appeal to homeowners and renters seeking affordable housing at moderate prices and rentals, but the several new developments in the area will help establish Bushwick is a primary residential and office location in Brooklyn. Retail shop owners and other business establishments are attracted to the area due to the fairly large population base as well as moderate rents. Over the long term, continuing rehabilitation and property value improvement are anticipated, but only in conjunction with general regional economic health.

## THE SPECIFIC SUBJECT LOCATION

The subject property is situated on the entire block bounded by Melrose Street to the south, Noll Street to the north, Stanwix Street to the west and Evergreen Avenue to the east, within the Bushwick neighborhood of Brooklyn, New York. The subject is a residential and commercial neighborhood with single- and two to four-family row houses in the vicinity and retail activity on Myrtle Avenue and Broadway. There are also larger industrial buildings in the area. Access to public transportation is excellent with the Myrtle Avenue J, M and Z subway station approximately two blocks away. Vehicular access is above average with the Brooklyn Queens Expressway nearby.

## DEMOGRAPHIC OVERVIEW

The following demographic profile, assembled by Environics Analytics, a nationally recognized compiler of demographic data, reflects the subject’s zip code (11206) and market (Kings County). The area is projected to have a 2019 population of 92,520 in 31,658 household units. The current projections, as forecasted by Environics Analytics, are as follows:

### UNIVERSE TOTALS

| | 11206 | | | Kings County | | |
|---|---|---|---|---|---|---|
| Description | 2019 Estimate | % Change 2010-2019 | % Change 2019-2024 | 2019 Estimate | % Change 2010-2019 | % Change 2019-2024 |
| Universe Totals | | | | | | |
| Population | 92,520 | 13.99% | 5.19% | 2,663,688 | 6.35% | 2.48% |
| Households | 31,658 | 14.11% | 5.33% | 989,055 | 7.88% | 2.96% |
| Families | 19,343 | 13.39% | 5.05% | 614,593 | 7.19% | 2.79% |
| Housing Units | 33,553 | | | 1,074,602 | | |

### HOUSEHOLD INCOME

The estimated average household income is $67,453, while the median income is $39,490. Approximately 36.5% of households have an income of less than $25,000, while 10.4% of the households earn over $150,000 per year.

### HOUSEHOLD INCOME

| Households by Household Income | 11206 | % of Total | Kings County | % of Total |
|---|---|---|---|---|
| 2019 Est. Households by Household Income | 31,658 | | 989,055 | |
| Income < $15,000 | 6,977 | 22.0% | 147,946 | 15.0% |
| Income $15,000 - $24,999 | 4,565 | 14.4% | 95,074 | 9.6% |
| Income $25,000 - $34,999 | 3,087 | 9.8% | 79,942 | 8.1% |
| Income $35,000 - $49,999 | 3,619 | 11.4% | 111,228 | 11.2% |
| Income $50,000 - $74,999 | 3,901 | 12.3% | 138,197 | 14.0% |
| Income $75,000 - $99,999 | 2,771 | 8.8% | 108,145 | 10.9% |
| Income $100,000 - $124,999 | 1,991 | 6.3% | 84,374 | 8.5% |
| Income $125,000 - $149,999 | 1,447 | 4.6% | 61,284 | 6.2% |
| Income $150,000 - $199,999 | 1,542 | 4.9% | 67,238 | 6.8% |
| Income $200,000 - $249,999 | 791 | 2.5% | 36,145 | 3.7% |
| Income $250,000 - $499,999 | 682 | 2.2% | 38,310 | 3.9% |
| Income $500,000+ | 285 | 0.9% | 21,172 | 2.1% |
| 2019 Est. Average Household Income | $67,453 | | $92,079 | |
| 2019 Est. Median Household Income | $39,490 | | $59,924 | |

### POPULATION CHARACTERISTICS

The neighborhood has an average age of 33 and a median age near 31. 17.96% of the area population is aged 54 and over, while 27.39% is younger than 18 years old.

### AGE CHARACTERISTICS

| 2019 Est. Population by Age | 11206 | % of Total | Kings County | % of Total |
|---|---|---|---|---|
| Age 0-17 | 25,341 | 27.39% | 625,477 | 23.48% |
| Age 18-34 | 28,500 | 30.80% | 684,523 | 25.70% |
| Age 35-54 | 22,069 | 23.85% | 700,858 | 26.31% |
| 54 and above | 16,610 | 17.96% | 652,830 | 24.51% |
| 2019 Est. Median Age | 31 | | 36 | |
| 2019 Est. Average Age | 33 | | 37 | |

In terms of household size, 26.3% of households are single persons, 27.0% have two persons, and 17.4% have 3 persons. Only 17.2% of households have five or more.

### HOUSEHOLDS BY SIZE

| 2019 Est. Households by Household Size | 11206 | % of Total | Kings County | % of Total |
|---|---|---|---|---|
| 1-person | 8,334 | 26.3% | 294,788 | 29.8% |
| 2-person | 8,540 | 27.0% | 275,684 | 27.9% |
| 3-person | 5,503 | 17.4% | 166,184 | 16.8% |
| 4-person | 3,853 | 12.2% | 119,473 | 12.1% |
| 5-person | 2,275 | 7.2% | 65,004 | 6.6% |
| 6-person | 1,321 | 4.2% | 33,931 | 3.4% |
| 7-or-more-person | 1,832 | 5.8% | 33,991 | 3.4% |

### EDUCATIONAL ATTAINMENT

The population is relatively under educated. 27.0% have not earned a high school diploma in contrast to 20.58% with a bachelor's degree and 6.9% with advanced degrees.

| Educational Attainment | 11206 | % of Total | Kings County | % of Total |
|---|---|---|---|---|
| 2019 Est. Pop Age 25+ by Edu. Attainment | 57,684 | | 1,820,339 | |
| Less than 9th grade | 7,379 | 12.79% | 167,112 | 9.18% |
| Some High School, no diploma | 8,191 | 14.20% | 178,672 | 9.82% |
| High School Graduate (or GED) | 15,153 | 26.27% | 461,915 | 25.38% |
| Some College, no degree | 8,573 | 14.86% | 246,889 | 13.56% |
| Associate Degree | 2,554 | 4.43% | 112,758 | 6.19% |
| Bachelor's Degree | 11,870 | 20.58% | 396,482 | 21.78% |
| Master's Degree | 3,210 | 5.56% | 193,676 | 10.64% |
| Professional School Degree | 558 | 0.97% | 44,010 | 2.42% |
| Doctorate Degree | 196 | 0.34% | 18,825 | 1.03% |

### EMPLOYMENT DYNAMICS

According to Environics Analytics, 64.39% of workers are characterized as "white collar," while 12.27% are engaged in "blue collar" activities. 23.34% of the employed population works in the service and farm sectors. Within these broad categories, the largest employment sectors in the city are Office/Admin. Support (16.2%), Arts/Entertainment/Sports (10.5%), and Sales/Related (10.0%).

### OCCUPATION CLASSIFICATION

| Occupation Classification | 11206 | % of Total | Kings County | % of Total |
|---|---|---|---|---|
| 2019 Est. Pop 16+ by Occupation Classification | 38,552 | | 1,213,490 | |
| White Collar | 24,823 | 64.39% | 755,732 | 62.28% |
| Blue Collar | 4,732 | 12.27% | 176,622 | 14.55% |
| Service and Farm | 8,997 | 23.34% | 281,136 | 23.17% |

### OCCUPATION BREAKDOWN

| Occupation | 11206 | % of Total | Kings County | % of Total |
|---|---|---|---|---|
| 2019 Est. Civ. Employed Pop 16+ by Occupation | 38,552 | | 1,213,490 | |
| Architect/Engineer | 278 | 0.72% | 13,013 | 1.07% |
| Arts/Entertainment/Sports | 4,057 | 10.52% | 75,281 | 6.20% |
| Building Grounds Maintenance | 1,570 | 4.07% | 48,180 | 3.97% |
| Business/Financial Operations | 1,708 | 4.43% | 56,973 | 4.69% |
| Community/Social Services | 1,027 | 2.66% | 28,468 | 2.35% |
| Computer/Mathematical | 949 | 2.46% | 34,246 | 2.82% |
| Construction/Extraction | 976 | 2.53% | 51,790 | 4.27% |
| Education/Training/Library | 2,483 | 6.44% | 82,459 | 6.80% |
| Farming/Fishing/Forestry | 22 | 0.06% | 911 | 0.08% |
| Food Prep/Serving | 3,037 | 7.88% | 67,312 | 5.55% |
| Health Practitioner/Technician | 507 | 1.32% | 57,410 | 4.73% |
| Healthcare Support | 1,739 | 4.51% | 74,386 | 6.13% |
| Maintenance Repair | 524 | 1.36% | 21,522 | 1.77% |
| Legal | 320 | 0.83% | 20,775 | 1.71% |
| Life/Physical/Social Science | 202 | 0.52% | 8,557 | 0.71% |
| Management | 3,208 | 8.32% | 117,437 | 9.68% |
| Office/Admin. Support | 6,233 | 16.17% | 147,391 | 12.15% |
| Production | 1,147 | 2.98% | 31,050 | 2.56% |
| Protective Services | 985 | 2.55% | 32,673 | 2.69% |
| Sales/Related | 3,851 | 9.99% | 113,722 | 9.37% |
| Personal Care/Service | 1,644 | 4.26% | 57,674 | 4.75% |
| Transportation/Moving | 2,085 | 5.41% | 72,260 | 5.95% |

### TRANSIT DYNAMICS

There are good links to employment centers via public transport and the local highway network. Based on its urban location, roughly 8.96% of the employed drove alone to work. Given strong public transit service, 66.65% traveled by public transportation. The average travel time is roughly 41 minutes. Within this, roughly 11.0% of workers travel less than 15 minutes, while 29% live within 30 minutes of their jobs. The remaining workers travel in excess of a half hour. 17.9% work an hour or more away from home.

### TRANSPORTATION TO WORK

| Transportation To Work | 11206 | % of Total | Kings County | % of Total |
|---|---|---|---|---|
| 2019 Est. Workers Age 16+ by Transp. to Work | 37,738 | | 1,185,856 | |
| Drove Alone | 3,382 | 8.96% | 214,065 | 18.05% |
| Car Pooled | 942 | 2.50% | 48,882 | 4.12% |
| Public Transportation | 25,152 | 66.65% | 735,608 | 62.03% |
| Walked | 4,882 | 12.94% | 101,168 | 8.53% |
| Bicycle | 1,161 | 3.08% | 20,867 | 1.76% |
| Other Means | 427 | 1.13% | 12,198 | 1.03% |
| Worked at Home | 1,792 | 4.75% | 53,068 | 4.48% |

### TRAVEL TIME TO WORK

| Travel Time to Work | 11206 | % of Total | Kings County | % of Total |
|---|---|---|---|---|
| 2019 Est. Workers Age 16+ by Travel Time to Work | 36,138 | | 1,137,000 | |
| Less than 15 Minutes | 3,981 | 11.0% | 92,847 | 8.2% |
| 15 - 29 Minutes | 6,518 | 18.0% | 187,240 | 16.5% |
| 30 - 44 Minutes | 12,898 | 35.7% | 323,405 | 28.4% |
| 45 - 59 Minutes | 6,275 | 17.4% | 214,675 | 18.9% |
| 60 or more Minutes | 6,466 | 17.9% | 318,833 | 28.0% |
| 2018 Est. Avg Travel Time to Work in Minutes | 41 | | 47 | |

### HOUSING DYNAMICS

Housing units are mostly renter occupied (90.30%), with 9.70% owner occupied. Reflecting this dynamic, the distribution of housing units is skewed towards multi-unit residential housing which makes up 73.9% of the total.

### TENURE OF OCCUPIED HOUSING UNITS

| Occupied Housing Units By Tenure | 11206 | % of Total | Kings County | % of Total |
|---|---|---|---|---|
| 2019 Est. Occupied Housing Units by Tenure | 31,658 | | 989,055 | |
| Owner Occupied | 3,070 | 9.70% | 271,190 | 27.42% |
| Renter Occupied | 28,588 | 90.30% | 717,865 | 72.58% |

### HOUSING BY UNITS IN STRUCTURE

| Housing Units by Units in Structure | 11206 | % of Total | Kings County | % of Total |
|---|---|---|---|---|
| 2019 Est. Housing Units by Units in Structure | 33,437 | | 1,073,938 | |
| 1 Unit Attached | 586 | 1.75% | 91,168 | 8.49% |
| 1 Unit Detached | 528 | 1.58% | 57,944 | 5.40% |
| 2 Units | 2,646 | 7.91% | 191,856 | 17.86% |
| 3 or 4 Units | 4,936 | 14.76% | 186,786 | 17.39% |
| 5 to 19 Units | 9,370 | 28.02% | 178,753 | 16.64% |
| 20 to 49 Units | 5,884 | 17.60% | 136,266 | 12.69% |
| 50 or More Units | 9,460 | 28.29% | 229,575 | 21.38% |
| Mobile Home or Trailer | 27 | 0.08% | 1,590 | 0.15% |
| Boat, RV, Van, etc. | 116 | 0.35% | 664 | 0.06% |

New development in the neighborhood represents 8.34% of the total stock added in this period. Given the overwhelming presence of older housing stock, the median year built is 1962.

### HOUSING BY YEAR STRUCTURE BUILT

| Housing Units by Year Structure Built | 11206 | % of Total | Kings County | % of Total |
|---|---|---|---|---|
| 2019 Est. Housing Units by Year Structure Built | 33,553 | | 1,074,602 | |
| Housing Units Built 2014 or Later | 2,797 | 8.34% | 66,674 | 6.20% |
| Housing Units Built 2010 to 2013 | 741 | 2.21% | 12,132 | 1.13% |
| Housing Units Built 2000 to 2009 | 4,442 | 13.24% | 59,310 | 5.52% |
| Housing Units Built 1990 to 1999 | 1,883 | 5.61% | 28,217 | 2.63% |
| Housing Units Built 1980 to 1989 | 1,077 | 3.21% | 30,030 | 2.79% |
| Housing Units Built 1970 to 1979 | 2,295 | 6.84% | 53,516 | 4.98% |
| Housing Units Built 1960 to 1969 | 4,453 | 13.27% | 112,780 | 10.50% |
| Housing Units Built 1950 to 1959 | 3,456 | 10.30% | 109,440 | 10.18% |
| Housing Units Built 1940 to 1949 | 2,172 | 6.47% | 91,255 | 8.49% |
| Housing Unit Built 1939 or Earlier | 10,237 | 30.51% | 511,248 | 47.58% |

The median owner-occupied home value is $689,847, with 44% of homes valued at $750,000 or more.

### OWNER OCCUPIED HOUSING VALUES

| Owner-Occupied Housing Units by Value | 11206 | % of Total | Kings County | % of Total |
|---|---|---|---|---|
| 2019 Est. Owner-Occupied Housing Units by Value | 3,070 | | 271,190 | |
| Value Less than $20,000 | 191 | 6.22% | 3,329 | 1.23% |
| Value $20,000 - $39,999 | 16 | 0.52% | 1,636 | 0.60% |
| Value $40,000 - $59,999 | 6 | 0.20% | 1,597 | 0.59% |
| Value $60,000 - $79,999 | 34 | 1.11% | 1,811 | 0.67% |
| Value $80,000 - $99,999 | 14 | 0.46% | 1,185 | 0.44% |
| Value $100,000 - $149,999 | 47 | 1.53% | 4,413 | 1.63% |
| Value $150,000 - $199,999 | 63 | 2.05% | 4,706 | 1.74% |
| Value $200,000 - $299,999 | 160 | 5.21% | 13,327 | 4.91% |
| Value $300,000 - $399,999 | 221 | 7.20% | 21,809 | 8.04% |
| Value $400,000 - $499,999 | 189 | 6.16% | 28,041 | 10.34% |
| Value $500,000 - $749,999 | 775 | 25.24% | 69,472 | 25.62% |
| Value $750,000 - $999,999 | 484 | 15.77% | 47,696 | 17.59% |
| Value $1,000,000 - $1,499,999 | 510 | 16.61% | 38,036 | 14.03% |
| Value $1,500,000 - $1,999,999 | 200 | 6.51% | 15,022 | 5.54% |
| Value $2,000,000 or more | 160 | 5.21% | 19,110 | 7.05% |
| 2019 Est. Median All Owner-Occupied Housing Value | $689,847 | | $688,228 | |

## ZONING SUMMARY


The subject property is currently zoned R6A and R7A. In addition, the frontage along Evergreen Avenue has a C2-4 commercial overlay district. This district is described as follows by the Zoning Handbook, which is published by the New York City Planning Commission:

### R6A DISTRICT

R6A is a contextual district where the Quality Housing bulk regulations are mandatory. These regulations produce high lot coverage, six- to eight-story apartment buildings set at or near the street line. Designed to be compatible with older buildings found in medium-density neighborhoods, R6A districts are mapped in the Bronx, Brooklyn and Queens. Parts of Kingsbridge in the Bronx and Williamsburg in Brooklyn are typical R6A areas.

The floor area ratio (FAR) in R6A districts is 3.0. Above a minimum base height of 40 feet, the building must set back by at least 10 feet on a wide street and 15 feet on a narrow street before rising to its maximum height of 70 feet, or 75 feet if providing a qualifying ground floor. To preserve the traditional streetscape, the street wall of a new building can be no closer to the street line than any adjacent street wall but need not be farther than 10 feet.

The area between a building's street wall and the street line must be planted. R6A buildings must have interior amenities for the residents pursuant to the Quality Housing Program.

Higher maximum FAR and heights are available for buildings participating in the Inclusionary Housing Program or that provide certain senior facilities.

Off-street parking is generally required for 50 percent of a building's dwelling units, but requirements are lower for income-restricted housing units (IRHU) and are further modified in certain areas, such as within the Transit Zone and the Manhattan Core, or for lots less than 10,000 square feet. Parking can be waived if five or fewer spaces are required. Off-street parking is not allowed in front of a building.

### SUMMARY OF PERFORMANCE REGULATIONS

**Medium-Density Contextual Residence District**

| R6A | Lot Area | Lot Width | Rear Yard | Lot Coverage | | FAR | Base Height | Building Height | # of Stories | DU Factor | Required Parking | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Corner | Other Lot | | | | | | Basic | IRHU |
| | min. | min. | min. | max. | | max. | min.–max. (w/QGF) | max. (w/QGF) | max. (w/QGF) | | min. | |
| Basic | 1,700 sf | 18 ft | 30 ft | 100% | 65% | 3.00 | 40–60 (65) ft | 70 (75) ft | n/a (7) | 680 | 50% of DU | 25% of IRHU |
| Inclusionary | | | | | | 3.60 | 40–65 ft | 80 (85) ft | 8 | | | |

### R7A DISTRICT

The contextual Quality Housing regulations, which are mandatory in R7A districts, typically produce high lot coverage, 7-9 story apartment buildings, blending with existing buildings in many established neighborhoods. R7A districts are mapped along Prospect Park South and Ocean Parkway in Brooklyn, Jackson Heights in Queens, and in Harlem and along the avenues in the East Village in Manhattan.

The floor area ratio (FAR) in R7A districts is 4.0. Above a base height of 40 to 65 feet, or 75 feet if providing a qualifying ground floor, the building must set back to a depth of 10 feet on a wide street and 15 feet on a narrow street before rising to a maximum height of 80 feet, or 85 feet if providing a qualifying ground floor. In order to preserve the traditional streetscape, the street wall of a new building can be no closer to the street line, than any adjacent street wall, but need not be farther than 10 feet. Buildings must have interior amenities for the residents pursuant to the Quality Housing Program. Off-street parking is not allowed in front of a building.

Off-street parking is generally required for 50 percent of a building's dwelling units, but requirements are lower for income-restricted housing units (IRHU) and are further modified in certain areas, such as within the Transit Zone and the Manhattan Core, or for lots 10,000 square feet or less. Off-street parking requirements can be waived if 15 or fewer parking spaces are required.

Higher maximum FAR and heights are available for buildings participating in the Inclusionary Housing Program or that provide certain senior facilities.

### SUMMARY OF PERFORMANCE REGULATIONS

**Medium-Density Contextual Residence District**

| R7A | Lot Area | Lot Width | Rear Yard | Lot Coverage | | FAR | Base Height | Building Height | # of Stories | DU Factor | Required Parking | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Corner | Other Lot | | | | | | Basic | IRHU |
| | min. | min. | min. | max. | | max. | min.–max. (w/QGF) | max. (w/QGF) | max. (w/QGF) | | min. | |
| Basic | 1,700 sf | 18 ft | 30 ft | 100% | 65% | 4.00 | 40–65 (75) ft | 80 (85) ft | n/a (8) | 680 | 50% of DU | 15% of IRHU |
| Inclusionary | | | | | | 4.60 | 40–75 ft | 90 (95) ft | 9 | | | |

### C2-4 DISTRICT

C1-1 through C1-5 and C2-1 through C2-5 districts are commercial overlays mapped within residence districts. Mapped along streets that serve local retail needs, they are found extensively throughout the city's lower- and medium-density areas and occasionally in higher-density districts.

Typical retail uses include neighborhood grocery stores, restaurants and beauty parlors. C2 districts permit a slightly wider range of uses, such as funeral homes and repair services. In mixed buildings, commercial uses are limited to one or two floors and must always be located below the residential use.

When commercial overlays are mapped in R1 through R5 districts, the maximum commercial floor area ratio (FAR) is 1.0; when mapped in R6 through R10 districts, the maximum commercial FAR is 2.0. Commercial buildings are subject to commercial bulk rules.

Overlay districts differ from other commercial districts in that residential bulk is governed by the residence district within which the overlay is mapped. All other commercial districts that permit residential use are assigned a specific residential district equivalent. Unless otherwise indicated on the zoning maps, the depth of overlay districts ranges from 100 to 200 feet.

Generally, the lower the numerical suffix, the more off-street parking is required. For example, in C1-1 districts, typically mapped in outlying areas of the city, a large food store would require one parking space for every 100 square feet of floor area, whereas no parking is required in C1-5 districts, which are well served by mass transit.

### CONFORMITY

The site area is 155,490 square feet. The floor area ratio, or FAR, for the R7A zoned portion is 4.6 (instead of 4.0) and 3.6 (instead of 3.0) for the R6A portion as they both include an Inclusionary Housing Program bonus, yielding a total gross buildable area of 626,318 square feet.

According to the architect's zoning analysis, the new building will contain 626,016 square feet of zoning floor area (ZFA). Per the zoning analysis, the subject will comply with the zoning requirements.

| | R7A w/ C2-4 | R6A | Totals |
|---|---|---|---|
| Maximum Permitted FAR | | | |
| Residential | 3.45 | 2.7 | |
| Residential (with Inclusionary Housing Bonus) | 4.6 | 3.6 | |
| Commercial | 2 | NA | |
| Total | 4.6 | 3.6 | |
| Site Area (SF) | 66,554 | 88,936 | 155,490 |
| Maximum Permitted Floor Area | | | |
| Residential (with Inclusionary Housing Bonus) | 306,148 | 320,170 | 626,318 |
| Commercial | 83,094 | NA | 83,094 |
| Total | 306,148 | 320,170 | 626,318 |
| Proposed Floor Area | | | |
| Residential | 301,285 | 320,037 | 621,322 |
| Commercial | 4,694 | NA | 4,694 |
| Total | 305,979 | 320,037 | 626,016 |
| Complies? | Complies | Complies | Complies |

It should be noted that we are not experts in the interpretation of complex zoning ordinances. The determination of compliance, however, is beyond the scope of a real estate appraisal. We know of no deed restrictions, private or public, that further limit the subject's use. The research required to determine whether such restrictions exist, however, is beyond the scope of this appraisal assignment. Deed restrictions are a legal matter, and only a title examination by an attorney or title company can usually uncover such restrictive covenants. Thus, we recommend a title search to determine if any such restrictions do exist.

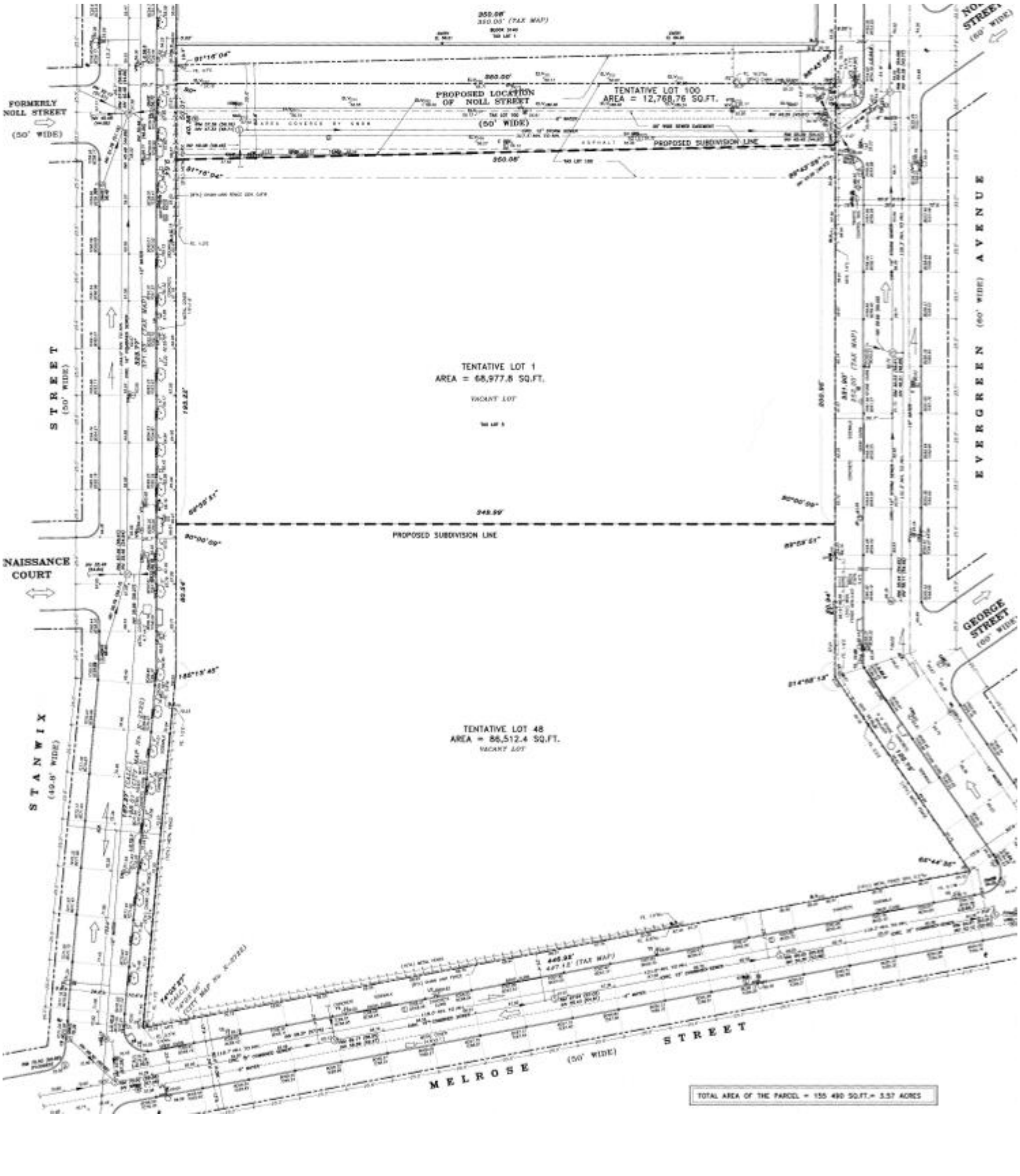
The architect’s zoning analysis is on the following pages.

| LEVEL | DISTRICT | GROSS FLOOR AREA COMMERCIAL | GROSS FLOOR AREA RESIDENTIAL | TOTAL GROSS | COMMERCIAL DEDUCTIONS | TOTAL RESIDENTIAL DEDUCTIONS | ZONING FLOOR AREA COMMERCIAL | ZONING FLOOR AREA RESIDENTIAL | TOTAL ZFA |
|---|---|---|---|---|---|---|---|---|---|
| R6A | | | | | | | | | |
| LOT1 - 5UBCELLAR | R6A | 0 SF | 23,987 SF | 23,987 SF | 0 SF | 23,987 SF | 0 SF | 0 SF | 0 SF |
| LOT1 - CELLAR | R6A | 0 SF | 21,457 SF | 21,457 SF | 0 SF | 21,457 SF | 0 SF | 0 SF | 0 SF |
| LOT1 - LEVEL 1 | R6A | 0 SF | 13,442 SF | 13,442 SF | 0 SF | 7,009 SF | 0 SF | 6,433 SF | 6,433 SF |
| LOT1 - LEVEL 2 | R6A | 0 SF | 15,253 SF | 15,253 SF | 0 SF | 1,314 SF | 0 SF | 13,940 SF | 13,940 SF |
| LOT1 - LEVEL 3 | R6A | 0 SF | 15,418 SF | 15,418 SF | 0 SF | 1,446 SF | 0 SF | 13,972 SF | 13,972 SF |
| LOT1 - LEVEL 4 | R6A | 0 SF | 15,418 SF | 15,418 SF | 0 SF | 1,454 SF | 0 SF | 13,964 SF | 13,964 SF |
| LOT1 - LEVEL 5 | R6A | 0 SF | 15,418 SF | 15,418 SF | 0 SF | 1,454 SF | 0 SF | 13,964 SF | 13,964 SF |
| LOT1 - LEVEL 6 | R6A | 0 SF | 15,418 SF | 15,418 SF | 0 SF | 1,450 SF | 0 SF | 13,968 SF | 13,968 SF |
| LOT1 - LEVEL 7 | R6A | 0 SF | 14,660 SF | 14,660 SF | 0 SF | 1,443 SF | 0 SF | 13,217 SF | 13,217 SF |
| LOT1 - LEVEL 8 | R6A | 0 SF | 14,627 SF | 14,627 SF | 0 SF | 1,386 SF | 0 SF | 13,241 SF | 13,241 SF |
| 1 | | 0 SF | 165,097 SF | 165,097 SF | 0 SF | 62,399 SF | 0 SF | 102,698 SF | 102,698 SF |
| LOT48 - 5UBCELLAR | R6A | 0 SF | 62,688 SF | 62,688 SF | 0 SF | 62,688 SF | 0 SF | 0 SF | 0 SF |
| LOT48 - CELLAR | R6A | 0 SF | 39,467 SF | 39,467 SF | 0 SF | 39,467 SF | 0 SF | 0 SF | 0 SF |
| LOT48 - LEVEL 1 | R6A | 0 SF | 25,368 SF | 25,368 SF | 0 SF | 12,580 SF | 0 SF | 12,788 SF | 12,788 SF |
| LOT48 - LEVEL 2 | R6A | 0 SF | 28,776 SF | 28,776 SF | 0 SF | 2,740 SF | 0 SF | 26,036 SF | 26,036 SF |
| LOT48 - LEVEL 3 | R6A | 0 SF | 34,626 SF | 34,626 SF | 0 SF | 2,860 SF | 0 SF | 31,766 SF | 31,766 SF |
| LOT48 - LEVEL 4 | R6A | 0 SF | 34,602 SF | 34,602 SF | 0 SF | 2,860 SF | 0 SF | 31,742 SF | 31,742 SF |
| LOT48 - LEVEL 5 | R6A | 0 SF | 34,609 SF | 34,609 SF | 0 SF | 2,830 SF | 0 SF | 31,779 SF | 31,779 SF |
| LOT48 - LEVEL 6 | R6A | 0 SF | 34,591 SF | 34,591 SF | 0 SF | 2,861 SF | 0 SF | 31,730 SF | 31,730 SF |
| LOT48 - LEVEL 7 | R6A | 0 SF | 30,860 SF | 30,860 SF | 0 SF | 2,715 SF | 0 SF | 28,144 SF | 28,144 SF |
| LOT48 - LEVEL 8 | R6A | 0 SF | 29,627 SF | 29,627 SF | 0 SF | 6,554 SF | 0 SF | 23,073 SF | 23,073 SF |
| LOT48 - LEVEL 9 | R6A | 0 SF | 281 SF | 281 SF | 0 SF | 0 SF | 0 SF | 281 SF | 281 SF |
| 48 | | 0 SF | 355,494 SF | 355,494 SF | 0 SF | 138,155 SF | 0 SF | 217,339 SF | 217,339 SF |
| R6A | | 0 SF | 520,591 SF | 520,591 SF | 0 SF | 200,554 SF | 0 SF | 320,037 SF | 320,037 SF |
| R7A | | | | | | | | | |
| LOT1 - 5UBCELLAR | R7A | 0 SF | 43,635 SF | 43,635 SF | 0 SF | 43,635 SF | 0 SF | 0 SF | 0 SF |
| LOT1 - CELLAR | R7A | 18,178 SF | 24,538 SF | 42,716 SF | 18,178 SF | 24,538 SF | 0 SF | 0 SF | 0 SF |
| LOT1 - LEVEL 1 | R7A | 0 SF | 31,028 SF | 31,028 SF | 0 SF | 22,885 SF | 0 SF | 8,143 SF | 8,143 SF |
| LOT1 - LEVEL 2 | R7A | 0 SF | 28,294 SF | 28,294 SF | 0 SF | 2,795 SF | 0 SF | 25,499 SF | 25,499 SF |
| LOT1 - LEVEL 3 | R7A | 0 SF | 32,815 SF | 32,815 SF | 0 SF | 2,810 SF | 0 SF | 30,004 SF | 30,004 SF |
| LOT1 - LEVEL 4 | R7A | 0 SF | 32,815 SF | 32,815 SF | 0 SF | 2,786 SF | 0 SF | 30,028 SF | 30,028 SF |
| LOT1 - LEVEL 5 | R7A | 0 SF | 32,815 SF | 32,815 SF | 0 SF | 2,830 SF | 0 SF | 29,985 SF | 29,985 SF |
| LOT1 - LEVEL 6 | R7A | 0 SF | 32,815 SF | 32,815 SF | 0 SF | 2,828 SF | 0 SF | 29,987 SF | 29,987 SF |
| LOT1 - LEVEL 7 | R7A | 0 SF | 31,946 SF | 31,946 SF | 0 SF | 2,799 SF | 0 SF | 29,148 SF | 29,148 SF |
| LOT1 - LEVEL 8 | R7A | 0 SF | 27,663 SF | 27,663 SF | 0 SF | 2,703 SF | 0 SF | 24,960 SF | 24,960 SF |
| LOT1 - ROOF | R7A | 0 SF | 576 SF | 576 SF | 0 SF | 44 SF | 0 SF | 531 SF | 531 SF |
| 1 | | 18,178 SF | 318,940 SF | 337,118 SF | 18,178 SF | 110,653 SF | 0 SF | 208,286 SF | 208,286 SF |
| LOT48 - 5UBCELLAR | R7A | 18,068 SF | 3,397 SF | 21,465 SF | 18,069 SF | 3,397 SF | 0 SF | 0 SF | 0 SF |
| LOT48 - CELLAR | R7A | 13,962 SF | 1,468 SF | 15,430 SF | 13,962 SF | 1,468 SF | 0 SF | 0 SF | 0 SF |
| LOT48 - LEVEL 1 | R7A | 5,256 SF | 8,758 SF | 14,014 SF | 561 SF | 6,723 SF | 4,695 SF | 2,035 SF | 6,730 SF |
| LOT48 - LEVEL 2 | R7A | 0 SF | 11,811 SF | 11,811 SF | 0 SF | 1,141 SF | 0 SF | 10,671 SF | 10,671 SF |
| LOT48 - LEVEL 3 | R7A | 0 SF | 13,059 SF | 13,059 SF | 0 SF | 1,130 SF | 0 SF | 11,928 SF | 11,928 SF |
| LOT48 - LEVEL 4 | R7A | 0 SF | 13,059 SF | 13,059 SF | 0 SF | 1,093 SF | 0 SF | 11,966 SF | 11,966 SF |
| LOT48 - LEVEL 5 | R7A | 0 SF | 13,059 SF | 13,059 SF | 0 SF | 1,130 SF | 0 SF | 11,928 SF | 11,928 SF |
| LOT48 - LEVEL 6 | R7A | 0 SF | 13,059 SF | 13,059 SF | 0 SF | 1,134 SF | 0 SF | 11,925 SF | 11,925 SF |
| LOT48 - LEVEL 7 | R7A | 0 SF | 13,059 SF | 13,059 SF | 0 SF | 1,099 SF | 0 SF | 11,959 SF | 11,959 SF |
| LOT48 - LEVEL 8 | R7A | 0 SF | 11,429 SF | 11,429 SF | 0 SF | 1,050 SF | 0 SF | 10,378 SF | 10,378 SF |
| LOT48 - LEVEL 9 | R7A | 0 SF | 11,026 SF | 11,026 SF | 0 SF | 1,050 SF | 0 SF | 9,976 SF | 9,976 SF |
| LOT48 - ROOF | R7A | 0 SF | 232 SF | 232 SF | 0 SF | 0 SF | 0 SF | 232 SF | 232 SF |
| 48 | | 37,286 SF | 113,416 SF | 150,702 SF | 32,592 SF | 20,417 SF | 4,694 SF | 92,999 SF | 97,693 SF |
| R7A | | 55,464 SF | 432,355 SF | 487,819 SF | 50,770 SF | 131,070 SF | 4,694 SF | 301,285 SF | 305,979 SF |
| GRAND TOTAL | | 55,464 SF | 952,946 SF | 1,008,410 SF | 50,770 SF | 331,624 SF | 4,694 SF | 621,323 SF | 626,017 SF |

**ZONING ANALYSIS**

| SECTION | TITLE | R7A W/C2-4 | R6A | TOTALS |
|---|---|---|---|---|
| GENERAL | | | | |
| | TAX BLOCK | 3152 | 3152 | N/A |
| | TAX LOT | 1 AND 48 | 1 AND 48 | N/A |
| | COMMUNITY DISTRICT | BROOKLYN 4 | BROOKLYN 4 | N/A |
| MAP 13-B | ZONING DISTRICT | R7A/C2-4 | R6A | |
| | LOT AREA | 66,554 | 88,936 | 155,490 |
| | LOT AREA FOR COMMERCIAL OVERLAY | 41,547 | 0 | 41,547 |
| | HISTORIC DISTRICT | NO | NO | |
| | ENVIRONMENTAL RESTRICTIONS | HAZMAT/NOISE/AIR | HAZMAT/NOISE/AIR | |
| | FLOOD ZONE | X | X | |
| 28-00 | QUALITY HOUSING PROGRAM | REQUIRED | REQUIRED | |
| | INCLUSIONARY HOUSING DESIGNATED AREA | YES | YES | |
| 63-02 | FRESH FOOD STORE DESIGNATED AREA | YES | NO | |
| USE REGULATIONS | | | | |
| 22-10 | PERMITTED RESIDENTIAL USE GROUPS | 1-2 | 1-2 | |
| | PROPOSE RESIDENTIAL USE GROUPS | 2 | 2 | COMPLIES |
| 32-10 | PERMITTED NON-RESIDENTIAL USE GROUPS | 3-4, 5*,6-9, 14 | N/A | |
| | PROPOSED NON-RESIDENTIAL USE GROUPS | 6A | N/A | COMPLIES |
| 32-421 | LIMITATION ON FLOORS OCCUPIED BY COMMERCIAL USES | NO USE GROUP 6A IS LOCATED ABOVE THE LEVEL OF FIRST STORY CEILING | N/A | COMPLIES |
| MAXIMUM PERMITTED FAR | | | | |
| 23-154 (b) | RESIDENTIAL (BASE) | 3.45 | 2.70 | |
| 33-121, 35-31, | RESIDENTIAL (WITH INCLUSIONARY HOUSING BONUS) | 4.60 | 3.60 | N/A |
| 23-18, 77-02 | COMMERCIAL | 2.00 | N/A | N/A |
| | TOTAL | 4.60 | 3.60 | N/A |
| MAXIMUM PERMITTED FLOOR AREA | | | | |
| | RESIDENTIAL (WITH INCLUSIONARY HOUSING BONUS) | 306,148 (66,554 X 4.60) | 320,170 (88,936 X 3.60) | 626,318 |
| | | | | |
| | COMMERCIAL | 83,094 | N/A | N/A |
| | TOTAL | 306,148 | 320,170 | 626,318 |
| PROPOSED FLOOR AREA | | | | |
| | RESIDENTIAL | 301,285 (<306,148, COMPLIES) | 320,037 (<320,170, COMPLIES) | 621,322 |
| | COMMERCIAL | 4,694 (<83,096, COMPLIES) | N/A | 4,694 |
| | TOTAL FOR ALL USES | 305,979 (<306,148, COMPLIES) | 320,037 (<320,170, COMPLIES) | 626,016 |
| | | COMPLIES, SEE FLOOR AREA CHART 12/Z-001 | COMPLIES, SEE FLOOR AREA CHART 12/Z-001 | COMPLIES |
| INCLUSIONARY FLOOR AREA BONUS COMPLIANCE | | | | |
| | INCLUSIONARY HOUSING BONUS: RES FLOOR AREA TO BE INCREASED BY 1.25 SF FOR EACH LOW INCOME FLOOR AREA UP TO MAX. FAR 4.60 (R7A), 3.6 (R6A) | | | |
| | RESIDENTIAL (BASE) | 229,611 (66,554 X 3.45) | 240,127 (88,936 X 2.70) | 469,739 |
| | RESIDENTIAL (WITH INCLUSIONARY HOUSING BONUS) | 306,148 (66,554 X 4.60) | 320,170 (88,936 X 3.60) | 626,318 |
| | TOTAL PERMITED FLOOR AREA INCREASE | 156,579 | (626,318 - 469,739) | |
| 23-154 (b) | REQUIRED LOW INCOME FLOOR AREA 20% OF (ZFA - GROUND FLR NON-RESIDENTIAL ZFA) | 60,257 0.2 x (305,979 - 4,694) | 64,007 (0.2 x 320,037) | 124,264 |
| | PROVIDED LOW INCOME FLOOR AREA (AHFA) TOTAL ZONING LOT: | 626,017 - 4,694 = 621,323 SF x 20% = 124,265 SF OF AHFA REQUIRED | | |
| | | LI+ [(LI/(LI+MR) x (RFA - (LI+MR)-CA)] | | |
| | | 97,054+ [(97,054/(97,054+386,133) x (621,323 - (97,054+386,133)-1,150)] | | 124,568 |
| | | 124,568 > 124,264 | | COMPLIES, SEE Z-013 & Z 016 |

| | | | | |
|---|---|---|---|---|
| LOT COVERAGE | | | | |
| 23-153 | MAX RESIDENTIAL LOT COVERAGE | CORNER - 100% / INTERIOR/THROUGH - 65% | CORNER - 100% / INTERIOR/THROUGH - 65% | N/A |
| 35-22, 23-18 | PROPOSED RESIDENTIAL LOT COVERAGE | COMPLIES, SEE 3/Z-003 | COMPLIES, SEE 3/Z-003 | |
| DENSITY | | | | |
| 23-22 | DENSITY FACTOR | 680 SF OF FLOOR AREA PER DWELLING UNIT (R6A AND R7A) | | |
| 35-40 | MAX PERMITTED RESIDENTIAL ZONING FLOOR AREA | 306,148 | 320,170 | |
| 23-24 | PROPOSED COMMERCIAL ZONING FLOOR AREA | 4,694 | 0 | |
| 23-26 | PERMITTED RESIDENTIAL FLOOR AREA AFTER DEDUCTING PROPOSED COMMERCIAL FLOOR AREA | 301,454 | 320,170 | |
| | PERMITTED NUMBER OF DWELLING UNITS | 443 | 471 | 914 |
| | PROPOSED NUMBER OF DWELLING UNITS | 911 | | COMPLIES, SEE Z-001 |
| REQUIRED YARDS | | | | |
| 35-51 | FRONT YARD | NOT REQUIRED | NOT REQUIRED | |
| 35-52 | SIDE YARD | NOT REQUIRED | NOT REQUIRED | |
| 23-53, 35-53 | REAR YARD | NOT REQUIRED | NOT REQUIRED | |
| STREETWALL REQUIREMENTS | | | | |
| 23-661 (a) | R6A, R7A STREETWALL REQUIREMENTS | NO CLOSER TO STREET LINE THAN THE CLOSEST STREET WALL OF AN EXISTING ADJACENT BUILDING ON AN ADJOINING ZONING LOT ON THE SAME STREET - NOT APPLICABLE (NO EXISTING BUILDING IN BLOCK 3152) | | |
| 35-651 (a)(1) & (3), 23-68, 77-02 | C2-4 STREET WALL REQUIREMENTS | MIN 70% OF STREETWALL SHALL BE LOCATED WITHIN 8' FROM STREET LINE AND EXTENDED UP TO MIN. BASE HEIGHT. HOWEVER, FOR ZONING LOTS BOUNDED BY MORE THAN ONE STREET LINES, THESE STREET WALL LOCATIONS PROVISIONS SHALL BE MANDATORY ALONG ONLY ONE STREET LINE.<br><br>IN C2-4 DISTRICT, 100% OF STREET WALLS ARE LOCATED WITH IN 8' FROM STREET ALONG NOLL AND MELROSE STREET. | | (COMPLIES, SEE SITEPLAN 1/Z-002) |
| HEIGHT & SETBACK REGULATIONS | | | | |
| 23-68, 77-02 | MIN / MAX BASE HEIGHT | 40' / 75' | 40' / 65' | |
| 35-22, 35-654, 23-664, 23-662, 35-652 | MAX BUILDING HEIGHT | 90' | 80' | |
| 35-652, 37-32, 37-33, 37-34, 37-35 | MAX BUILDING HEIGHT WITH QUALIFYING GROUND FLOOR | 95' | N/A | |
| 35-61 | MIN SETBACK AT MAX BASE HEIGHT | 15' SETBACK IS PROVIDED ALONG NARROW STREETS NOLL ST, EVERGREEN AVE, MELROSE STREET, AND STANWIX STREET. | | COMPLIES, SEE SITE PLAN 1/Z-002 & SECTIONS 8,10,11/Z-004) |
| REQUIRED ACCESSORY PARKING SPACES | | | | |
| 36-22, 36-31, 36-33, 28-40, 25-23, 36-39, 25-28 | RESIDENTIAL PARKING REQUIREMENT (MARKET RATE) | 1 SPACE FOR 50% OF THE MARKET RATE DWELLING UNITS | | |
| 25-251, 36-35 | RESIDENTIAL PARKING REQUIREMENT (AFFORDABLE HOUSING) | TRANSIT ZONE BROOKLYN CD4 - NO ACCESSORY PARKING SPACES REQUIRED | | |
| | NUMBER OF MARKET RATE HOUSING UNITS | 728 (SEE Z-141) | | |
| | RESIDENTIAL PARKING SPACES REQUIRED | 728/2 = 364 | | 364 |
| | RESIDENTIAL PARKING SPACES PROVIDED | | | 364, COMPLIES |
| 36-21, 36-232 (a), 36-26, 77-02, 10-Dec | COMMERCIAL PARKING REQUIREMENT (FOOD STORE > 2,000SF) | 1 SPACE FOR 1,000 SF | N/A | |
| | COMMERCIAL FLOOR AREA | 4,695 | | SEE Z-001 TABLE 6 |
| | COMMERCIAL SPACE FOR RETAILING IN CELLAR | 22,228 | | SEE Z-112 / Z-123 |
| | COMMERCIAL FLOOR AREA INCLUDING CELLAR RETAILING | 26,923 (4,695 + 22,228) | N/A | |
| | COMMERCIAL PARKING SPACES REQUIRED | 27 | N/A | 27 |
| | COMMERCIAL PARKING SPACES PROVIDED | | | 59, COMPLIES |
| | TOTAL PARKING SPACES REQUIRED | | | 391 |
| | TOTAL PARKING SPACES PROVIDED | | | 423, COMPLIES |
| 23-62 | SIZE OF PARKING | MIN. 200SF SHALL BE PROVIDED FOR EACH ATTENDED PARKING SPACE<br>REQUIRED PARKING AREA: 72,800 (200SF X 364 SPACES) | | COMPLIES, SEE A-102-107 (LOT 1 & LOT48) |


FORMERLY NOLL STREET
(50' WIDE)
PROPOSED LOCATION OF NOLL STREET
(50' WIDE)
TENTATIVE LOT 100
AREA = 12,768.76 SQ.FT.
PROPOSED SUBDIVISION LINE
TENTATIVE LOT 1
AREA = 68,977.8 SQ.FT.
VACANT LOT
PROPOSED SUBDIVISION LINE
TENTATIVE LOT 48
AREA = 86,512.4 SQ.FT.
VACANT LOT
STANWIX STREET
(50' WIDE)
(49.8' WIDE)
NAISSANCE COURT
EVERGREEN AVENUE (60' WIDE)
GEORGE STREET (60' WIDE)
MELROSE STREET (50' WIDE)
TOTAL AREA OF THE PARCEL = 155 490 SQ.FT.= 3.57 ACRES

## FLOOD MAP


## FLOOD HAZARDS

The subject property is located in Zone X, an area of minimal flooding per map panel 3604970208F, dated September 5, 2007.

## ASSESSED VALUE AND REAL ESTATE TAXES

### TAX MAP


The subject site is designated on the tax maps of the City of New York, Borough of Brooklyn, as 3152/1, 48 and 100 and will be reassessed upon completion. First, we present the 2018/2019 assessment as this reflects the tax lots without the buildings.

### 2018/2019 ASSESSMENT

| B/Lot | Actual | | | Transitional | | | Taxable Assessment |
|---|---|---|---|---|---|---|---|
| | Land | Building | Total | Land | Building | Total | |
| 3152/1 | $2,295,450 | $0 | $2,295,450 | $1,981,692 | $0 | $1,981,692 | $1,981,692 |
| 3152/48 | $2,879,100 | $0 | $2,879,100 | $1,846,977 | $0 | $1,846,977 | $1,846,977 |
| 3152/100 | $47,040 | $0 | $47,040 | $47,040 | $0 | $47,040 | $47,040 |
| | | | | | | Total Taxable Assessment: | $3,875,709 |

Since the 2018/2019 assessment above, there has been a partial reassessment. The 2019/2020 assessed value, which represents the partial reassessment and tax burden are calculated below.

### 2019/2020 ASSESSMENT

| B/Lot | Actual | | | Transitional | | | Taxable Assessment |
|---|---|---|---|---|---|---|---|
| | Land | Building | Total | Land | Building | Total | |
| 3152/1 | $2,295,450 | $12,207,150 | $14,502,600 | $2,178,243 | $12,207,150 | $14,385,393 | $14,385,393 |
| 3152/48 | $2,879,100 | $10,339,511 | $13,218,611 | $2,246,805 | $10,339,511 | $12,586,316 | $12,586,316 |
| 3152/100 | $37,620 | $0 | $37,620 | $37,620 | $0 | $37,620 | $37,620 |
| | | | | | | Total Taxable Assessment: | $27,009,329 |

Increases in assessed value for residential and commercial properties are phased in over a five-year transitional period. The "Transitional" assessed value represents the phased-in, and the "Actual" assessed value represents the future or target assessment when the transitional or phase-in period is over. The tax rate is applied to the lower of the transitional or actual assessed values.

## TAX RATES

Lots 1 and 48 have been reclassified from Tax Class 4 (commercial and industrial) to Tax Class 2 (rental property with 11 units or more) with a tax rate of 12.612 per $100 of assessed valuation. Lot 100 is classified as Tax Class 1. We note that Lot 100 will be absorbed by Lot 1, and the assessment information is no longer available online for this Lot (as of January 2019). The following is a historical analysis of NYC tax rates:

### REAL ESTATE TAX RATES, NEW YORK CITY

| Year | Class 1 | Class 2 | Class 3 | Class 4 |
|---|---|---|---|---|
| 2006/2007 | 16.118 | 12.737 | 12.007 | 10.997 |
| 2007/2008 | 15.434 | 11.928 | 11.577 | 10.059 |
| 2008/2009 | 16.196 | 12.596 | 12.137 | 10.241 |
| 2009/2010 | 17.088 | 13.241 | 12.743 | 10.426 |
| 2010/2011 | 17.364 | 13.353 | 12.631 | 10.312 |
| 2011/2012 | 18.205 | 13.433 | 12.473 | 10.152 |
| 2012/2013 | 18.569 | 13.181 | 12.477 | 10.288 |
| 2013/2014 | 19.191 | 13.145 | 11.902 | 10.323 |
| 2014/2015 | 19.157 | 12.855 | 11.125 | 10.684 |
| 2015/2016 | 19.554 | 12.883 | 10.813 | 10.656 |
| 2016/2017 | 19.991 | 12.892 | 10.934 | 10.574 |
| 2017/2018 | 20.385 | 12.719 | 11.891 | 10.514 |
| 2018/2019 | 20.919 | 12.612 | 12.093 | 10.514 |

Source: New York City Department of Finance

## TAX LIABILITY

After applying the tax rate to the current assessment for all three lots, the current tax liability is as follows:

### TOTAL TAX LIABILITY – LOTS 1, 48 AND 100

| B/Lot | Actual | | | Transitional | | | Taxable Assessment | Class | Tax Rate | Taxes |
|---|---|---|---|---|---|---|---|---|---|---|
| | Land | Building | Total | Land | Building | Total | | | | |
| 3152/1 | $2,295,450 | $12,207,150 | $14,502,600 | $2,178,243 | $12,207,150 | $14,385,393 | $14,385,393 | 2 | 12.612% | $1,814,286 |
| 3152/48 | $2,879,100 | $10,339,511 | $13,218,611 | $2,246,805 | $10,339,511 | $12,586,316 | $12,586,316 | 2 | 12.612% | $1,587,386 |
| 3152/100 | $37,620 | $0 | $37,620 | $37,620 | $0 | $37,620 | $37,620 | 1 | 20.919% | $7,870 |
| | | | | | | Total Taxable Assessment: | $27,009,329 | Total | | $3,409,542 |

The current tax liability is $3,409,542 or $4.62 per square foot. The building will be fully reassessed upon completion. We will project the taxes upon completion.

### ASSESSMENT UPON COMPLETION

The subject's tax burden can be expected to increase upon completion of the subject improvements for the stabilized year. Ownership has provided a tax analysis prepared by their real estate tax consultants. The subject will be receiving a 25-year tax exemption, including 100% exemption during years 1 through 21, with gradual declining percentages during the remaining years (80% in Year 22, 60% in Year 23, 40% in Year 24 and 20% in Year 25).

According to the tax consultants, the total assessed value upon completion and stabilization is $72,404,680 or $98.17 per square foot of GBA (above grade).

In order to determine the reasonableness of this Assessed Value upon completion, we have researched the assessed value per square foot of residential properties in the periphery of the subject, summarized below:

**RESIDENTIAL TAX COMPARABLES**

| Address | Year Built | Square Feet | Assessed Value | Assessed Value PSF |
|---|---|---|---|---|
| 1209 Dekalb Avenue | 2012 | 101,957 | $11,525,850 | $113.05 |
| 150 Johnson Avenue | 2008 | 40,094 | $4,116,600 | $102.67 |
| 51 Walton Street | 2015 | 25,555 | $2,642,400 | $103.40 |
| 9-13 Cook Street | 2009 | 52,650 | $5,720,850 | $108.66 |
| 59 Walton Street | 2015 | 25,555 | $2,556,900 | $100.05 |
| | | Min: | $2,556,900 | $100.05 |
| | | Average: | $5,312,520 | $105.57 |
| | | Max: | $11,525,850 | $113.05 |

As summarized above, the tax comparables' assessed value per square foot ranged from $100.05 to $113.05 and averaged $105.57 per square foot. The subject's projected full assessed value upon completion of $72,404,680 or $98.17 per square foot is line with the above tax comparables.

### 421A EXEMPTION

The subject is benefiting from a 25-year 421a tax benefit under the old 421(a) program. The 421(a) real estate tax exemption program was created in 1971 to spur residential development which was uncommon at the time. The program partially exempts real-estate taxes for newly constructed properties located outside of Manhattan's "exclusion zone," typically for a period of 15 years but for a 10-year period within Manhattan. The 421(a) program is only applicable for properties with a minimum of four units.

The program grants 25 years of benefits only to developments that provide affordable housing. Developments within the expanded exclusion zone are now required to supply 20% of affordable units defined as affordable to a household whose income does not exceed 60% of the area median income. There is also a 50% community preference for the rental or purchase of the on-site low-income units in a 421(a) project that has an affordability requirement.

In addition, only the first $65,000 of an apartment's assessed value would receive the 421(a) exemption. The $65,000 cap will be increased by 3% annually.

The subject benefited from a 3-year construction exemption which just ended on June 30, 2019. We were provided with letters from tax consultants Ben Rottenstein Associates Inc., dated June 10, 2019, with states their opinion on the subject's base assessed value upon completion for the 25-year 421a exemption for both Phase 1 and Phase 2. We present an excerpt from the letters that presents the assessed value with and without the 421a benefit.

**Phase 1:**

**Twenty Five Year Exemption**

| YEAR | Percent of Increased Assessed Valuation Which Is Exempt |
|---|---|
| First through Twenty One | 100% |
| Twenty Two | 80% |
| Twenty Three | 60% |
| Twenty Four | 40% |
| Twenty Five | 20% |
| Twenty Six | 0% |

Prior to the commencement of construction, records of the New York City Department of Finance Real Property Assessment Department reveal that assessed valuation of the subject premises is as follows: Prior Assessed Valuation (Years 2013/2014)

| | | |
|---|---|---|
| BLOCK: 3152 | LOT: p/o Lot 3 (80 Evergreen Avenue. Brooklyn, NY) | |
| ACTUAL VALUES | LAND: $1,323,000 | TOTAL: $2,192,400 |
| TRANSITIONAL VALUES | LAND: $1,027,800 | TOTAL: $1,787,059 |
| BLOCK: 3152 | LOT: 100 (856 Stanwix Street. Brooklyn, NY) | |
| ACTUAL VALUES | LAND: $334,802 | TOTAL: $334,802 |
| TRANSITIONAL VALUES | LAND: $328,410 | TOTAL: $328,410 |

It is estimated the assessed value of the property upon completion of construction with the Section 421a Tax Benefits will be approximately $1,585,998. It is estimated the assessed value of the property upon completion of construction without the Section 421a Tax Benefits will be approximately $35,0440,680. The 2018/2019 Tax Class 2 tax rate is estimated at $12.855 per $100.

Any increase in assessment due to the physical improvements attributable to the newly constructed residential rental building shall be exempt as per the TWENTY FIVE YEAR EXEMPTION table shown earlier.

**Phase 2:**

**Twenty Five Year Exemption**

| YEAR | Percent of Increased Assessed Valuation Which Is Exempt |
|---|---|
| First through Twenty One | 100% |
| Twenty Two | 80% |
| Twenty Three | 60% |
| Twenty Four | 40% |
| Twenty Five | 20% |
| Twenty Six | 0% |

Prior to the commencement of construction, records of the New York City Department of Finance Real Property Assessment Department reveal that assessed valuation of the subject premises is as follows: Prior Assessed Valuation (Years 2013/2014)

BLOCK: 3152 LOT: p/o Lot 3 (80 Evergreen Avenue. Brooklyn, NY)

| | | |
|---|---|---|
| ACTUAL VALUES | LAND: $1,323,000 | TOTAL: $2,192,400 |
| TRANSITIONAL VALUES | LAND: $1,027,800 | TOTAL: $1,787,059 |

BLOCK: 3152 LOT: 1 (28 Stanwix Street. Brooklyn, NY)

| | | |
|---|---|---|
| ACTUAL VALUES | LAND: $25,940 | TOTAL: $25,940 |
| TRANSITIONAL VALUES | LAND: $25,392 | TOTAL: $25,392 |

BLOCK: 3152 LOT: 1 (28 Stanwix Street. Brooklyn, NY)

| | | |
|---|---|---|
| ACTUAL VALUES | LAND: $25,940 | TOTAL: $25,940 |
| TRANSITIONAL VALUES | LAND: $25,392 | TOTAL: $25,392 |

| | | | |
|---|---|---|---|
| BLOCK: 3152 | | LOT: 1 (28 Stanwix Street. Brooklyn, NY) | |
| | ACTUAL VALUES | LAND: $25,940 | TOTAL: $25,940 |
| | TRANSITIONAL VALUES | LAND: $25,392 | TOTAL: $25,392 |
| BLOCK: 3152 | | LOT: 2 (30 Stanwix Street. Brooklyn, NY) | |
| | ACTUAL VALUES | LAND: $39,621 | TOTAL: $39,621 |
| | TRANSITIONAL VALUES | LAND: $38,845 | TOTAL: $38,845 |
| BLOCK: 3152 | | LOT: 35 (94 Evergreen Avenue. Brooklyn, NY) | |
| | ACTUAL VALUES | LAND: $894 | TOTAL: $34,639 |
| BLOCK: 3152 | | LOT: 36 (96 Evergreen Avenue. Brooklyn, NY) | |
| | ACTUAL VALUES | LAND: $35,550 | TOTAL: $35,550 |
| | TRANSITIONAL VALUES | LAND: $34,913 | TOTAL: $34,913 |
| BLOCK: 3152 | | LOT: 37 (131 Melrose Street. Brooklyn, NY) | |
| | ACTUAL VALUES | LAND: $41,932 | TOTAL: $41,932 |
| | TRANSITIONAL VALUES | LAND: $41,182 | TOTAL: $41,182 |
| BLOCK: 3152 | | LOT: 38 (131 Melrose Street. Brooklyn, NY) | |
| | ACTUAL VALUES | LAND: $45,995 | TOTAL: $45,995 |
| | TRANSITIONAL VALUES | LAND: $45,091 | TOTAL: $45,091 |
| BLOCK: 3152 | | LOT: 41 (131 Melrose Street. Brooklyn, NY) | |
| | ACTUAL VALUES | LAND: $15,043 | TOTAL: $15,043 |
| | TRANSITIONAL VALUES | LAND: $14,778 | TOTAL: $14,778 |
| BLOCK: 3152 | | LOT: 43 (131 Melrose Street. Brooklyn, NY) | |
| | ACTUAL VALUES | LAND: $47,829 | TOTAL: $47,829 |
| | TRANSITIONAL VALUES | LAND: $46,915 | TOTAL: $46,915 |
| BLOCK: 3152 | | LOT: 44 (131 Melrose Street. Brooklyn, NY) | |
| | ACTUAL VALUES | LAND: $45,000 | TOTAL: $112,026 |
| | TRANSITIONAL VALUES | LAND: $36,000 | TOTAL: $107,725 |

| | | | |
|---|---|---|---|
| BLOCK: 3152 | | LOT: 45 (127 Melrose Street. Brooklyn, NY) | |
| | ACTUAL VALUES | LAND: $44,100 | TOTAL: $44,100 |
| | TRANSITIONAL VALUES | LAND: $35,640 | TOTAL: $35,640 |
| BLOCK: 3152 | | LOT: 48 (123 Melrose Street. Brooklyn, NY) | |
| | ACTUAL VALUES | LAND: $176,400 | TOTAL: $179,100 |
| | TRANSITIONAL VALUES | LAND: $142,740 | TOTAL: $145,260 |
| BLOCK: 3152 | | LOT: 56 (131 Melrose Street. Brooklyn, NY) | |
| | ACTUAL VALUES | LAND: $20,258 | TOTAL: $20,258 |
| | TRANSITIONAL VALUES | LAND: $19,360 | TOTAL: $19,360 |
| BLOCK: 3152 | | LOT: 58 (107 Melrose Street. Brooklyn, NY) | |
| | ACTUAL VALUES | LAND: $40,515 | TOTAL: $40,515 |
| | TRANSITIONAL VALUES | LAND: $39,477 | TOTAL: $39,477 |
| BLOCK: 3152 | | LOT: 62 (131 Melrose Street. Brooklyn, NY) | |
| | ACTUAL VALUES | LAND: $20,258 | TOTAL: $20,258 |
| | TRANSITIONAL VALUES | LAND: $19,738 | TOTAL: $19,738 |
| BLOCK: 3152 | | LOT: 63 (131 Melrose Street. Brooklyn, NY) | |
| | ACTUAL VALUES | LAND: $15,967 | TOTAL: $15,967 |
| | TRANSITIONAL VALUES | LAND: $15,352 | TOTAL: $15,352 |
| BLOCK: 3152 | | LOT: 64 (95 Melrose Street. Brooklyn, NY) | |
| | ACTUAL VALUES | LAND: $17,326 | TOTAL: $17,326 |
| | TRANSITIONAL VALUES | LAND: $16,407 | TOTAL: $16,407 |
| BLOCK: 3152 | | LOT: 66 (131 Melrose Street. Brooklyn, NY) | |
| | ACTUAL VALUES | LAND: $16,523 | TOTAL: $16,523 |
| | TRANSITIONAL VALUES | LAND: $15,877 | TOTAL: $15,877 |

It is estimated the assessed value of the property upon completion of construction with the Section 421a Tax Benefits will be approximately $1,276,746. It is estimated the assessed value of the property upon completion of construction without the Section 421a Tax Benefits will be approximately $37,360,000. The 2018/2019 Tax Class 2 tax rate is estimated at $12.855 per $100.

According to the tax consultant opinion letters, the subject qualifies for a 25-year exemption of property taxes. For Years 1-21, 100% of increases in assessed value are exempt. The exemption falls to 80% in Year 22; 60% in Year 23; 40% in Year 24; and 20% in Year 25. The exemption expires at the end of the 25th year.

Our calculation of the value of the 421(a) exemption is presented below. Our analysis is based upon the following assumptions:

- The base assessed value is the pre-construction taxable assessment of the land as of 2013/2014 of $1,585,998 for Phase 1 (54 Noll Street) and $1,276,746 for Phase 2 (123 Melrose Street).

- The projected assessed value upon completion is $35,044,680 for Phase 1 and $37,360,000 for Phase 2, which is a total of $72,404,680 .

- We project annual increases of 2% in the full assessed value no growth in the tax rate.

We have applied a 5% discount rate to value these benefits. The total NPV of the tax savings of $142,100,000 will be added to the concluded value. The benefit for phase 1 is worth $68,400,000 and the benefit for phase 2 is worth $73,700,000.

Our calculations of the NPV for Phase 1 and Phase 2 of the 421a exemption are found on the following pages. We apply the unabated taxes in our proforma and add the NPV of the benefit to our final value conclusions.

**421(a) TAX EXEMPTION ANALYSIS**

**Phase 1: 54 Noll**

| ASSUMPTIONS | | FUTURE TAXES | |
|---|---|---|---|
| Annual Rate of Growth (Tax Rate): | 0.0% | | |
| 2018/2019 Tax Rate: | 12.612 | | |
| | | Total Tax Burden Upon Completion | $4,419,835 |
| | | Projected Assessed Value upon Completion | $35,044,680 |
| | | Base Assessed Value: | $1,585,998 |
| Discount Rate: | 5% | Annual Rate of Growth (Assessment): | 2% |

| YEAR | PROJECTED A.V. | BASE A.V. | MAXIMUM EXEMPTION | % OF EXEMPTION (PHASE OUT) | ALLOWABLE EXEMPTION | TAXABLE A.V. | TAX RATE | FULL TAXES | NET TAXES | TAX SAVINGS* |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | $35,044,680 | $1,585,998 | $33,458,682 | 100% | $33,458,682 | $1,585,998 | 12.612 | $4,419,835 | $200,026 | $4,219,809 |
| 2 | $35,745,574 | $1,617,718 | $34,127,856 | 100% | $34,127,856 | $1,617,718 | 12.612 | $4,508,232 | $204,027 | $4,304,205 |
| 3 | $36,460,485 | $1,650,072 | $34,810,413 | 100% | $34,810,413 | $1,650,072 | 12.612 | $4,598,396 | $208,107 | $4,390,289 |
| 4 | $37,189,695 | $1,683,074 | $35,506,621 | 100% | $35,506,621 | $1,683,074 | 12.612 | $4,690,364 | $212,269 | $4,478,095 |
| 5 | $37,933,489 | $1,716,735 | $36,216,753 | 100% | $36,216,753 | $1,716,735 | 12.612 | $4,784,172 | $216,515 | $4,567,657 |
| 6 | $38,692,158 | $1,751,070 | $36,941,088 | 100% | $36,941,088 | $1,751,070 | 12.612 | $4,879,855 | $220,845 | $4,659,010 |
| 7 | $39,466,002 | $1,786,091 | $37,679,910 | 100% | $37,679,910 | $1,786,091 | 12.612 | $4,977,452 | $225,262 | $4,752,190 |
| 8 | $40,255,322 | $1,821,813 | $38,433,508 | 100% | $38,433,508 | $1,821,813 | 12.612 | $5,077,001 | $229,767 | $4,847,234 |
| 9 | $41,060,428 | $1,858,249 | $39,202,179 | 100% | $39,202,179 | $1,858,249 | 12.612 | $5,178,541 | $234,362 | $4,944,179 |
| 10 | $41,881,637 | $1,895,414 | $39,986,222 | 100% | $39,986,222 | $1,895,414 | 12.612 | $5,282,112 | $239,050 | $5,043,062 |
| 11 | $42,719,269 | $1,933,323 | $40,785,947 | 100% | $40,785,947 | $1,933,323 | 12.612 | $5,387,754 | $243,831 | $5,143,924 |
| 12 | $43,573,655 | $1,971,989 | $41,601,666 | 100% | $41,601,666 | $1,971,989 | 12.612 | $5,495,509 | $248,707 | $5,246,802 |
| 13 | $44,445,128 | $2,011,429 | $42,433,699 | 100% | $42,433,699 | $2,011,429 | 12.612 | $5,605,420 | $253,681 | $5,351,738 |
| 14 | $45,334,030 | $2,051,658 | $43,282,373 | 100% | $43,282,373 | $2,051,658 | 12.612 | $5,717,528 | $258,755 | $5,458,773 |
| 15 | $46,240,711 | $2,092,691 | $44,148,020 | 100% | $44,148,020 | $2,092,691 | 12.612 | $5,831,878 | $263,930 | $5,567,948 |
| 16 | $47,165,525 | $2,134,544 | $45,030,981 | 100% | $45,030,981 | $2,134,544 | 12.612 | $5,948,516 | $269,209 | $5,679,307 |
| 17 | $48,108,836 | $2,177,235 | $45,931,600 | 100% | $45,931,600 | $2,177,235 | 12.612 | $6,067,486 | $274,593 | $5,792,893 |
| 18 | $49,071,012 | $2,220,780 | $46,850,232 | 100% | $46,850,232 | $2,220,780 | 12.612 | $6,188,836 | $280,085 | $5,908,751 |
| 19 | $50,052,433 | $2,265,196 | $47,787,237 | 100% | $47,787,237 | $2,265,196 | 12.612 | $6,312,613 | $285,686 | $6,026,926 |
| 20 | $51,053,481 | $2,310,500 | $48,742,982 | 100% | $48,742,982 | $2,310,500 | 12.612 | $6,438,865 | $291,400 | $6,147,465 |
| 21 | $52,074,551 | $2,356,710 | $49,717,841 | 100% | $49,717,841 | $2,356,710 | 12.612 | $6,567,642 | $297,228 | $6,270,414 |
| 22 | $53,116,042 | $2,403,844 | $50,712,198 | 80% | $40,569,759 | $12,546,283 | 12.612 | $6,698,995 | $1,582,337 | $5,116,658 |
| 23 | $54,178,363 | $2,451,921 | $51,726,442 | 60% | $31,035,865 | $23,142,498 | 12.612 | $6,832,975 | $2,918,732 | $3,914,243 |
| 24 | $55,261,930 | $2,500,959 | $52,760,971 | 40% | $21,104,388 | $34,157,542 | 12.612 | $6,969,635 | $4,307,949 | $2,661,685 |
| 25 | $56,367,169 | $2,550,978 | $53,816,190 | 20% | $10,763,238 | $45,603,931 | 12.612 | $7,109,027 | $5,751,568 | $1,357,460 |
| 26 | $57,494,512 | $2,601,998 | $54,892,514 | 0% | $0 | $57,494,512 | 12.612 | $7,251,208 | $7,251,208 | $0 |
| | | | | | | | | | **NPV:** | **$68,385,570** |
| | | | | | | | | | **ROUNDED:** | **$68,400,000** |

**421(a) TAX EXEMPTION ANALYSIS**

**Phase 2: 123 Melrose**

| ASSUMPTIONS | | FUTURE TAXES | |
|---|---|---|---|
| Annual Rate of Growth (Tax Rate): | 0.0% | | |
| 2018/2019 Tax Rate: | 12.612 | | |
| | | Total Tax Burden Upon Completion | $4,711,843 |
| | | Projected Assessed Value upon Completion | $37,360,000 |
| | | Base Assessed Value: | $1,276,746 |
| Discount Rate: | 5% | Annual Rate of Growth (Assessment): | 2% |

| YEAR | PROJECTED A.V. | BASE A.V. | MAXIMUM EXEMPTION | % OF EXEMPTION (PHASE OUT) | ALLOWABLE EXEMPTION | TAXABLE A.V. | TAX RATE | FULL TAXES | NET TAXES | TAX SAVINGS |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | $37,360,000 | $1,276,746 | $36,083,254 | 100% | $36,083,254 | $1,276,746 | 12.612 | $4,711,843 | $161,023 | $4,550,820 |
| 2 | $38,107,200 | $1,302,281 | $36,804,919 | 100% | $36,804,919 | $1,302,281 | 12.612 | $4,806,080 | $164,244 | $4,641,836 |
| 3 | $38,869,344 | $1,328,327 | $37,541,017 | 100% | $37,541,017 | $1,328,327 | 12.612 | $4,902,202 | $167,529 | $4,734,673 |
| 4 | $39,646,731 | $1,354,893 | $38,291,838 | 100% | $38,291,838 | $1,354,893 | 12.612 | $5,000,246 | $170,879 | $4,829,367 |
| 5 | $40,439,665 | $1,381,991 | $39,057,675 | 100% | $39,057,675 | $1,381,991 | 12.612 | $5,100,251 | $174,297 | $4,925,954 |
| 6 | $41,248,459 | $1,409,631 | $39,838,828 | 100% | $39,838,828 | $1,409,631 | 12.612 | $5,202,256 | $177,783 | $5,024,473 |
| 7 | $42,073,428 | $1,437,823 | $40,635,605 | 100% | $40,635,605 | $1,437,823 | 12.612 | $5,306,301 | $181,338 | $5,124,962 |
| 8 | $42,914,897 | $1,466,580 | $41,448,317 | 100% | $41,448,317 | $1,466,580 | 12.612 | $5,412,427 | $184,965 | $5,227,462 |
| 9 | $43,773,194 | $1,495,911 | $42,277,283 | 100% | $42,277,283 | $1,495,911 | 12.612 | $5,520,675 | $188,664 | $5,332,011 |
| 10 | $44,648,658 | $1,525,830 | $43,122,829 | 100% | $43,122,829 | $1,525,830 | 12.612 | $5,631,089 | $192,438 | $5,438,651 |
| 11 | $45,541,632 | $1,556,346 | $43,985,285 | 100% | $43,985,285 | $1,556,346 | 12.612 | $5,743,711 | $196,286 | $5,547,424 |
| 12 | $46,452,464 | $1,587,473 | $44,864,991 | 100% | $44,864,991 | $1,587,473 | 12.612 | $5,858,585 | $200,212 | $5,658,373 |
| 13 | $47,381,513 | $1,619,223 | $45,762,291 | 100% | $45,762,291 | $1,619,223 | 12.612 | $5,975,756 | $204,216 | $5,771,540 |
| 14 | $48,329,144 | $1,651,607 | $46,677,537 | 100% | $46,677,537 | $1,651,607 | 12.612 | $6,095,272 | $208,301 | $5,886,971 |
| 15 | $49,295,727 | $1,684,639 | $47,611,087 | 100% | $47,611,087 | $1,684,639 | 12.612 | $6,217,177 | $212,467 | $6,004,710 |
| 16 | $50,281,641 | $1,718,332 | $48,563,309 | 100% | $48,563,309 | $1,718,332 | 12.612 | $6,341,521 | $216,716 | $6,124,805 |
| 17 | $51,287,274 | $1,752,699 | $49,534,575 | 100% | $49,534,575 | $1,752,699 | 12.612 | $6,468,351 | $221,050 | $6,247,301 |
| 18 | $52,313,019 | $1,787,753 | $50,525,267 | 100% | $50,525,267 | $1,787,753 | 12.612 | $6,597,718 | $225,471 | $6,372,247 |
| 19 | $53,359,280 | $1,823,508 | $51,535,772 | 100% | $51,535,772 | $1,823,508 | 12.612 | $6,729,672 | $229,981 | $6,499,692 |
| 20 | $54,426,465 | $1,859,978 | $52,566,488 | 100% | $52,566,488 | $1,859,978 | 12.612 | $6,864,266 | $234,580 | $6,629,685 |
| 21 | $55,514,995 | $1,897,177 | $53,617,817 | 100% | $53,617,817 | $1,897,177 | 12.612 | $7,001,551 | $239,272 | $6,762,279 |
| 22 | $56,625,295 | $1,935,121 | $54,690,174 | 80% | $43,752,139 | $12,873,156 | 12.612 | $7,141,582 | $1,623,562 | $5,518,020 |
| 23 | $57,757,801 | $1,973,823 | $55,783,977 | 60% | $33,470,386 | $24,287,414 | 12.612 | $7,284,414 | $3,063,129 | $4,221,285 |
| 24 | $58,912,957 | $2,013,300 | $56,899,657 | 40% | $22,759,863 | $36,153,094 | 12.612 | $7,430,102 | $4,559,628 | $2,870,474 |
| 25 | $60,091,216 | $2,053,566 | $58,037,650 | 20% | $11,607,530 | $48,483,686 | 12.612 | $7,578,704 | $6,114,762 | $1,463,942 |
| 26 | $61,293,040 | $2,094,637 | $59,198,403 | 0% | $0 | $61,293,040 | 12.612 | $7,730,278 | $7,730,278 | $0 |
| | | | | | | | | | **NPV:** | **$73,749,884** |
| | | | | | | | | | **ROUNDED:** | **$73,700,000** |

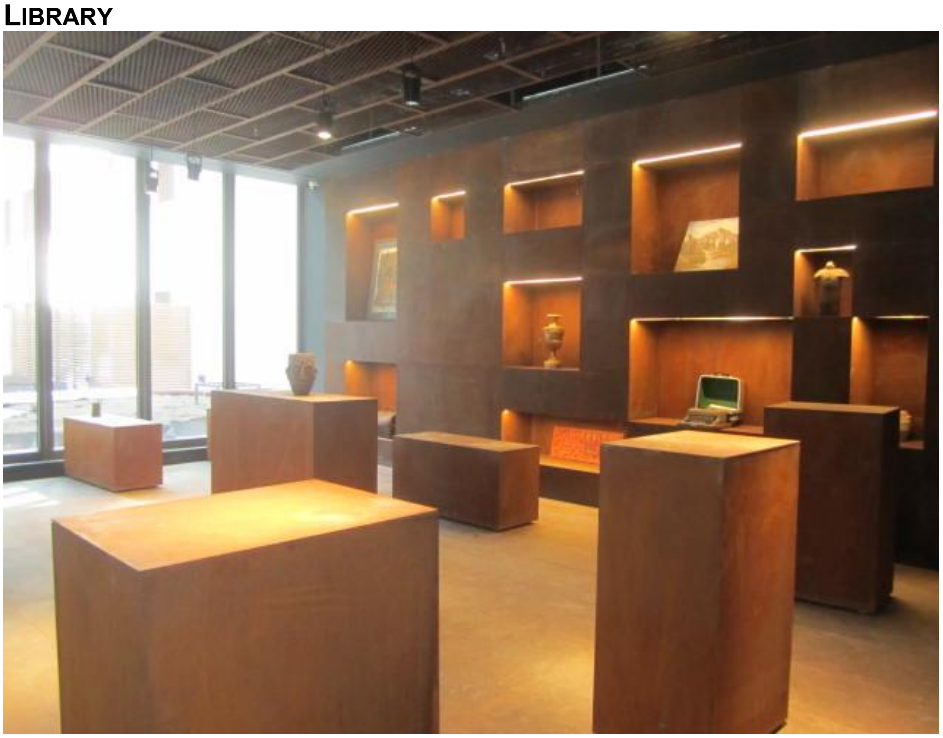
## SUBJECT PROPERTY PHOTOS

### PHASE 1

## PHASE 1 – LOBBY AND COMMON AREAS

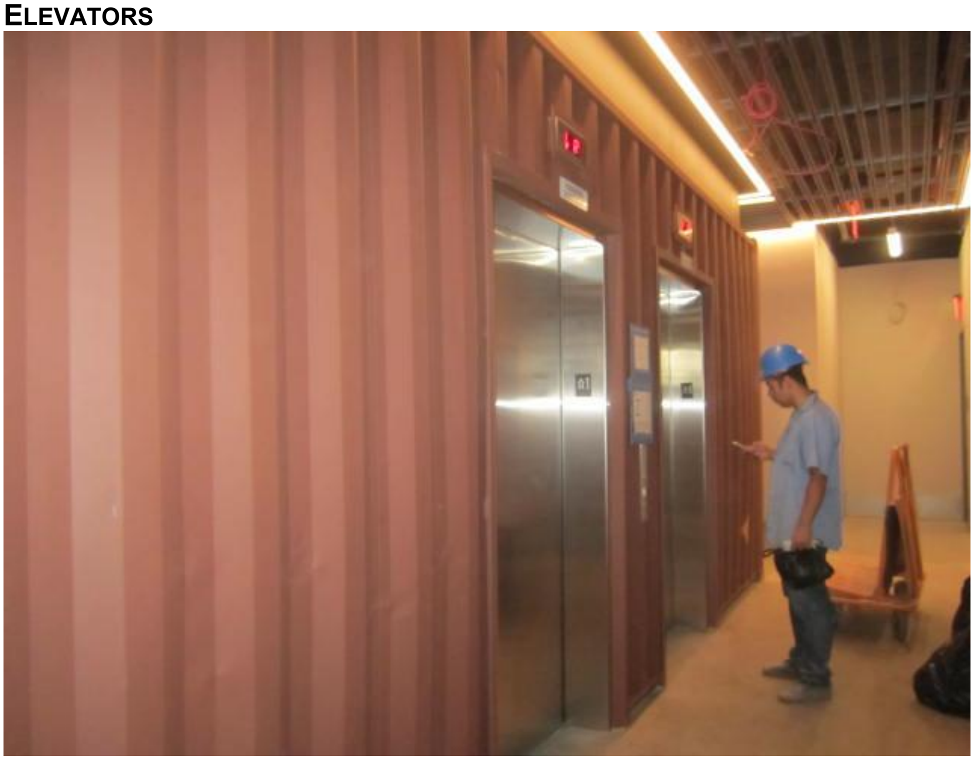
## PHASE 1 – PET SPA

## LIBRARY



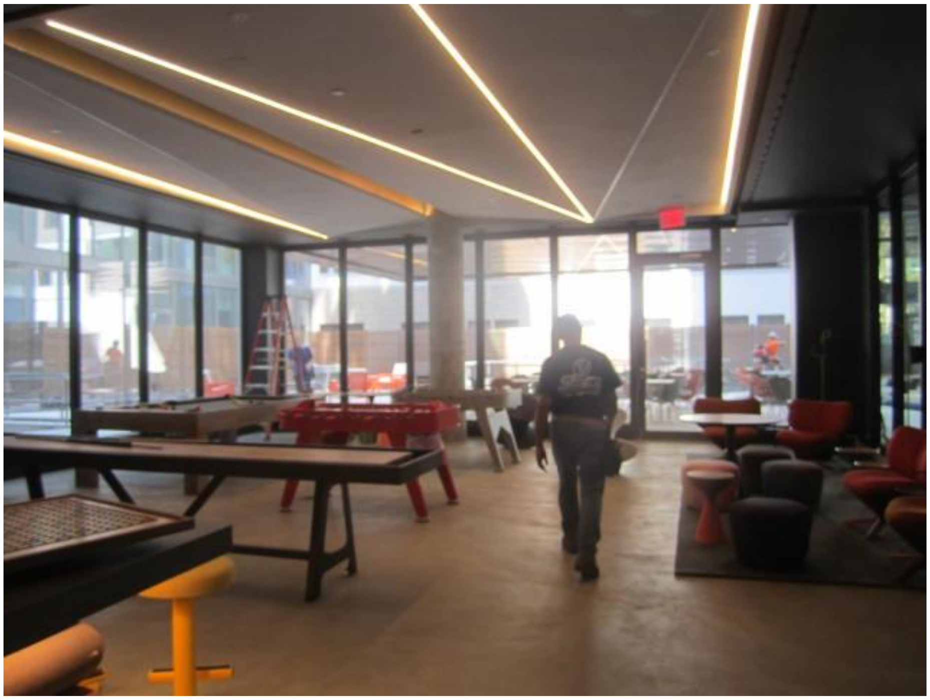
**PHASE 1 – COMMON AREAS**

**ELEVATORS**



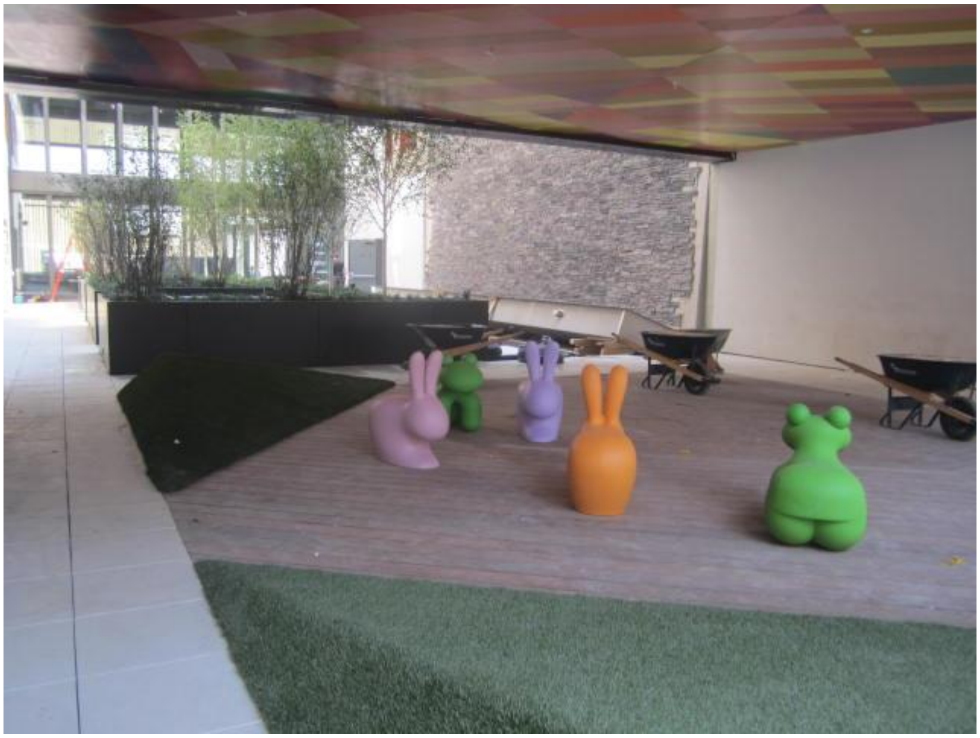
**PHASE 1 – LOUNGE**

**PHASE 1 – COMMON AREAS**



## PHASE 1 – COMMON AREAS

## PHASE 1 – OUTDOOR COMMON AREAS

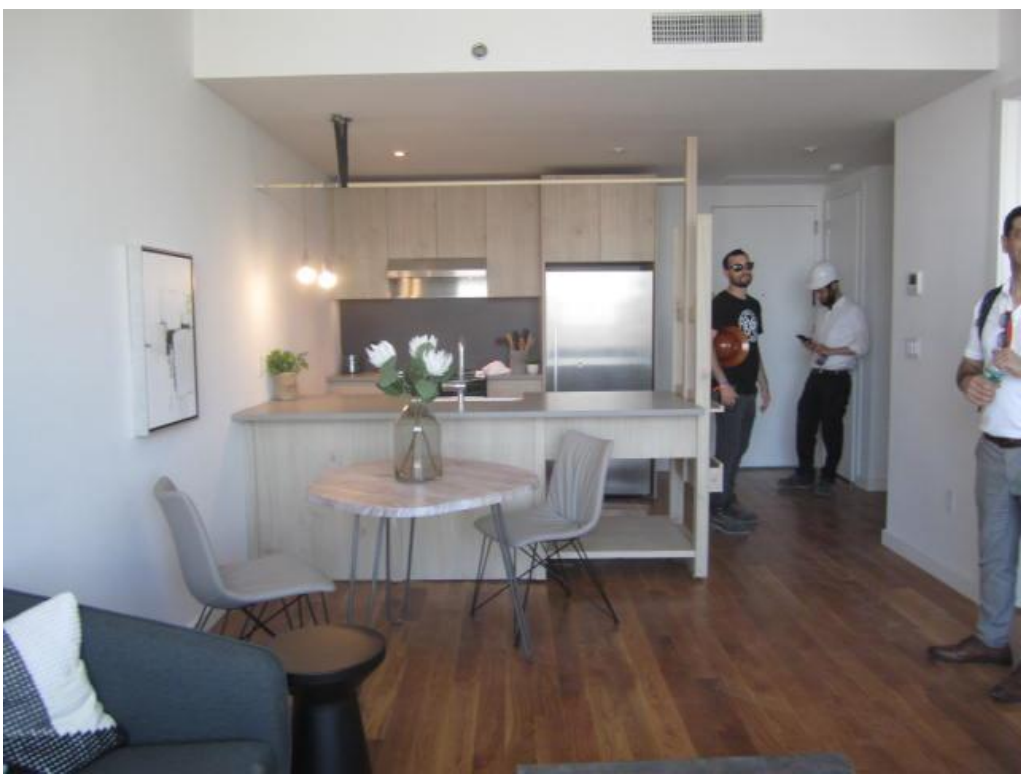


## PHASE 1 – APARTMENT INTERIORS

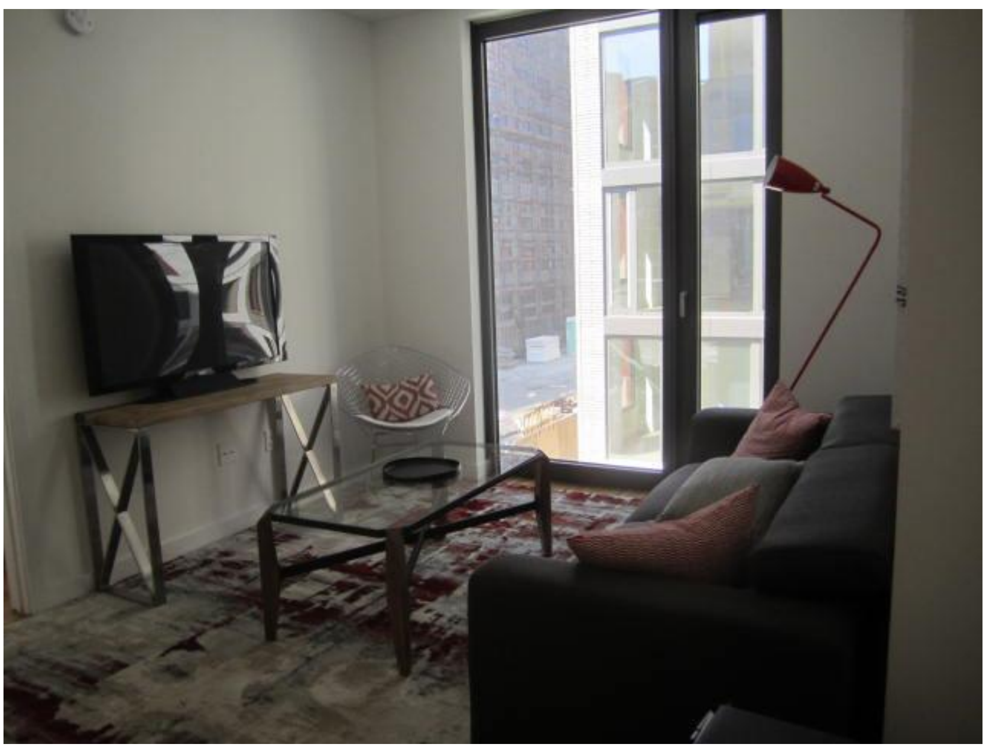
## PHASE 1 – APARTMENT INTERIORS

## PHASE 1 – APARTMENT INTERIORS

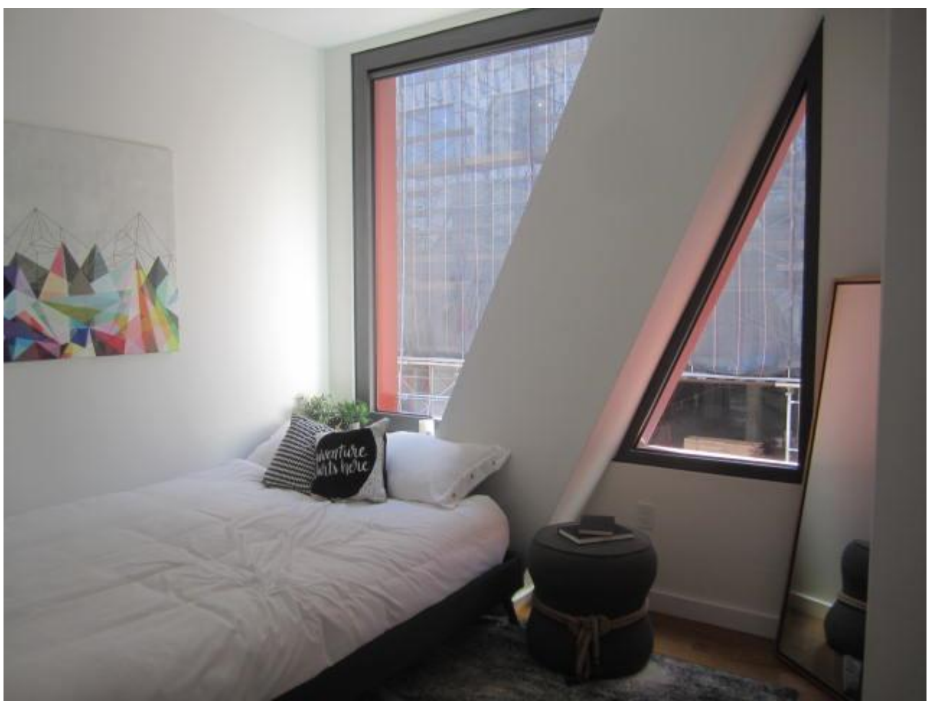
**PHASE 1 APARTMENT INTERIORS**



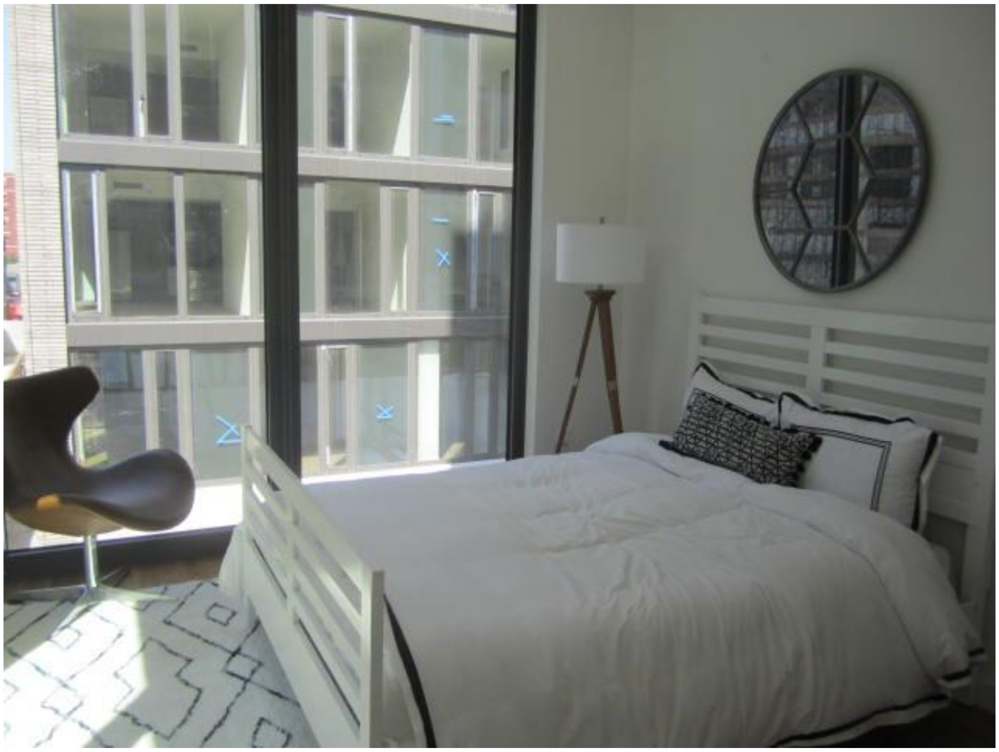
## PHASE 1 APARTMENT INTERIORS

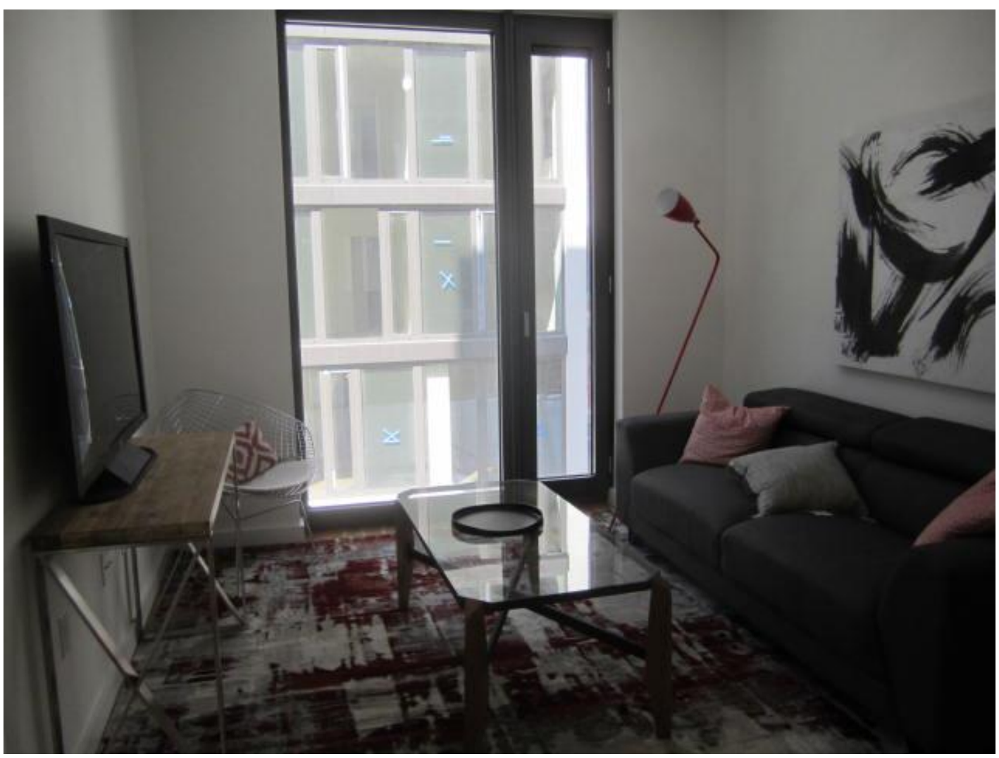


## PHASE 1 APARTMENT INTERIORS



## PHASE 1 APARTMENT INTERIORS





**PHASE 1 APARTMENT INTERIORS**

**PHASE 1 APARTMENT INTERIORS**

**PHASE 1 – AFFORDABLE HOUSING UNIT**

## PHASE 1 – ROOF

**PHASE 1 – ROOF**

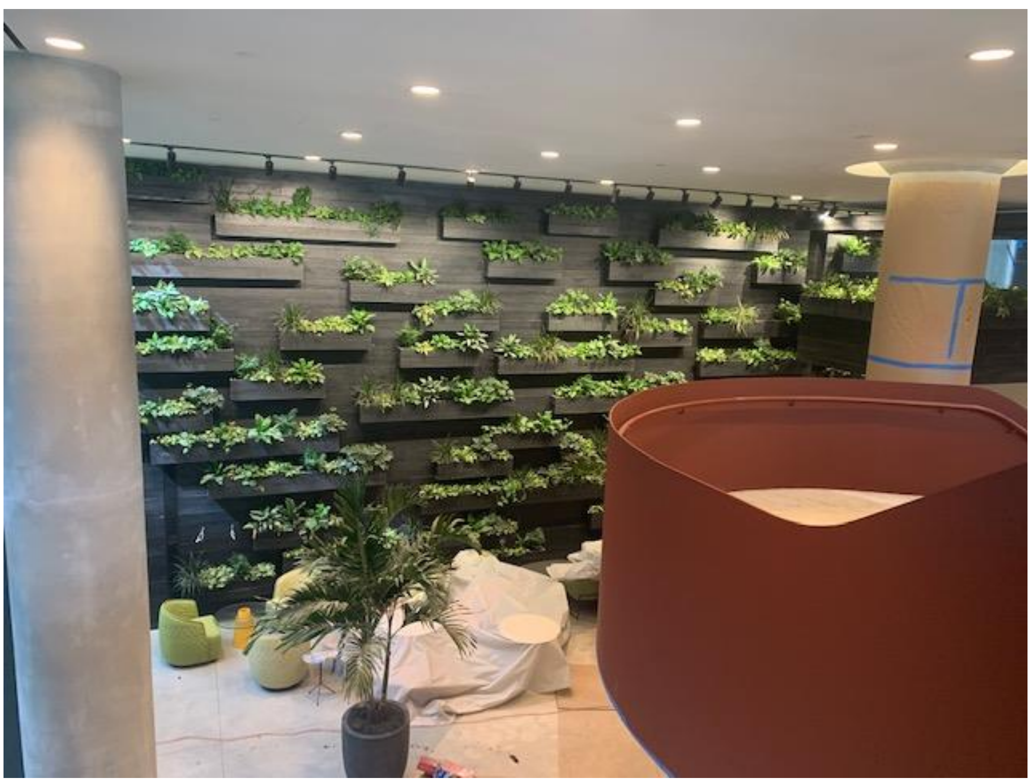
**PHASE 1 – ROOF**

**PHASE 2**

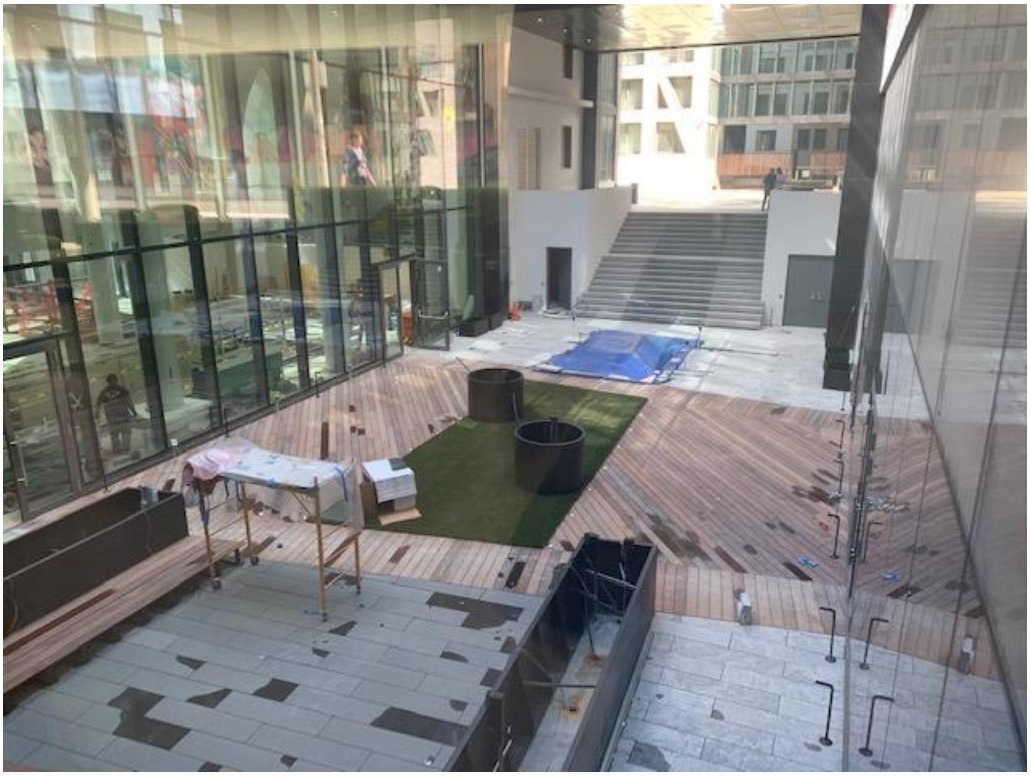
**PHASE 2 LOUNGE**

**LOBBY**

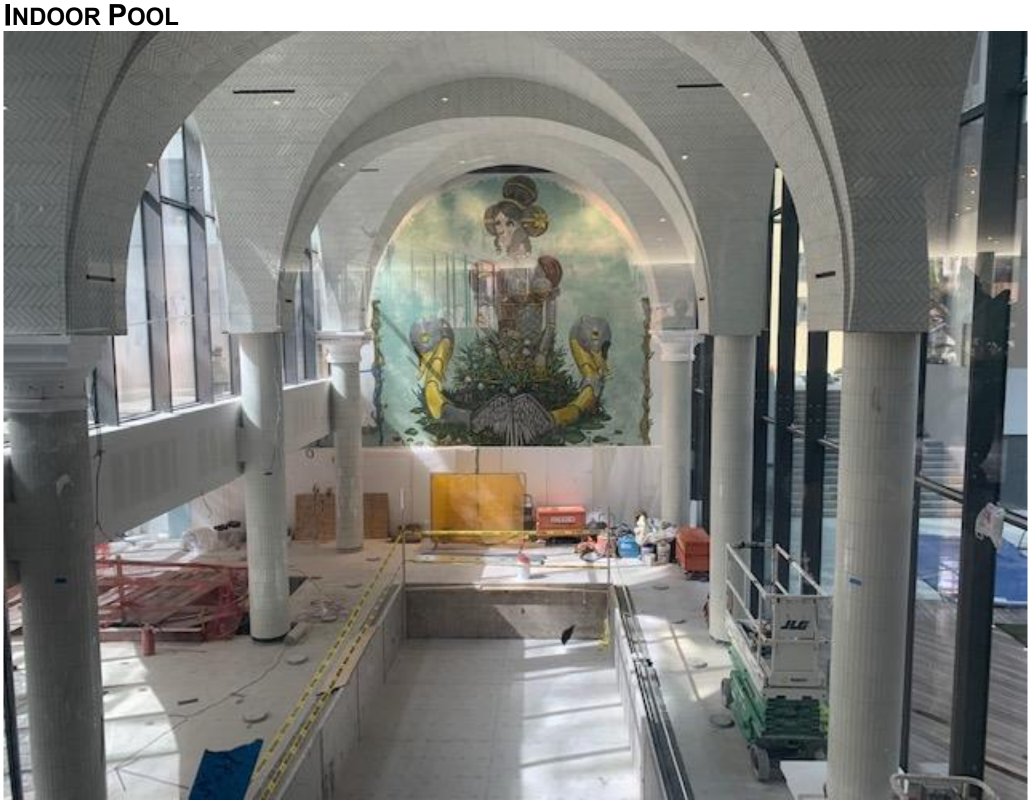
**LOBBY**



LOBBY

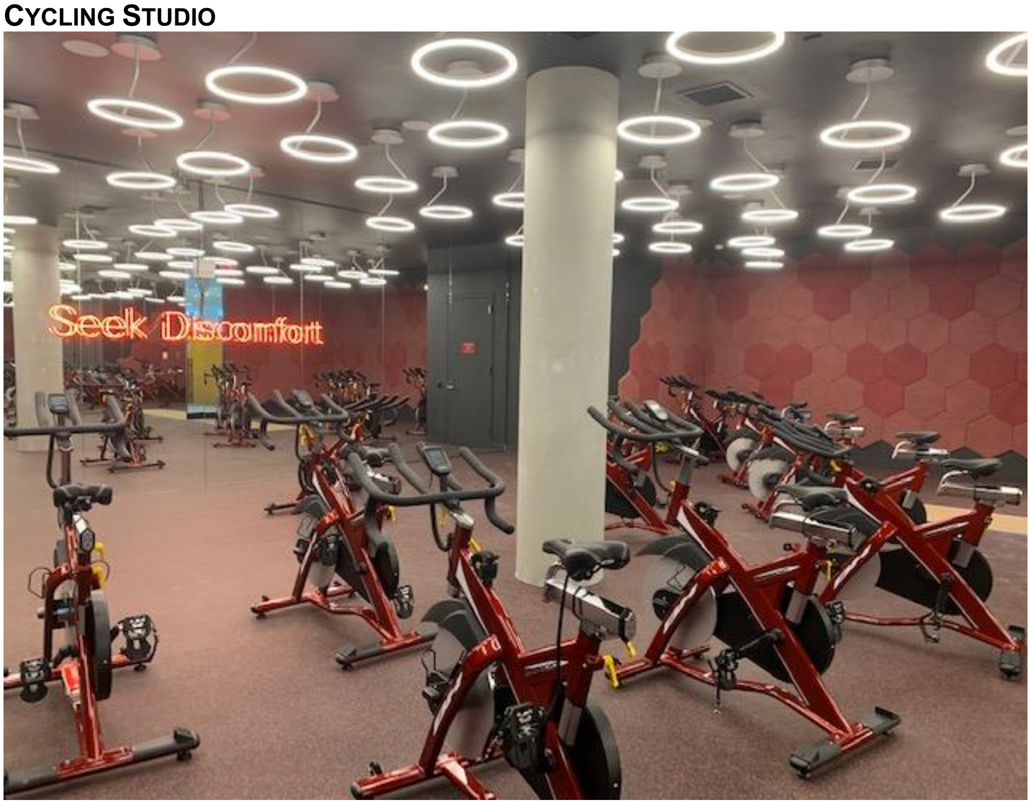


INDOOR POOL



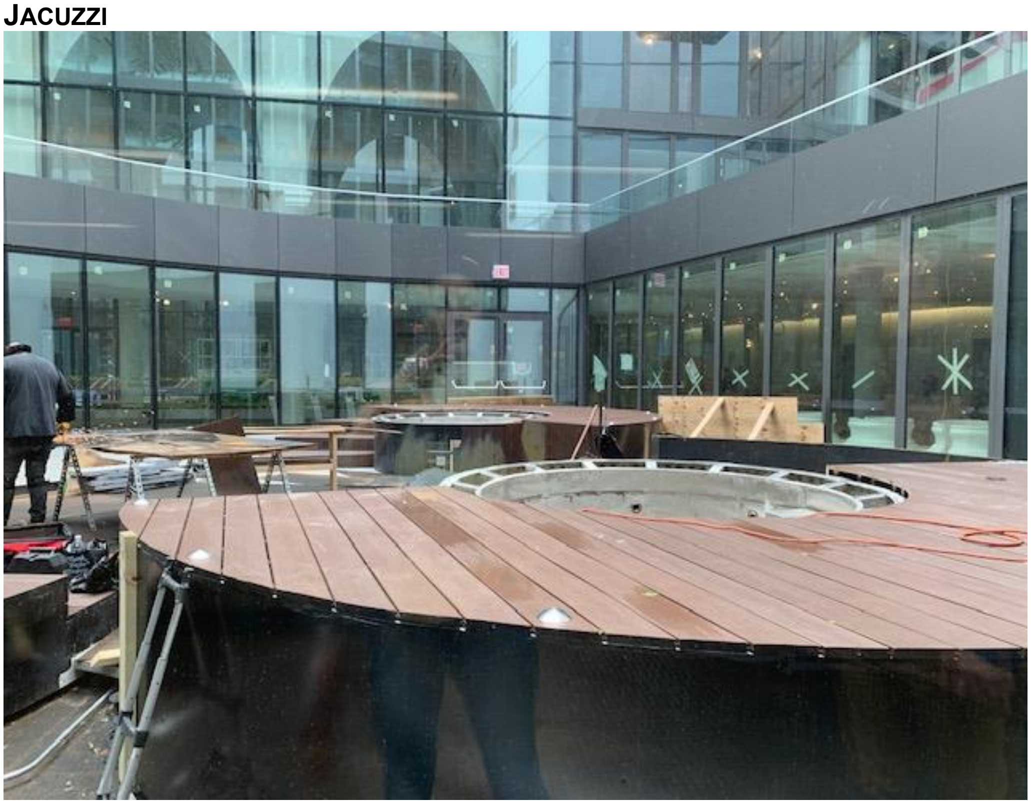
**TREE HOUSE**

**CYCLING STUDIO**

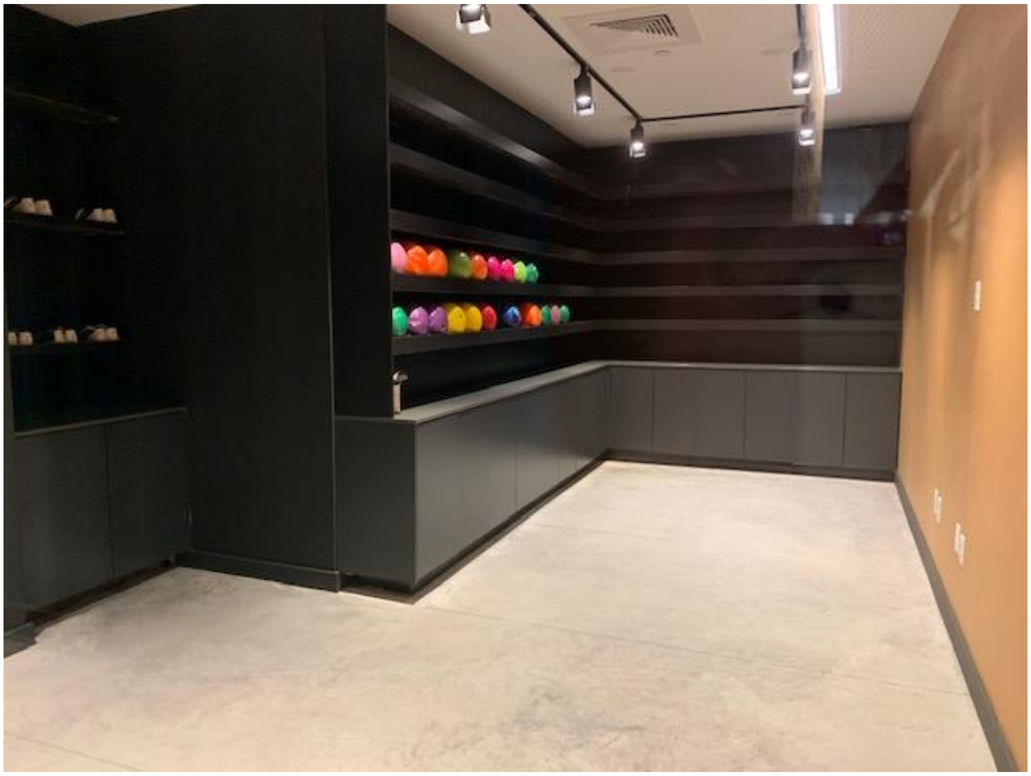


## CARD GAME ROOM

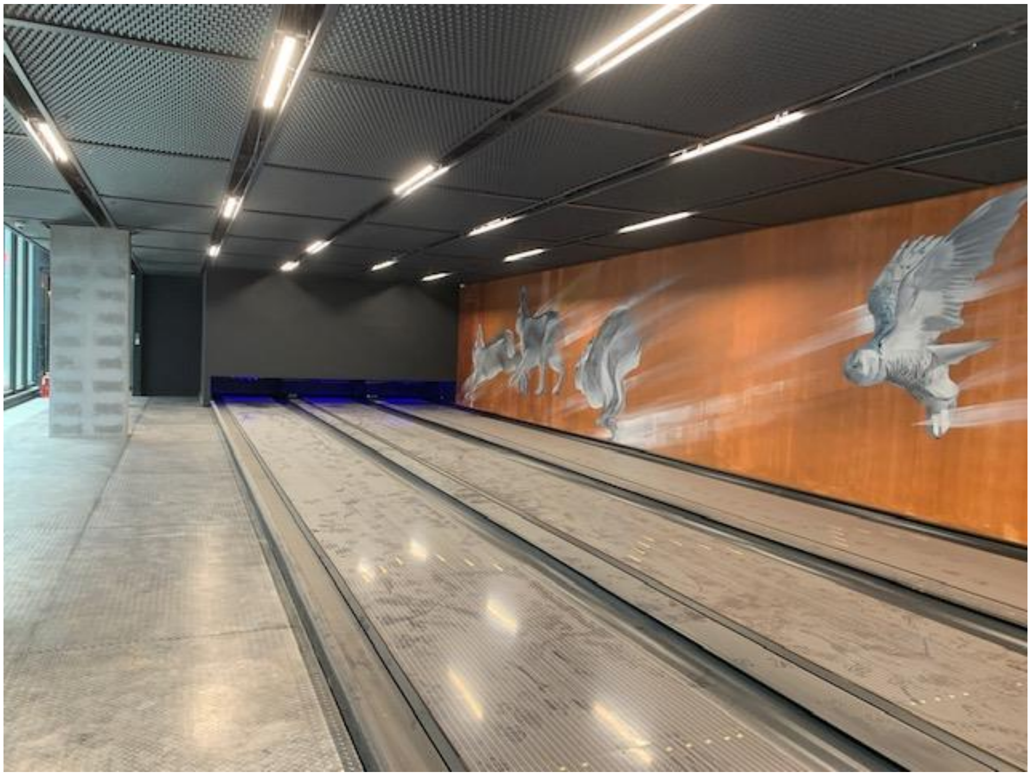
## JACUZZI



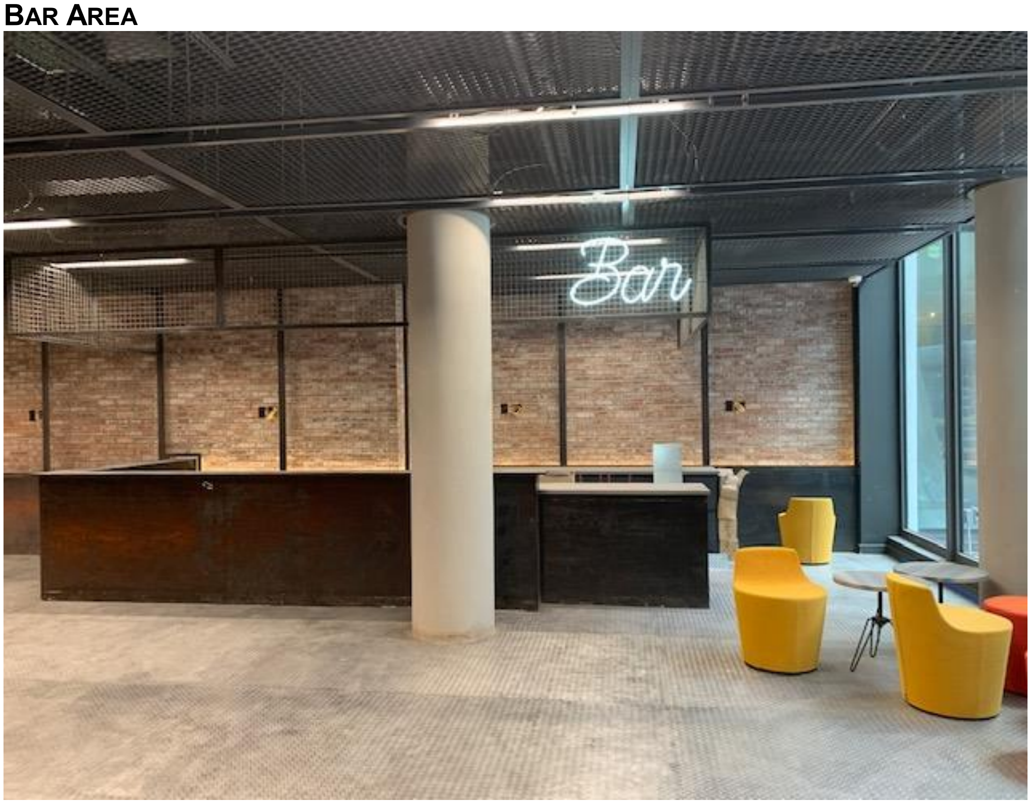
## BOWLING ALLEY



## BOWLING ALLEY



## BAR AREA

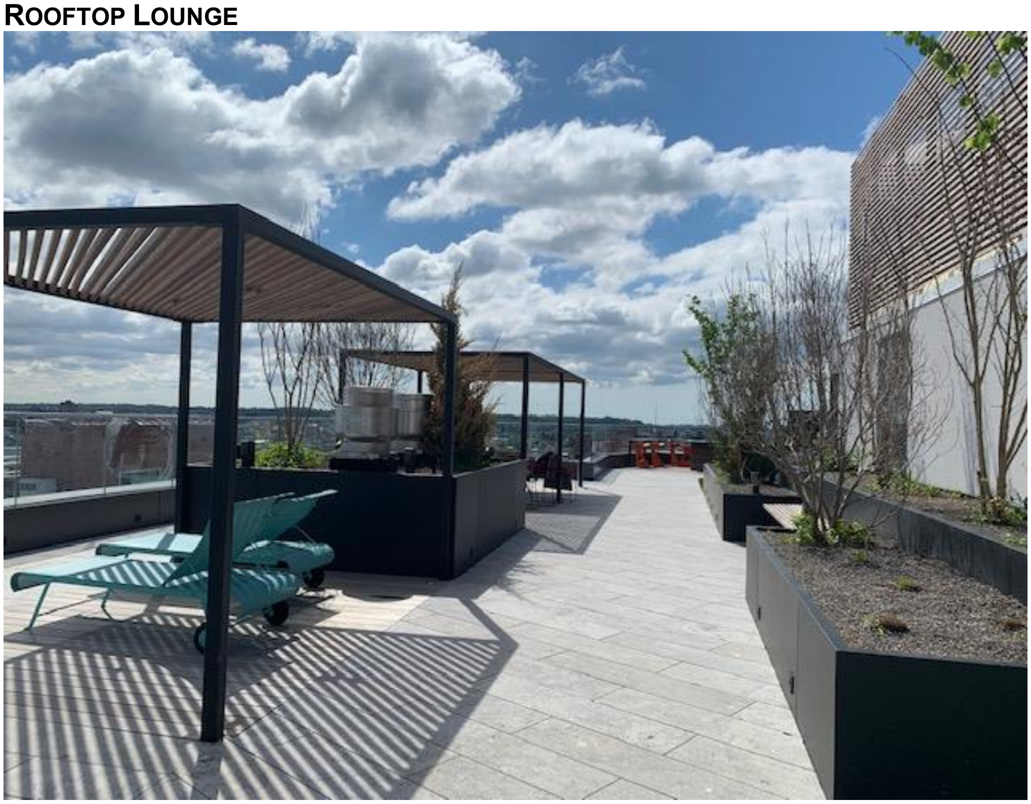


## CLIMBING WALL

## GYM

**BOXING**

**ROOFTOP LOUNGE**



**VIEW FROM ROOFTOP**

**TYPICAL HALLWAY**

**HALLWAY**

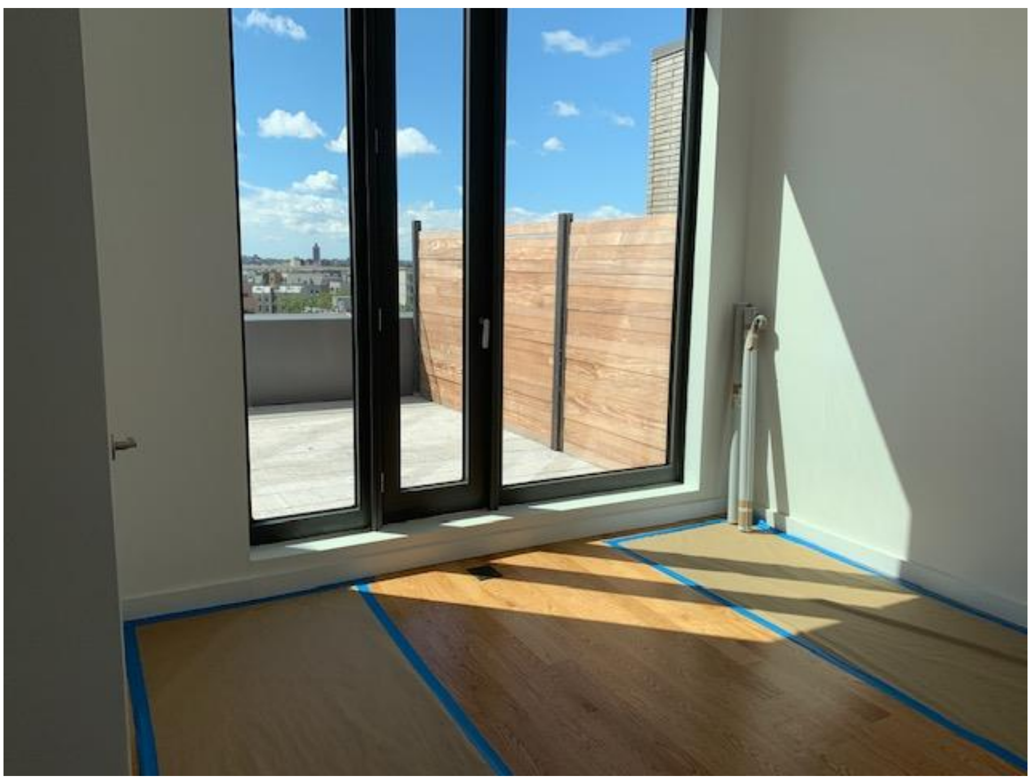
## UNIT ENTRANCES

## TYPICAL UNIT INTERIOR

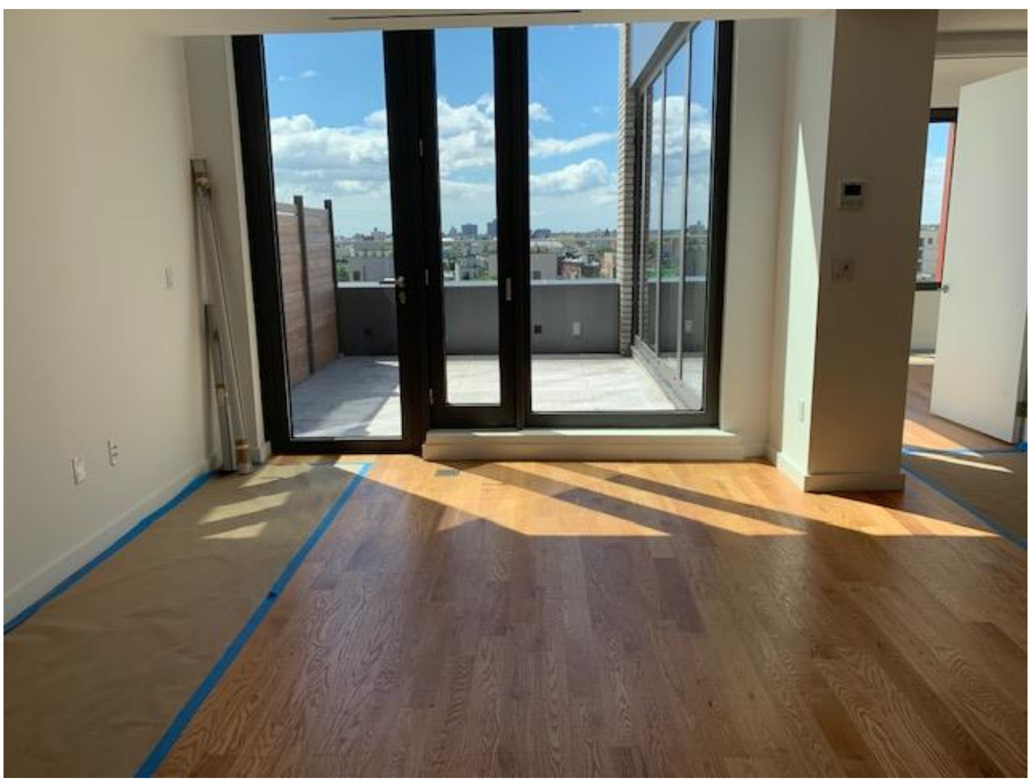
**TYPICAL UNIT INTERIOR**

**TERRACE**

**TYPICAL UNIT INTERIOR**



### TYPICAL UNIT INTERIOR

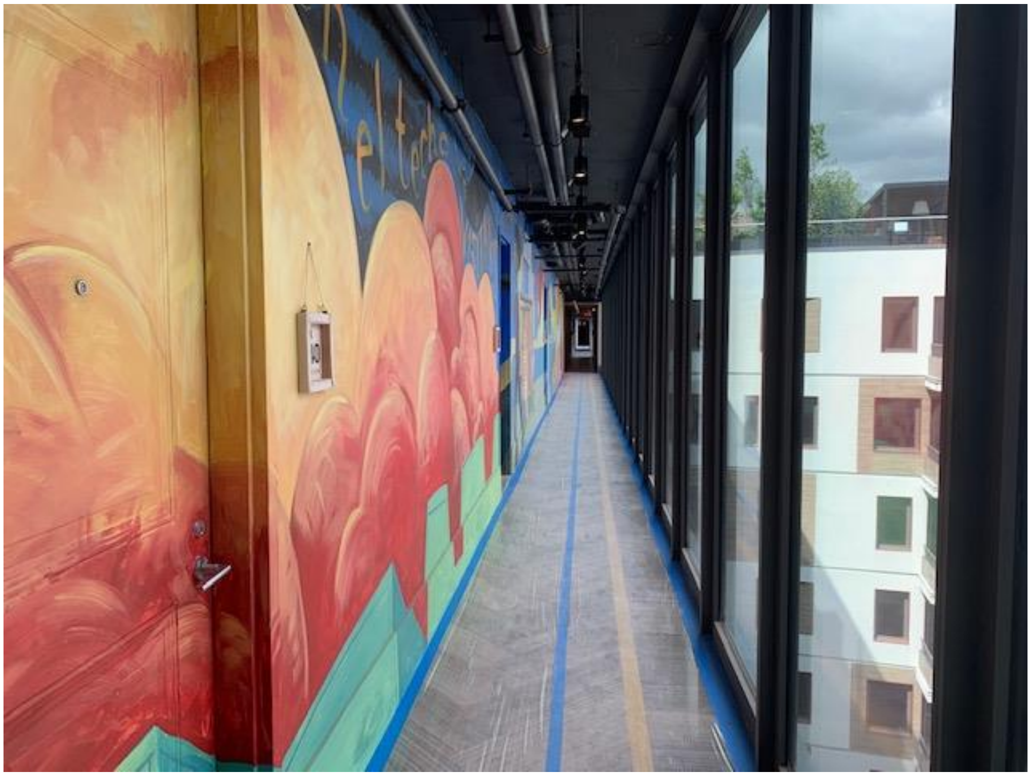


**TYPICAL UNIT INTERIOR**

**BALCONY**

**TYPICAL UNIT INTERIOR**

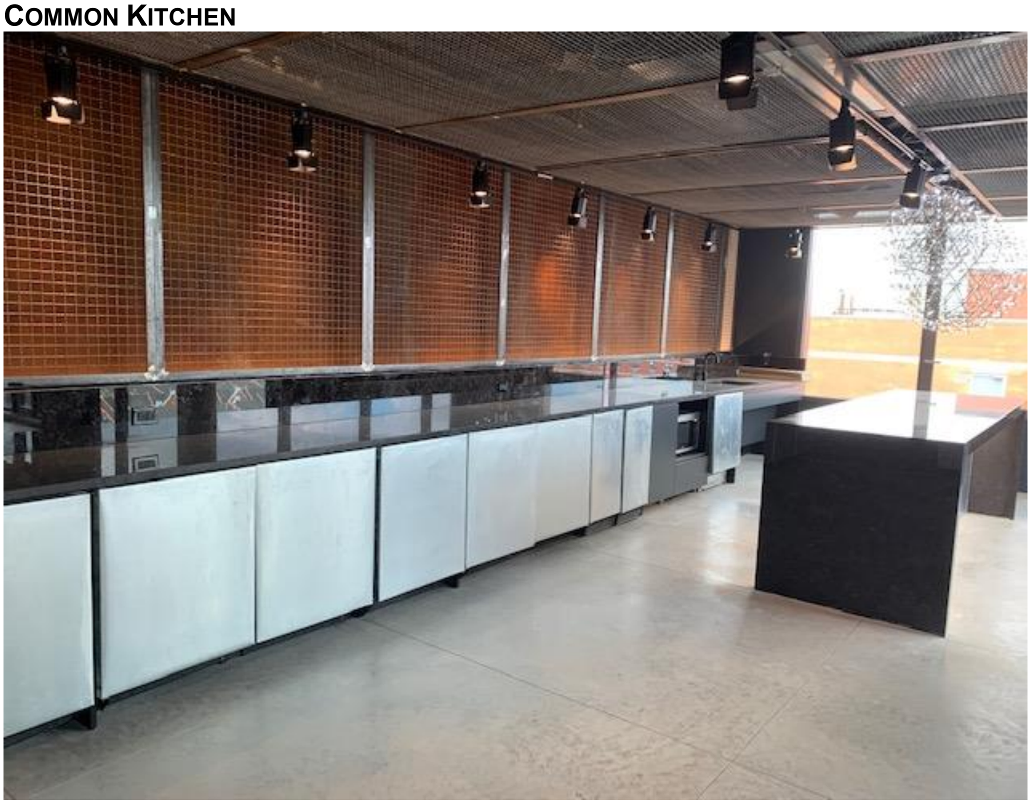
## EXTERIOR CORRIDOR



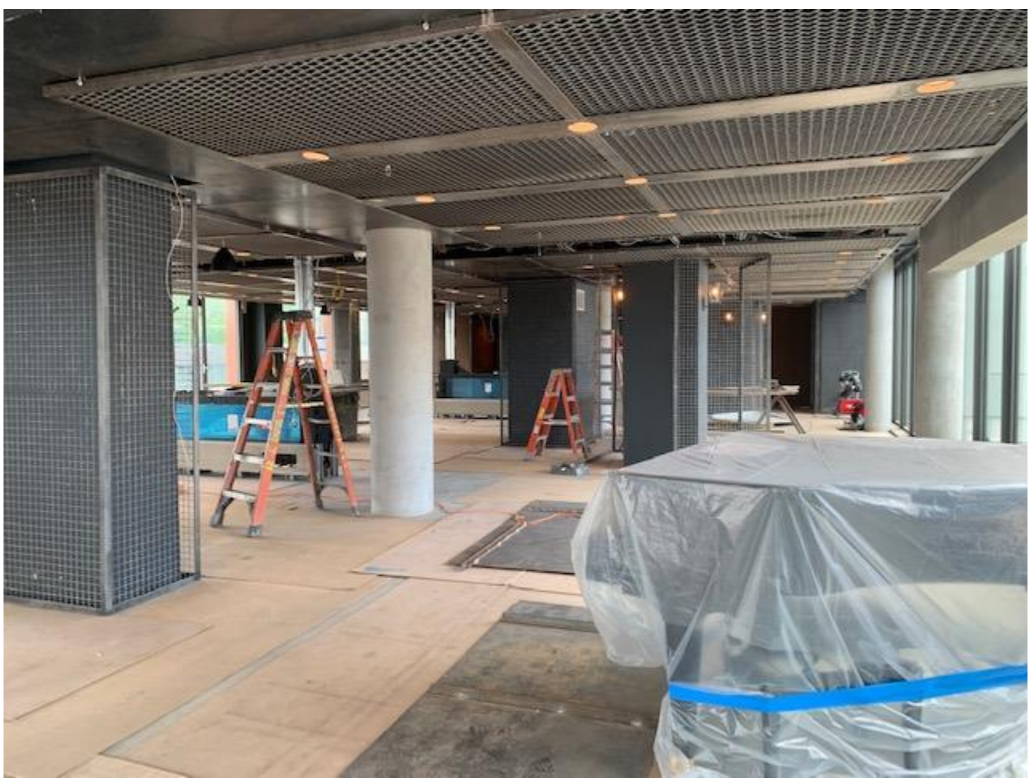
## BUILDING FACADE

BUILDING FACADE

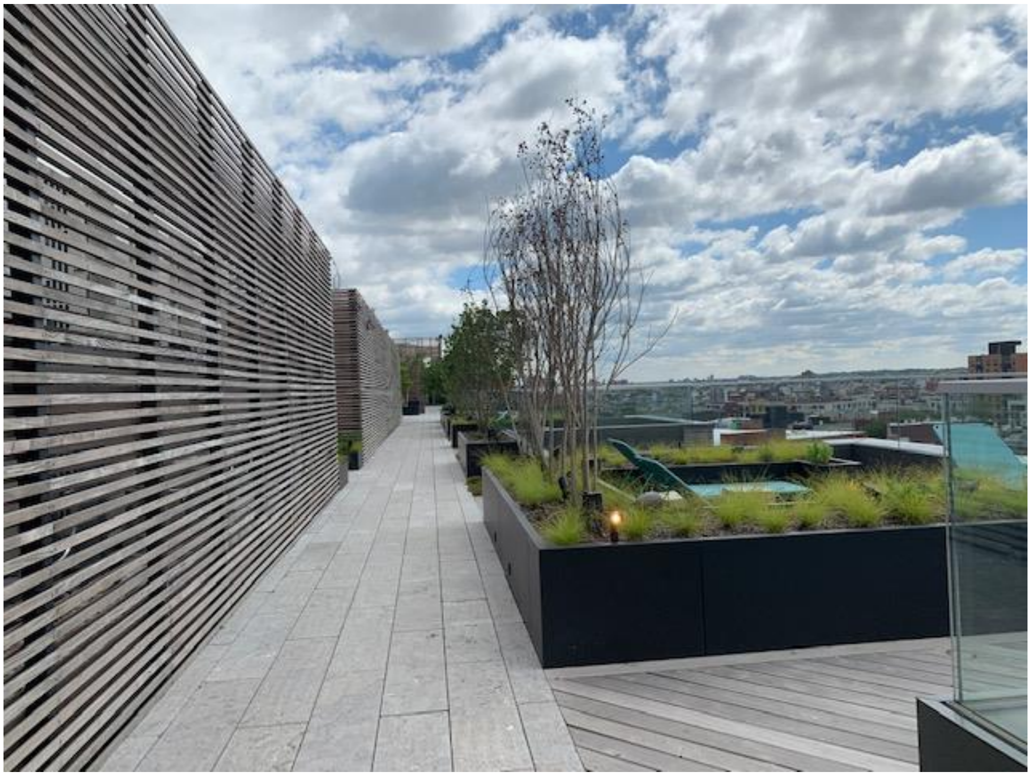
COMMON KITCHEN

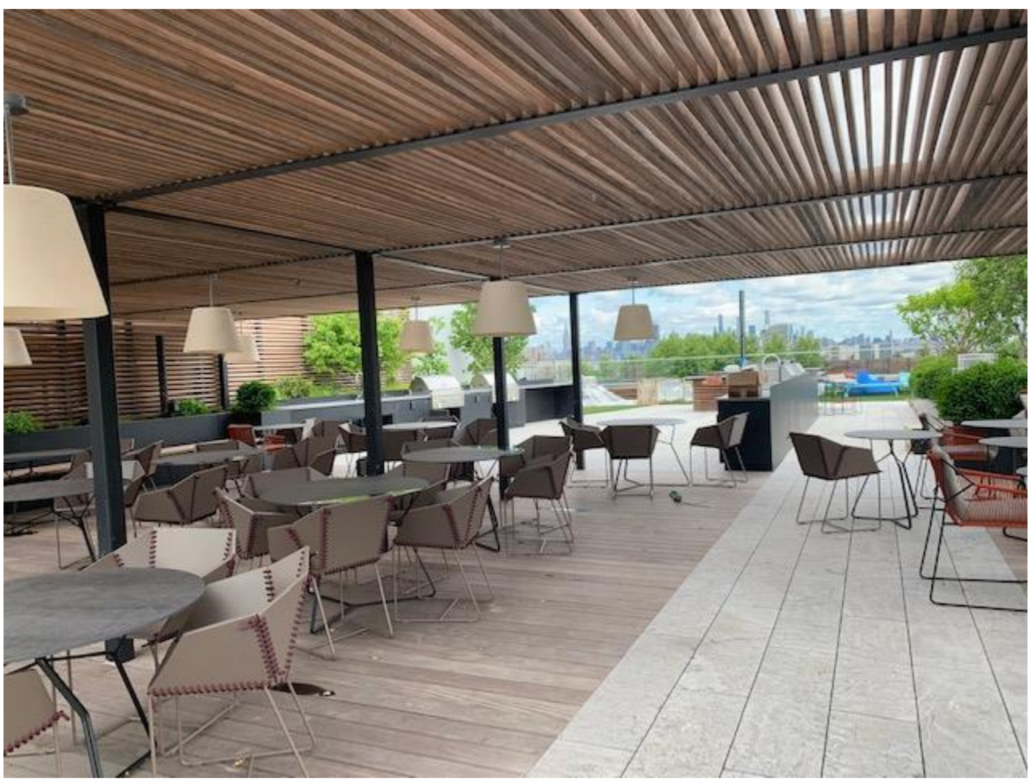


## LOUNGE ON TOP FLOOR PHASE 2



## ROOFTOP LOUNGE

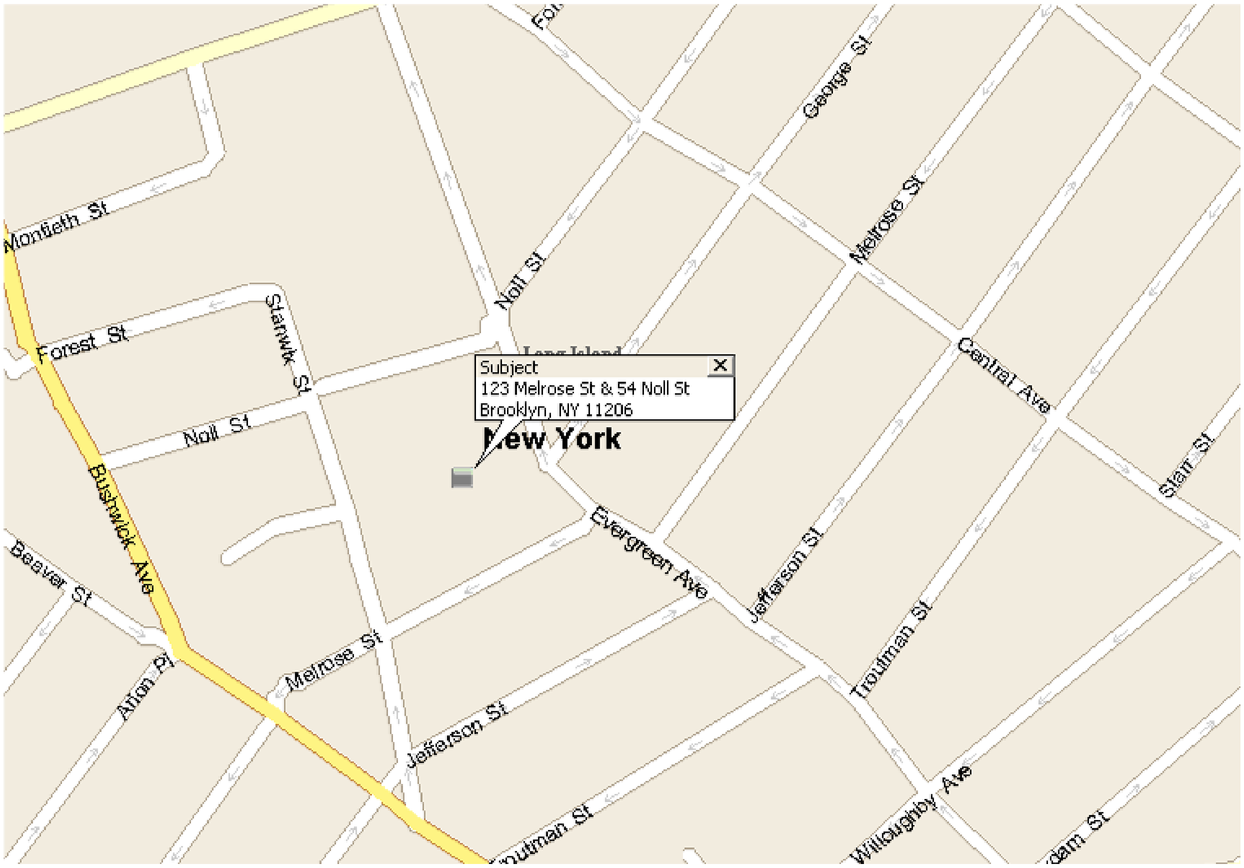




**ROOFTOP**

## STREET VIEWS


## SITE DESCRIPTION




**Address:** 123 Melrose Street & 54 Noll Street

Brooklyn, NY 11206

**Legal Identification** Block 3152, Lot 1, 48 and 100

**Size** 155,490± square feet in total.

**Frontages:**

| Street | Frontage |
|---|---|
| Melrose Street | 446.92 |
| Stanwix Street | 501.36 |
| Noll Street | 350.00 |
| Evergreen Avenue | 440.23 |

**Shape:** Irregular.

**Topography:** Level at street grade.

**Drainage:** Appears adequate.

**Street Improvements:** The roadways are paved with asphalt and are maintained by the Department of Transportation.

Catch basins are located in the roadway to drain storm water run-off, into the existing New York City Sewer system. Street lighting is provided by the City of New York and consists of vertical stanchions surmounted with mercury arc lamps. There is on-street parking in the neighborhood.

**Site Improvements:** The site is currently improved with all utility hook-ups.

**Subsoil Conditions:** The appraisers are not aware of any adverse subsoil conditions affecting the property.

**UTILITIES**

TELEPHONE: Phone service is available through Verizon or other local service providers.

ELECTRICAL: Electricity service is provided by the Consolidated Edison Company.

GAS: Natural gas is provided by Consolidated Edison

WATER SUPPLY: Domestic water is supplied by the City of New York.

SANITARY WASTE: Sanitary waste will be carried off from the building into the existing New York City sewer system. Storm water run-off will be carried off from the building into the existing New York City Sewer System.

**Conclusion**:

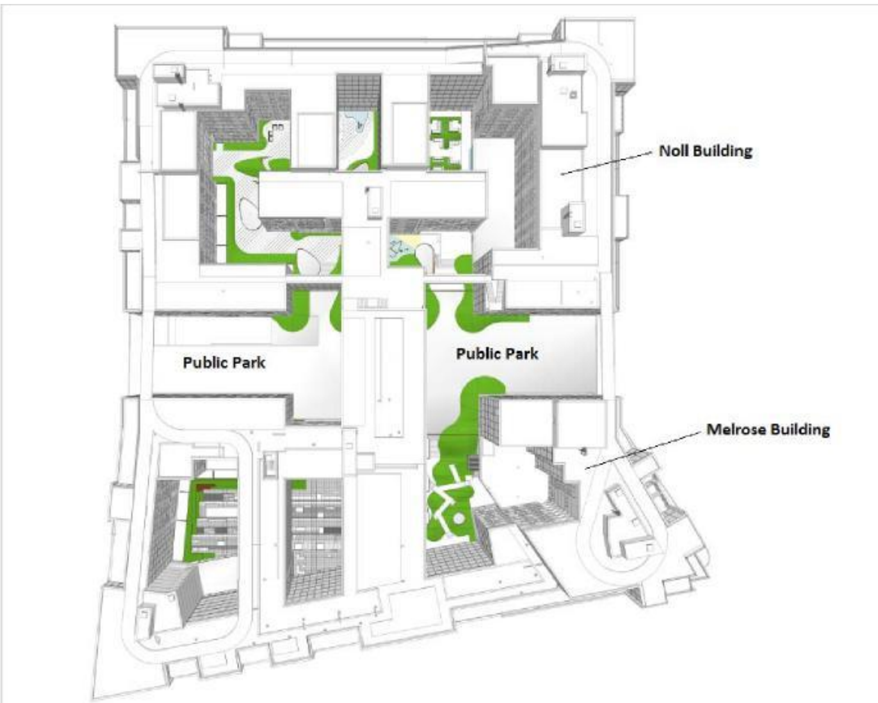
The site conforms to neighboring standards in most respects, and there are no negative external factors affecting the site. Based upon the current use of the site, all aspects of the property are functionally adequate.

## BUILDING DESCRIPTION

The subject, known as Denizen, consists of two mixed-use buildings, one with 8-stories and one with 9-stories, that feature a total of 911 units and 130,904 square feet of commercial space on the ground and cellar levels, as well as 417 parking spaces located on the sub-cellar level. The subject contains a gross building area of 1,008,411 square feet, which includes the cellar and sub-cellar levels. The above grade gross building area is 737,566 square feet. The 911 residential units contain 557,818 square feet of net rentable area. Denizen is an 80/20 building with 728 free market units and 183 regulated units. The unit mix is 282 studios, 442 one-bedroom units and 187 two-bedroom units. The average unit is 612 square feet. Each building has a cellar and a sub-cellar level. The sub-cellar level provides the required amount of parking for both commercial and residential uses with 417 parking spaces in total.

The buildings feature 5 courtyards that house the outdoor amenities such as a zen garden, reading space, outdoor lounge with water feature, performance space and children's play area. In addition, the roof features a mini golf course, reading area, outdoor theater, yoga deck and outdoor entertainment area with kitchen, grilling stations and wet bar. There is an 18,000-square foot public park spanning between Stanwix Street and Evergreen Avenue that connects the two buildings.

The picture below shows the two buildings linked by the 18,000-square foot public park.




| | Phase 1 (54 Noll St) | Phase 2 (123 Melrose St) | Total |
|---|---|---|---|
| GBA (Including Cellar and Sub-Cellar) | 502,215 | 506,196 | 1,008,411 |
| GBA (Above Grade) | 370,420 | 367,146 | 737,566 |
| Zoning Floor Area (ZFA) | 310,984 | 315,032 | 626,016 |

The subject was developed in two phases. Phase 1, known as 54 Noll Street, was completed in Q2 2018. Phase 2, known as 123 Melrose Street, is currently under construction and is expected to be completed in Q3 2019. Initial lease up of Phase 1 began in July 2018 with 402 units leased as of June 17, 2018, which equates to a leasing velocity of 33.4 units per month. The 402 leased units included 339 free market units or 96% of the Phase 1 total and 63 low income units or 71% of Phase 1. Stabilization is expected by Q3 2019. Initial lease up of Phase 2 has just begun in Q2 2019 with 4 free market units leased with stabilization expected within 12 months or by Q2 2020.

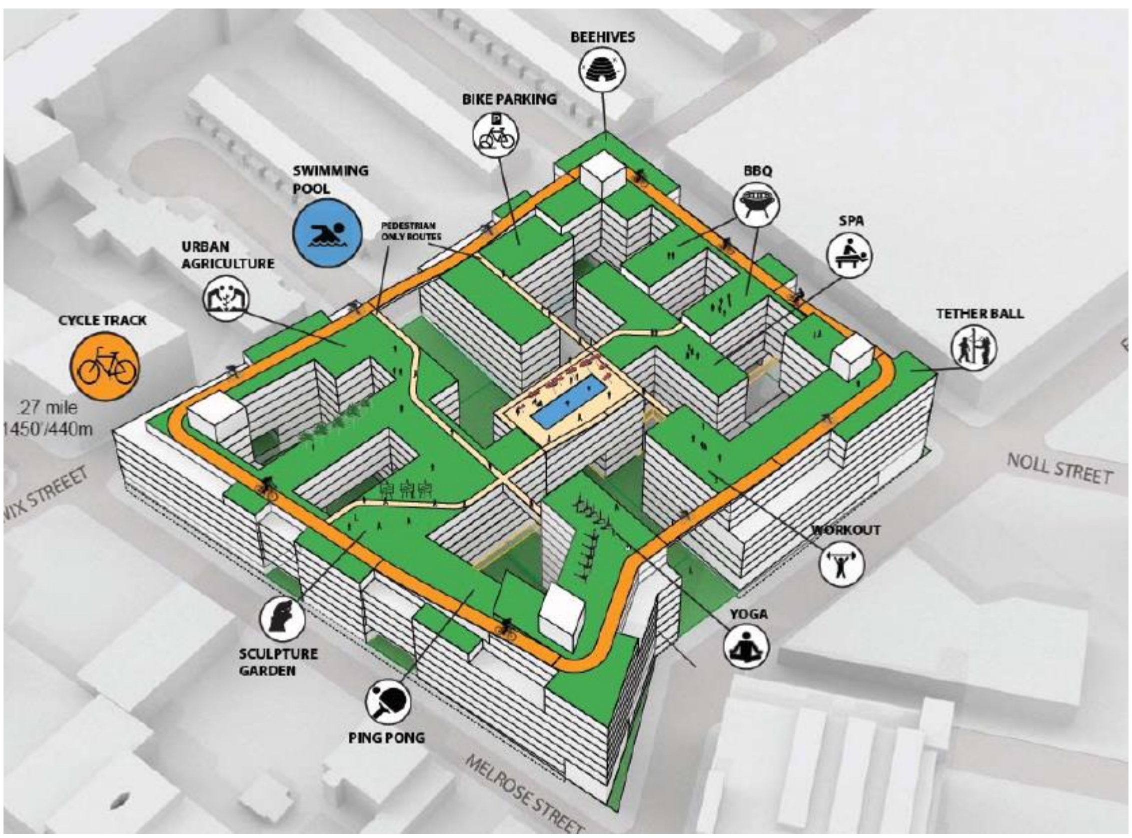
The street-facing perimeter walls of the buildings are brick with punched windows, with curtainwall along commercial facades and window walls and steel-clad concrete trusses.

The courtyard-facing facing facades are a mix of stucco and panelized rain screen system with punched windows, as well as all window wall facades and steel-clad structure. These facades also support private projected balconies, as seen in the rendering below.

The Noll and Melrose buildings have five distinct courtyards, four of which provide direct access to the public park between the two buildings. Each courtyard has a unique atmosphere and offer a variety of amenities; these include a zen garden, reading space, outdoor lounge with water feature, performance space, children’s play area, outdoor spa garden and a small wooded courtyard with a treehouse. The renderings below show a few of these courtyards.

Each building has a large accessible roof level offering a variety of outdoor amenities including a mini golf course, sheltered reading area, an outdoor theater, bouldering wall, an observatory overlooking the city, yoga decks, an outdoor entertainment area with kitchen, grilling stations and a wet bar.

Secluded seating areas are distributed along an exercise path connecting the different amenity spaces. A generous portion of the rooftop area (approximately 4,000 square feet), along with an enclosed greenhouse located on the top floor of the south building (approximately 1,500 square feet), is dedicated to urban farming. Rooftop amenities can be seen in the plan below.



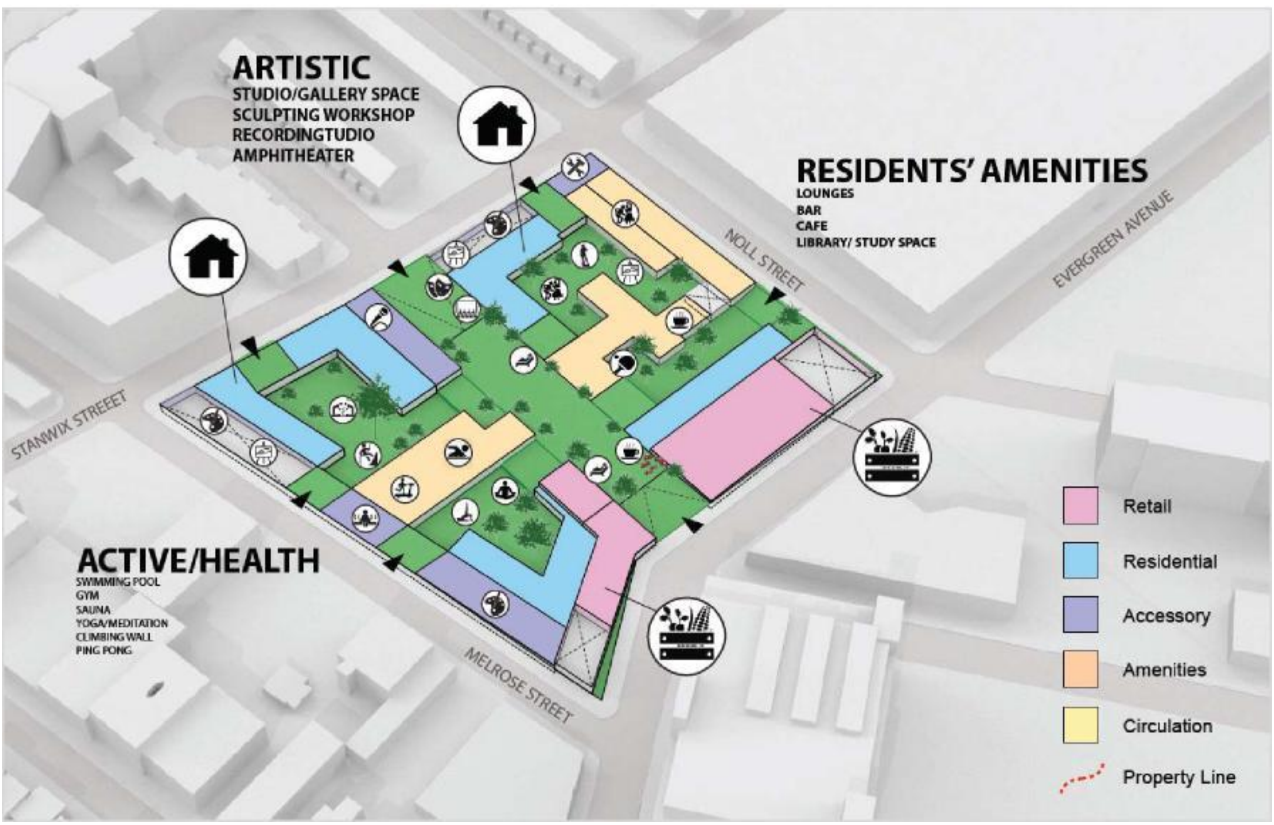
Most of the indoor amenities are located on the ground and cellar portion of both buildings and parking spaces on the sub-cellar level. The retail portion has two levels on the ground and cellar level. In addition, there is commercial space in the sub-cellar which will be a spa.

Amenities within the two buildings are divided based on two concepts:

- The Noll Building – Mind: Art and work
- The Melrose Building – Body; Active and Health

The Noll Building offers approximately 33,000 square feet of collaborative working spaces with individual studio space, meeting space, and specialty lab spaces such as laser cutting lab, 3D printing lab, and welding lab. The Noll Building's ground amenity level includes different lounge spaces with a café and a brewing lab/kitchen.

The Property has a multi-level gym with boxing room, a golf simulation room, a spinning room, and an indoor-outdoor pool which has direct connection to courtyard level amenities. The sub-cellar level of Melrose Building has a bowling alley as well as a fitness center with cycling studio. Location of these amenities can be seen in the following plan.



#### INTERIOR FINISHES

The typical units have bathrooms with ceramic tile floors and walls. Sinks, showers, and toilets are acrylic. Various options presented by the project's architect are presented below.

Typical kitchens have wood or lacquer cabinets and stone countertops. Floors are engineered hardwood. Appliances are excellent quality with 4 burner gas range, oven, dishwasher, and refrigerator. A couple of options are presented below.

The living and bedroom areas have large windows that provide ample natural light and have painted sheet rock walls with engineered hardwood floors.

### RESIDENTIAL UNIT DISTRIBUTION BY SQUARE FOOTAGE SUMMARY

| Unit Type | No. of Units | Avg SF / Unit | Total Leasable SF | % of Total |
|---|---|---|---|---|
| Studio | 282 | 436 | 122,912 | 22% |
| One-Bedroom | 442 | 624 | 275,947 | 49% |
| Two-Bedroom | 187 | 850 | 158,959 | 28% |
| Totals/Average | 911 | 612 | 557,818 | |

## RETAIL SPACE

The subject has 130,904 square feet of commercial space located on the ground floor, cellar, and sub-cellar level.

## CONDITION

As new construction, the subject is in excellent condition. The mechanical/electrical and structural systems will be modern. Relative to similar buildings in the area, this asset is expected to outperform.

## CONSTRUCTION BUDGET AND TIMING

The developer provided us with a construction budget as follows. The per square foot metric is based on the GBA above grade which is 737,566 square feet according to the zoning analysis.

### TOTAL CONSTRUCTION BUDGET

| | Phase 1 (54 Noll St) | Phase 2 (123 Melrose St) | Total |
|---|---|---|---|
| Total Construction Costs | $131,127,633 | $149,034,405 | $280,162,038 |
| Spent to Date: | $129,621,377 | $143,832,952 | $273,454,329 |
| % Completed | 99% | 97% | 98% |
| Remaining Costs | $1,506,256 | $5,201,453 | $6,707,709 |

Note: Punch list items still remain in Phase 1.

We note that the construction budget totals $280,162,038 as of Q2 2019, with $131,127,633 allocated to Phase 1 and $149,034,405 allocated to Phase 2. The budget has increased due to the addition of amenities in Phase 2 and having finalized all of the construction contracts.

## SUMMARY

The information contained in the sections entitled "Site Description" and "Building Description" was obtained from our field inspection on June 14, 2019, information provided by ownership, and NYC planning, zoning and assessment records.

## HIGHEST AND BEST USE

The following definition of Highest and Best Use is set forth in The Dictionary of Real Estate Appraisal 6$^{th}$ edition sponsored by the Appraisal Institute. Highest and Best Use is:

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.
3. The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future.

In determining highest and best use, we have considered the following:

The current trends of supply and demand on the market.

Current zoning regulations and other possible restrictions.

Neighboring land uses.

It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use.

In estimating highest and best use, alternative uses are considered and tested for the subject site.

***Possible Use*** - An analysis to determine those uses of the subject which can be deemed physically possible;

***Permissible Use*** - An investigation into existing zoning regulations, lease terms, and deed restrictions on the site to determine which uses are legally permitted;

***Feasibility*** - An analysis to determine which of those uses deemed possible and legal can provide a net return to the owner of the site;

***Highest and Best Use*** - Among the feasible uses, which use will provide the highest net return or highest present worth.

## AS VACANT

**Legally Permissible**

The subject property is zoned R6A and R7A with a C2-4 commercial overlay, which allows myriad residential and commercial uses. No known zoning change is currently being considered or anticipated. It is our opinion that the site, if vacant, based upon its existing R6A and R7A with a C2-4 commercial overlay zoning designation could be developed for any of the above uses.

**Physically Possible**

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

**Financially Feasible**

The subject's block contains a mix of low, mid- and high-rise mixed-use commercial and residential buildings. The surrounding improvements within the subject area and the allowable zoning requirements indicate that the subject site is well-suited for mixed use development.

**Maximally Productive/Highest and Best Use**

All legally permissible, physically possible and financially feasible uses of the site, as vacant, have been presented and examined. In conclusion, it is our opinion that the highest and best use of the subject property, as vacant, is mixed use development.

## As Is

**Legally Permissible**

The subject property is zoned R6A and R7A with a C2-4 commercial overlay, which allows myriad residential and commercial uses. No known zoning change is currently being considered or anticipated. It is our opinion that the development under construction complies with the R6A and R7A with a C2-4 commercial overlay zoning designation.

**Physically Possible**

The building of Phase 1 is complete, and the building of Phase 2 is essentially complete. The subject property appears to be physically sound and is expected to be in excellent condition upon completion. The proposed residential and retail uses are physically possible.

**Financially Feasible**

Our analysis in the Income Approach shows that the currently existing building has an 'as is' value of $617,000,000 and an as stabilized value of $643,000,000 which is well above prevailing land values. Considering the current improvements contribute value to the land, the current use represents the most financially feasible use as improved. We also note that all units will be subject to rent regulation based on a requirement that all apartments subject to 421(a) benefits must be rent stabilized during the duration of the benefit term. The presence of rent-regulated tenants makes demolition illegal.

We have also considered that the property's residential component is subject to a residential master lease. In the first master lease, the annual master lease residential rent is $6,300,000. Applying the market rent achieved thus far to the 185 units yields a potential gross residential income is $6,986,779 without the master lease. The annual difference in potential gross residential income is approximately $686,779.

An early termination option is exercisable which requires a payment of $900,000 plus the difference between the master lease payments paid to date and the rent achieved at the property through June 2019. We have calculated the total termination payment to be approximately $3,200,000. This total consists of the contractual early termination payment of $900,000 plus a rounded $2,500,000 for the difference between the master lease income paid and the total income achieved at the property through June 2019. As the guaranteed profit decreases by $35,000 per month for each month past the first 6 months, we deduct $210,000. As the value creation via terminating the master lease exceeds the payment, we believe it is most financially feasible to exercise the early termination payment. We have processed a deduction for the total early termination payment from our capitalized value.

In the master lease for 157 units that began in September 2018, the annual master lease residential rent is $6,100,000. Applying an average of the achieved rent for the 143 units leased and the projected market rent in Phase 1 to the remaining units yields a potential gross residential income of $6,309,676 without the master lease. As we expect the potential residential income to increase year over year, we expect the income potential of renting individual units to exceed the static master lease payment.

An early termination option is exercisable which requires a payment of $720,000 plus the difference between the master lease payments and the rent achieved at the property through June 2019. We have calculated the total termination payment to be approximately $3,000,000. This total consists of the contractual early termination payment of $720,000 plus a rounded $2,400,000 for the difference between the master lease income paid and the total income achieved through June 2019. As the guaranteed profit decreases by $33,000 per month for each month past the first 6 months, we deduct $99,000. As the value creation via terminating the master lease exceeds the payment, we believe it is most financially feasible to exercise the early termination payment. We have processed a deduction for the total early termination payment from our capitalized value.

**Maximally Productive/Highest and Best Use**

All legally permissible, physically possible, and financially feasible alternative uses of the subject property, as improved, have been presented and examined. The highest and best use of the subject property, as improved, is a luxury, multifamily rental property with retail (in consideration of executing an early termination option for the residential master lease).

## APPRAISAL VALUATION PROCESS

In advancing an opinion of the value of the subject, we considered the three primary approaches to real estate valuation: the Cost Approach; the Income Approach; and, the Sales Comparison Approach.

The Cost Approach is based on the principle of substitution, which affirms that a prudent and informed purchaser will pay no more for a specific property than the cost of producing a substitute property of equal or similar desirability and utility. It is particularly applicable when the property is proposed. It is also relevant in estimating the value of special purpose or use properties for which there is limited or no sale or rental market.

The Income Approach consists of two methods of valuation: Direct Capitalization and Discounted Cash Flow. Direct capitalization measures a single year's anticipated income in order to determine its capital sum by means of an overall capitalization rate. This appropriate rate considers risk, debt, and equity goal requirements. This analysis relies on existing (or projected) income and market expenses in order to determine annual net operating income levels. The net operating income is capitalized to a present fair value. Direct Capitalization is especially useful when valuing properties with market level leases, when a property is owner occupied in which case a market rent is ascribed to the property, or when the income stream is stable.

For the Sales Comparison Approach, fair value is estimated by comparing the subject property to sales of similar properties. This approach is based on the principle of substitution and contribution which states that a knowledgeable investor will pay no more for a property than would be paid for a comparable substitute property.

### APPROACHES APPLIED

A dearth of land sales that are as large as the subject and changing construction costs make the Cost Approach less reliable for properties close to completion. Investors do not usually rely on the Cost Approach to value assets close to completion. Phase 1 is completed, and Phase 2 is in advanced stage of construction. Therefore, we have not utilized the Cost Approach.

The Income Approach has been utilized to determine the value of the subject as a rental property “as stabilized”. The Income Approach has also been utilized to arrive at the “as is” value.

The Sales Comparison Approach has been utilized to determine the value “as stabilized”.

## INCOME APPROACH

The Income Approach is predicated on the assumption that there is a definite relationship between the amount of income that a property is capable of producing and its value. This approach considers the ability of a property to produce income and recognizes that value is the present worth of future benefits resulting from ownership of the property. The basic steps of the Income Approach are to estimate the gross income the property is capable of generating, deducting vacancies and any rent deficiencies, which leaves effective gross income. The estimated annual expenses are then deducted from the effective gross income. The result is the indication of net operating income before debt service. The net operating income is capitalized into an indication of value by the use of a capitalization rate, or it is projected into the future over a selected but appropriate holding period and discounted along with the anticipated reversion (sale price at the end of the holding period) at the investor's or market discount rate in order to arrive at the net present value for the subject property.

As a rental property, the subject is occupied by short-term leases at market rent levels reflecting a level stream of income. Therefore, it is appropriate to apply the income capitalization method which converts a single year's income into an indication of value. This method is used in the Income Approach for determining the value of the subject property.

### RESIDENTIAL INCOME ANALYSIS

The subject buildings contain 911 residential apartments totaling approximately 557,818 net rentable square feet upon completion. The 911 units are comprised of 282 studios, 442 one-bedroom units and 187 two-bedroom units and have an average square footage of 612 square feet.

**SUMMARY - UNIT MIX**

| Unit Type | No. of Units | Avg SF / Unit | Total Leasable SF | % of Total |
|---|---|---|---|---|
| Studio | 282 | 436 | 122,912 | 22% |
| One-Bedroom | 442 | 624 | 275,947 | 49% |
| Two-Bedroom | 187 | 850 | 158,959 | 28% |
| Totals/Average | 911 | 612 | 557,818 | |

Of the 911 units, 20% or 183 units are Inclusionary Housing units whereby the monthly rent is set based on a percentage of the Area Median Income ("AMI"). The remaining 728 units are free market units. We note that one of these units is leased to an employee.

**SUMMARY– BY TYPE**

| Income Type | No. of Units | Rental Range Per Month | | | Total Annual Rent | Avg. Rent Per Month |
|---|---|---|---|---|---|---|
| Inclusionary Housing | 183 | $947 | to | $1,230 | $2,280,900 | $1,039 |
| Staff | 1 | $2,925 | to | $2,925 | $35,100 | $2,925 |
| Free Market | 727 | $2,250 | to | $5,700 | $28,738,313 | $3,294 |
| Totals/Average | 911 | | | | $31,054,313 | $2,841 |

## INCLUSIONARY HOUSING RESIDENTIAL INCOME

The following information regarding the Inclusionary Housing Program is an excerpt from the NYC Planning website.

New York City's Inclusionary Housing programs aim to promote neighborhood economic diversity in the City's highest-density districts and in neighborhoods planned for significant residential growth. The City's voluntary programs--the R10 and the Designated Area programs--offer an optional floor area bonus in exchange for creation or preservation of affordable housing. Mandatory Inclusionary Housing, or MIH, requires affordable housing as part of all residential development above a certain size in applicable areas.

In 2016, the City created a Mandatory Inclusionary Housing (MIH) program that will be applied to neighborhood rezoning and private applications that significantly increase residential capacity. Within "MIH Areas", developments, enlargements, and conversions above 10 units or 12,500 square feet will be required to set aside a percentage of floor area for permanently affordable housing.

The program includes four options that pair set asides of a percentage of residential floor area with affordability levels. The Commission and the City Council will apply one or more of the options when creating new MIH areas:

• Option 1: A 25 percent set aside at an average of 60 percent AMI, with a minimum of 10 percent at 40 percent AMI

•Option 2: A 30 percent set aside at an average of 80 percent AMI

• Deep Affordability Option: A 20 percent set aside at an average of 40 percent AMI

• Workforce Option: A 30 percent set aside at an average of 115 percent AMI, with a minimum of 5 percent at 70 percent AMI and 5 percent at 90 percent AMI

Options 1 and/or 2 will be available in every MIH Area. The Deep Affordability and Workforce options may also be made available, except that the Workforce Option is inapplicable in Manhattan Community Districts 1 through 8.

MIH allows income averaging, which enables developments to include affordable housing for families at a range of incomes. The program also increases the required set-aside by five percent for developments that provide required affordable units off-site. Projects adding less than 25 units and 25,000 square feet are eligible to pay a fee in lieu of providing affordable units directly. These funds are reserved for affordable housing purposes within the Community District where the development is located.

The subject is developed utilizing the option whereby 20% of the units (183 units) are Inclusionary Housing units, broken down to include 56 studios, 89 one-bedroom units and 38 two-bedroom units.

The Inclusionary Housing units' monthly rent ranges from $947 to $1,230 per month. Monthly rent is determined as a percentage of AMI ranging from 40% to 130%. The annual rent total is projected at $2,280,900. We will apply this Inclusionary Housing annual rent in our analysis.

**POTENTIAL RESIDENTIAL INCOME INCLUSIONARY HOUSING UNITS**

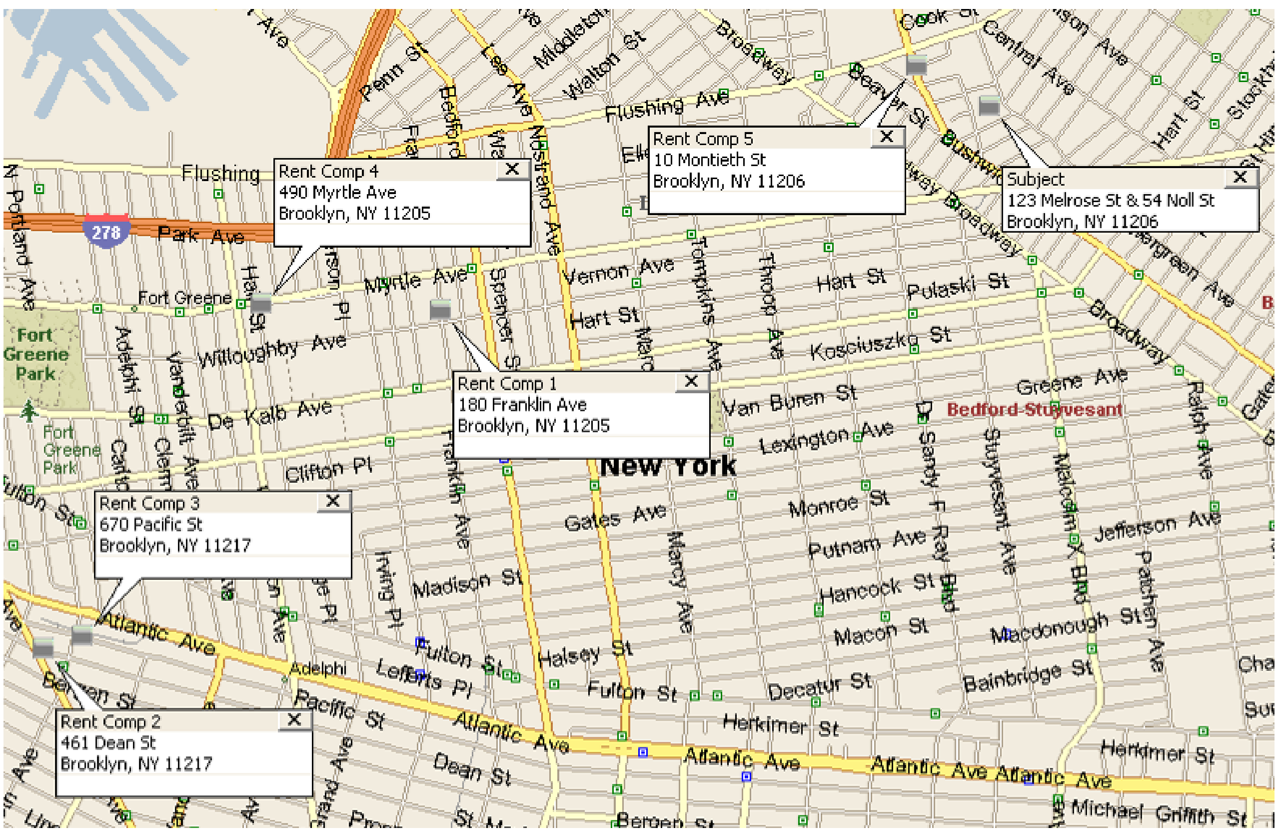
| Inclusionary Housing | Annual Income | # Units |
|---|---|---|
| Phase 1 | $1,113,684 | 89 |
| Phase 2 | $1,167,216 | 94 |
| **Total** | **$2,280,900** | **183** |

The remaining 728 units are free market units.

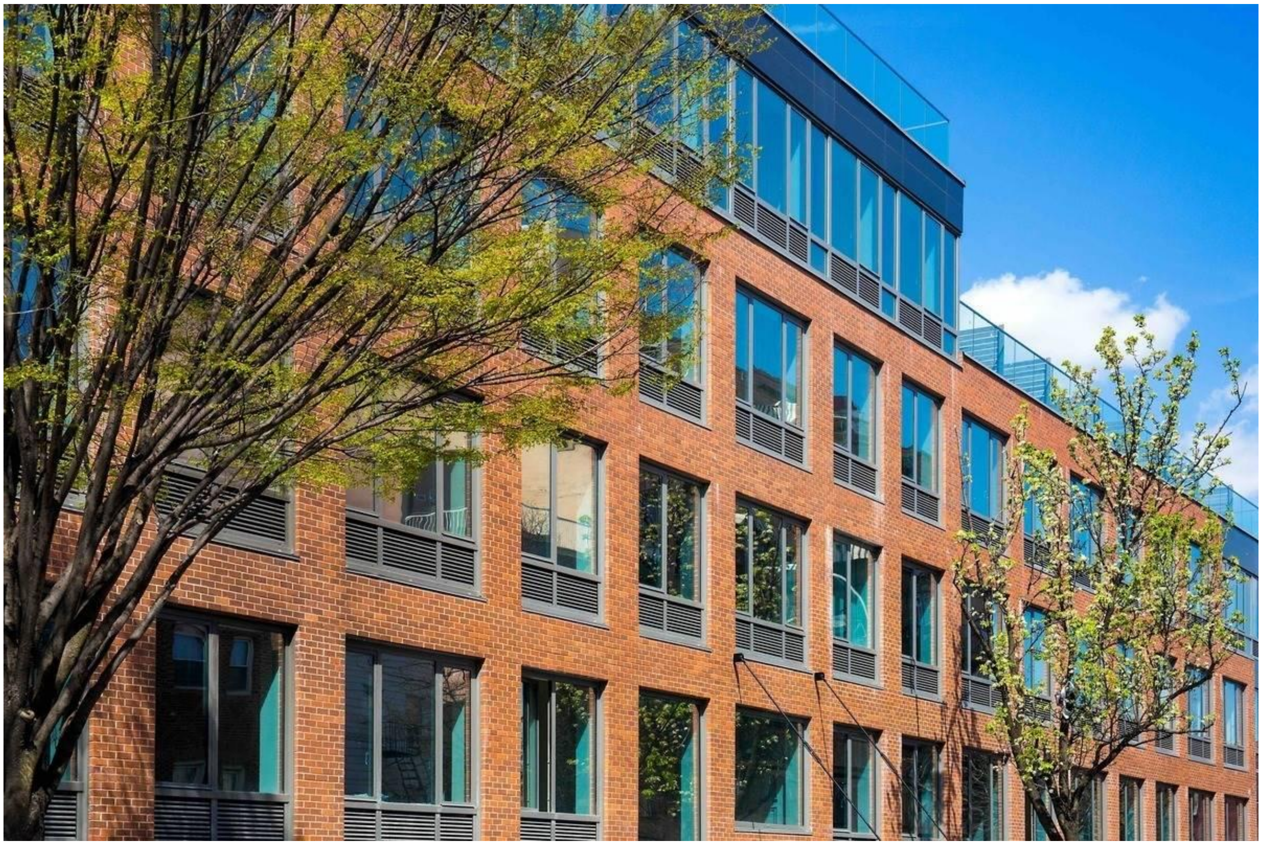
### FREE MARKET UNIT RESIDENTIAL INCOME

We have researched the residential apartment market in the vicinity of the subject in order to assign a market rent to the subject's free market units. We have identified the following rental properties that are considered the most comparable to the subject property. All of the comparables are newly constructed buildings with a full amenity package. An analysis of these properties in relation to the subject property, as proposed, is presented on the following pages.

### RESIDENTIAL COMPARABLE RENTAL MAP



**COMPARABLE 1. 180 FRANKLIN AVENUE**



| | |
|---|---|
| Residential Units | 118 |
| # of Stories | 5 |
| Year Built | 2016 |

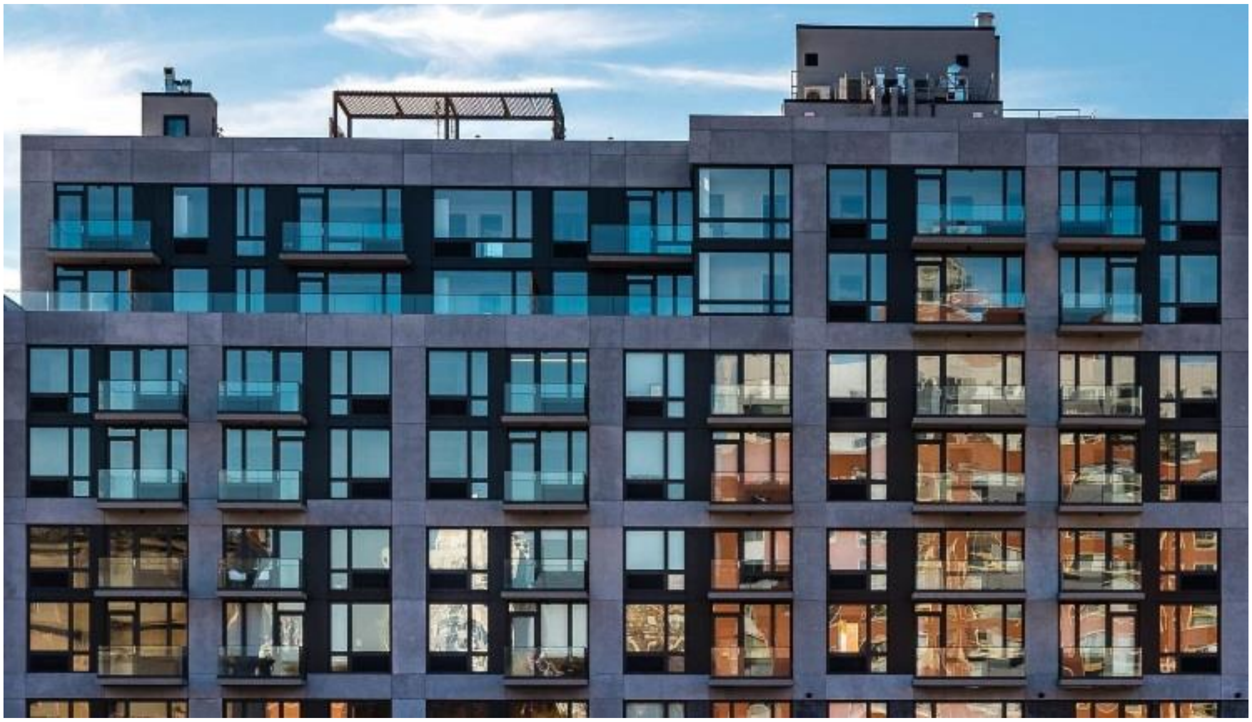
Situated on an acre of land, 180 Franklin Avenue's modern new rental residences and amenities border Clinton Hill and Bedford Stuyvesant neighborhoods in Brooklyn. The property includes luxury studios, 1 & 2 bedrooms, and duplexes feature state of the art kitchens and bathrooms as well as in-unit washer dryers. Select units also offer large private outdoor patios. Amenities include a social lounge with pool table, full circuit and cardio fitness center, sound proofed music rehearsal space, artist workroom, bike storage, on-site parking, fully landscaped roof deck and features barbecues, outdoor seating and dining areas.

**COMPARABLE 2. 461 DEAN STREET**

| | |
|---|---|
| Residential Units | 363 |
| # of Stories | 33 |
| Year Built | 2016 |

Conceived by SHoP Architects, handcrafted locally in the Brooklyn Navy Yard, and assembled on top of 11 subway lines, 461 Dean Street is the tallest modular building in the world. The property has views of Brooklyn, Manhattan, and Queens. The residences at 461 Dean Street feature floor to ceiling windows, solar shades, wide plank walnut flooring, custom closet build-outs, and washers and dryers in each unit. Kitchens are outfitted with custom cabinetry, Caesarstone countertop and stone backsplash, stainless steel GE appliances, and integrated dishwashers and microwaves. Bathrooms are appointed with white quartz stone wall panels, polished chrome Grohe and Duravit fixtures, custom walnut medicine cabinetry, and wall hung Toto toilets. Building amenities include a sky lounge and rooftop terrace, fitness center, yoga, and dance studio, residents lounge with a catering kitchen and dedicated party room, a game room with billiards and ping-pong, and a children's playroom.

**COMPARABLE 3. 670 PACIFIC STREET**



| | |
|---|---|
| Residential Units | 86 |
| # of Stories | 8 |
| Year Built | 2016 |

670 Pacific, located in Prospect Heights, just east of the Barclays Center and Atlantic Terminal, is a new luxury building offering 86 rental units. All units feature oversized windows, high-end stainless-steel appliances, Corus Quartz countertops, 4-inch white oak floors, and washer/dryer hookups. Select units provide spacious balconies, terraces, or private roof decks. Amenities include a doorman, lounge, gym, laundry room, and parking garage. The ground floor and rooftop outdoor spaces are equipped with communal grills, a bar, and plentiful outdoor seating.

**COMPARABLE 4. 490 MYRTLE AVENUE, THE REFINERY**

| | |
|---|---|
| Residential Units | 90 |
| # of Stories | 7 |
| Year Built | 2015 |

The Refinery is a 7-story elevator building featuring studio, one, two & three-bedroom homes, with select units featuring private terraces or balconies. All residences include natural wood, white oak flooring throughout. Kitchens are outfitted with white and grey Caesarstone countertops and backsplashes, soft-close drawers and top-of-the-line stainless steel appliances by Bosch and Fisher & Paykel. The bathrooms feature a modern white and taupe design concept with porcelain floor and wall tiles and walnut stained oak vanities as well as all chrome fixtures by Grohe. Amenities include a 24-hour attended lobby, dog run, pet grooming station, state-of-the-art fitness center and an attended parking garage. All one & two bedroom units are outfitted with washer/dryers with an additional laundry area located on the 2nd floor. The common outdoor spaces include a sundeck, garden and a common roof deck with barbecues, wet bar, televisions, dining areas, private cabanas and a reflecting pool.

### COMPARABLE 5. THE RHEINGOLD, 10 MONTIETH STREET


The Rheingold, located at 10 Montieth Street in Bushwick, is a newly constructed 8-story 500-unit mixed-use property. Construction began in June 2016 and the property received its Temporary Certificate of Occupancy (TCO) in September 2018. The property totals 475,125 square feet including 5,719 square feet of retail space at grade and an additional 7,747 square feet of retail in the cellar as well as 222 parking spaces. The 500 units include 400 free market and 100 affordable units and are a mix of studios, one- and two-bedroom units. The average unit is 620 square feet and approximately 60% of the units have private balconies or terraces. The property features more than 70,000 square feet of outdoor space, 24-hour doorman and a concierge service. The property amenity package includes a business center, conference rooms, dining room, movie screening room, coffee bar in the lobby, laundry room, creative studios including painting and photography studios, kids play space, 2-level fitness center that includes a climbing wall, sauna, steam room, yoga room and squash court, spa with treatment rooms as well as a game room with pool table and foosball. There are large, landscaped outdoor spaces including a common roof deck. In addition, the subject has storage units for rent, a parking garage, a sky bridge, an on-site leasing office and a dog run and pet spa. This property began leasing in August 2018. To date, the property is about 70% leased. Thus, the Rheingold's leasing velocity is approximately 31 units per month.

### MARKET RATE RENTAL COMPARABLES – STUDIO

| Address | Year Built | Bedrooms | Bathrooms | Estimated Size (Sq. Ft.) | Monthly Rent | Rent / SF |
|---|---|---|---|---|---|---|
| 180 Franklin Avenue #318 | 2016 | 0 | 1 | 400 | $2,328 | $70 |
| 180 Franklin Avenue #404 | 2016 | 0 | 1 | 400 | $2,366 | $71 |
| 461 Dean Street #9B | 2016 | 0 | 1 | 435 | $2,538 | $70 |
| 461 Dean Street #11B | 2016 | 0 | 1 | 435 | $2,585 | $71 |
| 670 Pacific Street #803AA | 2016 | 0 | 1 | 425 | $2,567 | $72 |
| 490 Myrtle Avenue #3E | 2015 | 0 | 1 | 450 | $2,292 | $61 |
| 490 Myrtle Avenue #6N | 2015 | 0 | 1 | 400 | $2,056 | $62 |
| 10 Montieth Street #231 | 2018 | 0 | 1 | 550 | $2,443 | $53 |
| 10 Montieth Street #428 | 2018 | 0 | 1 | 550 | $2,442 | $53 |
| | | | Min | 400 | $2,056 | $53 |
| | | | Average | 449 | $2,402 | $65 |
| | | | Max | 550 | $2,585 | $72 |

### MARKET RATE RENTAL COMPARABLES – ONE-BEDROOM UNITS

| Address | Year Built | Bedrooms | Bathrooms | Estimated Size (Sq. Ft.) | Monthly Rent | Rent / SF |
|---|---|---|---|---|---|---|
| 180 Franklin Avenue #516 | 2016 | 1 | 1 | 582 | $3,312 | $68 |
| 180 Franklin Avenue #410 | 2016 | 1 | 1 | 600 | $2,800 | $56 |
| 461 Dean Street #28B | 2016 | 1 | 1 | 729 | $3,722 | $61 |
| 461 Dean Street #9N | 2016 | 1 | 1 | 689 | $3,577 | $62 |
| 670 Pacific Street #107C | 2016 | 1 | 1 | 650 | $3,800 | $70 |
| 490 Myrtle Avenue #6L | 2015 | 1 | 1 | 550 | $2,970 | $65 |
| 490 Myrtle Avenue #3D | 2015 | 1 | 1 | 550 | $2,862 | $62 |
| 10 Montieth Street #751 | 2018 | 1 | 1 | 670 | $3,086 | $55 |
| 10 Montieth Street #742 | 2018 | 1 | 1 | 670 | $3,170 | $57 |
| | | | Min | 550 | $2,800 | $55 |
| | | | Average | 632 | $3,255 | $62 |
| | | | Max | 729 | $3,800 | $70 |

### MARKET RATE RENTAL COMPARABLES – TWO-BEDROOM UNITS

| Address | Year Built | Bedrooms | Bathrooms | Estimated Size (Sq. Ft.) | Monthly Rent | Rent / SF |
|---|---|---|---|---|---|---|
| 180 Franklin Avenue #119 | 2016 | 2 | 2 | 900 | $4,200 | $56 |
| 180 Franklin Avenue #317 | 2016 | 2 | 2 | 875 | $4,095 | $56 |
| 461 Dean Street #25C | 2016 | 2 | 2 | 1,086 | $4,863 | $54 |
| 461 Dean Street #32C | 2016 | 2 | 2 | 1,086 | $4,938 | $55 |
| 670 Pacific Street #201 | 2016 | 2 | 2 | 925 | $4,812 | $62 |
| 670 Pacific Street #704B | 2016 | 2 | 2 | 925 | $4,721 | $61 |
| 490 Myrtle Avenue #4A | 2015 | 2 | 2 | 850 | $4,431 | $63 |
| 490 Myrtle Avenue #4F | 2015 | 2 | 2 | 850 | $4,229 | $60 |
| 10 Montieth Street #829 | 2018 | 2 | 2 | 850 | $4,222 | $60 |
| 10 Montieth Street #761 | 2018 | 2 | 2 | 850 | $3,943 | $56 |
| | | | Min | 850 | $3,943 | $54 |
| | | | Average | 920 | $4,445 | $58 |
| | | | Max | 1,086 | $4,938 | $63 |

### SUMMARY OF LEASING TO DATE AT THE SUBJECT PROPERTY

Leasing in Phase 1 began in July 2018, and 34 units were leased in the first month of leasing with a total of 339 free market units leased through June 17, 2019. This yields an average leasing velocity of 33.4 units per month. The recent leasing activity is summarized below. The studios average $2,484 per month. The one bedrooms average $3,282 per month. The two-bedroom units average $4,181 per month.

### SUMMARY OF LEASING BY TYPE

### FREE MARKET UNITS LEASED TO DATE PHASE 1

| | Units Leased | | |
|---|---|---|---|
| | Total | Rented | To Lease |
| Studio | 78 | 78 | 0 |
| 1BR | 206 | 200 | 6 |
| 2BR | 70 | 61 | 9 |
| Total | 354 | 339 | 15 |

| | Monthly Rent | | |
|---|---|---|---|
| | From | To | Average |
| Studio | $2,250 | $3,500 | $2,484 |
| 1BR | $2,825 | $4,375 | $3,282 |
| 2BR | $3,450 | $5,550 | $4,181 |

| | Monthly Rent PSF | | |
|---|---|---|---|
| | From | To | Average |
| Studio | $62 | $82 | $69 |
| 1BR | $51 | $81 | $64 |
| 2BR | $51 | $76 | $59 |

Four units were leased in Phase 2 as of the rent roll dated June 17, 2019 summarized below. All of these units do not contain outdoor space.

### FREE MARKET LEASING TO DATE PHASE 2

| Floor | Unit Number | Lot | # Bedrooms | Outdoor Space | Monthly Rent | SF | Rent / SF |
|---|---|---|---|---|---|---|---|
| 1 | 110 | 48 | 1 | N | $2,950 | 531 | $67 |
| 2 | 248 | 48 | 2 | N | $3,850 | 840 | $55 |
| 3 | 349 | 48 | 2 | N | $4,050 | 1,019 | $48 |
| 4 | 449 | 48 | 2 | N | $4,100 | 1,018 | $48 |
| | | | | Min | $2,950 | 531 | $48 |
| | | | | Max | $4,100 | 1,019 | $67 |
| | | | | Average | $3,738 | 852 | $54 |

### DISCUSSION OF COMPARABLES VS. SUBJECT PROPERTY MARKET RENT UNITS

The comparables are situated in newly constructed and recently renovated properties in and around the subject vicinity with full amenity packages. They represent market rate residential rentals in the subject neighborhood. The subject property is a newly constructed residential building. The building amenities vastly surpass the competitive high-end properties in the Bushwick neighborhood. The residential units are finished with high-end state of the art fixtures and appliances.

The studio rent comparables range from $53 to $72 per square foot with an average of $65 per square foot, and from $2,056 to $2,585 per month with an average of $2,402 per month. The comparables range in size from 400 to 550 square feet with an average size of 449 square feet. The subject's free market studios range in size from 357 to 533 square feet with an average of 436 square feet. To date, all 78 studio units have been leased at the subject with monthly rent ranging from $2,250 to $3,500 per month with an average of $2,484 or $62 to $82 per square foot with an average of $69 per square foot.

One-bedroom unit rent comparables range from $55 to $70 per square foot with an average of $62 per square foot, and from $2,800 to $3,800 per month with an average of $3,255 per month. The comparables range in size from 550 to 729 square feet with an average size of 632 square feet. The subject's one-bedroom market units range in size from 473 to 890 square feet with an average of 624 square feet. To date, 200 one-bedroom units have been leased at the subject in Phase 1 (both with and without outdoor space) with monthly rent ranging from $2,825 to $4,375 per month with an average of $3,282 or $51 to $81 per square foot with an average of $64 per square foot. There are 6 one-bedroom units remaining to be leased in Phase 1, both with and without outdoor space. To date, one one-bedroom unit leased in Phase 2 for $2,950 per month or $67 per square foot.

Two-bedroom unit rent comparables range from $54 to $63 per square foot with an average of $58 per square foot, and from $3,943 to $4,938 per month with an average of $4,445 per month. The comparables range in size from 850 to 1,086 square feet with an average size of 920 square feet. The subject's two-bedroom units range in size from 673 to 1,086 square feet with an average of 850 square feet. To date, 61 two-bedroom units have been leased at the subject in Phase 1 with monthly rent ranging from $3,450 to $5,550 per month with an average of $4,181 per month or $51 to $76 per square foot with an average of $59 per square foot. There are 9 two-bedroom units remaining to be leased in Phase 1, both with and without outdoor space. To date, three two-bedroom units leased in Phase 2 for $3,850, $4,050 and $4,100 per month, respectively, or $48 to $55 per square foot.

In order to project a rent per square foot for the vacant free market units, we have taken into account each unit type, what the subject has achieved to date and whether or not the units have outdoor space. 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 in Q3 2019, we project units leased going forward will achieve rents above what has been achieved to date. We present our projection per phase below and note that all studios in Phase 1 have been leased to date.

**SUBJECT LEASING ACTIVITY AND MARKET RENT PROJECTION FOR REMAINING UNITS**

| Phase 1: 54 Noll | Subject Leasing Activity | BBG Projection | BBG Projection (Rounded) | BBG Monthly Rent |
|---|---|---|---|---|
| Studio - no outdoor space | $69.01 | | | |
| Studio with outdoor space | $81.55 | | | |
| Overall Studio | $69.17 | | | |
| 1BR - no outdoor space | $62.54 | $68.00 | | $3,423 |
| 1BR - with outdoor space | $66.79 | $70.00 | | $3,347 |
| Overall 1BR | $63.66 | $69.65 | $70.00 | $3,360 |
| 2BR - no outdoor space | $56.46 | | | |
| 2BR - with outdoor space | $61.85 | $68.00 | | $4,958 |
| Overall 2BR | $58.67 | $68.00 | $68.00 | $4,958 |
| | | | | |
| **Phase 2: 123 Melrose** | | | | |
| Studio - no outdoor space | $67.00 | $72.00 | | $2,533 |
| Studio with outdoor space | | $76.00 | | $2,950 |
| Overall Studio | | $72.50 | $73.00 | $2,583 |
| 1BR - no outdoor space | | $66.00 | | $3,368 |
| 1BR - with outdoor space | | $70.00 | | $3,642 |
| Overall 1BR | | $66.97 | $67.00 | $3,434 |
| 2BR - no outdoor space | $50.00 | $62.00 | | $4,299 |
| 2BR - with outdoor space | | $66.00 | | $4,417 |
| Overall 2BR | | $63.18 | $63.00 | $4,335 |

Considering the subject's new construction, high-end unit finishes and unparalleled indoor/outdoor amenity package and emphasizing its recent leasing activity, we project an average price per square foot of $70.00 for one-bedroom units and $68.00 for two-bedroom units remaining to be leased in Phase 1. Combined with the units that have already leased, this translates into a monthly rent of $2,484 per month for studios, $3,293 per month for one bedrooms, and $4,268 per month for two bedrooms. In Phase 2, we project an average price per square foot of $73.00 for studios, $67.00 for one-bedroom units and $63.00 for two-bedroom units. Our rent projections for Phase 1 and 2 are summarized below.

**POTENTIAL RESIDENTIAL INCOME FREE MARKET UNITS**

| | Phase 1 Rented | Studio | 1BR | 2BR | Total/Avg. |
|---|---|---|---|---|---|
| **Phase 1 Rented** | # of Units Rented | 78 | 200 | 61 | 339 |
| | Annual Income | $2,325,459 | $7,877,175 | $3,060,179 | $13,262,813 |
| | Average Monthly Rent | $2,484 | $3,282 | $4,181 | $3,260 |
| | Avg Rent PSF | $69.17 | $63.66 | $58.67 | $63.09 |
| **Phase 1 Vacant** | # Units to be Rented | | 6 | 9 | 15 |
| | SF | | 3,744 | 7,722 | 11,466 |
| | Rent PSF | | $70.00 | $68.00 | $68.65 |
| | Annual Income | | $262,080 | $525,096 | $787,176 |
| | Average Monthly Rent | | $3,360 | $4,958 | $4,373 |
| **Phase 1 Total** | Avg Monthly Rent | $2,484 | $3,293 | $4,268 | $3,307 |
| | Total Annual Income | $2,325,459 | $8,139,255 | $3,585,275 | $14,049,989 |

| | Phase 2 | Studio | 1BR | 2BR | Total/Avg. |
|---|---|---|---|---|---|
| Phase 2 Rented | # of Units Rented | 0 | 1 | 3 | 4 |
| | Annual Income | | $35,400 | $48,000 | $83,400 |
| | Average Monthly Rent | | $2,950 | $4,000 | $1,738 |
| | Avg Rent PSF | | $66.67 | $50.34 | $54.42 |
| | **Phase 2 Vacant** | **Studio** | **1BR** | **2BR** | **Total/Avg.** |
| Phase 2 Vacant | # Units to be Rented | 148 | 146 | 76 | 370 |
| | SF | 63,278 | 90,363 | 65,450 | 219,091 |
| | Rent PSF | $73.00 | $67.00 | $63.00 | $67.54 |
| | Annual Income | $4,619,294 | $6,054,321 | $4,123,350 | $14,796,965 |
| | Average Monthly Rent | $2,583 | $3,434 | $4,335 | $3,333 |
| Phase 2 Total | Avg Monthly Rent | $2,583 | $3,452 | $4,400 | $3,316 |
| | Total Annual Income | $4,619,294 | $6,089,721 | $4,171,350 | $14,880,365 |
| Phase 1 and 2 Total | Annual Income | $6,944,753 | $14,228,976 | $7,756,625 | $28,930,354 |
| | Average Rent Per Month | $2,561 | $3,359 | $4,338 | $3,312 |
| | Average Rent PSF | $71.65 | $65.19 | $61.82 | $65.65 |

As summarized above, the subject has leased 339 free market units in Phase 1 through June 17, 2019, comprised of 78 studios, 200 one-bedroom units and 61 two-bedroom units, with an average rent of $63.09 per square foot and 4 free market units in Phase 2 comprised of 1 one-bedroom unit and 3 two-bedroom units. Our projections for Phase 1 and 2 combined with the leasing activity to date yield an overall rent of $65.65 per square foot. This appears reasonable as it is in line with the rent achieved by the subject to date. Further, we note that our projections are in line with the monthly rent that has been achieved to date. However, it is important to note that we believe the subject can achieve higher monthly rent going forward as the first tenants in the subject were living through construction and without access to amenities. At the start of leasing, the owner was more incentivized to lease at lower rates.

The following summarizes the total residential potential income from both the Inclusionary Housing unit and the Free Market units.

**POTENTIAL GROSS RESIDENTIAL INCOME**

| | |
|---|---|
| Free Market Units | $28,930,354 |
| Inclusionary Housing Units | $2,280,900 |
| Total | $31,211,254 |

Our residential income estimate assumes the following:

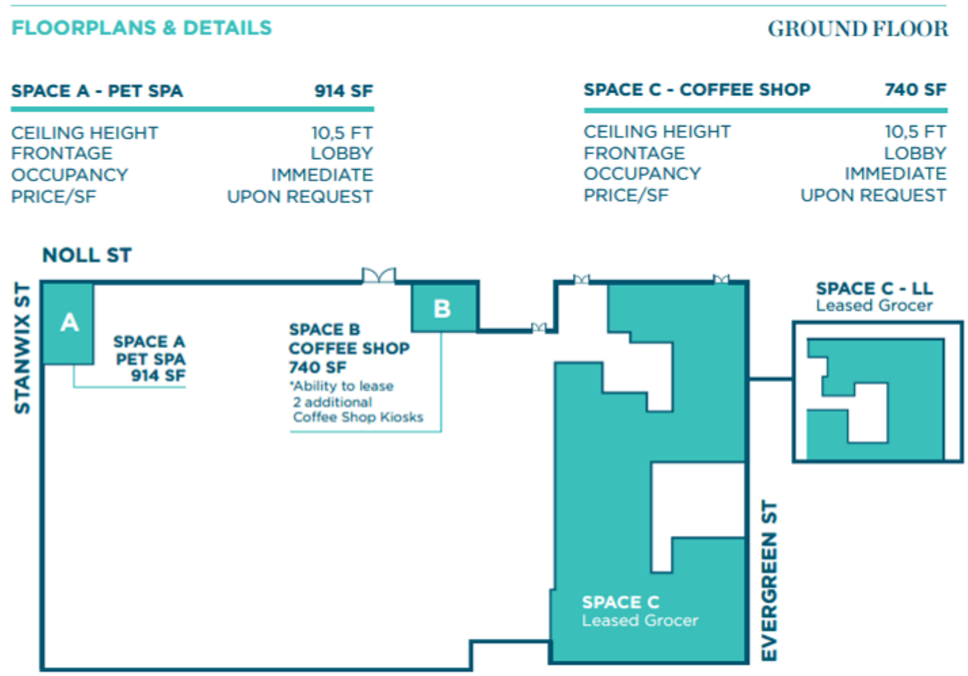
**Landlord's Obligations:** Hot and cold water, heat, cooking gas, sewer, refuse removal, and common area maintenance and electric.

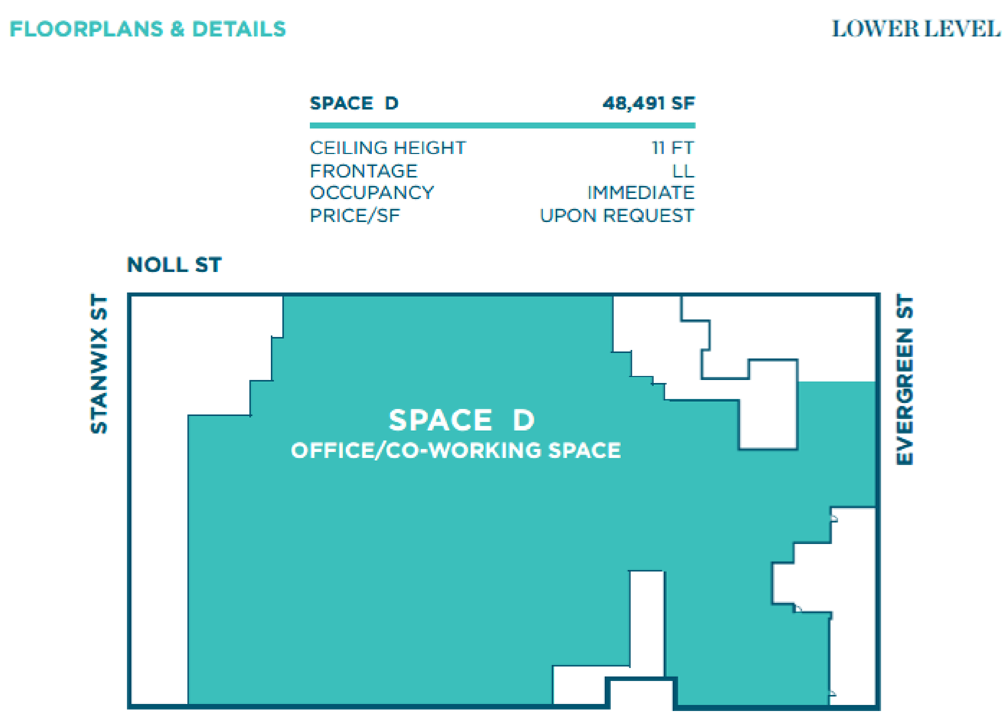
**Tenant Obligations:** Individually metered electric and air conditioning

## COMMERCIAL INCOME

The subject contains a combined 130,904 square feet of commercial space located on the ground, cellar, and sub-cellar of Phase 1 and 2. The illustrations on the following pages summarize the location of the commercial space.

### PHASE 1 RETAIL SPACE



**RENDERING OF COFFEE SHOP IN PHASE 1**

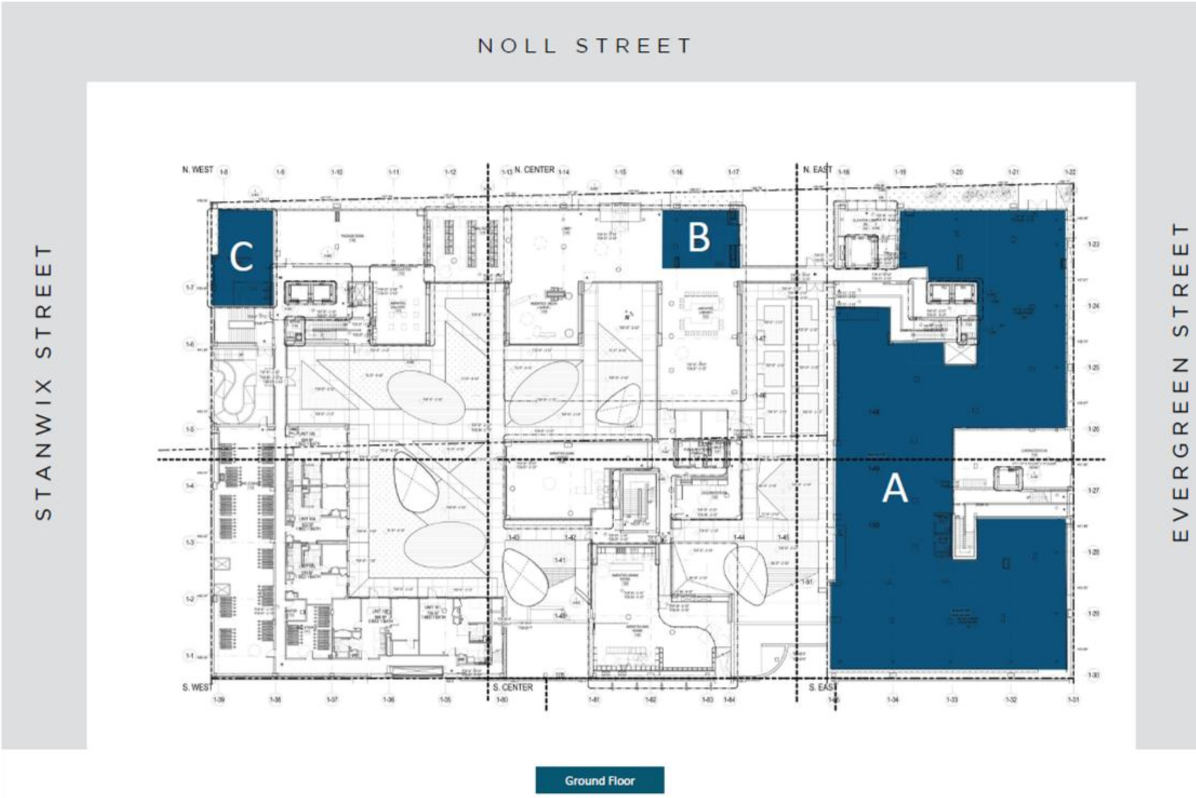

**PHOTO OF PET SPA IN PHASE 1**

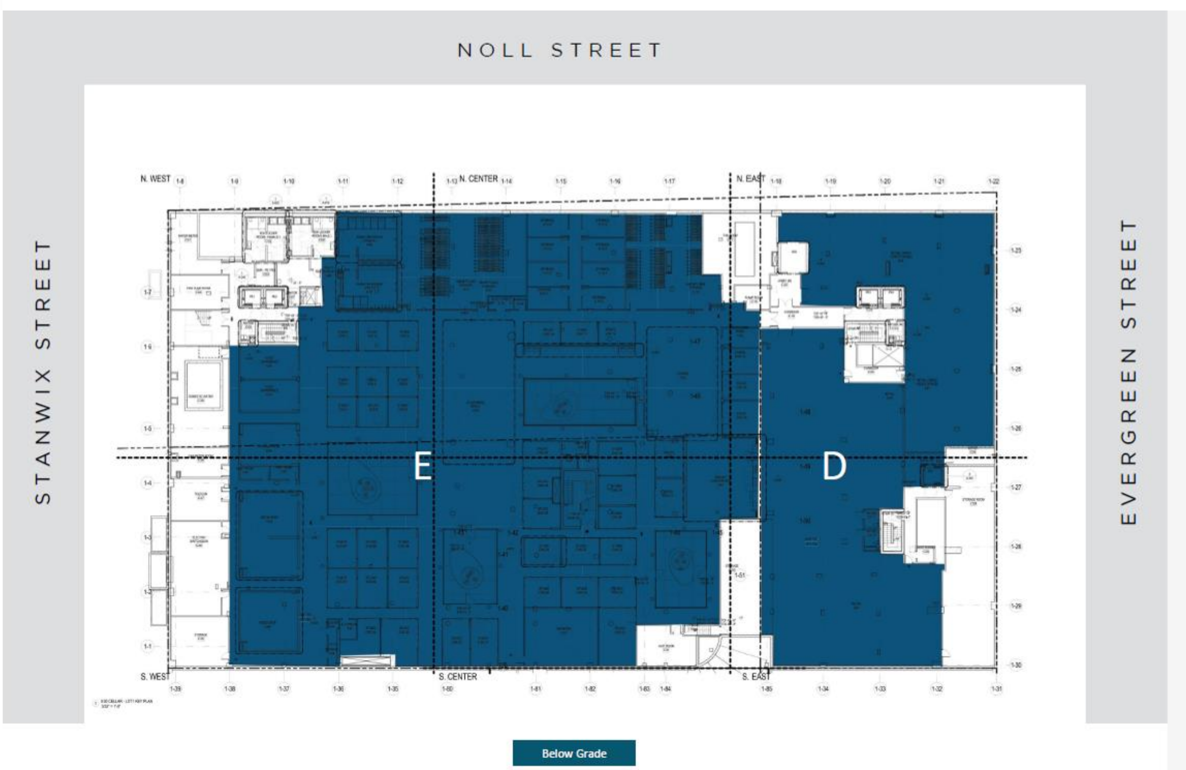
**GROCERY STORE IN PHASE 1**


**RENDERING OF CO-WORKING SPACE**

SPACE E • 48,491 SF • OFFICE/CO-WORKING SPACE • EXCLUSIVE OPERATOR OPPORTUNITY

## LAYOUT OF COMMERCIAL SPACE PHASE 1



**PHASE 2 RETAIL PROGRAM**


# 123 Melrose Street

Open Market Retail

| RETAIL SPACE | |
|---|---|
| Ground Floor | 10,887 SF |
| A) 7,611 SF | |
| B) 3,276 SF | |
| Lower Level 1 | 15,866 SF |
| C) 12,863 SF | |
| D) 3,003 SF Outdoors | |
| Lower Level 2 | 25,490 SF |
| E) 16,870 SF | |
| F) 8,620 SF | |

| CEILING HEIGHT | |
|---|---|
| Ground Floor | 10.5 FT |
| Lower Level 1 | 11 FT |
| Lower Level 2 | 11.5 FT |

| FRONTAGE | SPACE |
|---|---|
| 215 FT | 49,240 SF |

| COMPLETION DATE | ASKING PRICE |
|---|---|
| Aug 2018 | Upon Request |

## PHASE 2 COMMERCIAL SPACE LAYOUT: GRADE LEVEL

## PHASE 2 COMMERCIAL SPACE LAYOUT: LOWER LEVEL 1 AND 2


## FLOORPLANS & DETAILS

### GROUND FLOOR
### 10,887 SF TOTAL

| SPACE A | 7,611 SF |
|---|---|
| CEILING HEIGHT | 10.5 FT |
| FRONTAGE | 120 FT |
| OCCUPANCY | AUGUST 2018 |
| PRICE/SF | UPON REQUEST |

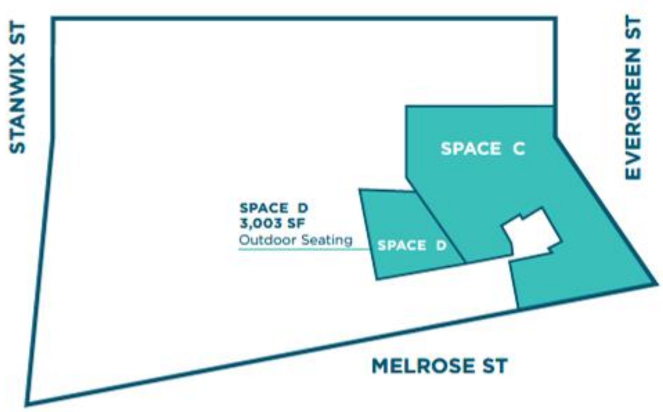
| SPACE B | 3,276 SF |
|---|---|
| CEILING HEIGHT | 10.5 FT |
| FRONTAGE | 95 FT |
| OCCUPANCY | AUGUST 2018 |
| PRICE/SF | UPON REQUEST |


## FLOORPLANS & DETAILS

### LOWER LEVEL 1
### 15,866 SF

| SPACE C | 12,863 SF |
|---|---|
| CEILING HEIGHT | 11 FT |
| OCCUPANCY | AUGUST 2018 |
| PRICE/SF | UPON REQUEST |

| SPACE D | 3,003 SF - OUTDOORS |
|---|---|
| CEILING HEIGHT | 11 FT |
| OCCUPANCY | AUGUST 2018 |
| PRICE/SF | UPON REQUEST |

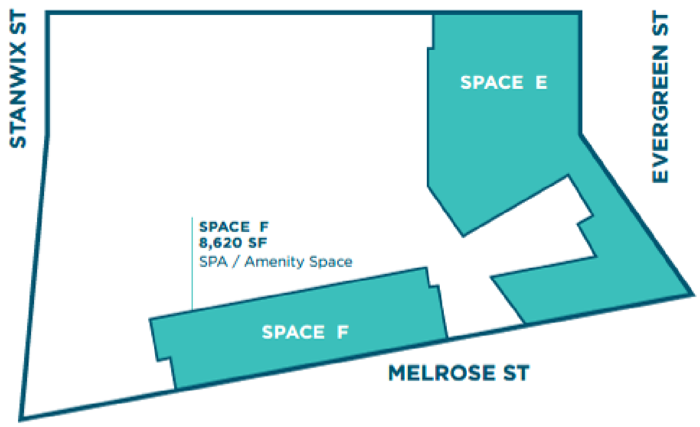


**FLOORPLANS & DETAILS**

LOWER LEVEL 2
25,866 SF

| SPACE E | 16,870 SF |
|---|---|
| CEILING HEIGHT | 11.5 FT |
| OCCUPANCY | AUGUST 2018 |
| PRICE/SF | UPON REQUEST |

| SPACE F - SPA | 8,620 SF |
|---|---|
| CEILING HEIGHT | 11.5 FT |
| OCCUPANCY | AUGUST 2018 |
| PRICE/SF | UPON REQUEST |




To date, there are leases in place for a grocery store, coffee bar and a pet spa in Phase 1. There is also an LOI being negotiated with a co-working space operator for the majority of the lower level space. The co-working tenant is proposing to pay $5 per square foot with a 50/50 revenue split with ownership. The commercial space of Phase 1 is summarized below.

### COMMERCIAL RENT ROLL PHASE 1

| Status | Tenant | SF | Annual Rent | Term | Rent PSF | Lease Terms |
|---|---|---|---|---|---|---|
| Signed Lease | Fresh Food Grocery Market | 13,587 SF grade and 200 bsmt | $480,000 | 50 years | $35 psf blended | 10% escalation every 5 years; 18 months rent abatement. |
| Signed Lease | 1080 Brew LLC | 740 SF grade | $30,000 | 15 years | $41 | Coffee Bar |
| Signed Lease | Dog Wash & Go | 914 | $42,000 | 20 years | $46 | Pet Spa. Year 2 annual rent is $48,000; Year 3 is $60,000. 3% annual escalations beg in Year 4. |
| Unleased Space | Lower Level | 50,000 | $1,500,000 | | $30 | Currently LOI being negotiated for a Co-working Space. Broker projects $30 psf. Expects a year of abatement and $80-$100/SF in TI. |
| | Lower Level | 6,510 | $162,750 | | $25 | Unleased Basement Space |
| Total | | 78,661 | $2,214,750 | | $28 | |

In Phase 2, there is a lease in place with an urgent care operator for 2,576 square feet of space at grade (part of grade level Space B), a lease to a juice bar for approximately 250 square feet of Lower Level Space 1 and an LOI out with a food hall operator to lease 25,163 square feet of lower level space (12,863 SF of lower level 1 and 12,300 SF of lower level 2). The commercial space of Phase 2 is summarized below.

## COMMERCIAL RENT ROLL PHASE 2

| Status | Tenant | SF | Annual Rent | Term | Rent PSF | Lease Terms |
|---|---|---|---|---|---|---|
| Leased Space | Part of Grade Level Space B | 2,576 | $154,560 | 10 years | $60 | Corner of Evergreen and Melrose. 3% annual escalation. 6 months abatement. Tenant responsible for utilities and pro-rata share of real estate taxes. Tax estimate with 421A in place. Two, five-year extension options to be exercised at 85% Fair Market Value with starting option rent not to be less than previous years' rent plus 3%. 3% annual escalations throughout each option term. |
| Leased Space | Part of Lower Level 1 | 250 | $36,000 | 10 years | $144 | Juice Bar lease dated June 3, 2019. Tenant is 123 Fruit Funeral LLC. 3% annual escalation. 6 months abatement. Tenant responsible for utilities. Lease commences once 90% of the units in the building are leased. |
| Unleased Space | Grade Level A | 7,611 | $418,605 | | $55 | 2 spaces (7,611 SF and 3,276 SF). Broker projects rent of $55 psf |
| | Grade Level B | 700 | $38,500 | | $55 | |
| Unleased Space | Lower Level 1 | 15,616 | $390,400 | | $25 | 12,863 SF plus 3,003 SF outdoors. Broker projects $30-35 psf. There is currently an LOI being negotiated for a food hall operator to lease part of lower level 1 (12,863 SF) and 2 (12,300 SF). Blended rent should be $15-18 psf with $47.50 psf TI, and 12-15 months abatement. |
| Unleased Space | Lower Level 2 | 25,490 | $382,350 | | $15 | 2 spaces (16,870SF and 8,620 SF). Broker projects $20 psf. See above for LOI being negotiated for part of this space. |
| Total | | 52,243 | $1,420,415 | | $27 | |

We will analyze recently signed comparable retail leases in the subject vicinity in order to determine the market orientation and security of the commercial master lease payment in the following section.

### COMPARABLE RETAIL LEASES

| | Address | Floor | Tenant | Start Date | Sq. Ft. | Base Rent | Lease Terms, Comments. |
|---|---|---|---|---|---|---|---|
| 1 | 1345 DeKalb Avenue | Ground | Retail | Aug-18 | 400 | $60 | Modified Gross; 2 year term. |
| 2 | 313 Knickerbocker Avenue | Ground | Retail | Mar-18 | 510 | $59 | Modified Gross; 10 year term. |
| 3 | 102 Graham Avenue | Ground | Retail | Jan-18 | 2,500 | $28 | Modified Gross; 3% Annual increases; 10 year term |
| 4 | 457 Bushwick Avenue | Ground | Retail/ Restaurant | Jan-18 | 1,800 | $40 | Full Service Gross |
| 5 | 799 Broadway | Ground | Retail | Aug-17 | 1,800 | $40 | Modified Gross; 10-year term. |
| 6 | 210 Irving Avenue | Ground | Retail | Feb-17 | 700 | $45 | Triple net lease; corner unit. |
| 7 | 367 Knickerbocker Avenue | Ground | Retail | Jan-17 | 2,500 | $58 | Modified gross lease located midblock. |
| 8 | 134 Manhattan Avenue | Ground | Retail | Sep-17 | 1,250 | $43 | Modified Gross; 10-year term. |
| 9 | 336 Himrod Street | Ground | Retail | 2017 | NA | $30 | New construction in Ridgewood. A community facility is leasing space for $30 psf. |
| 10 | 10 Montieth Street | Ground | Retail | 2018 | 2,000 | $45-50 | This is a recently constructed property completed in 2018, a few blocks from the subject. According to EXR, rents for 2,000 SF spaces at grade are renting for $45-50 psf. |
| 11 | 610 Bushwick Avenue | Ground | Retail | Q3 2016 | 700 | $70 | 7 months abatement; 3% annual |
| 12 | 608 Bushwick Avenue | Ground | Retail | Q4 2016 | 400 | $65 | 2 months abatement; 3% annual |
| | | | | Min: | 400 | $28 | |
| | | | | Avg: | 1,324 | $49 | |
| | | | | Max: | 2,500 | $70 | |

The comparables range from $28 to $70 per square foot, with most rents around $45-$55 per square foot. The subject has a lease in place for a grocery store, which will occupy 13,587 square feet at grade as well as square footage in the basement of Phase 1 for a blended rent of $35 psf. There is also a lease in place for a pet spa that will operate 914 square feet of corner space at $46 psf. Ownership recently leased 740 square feet at grade to a coffee shop at $2,500 per month or $41 per square foot. In Phase 2, 2,576 square feet at grade was recently leased for $60 per square foot and 250 square feet of lower level space was recently leased for $144 per square foot. We provide this information to get a sense of the market rent for this space.

In support of our market rent conclusions, we emphasize the recent leasing at 10 Montieth Street, which is just a few blocks from the subject and is leasing 2,000 SF units for $45-$50 psf. Based on the in-place leases, and with support from the comparables, particularly 10 Montieth Street, we conclude to the market rents of $30 psf for the co-working space in the cellar, and $25 psf for the remaining unleased space in the cellar. It is likely this space will be leased along with the co-working space.

In Phase 2, based on the recent leasing activity, we apply a market rent of $55 per square foot at grade, $25 per square foot for the lower level 1 which has outdoor space, and $15 per square foot for the lower level 2 space.

We assume that tenants will be responsible for taxes over base year and utilities. We apply 5 months free rent, 5 months lease up time, and standard leasing commissions equal to 33% of PGI.

## PHASE 1 RETAIL MASTER LEASE

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 landlord is the subject owner and the tenant is The NY Zen LLC. 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. The following chart summarized the annual rent of the master lease.

**PHASE 1 MASTER LEASE RENT**

| Year | Annual Rent | Monthly Rent | Rent PSF | % Increase |
|---|---|---|---|---|
| 1 | $2,200,000 | $183,333 | $28 | - |
| 2 | $2,266,000 | $188,833 | $29 | 3.0% |
| 3 | $2,333,980 | $194,498 | $30 | 3.0% |
| 4 | $2,403,999 | $200,333 | $31 | 3.0% |
| 5 | $2,476,119 | $206,343 | $31 | 3.0% |
| 6 | $2,550,403 | $212,534 | $32 | 3.0% |
| 7 | $2,626,915 | $218,910 | $33 | 3.0% |
| 8 | $2,705,723 | $225,477 | $34 | 3.0% |
| 9 | $2,786,894 | $232,241 | $35 | 3.0% |
| 10 | $2,870,501 | $239,208 | $36 | 3.0% |

The master lease is in its second year and the annual rent in Year 2 is $2,266,000, with 3% annual increases thereafter. With 77,152 rentable commercial square feet on the ground, cellar and sub-cellar floors, the commercial master lease payment is equal to $29 per square foot.

## PHASE 2 RETAIL MASTER LEASE

On March 31, 2019, ownership signed a 10-year master lease for the majority of the commercial space in Phase 2. The only space in Phase 2 not included in the master lease is 3,276 SF at grade (2,576 of this space has been leased). The tenant is Black Lake Holdings LLC. The rent is $1.3MM in years 1 and 2 followed by 3% annual increases thereafter. The retail master lease tenant is responsible for all related commercial operating expenses, including the proportionate share of the commercial tax burden. The following chart summarized the annual rent of the master lease.

**PHASE 2 MASTER LEASE RENT**

| Year | Annual Rent | Monthly Rent | Rent PSF | % Increase |
|---|---|---|---|---|
| 1 | $1,300,000 | $108,333 | $25 | - |
| 2 | $1,300,000 | $108,333 | $25 | 0.0% |
| 3 | $1,339,000 | $111,583 | $26 | 3.0% |
| 4 | $1,379,170 | $114,931 | $27 | 3.0% |
| 5 | $1,420,545 | $118,379 | $28 | 3.0% |
| 6 | $1,463,161 | $121,930 | $28 | 3.0% |
| 7 | $1,507,056 | $125,588 | $29 | 3.0% |
| 8 | $1,552,268 | $129,356 | $30 | 3.0% |
| 9 | $1,598,836 | $133,236 | $31 | 3.0% |
| 10 | $1,646,801 | $137,233 | $32 | 3.0% |

The master lease is in its first year and the annual rent in Years 1 and 2 is $1,300,000, with 3% annual increases thereafter. With 48,967 rentable commercial square feet on the ground and lower level, the commercial master lease payment is equal to $27 per square foot.

### RETAIL MARKET RENT POTENTIAL VS. MASTER LEASE INCOME

*Phase 1*: The retail space of Phase 1 is master leased for a 10-year term at an annual rent of $2,266,000 in Year 2 (equal to $29 per square foot). There are 3% annual increases thereafter. The lease is triple net, with the master lease tenant responsible for real estate taxes. As determined on the previous pages, the market rent potential for the Phase 1 commercial space is $2,214,750. Therefore, the master lease payment is at market level. We will apply the master lease rent in our analysis.

*Phase 2*: The majority of the Phase 2 retail space is master leased for a 10-year term at an annual rent of $1,300,000 in Year 1 (equal to $27 per square foot). There are 3% annual increases beginning in Year 3 and thereafter. The lease is triple net, with the master lease tenant responsible for real estate taxes. As determined on the previous pages, the market rent potential for the phase 2 commercial space (excluding the 3,276 SF at grade) is $1,227,355. Therefore, the master lease payment is at market level. We will apply the master lease rent in our analysis. For the space not included in the master lease, 2,576 SF of the 3,276 SF at grade has been leased at $60 per square foot. We project a rent of $55 psf for the remainder of this space which equates to a rent of $193,060 per year. We will add this to the master lease payment.

### POTENTIAL GROSS COMMERCIAL INCOME

| | |
|---|---|
| Phase 1 Master Lease Income (Year 2) | $2,266,000 |
| | |
| Phase 2 Master Lease Income (Year 1) | $1,300,000 |
| Phase 2 3,276 SF at grade | $193,060 |
| Phase 2 Total | $1,493,060 |
| | |
| Total Potential Commercial Income (Phase 1 and 2) | $3,759,060 |

### COMMERCIAL REAL ESTATE TAX REIMBURSEMENT

The Phase 1 retail master lease tenant will pay 4.1% of the real estate tax bill. Per our earlier analysis the net taxes for Phase 1 is $200,026. Applying 4.1% to this equates to a reimbursement of $8,201. We will include this in our analysis.

The Phase 2 retail master lease tenant will pay a 13.3% share of the real estate tax bill. Per our earlier analysis the net taxes for Phase 2 is $161,023. Applying 13.3% to this equates to a reimbursement of $21,476. We will include this in our analysis.

### PARKING, LAUNDRY, AMENITY/MISC. INCOME

The subject has a parking garage with 417 spaces. Ownership has projected a rent of $225 per space per month. This is typical for Brooklyn and will be applied in our proforma. We note that

The Rheingold is charging approximately $200 per space per month. The total garage income is $1,125,900. We divided this income evenly between the two phases.

The subject has common laundry facilities as well as laundry in all units. We apply laundry income of $25,000 for Phase 1 and $25,000 for Phase 2 for a total of $50,000. This equates to approximately $55 per unit.

The subject will have a full amenity package. It is common to charge tenants to use the amenity space. At full-service buildings in Manhattan, this fee is $650-$1,000 per person. We have abstracted the miscellaneous income from four high end residential appraisals from our files. Based on the comparables, and considering the subject's projected outstanding amenity package, we project amenity income of $800 per unit, which includes amenity fees, storage income, and party space rental income.

| | Misellaneous Income Per Unit | Total Units |
|---|---|---|
| 1 | $714 | 1,304 |
| 2 | $1,040 | 921 |
| 3 | $786 | 95 |
| 4 | $847 | 612 |
| Avg | $847 | |

We note that the Rheingold is currently charging $50 per person per month. Assuming 1 to 4 people per unit, this fee runs from $600 per year to $1,500 per year per unit. The Rheingold is considering more premium tiers in the future.

**PROJECTED AMENITY/MISC. INCOME**

| Annual Rent per Unit | # of Units | Annual Rent |
|---|---|---|
| $800 | 911 | $728,800 |
| Phase 1 | 443 | $354,400 |
| Phase 2 | 468 | $374,400 |

## VACANCY AND COLLECTION LOSS

Phase 1 was recently completed in Q2 2018 with 402 units leased to date. Phase 2 is nearing the end of construction and has begun leasing with four market rate units leased. Residential occupancy rates within the newly constructed rental buildings in the subject's market rent survey range from 95% to 98%. According to CoStar, the vacancy rate in Bushwick is 3%. According to Costar, the overall retail market in Brooklyn has been strong over the past several years, as occupancy has exceeded 95% since 2012. The current vacancy rate is 3.0% and has been stable around 3% since 1Q2016.

In order to derive a vacancy rate for Bushwick we have researched the actual vacancy rate for comparable buildings in the immediate area.

**VACANCY RATES FROM MARKET RATE BUILDINGS**

| Property | Year Built | Occupancy | Vacancy |
|---|---|---|---|
| 82 Jefferson Street, Bushwick | 2016 | 100% | 0% |
| 740 Dekalb Avenue, Bedford-Stuyvesant | 2016 | 100% | 0% |
| 785 Dekalb Avenue, Bedford-Stuyvesant | 2015 | 96% | 4% |
| 376 Franklin Avenue, Bedford-Stuyvesant | 2014 | 95% | 5% |
| 387 Franklin Avenue, Bedford-Stuyvesant | 2009 | 97% | 3% |
| 93 Waverly Avenue, Clinton Hill | 2005 | 100% | 0% |
| 691 Marcy Avenue, Bedford-Stuyvesant | 2016 | 98% | 2% |

The comparable buildings listed above average 98% occupancy.

Based on the Bushwick comparables, vacancy and collection loss for the stabilized period will be estimated at 3.00% for the market rate residential units, the parking income and laundry/amenity/miscellaneous income, .05% for the affordable units, and 1.0% for the commercial income as the majority is master leased. This is based upon the vacancy levels described above, with consideration given to the subject's desirable location and excellent condition as new construction.

**LEASE UP ASSUMPTIONS**

Phase 1 of the subject property was completed in Q2 2018 and Phase 2 is projected for completion in Q3 2019. We assume the total leasing period for the free market units should take 12 months for each phase, and the Inclusionary Housing units will be leased very quickly. A 12 month lease up period for each phase equates to a leasing velocity of approximately 36 units per month including the Inclusionary Housing units. This is supported by recent leasing within the subject. Through June 17, 2019, 339 free market units were leased in Phase 1, which equates to an overall velocity of 33 to 34 units per month. We note that The Rheingold is approximately 70% leased. This property began leasing in August 2018. Thus, the Rheingold's leasing velocity is approximately 31 units per month. This further supports our leasing assumptions.

We project the commercial units will be leased in 10 months. We deduct 5 months lease up time and project 5 months free rent.

We will deduct leasing costs from our stabilized value.

## EFFECTIVE GROSS INCOME SUMMARY

| Phase 1 | |
|---|---|
| Residential Income - Free Market Units | $14,049,989 |
| Residential Income - Inclusionary Housing Units | $1,113,684 |
| Commercial Income | $2,266,000 |
| Commercial Real Estate Tax Reimbursement | $8,201 |
| Laundry Income | $25,000 |
| Other Income (Storage, Amenity Fees, Misc.) | $354,400 |
| Garage Income | $562,950 |
| **Potential Gross Residential Income** | **$18,380,224** |
| Less Residential V/C Loss @ 3.0% Market Rate and .05% IH | -$449,577 |
| Less Commercial Income V/C Loss @ 1% | -$22,742 |
| **Effective Gross Income** | **$17,907,905** |

| Phase 2 | |
|---|---|
| Residential Income - Free Market Units | $14,880,365 |
| Residential Income - Inclusionary Housing Units | $1,167,216 |
| Commercial Income | $1,493,060 |
| Commercial Real Estate Tax Reimbursement | $21,476 |
| Laundry Income | $25,000 |
| Other Income (Storage, Amenity Fees, Misc.) | $374,400 |
| Garage Income | $562,950 |
| **Potential Gross Residential Income** | **$18,524,467** |
| Less Residential V/C Loss @ 3.0% Market Rate and .05% IH | -$475,115 |
| Less Commercial Income V/C Loss @ 1% | -$15,145 |
| **Effective Gross Income** | **$18,034,207** |

## OPERATING EXPENSE ANALYSIS

The subject property is a mixed-use residential development property that is being developed in two phases. Phase 1 is 100% complete while Phase 2 is nearing completion. Therefore, there is limited expense history for the subject as a residential building. Therefore, in developing the operating expenses for the subject property, we will rely on expenses from comparable properties as well as ownership's projections. These expenses are presented on the following pages and are analyzed on an expense per square foot basis and per unit basis.

### OWNERSHIP'S PROFORMA

| | 54 Noll | 123 Melrose | Total |
|---|---|---|---|
| Effective Gross Income | $18,507,583 | $18,733,263 | $37,240,846 |
| Real Estate Taxes | $161,023 | $161,023 | $322,046 |
| Insurance | $143,975 | $152,100 | $296,075 |
| Electric | $177,200 | $187,200 | $364,400 |
| Fuel | $155,050 | $163,800 | $318,850 |
| Water and Sewer | $265,800 | $280,800 | $546,600 |
| Repairs and Maintenance | $155,050 | $163,800 | $318,850 |
| Payroll | $930,530 | $1,246,461 | $2,176,991 |
| Miscellaneous | | $58,500 | $58,500 |
| Management Fees | $584,760 | $617,760 | $1,202,520 |
| Total Expenses | $2,573,388 | $3,031,444 | $5,604,832 |
| NOI | $15,934,195 | $15,701,819 | $31,636,014 |
| **Total Operating Expense (Excl. Taxes)** | **$2,412,365** | **$2,870,421** | **$5,282,786** |
| | | | |
| **Operating Expenses PSF** | | | |
| Insurance | $0.39 | $0.41 | $0.40 |
| Electric | $0.48 | $0.51 | $0.49 |
| Fuel | $0.42 | $0.45 | $0.43 |
| Water and Sewer | $0.72 | $0.76 | $0.74 |
| Repairs and Maintenance | $0.42 | $0.45 | $0.43 |
| Payroll | $2.51 | $3.40 | $2.95 |
| Miscellaneous | | $0.16 | $0.08 |
| Management Fees | $1.58 | $1.68 | $1.63 |
| **Total Operating Expenses PSF (Excl. Taxes)** | $6.51 | $7.82 | $7.16 |
| | | | |
| **Operating Expenses Per Unit** | | | |
| Insurance | $325 | $325 | $325 |
| Electric | $400 | $400 | $400 |
| Fuel | $350 | $350 | $350 |
| Water and Sewer | $600 | $600 | $600 |
| Repairs and Maintenance | $350 | $350 | $350 |
| Payroll | $2,101 | $2,663 | $2,390 |
| Miscellaneous | | $125 | $64 |
| Management Fees | $1,320 | $1,320 | $1,320 |
| **Total Operating Expenses Per Unit (Excl. Taxes)** | $5,446 | $6,133 | $5,799 |

## COMPARABLE OPERATING EXPENSES

| Address: | 100-104 Willoughby Street | 880-888 Bergen Street | 1093 St. Johns Place | 497 St Marks Ave | 10 Montieth (Budget) | Average |
|---|---|---|---|---|---|---|
| SF: | 869,066 | 141,019 | 123,741 | 99,821 | 366,567 | 320,043 |
| Residential Units: | 500 | 120 | 144 | 147 | 500 | 282 |
| Commercial Units: | NA | 3 | 1 | 0 | 2 | |
| Year Built | 2014 | 2005 | 2009 | 2014 | 2018 | |
| **Operating Expenses** | | | | | | |
| Insurance | $206,224 | $51,780 | $80,749 | $63,447 | $142,538 | $108,948 |
| Electric | $713,451 | $90,056 | $47,631 | $61,146 | $213,806 | $225,218 |
| Fuel | $262,654 | $49,967 | $44,521 | | $95,025 | $113,042 |
| Water & Sewer | $312,594 | $97,569 | $92,053 | $44,859 | $350,000 | $179,415 |
| Repairs & Maintenance | $612,980 | $119,539 | $70,719 | $125,863 | $356,344 | $257,089 |
| Payroll | $3,540,605 | $55,005 | $169,750 | | $1,341,371 | $1,276,683 |
| Miscellaneous | $748,749 | $165,278 | $107,109 | $292,015 | $118,781 | $286,386 |
| Management & Administration | $707,363 | $209,508 | $166,647 | $202,748 | $419,231 | $341,099 |
| Total Operating Expenses | $7,104,620 | $838,702 | $779,179 | $790,078 | $3,037,096 | $2,509,935 |
| **Operating Expenses PSF** | | | | | | |
| Insurance | $0.24 | $0.37 | $0.65 | $0.64 | $0.39 | $0.46 |
| Electric | $0.82 | $0.64 | $0.38 | $0.61 | $0.58 | $0.61 |
| Fuel | $0.30 | $0.35 | $0.36 | | $0.26 | $0.32 |
| Water & Sewer | $0.36 | $0.69 | $0.74 | $0.45 | $0.95 | $0.64 |
| Repairs & Maintenance | $0.71 | $0.85 | $0.57 | $1.26 | $0.97 | $0.87 |
| Payroll | $4.07 | $0.39 | $1.37 | | $3.66 | $2.37 |
| Miscellaneous | $0.86 | $1.17 | $0.87 | $2.93 | $0.32 | $1.23 |
| Management & Administration | $0.81 | $1.49 | $1.35 | $2.03 | $1.14 | $1.36 |
| Total Operating Expenses | $8.18 | $5.95 | $6.30 | $7.91 | $8.29 | $7.32 |
| **Operating Expenses Per Unit** | | | | | | |
| Insurance | $412 | $432 | $549 | $432 | $285 | $422 |
| Electric | $1,427 | $750 | $324 | $416 | $428 | $669 |
| Fuel | $525 | $416 | $303 | | $190 | $359 |
| Water & Sewer | $625 | $813 | $626 | $305 | $700 | $614 |
| Repairs & Maintenance | $1,226 | $996 | $481 | $856 | $713 | $854 |
| Payroll | $7,081 | $458 | $1,155 | | $2,683 | $2,844 |
| Miscellaneous | $1,497 | $1,377 | $729 | $1,986 | $238 | $1,166 |
| Management & Administration | $1,415 | $1,746 | $1,134 | $1,379 | $838 | $1,302 |
| Total Operating Expenses | $14,209 | $6,989 | $5,301 | $5,375 | $6,074 | $7,590 |

| Comparable Expense Summary PSF | Min | Max | Avg |
|---|---|---|---|
| Insurance | $0.24 | $0.65 | $0.46 |
| Electric | $0.38 | $0.82 | $0.61 |
| Fuel | $0.26 | $0.36 | $0.32 |
| Water & Sewer | $0.36 | $0.95 | $0.64 |
| Repairs & Maintenance | $0.57 | $1.26 | $0.87 |
| Payroll | $0.39 | $4.07 | $1.95 |
| Miscellaneous | $0.32 | $2.93 | $1.23 |
| Management & Administration | $0.81 | $2.03 | $1.36 |
| Total Operating Expenses | $5.95 | $8.29 | $7.32 |

| Comparable Expense Summary Per Unit | Min | Max | Avg |
|---|---|---|---|
| Insurance | $285 | $549 | $422 |
| Electric | $324 | $1,427 | $669 |
| Fuel | $190 | $525 | $359 |
| Water & Sewer | $305 | $813 | $614 |
| Repairs & Maintenance | $481 | $1,226 | $854 |
| Payroll | $458 | $7,081 | $2,844 |
| Miscellaneous | $238 | $1,986 | $1,166 |
| Management & Administration | $838 | $1,746 | $1,302 |
| Total Operating Expenses | $5,301 | $14,209 | $7,590 |

## ESTIMATED OPERATING EXPENSES

**Real Estate Taxes - $12.38 psf or $9,131,678**

The property is valued based upon its full tax burden of $9,131,678 or $12.38 per square foot. (See "Assessed Value and Real Estate Taxes" section.) The NPV of the 421a is added to our final value conclusion.

**Insurance - $295,026 per year; $0.40 psf; $324 per unit**

Insurance costs vary by the type of coverage. Costs are generally lower (on a per square foot basis) for larger buildings and for multi-building policies. Insurance costs ranged from $0.24 to $0.65 per square foot for the comparable properties, with an average of $0.46 per square foot. The owner projected an insurance cost of $296,075 or $0.40 per square foot. We apply an insurance expense of $0.40 per square foot. This amounts to $295,026 per annum.

| Per Unit Summary | | Low | Average | High |
|---|---|---|---|---|
| Projected | $0.40 | | | |
| Comparables | | $0.24 | $0.46 | $0.65 |
| Appraiser | $0.40 | | | |

**Electric - $368,783 per year; $0.50 psf; $405 per unit**

All tenants will be directly metered for interior electric, however; the landlord will be responsible for the electric of the Inclusionary Housing tenants as well as the common area electric including the amenity space. The comparables ranged from

$0.38 to $0.82 per square foot, averaging $0.61 per square foot. Ownership projected an electric expense of $364,400 or $0.49 per square foot.

We project this expense at $0.50 per square foot of gross building area. This amounts to $368,783 per year or $405 per unit.

| PSF Summary | | Low | Average | High |
|---|---|---|---|---|
| Projected | $0.49 | | | |
| Comparables | | $0.38 | $0.61 | $0.82 |
| Appraiser | $0.50 | | | |

**<u>Heating Fuel</u> – $331,905 per year; $0.45 psf; $364 per unit**

The comparables range from $0.26 to $0.36 per square foot, with an average of $0.32 per square foot. The subject property is heated via gas and we have assumed that the landlord is responsible for the heat costs in this rental analysis. Ownership's projection is $0.43 per square foot. With consideration of the comparables and owner's projection, we have projected an expense of $0.45 per square foot. This amounts to $331,905 per year or $364 per unit.

| PSF Summary | | Low | Average | High |
|---|---|---|---|---|
| Projected | $0.43 | | | |
| Comparables | | $0.26 | $0.32 | $0.36 |
| Appraiser | $0.45 | | | |

**<u>Water and Sewer</u> - $592,150 per year; $0.80 psf; $650 per unit**

The comparables range from $305 to $813 per unit with an average of $614 per unit. The subject's units will have washer/dryers which will result in higher water costs. The owner projected this expense at $600 per unit. We apply an expense of $650 per unit, which is just below the owner's projections and amounts to $592,150 per annum and $0.80 per square foot.

| Per Unit Summary | | Low | Average | High |
|---|---|---|---|---|
| Projected | $600 | | | |
| Comparables | | $305 | $614 | $813 |
| Appraiser | $650 | | | |

**<u>Repairs and Maintenance</u> - $626,931 per year; $0.85 psf; $688 per unit**

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

As a newly constructed building, the subject should not require extensive repairs. However, an ongoing preventive maintenance program, coupled with typical day-to-day repairs, is necessary to adequately maintain the building. The owner projected this expense at $0.43 per square foot. We project this expense at $0.85 per square foot, or $626,931 per annum or $688 per unit. This is towards the middle of the comparable range of $0.57 to $1.26, with an average of $0.87 per square foot, which is considered reasonable for the subject property since it will be new construction.

| PSF Summary | | Low | Average | High |
|---|---|---|---|---|
| Projected | $0.43 | | | |
| Comparables | | $0.57 | $0.87 | $1.26 |
| Appraiser | $0.85 | | | |

**<u>Payroll</u> - $1,822,000 per year; or $2.47 psf; $2,000 per unit**

The subject property is a high-end property with full-time doormen, porters, package room attendants, security and supers on staff. The comparables ranged from $458 to $7,081 per unit with an average of $2,844 per unit. Ownership projected this expense at $2,390 per unit. Ownership's payroll expense likely includes some repairs and maintenance costs. As we have already applied a market oriented repairs and maintenance expense, we assign a value of $2,000 per unit, which equates to $1,822,000 annually or $2.47 per square foot, which is reasonable as it is within the comparable range.

| Per Unit Summary | | Low | Average | High |
|---|---|---|---|---|
| Projected | $2,390 | | | |
| Comparables | | $458 | $2,844 | $7,081 |
| Appraiser | $2,000 | | | |

**<u>Replacement Reserves</u> - $182,200 per year; $0.25 psf; $200 per unit**

This expense provides for the periodic replacement of building components that wear out more rapidly than the building itself and that must be replaced periodically during the building's economic life. Such components include roof covering, fixed building service equipment, carpeting, and interior/exterior painting.

We have projected replacement reserves at $200 per unit which equates to $0.25 per square foot. This amounts to $182,200 annually. Both ownership and the comparables did not include this category.

**<u>Miscellaneous</u> - $147,513 per year; $0.20 psf; $162 per unit**

The comparables reported a range of $0.32 and $2.93 per square foot. Ownership's projection is $0.08 per square foot. As we have already accounted for reserves, we have estimated this expense at the lower end of the range at $0.20 per square foot or $147,513 per annum, or $162 per unit. This allows for any expenditures not included in the above categories, including legal and accounting, permits and dues, and other miscellaneous items.

| PSF Summary | | Low | Average | High |
|---|---|---|---|---|
| Projected | $0.08 | | | |
| Comparables | | $0.32 | $1.23 | $2.93 |
| Appraiser | $0.20 | | | |

**Management - 3.00% of EGI, $1,078,263 per year; $1.46 psf; $1,184 per unit**

Typically, management fees for new multi-family residential properties range from 2% to 4%. The comparables range from $0.81 to $2.03 per square foot, averaging $1.36 per square foot. Ownership projected this expense at $1.63 per square foot.

We will project the management expense at 3.00% of effective gross income. This amounts to $1,078,263 for the first year, or $1.46 per square foot, which falls within the comparable range.

| PSF Summary | | Low | Average | High |
|---|---|---|---|---|
| Projected | $1.63 | | | |
| Comparables | | $0.81 | $1.36 | $2.03 |
| Appraiser | $1.46 | | | |

### STABILIZED INCOME AND EXPENSES – TOTAL DEVELOPMENT

| | $ | PSF | Per Unit |
|---|---|---|---|
| **Income** | | | |
| Residential Income - Free Market Units | $28,930,354 | $39.22 | $31,757 |
| Residential Income - Inclusionary Housing Units | $2,280,900 | $3.09 | $2,504 |
| Commercial Income | $3,759,060 | $5.10 | $4,126 |
| Potential Other Income (Laundry, Storage, Amenity Fees) | $778,800 | $1.06 | $855 |
| Potential Garage Income | $1,125,900 | $1.53 | $1,236 |
| Commercial Real Estate Tax Reimbursement | $29,677 | $0.04 | $33 |
| Potential Gross Residential Income | $36,904,691 | $50.04 | $40,510 |
| Less Residential V/C Loss @ 3.0% Market Rate and .05% IH | -$924,692 | -$1.25 | -$1,015 |
| Less Commercial Income V/C Loss @ 1% | -$37,887 | -$0.05 | -$42 |
| Effective Gross Income | $35,942,111 | $48.73 | $39,453 |
| | | | |
| **Operating Expenses** | | | |
| Real Estate Taxes | $9,131,678 | $12.38 | $10,024 |
| Insurance | $295,026 | $0.40 | $324 |
| Electricity | $368,783 | $0.50 | $405 |
| Fuel | $331,905 | $0.45 | $364 |
| Water & Sewer | $592,150 | $0.80 | $650 |
| Repairs & Maintenance | $626,931 | $0.85 | $688 |
| Payroll | $1,822,000 | $2.47 | $2,000 |
| Reserves | $182,200 | $0.25 | $200 |
| Miscellaneous | $147,513 | $0.20 | $162 |
| Management & Administration | $1,078,263 | $1.46 | $1,184 |
| Total Operating Expenses | $14,576,450 | $19.76 | $16,000 |
| | | | |
| Total Expenses Excluding RE Taxes | $5,444,772 | $7.38 | $5,977 |
| | | | |
| **Net Operating Income** | $21,365,661 | $28.97 | $23,453 |
| Operating Expense Ratio | 41% | | |

## TOTAL OPERATING EXPENSES

Total operating expenses are estimated at $19.76 per square foot. Excluding real estate taxes, the subject's expenses are estimated at $7.38 per square foot and $5,977 per unit. Exclusive of taxes, the comparable expenses range from $5.95 to $8.29 per square foot, with an average of $7.32. On a per unit basis exclusive of taxes, the comparables ranged from $5,301 to $14,209, averaging $7,590. The subject's estimated expenses are within the range on a per square foot basis and on a per unit basis and is utilized in our income analysis.

Below, we present our income and expense projections as stabilized along with owner's projections. Our proforma includes the full tax burden while ownership's proforma includes the abated taxes. We present the expenses excluding taxes below the NOI for ease of comparison. We will apply the NPV of the tax abatement to our concluded value.

### COMPARISON OF OWNER AND APPRAISER INCOME AND EXPENSE STATEMENT

| | Owner's Proforma | BBGProforma |
|---|---|---|
| Effective Gross Income | $37,240,846 | $35,942,111 |
| | | |
| Taxes | $322,046 | $9,131,678 |
| Insurance | $296,075 | $295,026 |
| Utilities | $683,250 | $700,688 |
| Water and Sewer | $546,600 | $592,150 |
| Repairs and Maintenance | $318,850 | $626,931 |
| Payroll | $2,176,991 | $1,822,000 |
| Management Fees | $1,202,520 | $1,078,263 |
| Admin/Legal and Professional Fees/Misc. | $58,500 | $147,513 |
| Reserves | $0 | $182,200 |
| Total | $5,604,832 | $14,576,450 |
| | | |
| NOI | $31,636,014 | $21,365,661 |
| Expenses Excluding Taxes | $5,282,786 | $5,444,772 |
| NOI Excluding Taxes | $31,958,060 | $30,497,339 |

## INCOME CAPITALIZATION

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

Financing - Lending institutions typically lend at a 60% to 80% loan to value ratio. Interest rates, in a recent period of time, ranged from 4% to 5% with loan terms at ten years with 25- to 30-year payout schedules. We have selected a 75% loan to value ratio, a 4.50% interest rate, and a 30-year payout. The mortgage constant is 6.08%.

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

Equity Yield - This is a competitive rate of return reflecting the inherent risks, illiquidity, potential benefits, and availability of tax shelter of property ownership relative to prospective rates of return for alternative investment opportunities.

Typical investors require a rate of return for investment quality property such as the subject which is greater than the safe “riskless" rates offered for long-term treasury notes and bonds or high-grade corporate bonds. The difference between an investor’s required rate of return and the safe rate is basically the premium necessary to compensate the investor for the added risks of inflation, management, and the lack of liquidity offered by a real estate investment. The following rates have been used as market indicators.

### KEY RATES

| Survey of Competitive Rates | |
|---|---|
| Federal Funds Rate | 2.39% |
| Prime Rate | 5.50% |
| 10-year Treasury Bond | 2.03% |
| 30-year Treasury Bond | 2.55% |
| Corporate Bonds (AAA) | 3.27% |
| 30-year Municipal Bonds | 2.38% |

Source: Federal Reserve Statistical Release, July 2, 2019

The Federal Funds Rate is a foundational rate determining the cost of funds by Federal Reserve banks to depository institutions. The Prime Rate is a base rate posted by large banks for loans to corporations. Long-term issues such as 10-year and 30-year Treasury Bonds are guaranteed by the federal government. Corporate Bonds are long-term securities protected by the creditworthiness of the issuer. Municipal Bonds are free of tax liabilities and, therefore, the return is typically less than investment opportunities that are taxable.

In selecting an appropriate equity yield rate, we have considered the foregoing yields as well as the subject property's location, age, and condition relative to competing properties. In the development of the equity yield for the subject property, consideration was given to the risk, liquidity, and the time and expense of asset management inherent with income-producing property investment. The summation approach was utilized to account for yield expectations associated with these investment considerations as applied to a leased fee property. A 3% basic rate was used based on the return exhibited by the rates reflective of a “safe” alternative investment. The 3% basic rate is increased by 100 points for asset management, 100 basis points for liquidity, and 125 basis points for risk. This results in a discount rate of 6.25% equity yield rate.

Another source of anticipatory yield rates is provided by the Real Estate Research Corporation's and PricewaterhouseCoopers' investment surveys which summarize expected rates of return, including capitalization rates and income and expense growth rates, from a representative sample of institutional investors. The rates reflect acceptable expectations of yields desired by investors currently in the marketplace. The following residential rates of return are illustrated.

| Survey | Type of Product | Discount Rate (IRR) |
|---|---|---|
| PwC | National Apartment | 5.25% to 10.00% |
| Second Quarter 2019 | Market | 7.11% average |
| | | |
| R.E.R.C. | National Apartment | 6.00% to 7.30% |
| Second Quarter 2019 | Market | 6.80% average |

For investment grade residential properties, the real estate investment surveys range from 5.25% to 10.0% with an average discount rate of 6.8% to 7.1%. Our built-up rate of 6.25% is within the range and is reasonable for the subject property.

Change in Value – There is strong demand for housing in the subject’s area. We expect continued growth in Bushwick as the neighborhood continues to improve. We have projected a property appreciation over the holding period of 10%.

Using these components, calculation of the capitalization rate is presented below.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Development of Capitalization Rate | | | | | | | |
| Mortgage Funds | | 0.75 | x | 0.0608 | | = | 0.0456 |
| Equity Funds | | 0.25 | x | 0.0625 | | = | 0.0156 |
| | | | | | | | |
| Weighted Rate | | | | | | | 0.061225 |
| | | | | | | | |
| Less Adjustment for Mortgage Amortization | | | | | | | |
| 0.1991 | x | | 0.75 | x | 0.075 | = | 0.01120 |
| Basic Rate | | | | | | | 0.0500 |
| Less Adjustment for Appreciation | | | | | | | |
| 0.1 | x | | 0.075 | | | = | 0.0075 |
| | | | | | | | |
| Capitalization Rate | | | | | | | 0.0425 |
| | | | | | | | |
| (rounded to) | | | | | | | 4.25% |

### COMPARABLE SALES –BROOKLYN APARTMENT BUILDINGS

| | Address | Property Type | Sale Date | Cap Rate |
|---|---|---|---|---|
| 1 | 564 Saint Johns Place | Apt Bldg | Jun-19 | 5.44% |
| 2 | 395 Leonard Street | Apt Bldg | Feb-19 | 4.74% |
| 3 | 2310 Queens Plaza South | Apt Bldg | Nov-18 | 4.25% |
| 4 | 670 Pacific Street | Apt Bldg | Feb-18 | 3.70% |
| 5 | 442-456 Grand Street | Apt Bldg | Feb-18 | 4.92% |
| 6 | 31 Ocean Parkway | Apt Bldg | Feb-18 | 3.80% |
| 7 | 223 North 8th Street & 230 North 9th Street | Apt Bldg | Dec-16 | 4.45% |
| 8 | 341 Eastern Parkway | Apt Bldg | Oct-16 | 4.50% |
| 9 | 385 Union Avenue | Apt Bldg | Sep-16 | 4.25% |
| | | | Average: | 4.45% |

The comparable sales exhibit capitalization rates ranging from 3.70% to 5.44% with an average of 4.45%. These recent building sales represent sales of predominantly new buildings with market rate units, or a combination of market rate and affordable units (80/20 buildings), which is similar to the subject. Therefore, the subject has limited upside potential for improvement in residential income. The majority of the sales have a tax abatement. As the subject property is new construction and will have a superior amenity package in a strong and desirable residential location, we will apply a cap rate 4.25%.

To further support our cap rate, we present 2018 sales of market rate buildings in Manhattan. We note that buildings in Manhattan tend to trade at a lower cap rate as compared to Brooklyn. However, these sales indicate that cap rates continue to be around 2.6% to 3.6% for market rate product.

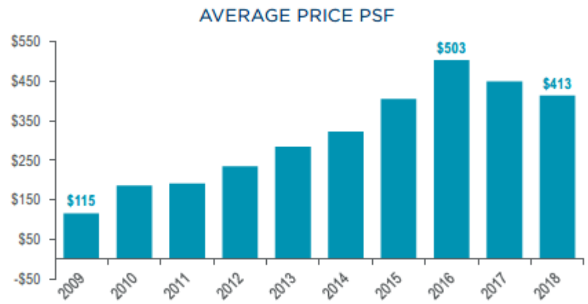
### MANHATTAN MARKET RATE BUILDING SALES

| | Address | Sale Price | Sale Date | Cap Rate | Description |
|---|---|---|---|---|---|
| 1 | 990 6th Avenue | $316,000,000 | Jan-18 | 2.70% | 320 units in a mixed-use building located on 6th Avenue and West 37th Street. Property contains residential units, office space on lower floors and a 120-parking space garage and 12,000 SF of retail space at grade. |
| 2 | 122 West 97th Street | $287,000,000 | Mar-18 | 3.50% | 418 units (accrding to DOB). Property was 95% occupied at the time of sale. Buyer will be self-managing the property. |
| 3 | 420 East 88th Street | $86,000,000 | Mar-18 | 3.18% | This is a 13-story, 155-unit apartment building that was formerly known as London House and renames The Ashford following the sale. Property was 98.7% occupied at the time of sale. |
| 4 | 520 West 43rd Street | $193,000,000 | Aug-18 | 2.60% | This mixed-use property has 365 units and 21,000 SF of retail space and known as The Helix. |
| 5 | 101 West End Avenue | $416,100,000 | Sep-18 | 3.60% | 503-unit mixed-use building on Upper West Side. Contains ground floor retail, on-site amenities, parking garage. |
| | | | Average: | 3.12% | |
| | | | Min: | 2.60% | |
| | | | Max: | 3.60% | |

Below we present the Q4 2018 Cushman and Wakefield market report data for Brooklyn elevator apartment buildings. According to this report, the average cap rate for elevator buildings is 4.20%, which is down 28 bps from year end 2017. The 1Q report did not analyze cap rates.

## ELEVATOR APARTMENT PROPERTIES

- Dollar volume in 2018 was $2.3B, up 133.7% YOY
- 104 properties were sold, up 141.9% YOY
- Cap rates averaged 4.20%, down 28 basis points (bps) from YE17
- Gross Rent Multiplier (GRM) decreased from 16.90x in 2017 to 16.00x
- Price per square foot (psf) averaged $413, down 8.0% from YE17




Source: Cushman & Wakefield Q4 2018 Market Report

### INVESTOR SURVEYS

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

| Survey | Overall Cap Rate | |
|---|---|---|
| PwC - National Apartment Market | 3.50% | to 7.00% |
| Second Quarter 2019 | 5.14% | average |
| | | |
| R.E.R.C. - National Apartment | 4.00% | to 5.70% |
| Second Quarter 2019 | 5.00% | average |
| | | |
| Comparable Sales | 3.70% | to 5.44% |
| | 4.45% | average |
| | | |
| Developed Rate | 4.25% | |

As indicated in the investment surveys, the going-in capitalization rates range from 3.50% to 7.00% for institutional quality investments. Based on the subject's status as new construction, the 20% affordable units, and unparalleled amenity package, we conclude to a cap rate of 4.25%. This is supported by the sales of similar buildings in Brooklyn.

We add the NPV of the tax benefit to our final value conclusion.

### CALCULATION OF VALUE – AS STABILIZED

| | |
|---|---|
| NOI | $21,365,661 |
| OAR | 4.25% |
| Indicated Value | $502,721,440 |
| Add RE Benefit | $142,135,454 |
| | $644,856,895 |
| Final Value Opinion (RD) | $645,000,000 |

**INCOME APPROACH VALUE "AS STABILIZED"**
**AS OF Q2 2020**
**$645,000,000**

## ALLOCATION OF VALUE TO PHASE 1 AND PHASE 2

At the client's request, we have allocated the value between phase 1 and phase 2. The stabilized proformas for phase 1 and 2 are presented below.

| Phase 1 | | | |
|---|---|---|---|
| | $ | PSF | Per Unit |
| **Income** | | | |
| Residential Income - Free Market Units | $14,049,989 | $38.27 | $31,716 |
| Residential Income - Inclusionary Housing Units | $1,113,684 | $3.03 | $2,514 |
| Commercial Income | $2,266,000 | $6.17 | $5,115 |
| Commercial Real Estate Tax Reimbursement | $29,677 | $0.08 | $67 |
| 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 | $18,380,224 | $50.06 | $41,490 |
| Less Residential V/C Loss @ 3.0% Market Rate and .05% IH | -$449,577 | -$1.22 | -$1,015 |
| Less Commercial Income V/C Loss @ 1% | -$22,742 | -$0.06 | -$51 |
| Effective Gross Income | $17,907,905 | $48.78 | $40,424 |
| | | | |
| **Operating Expenses** | | | |
| Real Estate Taxes | $4,419,835 | $12.04 | $9,977 |
| Insurance | $146,858 | $0.40 | $332 |
| Electricity | $183,573 | $0.50 | $414 |
| Fuel | $165,216 | $0.45 | $373 |
| Water & Sewer | $287,950 | $0.78 | $650 |
| Repairs & Maintenance | $312,074 | $0.85 | $704 |
| Payroll | $886,000 | $2.41 | $2,000 |
| Reserves | $88,600 | $0.24 | $200 |
| Miscellaneous | $73,429 | $0.20 | $166 |
| Management & Administration | $537,237 | $1.46 | $1,213 |
| Total Operating Expenses | $7,100,773 | $19.34 | $16,029 |
| | | | |
| Total Expenses Excluding RE Taxes | $2,680,938 | $7.30 | $6,052 |
| | | | |
| **Net Operating Income** | $10,807,132 | $29.44 | $24,395 |
| Operating Expense Ratio | 40% | | |
| **Cap at 4.25%** | **$254,285,460** | | |
| **Add 421a** | **$68,385,570** | | |
| **Value as Stabilized** | **$323,000,000** | | |

| Phase 2 | $ | PSF | Per Unit |
|---|---|---|---|
| **Income** | | | |
| Residential Income - Free Market Units | $14,880,365 | $40.17 | $31,796 |
| Residential Income - Inclusionary Housing Units | $1,167,216 | $3.15 | $2,494 |
| Commercial Income | $1,493,060 | $4.03 | $3,190 |
| Commercial Real Estate Tax Reimbursement | $21,476 | $0.06 | $46 |
| 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 | $18,524,467 | $50.01 | $39,582 |
| Less Residential V/C Loss @ 3.0% Market Rate and .05% IH | -$475,115 | -$1.28 | -$1,015 |
| Less Commercial Income V/C Loss @ 1% | -$15,145 | -$0.04 | -$32 |
| Effective Gross Income | $18,034,207 | $48.69 | $38,535 |
| | | | |
| Operating Expenses | | | |
| Real Estate Taxes | $4,711,843 | $12.72 | $10,068 |
| Insurance | $148,168 | $0.40 | $317 |
| Electricity | $185,210 | $0.50 | $396 |
| Fuel | $166,689 | $0.45 | $356 |
| Water & Sewer | $304,200 | $0.82 | $650 |
| Repairs & Maintenance | $314,857 | $0.85 | $346 |
| Payroll | $936,000 | $2.53 | $2,000 |
| Reserves | $93,600 | $0.25 | $200 |
| Miscellaneous | $74,084 | $0.20 | $158 |
| Management & Administration | $541,026 | $1.46 | $1,156 |
| Total Operating Expenses | $7,475,677 | $20.18 | $15,974 |
| | | | |
| Total Expenses Excluding RE Taxes | $2,763,834 | $7.46 | $5,906 |
| | | | |
| Net Operating Income | $10,558,529 | $28.50 | $22,561 |
| Operating Expense Ratio | 41% | | |
| **Cap at 4.25%** | **$248,435,981** | | |
| **Add 421a** | **$73,749,884** | | |
| **Value as Stabilized** | **$322,000,000** | | |

## INDICATED VALUES FOR PHASE 1 AND PHASE 2

In order to determine the "as is" value of the subject property, deductions for rent loss, free rent, leasing commissions, marketing expenses over the absorption period, remaining construction costs, and profit are required.

<table>
<tr><td>Residential Rent Loss</td><td>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 unleased free market units of phase 2 which is $7,398,483. As phase 1 has been leasing since Q2 2018, we deduct 1 month of rent loss for the unleased 15 market rate units, which is $65,598.</td></tr>
<tr><td>Concessions</td><td>We assume that one month free rent will be offered to all free market units. This equates to $65,598 in phase 1 and $1,233,080 in phase 2.</td></tr>
<tr><td>Residential Marketing Costs</td><td>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 $39,359 in phase 1 and $739,848 in phase 2.</td></tr>
<tr><td>Commercial Leasing Commissions</td><td>There is one unleased retail space of 700 square feet (part of the 3,276 square foot space) that is not included in the master leases. We deduct leasing commissions equal to 33% of the gross commercial income of this space.
<table>
<tr><th colspan="2">Leasing Commissions for Commercial Space</th></tr>
<tr><td>Potential Commercial Income</td><td>$38,500</td></tr>
<tr><td>33% of Potential Commercial Income</td><td>33%</td></tr>
<tr><td>Leasing Commissions</td><td>$12,705</td></tr>
</table>
As Phase 1 and most of Phase 2 is net leased, we do not deduct lease up costs.</td></tr>
<tr><td>Free Rent and Rent Loss Commercial Space</td><td>For the one unleased retail space of 700 square feet that is not included in the master leases (part of the 3,276 square foot space), we assume this lease will include free rent. According to the commercial broker, free rent ranges from 3-6 months. We apply 5 months of free rent and 5 months of rent loss to this space. The total free rent and rent loss equates to $32,083.</td></tr>
<tr><td>Remaining Construction Costs</td><td>The remaining construction costs are $1,506,256 in phase 1 and $5,201,453 in phase 2.</td></tr>
<tr><td>Early Termination Payment for Residential Master Lease</td><td>Per our earlier analysis, we deduct the early termination cost of $6,235,867 in Phase 1. See the Addenda for further discussion on the termination payment.</td></tr>
<tr><td>Profit</td><td>In December 2018, we deducted a profit factor of 3% of the stabilized value of Phase 2. We now deduct a profit factor</td></tr>
</table>

| | |
|---|---|
| | equal to 1% of the stabilized value of phase 2, as it is just about complete, which equates to $3,220,000. As Phase 1 is essentially complete we do not deduct a profit factor. |

Below is the calculation of the as is value of each phase:

| As Is Value Calculation | Phase 1 | Phase 2 |
|---|---|---|
| Value "As Stabilized" | $323,000,000 | $322,000,000 |
| Less Residential Vacancy of 1 month phase 1 and 6 months phase 2 | $65,598 | $7,398,483 |
| Less one Month free rent for Market Rate Units | $65,598 | $1,233,080 |
| Less Leasing Costs of 5% PGI Free Market Units | $39,359 | $739,848 |
| Less Retail Leasing Commissions (33% of Commercial PGI): 3,276 SF space | $0 | $12,705 |
| Less Free Rent Commercial Units (5 months) and Rent Loss (5 months) 3,276 SF space | $0 | $32,083 |
| Less Profit Factor of 1% of stabilized value phase 2 | $0 | $3,220,000 |
| Less Remaining Construction Costs | $1,506,256 | $5,201,453 |
| Less Early Termination Payment for Residential Master Lease | $6,235,867 | $0 |
| As Is Value | $315,087,322 | $304,162,348 |
| Final Value Opinion (RD) | **$315,000,000** | **$304,000,000** |

## SALES COMPARISON APPROACH

In the Sales Comparison Approach, an opinion of fair value is advanced by comparing the subject property to transactions of competitive assets. A major premise is the principle of substitution which holds fair value is directly related to the prices of comparable properties as a knowledgeable investor will pay no more for a substitute.

The procedure involved in this Approach is to research the market for sales of improved properties which are comparable, select appropriate units of comparison, adjust the sale prices to the subject, and then reconcile the range of adjusted sale prices into an opinion of value.

### UNIT OF COMPARISON

In order to analyze comparable sales, it is necessary to convert the sale prices to an appropriate unit of comparison, a process which facilitates price comparisons between properties of different sizes, and it also enables adjustment for qualitative differences. Since investors typically purchase mixed-use buildings in terms of value per unit, we have applied this unit of comparison.

### COMPARABLE SALES

## COMPARABLE SALE 1

Source: CoStar

| | |
|---|---|
| **SALE NO:** | 1 |
| **LOCATION:** | 564 Saint Johns Place<br>Brooklyn, NY |
| **BLOCK/LOT:** | 1178/26 |
| **SITE AREA (SF):** | 34,412 |
| **GBA (ABOVE GRADE):** | 156,140 |
| **NUMBER OF RESIDENTIAL UNITS:** | 193 |
| **PROPERTY DESCRIPTION:** | This is the sale of a 193 unit building known as The Frederick in the Crown Heights neigborhood of Brooklyn, NY. The property, built in 2018, contains 156,140 square feet of GBA on 34,412 square feet of land. The building most recently sold for $117,000,000. This 8-story mixed-use property is an 80/20 building with 40 affordable units and has a parking garage with 97 parking spaces. The property houses the restaurant Olmstead, a critically acclaimed restaurant. The market rate rentals have private balconies and in-unit laundry. The property has a fitness center, a landscaped roof deck, playroom, pet room, storage lockers, bicycle parking and a part-time attended lobby. The unit mix includes studios, one-bedroom units, and two-bedroom units. We assume the property will qualify for a 421a tax abatement. The 5.44% cap rate is based on a proforma NOI. |
| **SALE DATE:** | June 28, 2019 |
| **YEAR BUILT:** | 2018 |
| **GRANTOR:** | Heritage Equity Partners |
| **GRANTEE:** | Harbor Group International LLC |
| **SALE PRICE:** | $117,000,000 |
| **PRICE PER UNIT:** | $606,218 |
| **NOI:** | $6,364,875 |
| **CAP RATE:** | 5.44% |

## COMPARABLE SALE 2

Source: CoStar

| | |
|---|---|
| **SALE NO:** | 2 |
| **LOCATION:** | 395 Leonard Street<br>Brooklyn, NY |
| **BLOCK/LOT:** | 2732 / 12 |
| **SITE AREA (SF):** | 40,136 |
| **GBA (ABOVE GRADE):** | 186,779 |
| **NUMBER OF RESIDENTIAL UNITS:** | 188 |
| **PROPERTY DESCRIPTION:** | This is the sale of a 188 unit apartment building located in the North Williamsburg neigborhood of Brooklyn, NY. The property, built in 2015, contains 186,779 square feet of GBA on 40,136 square feet of land. The building most recently sold for $130,442,500. This is a 7-story building known as Leonard Pointe.The property features 24-hr concierge service,an exterior waterfall and indoor fireplace in the lobby, a landscaped courtyard, elevator-accessible rooftop space, community room with pool table and air hockey, screening room, car and bike parking and pet grooming space. This property is close to public transportation. The property has a 25-year 421a tax exemption. The sale represents the building that is 100% market rate. All of the affordable units are in a separate building on an adjacent lot and not part of the sale. Reportedly, once L train was no longer shutting down, ownership has been able to increase rents by approximately 5%. |
| **SALE DATE:** | February 14, 2019 |
| **YEAR BUILT:** | 2015 |
| **GRANTOR:** | Rabsky Development |
| **GRANTEE:** | UDR, Inc. |
| **SALE PRICE:** | $130,442,500 |
| **PRICE PER UNIT:** | $693,843 |
| **NOI:** | $6,177,757 |
| **CAP RATE:** | 4.74% |

## COMPARABLE SALE 3

Source: CoStar

| | |
|---|---|
| **SALE NO:** | 3 |
| **LOCATION:** | 2310 Queens Plaza South<br>Queens, NY |
| **BLOCK/LOT:** | 425/1 |
| **SITE AREA (SF):** | 44,684 |
| **GBA (ABOVE GRADE):** | 390,824 |
| **NUMBER OF RESIDENTIAL UNITS:** | 390 |
| **PROPERTY DESCRIPTION:** | This is the sale of a 390 unit apartment building located in the Long Island City neigborhood of Queens, NY. The property, built in 2017, contains 390,824 square feet of GBA on 44,684 square feet of land. The building most recently sold for $284,000,000. This 45-story new building, known as 1 QPS Tower, was 96.5% occupied at the time of sale. 1 QPS Tower began leasing apartments in 2017. The property features 16,000 square feet of amenity space including a roofdeck pool and terrace, a communal kitchen, game room, lounge, library and tech room. This property is close to public transportation. The asset is in year 1 of a tax exemption. |
| **SALE DATE:** | November 29, 2018 |
| **YEAR BUILT:** | 2017 |
| **GRANTOR:** | The Hakimian Organization |
| **GRANTEE:** | Carlyle Group |
| **SALE PRICE:** | $284,000,000 |
| **PRICE PER UNIT:** | $728,205 |
| **NOI:** | $12,070,000 |
| **CAP RATE:** | 4.25% |

## COMPARABLE SALE 4

Source: CoStar

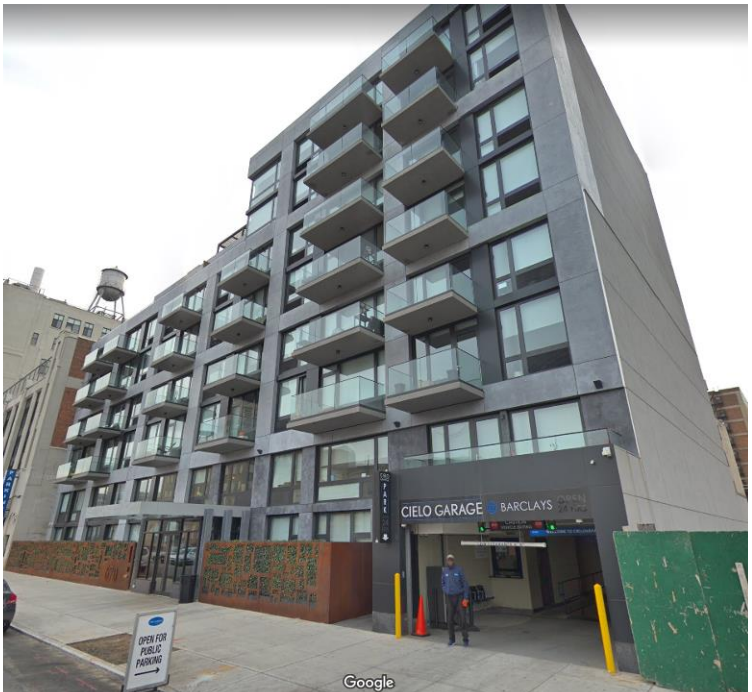
| | |
|---|---|
| **SALE NO:** | 4 |
| **LOCATION:** | 33 Caton Place<br>Brooklyn, NY |
| **BLOCK/LOT:** | 5320/24 |
| **SITE AREA (SF):** | 22,499 |
| **GBA (ABOVE GRADE):** | 120,689 |
| **NUMBER OF RESIDENTIAL UNITS:** | 126 |
| **PROPERTY DESCRIPTION:** | This is the sale of a 126 unit apartment building located in the Windsor Terrace neigborhood of Brooklyn, NY. The property, built in 2014, contains 120,689 square feet of GBA on 22,499 square feet of land. The building most recently sold for $74,700,000. At the time of sale, the property was known as The Kestrel. The property is bound on the west by Ocean Parkway and the east by the entrance to Prospect Park. Units average 844 square feet and include a mix of studios, one-, two- and three-bedroom units. They feature top of the line finishes. Amenities include a 24-hour attended lobby, lounge, children playroom, fitness center, yoga room, sauna, media room, pet space, on-site storage and parking and a roof deck. This asset is in year 9 of 15 of a 421A tax exemption. |
| **SALE DATE:** | October 29, 2018 |
| **YEAR BUILT:** | 2014 |
| **GRANTOR:** | Vanbarton Group |
| **GRANTEE:** | The Dermot Company |
| **SALE PRICE:** | $74,700,000 |
| **PRICE PER UNIT:** | $592,857 |
| **NOI:** | Not Reported |
| **CAP RATE:** | Not Reported |

## COMPARABLE SALE 5

Source: CoStar

| | |
|---|---|
| **SALE NO:** | 5 |
| **LOCATION:** | 237 11th Street<br>Brooklyn, NY |
| **BLOCK/LOT:** | 1015/43 |
| **SITE AREA (SF):** | 14,076 |
| **GBA (ABOVE GRADE):** | 107,000 |
| **NUMBER OF RESIDENTIAL UNITS:** | 105 |
| **PROPERTY DESCRIPTION:** | This is the sale of a 105 unit apartment building located in the Park Slope neigborhood of Brooklyn, NY. The property, built in 2017, contains 107,000 square feet of GBA on 14,076 square feet of land. The building most recently sold for $81,000,000. This property is located on the border of the Park Slope and Gowanus neighborhoods, one block from the 4th Avenue/9th Street subway station. Leasing began in August 2017 and at the time of the sale was 63% leased. The property also includes 6,264 SF of retail space, a portion of which is leased to Starbucks. This asset is in year 3 (post construction) of a tax exemption. |
| **SALE DATE:** | May 24, 2018 |
| **YEAR BUILT:** | 2017 |
| **GRANTOR:** | Adam America Real Estate Group |
| **GRANTEE:** | Trinity Place Holdings Inc. |
| **SALE PRICE:** | $81,000,000 |
| **PRICE PER UNIT:** | $771,429 |
| **NOI:** | Not Reported |
| **CAP RATE:** | Not Reported |

## COMPARABLE SALE 6




| | |
|---|---|
| **SALE NO:** | 6 |
| **LOCATION:** | 670 Pacific Street |
| | Brooklyn, NY |
| **BLOCK/LOT:** | 1128/9 |
| **SITE AREA (SF):** | 15,389 |
| **GBA (ABOVE GRADE):** | 68,477 |
| **NUMBER OF UNITS:** | 86 |
| **PROPERTY DESCRIPTION:** | This is the sale of a 86 unit apartment building located in the Prospect Heights neigborhood of Brooklyn, NY. The property, built in 2017, contains 68,477 square feet of GBA on 15,389 square feet of land. The building most recently sold for $69,200,000. This transaction was under contract in December 2017 and took 45 days to close. This was an upleg of a 1031 exchange for the buyer. The buyer was attracted to this property as it is adjacent to the Barclays Center. This asset is in year 2 of a 15 year tax exemption. The property has an elevator and is located on a corner lot. There are 17 studio units, 50 one-bedroom units, and 19 two-bedroom units. The average rent at the time of sale was $65 per square foot. The building also offers in-unit washer/dryer, storage in basement, laundry room and bike storage. We reviewed the contract of sale and performed appraisal servcies. The appraised NOI is $2,558,090 and the cap rate is 3.7%. |
| **SALE DATE:** | February 1, 2018 |
| **YEAR BUILT:** | 2017 |
| **GRANTOR:** | Pacific 670-674, LLC |
| **GRANTEE:** | Red Apple 670 Pacific Street, LLC |
| **SALE PRICE:** | $69,200,000 |
| **PRICE PER UNIT:** | $804,651 |
| **NOI:** | $2,560,400 |
| **CAP RATE:** | 3.70% |

## COMPARABLE SALE 7

| | |
|---|---|
| **SALE NO:** | 7 |
| **LOCATION:** | 442-456 Grand Street<br>Brooklyn, NY |
| **BLOCK/LOT:** | 2399/1 |
| **SITE AREA (SF):** | 18,295 |
| **GBA (ABOVE GRADE):** | 75,000 |
| **NUMBER OF UNITS:** | 52 |
| **PROPERTY DESCRIPTION:** | This is the sale of a 52 unit apartment building known as 456 Grand located in the Williamsburg neigborhood of Brooklyn, NY. The property, built in 2014, contains 75,000 square feet of GBA on 18,295 square feet of land. The building most recently sold for $43,000,000. This property has 52 apartments and 2 retail spaces and a 17,500 square foot parking garage. The property had 5 residential vacancies at the time of sale. The retail units were both leased. The property has a 15-year tax abatement. |
| **SALE DATE:** | February 28, 2018 |
| **YEAR BUILT:** | 2014 |
| **GRANTOR:** | AB Capstone Development |
| **GRANTEE:** | Bronstein Properties, LLC |
| **SALE PRICE:** | $43,000,000 |
| **PRICE PER UNIT:** | $826,923 |
| **NOI:** | $2,115,600 |
| **CAP RATE:** | 4.92% |

### COMPARABLE SALES SUMMARY

| | Address | Sale Date | Units | Sale Price | Sale Price Per Unit | Cap Rate |
|---|---|---|---|---|---|---|
| 1 | 564 Saint Johns Place | Jun-19 | 193 | $117,000,000 | $606,218 | 5.44% |
| 2 | 395 Leonard Street | Feb-19 | 188 | $130,442,500 | $693,843 | 4.74% |
| 3 | 2310 Queens Plaza South | Nov-18 | 390 | $284,000,000 | $728,205 | 4.25% |
| 4 | 33 Caton Place | Oct-18 | 126 | $74,700,000 | $592,857 | Not Reported |
| 5 | 237 11th Street | May-18 | 105 | $81,000,000 | $771,429 | Not Reported |
| 6 | 670 Pacific Street | Feb-18 | 86 | $69,200,000 | $804,651 | 3.70% |
| 7 | 442-456 Grand Street | Feb-18 | 52 | $43,000,000 | $826,923 | 4.92% |

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

**Property Rights Appraised**

The purpose of this adjustment is to account for differences in the property rights transferred with the sale. The subject and all comparable sales are transactions of the leased fee interest and therefore no adjustments are necessary.

**Financing Terms**

The purpose of adjusting for financing terms is to determine cash equivalent sale prices for the comparable sales in accordance with the definition of fair value for this report. All of the sales were reportedly sold all cash to the seller or financed at market rates by a disinterested third party. No adjustment for financing terms was applied.

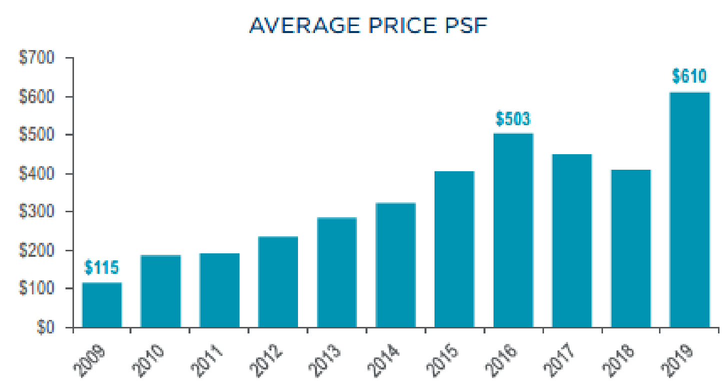
**Conditions of Sale**

Condition of sale refers to the motivations of the buyer and seller involved in a particular transaction. All sales appear to be arm's length transactions. No adjustments were necessary.

**Market Conditions (Time)**

All of the sales transacted since February 1, 2018. According to Q1 2019 Cushman and Wakefield, the prices of multi-family buildings in Brooklyn have been generally stable in 2017 and 2018 with an uptick in 2019; however, as the 2019 data only includes one quarter, we do not make any adjustments to the sales.

### ELEVATOR APARTMENT BUILDINGS



**Location**

The subject is located in Bushwick. Sale 1 is located in Crown Heights just north of Eastern Parkway, which is considered a superior location to the subject. A slight downward adjustment is warranted. Sale 2 is located in North Williamsburg, a superior neighborhood which warrants a downward adjustment. Sale 3 is located in Long Island City in Queens, which is considered to be a similar neighborhood to Bushwick. This sale does not warrant an adjustment. Sale 4 is located in Windsor Terrace in Brooklyn, which is considered an inferior neighborhood to Bushwick and received an upward adjustment. Sale 5 is located in Park Slope, a superior neighborhood which warrants a downward adjustment. Sale 6 is located in Prospect Heights, which is slightly superior to Bushwick. This sale is adjusted downward. Sale 7 is located in Williamsburg, a superior neighborhood which warrants a downward adjustment.

**Size**

This adjustment accounts for the difference in size between each of the comparables and the subject property. The sales range in size from 52 to 390 units, while the subject property is 911 units. The subject is extremely large for the New York City market. As such, there are few investors able to acquire a property of this magnitude. In addition, there is typically an inverse relationship between size and price per unit, with small buildings trading at a higher price per unit than large buildings. We apply downward adjustments to all of the sales, with the exception of Sale 3, as they are much smaller buildings.

**Tax Exemption**

The subject is receiving a 421a tax exemption. All of the comparables are also receiving 421a tax exemptions and thus, no adjustment is necessary.

**Utility**

This adjustment reflects building height or number of stories, land to building ratio, views, exterior appeal, and the interior finishes, design and layout of each comparable as compared to the subject property. As the subject will have a full amenity package, superior to that of the comparables (with the exception of Sale 3), we make upward adjustments to all of the comparables except Sale 3.

**Condition**

Phase 1 of the subject building was completed in Q2 2018. Phase 2 is just about complete with full completion expected in Q3 2019. The subject is in excellent condition. Comparable 1 was completed in 2018. Comparable 2 was built in 2015, Comparables 4 and 7 were built in 2014 and Comparables 3, 5 and 6 were built in 2017 and therefore no adjustment is necessary.

### COMPARABLE SALES ADJUSTMENT GRID

| Sale No. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| **Address:** | 564 Saint Johns Place | 395 Leonard Street | 2310 Queens Plaza South | 33 Caton Place | 237 11th Street | 670 Pacific Street | 442-456 Grand Street |
| **Sale Date:** | 6/28/2019 | 2/14/2019 | 11/29/2018 | 10/29/2018 | 5/24/2018 | 2/1/2018 | 2/28/2018 |
| **No. Units** | 193 | 188 | 390 | 126 | 105 | 86 | 52 |
| **Sale Price:** | $117,000,000 | $130,442,500 | $284,000,000 | $74,700,000 | $81,000,000 | $69,200,000 | $43,000,000 |
| **Price Per Unit:** | **$606,218** | **$693,843** | **$728,205** | **$592,857** | **$771,429** | **$804,651** | **$826,923** |
| **Property Rights:** | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| **Financing Terms:** | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| **Conditions of Sale:** | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| **Market Conditions (Time):** | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| **Trended Price Per Unit:** | **$606,218** | **$693,843** | **$728,205** | **$592,857** | **$771,429** | **$804,651** | **$826,923** |
| **Location:** | -5% | -10% | 0% | 10% | -10% | -5% | -10% |
| **Size:** | -3% | -3% | 0% | -5% | -5% | -5% | -5% |
| **Tax Exemption:** | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| **Utility:** | 5% | 5% | 0% | 5% | 5% | 5% | 5% |
| **Condition:** | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| **Total Adjustments:** | **-3%** | **-8%** | **0%** | **10%** | **-10%** | **-5%** | **-10%** |
| **Adjusted Price Per Unit:** | **$588,031** | **$638,336** | **$728,205** | **$652,143** | **$694,286** | **$764,419** | **$744,231** |
| | **UNADJUSTED** | | | | | | **ADJUSTED** |
| **LOW** | **$592,857** | | | | | | **$588,031** |
| **HIGH** | **$826,923** | | | | | | **$764,419** |
| **AVERAGE** | **$717,732** | | | | | | **$687,093** |
| **MEDIAN** | **$728,205** | | | | | | **$694,286** |

### RECONCILIATION

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

The indicated unadjusted range of the comparable sales is from $592,857 to $826,923 per unit with an average of $717,732 per unit and a median of $728,205 per unit. After adjustments, the comparable sales exhibited a range between $588,031 and $764,419 per unit with an average of $687,093 per unit and a median of $694,286 per unit. The sales represent a thorough representation of the investment climate for market rate buildings in Brooklyn. We emphasize Sales 1, 2 and 3, which sold for $588,031, $638,336 and $728,205 per unit, respectively. These are the most recent sales and considered the most similar to the subject. We note that Sale 3 did not receive any adjustments. The subject is one of the largest apartment developments in Brooklyn and will have the most comprehensive and innovative amenity package. Based on the comparable sales, with emphasis on Sales 1 through 3, and considering the subject's size, positive attributes, and status as new construction, our opinion of fair value is $710,000 per unit; calculated:

### VALUE PER UNIT

| | |
|---|---|
| Concluded Value Per Unit | $710,000 |
| Units | 911 |
| Value | $646,810,000 |
| Final Value Opinion (RD) | $647,000,000 |

**SALES COMPARISON APPROACH**
**"AS STABILIZED"**
**Q2 2020**
**$647,000,000**

## RECONCILIATION AND FINAL VALUE OPINION

| Value | Approach | Date | Conclusion |
|---|---|---|---|
| Prospective Fair Value "As Stabilized" | Income Approach | Q2 2020 | $645,000,000 |
| Prospective Fair Value "As Is" | Income Approach | June 30, 2019 | $619,000,000 |
| Prospective Fair Value "As Stabilized" | Sales Approach | Q2 2020 | $647,000,000 |
| Fair Value As Stabilized Phase 1 | Income Approach | Q2 2019 | $323,000,000 |
| Fair Value As Stabilized Phase 2 | Income Approach | Q2 2020 | $322,000,000 |
| Fair Value As Is Phase 1 | Income Approach | June 30, 2019 | $315,000,000 |
| Fair Value As Is Phase 2 | Income Approach | June 30, 2019 | $304,000,000 |

The ***Cost Approach*** has not been applied. A dearth of land sales that are as large as the subject and changing construction costs make the Cost Approach less reliable for properties close to completion. Investors do not usually rely on the Cost Approach to value assets close to completion. Phase 1 is completed, and Phase 2 is in advanced stage of construction and just about complete. Therefore, we have not utilized the Cost Approach.

The ***Income Approach*** is a strong indicator of value when market rents, vacancy rates, stabilized expenses, capitalization/discount rates are based on reliable market data. In this case, given the depth of the market, there are numerous transactions from which to glean points of analysis, lending credibility to the results of the approach. Further, given mixed-use assets are generally acquired for their capacity to generate a return on and of capital, this is the methodology primarily applied by investors. Balancing these two factors, most weight is placed on the opinion developed by the Income Approach.

The ***Sales Comparison Approach*** is reliable when few differences exist between the comparable sales and the subject, and the sales data collected is credible and accurate. Similar property types in competitive locations tend to sell within a consistent range, and this factor makes valuation on a per unit basis a strong predictor of value.

The sales used to advance an opinion of value of the subject property were comparable in most respects and were good indicators of value. However, given the physical and/or locational differences of the comparables, required adjustments were made accordingly. Therefore, the Sales Comparison Approach is largely used as secondary support for our opinion developed in the application of the Income Approach.

### VALUE AS STABILIZED

The Income Approach was utilized in order to determine annual net operating income levels. The net operating income is capitalized to a present fair value. Direct Capitalization is especially useful when valuing properties with market level leases, when a property is owner occupied in which case a market rent is ascribed to the property, or when the income stream is stable. Our as stabilized value via the Income Approach is $645,000,000 and via the Sales Comparison Approach is $647,000,000. Development of a luxury multi-family property is the highest and best use and is the intended use of the site. We conclude with the value via the Income Approach.

Therefore, our final opinions of value are shown as follows.

| Value | Date | Conclusion |
|---|---|---|
| Prospective Fair Value "As Stabilized" | Q2 2020 | $645,000,000 |
| Prospective Fair Value "As Is" | June 30, 2019 | $619,000,000 |
| Fair Value As Stabilized Phase 1 | Q2 2019 | $323,000,000 |
| Fair Value As Stabilized Phase 2 | Q2 2020 | $322,000,000 |
| Fair Value As Is Phase 1 | June 30, 2019 | $315,000,000 |
| Fair Value As Is Phase 2 | June 30, 2019 | $304,000,000 |

BBG

## Third-party reports by a true third party.

## BBG OVERVIEW

BBG is one of the nation's largest real estate due diligence firms with more than 35 offices across the country serving more than 2,700 clients. We deliver best-in-class valuation, advisory and assessment services with a singular focus of meeting our clients' needs.

Our professional team offers broad industry expertise and deep market knowledge to help clients meet their objectives throughout the real estate life cycle.

BBG clients include commercial real estate professionals, investors, lenders, attorneys, accountants and corporations.

## THE BBG DIFFERENCE

**National Footprint.** BBG is one of only two national firms offering in-house valuation and environmental and property condition assessment services for all commercial property types.

**Customer-focused Growth.** BBG is one of the largest national due diligence firms because we deliver best-in-class work product and provide excellent customer care.

**Qualified Team.** Over 50 percent of BBG appraisers are MAI designated and offer deep industry expertise gained through real-world experience.

**Unbiased Independence.** By focusing exclusively on due diligence services, BBG guarantees an independent perspective free from potential conflicts of interest.

**Innovative Technology.** BBG has made significant analytics and IT investments to continually improve our data and report quality.

## SERVICES

**Valuation**

+ Single Asset Valuation
+ Portfolio Valuation
+ Institutional Asset Valuation
+ Appraisal Review
+ Appraisal Management
+ Lease and Cost Analysis
+ Insurance Valuation
+ Arbitration & Consulting
+ Feasibility Studies
+ Highest and Best Use Studies
+ Evaluation
+ Investment analysis
+ Tax appeals
+ Litigation Support

**Advisory**

+ ASC 805 Business combinations
+ ASC 840 Leases
+ Purchase Price Allocations
+ Portfolio Valuations for reporting net asset values (NAV)
+ Public and non-traded REIT valuations
+ Valuations for litigation and litigation support
+ Sale-leaseback valuation analysis
+ Valuations for bankruptcy/fresh start accounting
+ Cost segregation analysis

**Assessment**

+ Environmental due diligence
+ Property condition consulting
+ Small loan services
+ Energy consulting
+ Environmental consulting
+ Zoning

VALUATION ADVISORY ASSESSMENT ZONING

## ADDENDA

1. MASTER LEASE TERMINATION
2. SPONSOR'S PROJECTIONS
3. SENSITIVITY ANALYSIS
4. CONSTRUCTION BUDGET
5. CONTINGENT AND LIMITING CONDITIONS
6. CERTIFICATION
7. QUALIFICATIONS
8. STATE LICENSE

## MASTER LEASE TERMINATION

There are two residential master leases and one commercial master lease in Phase 1 and one commercial master lease in Phase 2. One residential master lease covers 185 residential units and the other residential lease covers 157 residential units within Phase 1. This covers a total of 342 units or 96% of the free market units in Phase 1. The commercial space in Phase 1 has been separately master leased. The landlord is the subject owner, Evergreen Gardens II, LLC. The tenant is The NY Zen LLC. The commercial lease in Phase 2 covers all of the commercial space with the exception of 3,276 SF at grade.

Both residential master leases are 5-year terms beginning June 29, 2018 (185 units) and September 29, 2018 (157 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. We have received signed copies of the leases.

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 in one master lease and $33,000 per month in the other master lease after the initial 6-month period. We project the early termination payment to be approximately $6.2 million.

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. Thus, it is in the owner’s best interest to terminate the leases.

Leasing in Phase 1 began in July 2018. As of June 2019, 402 units are leased, which equates to a leasing velocity of 33 to 34 units per month. Of the 402 leased units, 339 are free market units and 63 are affordable units. Of the 339 leased free market units, 327 were part of the master leases (184 units were part of the 185-Unit Master Lease and 143 units were part of the 157-Unit Master Lease).

As of June 2019, 184 units were leased that are part of the 185-unit Master Lease. This equates to 15 to 16 units per month. These units averaged $3,147 per month. We apply the average rent achieved by these units for July 2018 through June 2019. As there is only one unit remaining to be leased under this master lease, we apply our market rent conclusion for this unit type of $3,400 per month. We project this unit will be leased in July 2019. At that time, all of the units will be leased and we assume ownership will terminate this master lease as ownership can earn more than the monthly lease payment ($582,484 versus lease payment of $525,000 per month) in renting the individual units. See the calculation below.

| # Units | Begin Date | End Date | Term | Rent | Rent Per Unit/Month | Terms | Renewal |
|---|---|---|---|---|---|---|---|
| 185 | Jun-18 | Jun-23 | 5 yrs | $6,300,000 | $2,837.84 | Gross | 2, 5-yr option at 3% incr. per term |

| Projection of Master Lease Payment Due to Rent not yet Achieved | | | | | | |
|---|---|---|---|---|---|---|
| Month | Date | Lease Payment | Units Rented | Total Units Rented | Rent Achieved based on $3,147 thru June and $3,400 per month for 1 unit in July 2019 | Rent Not Achieved |
| 1 | Jul-18 | $525,000 | 19 | 19 | $59,797 | $465,203 |
| 2 | Aug-18 | $525,000 | 19 | 38 | $119,594 | $405,406 |
| 3 | Sep-18 | $525,000 | 18 | 56 | $176,243 | $348,757 |
| 4 | Oct-18 | $525,000 | 16 | 72 | $226,598 | $298,402 |
| 5 | Nov-18 | $525,000 | 15 | 87 | $273,806 | $251,194 |
| 6 | Dec-18 | $525,000 | 10 | 97 | $305,278 | $219,722 |
| 7 | Jan-19 | $525,000 | 10 | 107 | $336,750 | $188,250 |
| 8 | Feb-19 | $525,000 | 10 | 117 | $368,222 | $156,778 |
| 9 | Mar-19 | $525,000 | 15 | 132 | $415,430 | $109,570 |
| 10 | Apr-19 | $525,000 | 18 | 150 | $472,080 | $52,920 |
| 11 | May-19 | $525,000 | 18 | 168 | $528,729 | $0 |
| 12 | Jun-19 | $525,000 | 16 | 184 | $579,084 | $0 |
| 13 | Jul-19 | $525,000 | 1 | 185 | $582,484 | $0 |
| | | **$6,825,000** | **185** | | **$4,444,096** | **$2,496,202** |

| | |
|---|---|
| Rent Not Achieved through December 2018 | $2,496,202 |
| Plus: Guaranteed Profit | $900,000 |
| Less $35,000 per month past December 2018 | ($210,000) |
| Total Early Termination Payment | $3,186,202 |

As summarized above, the early termination payment for the first master lease is $3,186,202 or $3,200,000 (rounded).

The second master lease that covers 157 units began in September 2018. As of June 2019, 143 units were leased that are part of this master lease. These units have averaged $3,391 per month. This equates to 15 to 16 units per month. We apply the average rent achieved by these units for through June 2019 and we apply the Phase 1 projected rent to the following months. We project the remaining 14 units will be leased in July 2019, at which point the lease is terminated and ownership will begin to earn more than the montly lease payment ($531,179 versus lease payment of $508,333 per month) in renting the individual units. See the calculation below.

| # Units | Begin Date | End Date | Term | Rent | Rent Per Unit/Month | Terms | Renewal |
|---|---|---|---|---|---|---|---|
| 157 | Sep-18 | Sep-23 | 5 yrs | $6,100,000 | $3,237.79 | Gross | 2, 5-yr option at 3% incr. per term |

| Projection of Master Lease Payment Due to Rent not yet Achieved | | | | | | |
|---|---|---|---|---|---|---|
| Month | Date | Lease Payment | Units Rented | Total Units Rented | Rent Achieved based on $3,391 thru June and $3,307 per month for 14 units in July 2019 | Rent Not Achieved |
| 1 | Oct-18 | $508,333 | 12 | 12 | $40,689 | $467,645 |
| 2 | Nov-18 | $508,333 | 12 | 24 | $81,378 | $426,956 |
| 3 | Dec-18 | $508,333 | 11 | 35 | $118,676 | $389,658 |
| 4 | Jan-19 | $508,333 | 12 | 47 | $159,365 | $348,969 |
| 5 | Feb-19 | $508,333 | 16 | 63 | $213,616 | $294,717 |
| 6 | Mar-19 | $508,333 | 20 | 83 | $281,431 | $226,902 |
| 7 | Apr-19 | $508,333 | 20 | 103 | $349,246 | $159,088 |
| 8 | May-19 | $508,333 | 20 | 123 | $417,060 | $91,273 |
| 9 | Jun-19 | $508,333 | 20 | 143 | $484,875 | $23,458 |
| 10 | Jul-19 | $508,333 | 14 | 157 | $531,179 | $0 |
| | | **$5,083,333** | **157** | | **$2,677,514** | **$2,428,665** |

| | |
|---|---|
| Rent Not Achieved through March 2019 | $2,428,665 |
| Plus: Guaranteed Profit | $720,000 |
| Less $33,000 per month past March 2019 | ($99,000) |
| Total Early Termination Payment | $3,049,665 |

As summarized above, the early termination payment for the second master lease is $3,049,665 or $3,000,000 (rounded). The total termination payment from both residential master leases totals $6,235,867 or $6,200,000 rounded.

We expect that the revenue generated by renting the individual units will exceed the master lease payments and the leases will be terminated.

## SPONSOR'S PROJECTIONS

| | | | | |
|---|---|---|---|---|
| Property Address | 54 Noll | | | |
| Block/Lot | 3152/1 | | | |
| Building Gross SF | 502,215 | | | |
| Unit Count | 443 | | | |
| Parking | 222 | | | |
| Total Resi Rentable Indoor SF | 280,096 | | | |
| Retail SF | 78,661 | | | |
| Total Rentable SF | 358,757 | | | |
| 421(a) Abatement | 25 Years | | | |
| | | | | |
| | | | | |
| | | Per Unit | PSF | % |
| Market Units | $ 14,240,812.56 | | | 80.00% |
| Low Income | $ 1,113,684 | | | 20.00% |
| Parking | $ 664,500 | $ 250.00 | | |
| Amenity Income | $ 797,400 | $ 1,800.00 | | |
| Laundry Income | $ 22,150 | $ 50.00 | | |
| Vacancy | $ (420,964) | 2.50% | | |
| Projected Resi Gross | $ 16,417,583 | | | |
| | | | | |
| Retail | $ 2,200,000 | | | |
| Vacancy | $ (110,000) | | | 5.00% |
| Projected Retail Gross | $ 2,090,000 | | | |
| | | | | |
| **Effective Gross Income Yr 1** | **$ 18,507,583** | | | |
| | | | | |
| **Expenses** | **Annualized** | **Per Unit** | **Per NRSF** | **P GSF** |
| Real Estate Tax (421a) 18/19 | $ 161,023 | $ 363.48 | $ 0.45 | $ 0.32 |
| Service Contracts | $ 44,300 | $ 100 | $ 0.12 | $ 0.09 |
| Common Area Utilities | $ 177,200 | $ 400 | $ 0.49 | $ 0.35 |
| Payroll | $ 930,530 | $ 2,100.52 | $ 2.59 | $ 1.85 |
| Water & Sewer | $ 265,800 | $ 600 | $ 0.74 | $ 0.53 |
| Insurance | $ 143,975 | $ 325 | $ 0.40 | $ 0.29 |
| Repair & Maintenance | $ 110,750 | $ 250 | $ 0.31 | $ 0.22 |
| Hot Water (Fuel) | $ 155,050 | $ 350 | $ 0.43 | $ 0.31 |
| Management | $ 584,760 | $ 1,320.00 | $ 1.63 | $ 1.16 |
| **Estimated Expenses** | **2,573,388** | **4,489** | **$ 7.17** | **$ 5.12** |
| **OER** | **13.90%** | | | |
| **Projected NOI** | **$ 15,934,195** | | | |

| | | | | |
|---|---|---|---|---|
| Property Address | 123 Melrose Street | | | |
| Block/Lot | 3152/48 | | | |
| Building Gross SF | 506,195 | | | |
| Unit Count | 468 | | | |
| Parking | 234 | | | |
| Total Resi Rentable Indoor SF | 277,722 | | | |
| Retail SF | 52,893 | | | |
| Total Rentable SF | 330,615 | | | |
| 421(a) Abatement | 25 Years | | | |
| | | | | |
| | | | | |
| | | Per Unit | PSF | % |
| Market Units | $ 14,674,800 | $ 3,269.79 | $ 66.98 | 80.00% |
| Low Income | $ 1,167,216 | $ 1,034.77 | $ 19.91 | 20.00% |
| Parking | $ 702,000 | $ 250.00 | | |
| Amenity Income | $ 842,400 | $ 1,800.00 | | |
| Laundry Income | $ 23,400 | $ 50.00 | | |
| Vacancy | $ (435,245) | 2.50% | | |
| Projected Resi Gross | $ 16,974,571 | | | |
| | | | | |
| Retail | $ 1,851,255 | | $ 35.00 | |
| Vacancy | $ (92,563) | | | 5.00% |
| Projected Retail Gross | $ 1,758,692 | | | |
| | | | | |
| **Effective Gross Income Yr 1** | **$ 18,733,263** | | | |
| | | | | |
| **Expenses** | **Annualized** | **Per Unit** | **Per NRSF** | **P GSF** |
| Real Estate Tax (421a) 18/19 | $ 161,023 | $ 344.07 | $ 0.49 | $ 0.32 |
| Service Contracts | $ 46,800 | $ 100 | $ 0.14 | $ 0.09 |
| Common Area Utilities | $ 187,200 | $ 400 | $ 0.57 | $ 0.37 |
| Apt Turn Over | $ 35,100 | $ 75.00 | $ 0.11 | $ 0.07 |
| Payroll | $ 1,246,461 | $ 2,663.38 | $ 3.77 | $ 2.46 |
| Water & Sewer | $ 280,800 | $ 600 | $ 0.85 | $ 0.55 |
| Insurance | $ 152,100 | $ 325 | $ 0.46 | $ 0.30 |
| Repair & Maintenance | $ 117,000 | $ 250 | $ 0.35 | $ 0.23 |
| Hot Water (Fuel) | $ 163,800 | $ 350 | $ 0.50 | $ 0.32 |
| Marketing | $ 23,400 | $ 50 | $ 0.07 | $ 0.05 |
| Management | $ 617,760 | $ 1,320.00 | $ 1.87 | $ 1.22 |
| **Estimated Expenses** | **3,031,444** | **5,157** | **$ 9.17** | **$ 5.99** |
| **OER** | **16.18%** | | | |
| **Projected NOI** | **$ 15,701,819** | | | |

## SENSITIVITY ANALYSIS

| | Vacancy | | Cap Rate | | Avarage PSF | |
|---|---|---|---|---|---|---|
| **Phase 1** | | | | | | |
| **Curent** | **3.00%** | | **4.25%** | | **$65.65** | |
| **Value** | **$323,000,000** | | **$323,000,000** | | **$323,000,000** | |
| **As Is Value** | **$315,000,000** | | **$315,000,000** | | **$315,000,000** | |
| % Change | -1.0 pp | +1.0 pp | 0.25 pp | -0.25 pp | 3% | -3% |
| Sensitivity Test | 2.00% | 4.00% | 4.50% | 4.00% | $67.29 | $64.01 |
| Value | $326,000,000 | $319,000,000 | $309,000,000 | $339,000,000 | $332,000,000 | $313,000,000 |
| As Is Value | $318,000,000 | $311,000,000 | $301,000,000 | $331,000,000 | $324,000,000 | $305,000,000 |

| | Vacancy | | Cap Rate | | Avarage per sf | |
|---|---|---|---|---|---|---|
| **Phase 2** | | | | | | |
| **Curent** | **3.00%** | | **4.25%** | | **$65.65** | |
| **Value** | **$322,000,000** | | **$322,000,000** | | **$322,000,000** | |
| **As Is Value** | **$304,000,000** | | **$304,000,000** | | **$304,000,000** | |
| % Change | -1.0 pp | +1.0 pp | 0.25 pp | -0.25 pp | 3% | -3% |
| Sensitivity Test | 2.00% | 4.00% | 4.50% | 4.00% | $67.29 | $64.01 |
| Value | $326,000,000 | $319,000,000 | $308,000,000 | $338,000,000 | $332,000,000 | $312,000,000 |
| As Is Value | $308,000,000 | $301,000,000 | $290,000,000 | $320,000,000 | $314,000,000 | $294,000,000 |

# CONSTRUCTION BUDGET

| Item | Budget 54 | Budget 123 | Total Spent accrual 54 | Total Spent accrual 123 | Total Remaining 54 | Total Remaining 123 |
|---|---|---|---|---|---|---|
| 02-01-00 Demo (Demo) | $ 425,784.55 | $ 425,104.08 | $ 425,784.55 | $ 425,104.08 | $ - | $ - |
| 02-02-00 Excavation & Foundation | $ 7,379,692.50 | $ 8,406,692.50 | $ 7,379,692.50 | $ 8,409,392.50 | $ - | $ - |
| 02-03-00 Structure | $ 20,900,000.00 | $ 22,500,000.00 | $ 20,914,035.27 | $ 22,633,251.55 | $ - | $ - |
| 02-04-00 Carpentry | $ 10,800,000.00 | $ 11,100,000.00 | $ 10,233,573.99 | $ 10,288,659.71 | $ - | $ - |
| 02-05-00 Misc. Iron | $ 1,100,000.00 | $ 1,100,000.00 | $ 961,558.17 | $ 893,011.75 | $ - | $ 31,350.00 |
| 02-06-00 Sprinkler | $ 2,000,000.00 | $ 2,249,000.00 | $ 1,999,250.00 | $ 2,222,450.00 | $ - | $ - |
| 02-07-00 Elevator | $ 1,655,000.00 | $ 1,670,000.00 | $ 1,641,500.00 | $ 1,678,732.12 | $ - | $ - |
| 02-08-00 Masonry | $ 450,000.00 | $ 635,773.30 | $ 970,154.33 | $ 2,420,659.75 | $ - | $ - |
| 02-09-00 Hoist | $ 365,000.00 | $ 365,000.00 | $ 336,212.50 | $ 357,071.15 | $ - | $ - |
| 02-10-00 Roofing | $ 1,550,000.00 | $ 2,000,000.00 | $ 1,701,212.16 | $ 2,299,975.00 | $ - | $ 50,025.00 |
| 02-11-00 Water & Sewer Main | $ 201,702.00 | $ 150,000.00 | $ 567,702.00 | $ 140,000.00 | $ - | $ - |
| 02-12-00 Plumbing | $ 7,300,000.00 | $ 7,400,000.00 | $ 7,363,848.92 | $ 7,588,935.88 | $ - | $ 114,145.98 |
| 02-13-00 HVAC | $ 7,500,000.00 | $ 8,300,000.00 | $ 7,499,440.30 | $ 8,208,735.00 | $ 30,000.00 | $ 54,845.00 |
| 02-14-00 Electrical / 02-15-00 Low-Voltage | $ 10,250,000.00 | $ 11,450,000.00 | $ 10,899,067.94 | $ 11,883,020.29 | $ - | $ 197,724.71 |
| 02-16-00 Fire Alarm | $ 225,000.00 | $ 285,000.00 | $ 228,000.00 | $ 240,000.00 | $ - | $ - |
| 02-17-00 Façade & Exterior | $ 11,800,000.00 | $ 13,000,000.00 | $ 12,550,867.35 | $ 12,273,271.37 | $ - | $ 12,525.00 |
| 02-18-00 Waterproofing | $ 250,000.00 | $ 350,000.00 | $ 265,981.19 | $ 295,208.45 | $ - | $ 25,117.00 |
| 02-19-00 Environmental | $ 3,034,212.59 | $ 3,175,000.00 | $ 3,050,182.59 | $ 3,123,296.40 | $ - | $ - |
| 02-20-00 Luxury & Finishing | $ 8,000,000.00 | $ 12,000,000.00 | $ 8,293,914.78 | $ 12,105,126.83 | $ 246,599.00 | $ 1,112,568.99 |
| 02-21-00 Trash Chute | $ 100,000.00 | $ 100,000.00 | $ 56,200.00 | $ 36,006.00 | $ - | $ 17,796.50 |
| 02-22-00 Flooring | $ 3,408,700.00 | $ 3,600,000.00 | $ 3,758,633.04 | $ 3,921,559.30 | $ - | $ 148.00 |
| 02-23-00 Insulation | $ 1,050,000.00 | $ 1,160,000.00 | $ 1,008,372.74 | $ 985,324.00 | $ - | $ - |
| 02-24-00 Stone Work / Kitchen Counter Tops | $ 300,000.00 | $ 320,000.00 | $ 311,692.39 | $ 221,010.20 | $ - | $ - |
| 02-25-00 Millwork / Kitchens Cabinets / Bathroom Access | $ 2,594,750.00 | $ 2,471,000.00 | $ 2,557,655.06 | $ 2,877,029.34 | $ - | $ - |
| 02-26-00 Appliances | $ 2,000,000.00 | $ 2,210,000.00 | $ 1,530,594.23 | $ 2,442,530.11 | $ - | $ 121,810.40 |
| 02-27-00 Glazing | $ 60,000.00 | $ 60,000.00 | $ 52,668.00 | $ 36,960.00 | $ - | $ - |
| 02-28-00 Fixtures / Door Hardware | $ 2,004,600.00 | $ 2,117,000.00 | $ 2,311,578.28 | $ 2,673,633.33 | $ 2,132.32 | $ 43,583.26 |
| 02-29-00 Site Cleaning | $ 2,363,442.02 | $ 1,770,000.00 | $ 2,657,919.48 | $ 2,974,432.04 | $ - | $ - |
| 02-31-00 Scaffold | $ 1,400,000.00 | $ 1,400,000.00 | $ 1,361,027.03 | $ 1,441,057.33 | $ - | $ 14,500.00 |
| 02-34-00 Payroll | $ 1,472,314.32 | $ 1,855,000.00 | $ 1,456,558.34 | $ 1,785,466.46 | $ - | $ - |
| 02-34-00 General Conditions | $ 2,787,088.18 | $ 3,500,000.00 | $ 2,943,256.74 | $ 3,223,912.26 | $ 800,000.00 | $ - |
| **Total Hard Cost** | **$ 114,727,286.16** | **$ 127,124,569.88** | **$ 117,288,133.87** | **$ 130,104,822.20** | **$ 1,078,731.32** | **$ 1,796,139.84** |
| Goss Sf 620,070 | $ 202.65 | $ 205.02 | | | | |
| GC Fee | $ 3,025,000.00 | $ 3,150,000.00 | $ 3,025,000.00 | $ 3,150,000.00 | $ - | $ - |
| 03-01-00 Agency Fees (Agency Fees) | $ 300,000.00 | $ 300,000.00 | $ 461,350.91 | $ 436,887.28 | $ 20,000.00 | $ 140,000.00 |
| 03-02-00 Professional Fees (Professional Fees) | $ 690,000.00 | $ 690,000.00 | $ 1,532,613.61 | $ 1,528,125.72 | $ 251,225.00 | $ 68,599.00 |
| 03-03-00 Testing (Testing) | $ 30,000.00 | $ 30,000.00 | $ 27,639.00 | $ 27,639.00 | $ - | $ - |
| 03-04-00 Architect & Engineer (Architect & Engineer) | $ 4,820,000.00 | $ 4,820,000.00 | $ 4,642,009.33 | $ 5,083,859.60 | $ 46,299.38 | $ 71,149.38 |
| 03-05-00 Expediting (Expediting) | $ 840,000.00 | $ 840,000.00 | $ 884,340.80 | $ 876,261.66 | $ 60,000.00 | $ - |
| 03-06-00 Insurance (Insurance) | $ 1,700,000.00 | $ 1,700,000.00 | $ 1,585,189.75 | $ 1,970,477.45 | $ - | $ 48,941.64 |
| Mapping Agreement 54 /Public Park 123 | $ 1,000,000.00 | $ 1,500,000.00 | $ 175,100.00 | $ 654,878.82 | $ 50,000.00 | $ 764,907.05 |
| **Total Hard Cost** | **$ 12,405,000.00** | **$ 13,030,000.00** | **$ 12,333,243.40** | **$ 13,728,129.53** | **$ 427,524.38** | **$ 1,093,597.07** |
| | | | | | | $ 2,311,716.00 |
| **Grand Total** | **$ 127,132,286.16** | **$ 140,154,569.88** | **$ 129,621,377.26** | **$ 143,832,951.72** | **$ 1,506,255.70** | **$ 5,201,452.91** |

## HISTORICAL VALUES

| Date of Value | Phase 1 | Phase 2 | Total |
|---|---|---|---|
| 6/30/2019 | | | |
| As Stabilized | $323,000,000 | $322,000,000 | $645,000,000 |
| As Is | $315,000,000 | $304,000,000 | $619,000,000 |
| | | | |
| 3/31/2019 | | | |
| As Stabilized | $323,000,000 | $322,000,000 | $645,000,000 |
| As Is | $313,000,000 | $299,000,000 | $612,000,000 |
| | | | |
| 12/31/2018 | | | |
| As Stabilized | $327,000,000 | $323,000,000 | $650,000,000 |
| As Is | $316,000,000 | $285,000,000 | $601,000,000 |
| | | | |
| 9/30/2018 | | | |
| As Stabilized | $334,000,000 | $321,000,000 | $655,000,000 |
| As Is | $322,000,000 | $241,000,000 | $563,000,000 |
| | | | |
| 6/30/2018 | | | |
| As Stabilized | $334,000,000 | $321,000,000 | $655,000,000 |
| As Is | $321,000,000 | $211,000,000 | $532,000,000 |
| | | | |
| 3/30/2018 | | | |
| As Stabilized | $332,000,000 | $320,000,000 | $652,000,000 |
| As Is | $305,000,000 | $189,000,000 | $494,000,000 |
| | | | |
| 12/31/2017 | | | |
| As Stabilized | $332,000,000 | $320,000,000 | $652,000,000 |
| As Is | $269,000,000 | $163,000,000 | $432,000,000 |

## CONTINGENT AND LIMITING CONDITIONS

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

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

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

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

27. The American Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative impact upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.

28. This appraisal report has been prepared for the exclusive benefit of the client. It may not be used or relied upon by any other party. Any other party who is not the identified client within this report who uses or relies upon any information in this report does so at their own risk.

29. The dollar amount of any value opinion herein rendered is based upon the purchasing power and price of the United States Dollar as of the effective date of value. This appraisal is based on market conditions existing as of the date of this appraisal.

30. The right is reserved by the appraiser to make adjustments to the analyses, opinions, and conclusions set forth in this report as may be required by consideration of additional or more reliable data that may become available. No change of this report shall be made by anyone other than the appraiser or appraisers. The appraiser(s) shall have no responsibility for any unauthorized change(s) to the report.

31. If the client instructions to the appraiser were to inspect only the exterior of the improvements in the appraisal process, the physical attributes of the property were observed from the street(s) as of the inspection date of the appraisal. Physical characteristics of the property were obtained from tax assessment records, available plans, if any, descriptive information, and interviewing the client and other knowledgeable persons. It is assumed the interior of the subject property is consistent with the exterior conditions as observed and that other information relied upon is accurate.

32. The submission of this report constitutes completion of the services authorized. It is submitted on the condition the client will provide reasonable notice and customary compensation, including expert witness fees, relating to any subsequent required attendance at conferences, depositions, and judicial or administrative proceedings. In the event the appraiser is subpoenaed for either an appearance or a request to produce documents, a best effort will be made to notify the client immediately. The client has the sole responsibility for obtaining a protective order, providing legal instruction not to appear with the appraisal report and related work files and will answer all questions pertaining to the assignment, the preparation of the report, and the reasoning used to formulate the estimate of value. Unless paid in whole or in part by the party issuing the subpoena or by another party of interest in the matter, the client is responsible for all unpaid fees resulting from the appearance or production of documents regardless of who orders the work.

33. Use of this appraisal report constitutes acknowledgement and acceptance of the general assumptions and limiting conditions, special assumptions (if any), extraordinary assumptions (if any), and hypothetical conditions (if any) on which this estimate of fair value is based.

34. If provided, the estimated insurable value is included at the request of the client and has not been performed by a qualified insurance agent or risk management underwriter. This cost estimate should not be solely relied upon for insurable value purposes. The appraisers are not

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

## CERTIFICATION

The appraisers certify that:

- Michelle Zell, MAI has personally inspected and prepared the analysis concerning the real estate that is the subject of this appraisal report.

- The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

- The reported analysis, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, 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.

- The undersigned have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

- Our compensation is not contingent on an action or event resulting from the analysis, opinions or conclusions in, or the use of, this report.

- Our analyses, opinions and conclusions were developed and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, the Uniform Standard of Professional Appraisal Practice (USPAP), and Title XI (with amendments) of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA).

- The undersigned have performed services as an appraiser regarding the property that is the subject of this report within the 3-year period immediately preceding acceptance of this assignment.

- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

- The undersigned's engagement in this assignment was not contingent upon developing or reporting pre-determined results.

- Our compensation for completing this assignment is not contingent upon the development or reporting of a pre-determined 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.

- Michelle Zell is currently certified under the continuing education program of the Appraisal Institute. She is also certified by the State of New York as a General Real Estate Appraiser.

- As of the date of this report, Michelle Zell has completed the continuing education program for Designated Members of the Appraisal Institute.

- As of the date of this report, Michelle Zell has completed the Standards and Ethics Education Requirements for Practicing Affiliates of the Appraisal Institute.

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

## QUALIFICATIONS

**Michelle Zell, MAI**
Senior Appraiser
212-682-8293
Mzell@bbgres.com

**Profile**

Michelle is a Senior Appraiser at BBG in New York City (formerly Leitner Group) from 2003 until the present. She currently manages all of the Israeli bond portfolios for BBG. Prominent Israeli bond clients include Pinnacle, Del Shah, Moinian, Copperline, All Year Holdings, The Klein Group, Hertz Investment, The Leser Group, Sapir, Westdale, and Ilan Investments.

She has extensive experience analyzing all asset types including rental apartment buildings, condominium and cooperative apartment buildings, retail properties, office buildings, restaurants, industrial properties, and vacant land. Michelle specializes in managing large portfolios and valuing large scale existing and proposed developments. Prior appraisal assignments include:

- Valuation of multiple Israeli bond offerings with total appraised values in excess of $1B.
- Valuation of Peter Cooper Village and Stuyvesant Town, a rental apartment complex in New York City with 12,000 units.
- The condominium conversion of the Apthorp and the Belnord; two large scale prewar developments in Manhattan.
- Valuation of 70 Pine Street, a 1M square foot former AIG headquarters converted to rental apartments, hotel, private club, restaurant and retail space.
- Valuation of 701 7th Avenue, a proposed hotel and retail development by Witkoff located in Times Square valued at $2B.
- Market rent determination for Bell Works- the former Bell Labs in Holmdel, NJ.
- Multiple large scale valuation assignments for EB-5 financing including: The Armature Works, a proposed mixed use development in Washington DC; 1 Journal Square, a proposed mixed use development in Jersey City; The Retail at Nassau Coliseum, a proposed mixed use entertainment center located adjacent to Nassau Coliseum on Long Island; and Pacific Park, a proposed development of 15 land parcels to be developed with high rise residential, condominium, office, and school buildings.

Michelle also has experience preparing appraisals for litigation. Significant assignments include the valuation of land under buildings owned by the Durst Organization, fair market rent determination for Eli Zabar, and several valuations for condemnation.

---

**Professional Affiliations**

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

---

**Education**

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

## LICENSE

UNIQUE ID NUMBER
46000049921

State of New York
Department of State
**DIVISION OF LICENSING SERVICES**

FOR OFFICE USE ONLY
Control No. 115542

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

EFFECTIVE DATE

| MO. | DAY | YR. |
|---|---|---|
| 05 | 09 | 19 |

EXPIRATION DATE

| MO. | DAY | YR. |
|---|---|---|
| 05 | 08 | 21 |

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

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

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

ROSSANA ROSADO
SECRETARY OF STATE

DOS-1098 (Rev. 3/01)