



APPRAISAL REPORT

Hotel Indigo

180 Orchard Street / 171 Ludlow Street

New York, NY 10002

294-Room Boutique Hotel Condominium

REQUESTED BY

Mr. Danny Avidan, CFO

MRR Thirteen Limited  
600 Madison Avenue, 20th Floor  
New York, NY 10022

DATE OF VALUE

December 31, 2019

PREPARED BY



Michelle  
Zell, MAI



Maren  
Lewis

March 4, 2020

Mr. Danny Avidan, CFO  
MRR Thirteen Limited  
600 Madison Avenue, 20th Floor  
New York, NY 10022

Re: Bowery File No. NY1912062574  
Hotel Indigo  
294-Room Boutique Hotel Condominium  
180 Orchard Street / 171 Ludlow Street  
New York, NY 10002

Dear Mr. Avidan:

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 as of December 31, 2019 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 only for use in the preparation of financial statements.

This appraisal is to be used to aid the Company in the preparation of the prospectus and/or financial statements to be published in Tel Aviv Stock Exchange in 2020. We confirm that we have given our full consent to the inclusion of the valuation in its entirety within the Company Prospectus to be published in the Tel Aviv Stock Exchange in 2020 and any Draft Prospectus to be published or disclosed to the Israeli Security Authority.

The subject, 180 Orchard Street / 171 Ludlow Street, also known as the Hotel Indigo, consists of a 26-story boutique hotel condominium. The subject was constructed in 2015 and the hotel opened in early 2016. The hotel contains 294 hotel rooms, a rooftop lounge and bar, outdoor terrace space, swimming pool, a meeting room and a fitness center. The initial development included a hotel, retail and garage component. They were segregated into three separate condominium units as per a Condominium Offering Plan as of May 2014. The retail and garage condos have been sold. This appraisal pertains to the hotel component only. The entire property contains 195,181 square feet of gross building area, of which 154,585 gross square feet (143,172 square feet above grade) is attributable to the hotel portion of the development, 19,723 square feet is attributable to the lower level garage, and 10,633 square feet is attributable to the grade level/second floor retail space. The valuation pertains solely to the hotel component of the property, which includes an undivided 88.8345 percent interest in the common elements of the property.

The subject property is located on the east side of Orchard Street, through to and fronting the west side of Ludlow Street, between East Houston Street and Stanton Street, in the Lower East Side section of the Borough of Manhattan, City and State of New York. The subject site is identified on the New York City tax assessment maps as Block 412, Lot 1003 and contains 15,611± square feet. The property is situated in a C4-4A as amended by New York City.

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March 4, 2020

The highest and best use of the subject property is hotel/mixed use development. Our conclusion is based upon the physical characteristics of the subject property, the nature of the location, the current zoning and general market trends affecting the property.

After carefully considering all available information concerning the subject property and all apparent factors affecting value, the opinion of the appraiser is:

#### Fair Value Opinion

Value	Interest Appraised	Date of Value	Conclusion
Fair Value As Is	Fee Simple	December 31, 2019	\$162,700,000

#### Allocation of Fair Value As Is

Value Attributable to Land	\$68,300,000	42%
Value Attributable to Improvements	\$90,600,000	56%
Value Attributable to Real Property	\$158,900,000	98%
Value Attributable to FF&E	\$3,800,000	2%
Value Attributable to Business/Intangibles	\$0	0%
<b>Total Assets of the Business</b>	<b>\$162,700,000</b>	<b>100%</b>

The value conclusions are subject to the following **Extraordinary Assumptions**<sup>1</sup> that may affect the assignment results. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions:

- None.

The value conclusions are based on the following **Hypothetical Conditions**<sup>2</sup> that may affect the assignment results:

- None.

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  
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<sup>1</sup> The definition of Extraordinary Assumptions can be found in the Glossary of Terms, which is located in the Addenda.

<sup>2</sup> The definition of Hypothetical Conditions can be found in the Glossary of Terms, which is located in the Addenda.

# Summary of Salient Facts

## Hotel Indigo



The subject, 180 Orchard Street / 171 Ludlow Street, also known as the Hotel Indigo, consists of a 26-story boutique hotel condominium. The subject was constructed in 2015 and the hotel opened in early 2016. The hotel contains 294 hotel rooms, a rooftop lounge and bar, outdoor terrace space, swimming pool, a meeting room and a fitness center. The initial development included a hotel, retail and garage component. They were segregated into three separate condominium units as per a Condominium Offering Plan as of May 2014. The retail and garage condos have been sold. This appraisal pertains to the hotel component only. The entire property contains 195,181 square feet of gross building area, of which 154,585 gross square feet (143,172 square feet above grade) is attributable to the hotel portion of the development, 19,723 square feet is attributable to the lower level garage, and 10,633 square feet is attributable to the grade level/second floor retail space.

## Salient Facts

Number of Hotel Rooms	294	<b>Zoning</b>	C4-4A
Number of F&B Outlets	2	<b>Flood Hazard Zone</b>	Zone X
Block/Lot	Block 412, Lot 1003	<b>Meeting Space</b>	Yes
Site Area	15,611 square feet	<b>Retail Space</b>	No
Hotel GBA	154,585 SF	<b>Date of Inspection</b>	December 13, 2019
GBA Above Grade	143,172 SF	<b>Exposure Time</b>	Within one year
Year Built	2015	<b>Marketing Time</b>	Within one year

## Financial Indicators

Financial Indicators	Total	Per Key
Projected Year 1 Occupancy	90%	
Projected Year 1 ADR	\$256	
Projected Year 1 NOI	\$9,377,034	\$31,895
Implied Year 1 Cap Rate	5.76%	
Terminal Cap Rate	6.75%	
Income Capitalization Approach As Is	\$162,700,000	\$553,401
Sales Comparison Approach As Is	\$172,000,000	\$585,034

### Fair Value Opinion

Value	Interest Appraised	Date of Value	Conclusion
Fair Value As Is	Fee Simple	December 31, 2019	\$162,700,000

#### Allocation of Fair Value As Is

Value Attributable to Land	\$68,300,000	42%
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Value Attributable to Real Property	\$158,900,000	98%
Value Attributable to FF&E	\$3,800,000	2%
Value Attributable to Business/Intangibles	\$0	0%
<b>Total Assets of the Business</b>	<b>\$162,700,000</b>	<b>100%</b>

The value conclusions are subject to the following **Extraordinary Assumptions**<sup>3</sup> that may affect the assignment results. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

•None.

The value conclusions are based on the following **Hypothetical Conditions**<sup>4</sup> that may affect the assignment results.

•None.

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

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<sup>3</sup> The definition of Extraordinary Assumptions can be found in the Glossary of Terms, which is located in the Addenda.

<sup>4</sup> The definition of Hypothetical Conditions can be found in the Glossary of Terms, which is located in the Addenda.

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# Introduction

## Purpose & Date of Value Opinion

The purpose of the appraisal is to provide an estimate of the “as is” fair value of the subject property’s fee simple interest as of December 31, 2019, in accordance with IFRS 13.

## Identification of the Client

MRR Thirteen Limited (the “Company”) has engaged us and is our client for this assignment.

## Intended Use and User

The type and definition of value sought in the appraisal of the subject was an “as is” Fair Value opinion for the Fee simple interest in the property as of December 31, 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.”

This appraisal is to be used to aid the Company in the preparation of the prospectus and/or financial statements to be published in Tel Aviv Stock Exchange in 2020. We confirm that we have given our full consent to the inclusion of the valuation in its entirety within the Company Prospectus to be published in the Tel Aviv Stock Exchange in 2020 and any Draft Prospectus to be published or disclosed to the Israeli Security Authority.

## Property Rights Appraised<sup>5</sup>

For our analysis of the subject property as transient hotel, the property interest being appraised is the fee simple interest.

## Property History

According to New York City records, the current owner is Mrddigo LLC. Mrddigo LLC acquired the subject from 180 Orchard Owner LLC on October 10, 2018 for \$162,500,000. The sale included the hotel condominium unit as well as an undivided 88.8345 percent interest in the common elements. 180 Orchard Owner LLC acquired the subject in 2011 for a reported consideration of \$46,350,000 and then developed a 295-room boutique hotel with retail and a parking garage at a cost of over \$132 million (it is noted that two units were subsequently converted into a suite, hence there are now 294 rooms).

Michelle Zell, formerly of BBG Inc., previously appraised the subject on June 19, 2018 for a fair value of \$162,500,000. Our opinion of the fair value as of December 31, 2019 is \$162,700,000, which is in line with the previous value. The hotel has more operating history as it is in its third year of operations with improved occupancy, rental income from Mr. Purple ramping up as well as increased revenues from Food and Beverage and other sources. This was offset by a drop in ADR, which was seen across New York City’s hotel market in 2019.

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<sup>5</sup> The definitions of the various interests appraised can be found in the Glossary of Terms, which is located in the Addenda.



## 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 (ie an exit price). That definition of fair value emphasizes 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 maximise 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.

## Exposure Time<sup>6</sup>

It is our opinion that a normal exposure time for the subject property is between 6 months and 12 months. This conclusion is predicated on interviews with local brokers and other real estate industry sources, on information obtained in the verification process of recent sale transactions for similar properties, and our analysis of supply and demand forces in the local market. The value reported herein presumes such an exposure time.

## Marketing Time

It is our opinion that a normal marketing time for the subject property is between 6 months and 12 months. This conclusion considers the property's relative market position, as well as our market value conclusion. As we foresee no significant changes in market conditions in the near term, it is our opinion that a reasonable marketing time for the subject is likely to be the same as the exposure time.

## General Assumptions

Various estimates of gross building area, number of guest rooms, and common areas were furnished by the owner, client, and/or their agents. This opinion of value reported herein assumes that the data provided are the most recent and accurate.

We note that our appraisers are not experts in the following domains:

- Technical Environmental Inspections: No Environmental Site Assessment report was provided in conjunction with this appraisal. If a report is commissioned and there are any environmental issues uncovered, they could affect our opinion of value reported. We recommend the services of a professional engineer for this purpose.
- Zoning Ordinances: We recommend an appropriately qualified land use attorney if a definitive determination of compliance is required.

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<sup>6</sup> The definition of Exposure Time can be found in the Glossary of Terms, which is located in the Addenda.

- Building Inspections: We recommend a building engineer or professional property inspector for the inspection. Any immediate expenditures that a trained professional may determine are needed, could affect our opinion of value reported.
- Easements, Encroachments, and Restrictions: We know of no deed restrictions, private or public, that further limit the subject property's use. The research required to determine whether or not such restrictions exist, however, is beyond the scope of this appraisal assignment. Deed restrictions are a legal matter and only a title examination by an attorney or Title Company can usually uncover such restrictive covenants. Thus, we recommend a title search to determine if any such restrictions do exist.

## Scope of the Appraisal

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 market.
- Analyzed the subject's zoning, physical characteristics and specific location to determine the Highest and Best Use of the site.
- Inspected the property.
- Analyzed the state of the New York City hospitality industry to forecast occupancy and room rates based on the subject's position and neighborhood market conditions. Additional consideration was given to present supply and demand factors and current occupancy ratios in the subject area.
- Analyzed the subject's historical operating statements.
- Researched the comparable hotel market to determine an ADR and occupancy rate for the subject.
- Analyzed comparable hotel expenses to project a cash flow for the hotel portion.
- Projected 10-year cash flow for the subject hotel and applied a market derived discount rate and a terminal capitalization rate to develop an opinion of value by the income approach.
- Researched comparable hotel sales to determine a value via the Sales Comparison Approach.
- Reconciled the values to conclude to an as is fair value as of December 31, 2019.

## Data Sources

The data contained within this appraisal was compiled from market analysis utilizing the following sources (unless otherwise noted): the tax Assessor, Environics Analytics, CoStar, Federal Reserve, and FEMA. When possible, we have confirmed the reported data with parties to the transactions or those who are intimately familiar with their critical details.

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**Sources of Data****Site Data****Source/Verification:**

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Site Size	Public Record
Excess/ Surplus Land	Tax Map
Gross Size/ Units	Owner; Condo Declaration
Hotel SF	Owner; Condo Declaration
Number of Buildings	Inspection
Amenities	Inspection
Deferred Maintenance	Inspection
Income Data	Owner; Market Forecast
Expense Data	Owner; Expense Comparables

# Neighborhood & Demographic Overview

## Lower East Side at a Glance

### Defined Boundary



The Lower East Side is a neighborhood in Manhattan in New York City. Lower East Side is bounded by Houston Street to the north, the East River to the east, Canal Street to the south and Bowery to the west.

### Summary

The Lower East Side, which was once full of vacant retail, is now one of New York's most fashionable neighborhoods. Most of the lower-end vendors have given way to indie boutiques and some of the best restaurants in the city. The Tenement Museum keeps the neighborhood's history alive in a series of restored apartments visited via themed guided tours, but most of the area's cultural draws are contemporary including the numerous art galleries on the Lower East Side.

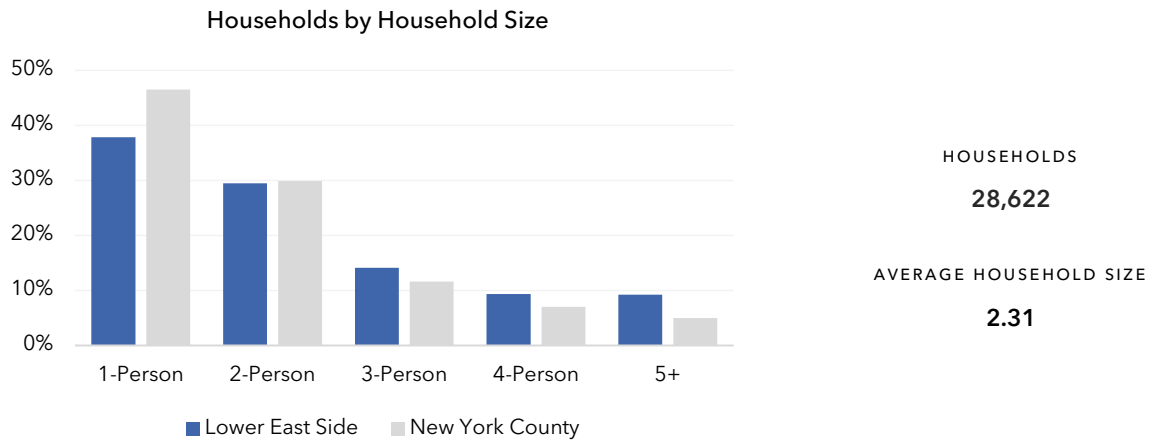
The following demographic profile, assembled by Environics Analytics, a nationally recognized compiler of demographic data, reflects the subject's neighborhood (Lower East Side) and market (New York County). All values presented herein are estimates for 2018 and all figures presented are for the subject neighborhood unless stated otherwise.

### Key Neighborhood and Demographic Trends

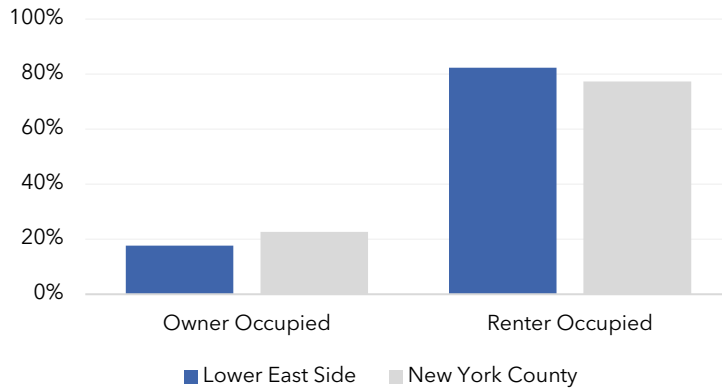
	Area	2000 Census	2010 Census	Change	2018 Est.	Change	2023 Projected	Change
Population	Lower East Side	69,016	65,944	-4.45%	67,792	2.80%	68,869	1.59%
	New York County	1,537,201	1,585,873	3.17%	1,674,506	5.59%	1,714,395	2.38%
Households	Lower East Side	26,249	27,425	4.48%	28,622	4.37%	29,253	2.21%
	New York County	738,646	763,846	3.41%	811,634	6.26%	832,789	2.61%
Family Households	Lower East Side	15,007	14,432	-3.83%	14,960	3.66%	15,241	1.88%
	New York County	301,965	308,828	2.27%	326,409	5.69%	334,446	2.46%

## Neighborhood

### Housing



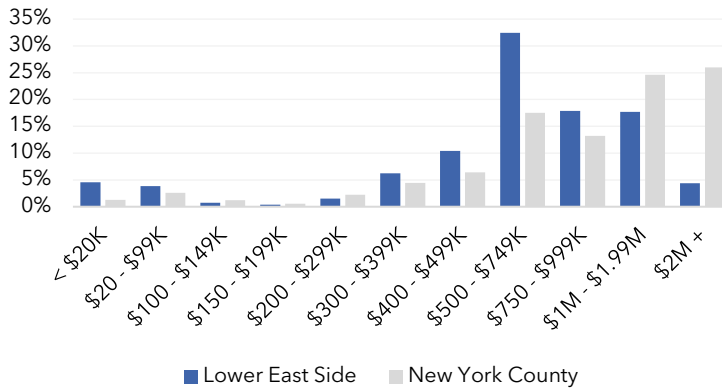
Occupied Housing Units by Tenure



MAJORITY OCCUPIED HOUSING UNITS

**82% Renter**

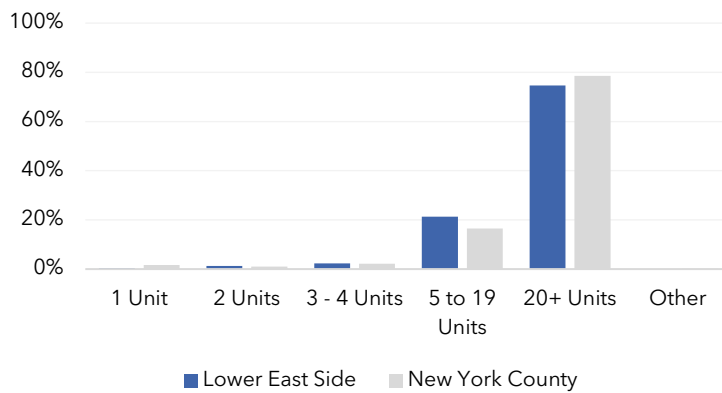
Owner Occupied Housing Units by Value



MEDIAN OWNER-OCCUPIED HOUSING VALUE

**\$667,017**

Housing Units by Units in Structure

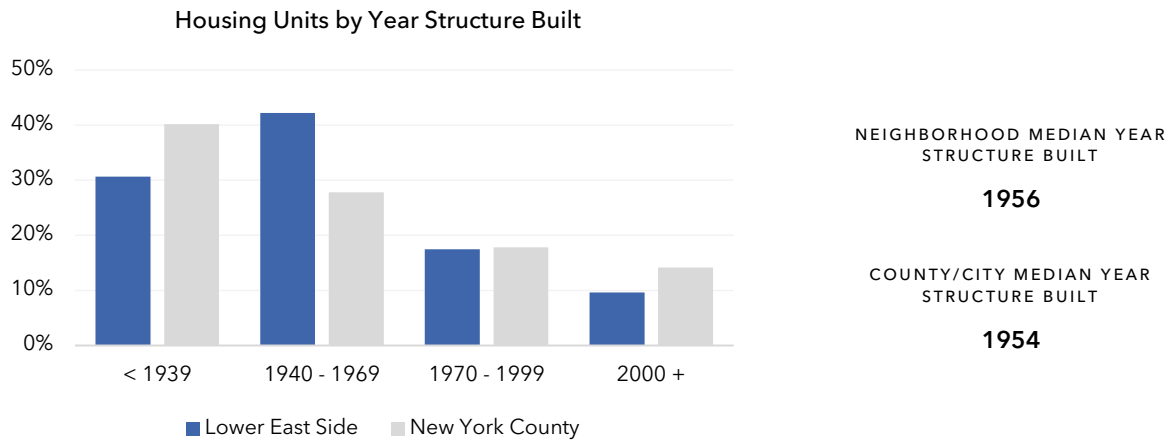


NEIGHBORHOOD HOUSING UNITS

**30,164**

COUNTY/CITY HOUSING UNITS

**899,821**



### Local Commerce & Recent Development

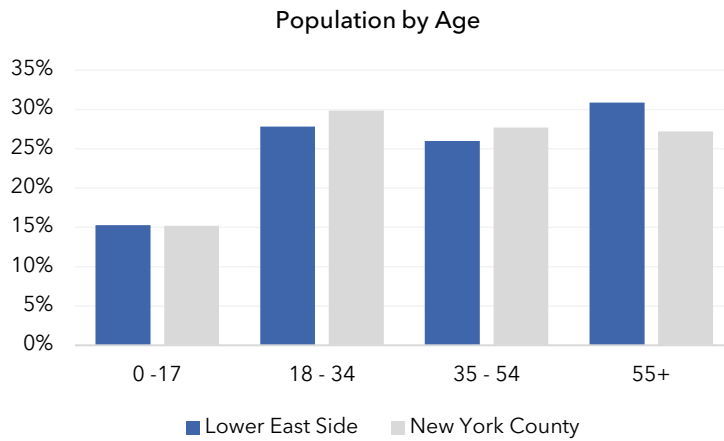
The Lower East Side is home to Katz's delicatessen, which is perhaps the most famous non-chain restaurants in the country. Another neighborhood establishment is the venerable smoked-fish purveyors Russ & Daughters. An area which was previously described by many as derelict, the Lower East Side has transformed into a locale attracting some of the best shops in New York City for new designers and vintage clothing with the clientele to boot.

2018 was a busy year for development in the Lower East Side. In January construction began on 180 Broome Street, a 26-story mixed-use tower, The Essex, that's part of the Lower East Side megaproject, Essex Crossing that will span 1.9 million-square-feet. The Essex is one of four completed buildings in the nine-building project. The tower features 10,000 square feet of retail on the ground floor, 175,000 square feet of office space on floors two through five, and 263 rentals on the floors above that. Of the total apartments, 121 units are affordable. The building's cellar level is home to a portion of the Market Line, the subterranean shopping complex. The Market Line is the centerpiece of the Essex Crossing mega-project. Together with the separate, city-managed Essex Street Market, the two facilities will eventually span 150,000 square feet under three buildings (only the first third of the Market Line opened in November 2019). Essex Crossing also features Regal Cinemas, Trader Joe's, Target, expansive green space and the Gutter Bowling as well as cultural institutions like the International Center of Photography.

Construction also began on a 45-unit condo building which was formerly home to Streit's matzo factory. The project is collaboration between Cogswell Lee Development and architecture firm Gluck+. The development came about after Cogswell purchased the factory building site in early 2015 for \$31 million. At the end of January Landmark's Sunshine Cinema closed making way for what Developer East End Capital's website says calls the "new, best-in-class office building with retail at the base." The Department of Buildings approved a plan to add 12-stories to the Lower East Side's Provident Loan Society located at 225 East Houston Street. The new development will feature 38 apartments and retail on the ground floor.

## Demographics

### Population



POPULATION

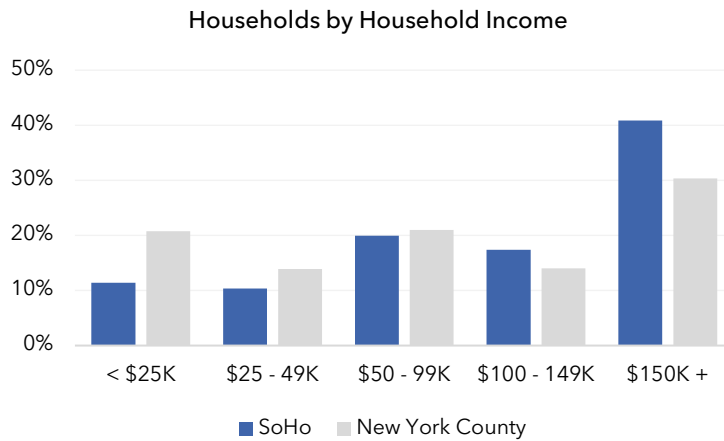
**67,792**

MEDIAN AGE

**40**

AVERAGE AGE

**42**



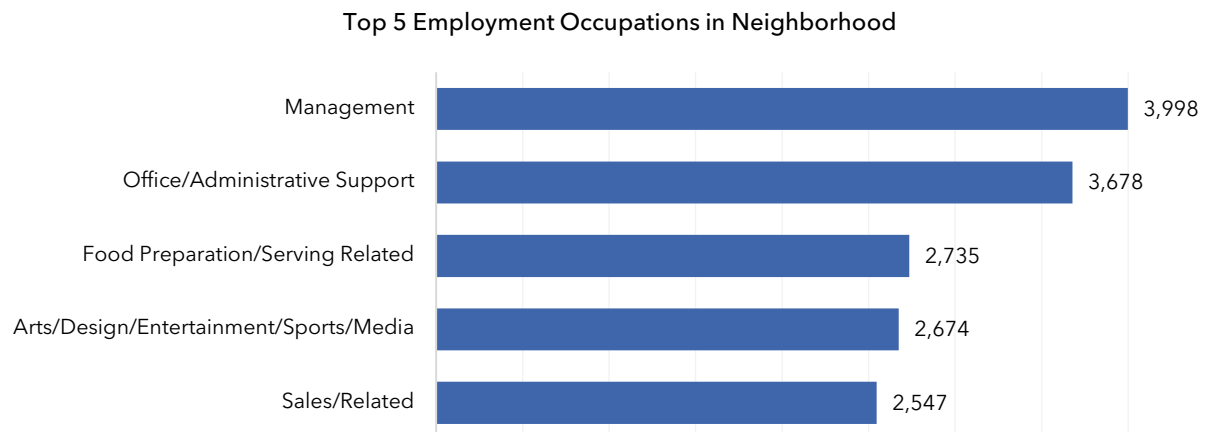
MEDIAN HOUSEHOLD INCOME

**\$41,441**

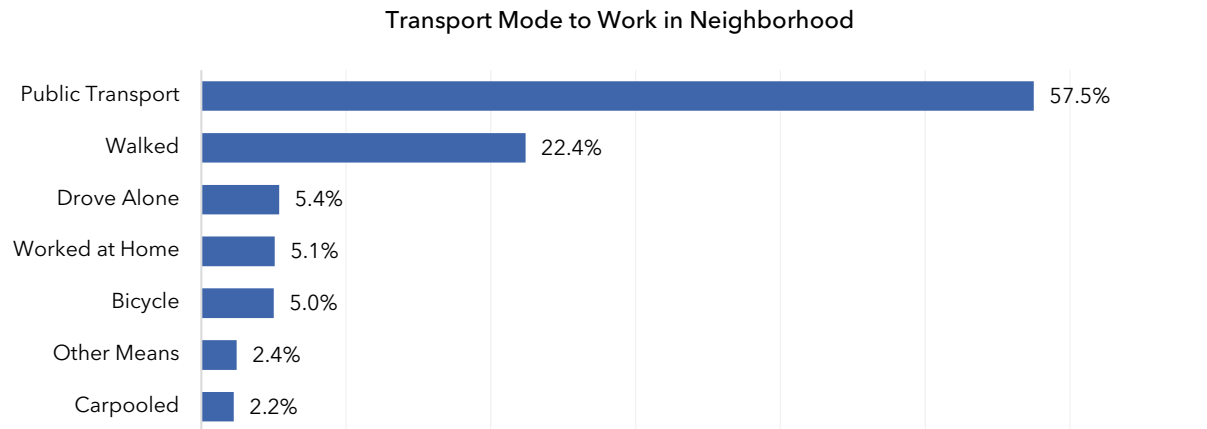
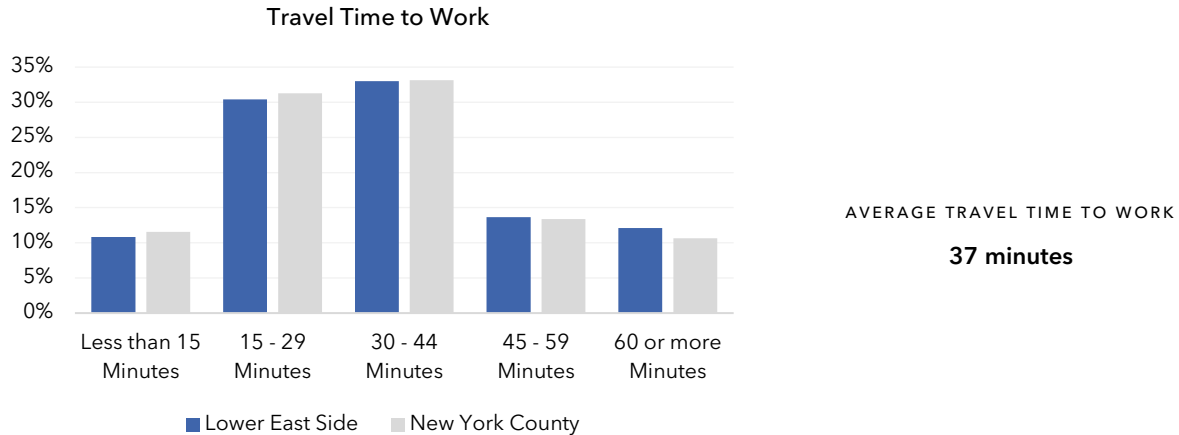
AVERAGE HOUSEHOLD INCOME

**\$80,906**





### Employment & Transportation







#### Transport Modes and Access

-  The Williamsburg Bridge and Manhattan Bridge connect the Lower East Side to Brooklyn. The FDR Drive is on the neighborhood's south and east ends.
-  There are multiple New York City Subway stations in the neighborhood, including Grand Street (B and D), Bowery (J and Z), Second Avenue (F), Delancey Street - Essex Street (F, J, M, and Z), and East Broadway (F).
-  New York City Bus routes include M9, M14A, M14D, M15, M15 SBS, M21, M22, M103, B39.
-  The nearest major airports are LaGuardia Airport (9 mi.), John F. Kennedy International Airport (17.7 mi.), and Newark Liberty International Airport (12.8 mi).

## Conclusion

The subject is well located in one of New York's most up and coming neighborhoods, with good access to public transportation, shopping, dining, and local employment centers. Lower East Side's recent influx of new construction is attracting a new affluent cohort of residents, shoppers and businesses alike. The area is conveniently located to linkages serving the employment districts of Manhattan as well as many local cultural attractions.

## Zoning Summary

The subject property is located in an C4-4A as designated by the City of New York. According to the *Zoning Handbook*, C4 districts are mapped in regional commercial centers, such as Flushing in Queens and the Hub in the Bronx, that are located outside of the central business districts. In these areas, specialty and department stores, theaters and other commercial and office uses serve a larger region and generate more traffic than neighborhood shopping areas. Use Groups 5, 6, 8, 9, 10 and 12, which include most retail establishments, are permitted in C4 districts. Uses that would interrupt the desired continuous retail frontage, such as home maintenance and repair service stores listed in Use Group 7, are not allowed.

C4 districts with an A, D or X suffix are contextual districts in which the commercial and residential bulk and density regulations can differ from corresponding non-contextual districts. Some districts have the same commercial and residential floor area ratios (FAR) as shown in the table but may differ in parking requirements. Floor area may be increased with a public plaza or Inclusionary Housing Program bonus.

C4-1 districts are mapped in outlying areas, such as the Staten Island Mall, that require large amounts of parking. C4-2 through C4-5 districts are mapped in more densely built areas, such as Steinway Street in Astoria (C4-2A), Fordham Road (C4-4), and parts of Jamaica (C4-5X). C4-6 and C4-7 districts are mapped in densely built areas in Manhattan, including most of Broadway on the Upper West Side (C4-6A) and portions of central Harlem (C4-7).

### Summary of Performance Regulations

C4	Contextual General Commercial District								
	C4-2A	C4-3A	C4-4A	C4-5A	C4-6A	C4-7A	C4-4D	C4-5D	C4-5X
Commercial FAR	3.0		4.0		3.4	10.0	3.4	4.2	4.0
Residential District Equivalent	R6A		R7A		R10A		R8A	R7D	R7X
Required Accessory Parking PRC-B	1 per 400 sf		None				1 per 1,000 sf		None
Permitted Sign Regulations (surface area)	5 X street frontage (500 sf total)								

Source: New York City Zoning Resolution

As indicated, the C4-4A zone allows a 4.0 FAR for residential and commercial use.

## Summary of Use Regulations

The following uses are permitted in C4 districts:

Category	Permitted Uses
Use Group 1	Single-family detached residences.
Use Group 2	Residences of all kinds including apartment hotels and non-profit residences for the elderly.
Use Group 3	Community facilities which include colleges or universities, libraries, museums, non-commercial art galleries, trade schools, nursing homes, and health related facilities.
Use Group 4	Churches, medical offices.
Use Groups 5 & 6	Wide range of retail stores and personal establishments for local shopping.
Use Groups 8-10 and 12	Regional commercial centers/amusement uses

## Summary of Parking Regulations

Parking requirements vary with district and use but high density C4-5 to C4-7 districts are usually exempt from parking requirements for commercial uses. For commercial and hotel uses, no parking is required for C4-4A zones. We note that the property contains a two level, 125-space parking garage in the sub-cellar and cellar levels. This space comprises a separate condominium unit which is not included in this appraisal.

## Conformity of Zoning

The subject lot size is 15,611 square feet (per NYC) and the as of right FAR is 4.0, yielding a buildable area of 62,444 square feet (above grade). After considering allowable deductions, it appears the property, with 164,045± square feet of gross building area above grade (including retail space) well exceeds as of right zoning. The subject property was purchased by the developer (previous owner) in 2011 with all approvals in place; the property had undergone a zoning change from a C6-1 Commercial (6.0 FAR) to the current zone. In addition, it is likely that air rights were also utilized in assembling the development site to allow the existing bulk. Accordingly, the subject development site and buildable area of over 160,000 square feet were grandfathered. We assume the development plans were approved and the subject conforms to the regulations.

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

## Assessed Value & Real Estate Taxes



### Current Tax Liability

The subject property is designated on the tax maps of the City of New York, Borough of New York, as Block 412, Lot 1003. The property is tax Class 4. We have applied the 2019 tax rate of 10.537% to the 2019/2020 and 2020/2021 assessed values of the property to determine the current tax liability. The lower of the Actual or the Transitional Assessed Value is applied. In the subject's case, it is the Transitional Assessed Value.

#### 2019/2020 Tax Assessment

		Actual	Transitional
Land		\$1,622,606	\$1,622,606
Building	+	29,155,144	25,592,825
Total		\$30,777,750	\$27,215,431

## 2020/2021 Tax Assessment

		<b>Actual</b>	<b>Transitional</b>
Land		\$1,622,606	\$1,622,606
Building	+	29,267,644	27,066,194
Total		\$30,890,250	\$28,688,800

## Tax Liability 2019/2020

<b>Taxable AV</b>		<b>Tax Rate</b>		<b>Tax Liability</b>	<b>Tax Liability PSF</b>
\$27,215,431	x	10.537%	=	\$2,867,690	\$18.55

## Tax Liability 2020/2021

<b>Taxable AV</b>		<b>Tax Rate</b>		<b>Tax Liability</b>	<b>Tax Liability PSF</b>
\$28,688,800	x	10.537%	=	\$3,022,939	\$19.56

We will apply half of 2019/2020 and half of 2020/2021 or a tax liability of \$2,945,314 in Year 1.

## Comparable Tax Liability

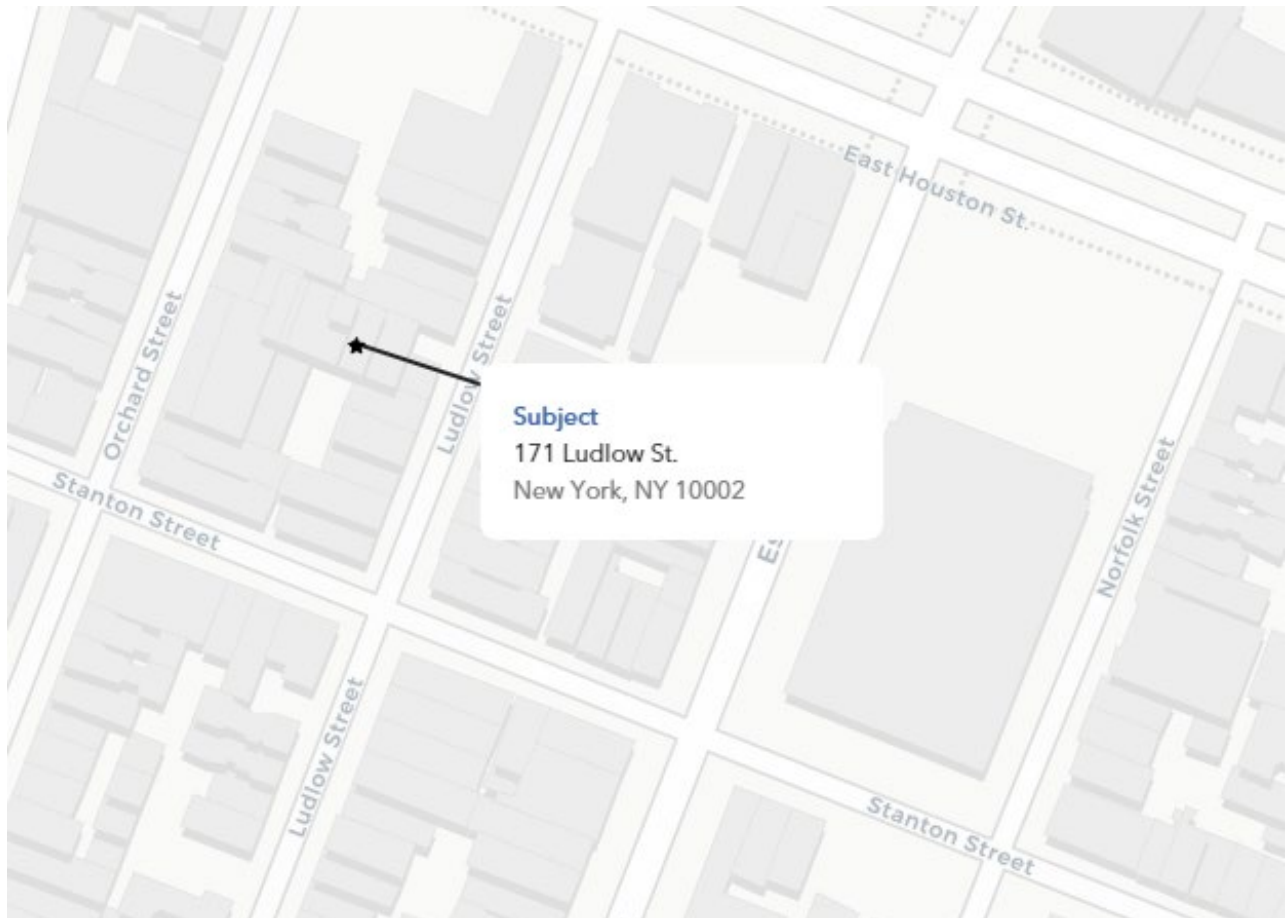
In order to support the current real estate tax liability, we surveyed those of comparable buildings in the area.

## Hotel Tax Comparables

<b>Address</b>	<b>Year Built</b>	<b>Stories</b>	<b>Area (SF)</b>	<b>Taxes PSF</b>
100 Orchard Street	1900/2005	8	12,206	\$16.28
101-07 Ludlow Street	2007	20	102,611	\$22.44
190-92 Allen Street	2005	20	100,008	\$19.14
103 Waverly Place	1910	9	49,213	\$22.06
Average:				\$19.98
Min				\$16.28
Max				\$22.44

The comparables range from \$16.28 to \$22.44 per square foot and averaged \$19.98 per square foot. The subject's unabated taxes are within the comparable range. Thus, we apply the current tax liability in our analysis.

## Site Description













### Location

The subject is located on the east side of Orchard Street, through to and fronting the west side of Ludlow Street, between East Houston Street and Stanton Street, in the Lower East Side section of the Borough of Manhattan, City and State of New York. The subject's location is mixed in character, consisting primarily of walk-up apartment and commercial loft buildings with retail at grade. Over the past several years, a number of newer residential and hotel developments have been constructed within the neighborhood.

The subject's immediate area has more than ample retail and services to meet the needs of neighborhood residents. There is an abundance of neighborhood-oriented retailers including nail and hair salons, delis and cleaners, as well as clothing stores, furniture stores, and other retailers catering to a larger population. Within the Lower East Side neighborhood, there are multiple well-known shopping thoroughfares, including Bowery, Delancey Street and Orchard Street, which are shopping destinations for both local residents and visitors. There are also ground floor retail stores along Rivington Street, Clinton Street, Stanton Street and Ludlow Street. These retail stores service the surrounding residential community and have recently begun to attract customers from all over the metropolitan area.

Access to public transportation from the subject's location is considered very good. North-south buses run along Avenues, with crosstown bus routes along Delancey Street, Houston Street and Canal Street. Subway service is provided by a major station at Essex and Delancey Streets which include the F, M, J and Z lines. The neighborhood is also located close to the Williamsburg, Brooklyn and Manhattan bridges, with access to the Holland Tunnel located across the area to the west. The FDR Drive and West Side Highway are nearby automobile access routes. The following subway lines are easily accessible from the subject:

-  at 2nd Av **under 500 feet**
-     at Delancey St-Essex St **0.24 miles**
-   at Bowery **0.32 miles**
-   at Grand St **0.38 miles**
-  at Bleecker St **0.44 miles**

In summary, the subject is located in a densely populated residential area that has experienced significant improvement and revitalization over the past several years. Due to the overall popularity with students, artists and young professionals, some area real estate professionals are touting the neighborhood as "the next SoHo". Over the long term, the Lower East Side is expected to exhibit continuing rehabilitation and property value improvement based on its popularity and the relative abundance of underutilized buildings and vacant lots available for new construction.

<b>Site Area</b>	15,611± Square Feet	
<b>Shape</b>	Irregular, L shaped	
<b>Frontage</b>	Orchard Street (128.170 feet) and Ludlow Street (50.250 feet)	
<b>Topography</b>	Generally level at street grade.	
<b>Drainage</b>	Adequate	
<b>Paving</b>	All roads are paved with asphalt in accordance with New York City standards. All roads appeared to be in satisfactory condition.	
<b>Street Drainage</b>	Street drainage is collected with the utilization of recessed catch basins. The catch basins empty by gravity into the New York City sewer storm system mains.	
<b>Street Lighting</b>	Street lighting consists of standard lighting fixtures which are 400-watt, sodium vapor fixtures and controlled by photo cells. The lighting fixtures are post mounted as per New York City requirements.	
<b>Utilities + Services</b>	<b>Water Supply</b>	Water is supplied by the municipality and connected through one 4-inch metered domestic service and 1 6-inch fire protection service.

<b>Gas Service</b>	Consolidated Edison Company
<b>Telephone</b>	Provided by Verizon or similar carriers.
<b>Electrical</b>	Consolidated Edison Company (208-volt service to main building)
<b>Refuse, Fire Protection, Police</b>	City of New York

**Hazardous Substances** We observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the services of a professional engineer for this purpose.

**Flood Hazard Status** The subject property is located in "Zone X" on the National Flood Insurance Program Rate Map, Community Panel #3604970201F. Zone X is an area of minimal flooding.

**Conclusion** The subject site is similar to other lots located in the immediate subject vicinity. The site conforms to neighboring standards in most respects and there are no negative external factors affecting the site. Based upon the current use of the site, all aspects of the site are functionally adequate.



## Description of Improvements

### Current Building Description

The subject, 180 Orchard Street / 171 Ludlow Street, also known as the Hotel Indigo, consists of a 26-story boutique hotel condominium. The subject was constructed in 2015 and the hotel opened in early 2016. The hotel contains 294 hotel rooms, a rooftop lounge and bar, outdoor terrace space, swimming pool, a meeting room and a fitness center. The initial development included a hotel, retail and garage component. They were segregated into three separate condominium units as per a Condominium Offering Plan as of May 2014. The retail and garage condos have been sold. This appraisal pertains to the hotel component only. The entire property contains 195,181 square feet of gross building area, of which 154,585 gross square feet (143,172 square feet above grade) is attributable to the hotel portion of the development, 19,723 square feet is attributable to the lower level garage, and 10,633 square feet is attributable to the grade level/second floor retail space. The following is a summary of the construction characteristics of the subject improvements.

### Building Inspection

On December 13, 2019, Michelle Zell, MAI, conducted an interior and exterior inspection of the subject property. The inspection included a tour of the building facade, exterior entrance, interior hallways, a selection of guest rooms, common areas, mechanical/electrical systems, stairs and roof. We were able to inspect the stairs and they are in good condition. We were able to inspect the roof and it is in good condition. Moreover, we did not observe any hazardous substances on the improvements or adverse environmental or physical conditions.

### Structural, Utilities & Mechanicals

The following is a summary of the construction characteristics of the structural, utility, and mechanical improvements.

#### Structural

<b>Foundation</b>	Poured concrete.
<b>Structural System</b>	Cast in place concrete slab and column, with block walls.
<b>Exterior Walls</b>	The building façade is comprised of a combination of red brick and precast concrete in a natural smooth finish.
<b>Roof</b>	The top floor roof has a relatively small surface area and consists of bulkhead rooms housing mechanical equipment. The bulkhead roof surface could not be determined from inspection but appears to be metal.
<b>Entrances</b>	The ground floor common lobby is accessed from entrances on both the Ludlow and Orchard Street sides.
<b>Windows</b>	Windows are multi-pane, double glazed, insulated glass panels set in metal / aluminum frames with separate vertical tilt in sections for each window unit.

## Utilities / Mechanicals

<b>Heating/Cooling Systems</b>	The hotel has an extensive heating and cooling system. Heating is via a heat pump system with central ducts in each room which also provides cooling. The primary mechanicals are located on utility closets on the 14th floor and the roof bulkheads. The building contains two, 300-ton cooling towers. The 12th floor contains a condensing boiler system with four centrifugal pumps. Each floor has one or more primary HVAC systems. Individual rooms have temperature control, with heating and cooling dispersed via a network of ducts.
<b>Electric</b>	Circuit breakers, switches, lighting fixtures and outlets. Electrical is provided by Consolidated Edison. The service is a 3 phase, 4-wire system (208/120 volt and/or 480/277 volt).
<b>Elevators</b>	For the hotel portion, the building contains five (5) automatic passenger elevators, including 4 dedicated to the hotel room floors and 1 dedicated to the rooftop lounge on the 15th floor. Elevator capacities are estimated to be 2,500 pounds each.
<b>Stairwells</b>	There are multiple stairwells throughout the building. Stairwells have concrete treads and metal railings.
<b>Plumbing</b>	Cast iron piping and galvanized steel. Piping consists of 8 inch combined domestic and fire protection.
<b>Lighting</b>	Lighting consists of a combination of attached incandescent and recessed fluorescent fixtures.
<b>Sprinklers/Life Safety</b>	The building contains a wet sprinkler system and a centrally monitored fire alarm system. There are also emergency lighting and pull stations.

## Layout & Finishes

<b>Sub-Cellar and Cellar</b>	The sub-cellar contains various mechanical/utility rooms. The cellar contains hotel common area including a dining area, rest rooms and mechanical rooms.
<b>First Level / Mezzanine</b>	The first floor contains an interior corridor which runs the length of the building and is accessed from both Orchard Street and Ludlow Street. This corridor is considered hotel space and provides access to the elevator banks.
<b>2nd to 12 Floors</b>	The second through twelfth floors consists of hotel suites ranging in size from 259 to 404 square feet. The second floor also contains a small fitness center (604 square feet) and a meeting room (855 square feet).
<b>14th Floor</b>	This floor contains the main building lobby including lounge and seating areas. This floor also contains various mechanical rooms for building HVAC equipment.

<b>15th Floor</b>	This floor is utilized as a rooftop lounge/bar comprising approximately 7,000 square feet, of which 4,000 square feet is enclosed building area, and 3,000 square feet is outdoor terrace space with an in-ground swimming pool. There are indoor and outdoor service bars. In winter, the outdoor roof deck contains a covered ski Chalet with a Veuve Clicquot champagne bar.
<b>16th to 26th Floors</b>	The upper floors consist almost exclusively of hotel suites. The 25th and 26th floors are convertible spaces that can be utilized as up to 3 hotel suites or a single larger recreation space. The 25th floor also has private outdoor terraces spaces.
<b>Laundry Facilities</b>	Valet service.
<b>Security</b>	Video surveillance.
<b>Amenities</b>	<ul style="list-style-type: none"><li>• Rooftop lounge with open terraces and swimming pool, and chalet in winter.</li><li>• Private convertible space on top two floors with terraces.</li><li>• Fitness center and meeting room on second floor.</li></ul>
<b>Parking</b>	The property contains a two level, 125-space parking garage in the sub-cellar and cellar levels. This space comprises a separate condominium unit which is not included in this appraisal.

### Guest Room Summary

A guest room stacking plan is presented as follows:

[illegible]

## Condition, Deferred Maintenance & Remaining Economic Life

### Condition

The subject was completed in 2015-2016 and opened in early 2016 and is in excellent condition with no observed deferred maintenance or functional obsolescence.

### Remaining Economic Life

The effective age is 4 years and the remaining economic life is 56 years.

### Summary

The improvements, as proposed, will satisfy the requirements for boutique hotel use. The information contained in the sections entitled "Site Description" and "Description of Improvements" was obtained from the following sources:

- Formal field inspection, December 13, 2019.
- Information provided by ownership.
- New York City planning, zoning and assessment record

## New York City and Manhattan Hotel Sector Analysis

### Overall Hotel Sector

U.S. hotel values remained relatively stable in 2018, as RevPAR growth was largely offset by increasing expenses. Nationally, hotel supply growth accelerated from approximately 1.5% in 2016 and 2017 to 2.0% in 2018; however, demand continued to outpace supply, providing a foundation for another year of strong occupancy, ADR, and RevPAR levels. Demand growth was supported in part by the strong economic growth temporarily induced by the Tax Cut and Jobs Act, which drove up the stock market and put more discretionary income into the hands of both corporations and consumers. While the relative strength and resilience of RevPAR growth has continued, the underlying economic volatility, slowing growth, and uncertainty has resulted in caution going forward. As such, hotel demand growth is anticipated to slow, with a consensus of forecasts expecting occupancy to remain flat or slip slightly for the year. ADR growth is projected to remain relatively stable at or slightly above inflationary levels, resulting in RevPAR growth expectations of 2.3 to 2.5%. Beyond 2019, a further deceleration of demand growth is anticipated, due in part to increasing recessionary concerns.

Attribute	Rating	Description
Supply	Neutral	Supply growth accelerated across the country with strong supply increases in secondary markets.
Occupancy	Positive	Demand continues to increase despite outsized supply growth.
ADR	Neutral	Growth has remained stable over the past year and is expected to remain so.

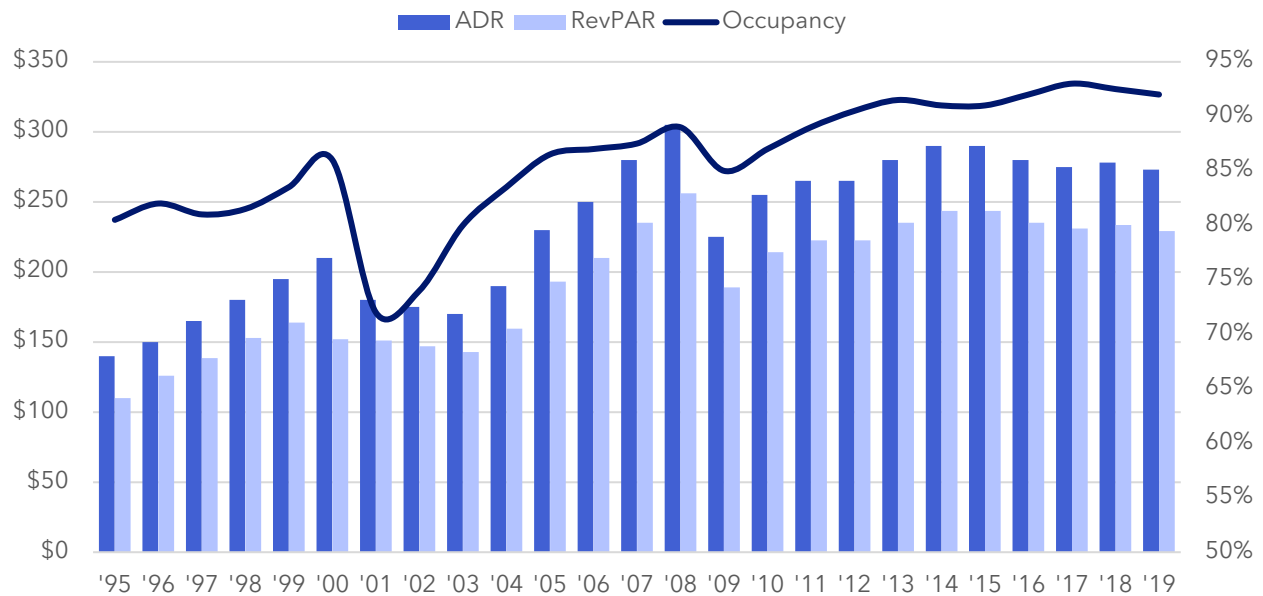
Although US hotels have experienced RevPAR increases in 112 of the last 115 months, growth continues to decelerate, with two of the three declines coming in June and September of this year. Looking ahead to the final quarter of 2019, the near-term lodging outlook suggests continued deceleration in top line metrics. Weak demand and a general lack of pricing power in October supports this outlook.

### New York City Hotel Sector

New York City remains among the top-performing lodging markets in the nation; however, demand has not been able to keep pace with increased supply growth across all five of the boroughs. Based on data from the PWC Manhattan Lodging Index, RevPAR in Manhattan for the third quarter of 2019, fell 3.1%. This was primarily due to declines in the average daily rate. During this cycle, ADR and RevPAR peaked between 2014 - 2015 but have trended downward since. Growth in lodging demand didn't keep up with a supply increase of 3.1%, which resulted in occupancy falling 0.5%.

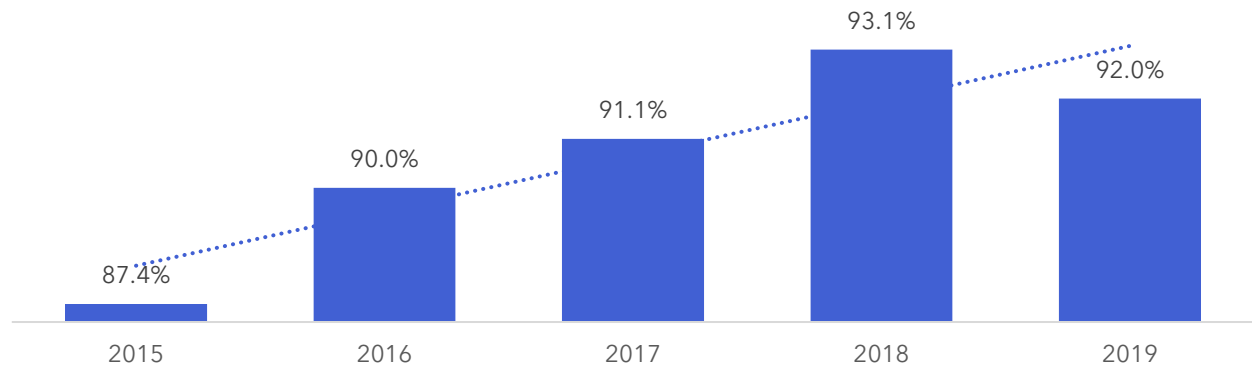
Attribute	Rating	Description
Supply	Negative	Supply increased across all five boroughs and could have negative impacts on occupancy moving forward.
Occupancy	Positive	Occupancy increased for the ninth consecutive year following a dip due to the GFC. Occupancy has surpassed 90% four straight years.
Room Rates	Neutral	Average rate (ADR) registered a rebound in 2018 following two years of decline; however, continues to decline after peaking in 2015.

## Manhattan Q3 Performance - 25 Year Trend



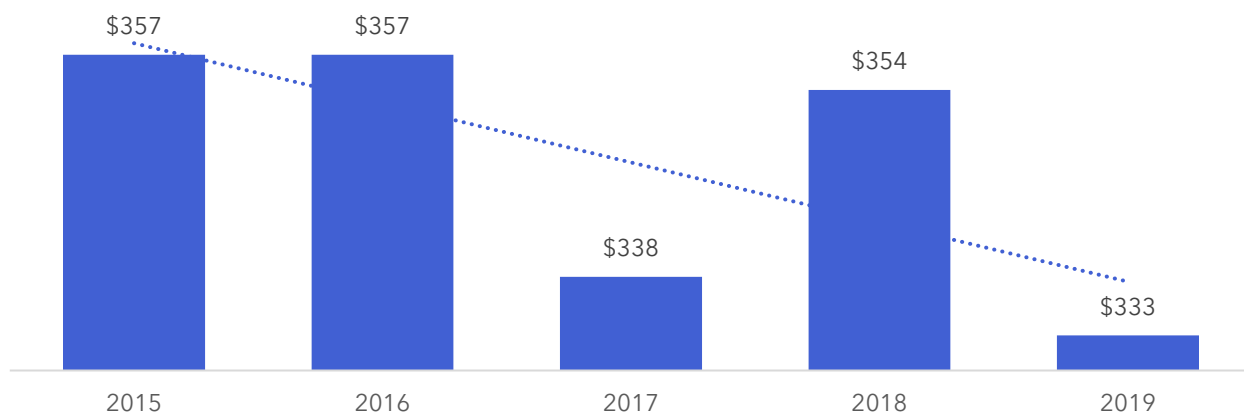
Source: PWC

## NYC Hotel Occupancy - October by Year



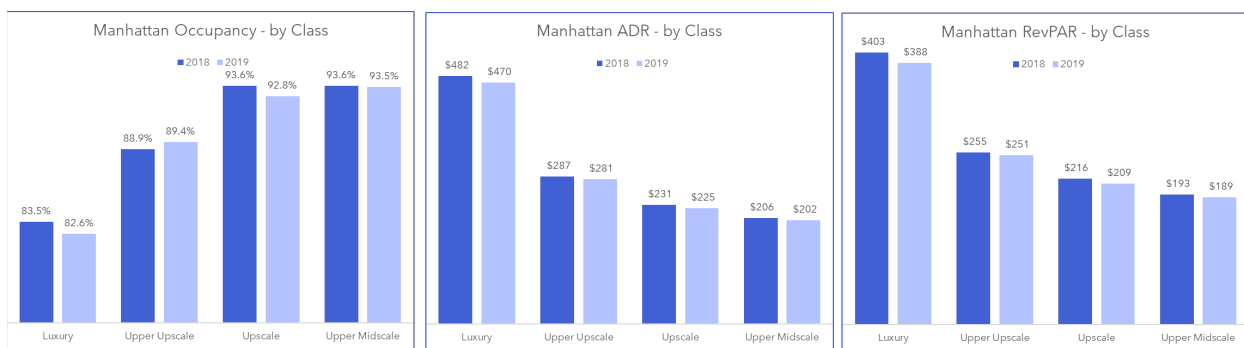
Source: NYC w/CBRE data

### NYC Hotel ADR - October by Year



Source: NYC w/CBRE data

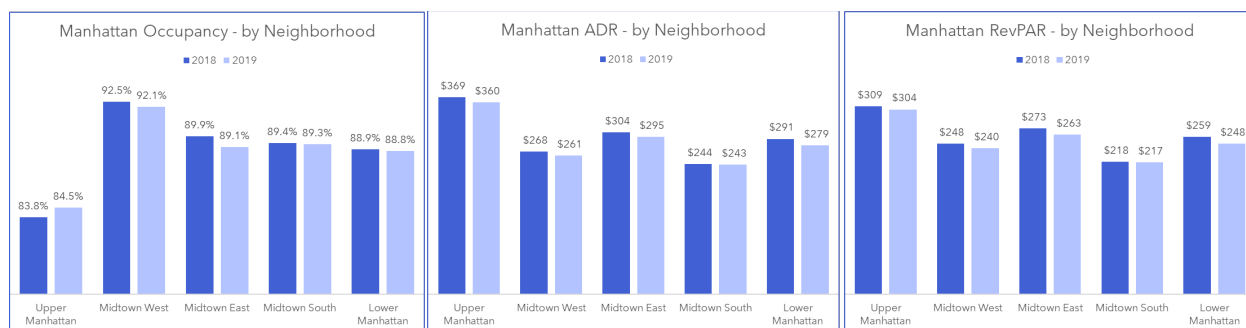
Across all Manhattan hotel classes, Luxury properties exhibited the most notable decline in RevPAR during the third quarter. Decreasing by 3.7% from prior-year levels, Luxury RevPAR was largely driven by a decline in ADR of 2.7%. For Upscale hotel properties, where occupancy fell by 0.8%, Q3 RevPAR was further impaired by a decline in ADR of 2.6%. Upper Midscale hotels experienced a minimal decline in occupancy 0.1%, with ADR down 2.2%, leading to an overall decrease in RevPAR of 2.3%. Of the four hotel classes tracked, Upper Upscale hotels posted the smallest decline in RevPAR, driven by a decrease in ADR of 1.9% partially offset by growth in occupancy of 0.5%.



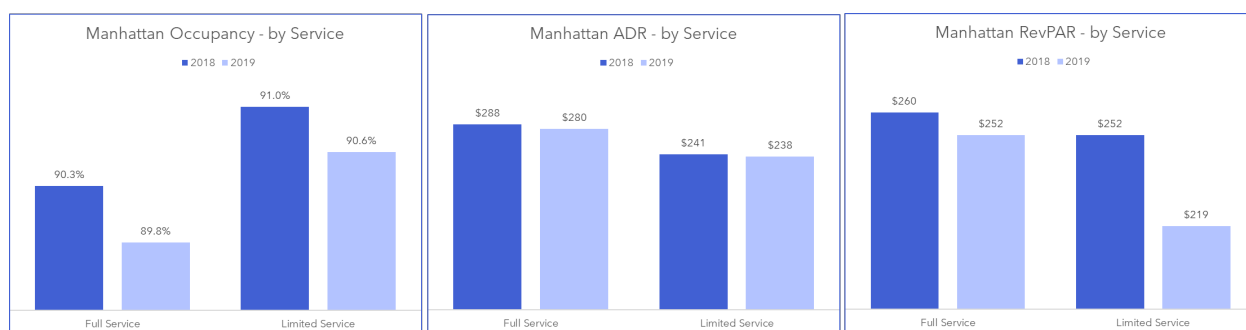
Source: PWC

During the third quarter, all of the five Manhattan neighborhoods experienced declines in RevPAR. As occupancy and ADR fell across the board, the Lower Manhattan submarket posted the largest ADR-driven decline in RevPAR of 4.3%. For the Midtown East submarket, where RevPAR declined by 3.7%, ADR and occupancy decreased by 2.7 and 1.0%, respectively. For Midtown West, where occupancy declined by just 0.5% from prior-year levels, a decline in ADR of 2.6% resulted in a drop in RevPAR of 3.1%. In addition, for Upper Manhattan, RevPAR posted a decline of 1.7% despite an increase in occupancy in of 0.8% over the same period last year. Of the five Manhattan neighborhoods tracked, Midtown South experienced the smallest decline of RevPAR of 0.6%, driven by declines in occupancy and ADR of only 0.2% and 0.4%, respectively.





RevPAR was more impacted for full-service hotels than that of limited-service properties during the third quarter, with year-over-year declines in ADR of 2.5 and 1.4%, respectively, and declines in occupancy of 0.5 and 0.4%, respectively. RevPAR for independent hotels proved to be more impacted than that of chain-affiliated properties. From July through September, both chain-affiliated and independent hotels experienced declines in occupancy of 0.6% and 0.4%, respectively. However, declines in ADR of 2.0% for chain-affiliated hotels and 3.9% for independent hotels, drove RevPAR for independent hotels down by 4.3% from prior-year levels, compared to 2.6% for independent properties.



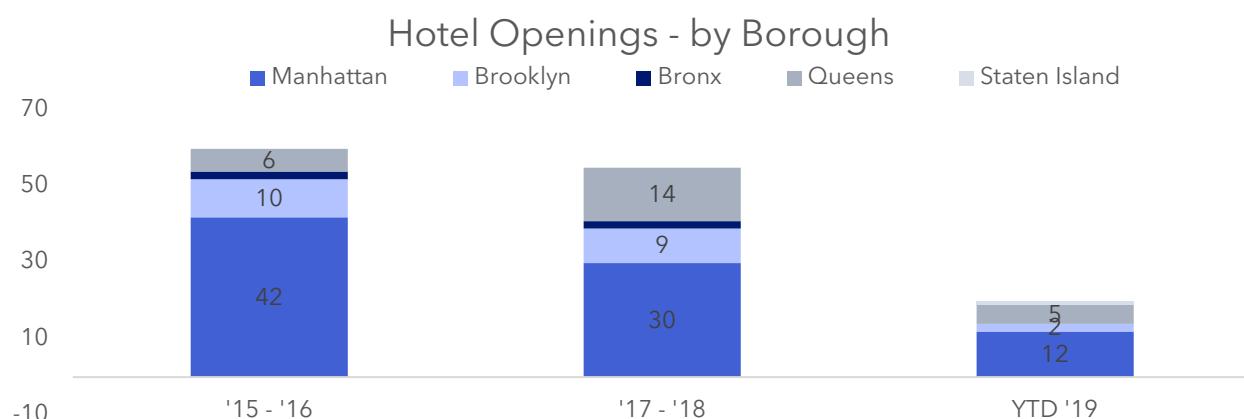
Source: PWC

## New York City Hotel Development

An increase in overnight visitation from both business and leisure travelers has supported tourism development in boroughs across the city and in established and emerging neighborhoods from the Bronx to Brooklyn and across Queens. New properties and exciting conversions and renovations in Manhattan are adding to the record increase in supply. The hotel pipeline in New York City continues to stand out in the US growth picture. Over the past decade the city has attracted new brands, international properties, authentic neighborhood independents, and a wide-ranging collection of select service brands, business class hotels, lifestyle and boutique properties, and new luxury destinations. At the current pace, the city is expected to top 144,000 rooms in active inventory by the end of 2021.

So far this year, more than 20 new hotels have opened adding almost 3,900 new rooms to the active inventory. Highlights of the 2019 cycle include the 285-room Moxy East Village, 212 rooms at the first ever Equinox Hotel, the luxurious Hotel Hendricks (176 rooms) as well as a new Hotel Indigo in Williamsburg (187 rooms) and a TownePlace Suites (133 rooms) in Long Island City. These join the TWA Hotel at JFK airport, MCR's restoration and expansion of the landmarked Eero Saarinen terminal building into a meeting, leisure and business hotel, which came online in May. Ace Hotels addition of the Sister City property to the hip Lower East Side, The Times Square EDITION brought 452 guest rooms and spectacular lounge space to midtown.

New properties are slated for all five boroughs, with half of the new development occurring outside Manhattan in Brooklyn, Queens, the Bronx and Staten Island (more than 70 new properties are outlined below). Looking ahead, the City's hospitality industry is planning for the addition of an estimated 20,455 plus rooms in 113 new developments in all five boroughs. Key brands at all chain scales are opening across Manhattan and the boroughs and contemporary brands are making their home in New York including Pendry, Six Senses, Pestana, Staypineapple, NH, Virgin Hotels, Riu and an Aman Hotel. With development slated for neighborhoods and new districts development is happening in and beyond the midtown corridors. Notable neighborhoods for new hotels include Harlem, Roosevelt Island and Greenwich Village as well as the exciting Lower East Side. Queens hotel development is moving beyond the airports to Long Island City, Flushing, Rockaway, Jamaica and Fresh Meadows. In addition, there are exciting new developments on the visitor map in both the Bronx and Staten Island. The picture for 2020 and beyond is an unparalleled mix of brands, amenities and locations to make it easy to find your welcome across New York City.



Source: NYC & Company

## NYC Hotel Sales Activity

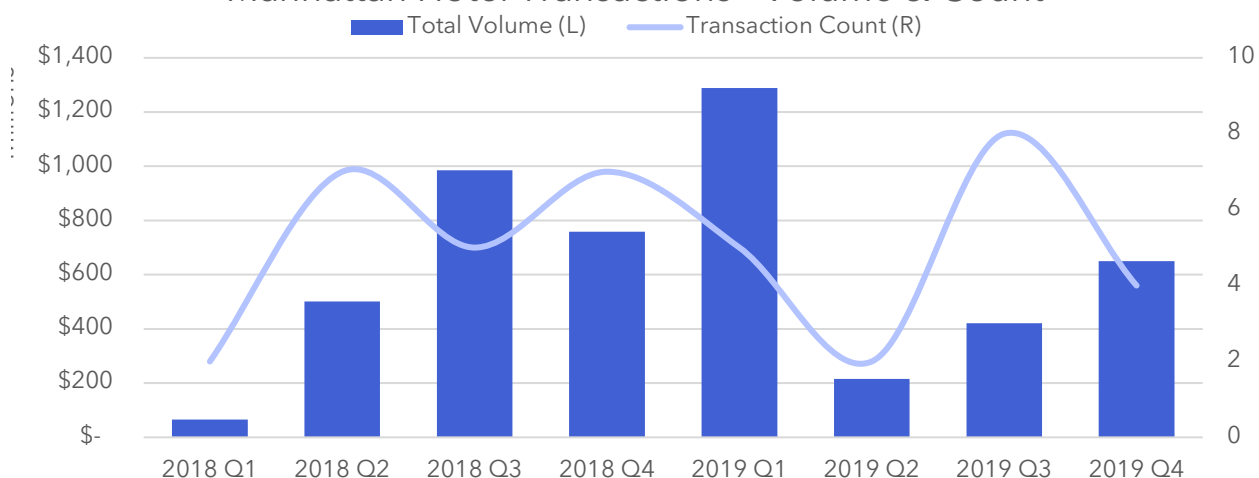
Transaction activity in the New York City area has picked up through 2019. Unsurprisingly, the largest volume transacted in Manhattan, with few sales registered in the outlying boroughs. Based on data from Real Capital Analytics (RCA), there were 21 sales recorded in Manhattan in 2018, compared to 19 so far through 2019. The top single-asset sale was The Plaza Hotel, which traded at approximately \$2.1 million per room. While both parties to this transaction involved offshore entities, domestic companies accounted for the majority of buyers in 2018. As mentioned previously, hotel values remained relatively steady, due in part to cap rates, which have held at near-record lows. Cap rates for high-performing limited- and select-service assets have hovered around the 5% mark, with capitalization rates on more upscale and luxury assets trending in the low single digits. As Manhattan is viewed as the nation's top gateway city, hotel investors from all over the world consider it to be an essential and low-risk market for their portfolio. Furthermore, REIT players in the market have shifted away from a strong sell strategy, having represented a substantial source of the seller pool in 2016 and 2017. Overall, the outlook remains positive given New York City's intrinsically strong demand fundamentals and the expectations of longer-term upside potential.

During the third quarter, transaction volume picked up with eight hotels changing hands between July and September of 2019. In a two-property portfolio sale, Aju Hotels & Resorts purchased Hyatt Herald Square and Hyatt Place Midtown South. Located at 1141 Broadway, the full-service, boutique Ink48 hotel was sold to Brookfield Properties for \$40.3 million or \$384,128 per key. During the month of August, an additional three hotels transacted, including The Hotel @ Fifth Avenue, Marrakech Hotel (NYC), and the Club Quarters Midtown. In addition, two smaller hotels, the 79-key NCASA 46 and the 47-key Hotel Shocard, sold in July for \$303,797 and \$212,766 per key, respectively.

## Recent Hotel Transactions

Date	Hotel Name	Rooms	Price	Price per Key
19-Sep	Hyatt Herald Square	122	\$51,175,000	\$419,467
19-Sep	Hyatt Place Midtown South	185	\$85,512,000	\$462,230
19-Sep	Ink48	222	\$85,276,000	\$384,128
19-Aug	The Hotel @ Fifth Avenue	182	\$56,520,000	\$310,549
19-Aug	Marrakech Hotel (NYC)	128	\$44,000,000	\$343,750
19-Aug	Club Quarters Midtown	167	\$64,530,500	\$386,410
19-Jul	NYCASA 46	79	\$24,000,000	\$303,797
19-Jul	Hotel Shocard	47	\$10,000,000	\$212,766

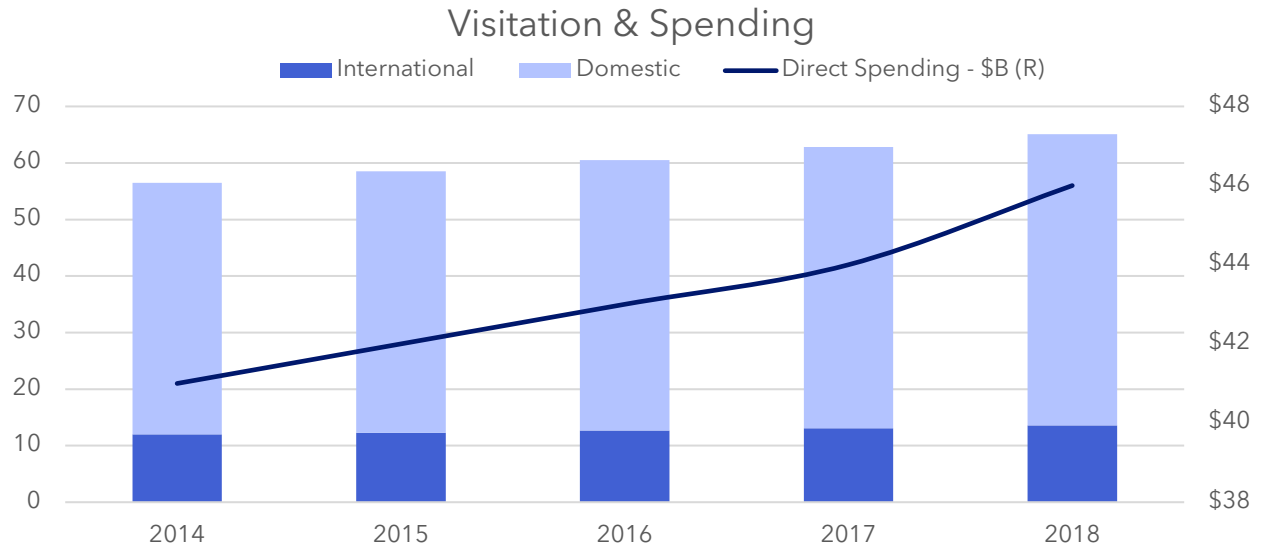
## Manhattan Hotel Transactions - Volume &amp; Count



Source: RCA

## Tourism

As 2019 winds down, New York City is closing in on the tenth consecutive year of record performance with more visitors from domestic and international markets – an expected 66.9 million visitors compared to 65 million visitors in 2018, up 3.7% over 2017. Visitor spending, at \$46.4 billion, increased at a faster rate of 4.9% over the last year. An increase in visitor spending led to an increase in jobs related to the tourism sector. In fact, New York City surpassed 300k jobs in 2018. The travel and tourism economy continue to be one of the most dynamic in New York City's private labor force even as unemployment continues to decrease to historical levels. Together, the jobs supported by traveler spending took in a total income of \$27.7 billion.



*Source: NYC & Company / Tourism Economics*

## Conclusion

As the most popular urban destination in the US, New York City continues to see growth in most metrics driving demand for the hospitality sector. Visitation is up from both domestic and international travelers and is expected to increase for 2019 through 2020. This has led to increase in visitor spending, which has helped drive related labor pools. New York City's hotel sector leads the nation in investment, diversification, and overall growth. Over the last few years, major developments and infrastructure projects have changed the face of the city and an increase in both domestic and international travel is a sign it is working. Looking forward, New York City's competitive position will provide continued growth; however, elevated construction levels are a cause of concern.

## Local Hotel Market Analysis

The purpose of this section is to link the general market to the subject property and the specific market in which it competes. As a major metropolitan area, New York City draws visitors nationally and internationally from business, leisure and group travel sectors.

We will begin our analysis by comparing the subject to the competitive set primarily in terms of physical and locational attributes. In doing so, we will identify the market in which the property competes. Next, we will examine historical occupancy and room rate trends, as well as the factors which will influence the continuation of such. In this analysis, we have relied on secondary data provided by Smith Travel Research, a prominent company which tracks hotel demand factors.

### General Location

The subject hotel property is located on the east side of Orchard Street, through to and fronting the west side of Ludlow Street, between East Houston Street and Stanton Street, in the Lower East Side section of the Borough of Manhattan, City and State of New York. In terms of the macro New York City market, the Lower East Side is a growing and well-regarded neighborhood known for its trendy restaurants and shops. The subject location has many amenities and cultural institutions within easy walking distance and is accessible to public transportation. The subject's location within the neighborhood is central and accessible.

### Property Rating

In order to assess the subject's strengths and weaknesses with regard to the marketability, we have analyzed the subject in comparison to its competition in terms of its site characteristics and location. In addition, we studied the proposed physical attributes such as building design and construction, as well as non-physical items such as amenities and brand positioning. The subject property is part of the InterContinental Hotel brand and benefits from this affiliation. In our analysis, the subject is compared to full-service boutique hotels.

InterContinental Hotels or IHG, is a British multinational hotels company headquartered in Denham, UK. IHG has over 742,000 rooms and 5,028 hotels across nearly 100 countries. Its brands include Candlewood Suites, Crowne Plaza, Even, Holiday Inn, Holiday Inn Express, Hotel Indigo, Hualuxe, InterContinental, Kimpton Hotels and Resorts and Staybridge Suites. Of the 4,602 hotels, 3,934 operate under franchise agreements, 658 are managed by the company but separately owned, and 10 are directly owned. As of September 2019, there are 112 open Hotel Indigos in the world with 102 in the pipeline. Due to this affiliation, Hotel Indigo benefits from corporate relationships, as well as a high degree of global recognition and should reasonably outperform the competition.

### Market Standards

To determine the market standard, we researched the amenities and services offered by the competitive set; we detail the amenities of each later in the Supply Analysis. Nearly all sectors include a small refrigerator, hair dryer, toiletries, phone, television, and Wi-Fi/internet access.

Although the specifics offerings vary, there are common items that most consumers have come to expect. Consumers who choose boutique brands expect unique, high design, trendy restaurants, high quality bath products and linens, and technology connectivity. The general tone in a boutique hotel is intended to be intimate and personal, whereby the staff is highly trained offering consistent service.

As the moniker indicates, full-service hotels offer a wide variety of services and amenities to travelers. With commonly recognized flags, most appeal to a broad range of travelling segments, with features to satisfy the demands of business, groups, and leisure categories. While a mid-scale product will offer a small fitness center, a full-service hotelier provides a wide array of equipment, a pool, plus a spa. This comparison is consistent across nearly all offerings, from the range of services provided by the concierge, to valet parking and casual to formal dining options.

### Competitive Position of the Subject Property

With its trendy design, recent installation of large scale art, outdoor pool and rooftop restaurant and bar, Mr. Purple, the subject is above average and will appeal to the boutique traveler seeking a high-end design hotel. Thus, if priced appropriately, we anticipate that the subject should capture at least its fair share of market demand in this segment.

### Physical Elements

The exterior design, appearance and quality of construction of the subject will appeal towards the high end of the market. Newly constructed, the hotel and FF&E are in excellent condition. In terms of room size, the average space is similar to the competitive set. The guest rooms are bright and modern. Many rooms offer floor to ceiling windows with city views. In terms of unit-amenities, the subject competes favorably. To this end, guest rooms feature Flat-screen TVs, high quality linens and bath products and spa-like bathrooms.

Outside the guest rooms to the common areas, travelers will also find a consistent modern decor, with trendy design features including a hip and trendy rooftop restaurant and bar on the 15<sup>th</sup> floor called Mr. Purple. This space recreates an artist loft ambiance with indoor and outdoor areas displayed through the use of reclaimed wood structures, free hanging lights and contemporary wood furniture. This space features two terraces. In addition, there is a lobby bar and café.

The hotel offers a 24-hour fitness center on the third floor and an outdoor swimming pool, a rare amenity in New York City. The hotel also has meeting space. While we expect most guest will arrive via public transportation, the hotel features an on-site parking garage.

### Site Linkages

The lynchpin to the success of marketing in Manhattan is easy access to transportation links. In this regard, the subject hotel site is very well positioned within the downtown market, with numerous subway lines within several blocks of the parcel. There are four subway lines within a quarter mile of the site including the F, J, M, and Z lines just south at Delancey Street. Further, bus lines abound, as routes spring from Downtown Manhattan in all directions. In terms of auto transport, East Houston is a link to the FDR Drive and West Side Highway, which links the subject neighborhood to Brooklyn to the east and New Jersey to the west.

### Overall Performance

According to the Q3 2019 PWC Survey, RevPAR in Manhattan for the third quarter of 2019, fell 3.1%. This was primarily due to declines in the average daily rate. During this cycle, ADR and RevPAR peaked between 2014 - 2015 but have trended downward since. Growth in lodging demand didn't keep up with a supply increase of 3.1%, which resulted in occupancy falling 0.5%.

### Conclusion

As a trendy boutique hotel with international brand affiliation, the subject competes favorably in the overall market, and draws attraction based on its high design, excellent condition, amenities, and proximity to transport.

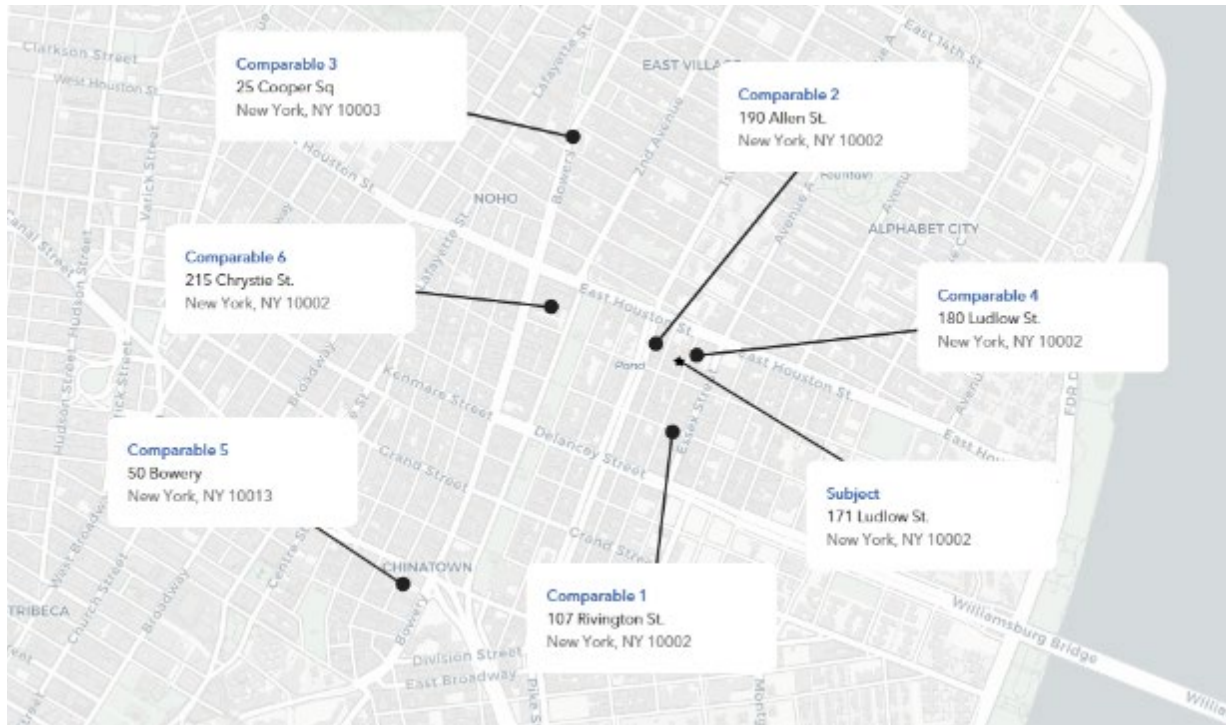
## Subject Performance vs. Competitive Set

The following data of competitive hotels within the subject immediate and expanded neighborhood is summarized below. Performance data is compiled from Smith Travel Research (STR), a leading firm specializing in the publication of hospitality performance statistics. All of the below hotels are located within a roughly 3/4 of a mile radius of the subject within the Lower East Side, SoHo and NoLiTa submarkets. The six hotels considered to be direct competitors are summarized below. They have all opened between 2004 and 2017.

Hotel	Address	Zip Code	# of Rooms	Date Opened
Hotel On Rivington	107 Rivington Street	10002	109	Oct 2004
Sixty LES	190 Allen Street	10002	141	Jul 2008
The Standard East Village	25 Cooper Square	10003	144	Dec 2008
The Ludlow Hotel	180 Ludlow Street	10002	175	Jun 2014
Joie De Vivre	50 Bowery	10013	229	May 2017
Public Hotel	215 Chrystie Street	10002	367	Jun 2017

Source: Smith Travel Report

Competitive Survey Map





**Hotel On Rivington**  
**107 Rivington Street**  
**New York, NY**

**Number of Rooms:** 109

**Year Opened:** 2004

**Description:**

This 20-story, 109-room hotel opened in 2004 in the Lower East Side. Rooms feature floor-to-ceiling window, slate bathrooms and free Wi-Fi. Upgraded rooms include balconies, deep soaking tubs, steam showers and additional bedrooms. The hotel features a hip restaurant with Mediterranean fare. There is also a juice bar on the ground floor and a rooftop event venue. Further, the hotel features a media room, conference room and business center.



**Sixty LES**  
**190 Allen Street**  
**New York, NY**

**Number of Rooms:** 141

**Year Opened:** 2008

**Description:**

This 20-story, 141-room hotel opened in 2008 in the Lower East Side. Ultrachic rooms have artsy accents and feature flat-screen TVs, iPod docks, rainfall showerheads, gourmet minibars, robes and Wi-Fi access. Some rooms have floor-to-ceiling windows and private balconies. Suites and a penthouse add separate living rooms, dining areas and fireplaces. The hotel features a rooftop pool and lounge with retractable roof, beer garden, sushi restaurant, spa and fitness center and a meeting room.





**The Standard East Village**  
**25 Cooper Square**  
**New York, NY**

**Number of Rooms:** 144

**Year Opened:** 2008

**Description:**

The Standard East Village is located in Cooper Square (3 Avenue and 5<sup>th</sup> Street) and was constructed in 2008. The hotel contains 144 rooms. The 21-story hotel is accessed via the original tenement-style building. The hotel features a full-service restaurant with a Michelin starred chef, and a café offering live music. Rooms feature floor to ceiling windows, TV, Bluetooth speakers, 24-hour room service and free Wi-Fi.



**The Ludlow Hotel**  
**180 Ludlow Street**  
**New York, NY**

**Number of Rooms:** 175

**Year Opened:** 2014

**Description:**

This 20-story, 175-room hotel opened in 2014. Bright, modern rooms feature floor-to-ceiling windows, and bathrooms offer soaking tubs and/or rainfall showerheads. Some rooms add sitting areas, city views and/or terraces or balconies. Amenities include a trendy French bistro, a lobby bar and a garden patio. It is located in the Lower East Side neighborhood.



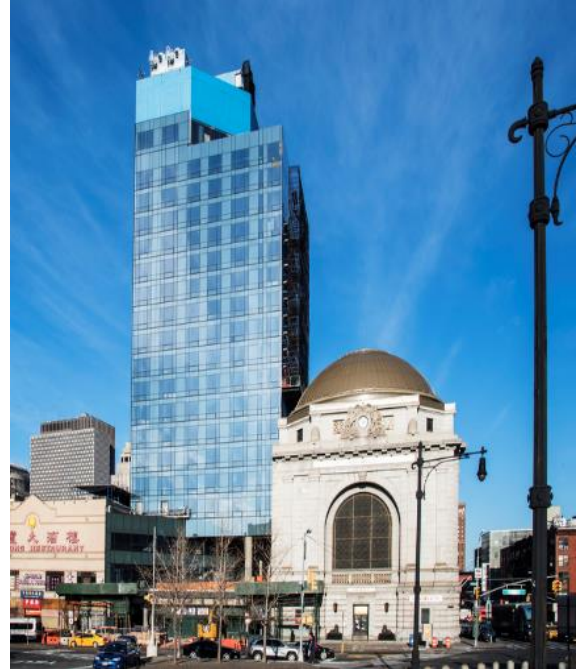
**Joie De Vivre**  
**50 Bowery**  
**New York, NY**

**Number of Rooms:** 120  
**Year Opened:** 2017

**Description:**

This 22-story, 120-room hotel is recently completed and opened in May of 2017 with initial rates between \$200 and \$350 per night. Chef Dale Talde and his partners at Three Kings Restaurant Group operate an assemblage of three high-profile establishments at 50 Bowery, including the responsibility of food and beverage to guests at the hotel. The main restaurant, Rice & Gold, features "Asian-centric" menu. The Green Lady, according to the website, offers live music and entertainment. The Crown serves breakfast, lunch, and dinner based on a "street food-inspired menu" with cocktails.

The common areas include large artwork from Beijing-based graffiti artist Dake Wong. Rooms include distressed oak floors and traditional blue and white colors injected across hand-plastered headboard walls. The contemporary design features subtle Asian touches, with artwork sourced from the Museum of Chinese in America. Floor-to-ceiling windows enhance guest rooms with natural light and many rooms have unobstructed Manhattan skyline views.



**Public Hotel**  
**215 Chrystie Street**  
**New York, NY**

**Number of Rooms:** 367  
**Year Opened:** 2017

**Description:**

This 367-room hotel opened in 2017. This is a hip, modern hotel set on the Lower East Side. The rooms feature hardwood floors and floor-to-ceiling windows, smart TVs and Bluetooth speakers. Upgraded rooms have city views and pull-out sofas while suites add separate living and dining areas. There are two restaurants and a bar by chef Jean-Georges Vongerichten, a trendy rooftop bar with skyline views, and a chic lobby cocktail lounge. In addition, there is a multimedia arts space that hosts exhibitions, film screenings, and concerts.



## Historical Market Performance

The subject and all of the comparables are newly constructed, high end, luxury hotels in trendy neighborhoods of downtown Manhattan. The subject and all comparables feature stylish, trendy restaurants and bars that are well regarded by tourists and locals alike.

The subject property is located in the trendy and desirable Lower East Side close to desirable tourist attraction and entertainment areas including Little Italy, Chinatown, SoHo, Greenwich Village and The East Village. Furthermore, it is in close proximity to New York University. There are numerous restaurants, lounges, night clubs, boutiques and hotels within the immediate vicinity of the subject property. The area is readily accessible from various public transportation options as well as other points via automobile. SoHo, the Lower East Side and the East Village have benefited from a thriving nightlife, and the area has also seen significant residential construction and conversion. The property is also situated just north and east of the Downtown office market, which has been revitalized with the advent of the redeveloped World Trade Center, comprising a large office and retail component, as well as the World Trade Center Museum.

The hotel's performance as of TTM October 2019 is summarized in the table below, along with the same measurements in the competitive set. The table indicates that the subject's occupancy improved by 5.8 percentage points (or 7.0%) to 88.50% while its competitive set improved by 1.6 percentage points or 1.9% to 87.30%. The subject's ADR declined by 6.8% to \$248.81 while its competitive set remained flat, dropping 0.1%, to \$302.72. Overall, the subject's RevPAR remained relatively flat, dropping by 0.2% for the TTM period ended October 2019 while its competitive set improved 1.7%. The subject's RevPAR of \$220.23 is 16.6% below that of its competitive set, which had a RevPAR of \$264.16 as of TTM October 2019.

	TTM 10/18			TTM 10/19		
	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR
Subject	82.70%	\$266.84	\$220.78	88.50%	\$248.81	\$220.23
% Change				7.0%	-6.8%	-0.2%
Competitive Set	85.70%	\$302.93	\$259.75	87.30%	\$302.72	\$264.16
% Change				1.9%	-0.1%	1.7%
Subject vs. Competitive Set				0.01 pp	(\$53.91)	(\$43.93)
				1.4%	-17.8%	-16.6%

Source: Smith Travel Research, compiled by Bowery

To develop a forecast of occupancy and room rates, we have examined the historical interaction of supply and demand of the competitive set, in conjunction with the expected performance of the macro market reported by Smith Travel Research. The forecast accounts for any unexpected market weakness that could occur as a result of a myriad of factors, the primary of which is new supply. In this regard, it is likely that continued success will spur other developments, further fueling competition. Furthermore, a slowdown of market expansion including ADRs and occupancy could alter the operating environment significantly. It is our view that investors in lodging properties are generally aware of these trends and will advance forecasts with consideration of such.

The historical performance of the subject along with its market, submarket and competitive set is presented on the following pages.

## Subject vs. Market Class/Submarket/Competitive Set

	Occupancy (%)								
	Current Month	% Chg	Year to Date	% Chg	Running 3 Month	% Chg	Running 12 Month	% Chg	
	Hotel Indigo Lower East Side New York	95.3	0.8	89.2	6.9	94.3	7.4	88.5	7.0
	Market: New York, NY	90.7	-1.1	85.9	-1.3	90.0	-0.6	86.2	-1.2
	Market Class: Upper Upscale Class	91.3	-1.1	85.3	-0.6	90.1	-0.1	85.8	-0.7
	Submarket: Village/Soho/Tribeca, NY	91.4	-1.0	87.0	-1.3	90.0	-1.4	86.9	-1.3
	Submarket Scale: Upscale Chains	93.2	4.3	88.5	-0.1	91.8	1.1	87.9	-0.5
	Competitive Set: Competitors	91.4	-3.0	87.2	1.5	90.6	-1.1	87.3	1.8
	Average Daily Rate								
	Current Month	% Chg	Year to Date	% Chg	Running 3 Month	% Chg	Running 12 Month	% Chg	
	Hotel Indigo Lower East Side New York	291.63	-6.9	243.11	-7.3	273.66	-8.0	248.81	-6.8
	Market: New York, NY	297.39	-5.1	248.67	-2.3	277.70	-2.8	256.29	-1.5
	Market Class: Upper Upscale Class	325.46	-5.4	273.13	-2.8	301.83	-3.0	281.50	-1.8
	Submarket: Village/Soho/Tribeca, NY	357.62	-6.1	296.25	-3.1	329.37	-4.4	302.07	-2.1
	Submarket Scale: Upscale Chains	350.16	-7.8	287.47	-6.5	321.85	-7.0	293.88	-5.8
	Competitive Set: Competitors	360.65	-4.0	297.08	-1.0	331.85	-1.7	302.72	-0.1
	RevPAR								
	Current Month	% Chg	Year to Date	% Chg	Running 3 Month	% Chg	Running 12 Month	% Chg	
	Hotel Indigo Lower East Side New York	277.94	-6.2	216.80	-0.9	258.01	-1.2	220.23	-0.3
	Market: New York, NY	269.65	-6.2	213.73	-3.6	250.07	-3.4	220.99	-2.6
	Market Class: Upper Upscale Class	297.19	-6.4	233.08	-3.4	271.92	-3.1	241.54	-2.5
	Submarket: Village/Soho/Tribeca, NY	327.02	-7.1	257.65	-4.4	296.55	-5.8	262.40	-3.4
	Submarket Scale: Upscale Chains	326.37	-3.8	254.32	-6.6	295.40	-6.0	258.45	-6.3
	Competitive Set: Competitors	329.56	-6.9	258.97	0.5	300.65	-2.8	264.16	1.7
	Census/Sample - Properties & Rooms								
	Census		Sample		Sample %				
	Properties	Rooms	Properties	Rooms	Rooms				
	Market: New York, NY	701	126539	498	110033	87.0			
	Market Class: Upper Upscale Class	120	33376	108	31566	94.6			
	Submarket: Village/Soho/Tribeca, NY	84	10420	54	8623	82.8			
	Submarket Scale: Upscale Chains	15	2941	15	2941	100.0			
	Competitive Set: Competitors	6	1165	6	1165	100.0			

Source: Smith Travel Research, as of October 2019

## Subject vs. Competitive Hotel Set

Occupancy (%)	2019										Year To Date			Running 3 Month			Running 12 Month		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	2017	2018	2019	2017	2018	2019	2017	2018	2019
My Property	64.8	81.6	90.7	92.7	94.7	93.6	90.5	93.5	94.0	95.3	80.5	83.4	89.2	87.2	87.8	94.3	78.9	82.7	88.5
Competitive Set	69.5	83.2	89.4	91.8	90.2	88.4	87.3	89.2	91.2	91.4	82.1	85.9	87.2	88.1	91.6	90.6	82.3	85.7	87.3
Index (MPI)	93.2	98.2	101.4	101.0	104.9	105.8	103.7	104.8	103.1	104.3	98.0	97.1	102.3	99.0	95.8	104.1	96.0	96.5	101.4
Rank	5 of 7	5 of 7	3 of 7	3 of 7	3 of 7	2 of 7	2 of 7	3 of 7	3 of 7	3 of 7	5 of 7	6 of 7	3 of 7	6 of 7	7 of 7	3 of 7	6 of 7	6 of 7	3 of 7
% Chg																			
My Property	-0.1	7.0	1.7	11.3	9.8	8.7	7.5	16.9	5.7	0.8	17.8	3.6	6.9	8.0	0.8	7.4	25.1	4.8	7.0
Competitive Set	5.6	5.7	6.3	4.9	-1.4	-2.3	1.8	0.4	-0.6	-3.0	-4.0	4.6	1.5	-1.6	4.1	-1.1	-2.3	4.2	1.8
Index (MPI)	-5.4	1.2	-4.3	6.1	11.4	11.2	5.6	16.5	6.4	3.9	22.7	-0.9	5.4	9.7	-3.2	8.6	28.0	0.6	5.1
Rank	5 of 7	3 of 7	5 of 7	1 of 7	1 of 7	1 of 7	1 of 7	1 of 7	1 of 7	1 of 7	1 of 5	4 of 7	1 of 7	2 of 5	5 of 7	1 of 7	1 of 5	4 of 7	1 of 7
ADR	2019										Year To Date			Running 3 Month			Running 12 Month		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	2017	2018	2019	2017	2018	2019	2017	2018	2019
My Property	158.35	166.29	198.36	253.41	289.97	273.16	227.51	230.44	299.23	291.63	258.48	262.25	243.11	289.17	297.41	273.66	263.58	266.84	248.81
Competitive Set	214.21	229.13	247.23	311.96	349.17	325.92	268.26	269.66	364.90	360.65	299.32	299.97	297.08	321.34	337.63	331.85	305.90	302.93	302.72
Index (ARI)	73.9	72.6	80.2	81.2	83.0	83.8	84.8	85.5	82.0	80.9	86.4	87.4	81.8	90.0	88.1	82.5	86.2	88.1	82.2
Rank	7 of 7	6 of 7	6 of 7	6 of 7	6 of 7	6 of 7	5 of 7	6 of 7	6 of 7	6 of 7	6 of 7	6 of 7	6 of 7	6 of 7	6 of 7	6 of 7	6 of 7	6 of 7	6 of 7
% Chg																			
My Property	-15.3	-11.8	-8.8	-0.6	-4.3	-7.0	-10.1	-6.5	-8.6	-6.9	-1.9	1.5	-7.3	0.0	2.9	-8.0	0.4	1.2	-6.8
Competitive Set	-6.0	-1.0	-3.4	5.1	1.9	0.9	-0.7	0.9	-0.8	-4.0	-5.8	0.2	-1.0	-9.7	5.1	-1.7	-5.0	-1.0	-0.1
Index (ARI)	-9.8	-10.9	-5.6	-5.5	-6.2	-7.9	-9.4	-7.4	-7.9	-3.0	4.2	1.2	-6.4	10.7	-2.1	-6.4	5.7	2.2	-6.7
Rank	6 of 7	7 of 7	6 of 7	6 of 7	5 of 7	7 of 7	7 of 7	7 of 7	7 of 7	5 of 7	3 of 5	3 of 7	7 of 7	2 of 5	4 of 7	7 of 7	2 of 5	3 of 7	7 of 7
RevPAR	2019										Year To Date			Running 3 Month			Running 12 Month		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	2017	2018	2019	2017	2018	2019	2017	2018	2019
My Property	102.60	135.76	179.86	234.99	274.57	255.60	205.89	215.48	281.38	277.94	208.06	218.73	216.80	252.02	261.18	258.01	208.09	220.78	220.23
Competitive Set	148.86	190.55	220.99	286.50	315.09	288.12	234.21	240.60	332.85	329.56	245.85	257.70	258.97	282.95	309.36	300.65	251.65	259.75	264.16
Index (RGI)	68.9	71.2	81.4	82.0	87.1	88.7	87.9	89.6	84.5	84.3	84.6	84.9	83.7	89.1	84.4	85.8	82.7	85.0	83.4
Rank	6 of 7	6 of 7	6 of 7	6 of 7	5 of 7	6 of 7	5 of 7	5 of 7	6 of 7	6 of 7	5 of 7	6 of 7	6 of 7	6 of 7	6 of 7	6 of 7	5 of 7	6 of 7	6 of 7
% Chg																			
My Property	-15.3	-5.6	-7.2	10.6	5.1	1.0	-3.4	9.3	-3.4	-6.2	15.6	5.1	-0.9	7.9	3.6	-1.2	25.6	6.1	-0.3
Competitive Set	-0.7	4.7	2.7	10.3	0.5	-1.4	1.0	1.3	-1.4	-6.9	-9.5	4.8	0.5	-11.2	9.3	-2.8	-7.2	3.2	1.7
Index (RGI)	-14.7	-9.8	-9.7	0.3	4.5	2.4	-4.3	7.9	-2.0	0.8	27.8	0.3	-1.4	21.5	-5.2	1.6	35.3	2.8	-1.9
Rank	6 of 7	5 of 7	6 of 7	4 of 7	3 of 7	2 of 7	4 of 7	2 of 7	5 of 7	4 of 7	1 of 5	5 of 7	4 of 7	1 of 5	6 of 7	3 of 7	1 of 5	3 of 7	4 of 7

Source: Smith Travel Research, as of October 2019



## Overall Performance

The data presented from Smith Travel Research indicates that occupancy rates remain high within this specific competitive set where the subject and competitive set have exceeded 81% every month since February 2019. The hotels within the competitive set are all newer facilities, with opening dates ranging from 2004 to 2017. Typical seasonal rates range between the mid-\$200 to the high \$300+ per night. At the same time, due to the increase in new hotel construction, room supply has also appreciated, a lagging factor which could potentially slow growth in these metrics going forward.

## Demand

Demand is divided into the type of traveler accommodated. The primary segments are transient, group, and contract. According to Smith Travel Research, transient rooms are sold to individuals or groups occupying less than 10 rooms per night. Group rooms are defined as rooms sold in blocks of 10 or more rooms per night, sold pursuant to a signed agreement. Contract rooms are a consistent block of rooms committed at stipulated contract rates for an extended period over 30 days with payment guaranteed regardless of use, such as for airline crews and permanent guests.

Within each of these segments demand arises from corporate, leisure and group. The corporate segment is primarily comprised of individuals traveling to the area to conduct business. This demand is usually the greatest from Monday through Thursday nights. Business travelers are usually not overly price sensitive and prefer to stay at hotels that offer a variety of conveniences including food and beverage services.

New York City is home to more Fortune 500 firms than any other city in the nation and considered the business and financial capital of the United States. It is also a major center for the entertainment industry and the fashion industry. As a result, the commercial segment represents the largest segment of the New York City lodging market and accounts for a major portion of transient demand.

The leisure segment consists of families and individuals visiting the area for vacations, family events, entertainment or shopping. This demand is usually the strongest from Friday through Sunday. As one of the world's premier tourist destinations, New York City attracts millions of tourists every year. According to NYC & Company, New York welcomed 65.1 million visitors in 2018, bringing the industry another record-breaking year. This marked the ninth consecutive year of visitation growth. NYC remains the most popular big-city destination in the U.S., with the greatest share of international travel and largest economic impact. The subject property is located in the Lower East Side, a growing and well-regarded neighborhood known for its trendy restaurants and shops. The subject location has many amenities and cultural institutions within easy walking distance and is accessible to public transportation and thus is a huge draw for leisure guests.

The group segment can include both leisure and corporate travelers. A group generally consists of guests who occupy 10 or more rooms booked collectively. Group events include corporate meetings, training seminars, conferences, sporting teams, and wedding parties, to name a few. The group segment also contains SMERF business – social, military, educational, religious or fraternal groups. Overall, group demand is limited at the hotel as it has one small meeting room. However, this category would include guests who are attendees of conventions at other locations. This would include conventions at the Jacob K. Javits Convention Center, which is located between 34<sup>th</sup> and 39<sup>th</sup> Streets and Eleventh and Twelfth Avenues in the Midtown West neighborhood.

The contract segment is usually corporate and government travelers that stay at previously negotiated rates. The subject's primary demand is transient, and the vast majority of the transient demand is from corporate and leisure travelers. Group represents a much lower segment of demand and primary consists of weddings, reunions, small corporate gatherings, and so forth. The competitive market set has essentially no contract business, due to its location.

## Occupancy Forecast

In order to project the future occupancy levels of subject hotel, we have estimated the level of patronage by market segment that can be reasonably captured by the property. The extent to which the subject property could capture demand from each market segment was estimated by performing a fair share penetration analysis.

A hotel's fair share of the market is defined as the number of available rooms of the subject hotel divided by the total supply of available rooms in the competitive market, including the subject property. Factors indicating a hotel would possess competitive advantages suggest a market penetration in excess of 100 percent of fair market share, while competitive weaknesses are reflected in penetration less than 100 percent.

The table below summarizes the occupancy, ADR and RevPAR for the subject and competitive set by segment.

Performance Indicators by Segment, YTD October 2019

Year To Date												
	Transient			Group			Contract			Total		
			% Chg			% Chg			% Chg			% Chg
Occupancy (%)	My Property	83.3	8.9	My Property	5.9	34.6	My Property	0.0	-100.0	My Property	89.2	6.9
	Comp set	78.2	1.7	Comp set	9.0	-0.6	Comp set	0.0	0.0	Comp set	87.2	1.5
	Index (MPI)	106.5	7.0	Index (MPI)	65.6	35.5	Index (MPI)	0.0	0.0	Index (MPI)	102.3	5.4
ADR	My Property	239.75	-5.7	My Property	290.82	0.4	My Property	0.00	-100.0	My Property	243.11	-7.3
	Comp set	294.46	-1.6	Comp set	319.99	4.7	Comp set	0.00	0.0	Comp set	297.08	-1.0
	Index (ARI)	81.4	-4.2	Index (ARI)	90.9	-4.2	Index (ARI)	0.0	0.0	Index (ARI)	81.8	-6.4
RevPAR	My Property	199.70	2.6	My Property	17.10	35.1	My Property	0.00	-100.0	My Property	216.80	-0.9
	Comp set	230.31	0.1	Comp set	28.67	4.1	Comp set	0.00	0.0	Comp set	258.97	0.5
	Index (RGI)	86.7	2.6	Index (RGI)	59.7	29.8	Index (RGI)	0.0	0.0	Index (RGI)	83.7	-1.4

Source: Smith Travel Research

As summarized above, the subject achieved an overall occupancy of 89.2% year to date through October 2019. This was primarily derived from transient demand accounting for 83.3% occupancy while a small portion of 5.9% occupancy was derived from group demand. As the subject's demand is primarily generated from the transient market, it is reasonable to project an overall occupancy for the subject.

Occupancy of Subject and Competitive Set, October 2019

	Occupancy (%)		
	My Prop	Comp Set	Index (MPI)
Current Month	95.3	91.4	104.3
Year To Date	89.2	87.2	102.3
Running 3 Month	94.3	90.6	104.1
Running 12 Month	88.5	87.3	101.4

Source: Smith Travel Research

The occupancy rate for the competitive set was 85.70% as of TTM October 2018 and 87.30% as of TTM October 2019. The subject hotel opened at the beginning of 2016. In 2017, its first full year of operations, the subject achieved occupancy of 80.3%. The hotel's occupancy improved to 83.7% in 2018. According to STR, the hotel achieved an occupancy of 88.50% as of TTM October 2019. The owner projects a full year occupancy for 2019 of 89.5% and 90.0% in 2020. We note that the hotel achieved occupancy of 95.3% in October and 94.3% over the last 3 months. Taking into consideration the historical market performance and the forecasted dynamics of each market segment as well as the hotel's membership with IHG, it is projected that property will achieve an occupancy level of approximately 90.0% percent in 2020 and throughout the remainder of the projection period.

## Subject Historical and Projected Occupancy

	Historical 2017	Historical 2018	10 Months Actual / 2 Months Forecast 2019	Owner Projection 2020	Bowery Projection 2020
Subject's Occupancy	80.3%	83.7%	89.5%	90.0%	90.0%

Due to this membership, Hotel Indigo benefits from corporate relationships, as well as a high degree of global recognition and should reasonably outperform the competition by a few percentage points in occupancy. Therefore, our projected stabilized occupancy of 90.0% is considered reasonable.

## Average Daily Room Rate (ADR) Forecast

## Occupancy, ADR &amp; RevPAR of Subject and Competitive Set, October 2019

October 2019									
	Occupancy (%)			ADR			RevPAR		
	My Prop	Comp Set	Index (MPI)	My Prop	Comp Set	Index (ARI)	My Prop	Comp Set	Index (RGI)
Current Month	95.3	91.4	104.3	291.63	360.65	80.9	277.94	329.56	84.3
Year To Date	89.2	87.2	102.3	243.11	297.08	81.8	216.80	258.97	83.7
Running 3 Month	94.3	90.6	104.1	273.66	331.85	82.5	258.01	300.65	85.8
Running 12 Month	88.5	87.3	101.4	248.81	302.72	82.2	220.23	264.16	83.4

Source: Smith Travel Research

As indicated in the previous pages and above, the competitive set achieved an ADR of \$302.93 as of TTM October 2018, which remained flat as of TTM October 2019 at \$302.72. Hotel Indigo achieved an ADR of \$263.83 in 2017 and \$265.02 in 2018. According to STR, the hotel achieved an ADR of \$248.81 as of TTM October 2019. Based on 10 months of actual performance and 2 months of projection, the owner projects 2019 ADR of \$247.04 and \$258.33 in 2020. Our projection of ADR is \$255.50 in Year 1 (2020). Thus, we are generally in line with the 2019 performance assuming a 3.6% growth and below ownership's 2020 projection.

	Historical 2017	Historical 2018	10 Months Actual / 2 Months Forecast 2019	Owner Projection 2020	Bowery Projection 2020
Subject's ADR	\$263.83	\$265.02	\$247.04	\$258.33	\$255.50

We note that the competitive set's ADR of \$302.72 as of TTM 10/2019 is still well above our Year 1 projection. Assuming that the competitive set ADR improves by 3% per year, it should achieve an overall ADR of \$311.80 in the next 12 months and \$321.16 the following year. While we would expect the subject can achieve ADR within the competitive set range, we have projected conservative ADR growth. Thus, we project ADR growth in Year 2 of 3.0% to \$263.17 and another 3.0% in Year 3 to \$271.06. Our concluded ADR in Year 3, of \$271.06 is still well below the competitive set, assuming the competitive set exhibits modest growth. This is summarized below.

## Projected ADR vs. Competitive Set ADR Forecast

	TTM 10/19	1	2	3	4	5
Subject Projected ADR	\$248.81	\$255.50	\$263.17	\$271.06	\$279.19	\$287.57
Comp Set with 3% Growth	\$302.72	\$311.80	\$321.16	\$330.79	\$340.71	\$350.94
Subject vs Comp Set	-18%	-18%	-18%	-18%	-18%	-18%



## Revenue and Occupancy Forecast

After considering the historical and macro market performance, that of the competitive set and current market conditions, we expect an investor would model conservative performance metrics. To this end, our forecast reflects a stable hotel market in 2020 and is considerate of the ADRs of the comparable data presented. Our forecast of occupancy, ADR, and Room Revenues is presented:

Revenue and Occupancy Forecast					
	1	2	3	4	5
Year	2020	2021	2022	2023	2024
Hotel Rooms	294	294	294	294	294
Available Nights	366	365	365	365	366
Available Room Nights	107,604	107,310	107,310	107,310	107,604
Occupied Room Nights	96,844	96,579	96,579	96,579	96,844
Occupancy	90.0%	90.0%	90.0%	90.0%	90.0%
ADR	\$255.50	\$263.17	\$271.06	\$279.19	\$287.57
ADR Growth		3.0%	3.0%	3.0%	3.0%
RevPAR	\$229.95	\$236.85	\$243.95	\$251.27	\$258.81
RevPAR Growth Yr/Yr (%)		3.0%	3.0%	3.0%	3.0%
Room Revenue	\$24,743,540	\$25,416,213	\$26,178,699	\$26,964,060	\$27,849,072

## Highest & Best Use

In determining highest and best use, we have considered the current trends of supply and demand on the market, current zoning regulations and other possible restrictions, and 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 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<sup>7</sup>, such as the legally permissible use, the physically possible use, the financial feasibility, and the highest and best use, are considered and tested for the subject site.

### As Vacant

**Legally Permissible**

The subject property is located in a C4-4A which permits residential, commercial and community use development as of right. No known zoning change is currently being considered or anticipated. We are not aware of any public or private deed restrictions that preclude development on the site. Our analysis of the market indicates that the subject location supports the current zoning. It is our opinion that the site, if vacant, could be developed for the above legally permitted (and assumed) uses.

**Physically Possible**

The subject site, 15,611± square feet, is a typical size, offering very good utility for development. All necessary utilities are available, and there are no apparent easements or encroachments that would hinder development. Any of the above legally permitted uses, therefore, are considered physically possible.

**Financially Feasible**

The subject's location is mixed-use in character, and the subject's neighborhood has seen a good deal of new mixed-use development in recent years. A commercial development would be financially feasible.

**Maximally Productive/ Highest and Best Use**

All legally permissible, physically possible and financially feasible uses of the subject property, as vacant, have been presented and examined. Based on the strong mixed-use location of the site, a commercial development such as a hotel would represent the highest and best use.

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<sup>7</sup> The definitions of these alternative uses can be found in the Glossary of Terms, which is located in the Addenda.

## As Improved

<b>Legally Permissible</b>	<p>The subject property is located in a C4-4A which permits residential, commercial and community use development as of right.</p> <p>No known zoning change is currently being considered or anticipated. The subject conforms to the applicable zoning requirements and represents a legal-non complying structure, far exceeding current as of right zoning. The subject development was grandfathered upon a change in zoning, preserving over 160,000 square feet of development rights.</p>
<b>Physically Possible</b>	<p>The subject site is a typical size, 15,611± square feet, offering very good utility for development. All necessary utilities are available, and there are no apparent easements or encroachments that would hinder development. The subject was constructed in 2015 and is in excellent condition.</p>
<b>Financially Feasible</b>	<p>The subject's location is mixed-use in character, and the subject's neighborhood has seen a good deal of new mixed-use development in recent years. The subject is a successful hotel and the current income provides a return to the land. It would be unreasonable to demolish the existing improvements. The existing use is the most financially feasible use.</p>
<b>Maximally Productive/ Highest and Best Use</b>	<p>All legally permissible, physically possible and financially feasible uses of the subject property, as vacant, have been presented and examined. Based on the performance of the existing hotel, the current use is the highest and best use.</p>
<b>Conclusion</b>	<p>Based on the subject property's zoning, physical characteristics, location, and forecasted economic conditions, continued hotel use is concluded to be the highest and best use as improved.</p>
<b>Most Probable Buyer</b>	<p>Taking into account the size and characteristics of the property and its current use as a hotel, the likely buyer is a national/international hotel investor/developer.</p>

## Appraisal Valuation Process

In providing an opinion of the value of the subject, we consider the following three approaches to real estate valuation:

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

The Income Capitalization 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. Multifamily and mixed-use assets are generally acquired for their capacity to generate a return on and of capital, which is why 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 key basis a strong predictor of value. The Sales Comparison Approach is largely used as a secondary support for our opinion developed in the application of the Income Approach.

## Income Capitalization Approach

In the Income Capitalization Approach, a property's capacity to generate future benefits is analyzed; the forecasted income is capitalized into an indication of present value. Definitions of commonly used measures of anticipated benefits are defined in the Glossary of Terms within the Addenda.

The income capitalization approach supports two methodologies: direct capitalization, where an overall rate is extracted directly from market sales in which the net income is known or can be closely estimated, and the Discounted Cash Flow Analysis, whereby anticipated future income streams and a reversionary value are discounted to a net present value conclusion.

Today, the most appropriate technique to use in deriving an indication of value for the subject property is a discounted cash flow analysis (DCF). This technique is widely accepted by the class of investors in the market for this type of property and more closely follows typical investor thinking. In making a cash flow analysis, assumptions must be made regarding the income, vacancy, and operating expenses for the first year of operation. In addition to these estimates, the appraiser must select both the proper discount rate with which to process the cash flows, and then the proper overall rate to apply to the last year's cash flow in anticipation of a sale in order to arrive at a reversion value.

## Departmental Revenues

### Rooms Revenues

Rooms revenues were calculated earlier in the Local Hotel Market Analysis & Room Revenue Projection section. Room revenue is calculated by multiplying the available room nights by the projected RevPAR. The room revenue projections are presented below:

Revenue and Occupancy Forecast					
	1	2	3	4	5
Year	2020	2021	2022	2023	2024
Hotel Rooms	294	294	294	294	294
Available Nights	366	365	365	365	366
Available Room Nights	107,604	107,310	107,310	107,310	107,604
Occupied Room Nights	96,844	96,579	96,579	96,579	96,844
Occupancy	90.0%	90.0%	90.0%	90.0%	90.0%
ADR	\$255.50	\$263.17	\$271.06	\$279.19	\$287.57
ADR Growth		3.0%	3.0%	3.0%	3.0%
RevPAR	\$229.95	\$236.85	\$243.95	\$251.27	\$258.81
RevPAR Growth Yr/Yr (%)		3.0%	3.0%	3.0%	3.0%
Room Revenue	\$24,743,540	\$25,416,213	\$26,178,699	\$26,964,060	\$27,849,072

### F&B Revenue

F&B revenue sources include sales from the lobby café, room service, banquets and indoor/outdoor service bars on the 15<sup>th</sup> floor. This category generated income of \$1.28 million or \$14.81 per occupied room ("POR"), in 2017, \$1.24 million or \$13.80 POR, in 2018. Ownership projects \$1.35 million in 2019 (based on 10 months actual and 2 months forecast) or \$14.00 POR and \$1.59 million, or \$16.42 POR in 2020. Based on ownership's projections, we project \$16.01 POR in 2020, which equates to \$1,550,000 in Year 1 with 3% growth thereafter.

## Miscellaneous Income

Other income is generated from amenity fees, laundry, cancellation penalties and other miscellaneous sources. There are typically little to no expenses associated with these revenue sources. This category generated income of \$573,873 or \$13.80 POR in 2018. Ownership projects \$1.52 million in 2019 (based on 10 months actual and 2 months forecast) or \$15.82 POR and \$1.76 million, or \$18.17 POR in 2020. Based on ownership's projections, we project \$1,750,000 in 2020, which equates to \$18.07 POR with 3% growth thereafter.

## Rental Income (Mr. Purple)

Lounge and restaurant spaces within boutique hotels typically generate significant income as they cater to both hotel residents and the general public. The subject's Lower East Side location is considered extremely active in terms of night life with a host of restaurants, nightclubs and bars within this destination area. The subject's restaurant/bar is highly regarded by both tourists and local residents.

Although the majority of income generated by the subject property is from guest room rentals, there is a rooftop lounge/restaurant, Mr. Purple, that is operated by an experienced food and beverage servicer in the hotel industry - Gerber Group Food and Beverage. The hotel generates income from leasing this space. The Gerber Group lease is for a 10-year term with two, five-year extension options. The base fee is 5% of gross revenue but not less than \$350k per year. In addition, there is an "implied rent" of 15% of gross revenue (but not less than \$700k per year) increased by CPI annually if F&B space is fully operated by non-union staff and 10% of gross revenue (but not less than \$500k per year) to be increased by CPI annually, if the F&B space is operated by unionized kitchen staff. Further, there is an incentive fee of 30% of annual net profit (profit after payment of all F&B expenses including base fee and implied rent), payable annually. Based upon this agreement, the net rent received in 2017 was \$3.81 million and \$3.99 million in 2018. The owner projects \$4.25 million in 2019 (based on 10 months actual) and \$4.23 million in 2020. We project \$4,250,000 in net revenue in Year 1 with 3% growth thereafter.

## Operating Expense Analysis

The subject property opened in 2016, thus its first full year of operation was in 2017. Below we present the 2016, 2017, 2018 historical financials as well as the owner's 2019 projection, which includes 10 months of actual performance and 2 months of projected performance, and the owner's 2020 projection. In addition, we have reviewed historical statements of comparable hotels to serve as a basis for our forecast of the subject property's income and expense levels. We note that the hotel has been able to improve its overall occupancy each year since opening. However, ADR has declined in 2019, which has been the trend in the NYC hotel market. The historical performance is summarized on the following page.

## Subject Historical and Projected Revenues and Expenses

Year	Historical 2016		Historical 2017		Historical 2018		Actual thru Nov/Forecast 2019		Owner Budget 2020	
Hotel Units	294		294		294		294		294	
Available Nights	366		365		365		365		366	
Available Room Nights	107,604		107,310		107,310		107,310		107,604	
Occupancy	68.8%		80.3%		83.7%		89.5%		90.0%	
Occupied Room Nights	74,032		86,170		89,823		96,359		96,919	
ADR	\$268.40		\$263.83		\$265.02		\$247.04		\$258.33	
RevPAR	\$184.70		\$211.90		\$221.84		\$221.15		\$232.39	
<u>Revenue</u>		%		%		%		%		%
Total Room Revenue	\$19,806,853	82.9%	\$22,727,143	81.5%	\$23,805,144	80.4%	\$23,731,663	76.9%	\$25,006,234	76.7%
F&B Revenue	\$1,037,347	4.3%	\$1,276,232	4.6%	\$1,239,316	4.2%	\$1,348,874	4.4%	\$1,591,764	4.9%
Misc Revenue	\$33,836	0.1%	\$73,697	0.3%	\$573,873	1.9%	\$1,524,482	4.9%	\$1,761,306	5.4%
Rental Income (Mr. Purple)	\$3,003,183	12.6%	\$3,810,972	13.7%	\$3,985,962	13.5%	\$4,250,501	13.8%	\$4,227,169	13.0%
Total Revenue	\$23,881,219	100.0%	\$27,888,044	100.0%	\$29,604,295	100.0%	\$30,855,520	100.0%	\$32,586,473	100.0%
<u>Departmental Expenses</u>										
Rooms	\$6,179,059	31.2%	\$7,394,440	32.5%	\$8,224,973	34.6%	\$8,572,859	36.1%	\$9,189,204	36.7%
F&B	\$1,038,354	100.1%	\$1,244,517	97.5%	\$1,252,777	101.1%	\$1,314,930	97.5%	\$1,525,173	95.8%
Total	\$7,217,413	30.2%	\$8,638,957	31.0%	\$9,477,750	32.0%	\$9,887,789	32.0%	\$10,714,377	32.9%
Gross Operating Income	\$16,663,806	69.8%	\$19,249,087	69.0%	\$20,126,545	68.0%	\$20,967,731	68.0%	\$21,872,096	67.1%
<u>Undistributed Expenses</u>										
A&G	\$1,898,851	8.0%	\$2,130,589	7.6%	\$2,134,565	7.2%	\$2,040,089	6.6%	\$2,163,696	6.6%
Marketing	\$1,555,605	6.5%	\$1,993,584	7.1%	\$2,259,119	7.6%	\$2,116,865	6.9%	\$2,259,146	6.9%
Energy/Utilities	\$628,858	2.6%	\$622,424	2.2%	\$630,899	2.1%	\$751,649	2.4%	\$729,463	2.2%
Property Maintenance	\$960,997	4.0%	\$1,118,006	4.0%	\$1,370,911	4.6%	\$1,389,783	4.5%	\$1,420,358	4.4%
Total	\$5,044,311	21.1%	\$5,864,603	21.0%	\$6,395,494	21.6%	\$6,298,386	20.4%	\$6,572,663	20.2%
GOP	\$11,619,495	48.7%	\$13,384,484	48.0%	\$13,731,051	46.4%	\$14,669,345	47.5%	\$15,299,433	47.0%
<u>Fixed Expenses</u>										
Real Estate Taxes	\$2,567,036	10.7%	\$2,598,777	9.3%	\$2,761,688	9.3%	\$2,923,578	9.5%	\$3,052,379	9.4%
Insurance	\$197,217	0.8%	\$192,958	0.7%	\$179,634	0.6%	\$180,974	0.6%	\$172,211	0.5%
Management Fee	\$616,589	2.6%	\$856,128	3.1%	\$1,036,880	3.5%	\$1,400,702	4.5%	\$1,629,324	5.0%
Replacement Reserve	\$238,474	1.0%	\$602,508	2.2%	\$889,885	3.0%	\$617,110	2.0%	\$651,729	2.0%
Total	\$3,619,316	15.2%	\$4,250,371	15.2%	\$4,868,087	16.4%	\$5,122,364	16.6%	\$5,505,643	16.9%
<b>NOI</b>	<b>\$8,000,179</b>	<b>33.5%</b>	<b>\$9,134,113</b>	<b>32.8%</b>	<b>\$8,862,964</b>	<b>29.9%</b>	<b>\$9,546,981</b>	<b>30.9%</b>	<b>\$9,793,790</b>	<b>30.1%</b>

## Subject Historical and Projected Revenues and Expenses PAR and POR

Year	Historical 2016		Historical 2017		Historical 2018		Actual thru Nov/Forecast 2019		Owner Budget 2020	
	PAR	POR	PAR	POR	PAR	POR	PAR	POR	PAR	POR
Total Room Revenue	\$184.07	\$267.55	\$211.79	\$263.75	\$221.84	\$265.02	\$221.15	\$246.28	\$232.39	\$258.01
F&B Revenue	\$9.64	\$14.01	\$11.89	\$14.81	\$11.55	\$13.80	\$12.57	\$14.00	\$14.79	\$16.42
Misc Revenue	\$0.31	\$0.46	\$0.69	\$0.86	\$5.35	\$6.39	\$14.21	\$15.82	\$16.37	\$18.17
Rental Income (Mr. Purple)	\$27.91	\$40.57	\$35.51	\$44.23	\$37.14	\$44.38	\$39.61	\$44.11	\$39.28	\$43.62
Total Revenue	\$221.94	\$322.58	\$259.88	\$323.64	\$275.88	\$329.58	\$287.54	\$320.21	\$302.84	\$336.22
<u>Departmental Expenses</u>										
Rooms	\$57.42	\$83.47	\$68.91	\$85.81	\$76.65	\$91.57	\$79.89	\$88.97	\$85.40	\$94.81
F&B	\$9.65	\$14.03	\$11.60	\$14.44	\$11.67	\$13.95	\$12.25	\$13.65	\$14.17	\$15.74
Total	\$67.07	\$97.49	\$80.50	\$100.25	\$88.32	\$105.52	\$92.14	\$102.61	\$99.57	\$110.55
Gross Operating Income	\$154.86	\$225.09	\$179.38	\$223.39	\$187.56	\$224.07	\$195.39	\$217.60	\$203.26	\$225.67
<u>Undistributed Expenses</u>										
A&G	\$17.65	\$25.65	\$19.85	\$24.73	\$19.89	\$23.76	\$19.01	\$21.17	\$20.11	\$22.32
Marketing	\$14.46	\$21.01	\$18.58	\$23.14	\$21.05	\$25.15	\$19.73	\$21.97	\$21.00	\$23.31
Energy/Utilities	\$5.84	\$8.49	\$5.80	\$7.22	\$5.88	\$7.02	\$7.00	\$7.80	\$6.78	\$7.53
Property Maintenance	\$8.93	\$12.98	\$10.42	\$12.97	\$12.78	\$15.26	\$12.95	\$14.42	\$13.20	\$14.66
Total	\$46.88	\$68.14	\$54.65	\$68.06	\$59.60	\$71.20	\$58.69	\$65.36	\$61.08	\$67.82
GOP	\$107.98	\$156.95	\$124.73	\$155.33	\$127.96	\$152.87	\$136.70	\$152.24	\$142.18	\$157.86
<u>Fixed Expenses</u>										
Real Estate Taxes	\$23.86	\$34.67	\$24.22	\$30.16	\$25.74	\$30.75	\$27.24	\$30.34	\$28.37	\$31.49
Insurance	\$1.83	\$2.66	\$1.80	\$2.24	\$1.67	\$2.00	\$1.69	\$1.88	\$1.60	\$1.78
Management Fee	\$5.73	\$8.33	\$7.98	\$9.94	\$9.66	\$11.54	\$13.05	\$14.54	\$15.14	\$16.81
Replacement Reserve	\$2.22	\$3.22	\$5.61	\$6.99	\$8.29	\$9.91	\$5.75	\$6.40	\$6.06	\$6.72
Total	\$33.64	\$48.89	\$39.61	\$49.33	\$45.36	\$54.20	\$47.73	\$53.16	\$51.17	\$56.81



Below we present expense information for a set of five upper-upscale hotels in Manhattan. We present the expenses as a percentage of revenue, per available room (PAR) and per occupied room (POR). The comparable set indicates an appropriate level of operating expenses for the subject property. In order to preserve confidentiality, the names and addresses are not included. Income and Expenses are presented and analyzed in terms of Total Revenue.

**Composite - 5 Upper Upscale Hotels Located in Manhattan**

Number of Rooms:	1,355
Available Rooms:	494,575
Occupied Rooms:	428,351
Days Open:	365
Occupancy:	86.61%
Average Rate:	\$319.76
RevPAR:	\$276.94

	Percentage of Revenue	PAR	POR
REVENUE			
Rooms	84.7%	\$100,740	\$319.76
F&B Income	13.5%	\$17,664	\$58.25
Other Income	1.8%	\$2,214	\$7.12
Total	100.0%	\$120,618	\$385.13
DEPARTMENTAL EXPENSES			
Rooms	33.4%	\$33,506	\$106.16
F&B	82.8%	\$14,621	\$49.26
Other Expenses	39.9%	\$594	\$1.97
Total	39.7%	\$48,721	\$157.39
DEPARTMENTAL INCOME	60.3%	\$71,897	\$227.74
OPERATING EXPENSES			
Administrative & General	9.6%	\$11,788	\$37.90
Marketing	1.2%	\$1,336	\$4.20
Franchise Fee	5.4%	\$6,602	\$21.17
Prop. Operations & Maint.	2.2%	\$2,582	\$8.17
Utilities	4.3%	\$5,194	\$16.55
Total	22.7%	\$27,502	\$87.99
GROSS OPERATING PROFIT	37.6%	\$44,395	\$139.75
Management Fee	2.9%	\$3,535	\$11.37
INCOME BEFORE FIXED CHARGES	34.7%	\$40,860	\$128.38
FIXED EXPENSES			
Property Taxes	9.9%	\$11,506	\$36.36
Insurance	0.7%	\$893	\$2.82
Reserve for Replacement	2.9%	\$3,349	\$10.46
Total	13.5%	\$15,748	\$49.64
NET INCOME	21.2%	\$25,112	\$78.74

\*Departmental expense ratios are expressed as a percentage of departmental revenues.

## Departmental Expenses

Departmental expenses are those expense items that are attributable to a specific profit center. Departmental expenses are discussed as follows:

<b>Rooms</b>	<p>Rooms expense consists of salaries and wages, employee benefits, commissions, contract cleaning, guest transportation, laundry and dry cleaning, linen, operating supplies, reservation costs, uniforms, contract services, and other items related to the rooms department. Typically, hotels spend approximately 20% to 40% of revenue on room expenses. The 5-hotel competitive set projected this at 33.4%.</p> <p>Ownership reported room's expense of 34.6% in 2018 and 36.1% in 2019 and projects 36.7% in 2020. Based upon the foregoing, we have adapted ownership's projections, which is just above the range of the expense comparables. Our first year projection is \$9,155,110 or 37.0% of total revenues. We project this expense will remain at 37.0% in Year 2 and for the remainder of the projection period.</p>
<b>F&amp;B Department</b>	<p>This expense corresponds to F&amp;B income items and is typically a significantly high expense as a percentage of F&amp;B revenue. Ownership reported this expense at 101% in 2018 and 97.5% of F&amp;B revenue in 2019 and projects this expense at \$1,525,173 or 95.8% of F&amp;B revenue in 2020. We will include this expense as 97.0% of F&amp;B revenue in Year 1 and thereafter.</p>
<b>Miscellaneous Income</b>	<p>As discussed previously, there are typically little to no expenses associated with these miscellaneous revenue sources. At the subject, ownership has reported no expenses in this department. Accordingly, no expenses have been projected.</p>
<b>Rental Income (Mr. Purple)</b>	<p>As discussed previously, the projected revenues for this category are net of department expenses. Accordingly, no expenses have been projected.</p>

## Operating Costs and Expenses

Undistributed operating expenses are those expenses associated with the general operation of a hotel. These expenses include administrative and general, marketing, utility costs, and property operations and maintenance. These expenses are relatively unaffected by fluctuations in occupancies and room rates.

<b>General and Administrative</b>	<p>This category includes expense items such as contract labor, equipment rental, customer relations, supplies, dues and subscriptions, contract services, audit fees, licenses and permits, and other items normally associated with these categories. The 5-hotel competitive set reported this expense at 9.6%. Historically, ownership reported this expense at 7.2% in 2018 and 6.6% in 2019; ownership projects this expense at 6.6% in 2020. With emphasis on the historical expense at the subject hotel, we forecast this expense at 6.6% of total revenues in Year 1 and thereafter.</p>
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**Marketing Expense**

This category includes related salaries, brochures, entertainment, promotions, advertising, telephone expense, etc. The 5-hotel competitive set indicated this at 1.2%. Ownership reports this expense at 7.6% in 2018 and 6.9% in 2019 and forecasts this expense of 6.9% in 2020.

The owner's projection is above the range of the expense comparables. However, as an IHG hotel, it is reasonable that this cost is somewhat higher. Based upon the foregoing, we expect marketing expenses to account for 7.0% of total revenues or \$2,260,548 in the first year. We project this expense to remain at 7.0% for the remainder of the projection period.

**Utilities**

Lodging facilities generally consume utilities including water and space heating, air conditioning, lighting, cooking fuel, and other miscellaneous power requirements. The largest expenditures are generally for electricity, natural gas, or fuel for heating (gas, fuel oil, or steam). The 5-hotel set indicates energy costs of 4.3% of total revenue. As new construction (built in 2015), we project the subject has energy efficient systems. Ownership reported this expense at 2.1% of total revenues or \$630,899 in 2018 and 2.4% or \$751,649 in 2019 and projects this expense at 2.2% of total revenues or \$729,463 in 2020. Based upon the foregoing, we have forecast this at \$750,000 or 2.3% of total revenues in the first year of the cash flow. We project this expense to remain at 2.3% in Year 2 and thereafter.

**Property Operations and Maintenance**

The age of a lodging facility has a strong influence on the required level of maintenance. A new or thoroughly renovated property is protected for several years by modern equipment and manufacturers' warranties. However, as a hotel grows older, maintenance expenses escalate. A well-organized preventive maintenance system often helps delay deterioration, but most facilities face higher property operations and maintenance costs each year, regardless of the occupancy trend. The quality of initial construction can also have a direct impact on future maintenance requirements. The use of high-quality building materials and construction methods generally reduces the need for maintenance expenditures over the long term.

This category includes repair and maintenance expense items and related salaries, supplies, electrical and mechanical repair, plumbing and heating repair, grounds maintenance, garbage collection, etc.

The 5-hotel set indicated 2.2% of revenues. Ownership reported this expense at 4.6% in 2018 and 4.5% in 2019 and projects 4.4% of total revenues for 2020. Considering that the subject is newly constructed, we estimate a property operations and maintenance expense of 4.5% of total revenues or \$1,453,209 in Year 1. We project this expense to remain at 4.5% in Year 2 and thereafter.

**Fixed Expense****Property Taxes**

As discussed in the "Assessed Value and Real Estate Taxes" section of the appraisal, we have projected real estate taxes of \$2,945,314. We will assume a typical increase in real estate taxes for the upcoming years and project a 3% increase per annum.

**Insurance**

The insurance expense category consists of the cost of insuring the hotel and its contents against damage or destruction by fire, weather, sprinkler leakage, boiler explosion, plate glass breakage, and so forth. General insurance costs also include premiums relating to liability, fidelity, and theft coverage.

Insurance rates are based on many factors, including building design and construction, fire detection and extinguishing equipment, fire district, distance from the firehouse, and the area's fire experience. Insurance expenses do not vary with occupancy.

The 5-hotel set reported this cost at 0.7%. Ownership reported this expense at 0.6% in 2018 and 0.6% again in 2019 and projects insurance expenses to be 0.5% of total revenues (\$172,211 ) in 2020. Based on the size and service level of the property, we estimate this expense will be \$185,000 in Year 1 or 0.6% of total revenues. We project this expense to grow by 3% in Year 2 and thereafter.

**Management**

Management fees are typically structured as a combination of a base percentage of total revenues plus a performance incentive. The comparable hotels exhibit management expenses of 2.9% of total revenues, a standard rate. There is currently a management agreement in place at the subject hotel with IHG Management. Ownership reported this expense at 3.5% in 2018 and 4.5% in 2019 and projects this expense at 5.0% in 2020. Per the agreement, we have applied an expense of 5.0% of gross revenues (less Mr. Purple) in Year 1. This equates to \$1,402,177 in the first year of analysis. The management fee remains at 5.0% in Year 2 and thereafter.

**Replacement Reserve**

This category accounts for establishing a sinking fund to cover future liabilities associated with the replacement of short and long-lived building components as well as Furnishings, Fixtures, and Equipment (FF&E).

According to information provided within the Third Quarter 2019 PricewaterhouseCoopers report, as a percentage of total revenue, the average replacement reserve for the lodging industry ranged from 2.0% to 6.0% and is used for the periodic replacement of (FF&E) during the economic life of the building. These rates have remained relatively unchanged over the past three years, with most forecasts in the 3.0% to 4.0% range.

The owner reported this expense at 3.0% in 2018 and 2.0% in 2019 and projects this expense at 2.0% of total revenues in 2020.

Since the subject is relatively new, it is likely that an investor would consider replacement reserves allowance towards the lower end of a typical comparable range. However, we expect that an investor would contribute to the fund consistently over the entire economic life. Thus, we have applied a 3.5% allowance for replacement reserves. This translates to \$1,130,274 in the first year of the cash flow analysis.

**Total Expenses**

The 5-hotel expense set has an average expense ratio of 78.8%. Ownership reported an expense ratio of 72.1% in 2018 and 71.1% in 2019 and projects 69.4% in 2020. After accounting for expenses within all categories, we anticipate Total Expenses will equate to \$22,916,506 in Year 1 or 71.0% of total revenues. Total expense ratio remains around 70% for the remainder of the projection period. Overall our projection appears reasonable.

## Historical and Projected Performance

Year	Historical 2016		Historical 2017		Historical 2018		Actual thru Nov/Forecast 2019		Owner Budget 2020		Bowery Proforma 2020	
Hotel Units	294		294		294		294		294		294	
Available Nights	366		365		365		365		366		366	
Available Room Nights	107,604		107,310		107,310		107,310		107,604		107,604	
Occupancy	68.8%		80.3%		83.7%		89.5%		90.0%		90.0%	
Occupied Room Nights	74,032		86,170		89,823		96,359		96,919		96,844	
ADR	\$268.40		\$263.83		\$265.02		\$247.04		\$258.33		\$255.50	
RevPAR	\$184.70		\$211.90		\$221.84		\$221.15		\$232.39		\$229.95	
<u>Revenue</u>		%		%		%		%		%		%
Total Room Revenue	\$19,806,853	82.9%	\$22,727,143	81.5%	\$23,805,144	80.4%	\$23,731,663	76.9%	\$25,006,234	76.7%	\$24,743,540	76.6%
F&B Revenue	\$1,037,347	4.3%	\$1,276,232	4.6%	\$1,239,316	4.2%	\$1,348,874	4.4%	\$1,591,764	4.9%	\$1,550,000	4.8%
Misc Revenue	\$33,836	0.1%	\$73,697	0.3%	\$573,873	1.9%	\$1,524,482	4.9%	\$1,761,306	5.4%	\$1,750,000	5.4%
Rental Income (Mr. Purple)	\$3,003,183	12.6%	\$3,810,972	13.7%	\$3,985,962	13.5%	\$4,250,501	13.8%	\$4,227,169	13.0%	\$4,250,000	13.2%
Total Revenue	\$23,881,219	100.0%	\$27,888,044	100.0%	\$29,604,295	100.0%	\$30,855,520	100.0%	\$32,586,473	100.0%	\$32,293,540	100.0%
<u>Departmental Expenses</u>												
Rooms	\$6,179,059	31.2%	\$7,394,440	32.5%	\$8,224,973	34.6%	\$8,572,859	36.1%	\$9,189,204	36.7%	\$9,155,110	37.0%
F&B	\$1,038,354	100.1%	\$1,244,517	97.5%	\$1,252,777	101.1%	\$1,314,930	97.5%	\$1,525,173	95.8%	\$1,503,500	97.0%
Total	\$7,217,413	30.2%	\$8,638,957	31.0%	\$9,477,750	32.0%	\$9,887,789	32.0%	\$10,714,377	32.9%	\$10,658,610	33.0%
Gross Operating Income	\$16,663,806	69.8%	\$19,249,087	69.0%	\$20,126,545	68.0%	\$20,967,731	68.0%	\$21,872,096	67.1%	\$21,634,930	67.0%
<u>Undistributed Expenses</u>												
A&G	\$1,898,851	8.0%	\$2,130,589	7.6%	\$2,134,565	7.2%	\$2,040,089	6.6%	\$2,163,696	6.6%	\$2,131,374	6.6%
Marketing	\$1,555,605	6.5%	\$1,993,584	7.1%	\$2,259,119	7.6%	\$2,116,865	6.9%	\$2,259,146	6.9%	\$2,260,548	7.0%
Energy/Utilities	\$628,858	2.6%	\$622,424	2.2%	\$630,899	2.1%	\$751,649	2.4%	\$729,463	2.2%	\$750,000	2.3%
Property Maintenance	\$960,997	4.0%	\$1,118,006	4.0%	\$1,370,911	4.6%	\$1,389,783	4.5%	\$1,420,358	4.4%	\$1,453,209	4.5%
Total	\$5,044,311	21.1%	\$5,864,603	21.0%	\$6,395,494	21.6%	\$6,298,386	20.4%	\$6,572,663	20.2%	\$6,595,131	20.4%
GOP	\$11,619,495	48.7%	\$13,384,484	48.0%	\$13,731,051	46.4%	\$14,669,345	47.5%	\$15,299,433	47.0%	\$15,039,799	46.6%
<u>Fixed Expenses</u>												
Real Estate Taxes	\$2,567,036	10.7%	\$2,598,777	9.3%	\$2,761,688	9.3%	\$2,923,578	9.5%	\$3,052,379	9.4%	\$2,945,314	9.1%
Insurance	\$197,217	0.8%	\$192,958	0.7%	\$179,634	0.6%	\$180,974	0.6%	\$172,211	0.5%	\$185,000	0.6%
Management Fee	\$616,589	2.6%	\$856,128	3.1%	\$1,036,880	3.5%	\$1,400,702	4.5%	\$1,629,324	5.0%	\$1,402,177	4.3%
Replacement Reserve	\$238,474	1.0%	\$602,508	2.2%	\$889,885	3.0%	\$617,110	2.0%	\$651,729	2.0%	\$1,130,274	3.5%
Total	\$3,619,316	15.2%	\$4,250,371	15.2%	\$4,868,087	16.4%	\$5,122,364	16.6%	\$5,505,643	16.9%	\$5,662,765	17.5%
<b>NOI</b>	<b>\$8,000,179</b>	<b>33.5%</b>	<b>\$9,134,113</b>	<b>32.8%</b>	<b>\$8,862,964</b>	<b>29.9%</b>	<b>\$9,546,981</b>	<b>30.9%</b>	<b>\$9,793,790</b>	<b>30.1%</b>	<b>\$9,377,034</b>	<b>29.0%</b>
Operating Expense Ratio		66.5%		67.2%		70.1%		69.1%		69.9%		71.0%

## Historical and Projected Performance PAR and POR

Year	Historical 2016		Historical 2017		Historical 2018		Actual thru Nov/Forecast 2019		Owner Budget 2020		Bowery Proforma 2020	
	PAR	POR	PAR	POR	PAR	POR	PAR	POR	PAR	POR	PAR	POR
Total Room Revenue	\$184.07	\$267.55	\$211.79	\$263.75	\$221.84	\$265.02	\$221.15	\$246.28	\$232.39	\$258.01	\$229.95	\$255.50
F&B Revenue	\$9.64	\$14.01	\$11.89	\$14.81	\$11.55	\$13.80	\$12.57	\$14.00	\$14.79	\$16.42	\$14.40	\$16.01
Misc Revenue	\$0.31	\$0.46	\$0.69	\$0.86	\$5.35	\$6.39	\$14.21	\$15.82	\$16.37	\$18.17	\$16.26	\$18.07
Rental Income (Mr. Purple)	\$27.91	\$40.57	\$35.51	\$44.23	\$37.14	\$44.38	\$39.61	\$44.11	\$39.28	\$43.62	\$39.50	\$43.89
Total Revenue	\$221.94	\$322.58	\$259.88	\$323.64	\$275.88	\$329.58	\$287.54	\$320.21	\$302.84	\$336.22	\$300.11	\$333.46
<u>Departmental Expenses</u>												
Rooms	\$57.42	\$83.47	\$68.91	\$85.81	\$76.65	\$91.57	\$79.89	\$88.97	\$85.40	\$94.81	\$85.08	\$94.54
F&B	\$9.65	\$14.03	\$11.60	\$14.44	\$11.67	\$13.95	\$12.25	\$13.65	\$14.17	\$15.74	\$13.97	\$15.53
Total	\$67.07	\$97.49	\$80.50	\$100.25	\$88.32	\$105.52	\$92.14	\$102.61	\$99.57	\$110.55	\$99.05	\$110.06
Gross Operating Income	\$154.86	\$225.09	\$179.38	\$223.39	\$187.56	\$224.07	\$195.39	\$217.60	\$203.26	\$225.67	\$201.06	\$223.40
<u>Undistributed Expenses</u>												
A&G	\$17.65	\$25.65	\$19.85	\$24.73	\$19.89	\$23.76	\$19.01	\$21.17	\$20.11	\$22.32	\$19.81	\$22.01
Marketing	\$14.46	\$21.01	\$18.58	\$23.14	\$21.05	\$25.15	\$19.73	\$21.97	\$21.00	\$23.31	\$21.01	\$23.34
Energy/Utilities	\$5.84	\$8.49	\$5.80	\$7.22	\$5.88	\$7.02	\$7.00	\$7.80	\$6.78	\$7.53	\$6.97	\$7.74
Property Maintenance	\$8.93	\$12.98	\$10.42	\$12.97	\$12.78	\$15.26	\$12.95	\$14.42	\$13.20	\$14.66	\$13.51	\$15.01
Total	\$46.88	\$68.14	\$54.65	\$68.06	\$59.60	\$71.20	\$58.69	\$65.36	\$61.08	\$67.82	\$61.29	\$68.10
GOP	\$107.98	\$156.95	\$124.73	\$155.33	\$127.96	\$152.87	\$136.70	\$152.24	\$142.18	\$157.86	\$139.77	\$155.30
<u>Fixed Expenses</u>												
Real Estate Taxes	\$23.86	\$34.67	\$24.22	\$30.16	\$25.74	\$30.75	\$27.24	\$30.34	\$28.37	\$31.49	\$27.37	\$30.41
Insurance	\$1.83	\$2.66	\$1.80	\$2.24	\$1.67	\$2.00	\$1.69	\$1.88	\$1.60	\$1.78	\$1.72	\$1.91
Management Fee	\$5.73	\$8.33	\$7.98	\$9.94	\$9.66	\$11.54	\$13.05	\$14.54	\$15.14	\$16.81	\$13.03	\$14.48
Replacement Reserve	\$2.22	\$3.22	\$5.61	\$6.99	\$8.29	\$9.91	\$5.75	\$6.40	\$6.06	\$6.72	\$10.50	\$11.67
Total	\$33.64	\$48.89	\$39.61	\$49.33	\$45.36	\$54.20	\$47.73	\$53.16	\$51.17	\$56.81	\$52.63	\$58.47

## Discounted Cash Flow Analysis

### Discount Rate

In order to develop an indication of value by the Income Capitalization Approach, it is necessary to establish an acceptable yield rate to discount the annual cash flows and the reversion value.

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

Survey of Competitive Rates	Rate
Federal Funds Rate	1.55%
5-year CD	2.25%
10-year Treasury Bond	1.77%
30-year Treasury Bond	2.22%
Corporate Bonds (Moody's Seasoned AAA)	3.06%
Municipal Bonds (AAA, 10-year)	1.45%

*Source: Federal Reserve Statistical Release, FRED, bankrate.com, fmsbonds.com; December 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 Treasury Bonds are guaranteed by the federal government. Corporate Bonds and Utility Bonds are long term securities protected by the creditworthiness of the issuer.

Another source of anticipatory yield rates is provided by investment surveys conducted by the Real Estate Research Corporation (Situs - RERC) and PWC, which summarizes expected rates of return, including capitalization rates and income and expense growth rates, from a representative sample of institutional investors. The rates reflect acceptable expectations of yields desired by investors currently in the marketplace.

Survey	Type of Product	Discount Rate
RERC 3rd Quarter 2019	National Hotel	9.5%-10.4%
	Average	10.00%
PWC 3rd Quarter 2019	National Luxury / Upper Upscale Lodging	6.25%-13.0%
	Average	9.55%

*Source: PWC and Situs - RERC Surveys*

In selecting an appropriate discount rate, we have considered the foregoing yields as well as the subject property's location, size, age and condition relative to competing properties. In the development of the discount rate for the subject property, consideration was given to the risk, liquidity, and the time and expense of asset management inherent with income producing property investment. The summation approach was utilized to account for yield expectations associated with these investment considerations. A 3.00% basic rate was used based on the return exhibited by corporate and utility bonds. The 3.00% basic rate is increased for liquidity, asset management, and risk. This results in an 7.50% yield rate. Based on the foregoing, it is our opinion that an 7.50% before tax discount or yield rate would be required by a typical investor for a hotel property like the subject within a strong destination location.



The consensus of those actively engaged in the marketplace for hotels is that internal rates of return (based upon forecasting techniques and assumptions similar to those utilized herein) fall within a broad range depending upon numerous risk factors, including, among others:

- a) **Location:** the better the location, the lower the IRR. The subject property is situated within a prime destination, mixed use district with an active cultural and recreational base. The area has excellent accessibility features and convenience to both residential and employment centers and is also considered a destination location for tourism. Overall, this is considered to be a location with below average risk.
- b) **Physical Characteristics of the Subject Property:** the newer the property, the higher the quality of construction and finishes, and the better the design and layout of the physical plant, the lower the IRR. The subject was constructed in 2015 and is in excellent condition.
- c) **Degree of Forecasted Cash Flow Growth:** the greater the growth forecasted, the higher the IRR. After achieving stabilized occupancy levels, a modest rate of cash flow growth is projected based on general inflation expectations.
- d) **Amount of Equity Investment Required:** the greater the required equity investment (that portion of the total acquisition cost not typically funded by conventional financing), the higher the IRR.
- e) **Length of Projection Period:** the longer the projection period, the higher the IRR. We are utilizing a typical 10-year cash flow period.
- f) **Type of Investment:** the riskier the perceived return on investment for a particular type of real estate, the higher the IRR.

In our opinion, due to the subject property's: (a) excellent destination location; (b) convenient accessibility from all points; (c) excellent condition and functional utility; and (d) the caution used in forecasting room rates and occupancy, we believe that an 7.50% discount rate is appropriate for the subject property. This rate falls just at the average of the investor surveys, which is reasonable considering the subject's location and condition.

## Holding Period

The 3<sup>rd</sup> Quarter 2019 PWC survey reported the following holding periods indicated by various investor classes:

Investor	Forecast Period (years)
Owner/Operator	5 to 10 years
Private Investor	3 to 7 years
Insurance Company	10 years
Life Insurance Company	10 years

Based on the reported forecast periods, while considering time to stabilized operations, we anticipate a holding period of 10 years with the residual value based upon the net operating income in Year 11.

## Terminal Capitalization Rate and Estimated Reversion

### Terminal Capitalization Rates as reported by RERC and PWC

Survey	Type of Product	Terminal Cap Rate
RERC 3rd Quarter 2019	National Hotel	8.3%-9.0%
	Average	8.60%
PWC 3rd Quarter 2019	National Luxury / Upper Upscale Lodging	5.5% - 9.50%
	Average	7.33%

As indicated in the investment surveys, average terminal capitalization rates are 7.33% in the national luxury / upper upscale lodging properties and 8.60% on a total national level. According to HVS, transaction activity remains strong in Manhattan, with buyers competing heavily for assets, and sellers seeking to maximize their investment gains. In the table below, we summarize recent hotel sales of stabilized assets sold between 2014 and 2019, which realized capitalization rates that ranged from 2.25% to 6.80% and averaged 5.02%. As Manhattan is viewed as the nation's top gateway city, hotel investors from all over the world consider it to be an essential and low-risk market for their portfolio. Transaction activity is expected to remain stable over the next couple of years due to increased interest from investors and the increasing availability of assets for sale.

In order to determine an appropriate cap rate for the hotel portion of the subject property we researched cap rates for hotel properties in New York City.

## Hotel Sales

Hotel	Sale Date	Rooms	Sale Price	Price / Room	Cap Rate
Hyatt Hearld Square & Hyatt Place Midtown South	Sep-19	307	\$138,000,000	\$449,511	5.9%
Park Central Hotel / WestHouse New York	Nov-18	933	\$366,170,000	\$392,465	5.0%
Hotel Indigo Lower East Side	Sep-18	294	\$162,500,000	\$552,721	5.5%
W New York Union Square	Sep-18	270	\$165,635,985	\$613,467	6.6%
Hampton Inn Manhattan Downtown	Mar-18	81	\$32,400,000	\$400,000	4.4%
Comfort Inn Times Square	Oct-17	78	\$27,200,000	\$348,718	4.5%
The Ridge Hotel	Jul-17	42	\$16,750,000	\$398,810	6.8%
Stewart Hotel	Dec-16	618	\$217,500,000	\$351,942	3.8%
Nylo Hotel	Jun-16	291	\$140,000,000	\$481,100	5.2%
Hilton Garden Inn Chelsea	Jul-16	169	\$65,000,000	\$384,615	6.6%
Homewood Suites: 312-318 W 37th Street	Jul-16	293	\$169,000,000	\$576,792	6.6%
Wyndham Garden Hotel	Feb-16	124	\$60,000,000	\$483,871	5.5%
Doubletree Times Square: 1568 Broadway (Leasehold)	Dec-15	468	\$540,000,000	\$1,153,846	3.4%
The Martha Washington	Nov-15	264	\$17,250,000	\$65,341	2.3%
The GEM Hotel: 135 E Houston Street	Apr-15	45	\$17,250,000	\$383,333	5.0%
Manhattan at Times Square 790 7th Avenue	Feb-15	689	\$1,950,000,000	\$2,830,189	3.5%
The Waldorf Astoria: 301 Park Avenue	Feb-15	1413	\$1,950,000,000	\$1,380,042	3.0%
Sofitel: 43-45 West 44th Street	Nov-14	398	\$257,050,000	\$645,854	4.9%
Fairfield Inn and Suites West 33rd Street	Sep-14	239	\$135,300,000	\$566,109	6.3%
AKA United Nations	Sep-14	95	\$68,500,000	\$721,053	3.7%
Holiday Inn: 138 Lafayette Street	Jul-14	227	\$105,500,000	\$464,758	5.4%
Mondrian: 9 Crosby Street	Jun-14	263	\$205,000,000	\$779,468	5.8%
373 Fifth Avenue	Apr-14	70	\$34,900,000	\$498,571	5.8%
Min					2.25%
Max					6.80%
Average					5.02%

Source: PKF, Cushman & Wakefield, RCA, CoStar; compiled by Bowery

### Summary of Manhattan Hotel Cap Rates by Year

Year	# of Sales	Average OAR
2019	1	5.90%
2018	4	5.38%
2017	2	5.65%
2016	5	5.54%
2015	5	3.43%
2014	6	5.31%

The hotel cap rates range from 2.25% to 6.80% with an average of 5.02%. Between 2015 and 2017 sales average 4.7%. During 2018 and 2019, sales average 5.5%. We note cap rates decreased dramatically in 2015. Hotel transactions have slowed along with most asset types in New York City since 2016. Based on the subject's status as fairly new construction and excellent location in the Lower East Side, as well as the highly regarded restaurant and bar, we conclude to a terminal cap rate of 6.75%.

### Summary of Discounted Cash Flow Assumptions

<b>Guest Rooms</b>	294
<b>Available Room Nights</b>	107,604 (leap year) and 107,310 (non-leap year)
<b>Occupancy</b>	90.0%
<b>ADR (Year 1)</b>	\$255.50
<b>REVPAR (Year 1)</b>	\$229.95
<b>ADR Growth Rate</b>	Year 2: 3.0%
	Year 3+ 3.0% and thereafter
<b>REVPAR Growth Rate</b>	Year 2 3.0%
	Year 3+ 3.0%
<b>Discount Rate</b>	7.50%
<b>Terminal Capitalization Rate</b>	6.75%
<b>Total Expense Ratio (Year 1):</b>	71.0%
<b>Net Operating Income Ratio (Year 1):</b>	29.0%
<b>Holding Period</b>	10 years
<b>Cost of Sales</b>	3.00%

The discounted cash flow analysis is presented on the following pages:

	1			2			3			4			5		
Year Beginning	2020			2021			2022			2023			2024		
<b>Rooms</b>															
Hotel Units	294			294			294			294			294		
Available Nights	366			365			365			365			366		
Available Room Nights	107,604			107,310			107,310			107,310			107,604		
Occupancy	96,844 90.0%			96,579 90.0%			96,579 90.0%			96,579 90.0%			96,844 90.0%		
ADR	\$255.50			\$263.17			\$271.06			\$279.19			\$287.57		
ADR Growth	3.0%			3.0%			3.0%			3.0%			3.0%		
RevPAR	\$229.95			\$236.85			\$243.95			\$251.27			\$258.81		
RevPAR Growth Yr/Yr (%)	3.0%			3.0%			3.0%			3.0%			3.0%		
Revenue	% POR			% POR			% POR			% POR			% POR		
Total Room Revenue	\$24,743,540	76.6%	\$255.50	\$25,416,213	76.6%	\$263.17	\$26,178,699	76.6%	\$271.06	\$26,964,060	76.6%	\$279.19	\$27,849,072	76.6%	\$287.57
F&B Revenue	\$1,550,000	4.8%	\$16.01	\$1,596,500	4.8%	\$34.00	\$1,644,395	4.8%	\$34.00	\$1,693,727	4.8%	\$34.00	\$1,744,539	4.8%	\$34.00
Other Income	\$1,750,000	5.4%	\$18.07	\$1,802,500	5.4%	\$18.66	\$1,856,575	5.4%	\$19.22	\$1,912,272	5.4%	\$19.80	\$1,969,640	5.4%	\$20.34
Rental Income (Mr. Purple)	\$4,250,000	13.2%	\$43.89	\$4,377,500	13.2%	\$45.33	\$4,508,825	13.2%	\$46.69	\$4,644,090	13.2%	\$48.09	\$4,783,412	13.2%	\$49.39
Total Revenue	\$32,293,540	100.0%	\$333.46	\$33,192,713	100.0%	\$343.68	\$34,188,494	100.0%	\$354.00	\$35,214,149	100.0%	\$364.61	\$36,346,664	100.0%	\$375.31
Departmental Expenses															
Rooms Expense	\$9,155,110	37.0%	\$94.54	\$9,403,999	37.0%	\$97.37	\$9,686,119	37.0%	\$100.29	\$9,976,702	37.0%	\$103.30	\$10,304,157	37.0%	\$106.40
F&B Expense	\$1,503,500	97.0%	\$15.53	\$1,548,605	97.0%	\$16.03	\$1,595,063	97.0%	\$16.52	\$1,642,915	97.0%	\$17.01	\$1,692,202	97.0%	\$17.47
Total Dept Expenses	\$10,658,610	33.0%	\$110.06	\$10,952,604	134.0%	\$113.41	\$11,281,182	134.0%	\$116.81	\$11,619,617	134.0%	\$120.31	\$11,996,359	134.0%	\$123.87
Total Dept Profit	\$21,634,930	67.0%	\$223.40	\$22,240,109	67.0%	\$230.28	\$22,907,312	67.0%	\$237.19	\$23,594,532	67.0%	\$244.30	\$24,350,304	67.0%	\$251.44
Operating Expenses															
Administrative & General	\$2,131,374	6.6%	\$22.01	\$2,190,719	6.6%	\$22.68	\$2,256,441	6.6%	\$23.36	\$2,324,134	6.6%	\$24.06	\$2,398,880	6.6%	\$24.77
Marketing	\$2,260,548	7.0%	\$23.34	\$2,323,490	7.0%	\$24.06	\$2,393,195	7.0%	\$24.78	\$2,464,990	7.0%	\$25.52	\$2,544,266	7.0%	\$26.27
Energy/Utilities	\$750,000	2.3%	\$7.74	\$770,883	2.3%	\$7.98	\$794,009	2.3%	\$8.22	\$817,830	2.3%	\$8.47	\$844,132	2.3%	\$8.72
Repairs & Maintenance	\$1,453,209	4.5%	\$15.01	\$1,493,672	4.5%	\$15.47	\$1,538,482	4.5%	\$15.93	\$1,584,637	4.5%	\$16.41	\$1,635,600	4.5%	\$16.89
Total Operating Expense	\$6,595,131	20.4%	\$68.10	\$6,778,764	20.4%	\$70.19	\$6,982,127	20.4%	\$72.29	\$7,191,590	20.4%	\$74.46	\$7,422,878	20.4%	\$76.65
Gross Operating Profit	\$15,039,799	46.6%	\$155.30	\$15,461,345	46.6%	\$160.09	\$15,925,185	46.6%	\$164.89	\$16,402,941	46.6%	\$169.84	\$16,927,427	46.6%	\$174.79
Fixed Expenses															
Real Estate Taxes	\$2,945,314	9.1%	\$30.41	\$3,033,674	9.1%	\$31.41	\$3,124,684	9.1%	\$32.35	\$3,218,425	9.1%	\$33.32	\$3,314,977	9.1%	\$34.23
Insurance	\$185,000	0.6%	\$1.91	\$190,550	0.6%	\$1.97	\$196,267	0.6%	\$2.03	\$202,154	0.6%	\$2.09	\$208,219	0.6%	\$2.15
Management Fee	\$1,402,177	5.0%	\$14.48	\$1,440,761	5.0%	\$14.92	\$1,483,983	5.0%	\$15.37	\$1,528,503	5.0%	\$15.83	\$1,578,163	5.0%	\$16.30
Replacement Reserve	\$1,130,274	3.5%	\$11.67	\$1,161,745	3.5%	\$12.03	\$1,196,597	3.5%	\$12.39	\$1,232,495	3.5%	\$12.76	\$1,272,133	3.5%	\$13.14
Total Fixed Expenses	\$5,662,765	18.2%	\$58.47	\$5,826,729	18.2%	\$60.33	\$6,001,531	18.2%	\$62.14	\$6,181,577	18.2%	\$64.01	\$6,373,492	18.2%	\$65.81
Total Expenses	\$22,916,506	71.0%	\$236.63	\$23,558,097	71.0%	\$243.93	\$24,264,840	71.0%	\$251.24	\$24,992,785	71.0%	\$258.78	\$25,792,729	71.0%	\$266.33
NOI	\$9,377,034	29.0%	\$96.83	\$9,634,616	29.0%	\$99.76	\$9,923,654	29.0%	\$102.75	\$10,221,364	29.0%	\$105.83	\$10,553,934	29.0%	\$108.98

	6			7			8			9			10			11		
Year Beginning	2025			2026			2027			2028			2029			2030		
<b>Rooms</b>																		
Hotel Units	294			294			294			294			294			294		
Available Nights	365			365			365			366			365			365		
Available Room Nights	107,310			107,310			107,310			107,604			107,310			107,310		
Occupancy	96,579 90.0%			96,579 90.0%			96,579 90.0%			96,844 90.0%			96,579 90.0%			96,579 90.0%		
ADR	\$296.19			\$305.08			\$314.23			\$323.66			\$333.37			\$343.37		
ADR Growth	3.0%			3.0%			3.0%			3.0%			3.0%			3.0%		
RevPAR	\$266.58			\$274.57			\$282.81			\$291.29			\$300.03			\$309.03		
RevPAR Growth Yr/Yr (%)	3.0%			3.0%			3.0%			3.0%			3.0%			3.0%		
Revenue	% POR			% POR			% POR			% POR			% POR			% POR		
Total Room Revenue	\$28,606,171 76.6% \$296.19			\$29,464,356 76.6% \$305.08			\$30,348,287 76.6% \$314.23			\$31,344,376 76.6% \$323.66			\$32,196,498 76.6% \$333.37			\$33,162,393 76.6% \$343.37		
F&B Revenue	\$1,796,875 4.8% \$34.00			\$1,850,781 4.8% \$34.00			\$1,906,304 4.8% \$34.00			\$1,963,494 4.8% \$34.00			\$2,022,398 4.9% \$34.00			\$2,083,070 5.1% \$34.00		
Other Income	\$2,028,730 5.4% \$21.01			\$2,089,592 5.4% \$21.64			\$2,152,279 5.4% \$22.29			\$2,216,848 5.4% \$22.89			\$2,283,353 5.6% \$23.64			\$2,351,854 5.7% \$24.35		
Rental Income (Mr. Purpl	\$4,926,915 13.2% \$51.01			\$5,074,722 13.2% \$52.54			\$5,226,964 13.2% \$54.12			\$5,383,773 13.2% \$55.59			\$5,545,286 13.6% \$57.42			\$5,711,645 14.0% \$59.14		
Total Revenue	\$37,358,690 100.0% \$386.82			\$38,479,451 100.0% \$398.42			\$39,633,835 100.0% \$410.38			\$40,908,490 100.0% \$422.42			\$42,047,535 100.0% \$435.37			\$43,308,961 100.0% \$448.43		
Departmental Expenses																		
Rooms Expense	\$10,584,283 37.0% \$109.59			\$10,901,812 37.0% \$112.88			\$11,228,866 37.0% \$116.27			\$11,597,419 37.0% \$119.75			\$11,912,704 37.0% \$123.35			\$12,270,085 37.0% \$127.05		
F&B Expense	\$1,742,969 97.0% \$18.05			\$1,795,258 97.0% \$18.59			\$1,849,115 97.0% \$19.15			\$1,904,589 97.0% \$19.67			\$1,961,726 97.0% \$20.31			\$2,020,578 97.0% \$20.92		
Total Dept Expenses	\$12,327,252 134.0% \$127.64			\$12,697,069 134.0% \$131.47			\$13,077,982 134.0% \$135.41			\$13,502,008 134.0% \$139.42			\$13,874,431 134.0% \$143.66			\$14,290,664 134.0% \$147.97		
Total Dept Profit	\$25,031,438 67.0% \$259.18			\$25,782,382 67.0% \$266.96			\$26,555,853 67.0% \$274.97			\$27,406,482 67.0% \$283.00			\$28,173,105 67.0% \$291.71			\$29,018,298 67.0% \$300.46		
Operating Expenses																		
Administrative & General	\$2,465,674 6.6% \$25.53			\$2,539,644 6.6% \$26.30			\$2,615,833 6.6% \$27.08			\$2,699,960 6.6% \$27.88			\$2,775,137 6.6% \$28.73			\$2,858,391 6.6% \$29.60		
Marketing	\$2,615,108 7.0% \$27.08			\$2,693,562 7.0% \$27.89			\$2,774,368 7.0% \$28.73			\$2,863,594 7.0% \$29.57			\$2,943,327 7.0% \$30.48			\$3,031,627 7.0% \$31.39		
Energy/Utilities	\$867,635 2.3% \$8.98			\$893,664 2.3% \$9.25			\$920,474 2.3% \$9.53			\$950,078 2.3% \$9.81			\$976,531 2.3% \$10.11			\$1,005,827 2.3% \$10.41		
Repairs & Maintenance	\$1,681,141 4.5% \$17.41			\$1,731,575 4.5% \$17.93			\$1,783,523 4.5% \$18.47			\$1,840,882 4.5% \$19.01			\$1,892,139 4.5% \$19.59			\$1,948,903 4.5% \$20.18		
Total Operating Expense	\$7,629,558 20.4% \$79.00			\$7,858,445 20.4% \$81.37			\$8,094,198 20.4% \$83.81			\$8,354,514 20.4% \$86.27			\$8,587,135 20.4% \$88.91			\$8,844,749 20.4% \$91.58		
Gross Operating Profit	\$17,401,880 46.6% \$180.18			\$17,923,937 46.6% \$185.59			\$18,461,655 46.6% \$191.16			\$19,051,968 46.6% \$196.73			\$19,585,969 46.6% \$202.80			\$20,173,549 46.6% \$208.88		
Fixed Expenses																		
Real Estate Taxes	\$3,414,427 9.1% \$35.35			\$3,516,859 9.1% \$36.41			\$3,622,365 9.1% \$37.51			\$3,731,036 9.1% \$38.53			\$3,842,967 9.1% \$39.79			\$3,958,256 9.1% \$40.98		
Insurance	\$214,466 0.6% \$2.22			\$220,900 0.6% \$2.29			\$227,527 0.6% \$2.36			\$234,352 0.6% \$2.42			\$241,383 0.6% \$2.50			\$248,625 0.6% \$2.57		
Management Fee	\$1,621,589 5.0% \$16.79			\$1,670,236 5.0% \$17.29			\$1,720,344 5.0% \$17.81			\$1,776,236 5.0% \$18.34			\$1,825,112 5.0% \$18.90			\$1,879,866 5.0% \$19.46		
Replacement Reserve	\$1,307,554 3.5% \$13.54			\$1,346,781 3.5% \$13.94			\$1,387,184 3.5% \$14.36			\$1,431,797 3.5% \$14.78			\$1,471,664 3.5% \$15.24			\$1,515,814 3.5% \$15.70		
Total Fixed Expenses	\$6,558,035 18.2% \$67.90			\$6,754,776 18.2% \$69.94			\$6,957,420 18.2% \$72.04			\$7,173,422 18.2% \$74.07			\$7,381,126 18.2% \$76.43			\$7,602,560 18.2% \$78.72		
Total Expenses	\$26,514,846 71.0% \$274.54			\$27,310,291 71.0% \$282.78			\$28,129,600 71.0% \$291.26			\$29,029,944 71.0% \$299.76			\$29,842,692 71.0% \$309.00			\$30,737,973 71.0% \$318.27		
NOI	\$10,843,845 29.0% \$112.28			\$11,169,160 29.0% \$115.65			\$11,504,235 29.0% \$119.12			\$11,878,546 29.0% \$122.66			\$12,204,843 29.0% \$126.37			\$12,570,988 29.0% \$130.16		

**Prospective Present Value**  
**Cash Flow Before Debt Service plus Property Resale**  
**Discounted Annually (Endpoint on Cash Flow & Resale) over a 10-Year Period**

Analysis Period	For Year	Annual Cash Flow	P.V. of Cash Flow 7.50%
1	2020	\$9,377,034	\$8,722,822
2	2021	\$9,634,616	\$8,337,147
3	2022	\$9,923,654	\$7,988,150
4	2023	\$10,221,364	\$7,653,763
5	2024	\$10,553,934	\$7,351,434
6	2025	\$10,843,845	\$7,026,394
7	2026	\$11,169,160	\$6,732,266
8	2027	\$11,504,235	\$6,450,450
9	2028	\$11,878,546	\$6,195,653
10	2029	\$12,204,843	\$5,921,716
Total Cash Flow		\$107,311,232	\$72,379,796
Property Resale after 3% Cost of Sale		\$180,649,757	\$90,360,995
Total Property Present Value			\$162,740,791
			=====
As Is Value (Rounded)			\$162,700,000
Implied OAR			5.76%

### Reconciliation of DCF Method

To test the reasonableness of our value opinion developed with the Discounted Cash Flow Method, we have analyzed "going in" capitalization rates indicated by the PricewaterhouseCoopers' and Real Estate Research Corporation's investment surveys, which reflect the investment expectations of institutional investors.

Survey	Type of Product	Going In Cap Rate
RERC 3rd Quarter 2019	National Hotel	7.0%-8.5%
	East Region	8.00%
PWC 3rd Quarter 2019	National Luxury / Upper Upscale Lodging	4.0% - 9.5%
	Average	7.05%

Our Year 1 proforma cash flow and resultant value opinion result in a "going-in" capitalization rate of 5.76% (\$9,377,034/\$162,700,000), which is towards the low end of the overall investment range. By Year 2, the implied cap rate equates to 5.9% and 6.1% by Year 3. It is our view that our value opinions derived from our Discounted Cash Flow Analysis are credible, since they offer an adequate return to an investor.

Therefore, with primary emphasis placed on the Discounted Cash Flow analysis, the "as is" fair value via the Income Capitalization Approach, as of December 31, 2019 is:

Value	Interest Appraised	Date of Value	Conclusion
Fair Value As Is	Fee Simple	December 31, 2019	\$162,700,000

As a check to the reasonableness of our concluded value of \$162,700,000 or \$553,401 per room, the following comparable hotel sales, from desirable Manhattan locations since 2017, were referenced:

Hotel	Sale Date	Rooms	Sale Price	Price / Room
St. Regis New York	Oct-19	238	\$310,000,000	\$1,302,521
Courtyard by Marriott SoHo	Oct-19	122	\$59,350,000	\$486,475
W Union Square	Oct-19	270	\$166,219,115	\$615,626
Hyatt Herald Square & Hyatt Place Midtown	Sep-19	307	\$138,000,000	\$449,511
Kimpton Ink48	Sep-19	222	\$85,276,000	\$384,126
Club Quarters Midtown	Aug-19	167	\$64,530,500	\$386,410
The Hotel at Fifth Avenue	Aug-19	182	\$56,520,000	\$310,549
Marrakech Hotel	Aug-19	128	\$44,000,000	\$343,750
NYCASA 46	Jul-19	79	\$24,000,000	\$303,797
Flatiron Hotel	May-19	64	\$40,300,000	\$629,688
Fairfield Inn & Suites	Mar-19	286	\$128,577,459	\$449,572
Spring Hill Suites	Mar-19	280	\$145,722,338	\$520,437
Le Parker Meridien	Jan-19	729	\$420,000,000	\$576,132
Westin New York Grand Central	Jan-19	774	\$302,000,000	\$390,181
Hotel Wales	Dec-18	89	\$60,800,000	\$683,146
Park Central Hotel / WestHouse New York	Nov-18	933	\$366,170,000	\$392,465
Hotel Indigo Lower East Side	Sep-18	294	\$162,500,000	\$552,721
W New York Union Square	Sep-18	270	\$165,635,985	\$613,467
The Quin	Jun-18	208	\$174,463,119	\$838,765
Riff Hotel	Jun-18	36	\$19,075,000	\$529,861
Riff Hotel Chelsea	Apr-18	43	\$27,500,000	\$639,535
Times Square Edition	Mar-18	452	\$886,978,992	\$1,962,343
Hampton Inn Manhattan Downtown	Mar-18	81	\$32,400,000	\$400,000
Royalton Park Avenue	Dec-17	249	\$200,000,000	\$803,213
Comfort Inn Times Square	Oct-17	78	\$27,200,000	\$348,718
The Ridge Hotel	Jul-17	42	\$16,750,000	\$398,810
Min				\$303,797
Average				\$588,916
Max				\$1,962,343

The above comparable sales indicate a sale price range of \$303,797 to \$1,962,343 per room, with an average of \$588,916 per room. The subject concluded value is within the range of the comparable sales and is reasonable.

## Sales Comparison Approach

In the Sales Comparison Approach, an opinion of fair value is provided 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 lodging properties are analyzed by their capacity to generate revenue per room (RevPAR), it is our view that an analysis of sales of lodging properties based on price per room would result in the most credible indication of value.

We researched and analyzed sales of lodging properties in the New York City area over the past few years and presented those which we view as the most competitive in support of our opinion of value.

#### Comparable Sales Summary<sup>8</sup>

	Address	Sale Date	Rooms (Keys)	Sale Price	Sale Price Per Room
1	W Union Square: 201 Park Avenue South	Oct-19	270	\$166,219,115	\$615,626
2	Embassy Suites Midtown - 60 West 37th Street	Jan-19	310	\$195,000,000	\$629,032
3	Courtyard by Marriott - 181 Varick Street	Oct-19	120	\$59,875,000	\$498,958
4	Hyatt Place Midtown South & Hyatt Herald Square	Sep-19	307	\$138,000,000	\$449,511
5	The James: 31 Grand Street	Dec-17	114	\$66,300,000	\$581,579
6	Smyth Hotel: 85 West Broadway	Nov-17	100	\$72,226,000	\$554,941

<sup>8</sup> The outlines of each of the comparable sales can be found in the Addenda.



## Comparable Lodging Property Sales



## Comparable Sales Outlines

### Comparable Sale 1



#### W Union Square: 201 Park Avenue South

<b>Grantee</b>		Marriott International Inc.	
<b>Grantor</b>		Westbrook Partners	
<b>Document Number</b>		2019000335637	
<b>GBA (SF)</b>		200,000	
<b>Block/Lot:</b>	873/1	<b>NOI</b>	Not Reported
<b>Building to Land Ratio</b>	21.76	<b>Cap Rate</b>	Not Reported
<b>Rooms</b>	270	<b>Sale Date</b>	10/10/2019
<b>Site Area (SF)</b>	9,191	<b>Sale Price</b>	\$166,219,115
<b>Year Built</b>	1911 / 2010	<b>Price Per Room:</b>	\$615,626

This is the sale of a 270-room hotel, known as W Union Square, located in New York, NY. The property, built/renovated in 1911 / 2010, contains 200,000 square feet of GBA on 9,191. acres of land. The building most recently sold for \$166,219,115. This equates to a price per key of \$615,626. This property was originally built in 1911 and renovated as a W Hotel in 2000. Host Hotels paid \$185.3 million for the property in 2010 and sold in 2018 for \$165.5 million to Westbrook Partners. Thus, they sold this hotel at a loss. This sale comes just one year later. We note that Marriott acquired Starwood (owner of the W brand) in 2016. Marriott's press release indicated that it spent \$206 million to acquire the hotel; however, the deed reports the sale price at \$166.2 million. Marriott plans to renovate the property and will include a new spa and an expanded restaurant.

### Comparable Sale 2



#### Embassy Suites Midtown - 60 West 37th Street

<b>Grantee</b>		Ashford Hospitality Trust, Inc.	
<b>Grantor</b>		Hidrock Properties	
<b>Document Number</b>		20190000326268	
<b>GBA (SF)</b>		195,360	
<b>Block/Lot:</b>	838/1201-1202	<b>NOI</b>	Not Reported
<b>Building to Land Ratio</b>	22.71	<b>Cap Rate</b>	Not Reported
<b>Rooms</b>	310	<b>Sale Date</b>	1/22/2019
<b>Site Area (SF)</b>	8,602	<b>Sale Price</b>	\$195,000,000
<b>Year Built</b>	2018	<b>Price Per Room:</b>	\$629,032

This is the sale of a 310-room hotel, known as Embassy Suites Midtown, located in New York, NY. The property, built in 2018, contains 195,360 square feet of GBA on 8,602. acres of land. The building most recently sold for \$195,000,000. This equates to a price per key of \$645,161. This property was built in 2018 and is located in Midtown near Times Square and Bryant Park. Amenities include F&B outlets, 4,000 SF of flexible meeting space, outdoor sky-lawn and 47-space parking garage, fitness center. While not yet stabilized, hotel had 92% occupancy, ADR of \$254 and resulting RevPAR of \$276 for Q4 2018.

### Comparable Sale 3



#### Courtyard by Marriott - 181 Varick Street

<b>Grantee</b>		Claremont Companies	
<b>Grantor</b>		181 Varick Street, LLC	
<b>Document Number</b>		2019000373720	
<b>GBA (SF)</b>		52,155	
<b>Block/Lot:</b>	580/63	<b>NOI</b>	Not Reported
<b>Building to Land Ratio</b>	10.33	<b>Cap Rate</b>	Not Reported
<b>Rooms</b>	120	<b>Sale Date</b>	10/30/2019
<b>Site Area (SF)</b>	5,050	<b>Sale Price</b>	\$59,875,000
<b>Year Built</b>	2010	<b>Price Per Room:</b>	\$498,958

This is the sale of a 120-room hotel, known as Courtyard by Marriott, located in New York, NY. The property, built in 2010, contains 52,155 square feet of GBA on 5,050. acres of land. The building most recently sold for \$59,875,000. This equates to a price per key of \$498,958. This property was built in 2000 and is located in SoHo. The hotel has a restaurant, Table 181 Soho Café which includes a Starbucks counter and a fitness center.

## Comparable Sale 4

52 West 36<sup>th</sup> Street30 W 31<sup>st</sup> Street

**Hyatt Place Midtown South & Hyatt Herald Square - 52 West 36th St & 30 West 31st St**

<b>Grantee</b>	AJU Hotels & Resorts		
<b>Grantor</b>	Chesapeake Lodging Trust		
<b>Document Number</b>	2019000316611		
<b>GBA (SF)</b>	132,900		
<b>Block/Lot:</b>	837/74 and 832/62	<b>NOI</b>	\$8,142,000
<b>Building to Land Ratio</b>	11.79	<b>Cap Rate</b>	5.90%
<b>Rooms</b>	307	<b>Sale Date</b>	9/17/2019
<b>Site Area (SF)</b>	11,274	<b>Sale Price</b>	\$138,000,000
<b>Year Built</b>	113 and 2012	<b>Price Per Room:</b>	\$449,511

This is the sale of a two-hotel portfolio totaling 307-rooms, known as Hyatt Place Midtown South & Hyatt Herald Square, located in New York, NY. The properties, built in 2013 and 2012, contain 132,900 square feet of GBA on 11,274. acres of land. The buildings most recently sold for \$138,000,000. This equates to a price per key of \$449,511 for the 185-key Hyatt Place Midtown South and the 122-key Hyatt Herald Square. The properties are located in Midtown. According to a press release on September 23, 2019, the sale price represents a 5.9% cap rate based on TTM NOI.

## Comparable Sale 5

**The James: 31 Grand Street**

<b>Grantee</b>		Thor Equities	
<b>Grantor</b>		PGIM Real Estate	
<b>Document Number</b>		2017000473398	
<b>GBA (SF)</b>		55,479	
<b>Block/Lot:</b>	22/52	<b>NOI</b>	Not Reported
<b>Building to Land Ratio</b>	5.73	<b>Cap Rate</b>	Not Reported
<b>Rooms</b>	114	<b>Sale Date</b>	12/14/2017
<b>Site Area (SF)</b>	9,676	<b>Sale Price</b>	\$66,300,000
<b>Year Built</b>	2008	<b>Price Per Room:</b>	\$581,579

This is the sale of a 20-story hotel located in Soho. This 114-key, 4-star hotel has a pool with cabanas, rooftop lounge, fitness center, bar/lounge and restaurant operated by David Burke. It offers room service and a business center. The property previously sold in May 2013 for \$83.4 million.

## Comparable Sale 6

**Smyth Hotel: 85 West Broadway**

<b>Grantee</b>		Korman Communities	
<b>Grantor</b>		Walton Street Capital LLC	
<b>Document Number</b>		201700043942	
<b>GBA (SF)</b>		49,709	
<b>Block/Lot:</b>	136/1401	<b>NOI</b>	Not Reported
<b>Building to Land Ratio</b>	6.59	<b>Cap Rate</b>	Not Reported
<b>Rooms</b>	100	<b>Sale Date</b>	11/22/2017
<b>Site Area (SF)</b>	7,541	<b>Sale Price</b>	\$72,226,000
<b>Year Built</b>	2009	<b>Price Per Room:</b>	\$722,260

A 100-key hotel comprising the first nine floors of a 14-story condominium building. It is located in Tribeca on the corner of West Broadway and Chambers Street. The building also contains 6,638 SF of retail space at grade and 15 residential condo units on floors 10-14. Hotel amenities include a fitness center, Little Park, a restaurant by chef Andrew Carmellini, meeting space, and free wifi.

## Adjustments

Adjustments to the comparable sales have been considered based on comparison to the subject for property rights, financing terms, conditions of sale, market conditions, location, size, branding, utility/amenities, and condition.

<b>Property Rights Appraised</b>	The purpose of this adjustment is to account for differences in the property rights which were transferred with the sale. The property rights being valued in this analysis are the fee simple interest of the subject. The comparables are also valued as the fee simple interest and thus no adjustments are warranted.
<b>Financing</b>	The purpose of adjusting for financing terms is to determine cash equivalent sale prices for the comparable sales. All sales were cash transactions or financed at market rates. No adjustments were required.
<b>Conditions of Sale</b>	This adjustment refers to the motivations of the buyer and seller involved in a particular transaction. No adjustments were required.
<b>Market Conditions</b>	All the comparables have sold since December 2017. Cap rates have remained fairly stable during this time. No adjustments are warranted.
<b>Location</b>	<p>The subject is well-located in the Lower East Side, a hip and trendy neighborhood. The subject has a restaurant and bar that appeal to both tourists and local residents.</p> <p>Sale 1 is located on Park Avenue South. We make a slight downward adjustment as the hotel benefits from its Park Avenue address.</p> <p>Sale 2 is located in Midtown; a neighborhood considered inferior to the subject. Thus, an upward adjustment is warranted.</p> <p>Sale 3 is located in SoHo, which is considered similar to the subject and thus, does not require an adjustment.</p> <p>Sale 4 hotels are located on West 36<sup>th</sup> Street and West 31<sup>st</sup> Street in Midtown, which are considered inferior to the subject. An upward adjustment is warranted.</p> <p>Sale 5 is located in SoHo, which is considered similar to the subject and thus, does not require an adjustment.</p> <p>Sale 6 is located in the trendy neighborhood of TriBeCa, which is considered similar to the subject and thus, does not require an adjustment.</p>
<b>Size</b>	This adjustment accounts for the difference in size between each of the comparables and the subject property. The subject has 294 guest rooms while the sales range from 100 to 310 guest rooms. There is typically an inverse relationship with size and price per key whereby a property with less rooms will sell for a higher price per key. Sales 3, 5 and 6 are smaller properties as compared to the subject. Thus, they receive downward adjustments. No further adjustments are required. We note that Sale 4 contains two hotels, one with 122 keys and one with 185 keys. As this was sold as a portfolio with a total of 307 keys, no adjustment is warranted.



**Branding**

The subject is a boutique hotel that also benefits from IHG branding. Sale 1 is a W Hotel which is now part of the Marriott brand, Sale 2 is an Embassy Suites (part of Hilton), Sale 3 is a Courtyard by Marriott and Sale 4 is comprised of two Hyatt hotels. These hotels benefit from their affiliation with international hotel brands. As the Hilton, Marriott and Hyatt brands have high brand recognition, a downward adjustment is required. Sales 5 and 6 do not benefit from branding and receive upward adjustments.

**Utility/Amenities**

This adjustment accounts for such factors as building height, exterior appeal, frontage and amenities for each comparable. The subject is a modern, hip boutique hotel that is appealing to most travelers. Sales 1, 5 and 6 are boutique hotels. The remaining sales warrant an upward adjustment.

**Condition**

The subject was constructed in 2015-2016 and is in excellent condition. It has hip, modern, fashion forward décor that is appealing to most travelers. All of the sales were constructed/renovated within the past few years and have a similar hip design. We note the new owner of the W hotel in Union square is planning to renovate the hotel and add a spa and expanded restaurant. Thus, this sale receives an upward adjustment.

## Comparable Sales Adjustment Grid

Sale No.	Subject	1	2	3	4	5	6
Address	180 Orchard Street / 171 Ludlow Street	W Union Square: 201 Park Avenue South	Embassy Suites Midtown - 60 West 37th Street	Courtyard by Marriott - 181 Varick Street	Hyatt Place Midtown South & Hyatt Herald Square - 52 West 36th St & 30 West 31st St	The James: 31 Grand Street	Smyth Hotel: 85 West Broadway
Sale Date		10/10/2019	1/22/2019	10/30/2019	9/17/2019	12/14/2017	11/22/2017
No. Keys	294	270	310	120	307	114	100
Sale Price		\$166,219,115	\$195,000,000	\$59,875,000	\$138,000,000	\$66,300,000	\$72,226,000
<b>Sale Price Per Key</b>		<b>\$615,626</b>	<b>\$629,032</b>	<b>\$498,958</b>	<b>\$449,511</b>	<b>\$581,579</b>	<b>\$722,260</b>
Property Rights:	Fee Simple	0%	0%	0%	0%	0%	0%
Financing Terms:	None	0%	0%	0%	0%	0%	0%
Conditions of Sale:	None	0%	0%	0%	0%	0%	0%
Market Conditions (Time):	12/31/19	0%	0%	0%	-5%	0%	0%
<b>Trended Price Per Key</b>		<b>\$615,626</b>	<b>\$629,032</b>	<b>\$498,958</b>	<b>\$427,036</b>	<b>\$581,579</b>	<b>\$722,260</b>
Location:	Lower East Side	-3%	10%	0%	10%	0%	0%
Size:	294	0%	0%	-5%	0%	-5%	-5%
Branding:	IHG	-10%	-10%	-10%	-10%	5%	5%
Utility/Amenities:	N/A	0%	10%	10%	10%	0%	0%
Condition:	Excellent	10%	0%	0%	0%	0%	0%
<b>Total Adjustments</b>		<b>-3%</b>	<b>10%</b>	<b>-5%</b>	<b>10%</b>	<b>0%</b>	<b>0%</b>
<b>Adjusted Price Per Key</b>		<b>\$597,158</b>	<b>\$691,935</b>	<b>\$474,010</b>	<b>\$469,739</b>	<b>\$581,579</b>	<b>\$722,260</b>
		<b>Unadjusted</b>					<b>Adjusted</b>
<b>LOW</b>		<b>\$449,511</b>			<b>LOW</b>		<b>\$469,739</b>
<b>HIGH</b>		<b>\$722,260</b>			<b>HIGH</b>		<b>\$722,260</b>
<b>AVERAGE</b>		<b>\$582,828</b>			<b>AVERAGE</b>		<b>\$589,447</b>
<b>MEDIAN</b>		<b>\$598,603</b>			<b>MEDIAN</b>		<b>\$589,368</b>



All adjustments are percentages. A positive adjustment to a sale indicates an inferior characteristic relative to the subject. A negative adjustment indicates a superior characteristic relative to the subject. After adjustments, the comparable sales show a tighter range of \$469,739 to \$722,260 per room with an average of \$589,447 and a median of \$589,368 per room. We emphasize Sale 1, The W Union Square, one of our most recent sales with similar number of rooms. After adjustments, The W sold for \$597,158 per room. Sales 1, 2 and 3, which represent the 2019 sales, sold for an average price of \$587,701 after adjustments. With consideration of the foregoing, we conclude to an "as is" value indication of \$585,000 per room. The total value is calculated as follows:

## Fair Value Conclusion Via Sales Comparison Approach

	<b>Date of Value</b>	<b>Value</b>	<b>Final Value (Rd)</b>
Concluded Value Per Key		\$585,000	
Keys		294	
Indicated Value		\$171,990,000	
<b>Current As Stabilized Fair Value via the Sales Comparison Approach</b>	<b>December 31, 2019</b>	<b>\$171,990,000</b>	<b>\$172,000,000</b>

## Reconciliation & Final Value Opinion

In advancing an opinion of the fair value of the subject property hotel condominium (Hotel Indigo), the estimated value arrived are as follows:

Approach	Value	Interest Appraised	Date of Value	Conclusion
Cost Approach	N/A	N/A	N/A	Not Applied
Income Approach	Fair Value "As Is"	Fee Simple	December 31, 2019	\$162,700,000
Sales Approach	Fair Value "As Is"	Fee Simple	December 31, 2019	\$172,000,000

The **Cost Approach** is traditionally a good indicator of value when properties being appraised are new or close to new and during periods when there is little external obsolescence. The cost approach has limited utility in the valuation of existing hotels. The quantification of external and incurable functional obsolescence is based on numerous adjustments. It is our experience that knowledgeable purchasers of complex hotel properties are more concerned with the economics of the investment. Therefore, the cost approach has little significance. In light of its minimal value and the difficulty in quantifying the varying sources of depreciation, we have not utilized the cost approach in estimating the value of the subject property.

To estimate the subject property's value via the **Income Capitalization Approach**, we have analyzed the local market for transient accommodations, examined the competitive environment, projected occupancy and average rate levels, and developed a forecast of income and expense that reflects anticipated income trends and cost components through a stabilized year of operation. Through a discounted cash flow and income capitalization procedure, the value of each component was calculated; the total of the mortgage and equity components equates to the value of the property. Our experience indicates that the procedures used in estimating fair value by the income capitalization approach are comparable to those employed by the hotel investors who constitute the marketplace. For this reason, we believe that the income capitalization approach produces a credible value estimate.

The **Sales Comparison Approach** is considered a reliable indicator of value when few differences exist between the comparable sales and the subject, and the sales data collected is considered to be reliable and accurate. There is continued strong demand for hotel properties in New York City from a variety of investors. However, due to the inherent differences between the subject and the sales, we have utilized the Sales Comparison Approach mainly as a check against our value via the Income Approach. Our value via the Income Approach is well supported by the Sales Comparison Approach.

### Final Value Opinion

Value	Interest Appraised	Date of Value	Conclusion
Fair Value As Is	Fee Simple	December 31, 2019	\$162,700,000

The value conclusions are subject to the following **Extraordinary Assumptions**<sup>9</sup> that may affect the assignment results. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

- None.

<sup>9</sup> The definition of Extraordinary Assumptions can be found in the Glossary of Terms, which is located in the Addenda.

The value conclusions are based on the following **Hypothetical Conditions**<sup>10</sup> that may affect the assignment results.

- None.

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

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<sup>10</sup> The definition of Hypothetical Conditions can be found in the Glossary of Terms, which is located in the Addenda.

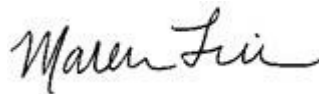
## Certification

We certify to the best of our knowledge:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- Michelle Zell, formerly of BBG, Inc., previously inspected and previously performed services, as an appraiser, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment. Bowery Valuation has not previously performed services, as an appraiser, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- We have no bias with respect to the property that is the subject of this report or to the parties Involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- Michelle Zell, MAI, has made a personal inspection of the property that is the subject of this report on December 13, 2019. Maren Lewis has not made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.
- As of the date of this report, Michelle Zell, MAI, has completed the continuing education program for Designated Members of the Appraisal Institute.



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## Addenda

## Glossary of Terms

Unless otherwise noted, *The Dictionary of Real Estate Appraisal*, 6<sup>th</sup> edition (Chicago: Appraisal Institute, 2015) is the source of the following definitions.

**Condominium:** A multiunit structure, or a unit within such a structure, with a condominium form of ownership.

**Deferred Maintenance:** Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of the property, such as a broken window, a dead tree, a leak in the roof, or a faulty roof that must be completely replaced. These items are almost always curable.

**Depreciation:** A loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvements on the same date.

**Direct Capitalization:** A method used to convert an estimate of a single year's net operating income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. This technique employs capitalization rates and multipliers extracted from sales. Only the first year's income is considered. Yield and value change are implied, but not identified overall. This method is most useful when the property is already operating on a stabilized basis.<sup>11</sup>

**Discounted Cash Flow:** The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analysis specifies the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate.

**Effective Date:** (1) The date on which the appraisal or review applies. (2) In a lease document, the date upon which the lease goes into effect.

**Effective Gross Income:** The anticipated income from all operations of real property adjusted for vacancy and collection losses.

**Entrepreneurial Profit:** (1) A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses. (2) In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

**Equity Dividend:** The portion of net income that remains after debt service is paid; this is returned to the equity position.

**Exposure Time:** (1) The time a property remains on the market. (2) The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. **Note:** Exposure time is a retrospective.

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

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

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

<sup>11</sup> *The Appraisal of Real Estate, 14<sup>th</sup> Edition* (Appraisal Institute: 2013)

**Gross Building Area:** Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.

**Highest and Best Use:** (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.<sup>12</sup> (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.<sup>13</sup>

**Hypothetical Condition:** 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.

**Leased Fee Interest:** 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.

**Leasehold Interest:** The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

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

**Marketing Time:** An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

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

**Net Operating Income:** The anticipated net income remaining after all operating expenses are deducted from effective gross income.

**Net Rentable Area:** For office or retail buildings, the tenant's pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based; calculated according to local practice.

**Physically Possible Use:** An analysis to determine those uses of the subject which can be deemed physically possible.

**Potential Gross Income:** The total potential income attributable to the real property at full occupancy before operating expenses are deducted. It may refer to the level of rental income prevailing in the market or that contractually determine by existing leases.

**Property Rights Appraised:** 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.

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<sup>12</sup> Parker, David. *International Valuation Standards* (John Wiley & Sons, Ltd: 2016)

<sup>13</sup> Uniform Appraisal Standards for Federal Land Acquisitions (The Appraisal Foundation: 2016)

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

**Replacement Costs:** The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout.

**Reproduction Costs:** The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, super-adequacies, and obsolescence of the subject building.

**Reversion:** A lump-sum benefit an investor expects to receive upon the termination of the investment.

**Stabilized Income:** **(1)** An estimate of income, either current or forecasted, that presumes the property is at stabilized occupancy. **(2)** The forecast of the subject property's yearly average income (or average- equivalent income) expected for the economic life of the subject property. **(3)** Projected income that is subject to change but has been adjusted to reflect an equivalent, stable annual income.

**Stabilized Occupancy:** **(1)** The occupancy of a property that would be expected at a particular point in time, considering its relative competitive strength and supply and demand conditions at the time, and presuming it is priced at market rent and has had reasonable market exposure. A property is at stabilized occupancy when it is capturing its appropriate share of market demand. **(2)** An expression of the average or typical occupancy that would be expected for a property over a specified projection period or over its economic life.

**Yield Capitalization:** The capitalization method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate. This method explicitly considers a series of cash flows (net income over a holding period) over time together with any reversion value or resale proceeds. Since this technique explicitly reflects the investment's income pattern, it is especially suited to multi-tenant properties with varying leasing schedules as well as properties that are not operating at stabilized occupancy.<sup>14</sup>

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<sup>14</sup> *The Appraisal of Real Estate, 14th Edition (Appraisal Institute: 2013)*



## Allocation of Value

There are potentially four components that constitute the total value of an asset: real property including land and improvements, personal property including furniture, fixtures & equipment (FF&E) and intangibles (goodwill, branding, and business value). In this case, we have been asked to allocate the value of each component which makes up the subject hotel condominium unit, including 1) the underlying land; 2) the improvements; 3) furniture, fixtures and equipment and 4) intangible value attributable to the business operation and goodwill. Each component will be analyzed.

<b>Allocation of Hotel Component Value</b>	
Replacement Cost New of FF&E	\$5,000,000
Average Total Useful Life (Years)	12
Useful Life Remaining (Years)	9
Depreciation of FF&E	25%
<b>Depreciated Value of FF&amp;E, rounded</b>	<b>\$3,800,000</b>
<b>Value Attributable To Business/Intangibles</b>	<b>\$0</b>
<b>Real Property Value Allocation, Rounded</b>	
Final Value of the Total Assets of the Business	\$162,700,000
Value Attributable to FF&E	\$3,800,000
Value Attributable to Business/Intangibles	<u>\$0</u>
Value Attributable to Real Property	\$158,900,000
<b>Land Value Allocation</b>	
Buildable SF	154,153
Land Value @ \$525 per buildable square foot	\$80,930,325
<b>84.45% Attributable to Hotel Condo, rounded</b>	<b>\$68,300,000</b>
<b>Improvement Value Allocation</b>	
Value Attributable to Real Property	\$158,900,000
Less Value Attributable to Land	<u>\$68,300,000</u>
<b>Value Attributable to Improvements after Depreciation</b>	<b>\$90,600,000</b>
Average Total Useful Life (Years)	60
Useful Life Remaining (Years)	56
Depreciation	7%
<b>Value Attributable to Improvements before Depreciation</b>	<b>\$97,071,429</b>
<b>Final Value Allocation</b>	
Value Attributable to Land	\$68,300,000
Value Attributable to Improvements	<u>\$90,600,000</u>
Value Attributable to Real Property	\$158,900,000
Value Attributable to FF&E	\$3,800,000
Value Attributable to Business/Intangibles	<u>\$0</u>
<b>Total Assets of the Business</b>	<b>\$162,700,000</b>

## Furniture, Fixtures and Equipment

According to Marshall & Swift Cost Valuation Service, furniture, fixtures and equipment typically range from 18.5% to 31% of total hard construction costs. In past discussions with the current ownership, ownership has indicated that the actual cost of the furniture, fixtures and equipment for the subject hotel is approximately \$5,000,000.

According to Marshall & Swift, hotels from the same scale have a useful life of 60 years. The table below summarizes the useful life of the building improvements and FF&E for 4 major hotel groups:

<u>Hotel group</u>	<u>FF&amp;E useful life (yrs)</u>
Starwood	3-10
Hyatt	3-20
Melia	3-18
Rezidor	5-20

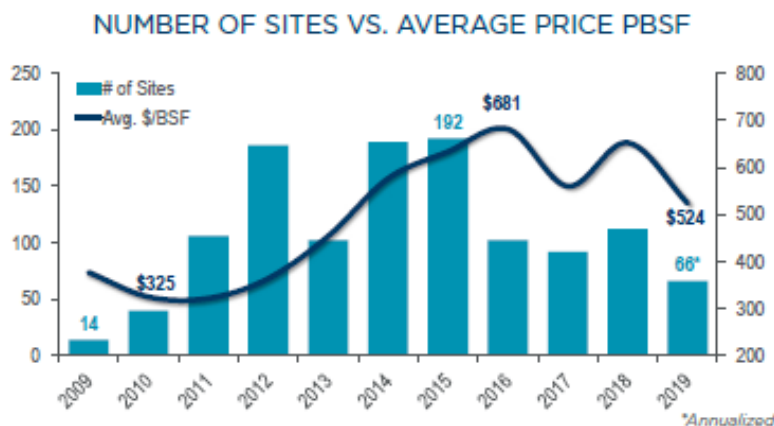
Buildings in New York City tend to last significantly longer than their useful life. We project a useful life of 12 years for the FF&E. We apply straight line depreciation. The building is approximately 4 years old. After depreciation, the value of FF&E is \$3,800,000, rounded.

## Intangible Business Value

Intangible business value for a hotel is comprised of various components, including goodwill, branding, and other items such as cash flows from future bookings and pre-sold events. We do not ascribe a separate business value as we have already deducted a market-oriented management fee. Thus, the value attributable to business/intangibles value is \$0.

## Underlying Land Value

According to the Cushman & Wakefield market report for Q32019, land values increased in 2018 but have declined in 2019. The average price is \$524 per buildable square foot.



Based on the above, we apply \$525 per buildable square foot of FAR, which equates to a land value of \$80,930,325.

The underlying land value is representative of the value of the entire development site. Thus, a portion of the land value is also applicable to the other two commercial condominium units, including the retail space (portions of first and second floor) and the parking garage (portions of the cellar and sub-cellar). Although below grade area is excluded from FAR zoning calculations, there is land value attributable toward the underground parking garage. Based upon square footages, the allocation of the areas of each of the condominium units to the total building area are presented as follows:

<b>Component</b>	<b>GBA</b>	<b>% Allocation</b>
Hotel (including mech. bulkheads)	164,825	84.45%
Retail	10,633	5.45%
Garage	19,723	10.10%
Total	195,181	100.00%

We note that we have added an additional 10,240 square feet of mechanical bulkhead areas to the subject hotel square footage of 154,585 square feet. Land value to the hotel component can further be allocated as 84.45% of \$80,930,325 or \$68,300,000, rounded.

### Improvement Value Allocation

After allocating a portion of the value to the land, FF&E and business value, the remaining portion is attributable to the improvements, after depreciation. Thus the value attributable to the improvements is \$90,600,000, rounded, which equates to \$550 per square foot of the hotel component (based on 164,825 square feet) after depreciation or \$589 per square foot before depreciation.

The subject improvements were completed in 2015. We were not provided with the original construction budget; it is unknown if the construction costs were allocated among the three separate condominium components. As the Marshall & Swift Cost Valuation Service does not expressly list construction costs for high quality luxury hotels within the Manhattan market, we have researched constructed costs of other proposed and recently completed hotels from within Manhattan. Construction costs for the comparable hotel properties are presented below.

<b>No</b>	<b>Address</b>	<b>Keys</b>	<b>GBA</b>	<b>Costs</b>	<b>Cost/Key</b>	<b>Cost/SF</b>
1	139 Orchard Street	105	47,132	\$36,900,109	\$351,430	\$783
2	11 East 31st Street	250	75,682	\$70,800,000	\$283,200	\$935
3	11 West 37th Street	68	25,639	\$14,735,256	\$216,695	\$575
4	17 West 24th Street	68	29,272	\$24,399,462	\$358,816	\$834
5	560 Seventh Avenue	211	118,512	\$135,902,656	\$644,088	\$1,147
6	333 West 38th Street	79	33,011	\$15,812,242	\$200,155	\$479
	Minimum				\$200,155	\$479
	Maximum				\$644,088	\$1,147
	Average				\$342,397	\$792

The hotel construction comparables range from \$479 to \$1,147 per square foot and average approximately \$792 per square foot. Thus, the subject's \$589 per square foot, before depreciation, falls within the range and appears reasonable.

## Sensitivity Analysis

Cap Rate	7.00%	6.75%	6.50%
Value	\$159,500,000	\$162,700,000	\$166,200,000
NOI*	-5.00%	0.00%	5.00%
Value	\$154,600,000	\$162,700,000	\$170,900,000

\*We have adjusted Year 1 NOI by these percentages and kept the NOI growth the same as the original analysis

## Provided Documents

### 2017 / 2018 Historical Performance

Period ended: December, 2018

	Cumulative									
	Actual	Budget	LY	Actual	%	Budget	%	Bud Var B/(W)	Actual LY	%
<b>ADMIN &amp; GENERAL</b>	PAR									
Total Salaries & Wages	3.90	4.51	4.34	418,282	1.4	483,658	1.7	65,376.3	464,966	1.7
Total Payroll	6.24	7.26	6.91	669,181	2.3	779,580	2.7	110,398.3	740,869	2.7
Credit Card Commission	7.29	6.74	6.32	782,440	2.6	723,778	2.5	(58,662.2)	678,004	2.4
Other Expenses	3.90	3.78	3.94	418,339	1.4	405,670	1.4	(12,669.3)	422,796	1.5
Total Other Expenses	11.19	10.53	10.26	1,200,779	4.1	1,129,448	3.9	(71,331.5)	1,100,800	4.0
Dept. Profit/(Loss)	(17.43)	(17.79)	(17.17)	(1,869,961)	(6.3)	(1,909,028)	(6.5)	39,066.8	(1,841,669)	(6.6)
<b>INFO &amp; TELECOM Systems</b>	PAR									
Tot Cost of Sales	0.46	0.43	0.43	49,607	0.2	46,500	0.2	(3,106.8)	45,945	0.2
Total S & W	0.00	--	--	450	0.0	--	--	(450.0)	--	--
Total Payroll	0.00	--	--	475	0.0	--	--	(474.9)	--	--
Systems Expenses	0.87	1.15	1.02	93,573	0.3	123,500	0.4	29,927.1	109,845	0.4
Other Expenses	0.15	0.30	0.14	16,568	0.1	32,400	0.1	15,832.2	14,535	0.1
Total Other Expenses	1.03	1.45	1.16	110,141	0.4	155,900	0.5	45,759.3	124,380	0.4
Dept. Profit/(Loss)	(1.49)	(1.89)	(1.59)	(160,222)	(0.5)	(202,400)	(0.7)	42,177.7	(170,325)	(0.6)
<b>SALES &amp; MARKETING</b>	PAR									
Total Salaries & Wages	4.37	4.57	4.08	469,413	1.6	489,877	1.7	20,464.4	437,228	1.6
Total Payroll	6.78	7.17	5.80	727,703	2.5	769,839	2.6	42,136.1	622,526	2.2
Total Other Expenses	14.27	13.60	12.78	1,531,416	5.2	1,459,918	5.0	(71,498.6)	1,371,059	4.9
Dept. Profit/(Loss)	(21.05)	(20.78)	(18.59)	(2,259,119)	(7.6)	(2,229,757)	(7.6)	(29,362.5)	(1,993,584)	(7.2)
<b>POM</b>	PAR									
Total Salaries & Wages	3.87	3.81	3.51	415,117	1.4	409,370	1.4	(5,747.1)	376,396	1.4
Total Payroll	6.31	6.24	5.53	677,621	2.3	669,944	2.3	(7,676.3)	593,101	2.1
Total Other Expenses	6.46	5.08	4.89	693,290	2.3	544,800	1.9	(148,490.3)	524,905	1.9
Dept. Profit/(Loss)	(12.78)	(11.32)	(10.42)	(1,370,911)	(4.6)	(1,214,744)	(4.2)	(156,166.6)	(1,118,006)	(4.0)
<b>UTILITIES</b>	PAR									
Dept. Profit/(Loss)	(5.88)	(6.14)	(5.80)	(630,899)	(2.1)	(659,296)	(2.3)	28,397.0	(622,424)	(2.2)
<b>Total UOE</b>	PAR									
	(58.63)	(57.92)	(53.57)	(6,291,112)	(21.3)	(6,215,225)	(21.2)	(75,887.5)	(5,746,008)	(20.7)
<b>GOP</b>	POR									
	153.06	153.09	155.95	13,835,703	46.7	13,475,350	46.1	360,352.7	13,503,079	48.5
<b>Tot Mgd Hotel Fee Exp</b>	PAR									
	11.47	12.21	9.89	1,036,880	3.5	1,074,499	3.7	37,618.6	856,128	3.1
<b>Income Before Non Op. I&amp;E</b>	PAR									
	141.59	140.89	146.06	12,798,823	43.2	12,400,852	42.4	397,971.2	12,646,951	45.5
<b>Taxes</b>	PAR									
	25.74	25.94	24.23	2,761,688	11.6	2,783,605	9.5	21,916.5	2,598,777	9.3
Insurance	1.67	2.02	1.80	179,634	0.6	216,272	0.7	36,637.9	192,957	0.7
Other	0.97	0.81	1.11	104,382	0.4	87,400	0.3	(16,981.8)	118,595	0.4
Total Non Op I&E	28.38	28.77	27.13	3,045,704	10.3	3,087,277	10.6	41,572.6	2,910,329	10.5
<b>EBITDA USALI</b>	PAR									
	90.89	86.79	90.78	9,753,119	32.9	9,313,575	31.8	439,543.9	9,736,622	35.0
FF&E Exp & Reserve	8.29	8.65	5.62	889,885	3.7	928,187	3.2	38,302.1	602,508	2.2
EBITDA Less Repl Reserve	82.59	78.14	85.16	8,863,234	29.9	8,385,388	28.7	477,846.0	9,134,114	32.8

## 2019/2020 Forecat

							Variance			
	Budget 2020	%	OctFest 2019	%	History 2018	%	2020 vs 2019 % B/(W)	2020 vs 2018 % B/(W)	2020 vs 2019 abs B/(W)	2020 vs 2018 abs B/(W)
Rms Available	107,804		107,310		107,310		0.3	0.3	294	294
Tot Rms Occupied	96,919		96,359		90,395		0.6	7.2	560	6,524
Tot Rms Sold	96,799		96,065		89,823		0.8	7.8	734	6,976
Total OoO Rooms	--		59		627		100.0	100.0	59	627
Occupancy %	90.0		89.5		83.7		0.5	7.5	0.4	6.3
ADR	258.33		247.04		265.02		4.8	(2.5)	11.29	(6.69)
RevPAR	232.39		221.15		221.84		5.1	4.8	11.24	10.56
Total No. of Guests	141,268		143,348		135,176		(1.5)	4.5	(2,080)	6,092
<b>Hotel Revenues</b>										
Rooms	25,006,234	76.7	23,731,663	76.9	23,805,144	80.4	5.4	5.0	1,274,572	1,201,090
Food & Beverage	1,591,764	4.9	1,348,874	4.4	1,239,316	4.2	18.0	28.4	242,891	352,448
Misc Income	4,227,169	13.0	4,250,501	13.8	3,985,962	13.5	(0.5)	6.1	(23,332)	241,207
Other	1,761,306	5.4	1,524,482	4.9	573,873	1.9	15.5	206.9	236,825	1,187,433
<b>Total Revenue</b>	<b>32,586,474</b>	<b>100.0</b>	<b>30,855,519</b>	<b>100.0</b>	<b>29,604,295</b>	<b>100.0</b>	<b>5.6</b>	<b>10.1</b>	<b>1,730,955</b>	<b>2,982,178</b>
<b>Rooms Department</b>										
Total Revenue	25,006,234	76.7	23,731,663	76.9	23,805,144	80.4	5.4	5.0	1,274,572	1,201,090
Payroll	6,933,778	27.7	6,281,724	26.5	5,985,065	25.1	(10.4)	(15.9)	(652,054)	(948,713)
Expenses	2,255,426	9.0	2,291,135	9.7	2,239,908	9.4	1.6	(0.7)	35,708	(15,518)
Total Expenses	9,189,204	36.7	8,572,858	36.1	8,224,973	34.6	(7.2)	(11.7)	(616,346)	(964,231)
Depart. Profit/(Loss)	15,817,030	63.3	15,158,804	63.9	15,580,171	65.4	4.3	1.5	658,226	236,859
<b>F &amp; B Department</b>										
Total Revenue	1,591,764	4.9	1,348,874	4.4	1,239,316	4.2	18.0	28.4	242,891	352,448
Cost of Sales	580,336	36.5	513,042	38.0	510,670	41.2	(13.1)	(13.6)	(67,294)	(69,668)
Payroll	795,773	50.0	652,126	48.3	624,286	50.4	(22.0)	(27.5)	(143,647)	(171,488)
Expenses	149,064	9.4	149,761	11.1	140,630	11.3	0.5	(6.0)	698	(8,434)
Total Expenses	944,837	59.4	801,888	59.4	764,915	61.7	(17.8)	(23.5)	(142,949)	(179,922)
Depart. Profit/(Loss)	66,591	4.2	33,944	2.5	(36,269)	(2.9)	96.2	283.6	32,648	102,860
<b>Other Oper. Departments</b>										
Total Revenue	1,761,306	5.4	1,524,482	4.9	573,873	1.9	15.5	206.9	236,825	1,187,433
Payroll	--	--	--	--	(22,808)	(4.0)	--	(100.0)	--	(22,808)
Total Expenses	--	--	--	--	(22,808)	(4.0)	--	(100.0)	--	(22,808)
Depart. Profit/(Loss)	1,761,306	100.0	1,524,482	100.0	596,681	104.0	15.5	195.2	236,825	1,164,625
<b>Misc Income Department</b>										
Total Revenue	4,227,169	13.0	4,250,501	13.8	3,985,962	13.5	(0.5)	6.1	(23,332)	241,207
Depart. Profit/(Loss)	4,227,169	100.0	4,250,501	100.0	3,985,962	100.0	(0.5)	6.1	(23,332)	241,207
<b>Gross Operating Income</b>	<b>21,872,097</b>	<b>67.1</b>	<b>20,967,731</b>	<b>68.0</b>	<b>20,126,545</b>	<b>68.0</b>	<b>4.3</b>	<b>8.7</b>	<b>904,366</b>	<b>1,745,551</b>
Admin & General	(1,919,696)	(5.9)	(1,821,604)	(5.9)	(1,869,961)	(6.3)	(5.4)	(2.7)	(98,092)	(49,738)
Sales & Marketing	(2,259,146)	(6.9)	(2,116,865)	(6.9)	(2,259,119)	(7.6)	(6.7)	0.0	(142,281)	(27)
Info & Telecom										
Systems	(232,000)	(0.7)	(172,289)	(0.6)	(180,222)	(0.5)	(34.7)	(44.8)	(59,710)	(71,778)
POM	(1,420,358)	(4.4)	(1,389,783)	(4.5)	(1,370,911)	(4.6)	(2.2)	(3.6)	(30,576)	(49,447)
Utilities	(729,463)	(2.2)	(751,649)	(2.4)	(630,899)	(2.1)	3.0	(15.6)	22,186	(98,564)
<b>GOP</b>	<b>15,311,433</b>	<b>47.0</b>	<b>14,715,541</b>	<b>47.7</b>	<b>13,835,703</b>	<b>46.7</b>	<b>4.0</b>	<b>10.7</b>	<b>595,892</b>	<b>1,475,730</b>
Other Fixed Charges	3,888,319	12.2	3,767,858	12.2	3,935,589	13.3	(3.2)	1.2	(120,461)	47,270
Base Mgt Fee Exp	1,629,324	5.0	1,400,702	4.5	1,036,880	3.5	(16.3)	(57.1)	(228,622)	(592,444)
Total Expenses	5,517,643	16.8	5,168,559	16.8	4,972,469	16.8	(6.8)	(11.0)	(349,083)	(545,173)
<b>Hotel Operating Profit</b>	<b>9,793,790</b>	<b>30.1</b>	<b>9,546,982</b>	<b>30.9</b>	<b>8,863,234</b>	<b>29.9</b>	<b>2.6</b>	<b>10.5</b>	<b>246,809</b>	<b>930,557</b>

## Legal Description

The following is a metes and bounds description of the site:

The Condominium Unit (the "Unit") in the Building known as 180 Orchard Street Condominium, located at and known as and by street number 180 Orchard Street, New York, New York, designated and described as Hotel Unit in the Declaration establishing a plan for condominium ownership of said Building and the land upon which it is situate (the "Land") under Article 9-B of the Real Property Law of the State of New York, dated 3/24/2014 and recorded 5/12/2014 in the Office of the Register of the City of New York, County of New York under CRFN 2014000161696, said Unit also being designated as Tax Lot 1003 in Block 412 of Section 2 of the Borough of Manhattan, on the Tax Map of the Real Property Assessment Department of the City of New York and on the Floor Plans of the said Building filed in the Real Property Assessment Department of the City of New York as Condominium Plan No. 2480 and also filed in the City Register's Office on 5/12/2014 as Condominium Map No. CRFN 2014000161697.

TOGETHER with an undivided 88.8345 percent interest in Common Elements of the Condominium as described in the Declaration.

The land upon which the Building containing the Unit is situate is described as follows:

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

BEGINNING at a point on the easterly side of Orchard Street, distant 50 feet northerly from the corner formed by the intersection of the easterly side of Orchard Street with the northerly side of Stanton Street;

RUNNING THENCE easterly and parallel with Stanton Street, 87 feet 6 inches;

THENCE northerly and parallel with Orchard Street, 51 feet 6 inches;

THENCE easterly and parallel with Stanton Street, 0 feet 3 inches;

THENCE northerly and parallel with Orchard Street, 23 feet 11-1/4 inches;

THENCE easterly along a line which has an interior angle of 270 degrees 22 minutes 24 seconds with the last mentioned line, 87 feet 10-1/4 inches calculated (87 feet 6 inches Deed) to a point on the westerly side of Ludlow Street;

THENCE northerly along the westerly side of Ludlow Street, 50 feet 0 inches;

THENCE westerly along a line which is parallel with East Houston Street and makes an interior angle of 90 degrees 29 minutes 26 seconds on its southerly side with the last mentioned course, 87 feet 10 inches calculated (87 feet 6 inches Deed).

THENCE northerly along a line which forms an interior angle of 269 degrees 33 minutes 54 seconds with the last mentioned course, 2 feet 8-1/4 inches;

THENCE westerly along a line which is parallel with East Houston Street and which forms an interior angle of 90 degrees 26 minutes 06 seconds on its southerly side with the last mentioned course, 87 feet 9-7/8 inches to a point on the easterly side of Orchard Street;

THENCE southerly along the easterly side of Orchard Street, 128 feet 1-1/2 inches to the point or place of BEGINNING.

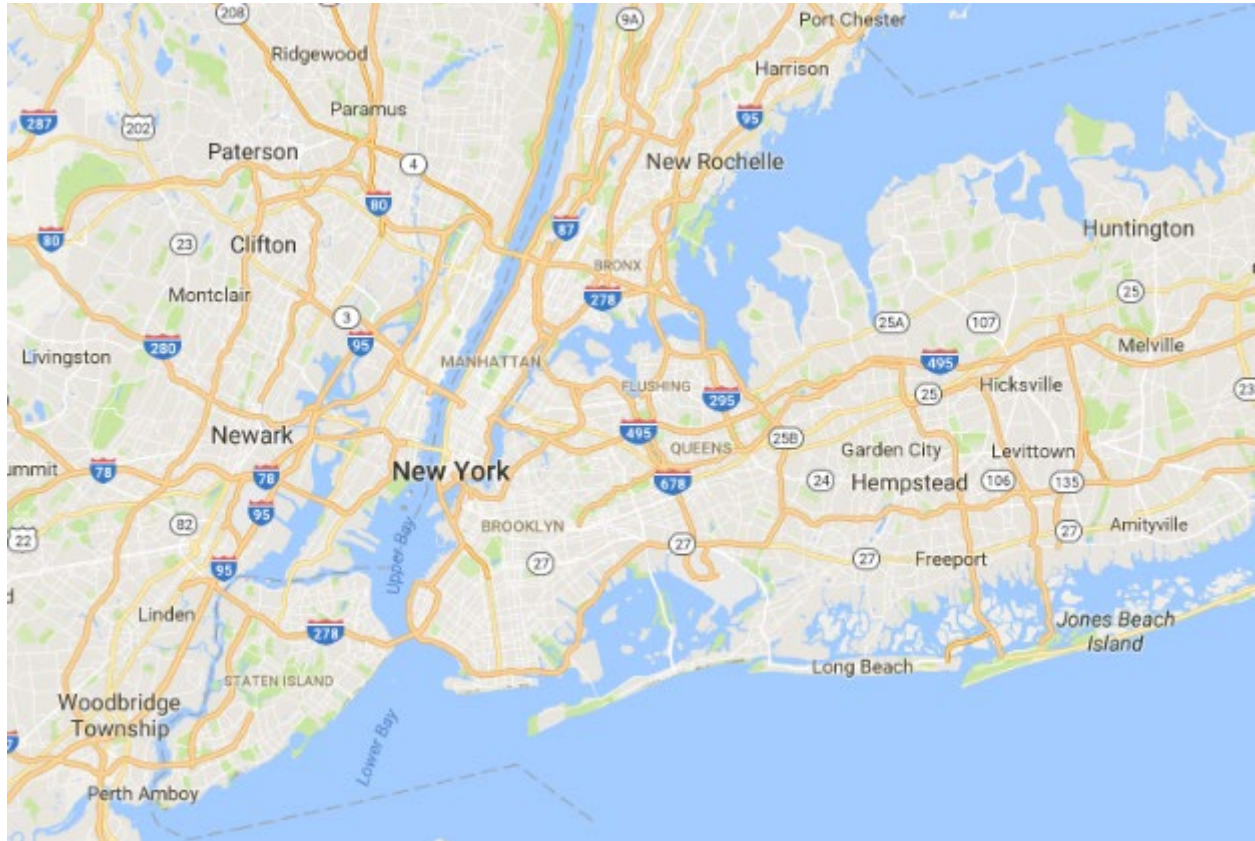
## Historical Tax Rates

### Real Estate Tax Rates, New York City

<b>Year</b>	<b>Class 1</b>	<b>Class 2</b>	<b>Class 3</b>	<b>Class 4</b>
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
2019/2020	21.167	12.473	12.536	10.537

*Source: New York City Department of Finance*





Manhattan and many of the surrounding areas sit on bedrock, which is ideal for supporting the many high-rise buildings that define the City. As a result, Manhattan has the highest population density in the country with much of the housing stock in the form of rental apartments, condos and co-op units. On the other hand, Staten Island and some areas of Queens have more suburban-like neighborhoods with many single-family homes.

The New York City Parks Department maintains over 1,700 parks, playgrounds, and other facilities throughout New York City. The largest and most famous park is Central Park, which totals 843 acres in the center of Manhattan, extending from 59th Street to 110th Street, and from Fifth Avenue to Central Park West and serves the residents of the City and many tourists who visit its grounds every year.

### Transportation

In addition to operating and maintaining the series of bridges and tunnels connecting the City, the Port Authority of New York & New Jersey is also responsible for the three largest airports serving the New York area: John F. Kennedy International Airport in southern Queens, LaGuardia Airport in northern Queens, and Newark Airport in northern New Jersey. The Metropolitan Transit Authority (MTA) operates the New York areas network of commuter trains, subways, and buses, the largest mass transportation system in North America. The Subway system alone provided 1.7 billion trips in 2017. The system operates 24-hours a day and is an integral part of daily life for the clear majority of New Yorkers. Proximity to a subway stop can have a major positive impact on property values.

There are also two major commuter rail terminals in Manhattan and a regional bus terminal. Penn Station, which is the busiest train station in the country, is situated below Madison Square Garden, between 33rd and 31st Street and Seventh and Eighth Avenue and serves the Long Island Railroad and New Jersey Transit trains. Grand Central Terminal, located in Midtown between 42nd and 45th Streets and between Lexington and Vanderbilt Avenues, is the terminal for Metro North, a commuter line serving communities in Westchester, Putnam and Dutchess Counties, as well as southern Connecticut. The Port Authority Bus Terminal, located on 42nd Street and Eighth Avenue, serves commuters, primarily from New Jersey, entering the City. The NJ PATH line also has 6 stations in Manhattan, including the recently reopened and renovated PATH station at the World Trade Center in lower Manhattan.

### Social Factors

#### Population

As illustrated in the table below, the population of New York City is estimated at nearly 8.4 million in 2019. A breakdown of each borough (county) is presented below along with growth projections for the next five years.

Borough/County	2010 Census	2019 Est.	% Change (2010 - 2019)	2024 Projected	% Change (2019 - 2024)
Bronx/Bronx	1,385,108	1,484,024	7.14%	1,528,028	3.94%
Brooklyn/Kings	2,504,700	2,663,688	6.35%	2,729,851	3.10%
Manhattan/New York	1,585,873	1,674,506	5.59%	1,714,395	3.79%
Queens/Queens	2,230,722	2,375,848	6.51%	2,440,085	3.79%
Staten Island/Richmond	200,549	201,939	0.69%	206,344	-56.83%
<b>New York City</b>	<b>7,906,952</b>	<b>8,400,005</b>	<b>6.24%</b>	<b>8,618,703</b>	<b>0.23%</b>

Source: Environics Analytics

The Bronx and Brooklyn experienced the greatest percentage growth since 2010, followed closely by Queens. Over the next five years, the Bronx is expected to lead the five boroughs in population growth. The City's population is projected to total over 8.4 million by 2024. Borough household formation trends follow in the next table:

	2010 Census	2019 Est.	% Change (2010 - 2019)	2024 Projected	% Change (2019 - 2024)
Bronx	483,449	520,799	7.73%	536,988	3.11%
Avg. Household size	2.87	2.85	-	2.85	-
Brooklyn	916,856	989,055	7.87%	1,018,358	2.96%
Avg. Household size	2.73	2.69	-	2.68	-
Manhattan	763,846	811,634	6.26%	832,789	2.61%
Avg. Household size	2.08	2.06	-	2.06	-
Queens	780,117	830,053	6.40%	852,112	2.66%
Avg. Household size	2.86	2.86	-	2.86	-
Staten Island	1,853,838	1,966,021	6.05%	2,018,893	2.69%
Avg. Household size	0.11	0.10	-	0.10	-
<b>New York City</b>	<b>4,798,106</b>	<b>5,117,562</b>	<b>6.66%</b>	<b>5,259,140</b>	<b>2.77%</b>
<b>Avg. Household size</b>	<b>1.65</b>	<b>1.64</b>	<b>-</b>	<b>1.64</b>	<b>-</b>

Source: Environics Analytics

Again, the Bronx and Brooklyn have experienced the highest growth. The largest average household size is in Queens (with similar average household sizes in the Bronx and Staten Island), while the smallest average household size is in Manhattan, where housing is the most expensive and apartments are relatively small.

### Household Income Levels

The following table illustrates the household income changes in the five boroughs:

	2010 Census	2019 Est.	% Change (2010 - 2019)
<b>Bronx</b>			
Average	38,885	58,521	50.50%
Median	28,045	40,306	43.72%
<b>Brooklyn</b>			
Average	46,279	92,079	98.96%
Median	32,639	59,923	83.59%
<b>Manhattan</b>			
Average	83,976	145,795	73.62%
Median	47,675	84,785	77.84%
<b>Queens</b>			
Average	54,663	90,660	65.85%
Median	43,505	67,066	54.16%
<b>Staten Island</b>			
Average	67,698	70,770	4.54%
Median	56,026	47,208	-15.74%

Source: Environics Analytics

Based on the Environics Analytics estimates, personal income levels increased significantly during the recent economic expansion. While income growth was realized throughout New York City, Brooklyn and Manhattan enjoyed the greatest benefit. Income growth is projected to continue, though it's expected to slow significantly over the next five years. Manhattan has the highest average and median income levels, while the Bronx has the lowest levels overall.

## Governmental Factors

New York City residents elect a mayor every four years. Additionally, there is a borough president for each of the five counties and a city council made up of 51 council members from the 51 districts throughout the city. Mayor Bill de Blasio is the 109th mayor of the City, the first Democrat to take the office in 20 years.

New York City has one of the highest costs of living in the U.S. This is partially due to high real estate taxes as well as high income taxes. In addition to paying New York State income taxes, residents must also pay New York City income taxes. As a result, residents have one of the highest tax burdens in the country. On the other hand, the City maintains a large park system and extensive shore line, in addition to providing many of its residents affordable housing through the New York City Housing Authority (NYCHA). Further, it has maintained a welcoming policy regarding immigrants, which has contributed to its diversity and attracted workers and employee talent from around the world.

## Zoning

The City also maintains stringent controls on zoning in the five boroughs. The City Planning Commission designates zoning districts that specify land usage, building density, height, and other property requirements. In addition, there are multiple historic districts throughout the city that limit the ability of an owner to make changes to the façade of a property and subject proposed building alterations to Landmarks approvals. Zoning has major implications for real estate development and property/land values throughout New York City.

## Rent Regulations

One of the most significant influences on real estate by government in New York City are rent regulations. There are two types of rent regulations in New York City: rent control and rent stabilization. The original rent control dates to the 1940's and was enacted to protect tenants from a housing shortage post-WWII. Today, rent stabilization is the more common of the two forms of rent regulations, affecting approximately 45% of New York City's rental housing stock. Rent stabilization typically affects apartments in buildings with six or more units constructed between 1947 and 1973 (buildings constructed after 1974 can be rent stabilized if they receive tax benefits). The rent stabilization laws have been modified multiple times and are discussed further in the Market Analysis section of the report.

## Economic Analysis

The following chart depicts historical unemployment rates in New York City, as compared to the state and nation:

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Mar-19
National	9.5	9.4	9.1	8.2	7.5	6.1	5.3	4.9	4.3	3.7	3.8
New York State	8.6	8.5	8.3	8.5	7.7	6.3	5.3	4.8	4.7	4.1	4.0
New York City	9.3	9.5	9.1	9.3	8.8	7.3	5.7	5.2	4.6	4.1	4.3

*Source: New York State Department of Labor*



*Source: New York State Department of Labor*

As illustrated, unemployment peaked during the recession, but has declined since 2010. The City's unemployment rate has been tracking around 4.0% since the start of 2018. The 2018 average unemployment rate in New York matched the State's average at 4.1%. The latest reported unemployment rate in New York City is 4.3% in March 2019, which is slightly higher than the rate of the nation and state, which is currently reported at 3.8% and 4.0%, respectively. The unemployment rate continues to fall; however, despite low unemployment, wage growth remains depressed.

A brief discussion of the City's economy is presented. The following New York City economic conditions are an excerpt from New York City Economic Development Corporation (NYEDC) monthly report on the New York economy.

**New York City Employment by Industry (Thousands)**

Industry	Mar-19	Mar-18	Net Change	Percent Change
Goods Producing	228	225	3	1.3%
Service Providing	4,375	4,296	79	1.8%
Private Service Providing	3,781	3,710	72	1.9%
Information	209	204	5	2.4%
Financial Activities	467	470	-2	-0.5%
Professional and Business Services	770	752	18	2.4%
Education and Health Services	1,054	1,009	45	4.5%
Leisure and Hospitality	454	459	-5	-1.0%
Other Services	196	192	4	2.0%
Government	594	586	8	1.3%
Federal Government	48	49	0	-0.8%
State Government	44	44	0	-1.9%
Local Government	502	494	8	1.7%
<b>Total Private</b>	<b>4,010</b>	<b>3,935</b>	<b>75</b>	<b>1.9%</b>
<b>Total Nonfarm</b>	<b>4,603</b>	<b>4,521</b>	<b>82</b>	<b>1.8%</b>

*Source: New York State Department of Labor*

## Employment

New York City's private sector employment growth remained strong at the end of 2018 and has trickled through the beginning of 2019. 8,5000 jobs were gained in February 2019 from January 2019. The largest increase in February was seen in the Professional, Scientific, and Technical Services industry, which picked up 4,000 jobs after 2,300 lost jobs over the previous two months.

The unemployment rate in New York City rose by 0.1% to 4.2% in February after reaching a record low of 3.9% in September 2019, then steadily at 4.0% at the end of 2018. Despite this latest increase, the city's labor force participation rate is at a high of 60.9%.

## Major Employers

According to the New York State Department of Labor, the ten largest private sector employers in New York City (in alphabetical order) are: American Airlines, Columbia University, JPMorgan Chase, Memorial Sloan Kettering Cancer Center, Morgan Stanley Children's Hospital, Mount Sinai Hospital, New York-Presbyterian Hospital, Nielsen Company, Northwell Health, Inc., and Verizon.

## Finance Snapshot

The index of New York City-based companies fell in Q4 2018 and is at a similar level as a year ago. Out of 49 companies representing New York City in the S&P 500, six experienced rising stock prices during the quarter while 16 companies saw a decrease in stock prices by at least 20%. The largest companies in the city saw a mix such that three of the seven largest saw increasing stock prices while finance firms faced the greatest under performance and communication companies remained positive from last quarter.

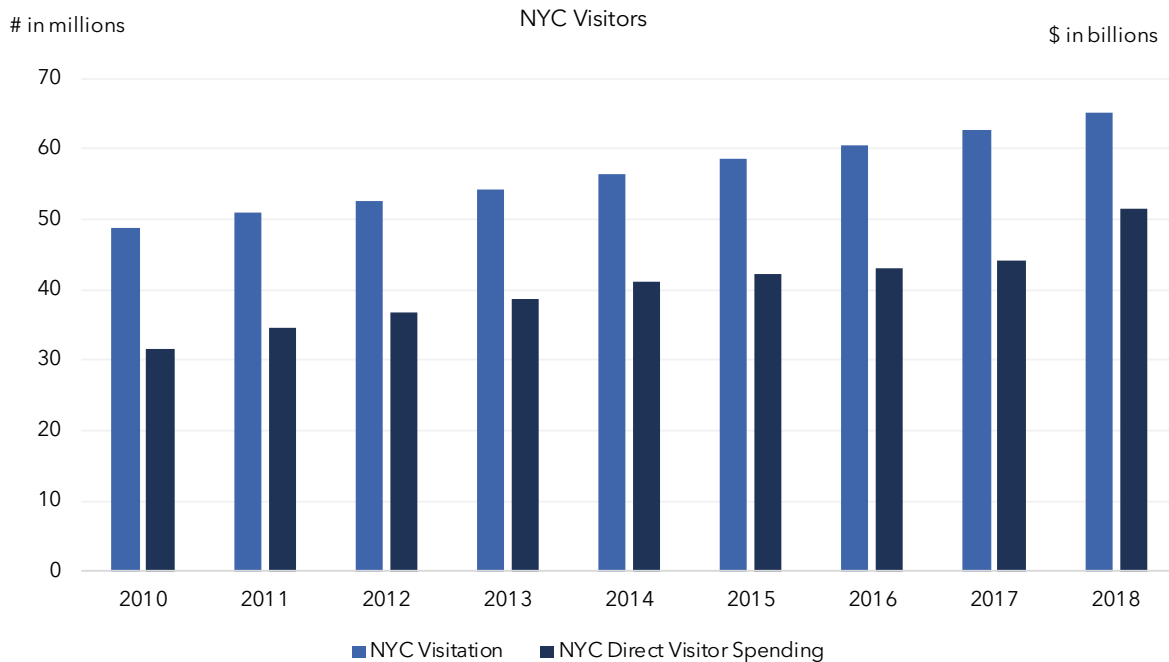
## Real Estate Snapshot

Rent growth grew in January 2019 as median rent rose 2.3% from the year previous. Construction of new residential units was flat over the past year, however Brooklyn saw the most growth in residential construction, a 42.6% increase. In February 2019, construction started on 1,821 and 982 units in Queens and Brooklyn, respectively.

## Tourism

As illustrated, there have been eight consecutive years of visitation growth in the City since 2010. In a November 2017 New York Times Article, NYC & Co. indicated that they expect a downturn in international tourists visiting the City due to the Trump Administration's travel ban, and the Administration's "America First" rhetoric. However, both domestic and international visitation surpassed expectations, despite strong political headwinds. Domestic travel increased by almost 2 million to 49.7 million, a 3.9% increase over 2016, while international travel surpassed the 13-million-person mark, with a 3.4% increase. Additionally, business and leisure travel both improved year-over-year.

New York City should saw another year of growth in 2018 as global economic conditions support increased domestic and international travel. In 2018, there were 65.1 million visitors (+3.7% year over year), as domestic visitation breaks the 50 million mark with 51.4 million visitors, and international visitation breaks another record with 13.7 million visitors. Visitation is forecasted to continue to increase in 2019, however at a slower rate than the past two years. New York City is expected to have 67.2 million total travelers, with 53.1 domestic visitors and 14 million international visitors.



### Homelessness

According to the Coalition for the Homeless, the estimate for the number of homeless in the City in shelters is 63,029 individuals, as of March 2019, including 15,193 families and 22,412 children. This was an all-time high, and these numbers are up approximately 73% over a ten-year period, according to the Coalition for the Homeless.

### Conclusion

Based on several positive data points, the general overall economy appears strong, and employment rates have improved in New York City, New York State and the nation. However, while GDP growth remains stable nationally, it is not reaching its expected potential. With recent tax cuts passed by the senate, there is belief that the population's greater disposable income will boost the GDP through consumer spending.

Regardless, New York City continues to be a global hub for finance, the arts, education, tech and has a strong tourism industry. As such, the economy has fared well, boasting lower unemployment rates than the rest of the State. The City's economy continues to improve with strongest growth in Education and Health Services, a promising sign. However, high housing costs and governmental regulations could be a drag on the economy. Over the long term, New York's economy is expected to grow.



## PWC Manhattan Lodging Index Q3 2019

In projecting rates and occupancy based on the subject's use as a hotel property, we have utilized current market information in the Manhattan lodging market. The following information is abstracted from PriceWaterhouseCoopers 3<sup>rd</sup> Quarter 2019 Manhattan Lodging Index.

# Manhattan Lodging Index

## Third Quarter 2019

### Manhattan Lodging Overview

#### Q3 2019

During the third quarter of 2019, revenue per available room ("RevPAR") fell 3.1 percent, primarily due to declines in average daily room rate ("ADR"). Growth in lodging demand did not keep up with a supply increase of 3.1 percent, resulting in occupancy falling 0.5 percent.

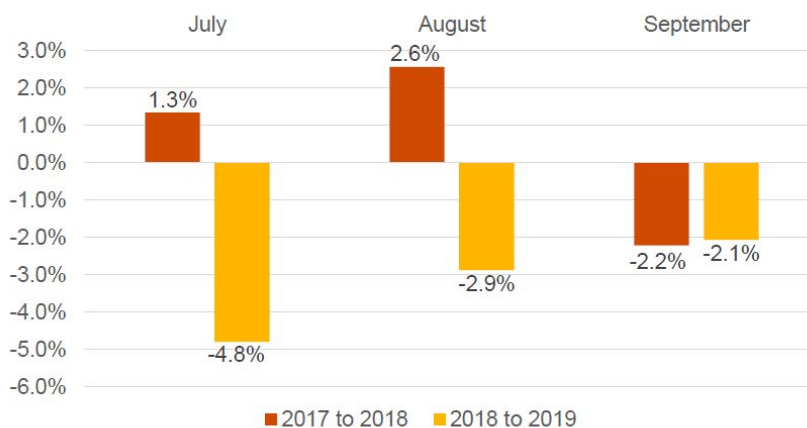
Nine months in, RevPAR across Manhattan was down 3.9 percent, with declines in ADR and occupancy of 2.3 percent and 1.6 percent, respectively.



"Manhattan hotels have seen RevPAR grow in only one of the first nine months of this year. Investor concerns over a possible downturn are rising, business spending is decelerating, and political uncertainty is increasing with the coming presidential election. It remains to be seen whether Manhattan hotels will benefit in the fourth quarter from the historically strong retail traffic that visits the city between Thanksgiving and Christmas."

— Warren Marr, Managing Director, PwC

Manhattan Q3 RevPAR Growth by Month



Source: PwC, based on STR data





Across all Manhattan hotel classes, Luxury properties exhibited the most notable decline in RevPAR during the third quarter. Decreasing by 3.7 percent from prior-year levels, Luxury RevPAR was largely driven by a decline in ADR of 2.7 percent. For Upscale hotel properties, where occupancy fell by 0.8 percent, Q3 RevPAR was further impaired by a decline in ADR of 2.6 percent. Upper Midscale hotels experienced a minimal decline in occupancy 0.1 percent, with ADR down 2.2 percent, leading to an overall decrease in RevPAR of 2.3 percent. Of the four hotel classes tracked, Upper Upscale hotels posted the smallest decline in RevPAR, driven by a decrease in ADR of 1.9 percent partially offset by growth in occupancy of 0.5 percent.

During the third quarter, all of the five Manhattan neighborhoods experienced declines in RevPAR. As occupancy and ADR fell across the board, the Lower Manhattan submarket posted the largest ADR-driven decline in RevPAR of 4.3 percent. For the Midtown East submarket, where RevPAR declined by 3.7 percent, ADR and occupancy decreased by 2.7 and 1.0 percent, respectively. For Midtown West, where occupancy declined by just 0.5 percent from prior-year levels, a decline in ADR of 2.6 percent resulted in a drop in RevPAR of 3.1 percent.

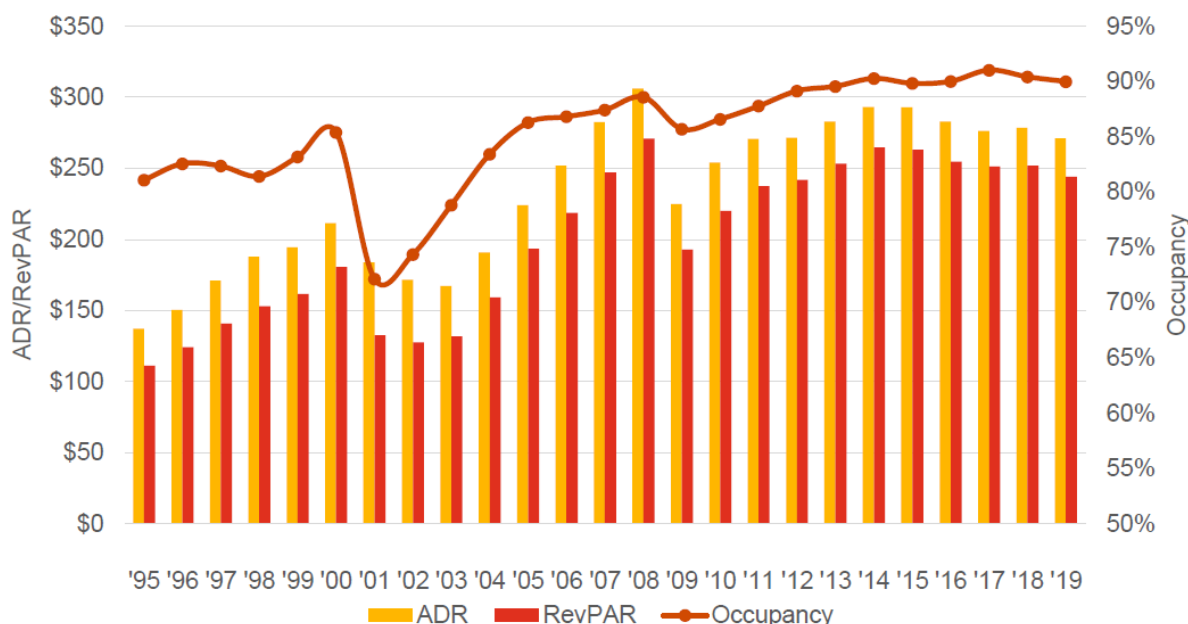
In addition, for Upper Manhattan, RevPAR posted a decline of 1.7 percent despite an increase in occupancy in of 0.8 percent over the same period last year.

Of the five Manhattan neighborhoods tracked, Midtown South experienced the smallest decline of RevPAR of 0.6 percent, driven by declines in occupancy and ADR of only 0.2 percent and 0.4 percent, respectively.

RevPAR was more impacted for full-service hotels than that of limited-service properties during the third quarter, with year-over-year declines in ADR of 2.5 and 1.4 percent, respectively, and declines in occupancy of 0.5 and 0.4 percent, respectively.

RevPAR for independent hotels proved to be more impacted than that of chain-affiliated properties. From July through September, both chain-affiliated and independent hotels experienced declines in occupancy of 0.6 percent and 0.4 percent, respectively. However, declines in ADR of 2.0 percent for chain-affiliated hotels and 3.9 percent for independent hotels, drove RevPAR for independent hotels down by 4.3 percent from prior-year levels, compared to 2.6 percent for independent properties.

Manhattan Q3 Performance, 25-Year Trend



Source: PwC, based on STR data

## Employment Trends

Unemployment levels in New York City and the State continued to trend below historical averages, despite increases year-over-year. According to the New York State Department of Labor, the seasonally-adjusted unemployment rate for New York State averaged 4.0 percent during the third quarter, representing a 10 basis point increase from prior-year levels. For New York City, where seasonally-adjusted unemployment increased by 20 basis points from Q3 2018, unemployment averaged 4.2 percent from July through September.

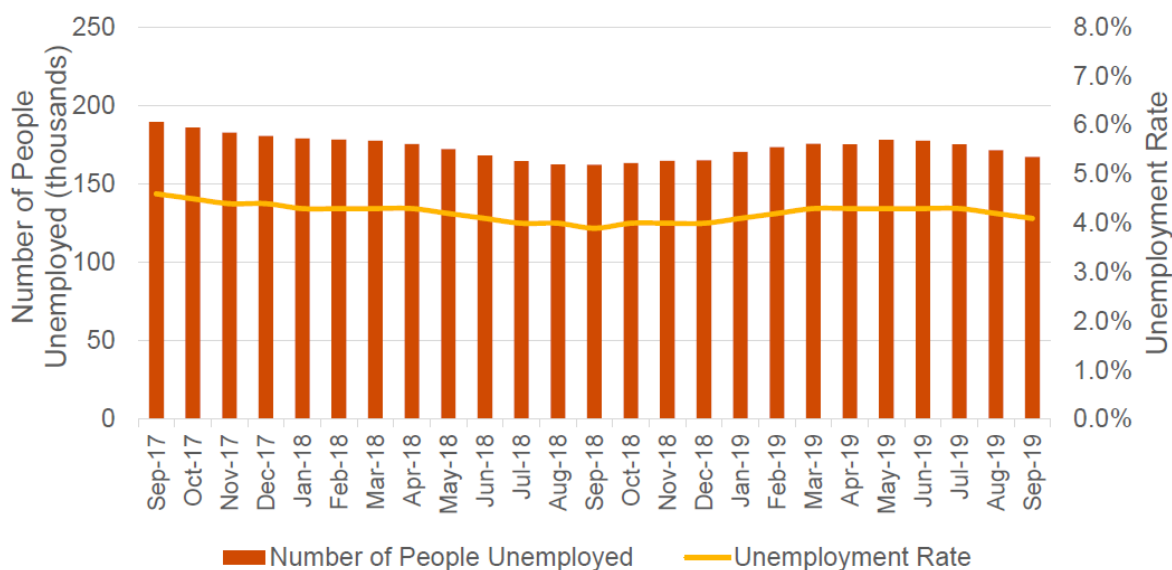
For the nation, overall unemployment remained in line with the prior quarter, decreasing 20 basis points year-over-year and averaging 3.6 percent during Q3.

As indicated by the New York State Department of Labor, for the twelve-month period ended September 2019, New York City's private sector employment increased by 77,800 or 2.0 percent, to 4,034,100.

During the period, the largest job growth occurred in the educational and health services, and professional and business services sectors, which added 45,500 and 16,900 jobs, respectively. Gains also occurred in trade, transportation, and utilities, which added 11,000 jobs, leisure and hospitality, which added 6,800 jobs, information, which added 6,400 jobs, and other services, which added 3,200 jobs.

Of the nine sectors tracked by the New York State Department of Labor, only financial activities, natural resources, mining and construction, and manufacturing experienced job losses year-over-year, with declines of 6,100, 3,600, and 2,300 jobs as of September 2019, respectively.

**New York City Unemployment for the 25-Month Period Ended September 2019**



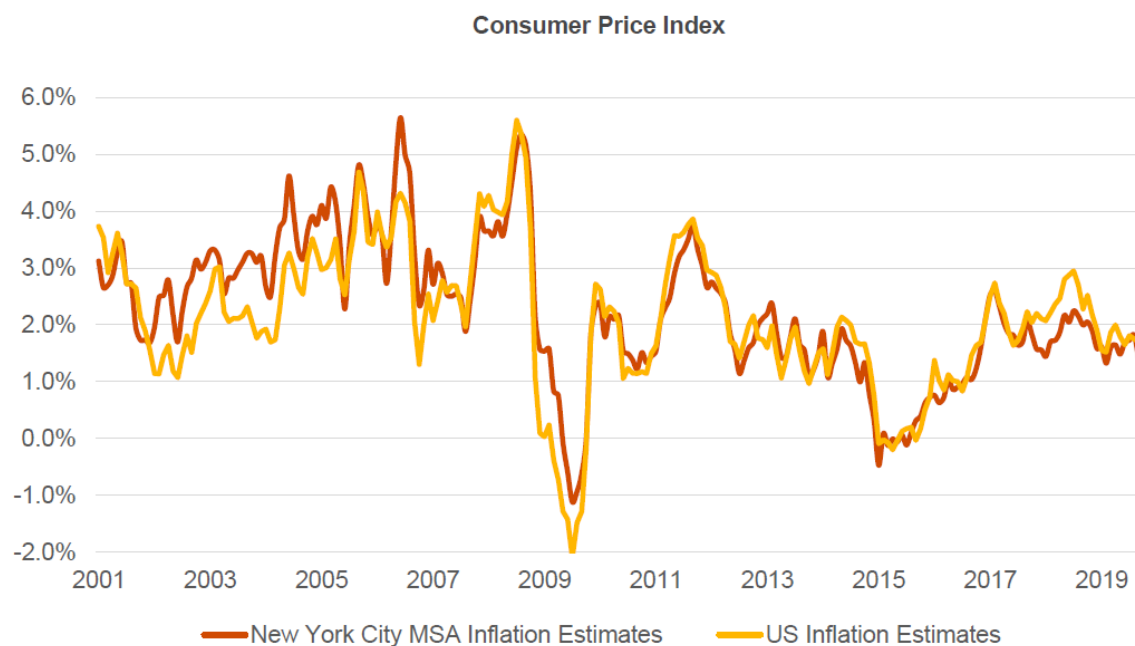
Source: New York State Department of Labor

### Gross Metro Product and Consumer Price Index

U.S. economic growth continued during the third quarter of 2019, despite decelerating from prior-quarter and prior-year levels. According to the advance estimate released by the Bureau of Economic Analysis, U.S. real gross domestic product ("GDP") increased at a seasonally-adjusted, annualized rate of 1.9 percent, compared to a 2.0 percent increase in the second quarter of 2019. Driven largely by positive contributions from personal consumption expenditures (PCE), federal government spending, residential fixed investment, state and local government spending, and exports, real GDP grew quarter-over-quarter and year-over-year. Imports, which represent a deduction in the calculation of GDP, increased from the prior quarter, along with negative contributions from private inventory investment and nonresidential fixed investment.

According to Moody's Economy.com August 2019 forecast, gross metro product ("GMP") for the New York metro area is forecasted to increase by approximately 2.6 percent over prior-year levels. During 2020, GMP is forecasted to experience year-over-year growth at a pace of 1.4 percent.

For the third quarter, New York City's consumer price index ("CPI") increased by an average of 1.7 percent, compared to 1.8 percent for the U.S. overall.



Source: Bureau of Labor Statistics

## Office Market Statistics

As third quarter leasing activity slowed to a total of 7.3 million square feet, overall Manhattan office vacancy inched up by 10 basis points to 10.6 percent. Year-over-year, absorption remained negative at 2.2 million square feet during the third quarter, despite consistent job growth and positive absorption in select submarkets. Per Cushman Wakefield's Q3 Marketbeat Report, overall average asking rents in Manhattan decreased by \$0.25 per square foot to \$73.91 during the third quarter.

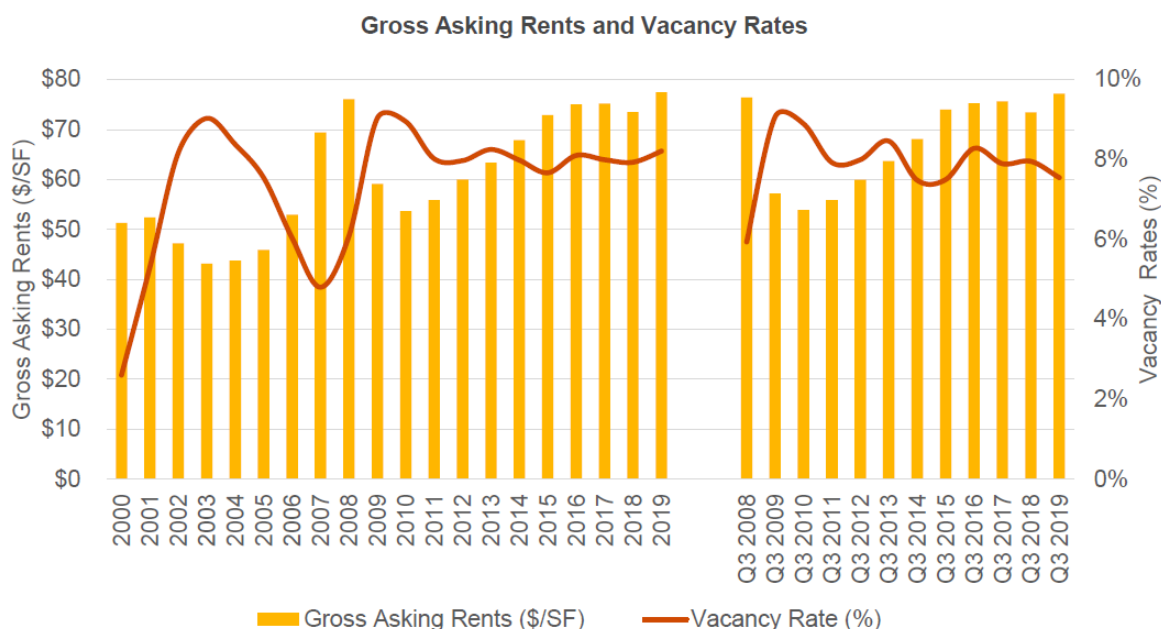
For the Midtown office market, new leasing activity slowed, posting an 18.4 percent decline from prior-year levels. With only three new leases signed over 100,000 square feet, third quarter asking rents fell to \$82.22 per square foot, as only Class-A office rents in the Penn Station and West Wide submarkets trended upwards during the quarter.

For Midtown South, where new leasing increased to a historic quarterly high of 2.7 million square feet, year-to-date absorption ended the quarter on a positive note. However, despite declines in vacancy of 80 basis points from the prior-quarter, vacancy remained 70 basis points above prior-year levels, at 8.1 percent.

For the Downtown office market, leasing remained healthy at 1.5 million square feet, as vacancy decreased by 50 basis points to 11.1 percent. Primarily driven by new leasing from Uber and Kelley Drye at Three World Trade Center, year-to-date absorption was positive for the sixth consecutive quarter and asking rents averaged \$62.87 per square foot.

Looking forward, Manhattan is anticipated to continue feeling the impact of new deliveries, as over 4.8 million square feet enters the market. However, preliminary indicators signal continued strength in demand, with leasing on track to reach new records in certain submarkets.





Source: PwC, based on CBRE Econometric Advisors data

According to a report from Cushman & Wakefield, three key lease transactions occurred in the third quarter. These transactions are noted in the table below.

Tenant	Address	SF	Transaction Type
Google	550 Washington Street	1,295,800	New Lease
Publicis Group	375 Hudson Street	960,000	Renewal / Expansion
Uber	Three World Trade Center	307,970	New Lease

Source: Cushman & Wakefield

According to Real Capital Analytics ("RCA"), there were several notable office transactions during the third quarter.

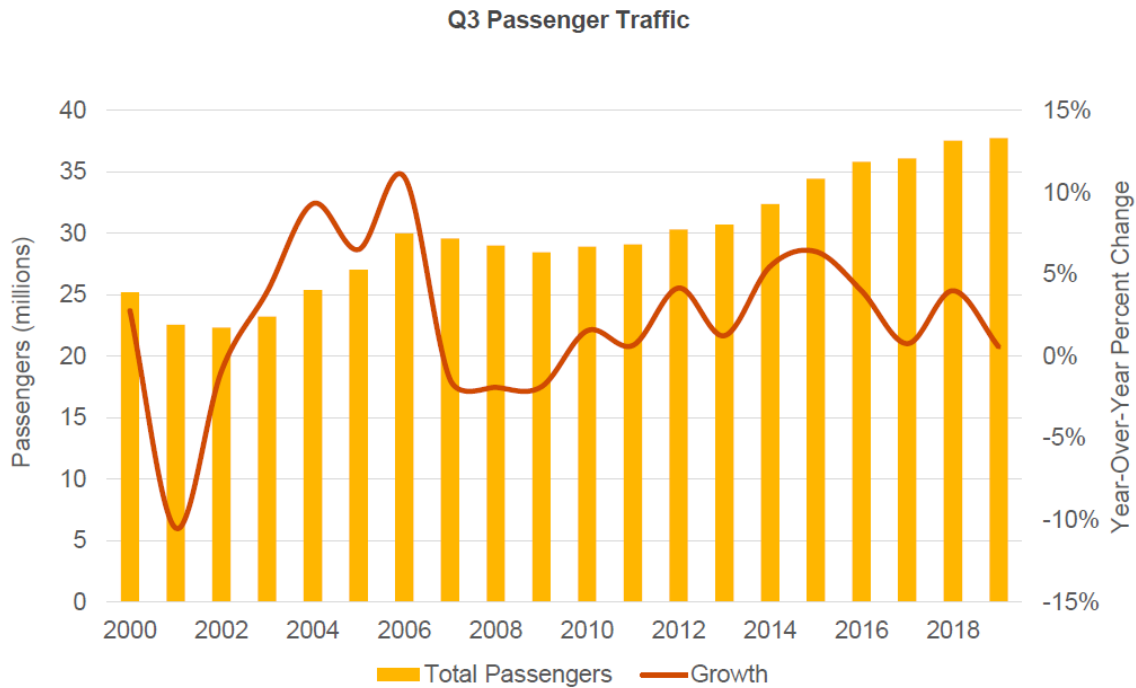
The largest, which occurred in September, was the sale of the historic 354,000 square-foot Coca-Cola Building at 711 Fifth Avenue. Buyers BVK, SHVO, Bilgili Holding and Deutsche Finance Group acquired the property for \$955 million, or \$2,698 per square foot, from joint-venture partners, Nightingale Properties and Wafra. As indicated by RCA, Nightingale Properties and Wafra had previously acquired the property from JP Morgan and Coca-Cola for \$909 million just one month earlier, in August 2019.

With tenants including Guggenheim Partners, HSBC, and JLL, 330 Madison Avenue was acquired by ADIA (Abu Dhabi Investment Authority) during the month of July. As ADIA previously held a 75% stake, its recent buy-out of the remaining 25% stake from Vorando Realty Trust represents one of the largest third quarter transactions. ADIA now holds full ownership of the building, with an indicated total property value of \$900 million, or \$1,016 per square foot. As indicated by RCA, the 40-story, Midtown East property includes street level retail, and was brokered in the deal by CBRE and JLL.

### Air Traffic Statistics

Air traffic levels during the third quarter of 2019 increased modestly by approximately 0.6 percent from the prior year. Having served over 37.8 million passengers, the three major New York metropolitan airports – Newark Liberty International Airport, LaGuardia International Airport and John F. Kennedy International Airport – saw an increase of over 209 thousand passengers from the same period last year. During July, August and September of 2019, international traffic reached a total of 14.6 million passengers, representing an increase of approximately 0.4 percent from the 14.5 million international passengers traveling during Q3 2018. For domestic air traffic, an increase of 0.7 percent from prior-year levels resulted in a third-quarter high of 23.2 million passengers.

The following chart displays third quarter passenger traffic and growth data over the past twenty years.



Source: Port Authority of New York and New Jersey



### Recent Manhattan Hotel Transactions

During the third quarter, transaction volume picked up with eight hotels changing hands between July and September of 2019.

In a two-property portfolio sale to Aju Hotels & Resorts that closed in September, the 122-key Hyatt Herald Square and the 185-key Hyatt Place Midtown South transacted for \$419,467 and \$462,230 per key, respectively.

Located at 1141 Broadway, the full-service, boutique Ink48 hotel was sold to Brookfield Properties for \$40.3 million or \$384,128 per key. As indicated by RCA, the deal was brokered by JLL and financed with approximately \$68 million in debt from United Overseas Bank.

During the month of August, an additional three hotels transacted, including The Hotel @ Fifth Avenue, Marrakech Hotel (NYC), and the Club Quarters Midtown. As noted by RCA, the hotels ranged in price from \$310,549 per key to \$386,410 per key, and included 128 to 182 rooms.

In addition, two smaller hotels, the 79-key NCASA 46 and the 47-key Hotel Shocard, sold in July for \$303,797 and \$212,766 per key, respectively.

These transaction are displayed in the following table:

Transaction Date	Hotel Name	Rooms	Transaction Price	Price Per Room
Sep-19	Hyatt Herald Square	122	\$51,175,000	\$419,467
Sep-19	Hyatt Place Midtown South	185	\$85,512,000	\$462,230
Sep-19	Ink48	222	\$85,276,000	\$384,128
Aug-19	The Hotel @ Fifth Avenue	182	\$56,520,000	\$310,549
Aug-19	Marrakech Hotel (NYC)	128	\$44,000,000	\$343,750
Aug-19	Club Quarters Midtown	167	\$64,530,500	\$386,410
Jul-19	NYCASA 46	79	\$24,000,000	\$303,797
Jul-19	Hotel Shocard	47	\$10,000,000	\$212,766

Source: Real Capital Analytics

### Recent and Planned Hotel Openings/Closings

During the third quarter of 2019, five Manhattan hotels opened in the Midtown West, Midtown South and Lower Manhattan submarkets.

Located at 25 W. 38<sup>th</sup> Street, the 176-key Hotel Hendricks opened in July. Similarly located in Midtown West, the 79-key La Quinta Inn & Suites by Wyndham and the 68-key Wingate by Wyndham New York Midtown opened in September at 333 W. 38<sup>th</sup> Street and 11 W. 37<sup>th</sup> Street, respectively.

Located in Lower Manhattan at 112 E. 11<sup>th</sup> Street, the Moxxy NYC East Village also opened its doors in September,

featuring 286 rooms.

The first Equinox Hotel in the world opened in July in Hudson Yards, complete with in-house personal training services, group fitness activities, and 27,000 square feet of spa facilities.

Subsequent to the close of the second quarter, the 399-key Courtyard by Marriott, opened at 461 W 34<sup>th</sup> Street.

### 2019

Property	Location	Neighborhood	Owner/Developer	Anticipated Opening/Closing	Rooms
Renaissance New York Chelsea Hotel	112 W 25th St	Midtown South	Lam Gen 25 LLC	Dec-19	341
Hyatt Place New York City/Times Square	350 W 39th St	Midtown West	McSam Hotel Group	Dec-19	518
Radisson Hotel New York Times Square	525 8th Ave	Midtown West	McSam Hotel Group	Dec-19	320



## 2020

Property	Location	Neighborhood	Owner/Developer	Anticipated Opening/Closing	Rooms
SpringHill Suites	111 E 24th St	Midtown South	McSam Hotel Group	Jan-20	129
Residence Inn & Courtyard by Marriott	215 Pearl St	Lower Manhattan	The Lam Group	Feb-20	326
Pestana Park Avenue	23 E 39th St	Midtown East	SLC2 Holdings LLC	Feb-20	95
The FiDi Hotel	11 Stone St	Lower Manhattan	Premier Emerald LLC	Apr-20	143
The Allen	139 Orchard St	Lower Manhattan	Fortuna Realty Group, Elk Investors	Apr-20	96
Hyatt Centric	16 E 39th St	Midtown East	McSam Hotel Group	May-20	162
Olio Hotel	305 W 48th St	Midtown West	YYY Atlas 48	May-20	116
Hilton Grand Vacation	12 E 48th St	Midtown East	Hidrock Realty, Inc.	May-20	161
CR7 by Pestana	338 W 39th St	Midtown West	McSam Hotel Group	Jun-20	177
TownePlace Suites & SpringHill Suites	140 W 28th St	Midtown South	McSam Hotel Group	Jun-20	526
Six Senses New York	76 11th Ave	Midtown South	HFZ Capital	Jun-20	137
Le Meridien Hotel	292 5th Ave	Midtown South	McSam Hotel Group	Jun-20	182
Renaissance Hotel	233 W 125th St	Uptown	The Lam Group	Aug-20	210
Unnamed Hotel	16-18 E 30th St	Midtown East	The LeTap Group	Aug-20	100
Hotel Indigo	8-12 Maiden Ln	Lower Manhattan	10-12 MLane LLC	Nov-20	190
Aman Hotel	730 5th Ave	Midtown West	OKO Group	Dec-20	83
RH Guesthouse	55 Gansevoort St	Lower Manhattan	Delshah Capital	Dec-20	14
Unnamed Hotel	113-117 W 24th St	Midtown South	The Lam Group	Dec-20	360

## 2021, 2022, and Hotels in Permitting and Planning

Property	Location	Neighborhood	Owner/Developer	Anticipated Opening/Closing	Rooms
The Draper, Ascend Hotel Collection	4 W 37th St	Midtown West	4 W 37th St LLC	Jan-21	139
AC Hotel by Marriott	842 6th Ave	Midtown South	842 Enterprises Inc	Jan-21	168
Aloft Hotel	132 W 28th St	Midtown South	28th Street Properties LLC	Jan-21	203
Hotel Indigo	120 Water St	Lower Manhattan	Atlas Hospitality	Jan-21	128
Riu Hotel	145 W 47th St	Midtown West	Clarity 47 LLC	Jan-21	343
Battery Maritime Building Hotel	10 South St	Lower Manhattan	Centaur Properties	Jan-21	58
Jade Hotel	36 W 38th St	Midtown West	Onboard Hospitality LLC	Feb-21	114
Hyatt Place	140 W 24th St	Midtown South	Magna Hospitality	Feb-21	510
Arlo Hotel	351 W 38th St	Midtown West	Quadrum Global	Feb-21	450
Margaritaville Hotel	560 7th Ave	Midtown West	560 Seventh Avenue Owner, LLC	Mar-21	234
Chelsea Hotel	222 W 23rd St	Midtown South	SIR Chelsea LLC	Mar-21	125
Grand Hyatt	109 E 42nd St	Midtown East	Hyatt Hotels Corporation	Mar-21	-1298
Unnamed Hotel	79 Eldridge St	Lower Manhattan	Eldridge Hotel LLC	Mar-21	48
Ritz Carlton	1185 Broadway	Midtown South	Flag Luxury Properties	Apr-21	250
The Pendry	4 Manhattan West	Midtown West	Brookfield Properties	Apr-21	164
Virgin Hotel	1227 Broadway	Midtown South	The Lam Group	Jun-21	465
Unnamed Hotel	30 W 39th St	Midtown West	Fortuna Realty Group	Oct-21	300
Waldorf Astoria	301 Park Ave	Midtown East	AB STABLE LLC	Dec-21	350
H Hotel W39	58 W 39th St	Midtown West	H Hotel LLC	Dec-21	65
Unnamed Hotel	1568 Broadway	Midtown West	Maefield Development	Mar-22	669
Hotel Barmère Le Fouquet	456 Greenwich St	Lower Manhattan	CBCS Washington Street LP	Jun-22	96
Unnamed Hotel	450 11th Ave	Midtown West	Marx Development Group	Nov-22	531
Hard Rock Hotel	159 W 48th St	Midtown West	Extell Development Co	N/A	437
Unnamed Hotel	520 5th Ave	Midtown West	Ceruzzi Properties Inc.	N/A	208
Unnamed Hotel	112 Liberty St	Lower Manhattan	Hidrock Realty, Inc.	N/A	230
Aloft Hotel	50 Trinity Pl	Lower Manhattan	Fit Investment Corporation	N/A	173
Unnamed Hotel	123 Greenwich St	Lower Manhattan	Clarion Partners, LLC	N/A	175
Unnamed Hotel	21 Park Place	Lower Manhattan	Tom Grainger	N/A	11
Unnamed Hotel	225 W 46th St	Midtown West	Roufail Real Estate Holdings	N/A	159
Unnamed Hotel	7-15 W 44th St	Midtown West	WanXin Media	N/A	155
Moxy Hotel	145-151 Bowery	Lower Manhattan	Lightstone Group	N/A	298
Unnamed Hotel	88 Wall Street	Lower Manhattan	The Otto Gerdau Co.	N/A	181
Airbnb Hotel	75 Rockefeller Plaza	Midtown East	RXR Realty	N/A	200
AC Hotel by Marriott	432 W 31st St	Midtown South	Concord Hospitality	N/A	220
Unnamed Hotel	30-32 W 48 St; 562-564 5th Ave; 2, 10, 25 W 47th St; 3-13 W 46th St	Midtown West	Extell Development Co	N/A	300
Fairfield Inn & Suites Expansion	116 W 28th St	Midtown South	Midtown Properties	N/A	67
Unnamed Hotel	250 5th Ave	Midtown South	Cosmic Realty Partners LLC	N/A	188
Hudson Rise Hotel	468 11th Ave	Midtown West	Bifrost LLC	N/A	242

Source: PwC, based on BuildCentral data and news reports

## Third Quarter 2019 Manhattan Lodging Index

	Occupancy				ADR				RevPAR				September YTD		
	Jul	Aug	Sep	Q3	Jul	Aug	Sep	Q3	Jul	Aug	Sep	Q3	Occ	ADR	RevPAR
2018 Market Average	90.2%	90.8%	90.2%	90.4%	\$254.18	\$245.68	\$337.76	\$278.50	\$229.32	\$223.07	\$304.74	\$251.81	87.4%	\$264.55	\$231.25
2019 Market Average	89.5%	90.3%	90.2%	90.0%	\$243.96	\$239.94	\$330.95	\$271.14	\$218.32	\$216.66	\$298.45	\$243.99	86.0%	\$258.43	\$222.29
	% Change from 2018				% Change from 2018				% Change from 2018				% Change from 2018		
Market Average	-0.8%	-0.5%	0.0%	-0.5%	-4.0%	-2.3%	-2.0%	-2.6%	-4.8%	-2.9%	-2.1%	-3.1%	-1.6%	-2.3%	-3.9%

## By Class

	Occupancy				ADR				RevPAR				September YTD		
	Jul	Aug	Sep	Q3	Jul	Aug	Sep	Q3	Jul	Aug	Sep	Q3	Occ	ADR	RevPAR
Luxury – 2018	83.0%	83.5%	84.2%	83.5%	\$425.20	\$411.35	\$613.61	\$482.44	\$352.71	\$343.55	\$516.54	\$403.04	81.1%	\$461.11	\$374.09
Luxury – 2019	81.5%	81.8%	84.7%	82.6%	\$410.69	\$400.72	\$597.09	\$469.64	\$334.82	\$327.72	\$505.61	\$388.12	78.3%	\$455.69	\$356.81
Upper Upscale – 2018	88.5%	89.3%	88.9%	88.9%	\$263.79	\$253.23	\$344.92	\$286.68	\$233.57	\$226.04	\$306.80	\$254.91	85.4%	\$277.50	\$236.93
Upper Upscale – 2019	89.0%	89.8%	89.3%	89.4%	\$254.96	\$249.16	\$341.58	\$281.28	\$226.94	\$223.75	\$305.02	\$251.38	84.4%	\$270.66	\$228.53
Upscale – 2018	93.5%	94.3%	92.8%	93.6%	\$213.95	\$206.51	\$274.94	\$231.16	\$200.00	\$194.80	\$255.21	\$216.25	90.7%	\$216.30	\$196.29
Upscale – 2019	93.1%	93.1%	92.2%	92.8%	\$206.03	\$202.58	\$268.66	\$225.18	\$191.82	\$188.54	\$247.74	\$208.97	89.8%	\$211.71	\$190.19
Upper Midscale – 2018	93.8%	93.8%	93.2%	93.6%	\$190.51	\$185.96	\$243.55	\$206.19	\$178.73	\$174.47	\$226.93	\$193.01	90.9%	\$191.35	\$173.87
Upper Midscale - 2019	93.3%	94.4%	92.9%	93.5%	\$183.05	\$182.26	\$240.38	\$201.61	\$170.84	\$172.01	\$223.20	\$188.55	90.1%	\$189.11	\$170.35
	% Change from 2018				% Change from 2018				% Change from 2018				% Change from 2018		
Luxury	-1.7%	-2.1%	0.6%	-1.1%	-3.4%	-2.6%	-2.7%	-2.7%	-5.1%	-4.6%	-2.1%	-3.7%	-3.5%	-1.2%	-4.6%
Upper Upscale	0.5%	0.6%	0.4%	0.5%	-3.3%	-1.6%	-1.0%	-1.9%	-2.8%	-1.0%	-0.6%	-1.4%	-1.1%	-2.5%	-3.5%
Upscale	-0.4%	-1.3%	-0.7%	-0.8%	-3.7%	-1.9%	-2.3%	-2.6%	-4.1%	-3.2%	-2.9%	-3.4%	-1.0%	-2.1%	-3.1%
Upper Midscale	-0.5%	0.6%	-0.3%	-0.1%	-3.9%	-2.0%	-1.3%	-2.2%	-4.4%	-1.4%	-1.6%	-2.3%	-0.9%	-1.2%	-2.0%

## By Neighborhood

	Occupancy				ADR				RevPAR				September YTD		
	Jul	Aug	Sep	Q3	Jul	Aug	Sep	Q3	Jul	Aug	Sep	Q3	Occ	ADR	RevPAR
Upper Manhattan – 2018	84.3%	83.7%	83.2%	83.8%	\$331.43	\$316.61	\$463.75	\$369.31	\$279.56	\$264.94	\$385.94	\$309.32	81.5%	\$352.66	\$287.41
Upper Manhattan – 2019	84.2%	85.3%	83.8%	84.5%	\$318.05	\$312.60	\$453.62	\$360.07	\$267.92	\$266.61	\$380.16	\$304.08	80.7%	\$347.78	\$280.73
Midtown West – 2018	92.7%	93.0%	91.9%	92.5%	\$247.67	\$238.57	\$318.74	\$267.61	\$229.51	\$221.84	\$292.99	\$247.63	89.5%	\$255.09	\$228.26
Midtown West – 2019	91.6%	92.8%	91.9%	92.1%	\$238.26	\$233.56	\$311.66	\$260.55	\$218.18	\$216.86	\$286.45	\$240.00	87.7%	\$248.73	\$218.16
Midtown East – 2018	89.9%	90.4%	89.4%	89.9%	\$264.43	\$254.80	\$395.58	\$303.71	\$237.70	\$230.32	\$353.81	\$273.07	86.1%	\$284.62	\$244.95
Midtown East – 2019	88.5%	88.9%	89.8%	89.1%	\$250.18	\$249.39	\$388.39	\$295.36	\$221.42	\$221.66	\$348.77	\$263.03	84.7%	\$277.42	\$235.06
Midtown South – 2018	88.5%	90.3%	89.5%	89.4%	\$224.00	\$219.17	\$289.66	\$243.79	\$198.31	\$197.87	\$259.33	\$218.06	87.2%	\$230.92	\$201.32
Midtown South – 2019	88.0%	89.7%	90.1%	89.3%	\$217.73	\$218.02	\$293.37	\$242.91	\$191.61	\$195.50	\$264.31	\$216.81	86.2%	\$229.51	\$197.93
Lower Manhattan – 2018	87.9%	88.9%	90.0%	88.9%	\$266.75	\$260.26	\$348.26	\$291.47	\$234.44	\$231.33	\$313.42	\$259.15	85.8%	\$278.39	\$238.86
Lower Manhattan – 2019	88.2%	89.3%	88.9%	88.8%	\$253.13	\$247.44	\$338.36	\$279.36	\$223.38	\$220.90	\$300.64	\$248.04	85.1%	\$268.20	\$228.31
	% Change from 2018				% Change from 2018				% Change from 2018				% Change from 2018		
Upper Manhattan	-0.2%	1.9%	0.7%	0.8%	-4.0%	-1.3%	-2.2%	-2.5%	-4.2%	0.6%	-1.5%	-1.7%	-1.0%	-1.4%	-2.3%
Midtown West	-1.2%	-0.2%	0.0%	-0.5%	-3.8%	-2.1%	-2.2%	-2.6%	-4.9%	-2.2%	-2.2%	-3.1%	-2.0%	-2.5%	-4.4%
Midtown East	-1.5%	-1.7%	0.4%	-1.0%	-5.4%	-2.1%	-1.8%	-2.7%	-6.8%	-3.8%	-1.4%	-3.7%	-1.5%	-2.5%	-4.0%
Midtown South	-0.6%	-0.6%	0.6%	-0.2%	-2.8%	-0.5%	1.3%	-0.4%	-3.4%	-1.2%	1.9%	-0.6%	-1.1%	-0.6%	-1.7%
Lower Manhattan	0.4%	0.5%	-1.2%	-0.1%	-5.1%	-4.9%	-2.8%	-4.2%	-4.7%	-4.5%	-4.1%	-4.3%	-0.8%	-3.7%	-4.4%

Neighborhood Index				
Upper Manhattan 59th Street and North	Midtown West 5th Avenue and West from 34th Street to 58th Street	Midtown East 5th Avenue and East from 34th Street to 58th Street	Midtown South 14th Street to 34th Street	Lower Manhattan 14th Street and South

## By Service

	Occupancy				ADR				RevPAR				September YTD		
	Jul	Aug	Sep	Q3	Jul	Aug	Sep	Q3	Jul	Aug	Sep	Q3	Occ	ADR	RevPAR
Full Service – 2018	90.0%	90.7%	90.1%	90.3%	\$261.44	\$252.18	\$351.30	\$287.55	\$235.42	\$228.67	\$316.49	\$259.58	87.2%	\$273.84	\$238.66
Full Service – 2019	89.3%	90.0%	90.2%	89.8%	\$251.06	\$246.57	\$344.68	\$280.23	\$224.28	\$221.86	\$310.74	\$251.69	85.8%	\$267.72	\$229.68
Limited Service – 2018	90.9%	91.3%	90.8%	91.0%	\$224.24	\$218.79	\$281.80	\$241.12	\$203.94	\$199.74	\$255.78	\$219.43	88.5%	\$226.04	\$200.06
Limited Service – 2019	90.1%	91.5%	90.3%	90.6%	\$217.76	\$215.62	\$280.75	\$237.78	\$196.15	\$197.25	\$253.47	\$215.46	86.9%	\$224.06	\$194.62
	% Change from 2018				% Change from 2018				% Change from 2018				% Change from 2018		
Full Service	-0.8%	-0.7%	0.1%	-0.5%	-4.0%	-2.2%	-1.9%	-2.5%	-4.7%	-3.0%	-1.8%	-3.0%	-1.6%	-2.2%	-3.8%
Limited Service	-0.9%	0.2%	-0.5%	-0.4%	-2.9%	-1.4%	-0.4%	-1.4%	-3.8%	-1.2%	-0.9%	-1.8%	-1.9%	-0.9%	-2.7%

## By Affiliation

	Occupancy				ADR				RevPAR				September YTD		
	Jul	Aug	Sep	Q3	Jul	Aug	Sep	Q3	Jul	Aug	Sep	Q3	Occ	ADR	RevPAR
Chain Affiliated – 2018	90.8%	91.3%	90.4%	90.8%	\$266.36	\$256.51	\$356.24	\$292.20	\$241.83	\$234.20	\$322.10	\$265.43	87.9%	\$278.23	\$244.69
Chain Affiliated – 2019	90.2%	90.6%	90.3%	90.3%	\$258.12	\$251.84	\$350.41	\$286.21	\$232.75	\$228.15	\$316.26	\$258.56	86.4%	\$271.60	\$234.79
Independent – 2018	89.3%	89.9%	89.9%	89.7%	\$235.18	\$228.92	\$310.77	\$257.76	\$209.93	\$205.89	\$279.27	\$231.18	86.6%	\$243.98	\$211.23
Independent – 2019	88.4%	89.8%	89.9%	89.4%	\$221.77	\$221.46	\$300.78	\$247.65	\$196.12	\$198.77	\$270.47	\$221.32	85.5%	\$238.47	\$203.90
	% Change from 2018				% Change from 2018				% Change from 2018				% Change from 2018		
Chain Affiliated	-0.6%	-0.8%	-0.1%	-0.6%	-3.1%	-1.8%	-1.6%	-2.0%	-3.8%	-2.6%	-1.8%	-2.6%	-1.7%	-2.4%	-4.0%
Independent	-0.9%	-0.2%	0.1%	-0.4%	-5.7%	-3.3%	-3.2%	-3.9%	-6.6%	-3.5%	-3.1%	-4.3%	-1.2%	-2.3%	-3.5%

Source: PwC, based on STR data

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Casino gaming

Cruise

Lodging

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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. Bowery Real Estate Systems, 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. Bowery Real Estate Systems, 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.

## Subject Property Photographs

Exterior from Ludlow Street



Main Entrance



Street Scene: Orchard Street



Street Scene: Orchard Street



Street Scene: Ludlow Street



Street Scene: Orchard Street



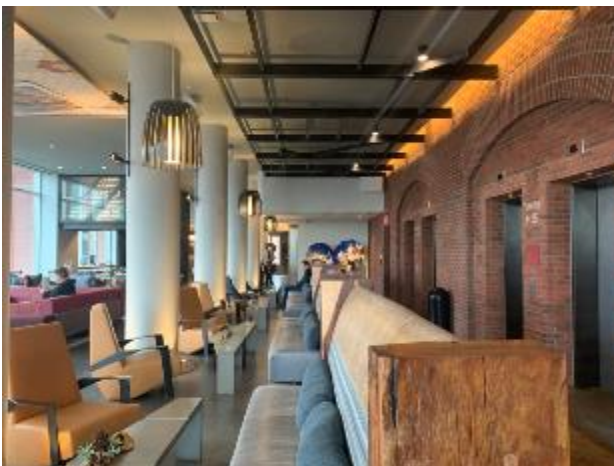
Ground Floor Lobby



Ground Floor Lobby



Sky Lobby (14<sup>th</sup> Floor)



Sky Lobby (14<sup>th</sup> Floor)



Coffee Bar (14<sup>th</sup> Floor)



Sky Lobby (14<sup>th</sup> Floor)





Fitness Center



Meeting Space



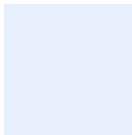
Terrace off of Meeting Space



Mr. Purple



Basement - Employee Lounge



Basement - Office Space



Basement - Storage



Basement - Storage



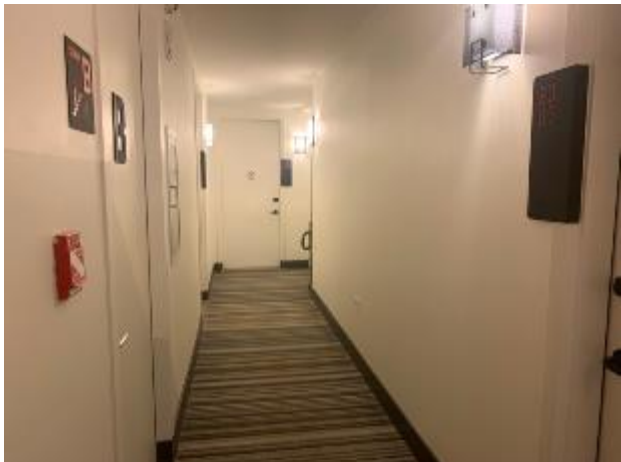
Parking Garage



Parking Garage



Common Hallway





Common Hallway



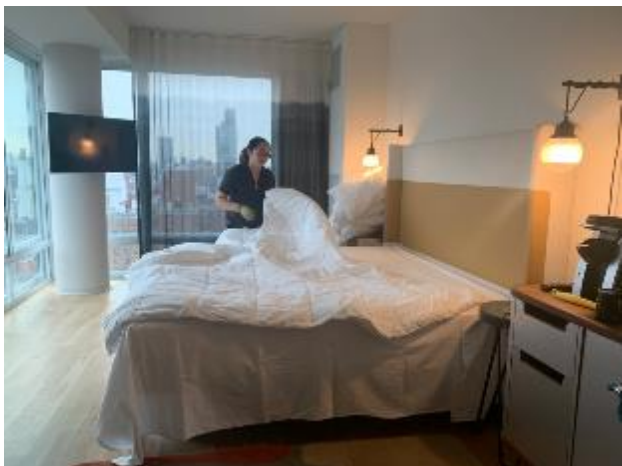
Room Interior



Room Interior



Room Interior



Room Interior



Room Interior



Terrace off of Guest Room



Guest Pool and Patio (15<sup>th</sup> Floor)



Chalet on Patio (15<sup>th</sup> Floor)



HVAC/Mechanicals



HVAC/Mechanicals



HVAC/Mechanicals



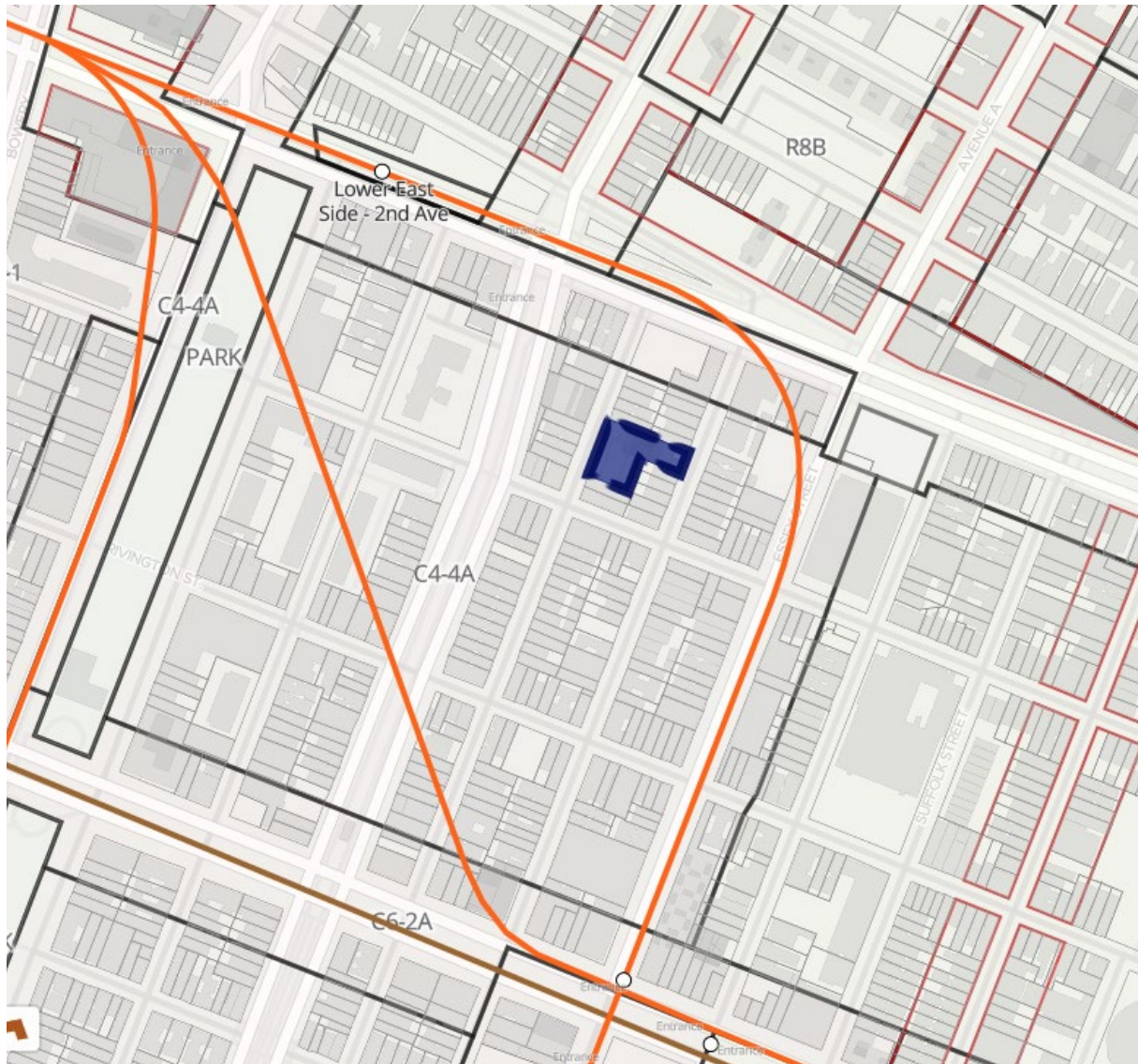
HVAC/Mechanicals





## Map Gallery

### Zoning Map



## Flood Map





## Qualifications

### Michelle Zell, MAI

Senior Vice President

#### Experience

Michelle Zell is a Senior Vice President at Bowery Valuation, who joined the firm in October 2019. She has worked in the real estate appraisal industry for 16 years.

Ms. Zell has appraised multi-family, condominium and cooperative apartment buildings, retail properties, office buildings, restaurants, industrial properties, hotels, and vacant land properties in New York, New Jersey, Connecticut, Pennsylvania, Texas, and Florida. Ms. Zell specializes in managing large portfolios, appraising large scale existing and proposed developments, appraisals for EB-5 financing, market studies, and appraisals for litigation and condemnation proceedings.

Ms. Zell performs and manages appraisals for Israeli bond issuances in excess of \$1B, and has extensive experience with the Israeli bond market since 2012. She specializes in serving a liaison between the appraisers, the audit firms and the Israeli Security Authority.

Significant appraisal assignments include Peter Cooper Village/Stuyvesant Town, a rental apartment complex in New York City with 12,000 units, the condominium conversion of The Aphthorp and the Belnord, two large scale prewar landmarked developments in Manhattan, 70 Pine Street, the 1M square foot former AIG headquarters converted to rental apartments, hotel, private club, restaurant and retail space, 701 7<sup>th</sup> Avenue, a proposed hotel and retail development located in Times Square and valued at \$2B, market rent determination for Bell Works- the former Ball Labs in Holmdel, NJ, and multiple large developments for EB-5 financing including The Armature Works in Washington DC (a proposed mixed use retail, apartment and hotel development), 1 Journal Square (a proposed mixed use development in Jersey City), The Retail at Nassau Coliseum (proposed retail and entertainment complex adjacent to Nassau Coliseum), and Pacific Park (a proposed development of 15 land parcels to be developed with high rise residential, condominium, office and school buildings).

Before joining Bowery, Ms. Zell served as a Senior Appraiser at BBG (formerly Leitner Group) in New York City from 2003 through October 2019.

#### Education

Cornell University	Bachelor of Science
Emory University	Master of Public Health

#### Certifications & Professional Designations

Appraisal Institute	MAI, Designated Member
	Currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members.
Certified General Real Estate Appraiser	New York (#46-49921) Florida (#RZ4135) Texas (#TX 1380938G)

#### Publications

Ms. Zell published an article about the mainstreaming of alternative lending in GlobeSt.com, dated August 5, 2019. <https://www.globest.com/2019/08/05/the-mainstreaming-of-alternative-lending/>

## Maren Lewis

Associate Vice President

### Experience

Maren Lewis is a Valuation Associate at Bowery Valuation who joined the firm in October 2019. She has worked in the real estate appraisal industry for 3 years.

Ms. Lewis has appraised multifamily rental buildings, condo and cooperative buildings, developable land, ground up construction sites, retail properties, hotels and special-use properties, such as schools and other community facility properties primarily in the New York metro area.

Prior to joining Bowery, Ms. Lewis served as a Valuation Associate at BBG, Inc. based in New York City.

Prior to her time at BBG Inc., Ms. Lewis worked for the Hotel Finance Group at Credit Agricole Corporate and Investment Bank, formerly known as Credit Lyonnais, for 8 years as a Credit Analyst and Junior Relationship Manager. In this role, she prepared detailed credit recommendations to senior management, including designing and creating detailed financial projection models and assisting in the process to structure and execute corporate and asset-backed financing opportunities for single assets and hotel companies. Additionally, this role included arranging for all due diligence requirements and monitoring the financial performance on a monthly basis.

Prior to Credit Lyonnais, Ms. Lewis worked in the Kenneth Leventhal Real Estate Group at Ernst & Young, LLP. In this consulting group, she valued real estate portfolios and performed market studies, including research of economic and demographic trends, assessment of market supply and demand, interviews of market participants, and analysis of historical market and segment performance.

### Education

Cornell University, School of Hotel Administration	Bachelor of Science with a focus on the hospitality industry and a concentration in finance, 1997
Appraisal Institute	<ul style="list-style-type: none"> <li>Basic Appraisal Principles</li> <li>Basic Appraisal Procedures</li> <li>Real Estate Finance, Statistics and Valuation Modeling</li> <li>General Appraiser Market Analysis and Highest and Best Use</li> <li>General Appraiser Sales Comparison Approach</li> <li>General Appraiser Income Approach Part 1</li> <li>General Appraiser Income Approach Part 2</li> <li>General Appraiser Report Writing and Case Studies</li> <li>Using HP 12C Calculator</li> <li>Fair Housing, Fair Lending and Environmental Issues</li> </ul>

## Licenses

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
ZELL MICHELLE R C/O BBG INC 112 MADISON AVE 11TH FL NEW YORK, NY 10016		EXPIRATION DATE MO   DAY   YR 05   08   21
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-1099 (Rev. 3/01)		

## Letter of Engagement



Bowery Valuation  
625 Broadway, 3rd Floor  
New York, NY 10012

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### ENGAGEMENT LETTER FOR PROFESSIONAL VALUATION SERVICE

**Date of Agreement:**

11/22/2019

**PARTIES TO AGREEMENT:**

**Client:**

MRR Thirteen Limited

Attn: Danny Avidan, CFO

**Appraisers:**

Bowery Valuation

625 Broadway, 3rd Floor

New York, NY 10012

Phone: 917-533-3141

Michelle.Zell@boweryvaluation.com

Client hereby engages Bowery Valuation to complete an appraisal assignment as follows:

**PROPERTY IDENTIFICATION**

Hotel Indigo Lower East Side- 171 Ludlow Street (also known by the address of 180 Orchard Street), New York, NY 10002

**PROPERTY TYPES**

Hotel

**INTEREST VALUED**

Fee Simple

**INTENDED USERS**

MRR Thirteen Limited and its related entities, successors, and/or assigns.

**INTENDED USE**

Asset valuation with the intention of filing an Israeli Bond on TASE and/or in connection with ongoing financial statement(s) and reporting(s) with the TASE.

**TYPE OF VALUE**

As Is Fair Value.

**DATE OF VALUE**

12/31/19

**PAYMENT TO BOWERY VALUATION**

\$8,000

**PAYMENT DUE DATE**

50% retainer is due upon acceptance of these terms and the remaining 50% is due upon delivery of the final report or within 30 days of your receipt of our draft report, whichever is sooner. If a draft report is requested, the fee is considered earned upon delivery of our draft report.

**DELIVERY DATE**

3 weeks from receipt of due diligence.

**DELIVERY METHOD**

Final report delivered as PDF via email. Up to 3 printed reports delivered if requested

**HYPOTHETICAL CONDITIONS, EXTRAORDINARY ASSUMPTIONS**

Used if necessary, will be discussed with the client.

**APPLICABLE REQUIREMENTS OTHER THAN THE UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE (USPAP)**

The Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute. Reports will also be prepared in accordance with International Financial Reporting Standards ("IFRS") for an appraisal report for the purpose of financial reporting.

**ANTICIPATED SCOPE OF WORK****Scope of Work/Report Type:**

The report will include any and all approaches to value that are applicable and required for issuance of corporate debt on the TASE and/or for the purposes of ongoing financial reporting with the TASE, including at least a "current fair value" (as of the date requested). The appraisals will contain all relevant information required by the company's accountants and/or auditors and we consent to the inclusion of the reports in any financial statements and reports, prospectus, offering memorandum, and/or investment memos. We will deliver both draft and final reports in PDF format certified and/or relied upon as may be required by any underwriters in connection with bond offering on the TASE and/or preparation of financial statements with the TASE and/or as may be required in compliance with all laws, including Israeli law.

**Site visit:**

Interior and exterior observation, on-site.

**VALUATION APPROACHES**

Appraisers shall use all approaches necessary to develop a credible opinion of value; all three approaches considered: Sales comparison approach/ Cost approach/ Income approach



#### **APPRAISAL REPORT**

**Report option:**

Written Appraisal Report (fka Self-Contained Appraisal Report)

#### **FORM OR FORMAT**

Narrative

#### **CONTACT FOR PROPERTY ACCESS, IF APPLICABLE**

To be provided by client.

#### **CONTRACT FOR SALE**

If the property appraised is currently under contract for sale, Client shall provide to Appraisers a copy of said contract including all addenda.

#### **PROPOSED IMPROVEMENTS**

If the property appraised consists of proposed improvements, Client shall provide to Appraisers plans, specifications or other documentation sufficient to identify the extent and character of the proposed improvements.

#### **ADDITIONAL DOCUMENTATION**

Client agrees to provide Appraisers with the documentation as reasonably needed.

#### **WHEN BOWERY VALUATION'S OBLIGATIONS ARE COMPLETE**

Bowery Valuation's obligations pursuant to this Agreement are complete when the final Appraisal Report in the form specified in this Agreement is delivered to Client pursuant to this Agreement. Appraisers agree to be responsive to Client's legitimate inquiries regarding the contents of the report after delivery, however they are to be considered beyond the scope of the engagement.

**CONFIDENTIALITY**

Bowery Valuation shall (and direct its employees or independent contractors) not provide a copy of the written Appraisal Report to, or disclose the content and/or the results of the appraisal prepared in accordance with this Agreement to, any party other than Client, unless Client authorizes so in writing, except as stipulated in the Confidentiality Section of the Ethics Rule of the Uniform Standards of Professional Appraisal Practice (USPAP).

**USE OF EMPLOYEES OR INDEPENDENT CONTRACTORS**

Bowery Valuation may use employees or independent contractors at Bowery Valuation's discretion to complete the assignment, unless otherwise agreed by the parties. Notwithstanding, Bowery Valuation shall sign the written Appraisal Report and take full responsibility for the services provided as a result of this Agreement.

**SERVICES NOT PROVIDED**

The fees set forth in this Agreement apply to the appraisal services rendered by Bowery Valuation as set forth in this Agreement. Unless otherwise specified herein, Bowery Valuation's services for which the fees in this Agreement apply shall not include meetings with persons other than Client or Client's agents or professional advisors; Appraisers' deposition(s) or testimony before judicial, arbitration or administrative tribunals; or any preparation associated with such depositions or testimony. Any additional services performed by Bowery Valuation not set forth in this Agreement will be performed on terms and conditions set forth in an amendment to this Agreement, or in a separate agreement.

**TESTIMONY AT COURT OR OTHER PROCEEDINGS**

Unless otherwise stated in this Agreement, Client agrees that Appraisers' assignment pursuant to this Agreement shall not include Appraisers' participation in or preparation for, whether voluntarily or pursuant to subpoena, any oral or written discovery; sworn testimony in a judicial, arbitration or administrative proceeding; or attendance at any judicial, arbitration or administrative proceeding relating to this assignment. If the appraisers are required to testify or make witness statements related to any part of the appraisal report by any party, the fee to the client shall be \$500 per hour.

**CHANGES TO AGREEMENT**

Any changes to the assignment as outlined in this Agreement shall necessitate a new Agreement or written amendment. The identity of the Client, intended users, or intended use; the date of value; type of value; or property appraised cannot be changed without a new Agreement.

**CANCELLATION**

Client may cancel this Agreement at any time prior to Bowery Valuation's delivery of the Appraisal Report upon written notification to Bowery Valuation. Client shall pay Bowery Valuation for work completed on assignment, billed at \$500 per hour, prior to Bowery Valuation's receipt of written cancellation notice, unless otherwise agreed upon by Bowery Valuation and Client in writing.

**GOVERNING LAW AND JURISDICTION**

This Agreement shall be governed by the law of the state of New York, exclusive of that state's choice of law rules. The parties agree that any legal proceeding brought by either party to interpret or enforce this Agreement, or to enforce an arbitration award entered pursuant to this Agreement, shall be brought in a state or federal court having jurisdiction over the location of Bowery Valuation's office as specified in this Agreement, and the parties hereby waive any objections to the personal jurisdiction of said court.

**APPRAISER INDEPENDENCE**

Appraisers cannot agree to provide a value opinion that is contingent on a predetermined amount. Appraisers cannot guarantee the outcome of the assignment in advance. Appraisers cannot ensure that the opinion of value developed as a result of this Assignment will serve to facilitate any specific objective of Client or others or advance any particular cause. Appraisers' opinion of value will be developed competently and with independence, impartiality and objectivity.

**NOTICES**

Any notice or request required or permitted to be given to any party shall be given in writing and shall be delivered to the receiving party by: a) registered or certified mail, postage prepaid; (b) overnight courier, such as Federal Express, United Parcel Service or equivalent; or (c) hand delivery. The address for delivery of any notice shall be the address for the party as specified in this Agreement, or at such other address as party may designate by written notice to the

other party in conformance with this paragraph. Unless otherwise specified herein, notice shall be effective the date it is postmarked or given to a third party for delivery to the receiving party, whether or not the receiving party signs for or accepts delivery of such notice.

#### **NO THIRD-PARTY BENEFICIARIES**

Nothing in this Agreement shall create a contractual relationship between Bowery Valuation or Client and any third party, or any cause of action in favor of any third party. This Agreement shall not be construed to render any person or entity a third party beneficiary of this Agreement, including, but not limited to, any third parties identified herein.

#### **MEDIATION & ARBITRATION**

In the event of a dispute concerning the subject matter of this Agreement, the parties shall in good faith attempt to resolve such dispute by negotiation between the parties' principals, or, if such negotiation is unsuccessful, by mediation conducted by a third -party mediator. If such mediation results in an impasse, the parties shall submit their dispute to binding arbitration. Such mediation or, if necessary, binding arbitration shall be conducted pursuant to the mediation procedures or the commercial arbitration rules of the American Arbitration Association. Any arbitration shall be conducted in New York City. The parties shall share equally the costs of any mediation. In the event of binding arbitration, the arbitrators shall, in addition to any relief appropriate to be awarded to the prevailing party, enter an award in favor of the prevailing party for that party's costs of the arbitration, including the party's reasonable attorneys' fees and arbitration expenses incurred in prosecuting or defending the arbitration proceeding. Subject to the right of the prevailing party to recover its share of the costs of the arbitration services pursuant to the arbitrator's award, the costs of the arbitration services shall be borne equally by the parties. If the prevailing party seeks judicial confirmation of any arbitration award entered pursuant to this Agreement, the court shall, in addition to any other appropriate relief, enter an award to the prevailing party in such confirmation proceeding for its reasonable attorneys' fees and litigation expenses incurred in confirming or successfully opposing the confirmation of such an award.

#### **SPECIAL OR CONSEQUENTIAL DAMAGES**

Neither party shall under any circumstances be liable to the other party for special, exemplary, punitive or consequential damages, including, without limitation, loss of profits or damages proximately caused by loss of use of any property, whether arising from either party's negligence, breach of the Agreement or otherwise, whether or not a party was advised, or knew, of the possibility of such damages, or such possibility was foreseeable by that party. In no event shall Appraisers be liable to Client for any amounts that exceed the fees and costs paid by Client to Appraisers pursuant to this Agreement.



**ASSIGNMENT**

Neither party may assign this Agreement to a third party without the express written consent of the other party, which the non-assigning party may withhold in its sole discretion, provided Client may assign this agreement to its affiliates. In the event this Agreement is assigned by mutual consent of the parties, it shall become binding on the assigning party's permitted assigns.

**SEVERABILITY**

In the event any provision of this Agreement shall be determined to be void or unenforceable by any court of competent jurisdiction, then such determination shall not affect any other provision of this Agreement and all such other provisions shall remain in full force and effect.

**CLIENT'S REPRESENTATIONS AND WARRANTIES**

Client represents and warrants to Bowery Valuation that (1) Client has all right, power and authority to enter into this Agreement; (2) Client's duties and obligations under this Agreement do not conflict with any other duties or obligations assumed by Client under any agreement between Client and any other party; and (3) Client has not engaged Bowery Valuation, nor will Client use Bowery Valuation's Appraisal Report, for any purposes that violate any federal, state or local law, regulation or ordinance or common law.

**EXTENT OF AGREEMENT**

This Agreement represents the entire and integrated agreement between the Client and Bowery Valuation and supersedes all prior negotiations, representations or agreements, either written or oral. This Agreement may be amended only by a written instrument signed by both Client and Bowery Valuation. This Agreement includes the Appendices (if any), which are incorporated into, and made a part of this Agreement.

**EXPIRATION OF AGREEMENT**

This Agreement is valid only if signed by both an agent for Bowery Valuation and Client within 5 days of the Date of Agreement specified.

As Agent for Bowery:

*Michelle Zell*

(Signature) Michelle Zell, MAI

11/26/19

Date

By Client:

*MRR Thirteen Limited*

(Signature) Client

*Dec 5, 2019*

Date