



הערכות שווי מהותיות מאוד :

1. 111 Livingston

2. 2440 Fulton

הערכות השווי של נכס החברה אשר זכויות החברה בו משועבדות
לטובת מחזיקי אגרות החוב סדרה ו' של החברה :

1. Mapleton Rentals

הערכות השווי של נכסי החברה אשר זכויות החברה בהם משועבדות
לטובת מחזיקי אגרות החוב סדרה ח' של החברה :

1. 1440 Story Avenue

2. 411 Van Brunt



APPRAISAL REPORT

111 Livingston Street
Brooklyn, NY, 11201

Mixed-Use Office And Retail Building
Bowery Report No. JOB-2200023824

REQUESTED BY

Avrumie Furst

The Leser Group
1481 47th Street
Brooklyn, NY 11219

DATE OF VALUE AS IS

December 31, 2022

PREPARED BY



Michelle Zell, MAI



Diana Zlatkina

March 14, 2023

Mr. Avrumie Furst
The Leser Group
1481 47th Street
Brooklyn, NY 11219Re: Appraisal File No. JOB-2200023824
Mixed-Use Office And Retail Building
111 Livingston Street
Brooklyn, NY 11201

Dear Mr. Furst:

In accordance with your request, we have completed an appraisal of 111 Livingston Street in Brooklyn, NY for the purpose of advancing an opinion of the fair value of the leased fee interest of the subject as of December 31, 2022. To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. In addition, this appraisal has been prepared in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement).

The client and intended user is The Leser Group. The Intended Use is to aid the Company in the preparation of the prospectus and/or financial statements to be published in the Tel Aviv Stock Exchange in 2023. We confirm that we have given our full consent to the inclusion of the valuation in its entirety within the company financial statements and prospectus to be published in the Tel Aviv Stock Exchange in 2023 and any Draft Prospectus to be published or disclosed to the Israeli Security Authority. This letter has been prepared in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). The depth of analysis discussed in this letter is specific to the needs of the client. The report is intended only for use in the preparation of financial statements.

Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformance with the Standards of Professional Practice and Code of Professional Ethics of the Appraisal Institute, and the Uniform Standard of Professional Appraisal Practice (USPAP) and IFRS 13.

The subject, 111 Livingston Street, consists of a 22-story multi-tenanted elevatored office and retail building. 111 Livingston Street contains 459,100± gross square feet, according to public record, and 407,861± square feet of leasable area with a mixture of office and retail space and a parking component. Most leasable space is office space in the 22-story tower and there is one retail space. The property is 80.63% occupied based on the GLA with 328,870± square feet of occupied office and retail space. Prior reports included 10,270 SF of leasable area on the top floor but we have confirmed with ownership this is mechanical space and is not leasable so we have removed it from the GLA. As a result the occupancy percentages have changed slightly though there have been no changes in tenancy. A summary of the spaces and occupancy is shown below:

Space Occupancy Summary

Space	Total SF	Total Occupied SF	Total Vacant SF	Occupancy %
Retail	3,391	0	3,391	0.00%
Office	404,470	328,870	75,600	81.31%
Total	407,861	328,870	78,991	80.63%
Retail & Office	407,861	328,870	78,991	80.63%

Mr. Avrumie Furst
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The subject property is located at the northwest corner of Livingston Street and Boerum Place in the CBD area in the Borough of Brooklyn in the State of NY. The site contains a total land area of 0.747± acres / 32,542± square feet and is located in a C5-4 Commercial zoning district. The site is identified on the Kings County tax maps as Parcel 266 / 01.

The highest and best use of 111 Livingston Street is the current use as a mixed-use office and retail building. This conclusion is based on its zoning, physical characteristics, location, and forecasted economic conditions.

As with any appraisal, the reader is reminded that the opinion of value is only valid as of the effective date(s). Our conclusions are predicated on the attitudes and expectations prevalent in the subject submarket and market on the date(s) of value. Bowery Valuation continuously monitors the markets where we are active and appropriate steps have been taken to ensure our analysis is based on the most recent, relevant data available. Changes in market conditions or associated with other unanticipated future events, could impact value.

On December 14, 2022, the Federal Reserve Board again increased the benchmark rate by an additional 50 basis points, the seventh increase in the calendar year 2022 in an effort to curb inflation. The most recent rate hike is a slight decline in increases after four consecutive bumps of 75 basis points each in June, July, September, and November with smaller increases in March (25 bps) and May (50 bps). The latest rate hike brings the federal funds rate to a new range of 4.25-4.50% – its highest level in 15 years. Along with the increase announcement, there was an indication that officials expect to keep rates higher through next year, with no reductions until 2024.

We previously appraised the subject property for The Leser Group with the same intended users and intended use with an effective date of December 31, 2019, December 31, 2020, and December 31, 2021. This prior appraisals were prepared under the Appraisal Report option of Standard Rule 2-2(a) of USPAP. To fully understand this updated appraisal report, the reader is advised to reference these sections of our prior appraisal report with a value date of December 31, 2019, December 31, 2020, December 31, 2021.

Final Value Opinion

Value	Interest Appraised	Date of Value	Conclusion
Fair Value As Is	Leased Fee Interest	December 31, 2022	\$183,000,000

The value conclusions are subject to the following **Extraordinary Assumptions**¹ 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:

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

Mr. Avrumie Furst
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- None.

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

- None.

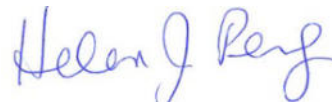
The opinions of value expressed herein are subject to the certification, assumptions and limiting conditions, and all other information contained in the following written appraisal report.

Thank you for the opportunity to serve you.

Sincerely,



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

Summary of Salient Facts & Conclusions



Subject Property	Mixed-Use Office And Retail Building 111 Livingston Street Brooklyn, NY 11201
Building Description	The subject, 111 Livingston Street, consists of a 22-story multi-tenanted elevated office and retail building.
Location	The subject is located at the northwest corner of Livingston Street and Boerum Place in the CBD area in the Borough of Brooklyn in the State of NY.
Parcel	266 / 01
Census Tract	9.00
Year Built	1969
Site Area	0.747± acres./ 32,542± square feet
Zoning	C5-4 Commercial zones
Flood Hazard Status	According to National Flood Insurance Program Rate Map dated September 5, 2007 Community Panel #3604970203F, the subject is located within a Zone X flood zone.
Exposure Time	Between six and twelve months

Property Rights Appraised Leased Fee Interest
Date of Inspection (Exterior) February 7, 2023
Date of Value December 31, 2022

Financial Indicators (Year 1)

Financial Indicators	Total	Per SF-GBA
Average Rent PSF	\$48	
Effective Gross Income	\$18,420,935	\$40.12
Current Occupancy	80.63%	
Expense Ratio	51%	
Net Operating Income	\$8,594,651	\$18.72
Direct Capitalization Rate	5.50%	
Terminal Capitalization Rate	5.75%	
Discount Rate	6.50%	
Direct Capitalization Approach Value	\$173,000,000	\$376.82
Discounted Cash Flow Approach Value	\$183,000,000	\$398.61
Sales Comparison Approach Value	\$184,000,000	\$400.78
Sales Comparison Approach Indicators	Total	Per SF-GBA
Number of Sales Used	5	
Sale Transaction Date Range	08/10/2021 to 08/31/2022	
Unadjusted Range PSF	\$266-\$688	
Adjusted Range PSF	\$291-\$588	
Sales Comparison Approach Value Conclusion	\$184,000,000	\$401

Final Value Opinion

Value	Interest Appraised	Date of Value	Conclusion
Fair Value As Is	Leased Fee Interest	December 31, 2022	\$183,000,000

The value conclusions are subject to the following **Extraordinary Assumptions**³ 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**⁴ 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.

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

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

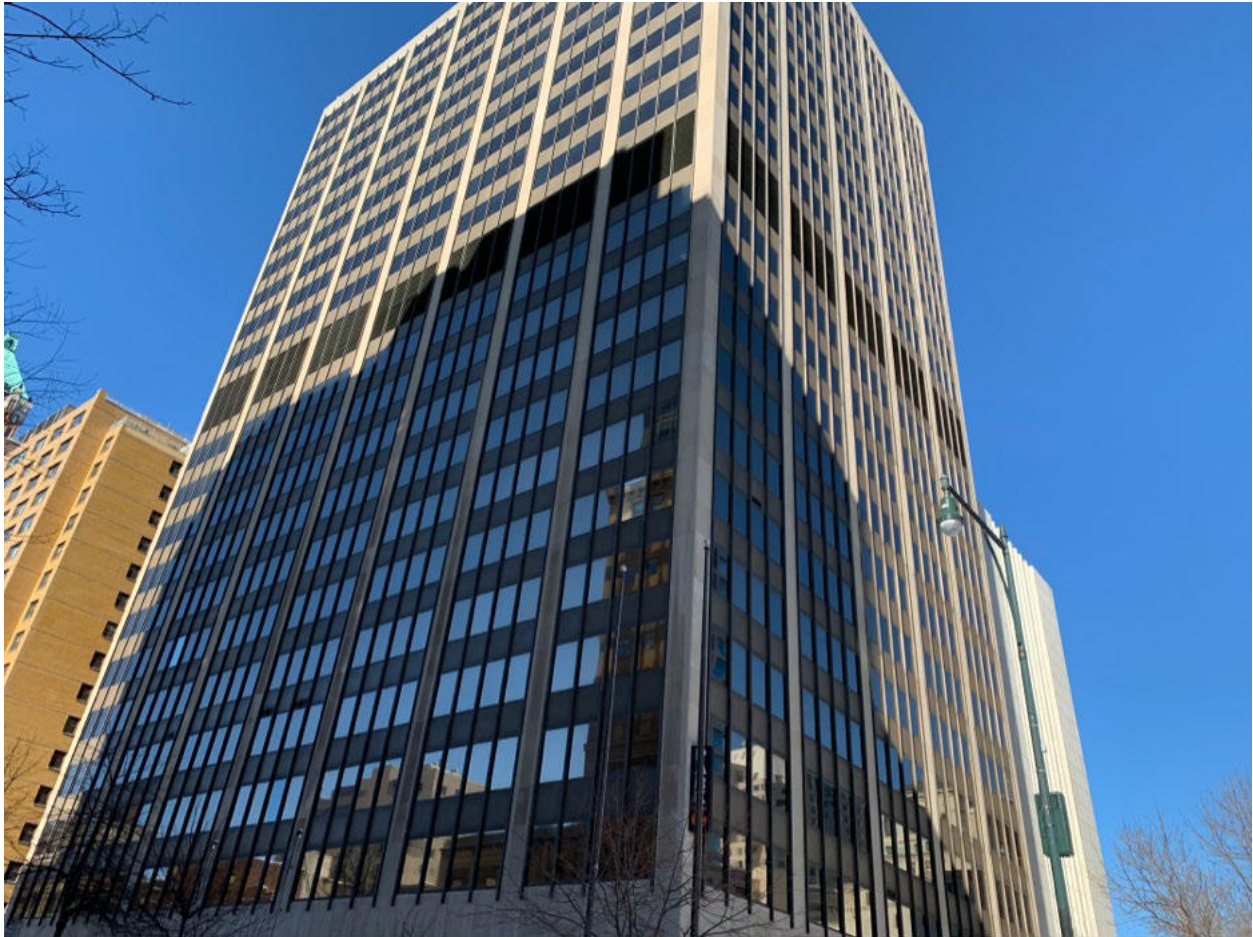
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Introduction

Subject Exterior



Property Identification

The subject, 111 Livingston Street, consists of a 22-story multi-tenanted elevated office and retail building. 111 Livingston Street contains 459,100± gross square feet, according to public record, and 407,861± square feet of leasable area with a mixture of office and retail space and a parking component. Most leasable space is office space in the 22-story tower and there is one retail space. The property is 80.63% occupied based on the GLA with 328,870± square feet of occupied office and retail space. 111 Livingston Street is located at the northwest corner of Livingston Street and Boerum Place in the CBD area in the Borough of Brooklyn in the State of NY. The site contains a total land area of 0.747± acres / 32,542± square feet and is located in a C5-4 Commercial zoning district. It is identified on Kings County tax maps as Parcel 266 / 01.

Date of Value Opinion

The date of our valuation is December 31, 2022. Jon Nathanson from Bowery Valuation inspected the exterior of the asset and its environs on February 7, 2023. Michelle Zell, MAI, Helen Peng, MAI, and Diana Zlatkina did not inspect the asset.

Purpose

The purpose of the appraisal is to provide an opinion of the As Is fair value of the leased fee interest of the subject property as of December 31, 2022, 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."

Identification of the Client

The Leser Group has engaged us and is our client for this assignment.

Intended Users

The Intended User of the report is The Leser Group, and its affiliates. The report is intended for use only by The Leser Group and its related entities, successors, and/or assigns, and auditors.

We confirm that we have given our full consent to the inclusion of the valuation in its entirety within financial statements and related information to be published by the Company for the Tel Aviv Stock exchange and for the Israeli Security Authority.

Intended Use

The Intended Use of the report is to aid the Leser Group (TLG) in the preparation of Financial Statements and a Prospectus, or additional Prospectuses, to be published with the Israeli Security Authority.

Property Rights Appraised⁵

The subject's As Is Fair Value is appraised on the basis of Leased Fee Interest.

Property History

The current owner of record is 111 Livingston Street LLC (The Lesser Group) per County records. There have been no arm's length transactions within the past five years. We are not aware of any additional bids, offers or options to purchase for this asset.

Michelle Zell, MAI previously appraised the subject property (prior to employment at Bowery Valuation) with an effective date of December 31, 2018. The value as of December 31, 2018 was \$234,000,000 . Our value as of the effective date of December 31, 2019 was \$240,000,000. The 2020 value of \$220,000,000 represents a decrease of 5% from 2019. The value has decreased further to \$183,000,000. The following changes have been considered:

- There has been no update in leasing at the property. As such, we have extended the leasing time to stabilized operations to 60 months to reflect these conditions. In this same vein, we have increased the vacancy rate from 5.0% to 12%.
- One tenant, OTDA has a lease expiring in 2024. This tenant occupies about 30% of the leasable area. This will further hurt the occupancy at the property if they vacate. Ownership is still in discussions with this tenant. There have been no indications on whether or not they will vacate. We have accounted for this risk by raising the cap rate.

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

- Prior reports included 10,270 SF of leasable area on the top floor but we have confirmed with ownership this is mechanical space and is not leasable so we have removed it from the GLA. As a result the occupancy percentages have changed slightly though there have been no changes in tenancy. This represents a 2.5% decrease.
- Expenses have been adjusted to reflect the most recent statements.
- The direct cap rate has been increased by 25 bps to reflect current market conditions as interest rates have increased.

Exposure Time⁶

It is our opinion that a normal exposure time for the subject property is between six months and twelve months. This conclusion is predicated on interviews with brokers and other real estate industry sources and on information obtained in the verification process. According to the PwC Real Estate Investor Survey 4Q2022, the average marketing time for the national CBD office market is 8.1 months, consistent with last quarter's figure of 8.1 months and down from 8.7 months one year ago. The value reported herein presumes such an exposure time.

General Assumptions

Various estimates of gross building area, net area, and number of units 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.
- **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.
- **Building Health and Fire Codes:** Our valuation assumes there are no known code violations.
- **Estimates of gross building area and total leasable area** were furnished by the owner and public record and are specified in the "Data Sources" section of the Introduction. The provided gross building area of 459,100 square feet above grade is sourced from the public record. The management company/ownership provided leasable area of 407,861 square feet. The opinions of value reported herein are based on the assumption that the data provided are the most recent and accurate. It has been verified to the best of our ability based on our use of client and/or borrower provided data and publicly available data.

⁶ The definition of Exposure Time 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 (i.e. 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 fulfill a liability is not relevant when measuring fair value.

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

- (a) the particular asset or liability being measured;
- (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis;
- (c) the market in which an orderly transaction would take place for the asset or liability; and
- (d) the appropriate valuation technique(s) to use when measuring fair value. The valuation technique(s) used should maximize the use of relevant observable inputs and minimize unobservable inputs. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability.

Scope of the Appraisal

Within the course of this assignment, we have:

- Inspected the exterior of the property.
- Researched and investigated the location in terms of its economic activity, development patterns, and future trends and related their impact on the market.
- Determined the highest and best use of the subject property based on an analysis of all relevant factors.
- Conducted a market survey of rent and vacancy levels of similar properties.
- Reviewed projected income and operating expenses for the subject property.
- Researched and analyzed similar retail/office rental, operating expense and tax comparables to determine the reasonableness of the existing income and expenses at the subject property.
- Projected the net operating income under both a one-year and 10-year stabilized operating period and applied a market-derived capitalization rate and competitive discount rate to develop an opinion of value by the income approach.
- Researched and analyzed sales of competitive assets and applied the techniques of the sales comparison approach in advancing an opinion of value.
- Advanced an opinion of the fair value of the identified interest.

Data Sources

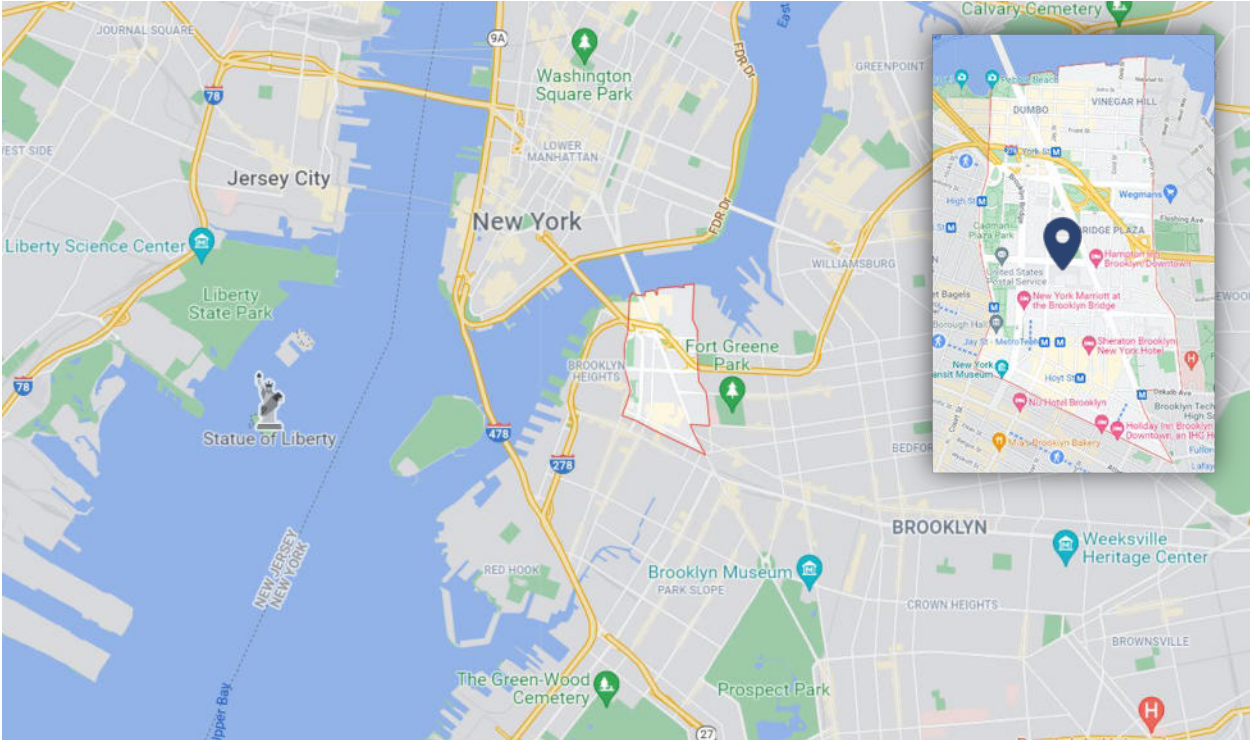
The data contained within this appraisal was compiled from market analysis utilizing the following sources (unless otherwise noted): the City Tax Assessor, state and county tax records, the Zoning Board, Claritas, CoStar, Attom, Federal Reserve, and FEMA. The subject photos were taken by Jon Nathanson on February 7, 2023, while those used for the comparable rentals and sales were sourced from the public domain. When possible, we have confirmed the reported data with parties to the transactions or those who are intimately familiar with their critical details.

- In our analysis of rental income, we have utilized the rentable area since the comparables report rentable area while in our expense and sales analysis we have utilized the GBA since these comparables were sourced from public record which reports GBA.

Data Sources

Site Data	Source/Verification:
Site Size	Public Record
Excess/ Surplus Land	Tax Map
Gross Size/ Units	Public Record
Commercial SF	Owner; Inspection
Number of Buildings	Inspection
Amenities	Inspection; Owner
Deferred Maintenance	Inspection
Area Analysis	Bureau of Labor Statistics
Income Data	Owner; Market Forecast
Expense Data	Owner; Expense Comparables
Comparable Rental Data	Costar; Primary Sources
Comparables Sales Data	Costar, Public Record, Primary Source

Neighborhood & Demographic Overview



Source: Google Maps

Downtown Brooklyn at a Glance

Downtown Brooklyn is truly the center of it all. Bordered by Brooklyn Heights, Fort Greene, and Boerum Hill, the area is a major hub for businesses, retail as well as a spectacular art and culture scene. Today, the neighborhood is a scurry of urban bustle and activity, full of entertainment, good eats, a growing skyline, and luxury housing and hotels. The last decade has seen a major boom in construction, particularly in the retail and luxury housing sector.

The following demographic profile, assembled by Envirionics Analytics, a nationally recognized compiler of demographic data, reflects the subject’s municipality (Downtown Brooklyn) and market (Brooklyn). All values presented herein are estimates for 2021 and all figures presented are for the subject neighborhood unless stated otherwise.

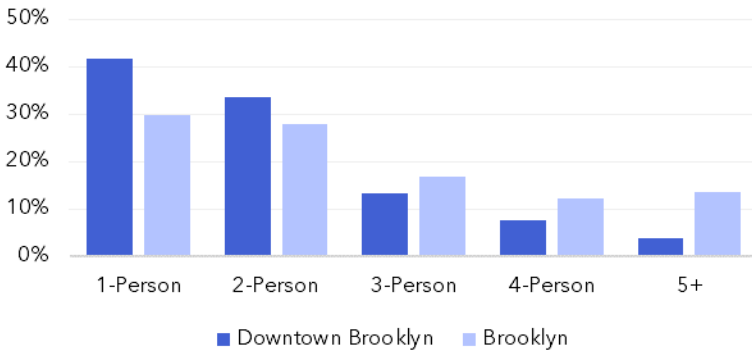
Key Neighborhood and Demographic Trends

		2000	2010	2021 Est.	2026
	Area	Census	Census	Change	Projected Change
Population	Downtown Brooklyn	32,076	37,080	15.60%	47,810 28.94%
	Brooklyn	2,465,323	2,504,700	1.60%	2,663,688 6.35%
Households	Downtown Brooklyn	13,975	16,709	19.56%	22,074 32.11%
	Brooklyn	880,721	916,856	4.10%	989,055 7.88%
Family Households	Downtown Brooklyn	5,878	7,175	22.07%	9,297 29.57%
	Brooklyn	584,121	573,363	-1.84%	614,593 7.19%

Neighborhood

Housing

Households by Household Size



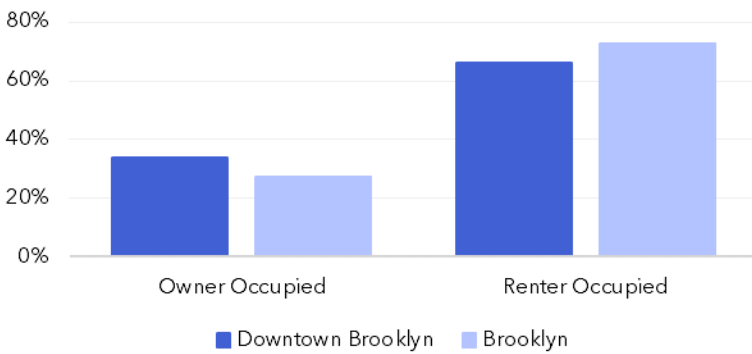
HOUSEHOLDS

22,074

AVERAGE HOUSEHOLD SIZE

2.01

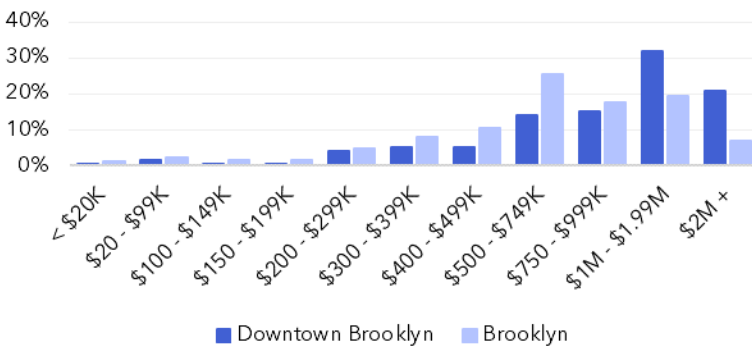
Occupied Housing Units by Tenure



MAJORITY OCCUPIED HOUSING UNITS

66% Renter

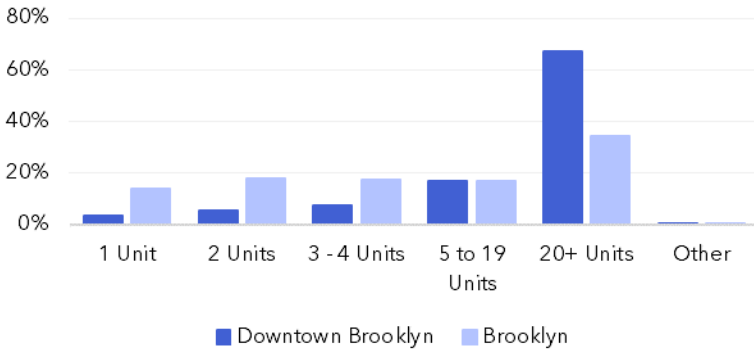
Owner Occupied Housing Units by Value



MEDIAN OWNER-OCCUPIED HOUSING VALUE

\$1,059,354

Housing Units by Units in Structure



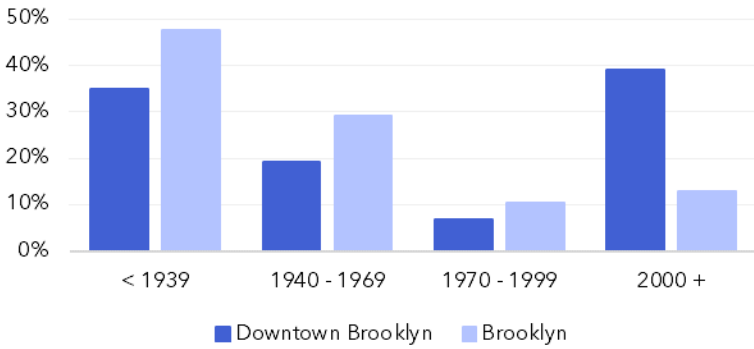
NEIGHBORHOOD HOUSING UNITS

24,655

COUNTY/CITY HOUSING UNITS

1,074,602

Housing Units by Year Structure Built



NEIGHBORHOOD MEDIAN YEAR STRUCTURE BUILT

1961

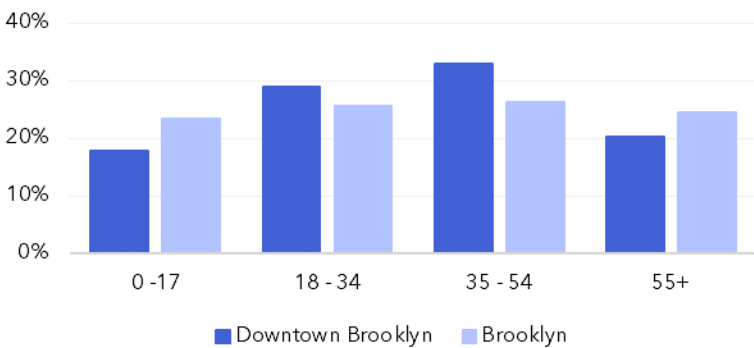
COUNTY/CITY MEDIAN YEAR STRUCTURE BUILT

1941

Demographics

Population

Population by Age



POPULATION

47,810

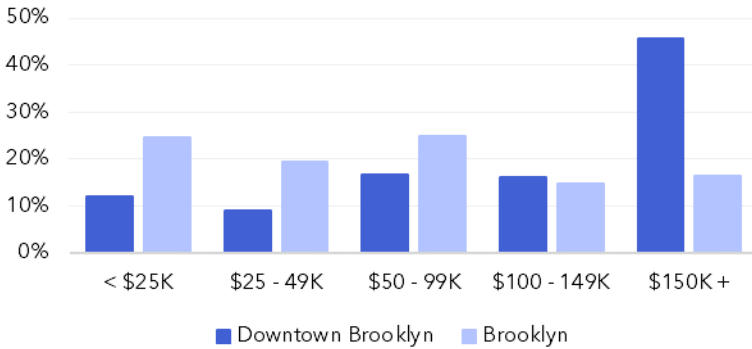
MEDIAN AGE

37

AVERAGE AGE

38

Households by Household Income



MEDIAN HOUSEHOLD INCOME

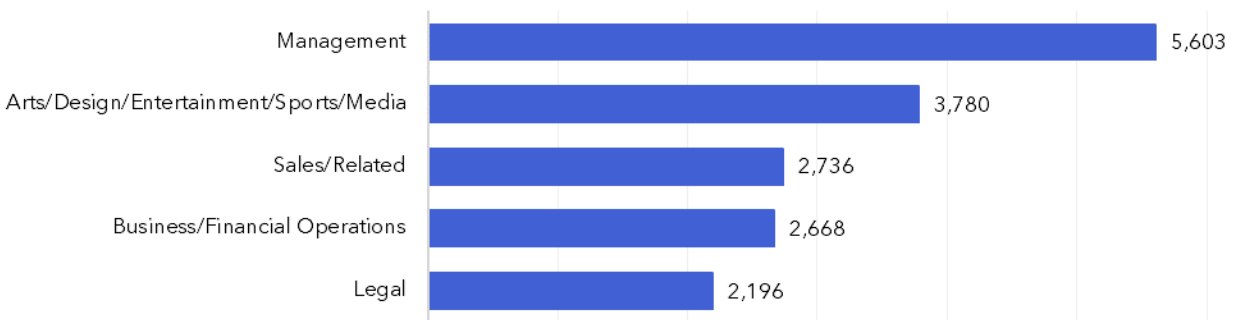
\$135,165

AVERAGE HOUSEHOLD INCOME

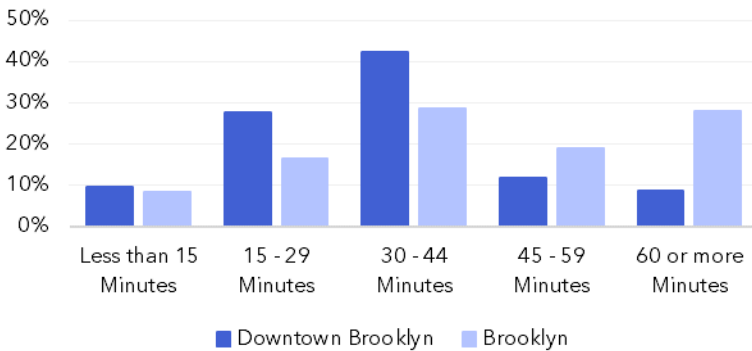
\$190,888

Employment & Transportation

Top 5 Employment Occupations in Neighborhood



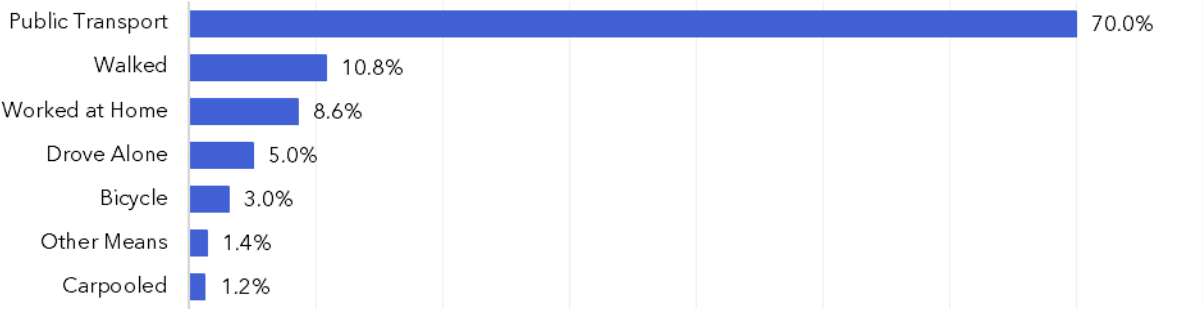
Travel Time to Work







AVERAGE TRAVEL TIME TO WORK

35 minutes

Transport Mode to Work in Neighborhood



Transport Modes and Access

-  Major roads include Interstate 278, which runs east and west through the northern part of the neighborhood. In addition, Brooklyn Bridge, and the entrance to are located within the neighborhood.
-  Downtown Brooklyn has some of the best public transportation options within New York City. Nearly every subway line, with the exception of the J, Z, M, and 7, have stops within the neighborhood. There is a total of ten subway stations in the area. In addition, near the southwest corner of Downtown Brooklyn is the Barclays Center, which provides access to more than six LIRR routes.
-  The MTA provides bus routes that connect the downtown to other areas. The bus system within the area is extensive.
-  The New York City area has access to three major airports; Newark in New Jersey (13 mi.), LaGuardia in Queens (10 mi.), and JFK in Queens (11 mi.)

Conclusion

Downtown Brooklyn has changed dramatically since the area was rezoned in 2004, which allowed for residential growth. Beautiful and luxurious new condos have reshaped the skyline, bringing a fresh mix of people and businesses to an area once known for courthouses, colleges, and office buildings. Amenities are within reach and include great restaurants, grocery stores, movie theaters, gyms, multiple subway stops and an LIRR station. With all its convenience, amenities, and range of housing that keeps growing, Downtown Brooklyn will continue to attract demand.

Zoning Summary

The subject is zoned C5-4 Commercial.

C5 is a central commercial district with continuous retail frontage intended for offices and retail establishments that serve the entire metropolitan region. Famous shopping streets, such as Fifth Avenue, Madison Avenue and East 57th Street are C5 districts. Parts of Lower Manhattan, Downtown Brooklyn and Long Island City are also within C5 districts.

Department stores, large office buildings, and mixed buildings with residential space above office or commercial floors, are typical C5 uses. Use Groups 5 (hotels), 6, 9 and 10 (retail shops and business services) and 11 (custom manufacturing) are permitted in C5 districts. Home maintenance services, auto rental establishments, and other uses not in character with the district, including illuminated signs, are not permitted.

The maximum commercial floor area ratio (FAR) ranges from 4.0 to 15.0, and the maximum residential FAR is 10.0. Floor area may be increased by a bonus for a public plaza or Inclusionary Housing.

In the two contextual C5 districts—C5-1A and C5-2A—residential bulk and density are governed by R10A regulations. In non-contextual C5-2 through C5-5 districts, a building occupied by commercial, residential and/or community facility uses may be configured as a tower. A residential tower is also allowed in C5-1 districts.

All commercial uses in C5 districts are exempt from off-street parking requirements because public transportation is easily accessible.

C5 Commercial Districts

District	Residential District Equivalent	Commercial FAR	Residential FAR ²
C5-1	R10	4.0	10.0 ¹
C5-1A	R10A	4.0	10.0
C5-2/ C5-4	R10	10.0 ¹	10.0 ¹
C5-2A	R10A	10.0	10.0
C5-3/C5-5	R10	15.0 ¹	10.0 ¹

¹ FAR bonus up to 20% for a public plaza

² Increase in FAR with Inclusionary Housing Program

Use Regulations

The subject's office, retail and parking uses conform to the use regulations of the zoning district.

Dimensional Standards

There are no dimensional standards other than height regulations as indicated below.

Conformity

The subject property has a gross building area of 459,100 square feet, which exceeds the maximum permitted bulk per the zoning regulations of 325,420 square feet. As a structure erected before the enactment of the zoning regulations, it is considered legally noncomplying with regard to bulk regulations. The subject property contains office, retail and parking uses which are conforming with regards to the allowable uses. The property has parking although parking is not required in C5-4 districts. Thus, the property is conforming to this zoning regulation.

Assessed Values & Real Estate Taxes

111 Livingston Street is designated on Kings County tax maps as Parcel: 266 / 01. The current assessed value is shown below:

2023/2024 Tentative Assessed Value

	Actual		Transitional
Land	\$2,839,500		\$2,839,500
Building	+ \$34,904,250	+	\$36,727,177
Total	\$37,743,750		\$39,566,677

Current and Historical Tax Rates

Real Estate Tax Rates

Year	Class 4
2022/2023	10.646%
2021/2022	10.755%
2020/2021	10.694%
2019/2020	10.537%
2018/2019	10.514%
2017/2018	10.514%
2016/2017	10.574%
2015/2016	10.656%
2014/2015	10.684%
2013/2014	10.323%
2012/2013	10.288%
2011/2012	10.152%
2010/2011	10.312%
2009/2010	10.426%
2008/2009	10.241%
2007/2008	10.059%
2006/2007	10.997%

The Class 4 tax rate is 10.646%, applied to the assessed value below.

2023-2024 Tax Liability Forecast

Taxable Assessed Value	\$37,743,750
Tax Rate	x 10.646%
Tax Liability	\$4,018,200
Tax Liability Per SF	\$8.75
BID Tax	\$91,150
Combined Tax Liability	\$4,109,350
Tax Liability Per SF	\$8.95

We note the property is also in the Court-Livingston-Schermerhorn Business Improvement District and pays a biannual BID tax. The Court-Livingston-Schermerhorn Business Improvement District serves all properties along Court, Livingston, and Schermerhorn Streets by providing supplemental sanitation services, retail development services, and streetscape improvements that improve the business environment and quality of life for the neighborhood.

In order to support the forecasted real estate tax liability, we surveyed those of comparable mixed- use buildings in the area:

Competitive RE Tax Liability

Comparable	Year Built / Renovated	GBA	Tax Liability PSF
130 Livingston Street	1989	500,000	\$10.83
339 Bridge Street	1990	457,966	\$8.72
45 Main Street	1906	476,000	\$10.63
39 Washington Avenue	1908	448,300	\$9.06
		Min	\$8.72
		Avg	\$9.81
		Max	\$10.83

The comparables range from \$8.72 to \$10.83 per square foot and average \$9.81 per square foot. The subject's taxes of \$8.75 per square foot fall within the market range. Thus, we apply the current tax liability in our analysis.

Site Description



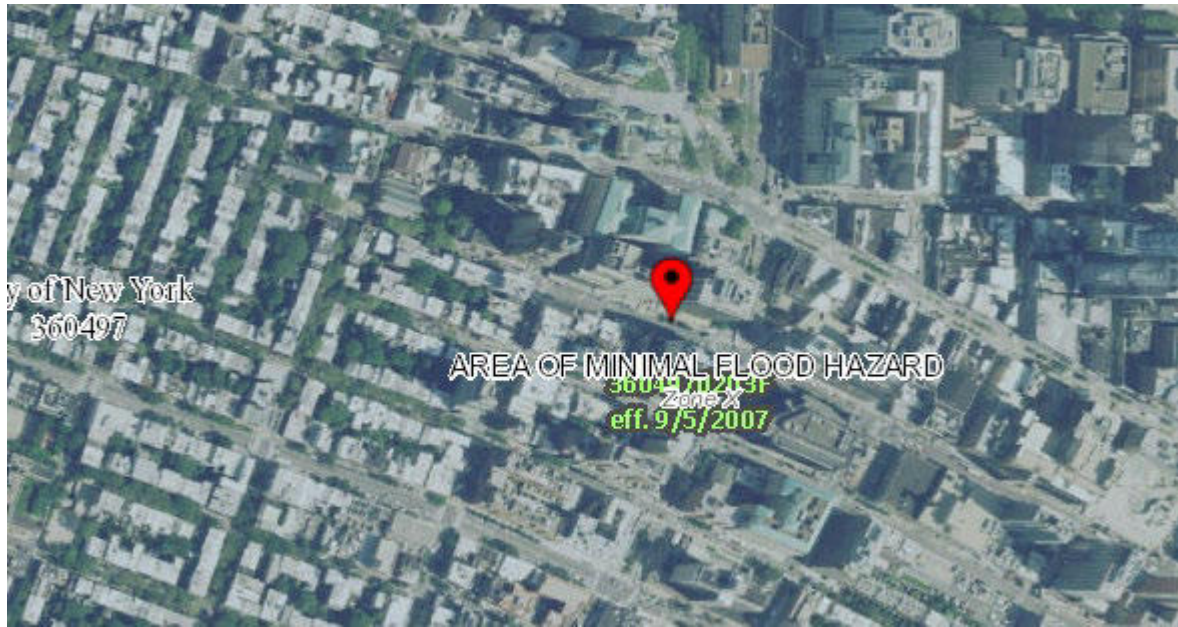
Location 111 Livingston Street is located at the northwest corner of Livingston Street and Boerum Place in the CBD area in the Borough of Brooklyn in the State of NY. Surrounding uses are office, retail, and residential with commercial retail spaces located primarily along ground floor of larger buildings.

Transportation There are several train lines within close walking distance to the subject property:

- R 2 3 4 5 at Borough Hall under 500 feet
- A C F R at Jay St - MetroTech 0.12 miles
- 2 3 at Hoyt St 0.23 miles
- R 2 3 4 5 at Court St 0.24 miles
- A C G at Hoyt & Schermerhorn 0.26 miles

Site Area	0.747± acres./ 32,542± square feet						
Shape	Irregular but generally rectangular						
Frontage	<table border="0"> <thead> <tr> <th style="text-align: left;">Street</th> <th style="text-align: right;">Frontage (ft)</th> </tr> </thead> <tbody> <tr> <td>Livingston Street</td> <td style="text-align: right;">213.65</td> </tr> <tr> <td>Boerum Place</td> <td style="text-align: right;">166.50</td> </tr> </tbody> </table>	Street	Frontage (ft)	Livingston Street	213.65	Boerum Place	166.50
Street	Frontage (ft)						
Livingston Street	213.65						
Boerum Place	166.50						
Access	The site is accessed from Livingston Street (213.650 feet) and Boerum Place (166.50 feet).						
Topography	Generally level						
Drainage	Assumed adequate						
Paving	All roads are paved with asphalt and are in satisfactory condition						
Street Lighting	Adequate						
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. The value reported within this report assumes there are no hazardous substances present on the site.						
Easements, Encroachments and Restrictions	Based upon a review of the tax map and, legal description, there do not appear to be any easements, encroachments, or restrictions that would adversely affect value. We know of no deed restrictions, private or public, that further limit the subject property's use. It is noted that any further research required to determine whether or not such restrictions exist, is beyond the scope of this appraisal assignment. Our valuation assumes no adverse impacts from easements, encroachments or restrictions, and further assumes that the subject has clear and marketable title.						
Utilities & Services	Water/Sewer and Refuse - City Police & Fire Protection - City Gas & Electric - National Grid and Con Edison						
Flood Hazard Status	Located in "Zone X" on the National Flood Insurance Program Rate Map dated September 5, 2007 Community Panel #3604970203F (Areas determined to be outside 500-year floodplain determined to be outside the 1% and 0.2% annual chance floodplains.)						
Conclusion	The site is like others in the vicinity, and there are no negative external factors. The site is well laid-out and supports its current use as a corporate office property. Access and visibility are good, with entries from multiple directions.						

Flood Map



Building Description

The subject, 111 Livingston Street, consists of a 22-story multi-tenanted elevated office and retail building. 111 Livingston Street contains 459,100± gross square feet, according to public record, and 407,861± square feet of leasable area with a mixture of office and retail space and a parking component. Most leasable space is office space in the 22-story tower and there is one retail space. The property is 80.63% occupied based on the GLA with 328,870± square feet of occupied office and retail space.

The following is a summary of the construction characteristics of the improvements.

Structural & Mechanical

Structural

Foundation	Construction consists of masonry foundation walls and floor slabs, brick masonry walls and steel joists.
Structural System	Steel frame.
Exterior Walls	The building façade is comprised of masonry/concrete with glass panels.
Roof	The roof is flat with a bituminous sealed membrane covering and crushed stone ballast. The roof houses a cooling tower and elevator machine rooms. There is a low-rise masonry parapet wall surrounding the roof perimeter.
Windows	Windows are insulated fixed pane, full length panels set in aluminum frames. The ground floor façade has full length windows (tinted and anodized).
Basement	The parking garage comprises virtually the entire two levels below grade, as well as a portion of the vaulted sidewalk area. In total, the two-level parking garage reportedly comprises approximately 50,000 square feet. The licensed or legal capacity is 150 cars; however, the garage can accommodate up to 250 cars based upon its size. Below the parking garage is a sub-basement that comprises the power plant. The power plant contains five generator units, a backup boiler, and maintenance offices and support areas.
Entrances	The main entrance to the lobby of 111 Livingston Street is located on the Livingston Street side and is set back via a plaza. The main entry consists of a combination of swing out and revolving glass doors set in metal frames. There is an additional entrance (swing out glass/metal frame) for the retail space on the Livingston Street side. The building also has auxiliary entrances on the Boerum Place side, including an exclusive entrance for the C.U.N.Y. school, which has a canopy entry.

Mechanicals

Heating/ Cooling Systems/ Hot water	The building has a dedicated power plant located in the sub-basement (25,000± square foot space). The power plant contains 5 mechanical generator units - 2 natural gas powered and 3 diesel fuel powered. The power plant is utilized to generate electricity. As a byproduct, the waste heat from the generator units is harnessed to provide heating to the building (i.e. a waste heat boiler system). The generated waste heat is harnessed through heat exchangers and then furnished to the building via forced air duct system. The building has a dedicated cooling tower (air cooled) located on the roof providing cooled air through ceiling ducts.
Electric	As indicated, electric is generated via a dedicated power plant in the sub-basement.
Plumbing	PVC, copper, and iron
Sprinklers	The building is sprinklered with a wet system. There is a standpipe on each floor of each building. In addition, there are smoke detectors and emergency lighting.

Layout & Finishes

Interior Layout & Finish

Lobby	The lobby has a typical finish with marble flooring and marble and paneled walls with attached lighting fixtures. The ceiling has tiles with suspended lighting fixtures. There is also a concessions / snack shop in the lobby area.
Retail Interiors	The primary retail space is located on the ground floor and is accessed from the lobby; however, there is also a separate street entrance from the plaza. The space at one time was leased and occupied by a bank. At present, the space is configured for office use with tiled and carpeted flooring, painted sheetrock walls and acoustic ceilings with recessed fluorescent lighting. The unit also includes some mezzanine space.
Office Interiors	Office finishes vary from tenant to tenant. Offices are finished with vinyl asbestos tile, carpeted or wood floors, painted gypsum board walls, and acoustic ceilings with recessed fluorescent lighting. Office finishes were found to be in good condition. Some offices have conference rooms and employee lounges/kitchenettes.
Stairwells	There are two stairwells which access all floors. Stairwells have concrete treads with metal railings.
Elevators	The subject property has 11 total elevators. There are two banks of 4 elevators (3,000-pound capacity each) which access the lower and upper floors. In addition, there is 1 hydraulic automatic freight elevator accessing all floors. The C.U.N.Y. School space has its own dedicated hydraulic elevator which access to floors 1, 2 and 3 within their space.
Common Hallways	Common hallways feature carpeted or attractive floors, painted walls, and acoustic tiled ceilings with recessed fluorescent fixtures.
Restrooms	Restrooms have commercial quality porcelain and stainless-steel fixtures. Vanities consist of concrete cast sinks. Walls and floors are tiled with high quality durable tile. Toilet partitions are stainless steel. There are multiple restrooms per floor.

Security	The lobby is attended with security guards on a rotating shift basis.
Life Safety	In addition to the sprinkler system, there are smoke detectors and emergency lighting.
Parking	250 garage parking spaces.

Layout

Subject Net Rentable Area

# Tenant	Type	Square Footage
1 Vacant	Office	2,375
2 Vacant	Retail	3,391
3 C.U.N.Y	Office	45,000
4 Legal Aid (2 suites)	Office	117,200
5 OTDA (2 suites)	Office	121,545
6 Brooklyn Law	Office	41,000
7 Vacant	Office	20,500
8 Vacant	Office	50,225
9 Vacant	Office	2,500
10 Berkaman Law	Office	4,125
11 Livingston Street Parking	Office	n/a
Total		407,861

The subject includes 407,861 square feet of leasable area. A number of the tenants occupy multiple floors/spaces. Included in this area is 1 grade level retail unit with 3,391 square feet of area. There are currently 4 vacant office spaces and 1 vacant retail space. Prior reports included 10,270 SF of leasable area on the top floor but we have confirmed with ownership this is mechanical space and is not leasable so we have removed it from the GLA. As a result the occupancy percentages have changed slightly though there have been no changes in tenancy.

Space Occupancy Summary

Space	Total SF	Total Occupied SF	Total Vacant SF	Occupancy %
Retail	3,391	0	3,391	0.00%
Office	404,470	328,870	75,600	81.31%
Total	407,861	328,870	78,991	80.63%

Functional Utility

From a utility standpoint, the subject is well laid out and adequately accommodates its present utilization. The subject benefits from its desirable location in an active commercial area. The subject property is able to accommodate its existing retail and office related tenants. As mentioned previously, the current leasable area is 407,861 square feet which includes retail, and rentable office space. In terms of its functional appeal, there is good column spacing and adequate ceiling heights allowing the asset to compete effectively.

Condition & Maintenance

Condition

Based on our inspection, the current subject is in good condition. The asset is fitted with Class-A quality office finishes and the space is attractive and efficiently designed with good column spacing and ceiling heights. As of the date of inspection, the asset was in good condition as building mechanicals, the lobby and other base building improvements are modern and appealing. Further, tenant spaces continue to get upgraded as roll over occurs. The subject was constructed in 1969, and has received periodic renovations with the mechanical systems being modern and functioning. No items of deferred maintenance were observed or reported. Thus, the asset is in good condition relative to similar buildings in the area.

Remaining Economic Life

111 Livingston Street was originally constructed in 1969 and has been adequately maintained over the years with numerous capital expenditure projects occurring to extend the useful life of the asset. Similar buildings have a typical economic life of 60 years and we estimate the effective age to be 20 years, with a remaining economic life of 40 years. Future capital investment will serve to improve the asset productivity and extend its life during the holding period.

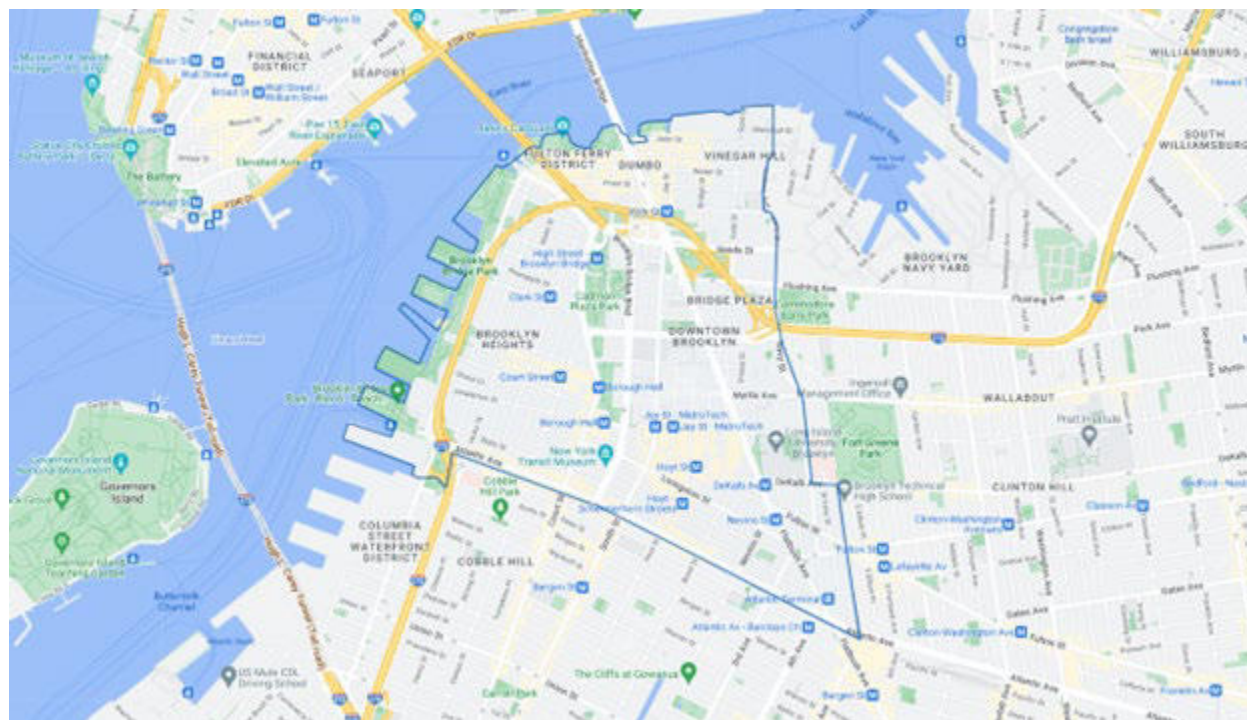
Summary

The subject is improved with Class A 22-story mixed-use office and retail building with a total gross area of 459,100 square feet and a net rentable area of 407,861 square feet. The improvements were constructed in 1969, and are considered to be in good overall condition, being well maintained and functional for their use.

The information contained in the sections entitled "Site Description" and "Building Description" was obtained from our field inspection on February 7, 2023, information provided by ownership, CoStar, RealQuest, and zoning and assessment records.

Downtown Brooklyn: Office Submarket Analysis

The information contained in this report was provided using 2022 Q4 CoStar data for the Downtown Brooklyn Office Submarket ("Submarket") located in the New York Market ("Market").



Overview

The subject property is in the Downtown Brooklyn Submarket of the New York Market, defined in the map above. This Submarket accounts for 2.5% of the Markets total inventory with 24 million square feet of office space. The Office sector demonstrated signs of resiliency in 2021 and early 2022 after experiencing very little demand in 2020. With economic headwinds intensifying over the second half of 2022, office demand has slowed considerably in most markets across the country. Vacancy rates have increased as increasingly more businesses and tenants adopt remote work policies. Some markets and submarkets have fared better than others. In Downtown Brooklyn, vacancy rates have increased over the past year, but landlords have been able to push rents, which increased 1.4% during that time. Despite softening market conditions for office properties in the Submarket, values have increased over the past year to \$547/SF but compressed -0.4% in the fourth quarter. Capitalization rates have compressed 16 bps to a rate of 4.9%, compressing below the long-term average.

Sector Fundamentals

	Downtown Brooklyn	YoY	QoQ	New York	YoY	QoQ
Market Rent/SF	\$48.89	1.4%	0.2%	\$57.13	0.5%	0.1%
Vacancy Rate	17.98%	92 bps	28 bps	12.32%	61 bps	12 bps
Availability Rate	16.9%	56 bps	72 bps	15.9%	-15 bps	11 bps
Net Absorption SF	-67,344	-56.8%	-4.8%	4,271,159	310.6%	704.4%
Asset Value/SF	\$547	10.0%	-0.4%	\$666	0.2%	-2.2%
Market Cap Rate	4.87%	-16 bps	1 bps	5.47%	1 bps	4 bps
Transaction Count	0	-100%	-100%	193	-54%	-31%
Sales Volume	\$0	-100%	-100%	\$2,398,003,456	-61%	89%

Supply and demand indicators, including inventory levels, absorption, vacancy, and rental rates for office space in the Submarket are presented in the following table.

Historical Office Performance: Downtown Brooklyn Submarket

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
2022 Q4	24,029,144	1,007,677	-36,800	-252,470	18.0%	16.9%	\$48.89	\$525	4.87%
2022 Q3	24,029,144	1,007,677	-36,800	-228,077	17.7%	16.2%	\$48.80	\$528	4.86%
2021	24,065,944	1,007,677	288,705	-604,673	17.1%	16.3%	\$48.22	\$478	5.03%
2020	23,777,239	662,417	-90,225	-1,405,325	13.5%	17.9%	\$48.24	\$468	5.08%
2019	23,867,464	446,817	-93,111	298,020	7.9%	14.2%	\$50.32	\$477	4.99%
2018	23,960,575	446,817	-124,394	-258,036	9.6%	13.0%	\$49.29	\$469	4.90%
2017	24,084,969	72,000	435,500	-510,238	8.9%	12.0%	\$48.06	\$461	4.78%
2016	23,649,469	507,500	-85,644	115,412	6.2%	10.2%	\$47.84	\$454	4.72%
2015	23,735,113	507,500	-5,800	-135,597	6.7%	6.3%	\$46.60	\$444	4.68%
2014	23,740,913	0	-500,475	-559,234	6.2%	6.4%	\$42.42	\$408	4.79%
2013	24,241,388	0	-564,403	-538,705	5.8%	5.4%	\$39.46	\$370	5.04%

Supply & Demand

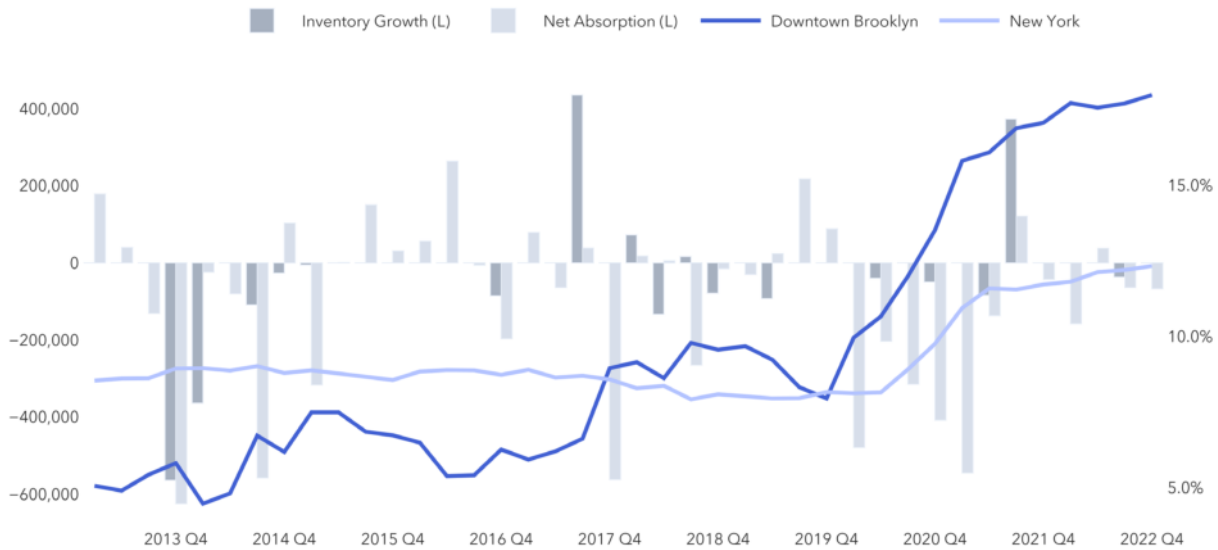
The Submarket has 24 million square feet of office space, and developers have demolished 776.6k square feet over the past ten years, reducing inventory by 3.1% during that time. Demand has not been able to keep up with supply over the past decade and vacancy rates have expanded compared to the rate ten years ago.

While inventory levels have contracted over the past year, the positive change in net absorption has had little affect and vacancy rates have increased 92 bps over the past year from 17.1% to 18.0% but still remain above the 10-year average of 9.5% and above the Market average by 566 bps. With 67.3k square feet vacated in the fourth quarter, vacancy rates have increased 28 bps over the past quarter. In the fourth quarter, office tenants in the Submarket vacated 67.3k square feet, a decrease from the -64.2k square feet vacated in 2022 Q3, and also down from the -43k square feet vacated in the same quarter last year. Class A space in the Submarket has an elevated vacancy rate of 26.4% followed by 12.0% for Class B space, and 1.4% for Class C space.

Vacancy Rates

	2013	2014	2015	2016	2017	2018	2019	2020	2021	22 Q3	22 Q4
National	11.6%	10.9%	10.3%	9.9%	9.8%	9.5%	9.6%	10.9%	12.0%	12.3%	12.5%
Market	8.9%	8.8%	8.6%	8.7%	8.6%	8.1%	8.2%	9.8%	11.7%	12.2%	12.3%
Submarket	5.8%	6.2%	6.7%	6.2%	8.9%	9.6%	7.9%	13.5%	17.1%	17.7%	18.0%
Class A	6.5%	5.9%	7.4%	7.8%	11.8%	12.3%	10.7%	20.0%	25.8%	25.8%	26.4%
Class B	4.3%	8.2%	7.7%	6.4%	8.0%	8.8%	6.7%	8.8%	10.3%	12.2%	12.0%
Class C	7.0%	2.1%	2.1%	0.7%	1.8%	1.8%	1.4%	2.2%	1.5%	1.3%	1.4%

Absorption & Vacancy Rates



Rents

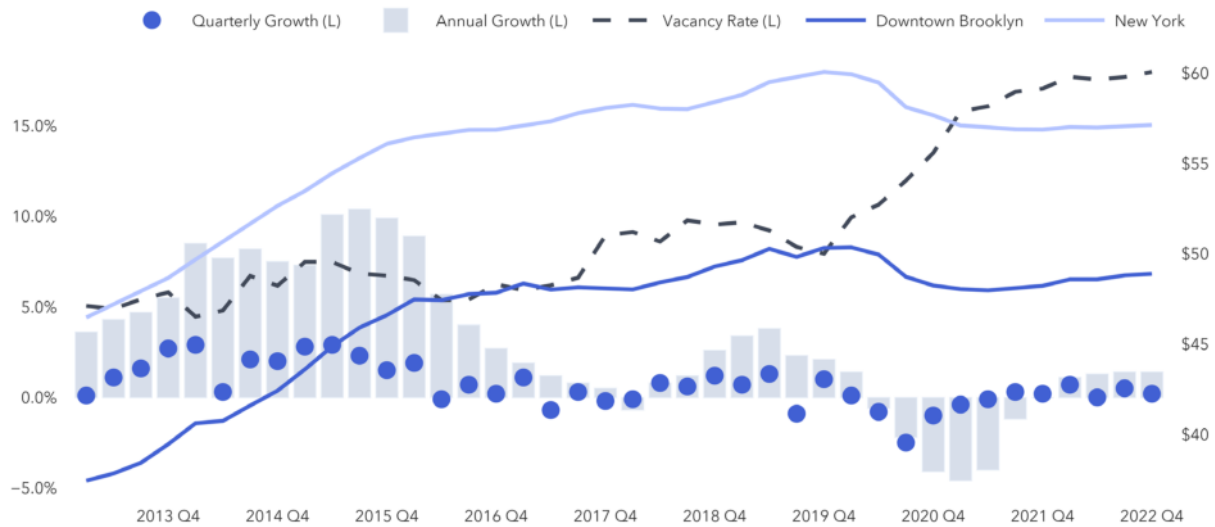
At \$48.89/SF, rents in the Submarket are roughly 14% lower than the Market where rents sit at \$57.13/SF. Rents in the Submarket have increased 3.1% per annum over the past decade, exceeding the Market, where rents increased 2.3% per annum during that time.

Market Rents

	2013	2014	2015	2016	2017	2018	2019	2020	2021	22 Q3	22 Q4
National	\$27.48	\$28.94	\$30.60	\$31.61	\$32.53	\$33.63	\$34.97	\$34.47	\$34.79	\$35.15	\$35.19
Market	\$48.66	\$52.65	\$56.08	\$56.86	\$58.06	\$58.38	\$60.06	\$57.66	\$56.87	\$57.09	\$57.13
Submarket	\$39.46	\$42.42	\$46.60	\$47.84	\$48.06	\$49.29	\$50.32	\$48.24	\$48.22	\$48.80	\$48.89
Class A	\$43.27	\$45.34	\$49.49	\$50.36	\$52.04	\$52.14	\$54.59	\$53.09	\$52.63	\$52.70	\$52.69
Class B	\$36.41	\$40.29	\$44.73	\$46.34	\$45.10	\$47.53	\$47.21	\$44.49	\$44.92	\$46.00	\$46.23
Class C	\$32.90	\$36.82	\$40.41	\$42.09	\$40.55	\$42.96	\$42.08	\$39.53	\$39.97	\$41.15	\$41.32

Prior to the pandemic, the Downtown Brooklyn Office Submarket experienced softening rent growth. In 2019 Q4, annual rent growth in the Submarket softened below the previous quarter, and was below the historical average, with annual growth of 2.1%. In 2020 Q2, quarterly rent growth fell to -0.8%. By the end of 2020, rents had fallen 4.1% from the 2019 Q4 rent level of \$50.32/SF. From 2019 Q4 to 2021 Q4, rents have decreased 4.2%. Quarterly rent growth in 2022 Q4 decreased 0.2% from the previous quarter, keeping annual growth at 1.4%.

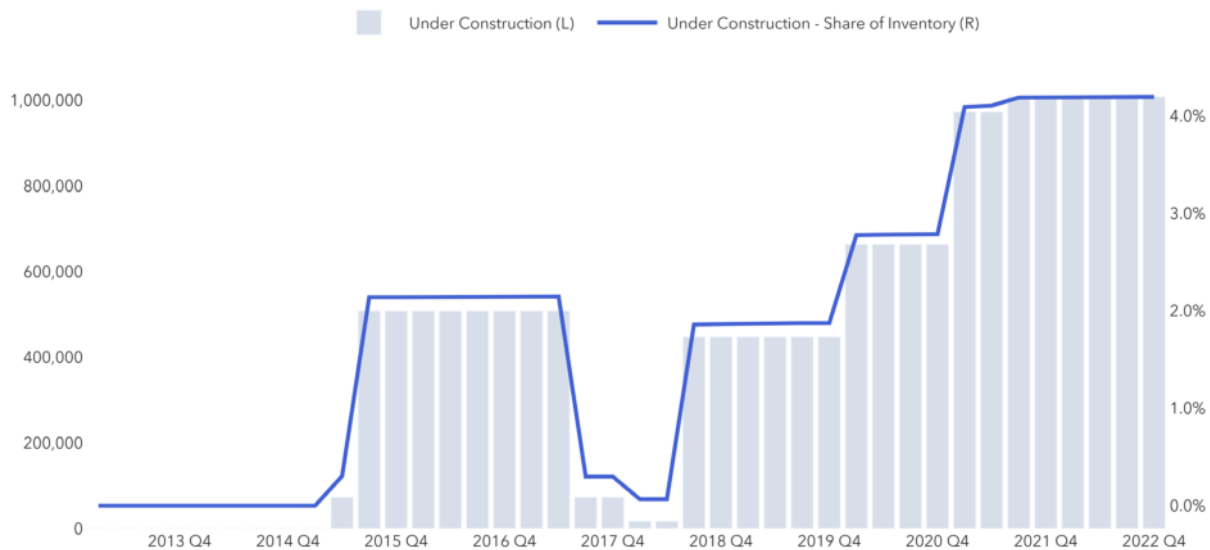
Market Rent/SF - Annual & Quarterly Growth



Construction & Future Supply

Developers have been active for much of the past ten years. In fact, they have added 970.3k square feet to the Submarket over that time, but inventory contracted by 3.1%. Developers are currently active in the Submarket with 1 million square feet, or the equivalent of 4.2% of existing inventory, underway. The active pipeline will likely add upward pressure to vacancy rates in the near term.

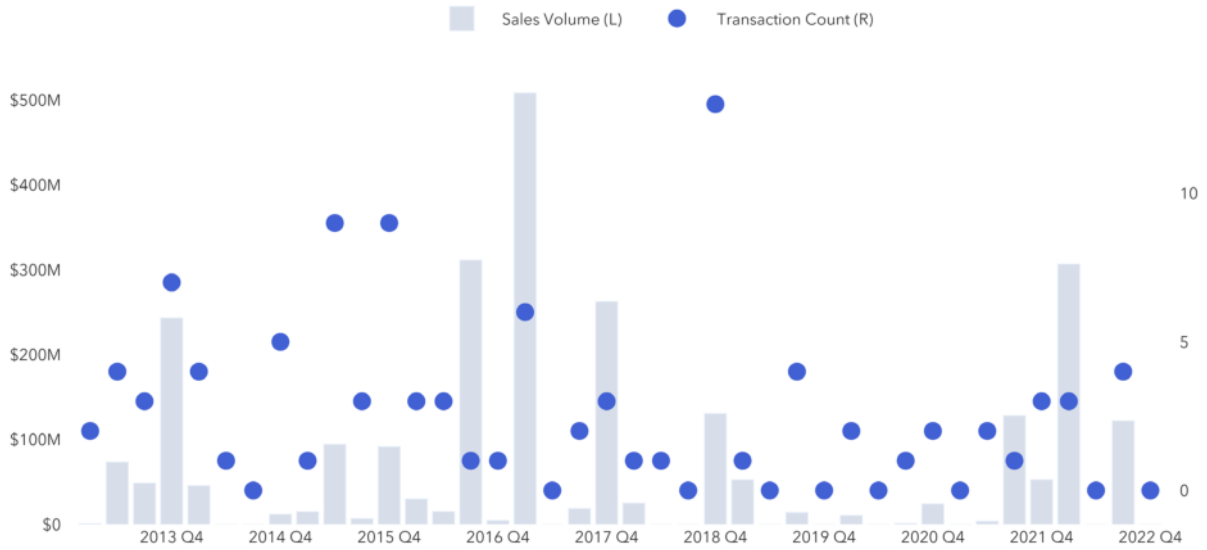
Under Construction SF - Share of Inventory



Capital Markets

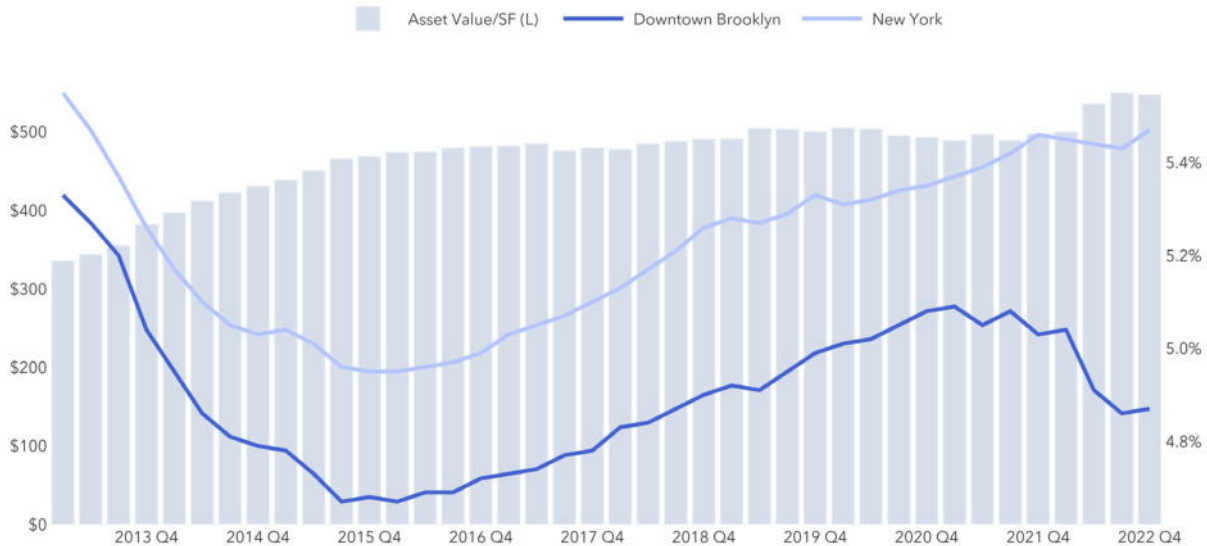
Investors have not been very active in the market over the past three years and few transactions have occurred. Going back three years, investors have closed, on average, 6 transactions per year with an annual average sales volume of \$216.1 million. Over the past year, there were 7 closed transactions across 1 million square feet, for a total sales volume of \$428.5 million. In 2022 Q4, there were 0 sales, compared to \$122 million in the previous quarter.

Sales Volume & Transaction Count



Market pricing, based on the estimated price movement of all properties in the Submarket, sat at \$547/SF and has increased 10.0% over the past year but have compressed 0.4% in the past quarter. Capitalization rates have compressed 16 bps over the past year to 4.9% and increased 1 bps in the fourth quarter. Higher interest rates, the subsequent cost of debt, and the limited improvement in market conditions will weigh on both activity and pricing going forward. However, favorable yields, especially relative to other property sectors, should help to offset.

Asset Value & Market Cap Rates



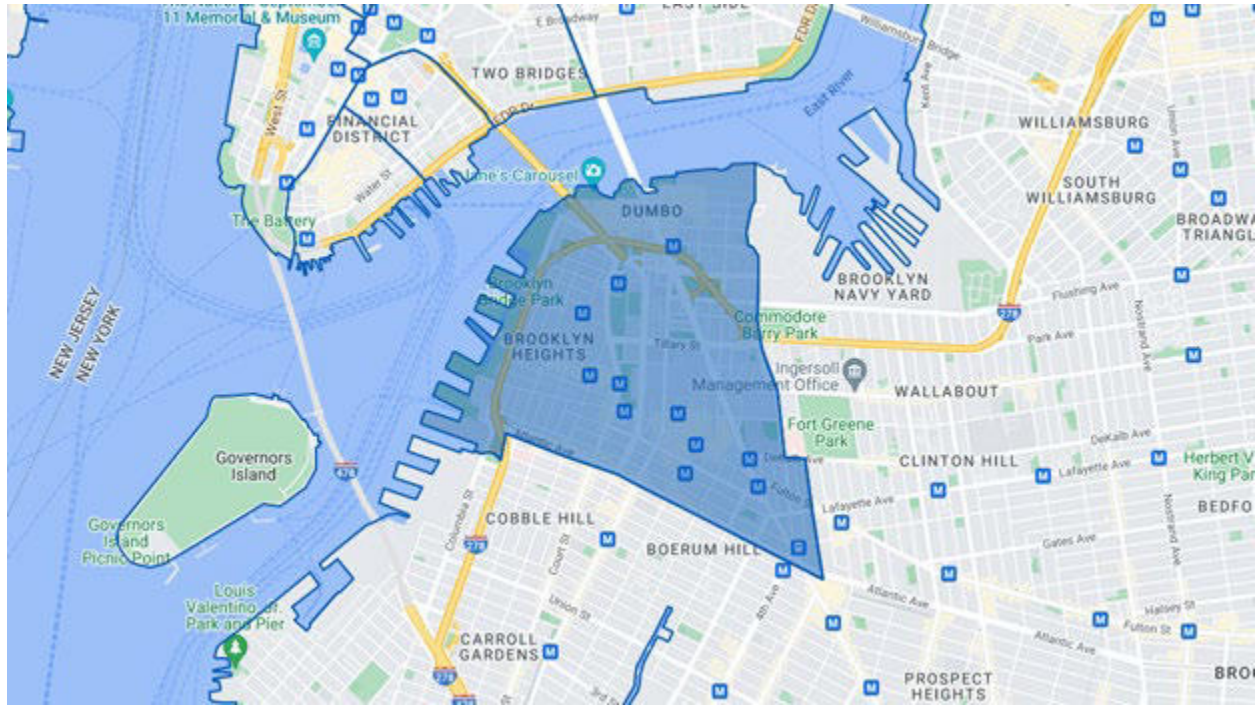
Outlook

Office demand remains well below pre-pandemic levels. Many office markets are contending with elevated vacancy and availability rates. This is occurring at a time of a looming recession, which has resulted in layoffs from many companies, slowing the recovery for the sector.

Office market conditions in the Downtown Brooklyn Submarket show that despite a decrease in inventory levels and a recent rise in demand, vacancy rates have increased over the past year. With vacancy rates expanding, quarterly rent growth in 2022 Q4 reached 0.2%, keeping annual growth at 1.4%. Looking ahead to the near-term, it is likely that tenant demand remains limited with rents declining. With softening market conditions amidst rising debt costs, values will likely experience limited growth.

Downtown Brooklyn: Retail Submarket Analysis

The information contained in this report was provided using 2022 Q4 CoStar data for the Downtown Brooklyn Retail Submarket ("Submarket") located in the New York Market ("Market").



Overview

The subject property is in the Downtown Brooklyn Submarket of the New York Market, defined in the map above. This Submarket accounts for 1.1% of the Markets total inventory with 6.7 million square feet of retail space. Despite acute economic uncertainty, consumers continue to spend, although they are adjusting their spending habits. Tenants and investors remain active, although selective by region, subtype, and tenant. Vacancy rates have increased over the past year for retail properties in the Downtown Brooklyn Submarket. Despite this, rents managed to grow, increasing 0.6%. Despite softening market conditions for retail properties in the Submarket, values have increased over the past year to \$594/SF but experienced no growth in the fourth quarter. Capitalization rates have increased 5 bps to a rate of 5.0%, remaining below the long-term average.

Sector Fundamentals

	Downtown Brooklyn	YoY	QoQ	New York	YoY	QoQ
Market Rent/SF	\$93.9	0.6%	-0.2%	\$45.7	1.5%	0.0%
Vacancy Rate	7.02%	143 bps	7 bps	4.11%	15 bps	-9 bps
Availability Rate	8.3%	243 bps	-73 bps	5.4%	-11 bps	-8 bps
Net Absorption SF	-14,862	-169.5%	71.4%	217,829	-77.2%	116.6%
Asset Value/SF	\$594	1.9%	0.0%	\$435	1.5%	0.3%
Market Cap Rate	5.03%	5 bps	2 bps	5.84%	2 bps	1 bps
Transaction Count	1	-83%	-75%	624	-39%	-8%
Sales Volume	\$2,800,000	-90%	-83%	\$1,102,622,080	-52%	-9%

Supply and demand indicators, including inventory levels, absorption, vacancy, and rental rates for retail space in the Submarket are presented in the following table.

Historical Retail Performance: Downtown Brooklyn Submarket

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
2022 Q4	6,659,121	20,500	-40,130	-133,020	7.0%	8.3%	\$93.90	\$592	5.03%
2022 Q3	6,669,743	20,500	-29,508	-96,762	7.0%	9.0%	\$94.08	\$593	5.01%
2021	6,699,251	13,600	-67,226	-137,788	5.6%	5.8%	\$93.34	\$585	4.98%
2020	6,766,477	0	-33,490	-38,493	4.5%	5.9%	\$91.92	\$570	5.00%
2019	6,799,967	0	-44,228	-67,677	4.4%	6.8%	\$92.41	\$559	5.07%
2018	6,844,195	5,850	-19,775	-59,160	4.0%	6.5%	\$89.89	\$541	5.11%
2017	6,852,180	5,850	0	80,062	3.3%	4.8%	\$88.25	\$529	5.10%
2016	6,852,180	0	650,000	476,956	4.5%	5.6%	\$85.99	\$519	5.08%
2015	6,202,180	650,000	-43,082	63,457	2.1%	4.4%	\$83.87	\$491	5.20%
2014	6,245,262	650,000	-9,523	105,427	3.8%	5.9%	\$80.57	\$437	5.55%
2013	6,254,785	650,000	-23,915	-60,350	5.7%	7.1%	\$77.14	\$377	5.93%

Supply & Demand

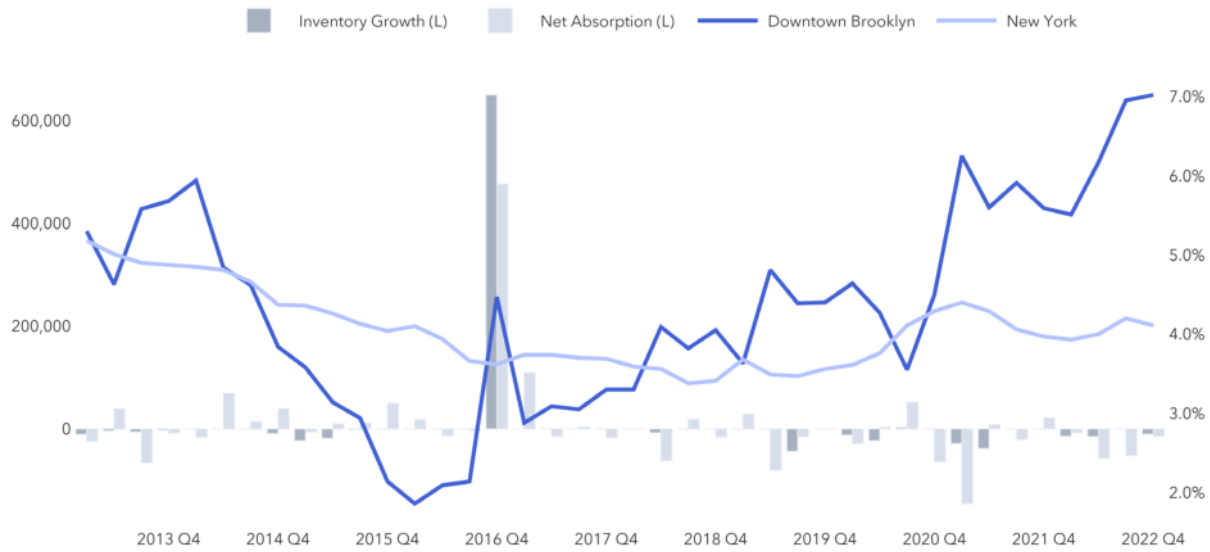
The Submarket has 6.7 million square feet of retail space, and developers have added, net of demolitions, 391.6k square feet over the past ten years, increasing inventory by 6.2% during that time. Demand has not been able to keep up with supply over the past decade and vacancy rates have expanded compared to the rate ten years ago.

While inventory levels have contracted over the past year, the positive change in net absorption has had little affect and vacancy rates have increased 143 bps over the past year from 5.6% to 7.0% but still remain above the 10-year average of 4.3% and above the Market average by 291 bps. With 14.9k square feet vacated in the fourth quarter, vacancy rates have increased 7 bps over the past quarter. In the fourth quarter, retail tenants in the Submarket vacated 14.9k square feet, an increase from the -52k square feet absorbed in 2022 Q3 but a decrease from the 21.4k square feet absorbed in the same quarter last year. Mall space in the Submarket has an elevated vacancy rate of 28.3% followed by 5.0% for General Retail space, and 0.0% for Strip space.

Vacancy Rates

	2013	2014	2015	2016	2017	2018	2019	2020	2021	22 Q3	22 Q4
National	6.2%	5.6%	5.2%	4.6%	4.5%	4.4%	4.5%	5.1%	4.7%	4.3%	4.2%
Market	4.9%	4.4%	4.0%	3.6%	3.7%	3.4%	3.6%	4.3%	4.0%	4.2%	4.1%
Submarket	5.7%	3.8%	2.1%	4.5%	3.3%	4.0%	4.4%	4.5%	5.6%	7.0%	7.0%

Absorption & Vacancy Rates



Rents

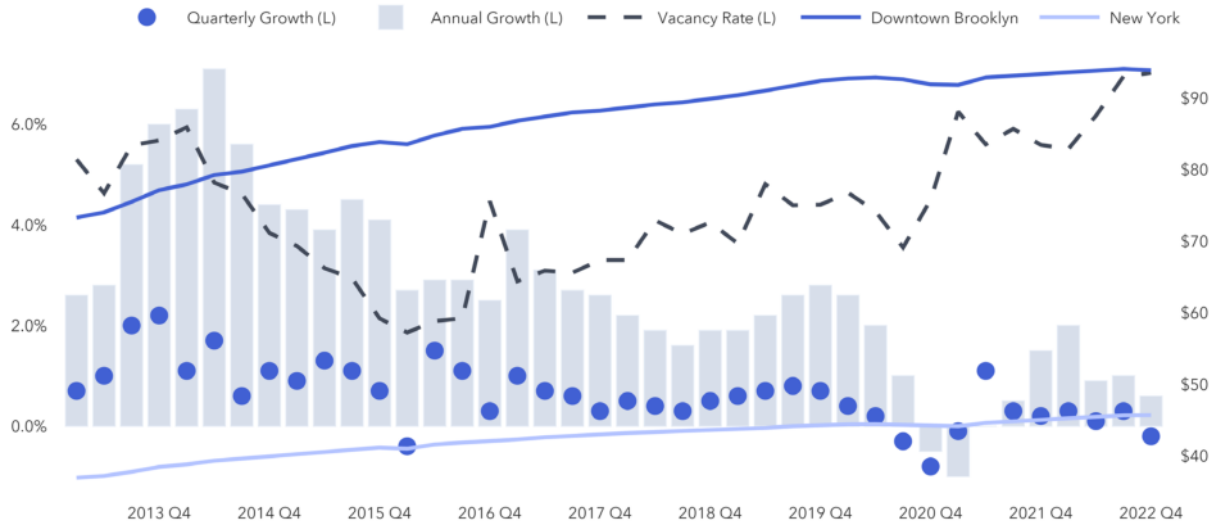
At \$93.90/SF, rents in the Submarket are roughly 106% higher than the Market where rents sit at \$45.70/SF. Rents in the Submarket have increased 2.8% per annum over the past decade, exceeding the Market, where rents increased 2.4% per annum during that time.

Market Rents

	2013	2014	2015	2016	2017	2018	2019	2020	2021	22 Q3	22 Q4
National	\$18.56	\$19.05	\$19.59	\$20.06	\$20.63	\$21.15	\$21.67	\$22.00	\$22.76	\$23.53	\$23.70
Market	\$38.46	\$39.90	\$41.17	\$42.00	\$42.99	\$43.61	\$44.36	\$44.10	\$45.03	\$45.68	\$45.70
Submarket	\$77.14	\$80.57	\$83.87	\$85.99	\$88.25	\$89.89	\$92.41	\$91.92	\$93.34	\$94.08	\$93.90

Prior to the pandemic, the Downtown Brooklyn Retail Submarket experienced an improvement in rent growth, although at a softened rate. In 2019 Q4, annual rent growth in the Submarket accelerated above the previous quarters yoy growth rate, but remained below the historical average, with annual growth of 2.8%. In 2020 Q2, quarterly rent growth fell to 0.2%. By the end of 2020, rents had fallen 0.5% from the 2019 Q4 rent level of \$92.41/SF. From 2019 Q4 to 2021 Q4, rents have increased 1.0%. Quarterly rent growth in 2022 Q4 decreased -0.2% from the previous quarter, softening annual growth to 0.6%.

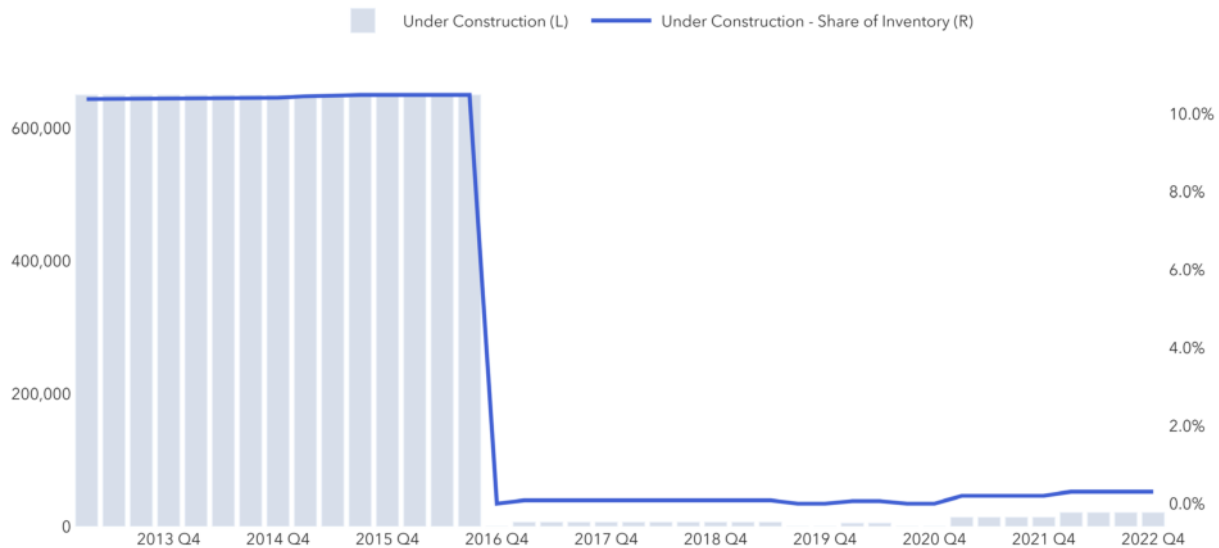
Market Rent/SF - Annual & Quarterly Growth



Construction & Future Supply

Developers have been active for much of the past ten years. In fact, they have added 660.3k square feet to the Submarket over that time, expanding inventory by 6.2%. Developers are currently active in the Submarket with 20.5k square feet, or the equivalent of 0.3% of existing inventory, underway. The active pipeline will likely add upward pressure to vacancy rates in the near term.

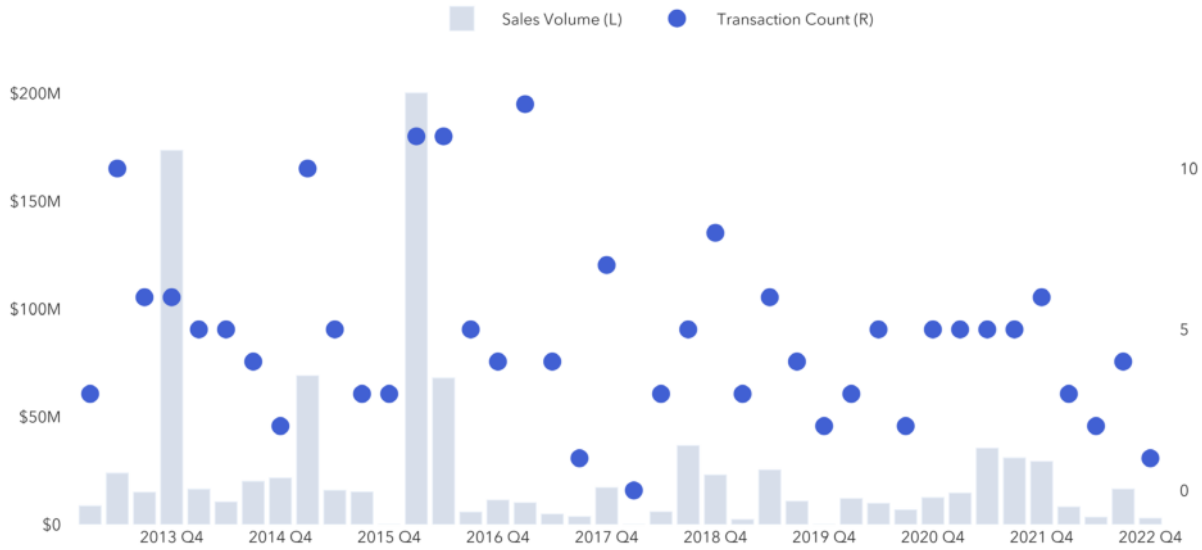
Under Construction SF - Share of Inventory



Capital Markets

Investors have been active in the Submarket over the past three years. Going back three years, investors have closed, on average, 15 transactions per year with an annual average sales volume of \$60.4 million. Over the past year, there were 10 closed transactions across 35.2k square feet, for a total sales volume of \$30.6 million. In 2022 Q4, there was 1 sale for a total sales volume of \$2.8 million, compared to \$16.3 million in the previous quarter.

Sales Volume & Transaction Count

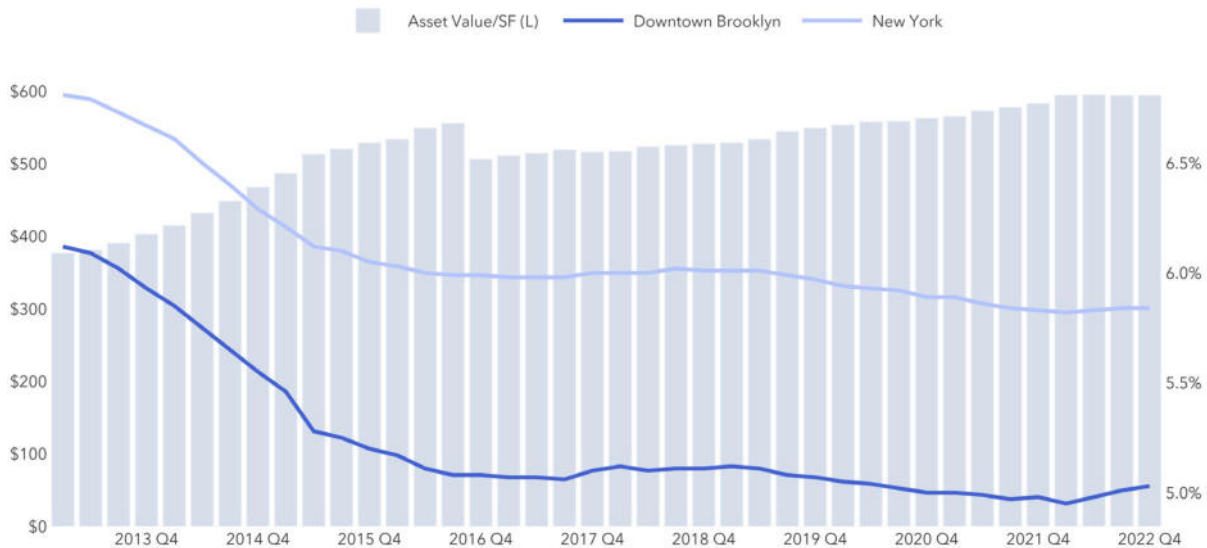


Market pricing, based on the estimated price movement of all properties in the Submarket, sat at \$594/SF and has increased 1.9% over the past year but have stabilized in the past quarter in the past quarter. Capitalization rates have increased 5 bps over the past year to 5.0% and increased 2 bps in the fourth quarter. While consumers continue to spend despite elevated inflation, the rising cost of debt has slowed activity in the capital markets. However, there is demand from investors, especially for properties with strong fundamentals in markets experiencing outsized population and household growth.

Recent Transactions

Property Address	RBA	Building Class	Year Built	Last Sale Date	Last Sale Price
385 Atlantic Ave, Brooklyn	6,304	C	1901	Q3 2021	\$5,270,000
180 Atlantic Ave, Brooklyn	5,280	C	1900	Q3 2021	\$4,035,000
46 Henry St, Brooklyn	4,000	C	1900	Q4 2021	\$3,300,000

Asset Value & Market Cap Rates



Outlook

The retail sector has recovered relatively well from the pandemic. Retail sales and foot traffic remained elevated despite high inflation. However, the threat of a recession has shifted consumer preferences, with retail sales softening to end the year. Still, property performance continues to vary significantly by subtype, location, class, and tenant composition. Properties with necessity based retailers or those in strong population growth markets are best positioned.

Retail market conditions in the Downtown Brooklyn Submarket show that despite a decrease in inventory levels and a recent rise in demand, vacancy rates have increased over the past year. With vacancy rates expanding, quarterly rent growth in 2022 Q4 reached -0.2%, softening annual growth to 0.6%. Looking ahead to the near-term, it is likely that tenant demand remains limited with rents declining. With softening marketing conditions, values will likely decline.

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 uses⁷, such as the legally permissible use, the physically possible use, the financially feasibility, and the highest and best use, are considered and tested for the subject site.

Highest and Best Use As Vacant

Legally Permissible The subject property is located in the C5-4 Commercial zone, which permits a variety of uses including commercial, retail and residential uses as of right. Based on the bulk regulations, a large building can be built on the property. No known zoning change is anticipated and there are no public or private deed restrictions that preclude development.

Physically Possible The site is of good size and has good street access. The lot contains 32,542 square feet with good frontage on Livingston Street (213.650 feet) and Boerum Place (166.50 feet). All necessary utilities are available, and there are no apparent easements or encroachments that hinder or prevent development. The size falls within the range of improved sites in the area and is not considered to restrict the utility in relation to competing sites. Any of the above legally permitted uses, therefore, are considered physically possible.

Financially Feasible The subject is located within a mixed-use district. Rents for office, retail, and residential development are all high enough to support new development. This assertion is supported by the many new developments in the Downtown Brooklyn area. Luxury residential condominium sales values exceed \$1,000+ per square foot of livable area and for sale condominium development would offer the highest return to the land.

**Maximally Productive/
Highest and Best Use** All legally permissible, physically possible, and financially feasible uses of the site, as vacant, have been presented and examined. The highest and best use of the site, as vacant, and would be residential condominium development.

As Improved

Legally Permissible The subject property is located in the C5-4 Commercial zone, which permits a variety of uses including commercial, retail and residential uses as of right. No known zoning change is anticipated and there are no public or private deed restrictions that preclude development.

Physically Possible The subject is improved with Class A 22-story mixed-use office and retail building with a total gross area of 459,100 square feet and a net rentable area of 407,861 square feet. The improvements were constructed in 1969, and are considered to be in good overall condition, being well maintained and functional for their use. As noted above, the current improvements comply with current zoning.

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

Financially Feasible

The subject is located in a mixed-use district. As improved, the subject is 80.63% occupied by office and retail tenants and it generates a positive net cash flow, and an adequate return to the owners. Our appraised value of \$183,000,000 equates to \$562 per square foot of buildable area. This is higher than land value. Since the improvements contribute value to the land, it would be unreasonable to demolish them. Also, the existence of long-term commercial leases precludes redevelopment. Therefore, the current use is the most financially feasible use of the site.

**Maximally Productive/
Highest and Best Use**

All legally permissible, physically possible, and financially feasible uses of the site, as improved, have been presented and examined. Based on our analysis, there does not appear to be any alternative use that could reasonably be expected to provide a higher present value than the current use, and the existing use exceeds the value of the site as if vacant. It is our opinion that the highest and best use of the subject, as improved, given the current improvements is its current use as an mixed-use office and retail building.

Most Probable Buyer

Taking into account the property class, size and characteristics of the property and its mixed-use occupancy, the likely buyer is an institutional investor.

Appraisal Valuation Process

The Cost Approach is based on market participants relating value of improvements to associated costs to build. In the Cost Approach, the cost to build a new or substitute property is used as a comparison to the subject. The replacement cost or reproduction cost estimate is then adjusted for all applicable depreciation. This approach reflects a good indicator of value when the improvements are new, nearly new, close to fully depreciated, or when the property has unique or specialized improvements.

The Income Capitalization Approach reflects the analysis of a property's capacity to generate future income and capitalizes the income into an indication of present value. This approach reflects the relationship between a property's potential income and its market value and is a strong indicator of value when there is reliable market data to derive market rents, vacancy rates, stabilized expenses, and capitalization/discount rates. The two most common valuation techniques are direct capitalization and the discounted cash flow (DCF) analysis, with one or both methods applied as appropriate. This approach is widely used in appraising income producing properties.

The Sales Comparison Approach assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with similar utility. This approach is reliable in an active market with sufficient sales data where 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 square foot and per unit basis a strong predictor of value. The Sales Comparison Approach is often relied upon for owner-user properties and/or in markets where leasing activity is sparse. For leased properties, this approach is more often considered as secondary support for the Income Approach.

Each approach applied is then reconciled to a final value conclusion after weighing the quantity and quality of data analyzed and the applicability of each approach to the subject property type.

Approaches to Value Applied

Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	No
Income Capitalization Approach	Applicable	Yes
Sales Comparison Approach	Applicable	Yes

The difficulty in credibly isolating the influence of physical and economic depreciation on value affects the reliability of the Cost Approach. Investors typically give nominal weight to this analysis if the asset is operating on a stabilized basis and its cost bears little relationship to the value, therefore we chose to exclude this 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 and yield capitalization. Investors in the local market typically utilize a direct capitalization when making investment decisions for this asset class, therefore we conclude that the direct capitalization method is appropriate to apply to the subject.

Approach Applied

As a mixed-use office and retail building, this asset is encumbered by multiple leases with staggered expiration dates and reflects 80.63% overall occupancy. The overall in-place income is generally at market with some units operating above or below the concluded market rent. Given this, it is appropriate to apply the yield capitalization method (also known as the discounted cash flow method) which considers the lease-up of the vacant space and the income over a projected holding period. As a secondary method, the direct capitalization method, which converts a single year's stabilized income into an indication of value, was applied.

Base Commercial Income

111 Livingston Street contains 459,100± gross square feet, according to public record, and 407,861± square feet of leasable area with a mixture of office and retail space and a parking component. Most leasable space is office space in the 22-story tower and there is one retail space. The property is 80.63% occupied based on the GLA with 328,870± square feet of occupied office and retail space. As of our effective date of value there was 1 vacant retail unit with 3,391 square feet of area and 5 vacant office spaces totaling 75,600 square feet. The subject also includes a leased underground parking garage with 250 spaces. A summary of the spaces and occupancy is shown below:

Space Occupancy Summary

Space	Total SF	Total Occupied SF	Total Vacant SF	Occupancy %
Retail	3,391	0	3,391	0.00%
Office	404,470	328,870	75,600	81.31%
Total	407,861	328,870	78,991	80.63%

Lease Details

On the following pages are the pertinent details of each lease:

Current Rent Roll Summary

#	Tenant	Size (SF)	Lease Exp.	Current Annual		Comments
				Rent	Rent PSF	
1	Vacant	2,375	n/a	n/a	n/a	Office space
2	Vacant	3,391	n/a	n/a	n/a	Retail space.
3	C.U.N.Y	45,000	8/31/2027	\$2,445,300	\$54.34	Office space.
4	Legal Aid (2 suites)	117,200	10/31/2037	\$4,570,800	\$39.00	Office space.
5	OTDA (2 suites)	121,545	5/31/2024	\$6,208,518	\$51.08	Office space.
6	Brooklyn Law	41,000	1/31/2032	\$2,214,000	\$54.00	Office space.
7	Vacant	20,500	n/a	n/a	n/a	Office space
8	Vacant	50,225	n/a	n/a	n/a	Office space.
9	Vacant	2,500	n/a	n/a	n/a	Office space.
10	Berkaman Law	4,125	MTM	\$274,601	\$66.57	Office space. Extended until 2023.
11	Livingston Street Parking	n/a	1/31/2032	\$1,378,000	\$5,512	Parking, 250 spaces
Total		407,861		\$17,091,219		

We note these rental rates are derived directly from the argus rent roll. Any deviation from the provided owner rent roll may be due to natural rent escalations or rollover that is expected to occur due to lease expiration. Additionally, the owner rent roll includes electric charges in their rental rates whereas we have them calculated in the reimbursements section.

Office Income

The subject building is leased to multiple office tenancies comprising multiple floors. There are currently 5 office tenants and 5 vacant office spaces.

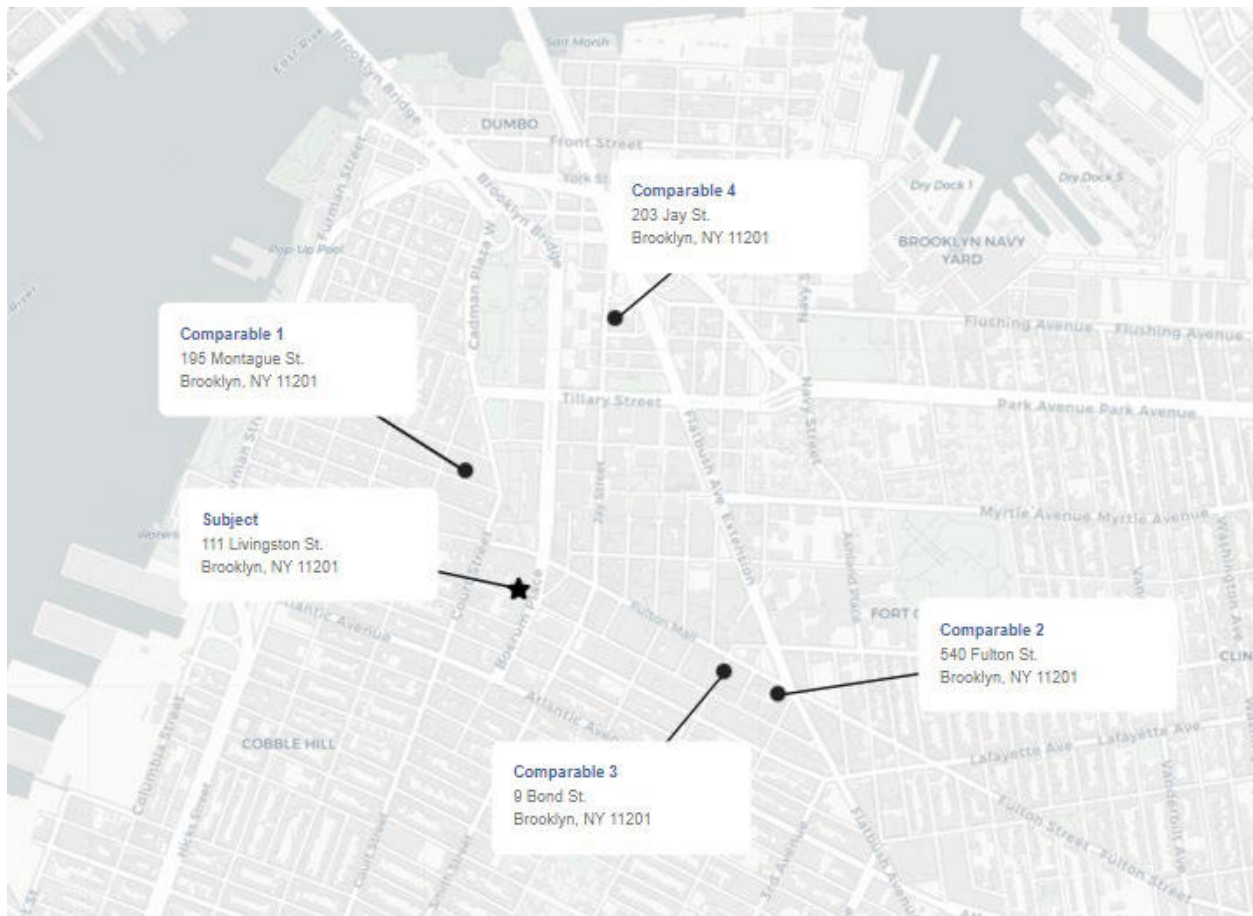
- The largest tenant is OTDA (Office of Temporary and Disability Assistance), which occupies multiple floors. They renewed their lease in 2020 at a rate of \$51.08 per square foot.
- Legal Aid also occupies multiple floors and is the second largest tenant. Legal Aid signed an expansion lease at \$37.00 per square foot in 2017.
- The next most recent leases were to Brooklyn Law, which signed a lease commencing in 2017 at \$51.00 per square foot.
- Although the primary lease term for Berkaman Law expired at the end of October 2018, the tenant remains in occupancy on a month to month basis at the same lease terms. Given this, we have extended their lease expiration to December 31, 2023 at which point that space will roll to market.

Lease terms are typically 5 to 20 years with annual or periodic rent increases. Recoveries typically consist of tenants paying their pro rata share of increases in real estate taxes and operating expenses above a base year. Additionally, they pay fixed electric expenses.

Comparable Office Rentals

In order to estimate the market rental rate for the vacant space and the leased space upon expiration, we have gathered comparable rental data in the general market area. It is noted that there has been decreased office leasing activity in the submarket. Office demand remains well below pre-pandemic levels. Many office markets are contending with elevated vacancy and availability rates. This is occurring at a time of a looming recession, which has resulted in layoffs from many companies, slowing the recovery for the sector. The following rents have been utilized in estimating market rent. Typically, the market comparable rentals pay for their own electric plus their proportionate share of real estate taxes above base year most with additional periodic step-ups; some may pay operating expense escalations.

Comparable Office Rentals

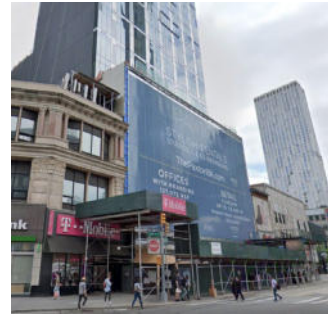


#	Address	Type	Start Date	Sq. Ft.	Base Rent	Lease Terms
1	195 Montague Street	General Services Administration (GSA)	Aug-22	30,000	\$42.00	MG - 100% of increases in taxes over BY. Operating expenses are fixed at \$333,300 annually. No TI or free rent.
2	540 Fulton Street	General Services Administration (GSA)	Nov-22	54,132	\$52.00	Modified Gross. Floors 1-4.
3	9 Bond Street	Baltic AEH	Apr-22	14,100	\$37.00	Modified Gross. 10 year term. Floor 3.
4	203 Jay Street	Morgan and Morgan	Sep-22	9,397	\$50.00	Modified Gross. 5 year term.
			Min:	9,397	\$37.00	
			Avg:	26,907	\$45.25	
			Max:	54,132	\$52.00	

Office Lease Comps Rent Photos



195 Montague Street



540 Fulton Street



9 Bond Street



203 Jay Street

Office Rent Conclusion

The market survey we conducted provided a range for office spaces from \$37.00 to \$52.00 per square foot, with an average of \$45.25 per square foot. All of the comparable rentals are located in Downtown Brooklyn or the DUMBO neighborhood and are located in Class A or Class B office buildings.

All the comparables are located within the heart of Downtown Brooklyn, all within several blocks of the subject property. All of the comparable rentals have proximate accessibility to area subways and local bus stops.

It is noted that when considering comparable 1, the operating expense reimbursement actually pushes the total rent to \$53 per square foot which is more aligned with comparables 2 and 4. The office comparables show a relatively close range of values. Ownership is asking \$50 for the office space. Based on the foregoing, we have concluded to a market rent of \$50 per square foot for the subject's space.

The preceding market rent conclusion represents an average market rent. Market rent may be higher or lower based on factors including unit size, floor level and location within the building. Lease terms are estimated to be 10 years, with 3.0% annual rent increases. New and renewal tenants are assumed to pay increases in real estate taxes and operating expenses over a base year as well as a fixed electric expense. Market rent is projected to increase by 3.0% per annum. The majority of the comparable office rental data did not indicate workletters. Consistent with ownership practice, a tenant workletter of \$50.00 per square foot will be forecast for new office leases, with \$15.00 per square foot projected for lease renewals. Although ownership has historically not given a significant amount of free rent, we have projected a free rent abatement period of 6 months for new tenants, and 3 months for renewals (a slight decrease from last year as office fundamentals have improved slightly.)

Correlation with Contract Rent (Office)

The average in place office rent is approximately \$47.54 per square foot which consistent with our market rent projection. Several of the office tenant leases are seasoned deals, having been signed prior to 2010. Currently, the income is market oriented, and there are several vacant spaces that will be leased at market.

Retail Income

The subject has one vacant retail space with 3,391 square feet of leasable area. The unit was most recently used as an office. However, in addition to an interior entrance from the lobby, the space also has an entrance fronting on the plaza on the Livingston Street side, and also has storefront type windows. The space was previously used as a retail bank branch and the anticipated future use is for retail. In order to estimate the market rental rate for the subject's ground floor retail space, we have analyzed comparable rental data in the general market area. The following rents have been utilized in estimating market rent. We note that all of the retail rentals are typically modified gross, with the tenants responsible for their pro rata share of increases in real estate taxes above a base year and direct utilities. The comparable retail rentals are presented as follows:

Comparable Retail Rentals



#	Address	Type	Start Date	Sq. Ft.	Base Rent	Comments
1	292 Livingston Street	Naked Perfection	Dec-22	1,037	\$83.23	15 year term. 17' ceilings. Modified Gross.
2	254 Livingston Street	Downtown Uniforms	Nov-22	1,680	\$61.00	Modified Gross
3	206 Livingston Street	Poke Bowl	May-22	750	\$104.00	Modified Gross
4	9 Bond Street	510 Fulton Street Inc	May-22	5,350	\$76.00	10 years. 3% annual increases. Modified Gross.
			Min:	750	\$61.00	
			Avg:	2,204	\$81.06	
			Max:	5,350	\$104.00	

Retail Lease Comps Rent Discussion

The market survey we conducted provided a range for ground floor spaces from \$61.00 to \$104.00 per square foot, with an average of \$81.06 per square foot. All of the comparables are located in the subject submarket. Comparables 1 through 3 are located on the subject street. The comparables were all signed under modified gross lease terms which we assume for the subject. Ownership is asking \$80 per square foot. With greatest weight on comparables 1 and 2, we estimate market rent for the subject's retail space at \$70 per square foot. It is assumed that the retail tenant will pay its pro rata share of real estate tax increases over a base year and pay utilities directly. Lease terms are estimated to be 10 years, with 3.0% annual increases. There will be 6 months free rent for retail leases. No tenant improvement allowance will be forecast for retail leases.

Parking Income

The subject facility has a two level, subterranean parking garage that comprises approximately 50,000 square feet (25,000 square feet per level). The indicated legal capacity is 150 spaces; however, due to the size of the parking area, the garage can accommodate 250 or more vehicles. The space is leased to Icon Parking under a long-term agreement. The lease was renewed in 2017 and the lease terms were reportedly based upon the actual number of spaces (250) rather than the legal number (150). The tenant also pays the owner for an electricity reimbursement. The parking rent equates to \$5,512 per space per year (annual rent \$1,378,000/250 spaces). In order to determine the reasonableness of the contract rent, the following parking garage comparable rentals were referenced.

Address	Start Date	Spaces	Annual Rent	Rent Per Space
97-29 64th Road, Elmhurst, NY	Apr-22	90	\$156,000.00	\$1,733.33
86-10 Roosevelt Ave, Jackson Heights, NY	Jul-19	75	\$180,000.00	\$2,400.00
1 West End Avenue, New York, NY	Mar-21	227	\$700,068.00	\$3,084.00
751 Concourse Village West, Bronx, NY	May-21	75	\$456,000.00	\$6,080.00
4200 Avenue K, Brooklyn, NY	Mar-20	74	\$340,400.00	\$4,600.00
Average				\$3,579.47

The parking garage rentals are located in Brooklyn, the Bronx, Manhattan, and Queens and indicate a range of \$1,733 to \$6,080 per space, averaging \$3,579 per space. Considering the subject's desirable location, it is reasonable to be somewhat above the comparable average. The contract income for the parking space is considered reasonable and will be applied.

Miscellaneous / Other Income

Including reimbursement income, which consists of tenants paying a proportion of real estate tax and operating expenses over a predetermined base year, and electric charges, total reimbursement and other income was reported to be \$1,188,027 in 2019, \$1,323,834 in 2020 and \$1,254,908 in 2021 and \$464,370 in 2022. Based upon the discounted cash flow analysis, total reimbursement and miscellaneous income is forecast to be 1,221,510 in Year 1 of the discounted cash flow model. We also consider the parking garage electric income which was estimated at \$0.05 per square foot or \$22,955 annually.

Lease Up of Vacant Office Space

There are 78,991 square feet of vacant space (3,391 sf of retail and 75,600 sf of office). For some of the larger spaces, we have assumed they are able to be demised into smaller units. Downtime between those three spaces would be 12 months as well. We will therefore apply our market rent conclusion of \$50.00 per square foot to these spaces, under the assumption of a 10-year lease. Based upon the decline in office leasing, we will assume lease up within a 12-month period. Given the lack of leasing at the subject in the past couple of years, we have extended the lease-up time to 60 months to full stabilization. Additionally, there is substantial turnover in 2024 that has to be considered as OTDA's lease will expire, representing 30% of the leasable area. Lease up will be subject to a full leasing commission and tenant improvement allowance, as well as 6 months free rent.

We will also assume that the Berkaman Law tenant remains in occupancy on a month to month basis for another 12 months until year end 2023, at which time the space rolls to market.

Renewal Probability

According to the PricewaterhouseCoopers Korpacz (PwC) Investors Survey for the Fourth Quarter 2022 tenant retention (renewal probability) ranges from 50% to 75% within the National CBD office market. Based upon current market conditions for office space within the market, we estimate a renewal probability factor of 70% for office and retail space which is consistent with ownership projections. We have assumed that all tenant spaces will roll to market upon lease expiration except as noted above.

Downtime Between Leases (Space Absorption)

According to the PricewaterhouseCoopers Korpacz (PwC) Investors Survey for the Fourth Quarter 2022, downtime modeled between leases typically ranges from 3 to 12 months. The subject facility is comprised of office, retail and parking garage space. Based upon the current relative strength of the local market and ownership projections, downtime between leases is estimated at 12 months for all tenant spaces.

Leasing Fees and Tenant Improvements

For the subject property, a tenant workletter of \$50.00 per square foot will be granted for new office lease deals, with renewal workletters of \$15.00 per square foot. No improvement allowances are provided for retail tenants which is typical of the market; retail tenant spaces are often leased on an "as is" basis, with the tenant responsible for the buildout. Therefore, no workletter will be forecast for the subject retail space.

Conversations with New York real estate brokers have revealed that they receive 40% on a 10-year lease as follows: Year 1, 6.25%; Year 2, 5%; Years 3, 4 and 5, 4.375%; Years 6 through 10, 3.125%. For renewals, the commission schedule totals roughly 16% of the effective gross lease with percentage allocations as follows: Year 1, 2.5%; Year 2, 2%; Years 3, 4 and 5; 1.75%, Years 6 through 10; 1.25% thereafter. The leasing expenditures were analyzed on a lease-by-lease basis. Commissions are to be paid throughout the term of occupancy.

Holding Period

According to the PwC and Situs/RERC Investors Survey for the Fourth Quarter 2022 typical holding periods range from 5 to 10 years (generally 10 years). A typical holding period is ten-years, with the reversionary value based upon the net operating income in Year 11. Given expected turnover occurring in year 10, we have therefore modeled the subject based on an 8-year holding period with a reversion in year 9.

Market Leasing Assumptions

Ground Floor Retail			Office		
	New Market	Renewal Market		New Market	Renewal Market
Renewal Probability		70%	Renewal Probability		70%
Market Rent	\$70.00	\$70.00	Market Rent	\$50.00	\$50.00
Months Vacant	12		Months Vacant	12	
Tenant Improvements	\$0 PSF	\$0 PSF	Tenant Improvements	\$50 PSF	\$15 PSF
Free Rent	6 months	0 months	Free Rent	6 months	3 months
Rent Changes	3% annually	3% annually	Rent Changes	3% annually	3% annually
Reimbursements	Modified Gross	Modified Gross	Reimbursements	Modified Gross	Modified Gross
Term	10 years		Term	10 years	

Vacancy and Collection Loss

According to CoStar, the office vacancy rate in Downtown Brooklyn is 17.98%. However, part of this vacancy rate reflects new inventory being brought to market that has yet to be absorbed; vacancy for an existing building would typically be lower. The subject is currently 80.63% occupied. CoStar reports retail vacancy in the immediate vicinity of the subject to be 7.02%. The subject's sole retail unit is currently vacant.

Considering the subject's occupancy rate as well as the market data, vacancy and collection loss has been estimated at 13.50% throughout the holding period, with 12% allocated to vacancy and 1.5% allocated to collection loss. Vacancy and collection loss has been excluded from the following government and institutional entities: Legal Aid, C.U.N.Y. School, ODTA.

Operating Expense Analysis

We analyzed the subject's operating expense projection and those of comparable properties in developing our forecast of operating expenses. We were provided with four years of historical expenses. Therefore, we analyzed the subject's operating expense historicals as well as expense reports of comparable properties in developing our forecast of operating expenses. The data, analyzed in terms of nominal and gross square footage, is presented:

Owner Provided Income & Expenses

	2019	2020	2021	2022	AVG
Rent	\$21,118,939	\$19,404,965	\$18,144,087	\$17,542,568	\$19,052,640
Reimbursements and Other Income	\$1,188,027	\$1,323,834	\$1,254,908	\$464,370	\$1,057,785
Operating Expenses	2019	2020	2021	2022	AVG
Real Estate Taxes	\$3,816,196	\$3,997,684	\$4,207,547	\$3,108,248	\$3,782,419
Insurance	\$213,778	\$253,879	\$280,595	\$247,074	\$248,831
Utilities	\$2,990,133	\$2,599,324	\$2,736,699	\$3,068,499	\$2,848,664
Water Sewer	\$165,641	\$84,181	\$82,035	\$79,708	\$102,891
Repairs and Maintenance	\$1,126,811	\$1,412,806	\$1,250,687	\$933,153	\$1,180,864
Payroll	\$590,042	\$487,792	\$631,996	\$740,417	\$612,562
General, Admin & Misc		\$164,766	\$178,381	\$211,034	\$184,727
Management		\$526,539	\$453,604	\$309,870	\$430,004
Total Operating Expenses (Excl. Taxes)	\$5,086,405	\$5,529,288	\$5,613,996	\$5,589,754	\$5,454,860
Operating Expenses PSF	2019	2020	2021	2022	AVG
Real Estate Taxes	\$8.31	\$8.71	\$9.16	\$6.77	\$8.24
Insurance	\$0.47	\$0.55	\$0.61	\$0.54	\$0.54
Utilities	\$6.51	\$5.66	\$5.96	\$6.68	\$6.20
Water Sewer	\$0.36	\$0.18	\$0.18	\$0.17	\$0.22
Repairs and Maintenance	\$2.45	\$3.08	\$2.72	\$2.03	\$2.57
Payroll	\$1.29	\$1.06	\$1.38	\$1.61	\$1.33
General, Admin & Misc		\$0.36	\$0.39	\$0.46	\$0.40
Management		\$1.15	\$0.99	\$0.67	\$0.94
Total Operating Expenses PSF (Excl. Taxes)	\$11.08	\$12.04	\$12.23	\$12.18	\$11.88

Comparable Office Expenses

Below we present comparable operating expenses

Comparable Office Expenses

Address	100 Myrtle Avenue	135 Pierrepont Street	146 Concord Street	55 Water Street	
Comments:					
Comparable:	1	2	3	4	Average
GBA:	598,232	725,991	309,952	395,071	507,312
Operating Expenses PSF					
Insurance	\$0.15	\$0.15	\$0.85	\$0.87	\$0.51
Utilities	\$4.76	\$1.33	\$1.35	\$2.43	\$2.47
Water & Sewer	\$0.16	\$0.05	\$0.64	\$0.26	\$0.28
Repairs & Maintenance	\$1.79	\$1.77	\$5.22	\$1.25	\$2.51
Payroll	\$3.75	\$4.33	\$2.67	\$5.28	\$4.01
General, Admin & Misc	\$0.36	\$0.57	\$1.01	\$2.59	\$1.13
Management	\$1.15	\$1.30	\$1.38	\$1.23	\$1.27
Total Operating Expenses	\$12.12	\$9.50	\$13.12	\$13.91	\$12.16

Estimated Operating Expenses

Our stabilized annual expense forecast is presented. Our forecasts will be grown at 3% to consider inflation. We note we base these figures on the gross building area of 459,100 square feet.

Real Estate Taxes

As discussed above, our forecasted tax payment in Year 1 is \$4,109,350.

Insurance

Insurance costs vary by the type of coverage. Costs are generally lower (on a per square foot basis) for larger buildings and for multi-building policies. The historical and budgeted amounts are presented below:

Per SF Summary	2019	2020	2021	2022
Subject	\$0.47	\$0.55	\$0.61	\$0.54
Appraiser				\$0.55

The comparables reported insurance expenses between \$0.15 and \$0.87 per square foot with a median of \$0.51 per square foot. We have projected this expense at \$0.55, which is in line with the historicals and within the comparable range.

Utilities

Per SF Summary	2019	2020	2021	2022
Subject	\$6.51	\$5.66	\$5.96	\$6.68
Appraiser				\$6.50

This expense covers all utilities for the subject property including water sewer, electric, and fuel. We have projected this expense at \$6.50 per square foot. This is above the utility expenses reported by the comparable which range between \$1.33 and \$4.76 per square foot with a median of \$2.47 per square foot. However, the comparables likely reported this expense net of reimbursements.

Water/Sewer

Per SF Summary	2019	2020	2021	2022
Subject	\$0.36	\$0.18	\$0.18	\$0.17
Appraiser				\$0.20

The most recent water expense was reported at \$0.17 per square foot. The comparables ranged from \$0.05 to \$0.64 per square foot. We have projected this expense at \$0.20 per square foot, which is consistent with the historically reported expense and within the comparable range.

Payroll

This expense is for staff that provide services for the building. The historical and budgeted amount are presented below:

Per SF Summary	2019	2020	2021	2022
Subject	\$1.29	\$1.06	\$1.38	\$1.61
Appraiser				\$1.50

Comparable expenses ranged from \$2.67 to \$5.28 per square foot. Given the level of staffing at the subject and the historical expense, we have projected this expense at \$1.50.

Repairs & Maintenance

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

Per SF Summary	2019	2020	2021	2022
Subject	\$2.45	\$3.08	\$2.72	\$2.03
Appraiser				\$2.50

The comparables range from \$1.25 to \$5.22 per square foot. We have projected this expense at \$2.50 per square foot, which is within the comparable range and in line with the historical expense.

General, Administrative & Miscellaneous

This expense allows for any expenditure not included in the above categories including permits and dues, miscellaneous charges, office expense, and advertising, etc. The historicals and budgeted amount are presented below:

Per SF Summary	2019	2020	2021	2022
Subject	N/A	\$0.36	\$0.39	\$0.46
Appraiser				\$0.40

The owner most recently reported this expense at \$0.46 per square foot. The comparables range from \$0.36 to \$2.59 per square foot. We have projected this expense at \$0.40 per square foot, in line with the recent historical expense.

Management Fee

Typically, management fees for office properties range from 2% to 5% of effective gross income. The historical and comparables are presented below:

Per SF Summary	2019	2020	2021	2022
Subject	N/A	\$1.15	\$0.99	\$0.67
Appraiser				\$0.80

The owner most recently reported this expense at \$0.67 per square foot. The comparables ranged from \$1.15 to \$1.38 per square foot. An appraised management fee of 2.0% of EGI results in an expense of \$0.80 per square foot which we have used in this analysis.

Reserves

This expense provides for the periodic replacement of building components that wear out more rapidly than the building itself and that must be replaced periodically during the building's economic life. We forecast this expense at \$0.20 per square foot or \$91,820 in total. This item is non-recoverable.

Yield Capitalization Method/Discounted Cash Flow Analysis (DCF)

As previously mentioned, the Direct Capitalization method measures a single year's anticipated income in order to determine a property's value by applying an overall capitalization rate to a single year's income, while the Yield Capitalization method (also known as the Discounted Cash Flow method) considers a series of projected cash flows over a holding period, in this case, 8 years. A residual capitalization rate is applied to the projected Year 9 net operating income, to calculate the value of the property at the end of the holding period. An appropriate discount rate is applied to calculate the present value of the projected cash flow stream. The assumed discount rate considers risk, debt, and equity return requirements. This analysis relies on existing (or projected) income and market expenses in order to determine annual net operating income levels. The methods to determine an appropriate capitalization and discount rates include comparable sales, surveys and interviews. In this analysis, we apply a discount rate to calculate the present value of the projected cash flows over a holding period. We assume the subject is sold at the end of the holding period and apply a residual capitalization rate to the projected Year 9 net operating income. We note we apply a 3% cost of sales to the reversion value.

Holding Period

The DCF analysis utilizes an 8-year holding period based upon anticipated tenant rollovers and investor expectations.

Growth Rate Assumptions

Published investor surveys for projected national Market Rent changes and Expense changes for national CBD Office Buildings per PwC and Situs RERC are shown below.

Expense Change Surveys

Survey		Expense Change
PwC	National CBD Office	2.00% to 5.00%
Fourth Quarter - 2022		3.10% average
Situs - R.E.R.C.	National CBD Office	2.50% to 5.00%
Fourth Quarter - 2022		3.30% average

The estimated growth rates for both income and expenses are concluded at 3.00%.

Discount Rate Analysis

The results of the most recent investor surveys are summarized in the following chart. The PwC Real Estate and Real Estate Research Corporation's investment surveys summarize the expectations of institutional investors.

Discount Rate Surveys

Survey	Type of Product	IRR
PwC	National CBD Office	6.00% - 9.00%
Fourth Quarter - 2022	Market	7.03% avg
Situs - R.E.R.C.	National CBD Office	6.30% - 9.00%
Fourth Quarter - 2022	Market	7.30% avg

The discount rates above are national figures. The subject, due to its location in Brooklyn, would fall toward the lower end of the range. Thus, we assume an 6.50% discount rate.

Terminal Capitalization Rate

The reversionary value of the subject is based on an assumed sale at the end of the holding period based on applying a terminal capitalization rate to the projected Year 9 net operating income.

Terminal Capitalization Rate Surveys

Survey		Residual Cap Rate		
PwC	National CBD Office	5.00%	-	8.50%
Fourth Quarter - 2022	Market	6.20%	avg	
Situs - R.E.R.C.	National CBD Office	5.40%	-	8.30%
Fourth Quarter - 2022	Market	6.60%	avg	

The figures above are national figures and the subject's expected residual capitalization rate would likely fall towards the lower end of the range given its location in Brooklyn, good condition and operating history. We assume a 5.75% terminal rate, which is 25 bps over the concluded stabilized capitalization rate used in the direct capitalization analysis of 5.50% given the increased lease-up expected in the beginning of the holding period.

Discounted Cash Flow Conclusion

The 9-year projected cash flow is presented on the following pages.

For the Years Ending	Year 1 Dec-2023	Year 2 Dec-2024	Year 3 Dec-2025	Year 4 Dec-2026	Year 5 Dec-2027	Year 6 Dec-2028	Year 7 Dec-2029	Year 8 Dec-2030	Year 9 Dec-2031
Rental Revenue									
Potential Base Rent	21,247,550	21,491,118	21,784,462	22,364,408	22,748,111	23,225,922	23,772,868	24,352,149	24,858,850
Absorption & Turnover Vacancy	-3,575,434	-3,878,723	-1,773,029	-1,061,311	-1,779,711	-642,431	0	0	0
Free Rent	-431,519	-2,390,850	-469,468	-458,945	0	-1,168,935	-160,608	0	0
Scheduled Base Rent	17,240,597	15,221,545	19,541,966	20,844,152	20,968,400	21,414,556	23,612,260	24,352,149	24,858,850
Total Rental Revenue	17,240,597	15,221,545	19,541,966	20,844,152	20,968,400	21,414,556	23,612,260	24,352,149	24,858,850
Other Tenant Revenue									
Total Expense Recoveries	1,221,510	1,492,703	2,020,359	2,265,538	2,409,077	2,670,527	2,986,052	3,261,415	3,545,040
Total Other Tenant Revenue	1,221,510	1,492,703	2,020,359	2,265,538	2,409,077	2,670,527	2,986,052	3,261,415	3,545,040
Total Tenant Revenue	18,462,107	16,714,248	21,562,324	23,109,690	23,377,477	24,085,083	26,598,313	27,613,565	28,403,889
Other Revenue									
Icon Parking Electric	22,955	22,955	22,955	22,955	22,955	22,955	22,955	22,955	22,955
Total Other Revenue	22,955	22,955	22,955	22,955	22,955	22,955	22,955	22,955	22,955
Potential Gross Revenue	18,485,062	16,737,203	21,585,279	23,132,645	23,400,432	24,108,038	26,621,268	27,636,520	28,426,844
Vacancy & Credit Loss									
Vacancy Allowance	0	0	-40,600	-833,031	-339,803	-1,643,871	-2,508,137	-2,617,921	-2,710,079
Credit Loss	-64,127	-89,832	-200,108	-220,873	-238,244	-276,151	-313,517	-327,240	-338,760
Total Vacancy & Credit Loss	-64,127	-89,832	-240,708	-1,053,904	-578,047	-1,920,023	-2,821,654	-2,945,161	-3,048,839
Effective Gross Revenue	18,420,935	16,647,371	21,344,572	22,078,741	22,822,385	22,188,016	23,799,613	24,691,359	25,378,005
Operating Expenses									
Real Estate Taxes	4,109,350	4,232,631	4,359,609	4,490,398	4,625,110	4,763,863	4,906,779	5,053,982	5,205,602
Insurance	252,505	260,080	267,883	275,919	284,197	292,723	301,504	310,549	319,866
Utilities	2,984,150	3,073,675	3,165,885	3,260,861	3,358,687	3,459,448	3,563,231	3,670,128	3,780,232
Water Sewer	91,820	94,575	97,412	100,334	103,344	106,445	109,638	112,927	116,315
Payroll	688,650	709,310	730,589	752,506	775,082	798,334	822,284	846,953	872,361
Repairs and Maintenance	1,147,750	1,182,183	1,217,648	1,254,177	1,291,803	1,330,557	1,370,474	1,411,588	1,453,935
General and Administrative	183,640	189,149	194,824	200,668	206,688	212,889	219,276	225,854	232,630
Management	368,419	332,947	426,891	441,575	456,448	443,760	475,992	493,827	507,560
Total Operating Expenses	9,826,284	10,074,548	10,460,740	10,776,439	11,101,358	11,408,018	11,769,178	12,125,808	12,488,501
Net Operating Income	8,594,651	6,572,823	10,883,831	11,302,302	11,721,027	10,779,998	12,030,436	12,565,551	12,889,505
Leasing Costs									
Tenant Improvements	1,083,750	4,356,473	0	917,891	0	2,293,914	0	0	0
Leasing Commissions	552,952	2,054,068	0	384,181	0	1,053,080	0	0	0
Total Leasing Costs	1,636,702	6,410,541	0	1,302,072	0	3,346,994	0	0	0
Capital Expenditures									
Reserves	91,820	94,575	97,412	100,334	103,344	106,445	109,638	112,927	116,315
Total Capital Expenditures	91,820	94,575	97,412	100,334	103,344	106,445	109,638	112,927	116,315
Total Leasing & Capital Costs	1,728,522	6,505,116	97,412	1,402,406	103,344	3,453,439	109,638	112,927	116,315
Cash Flow Before Debt Service	6,866,129	67,707	10,786,419	9,899,896	11,617,683	7,326,559	11,920,798	12,452,624	12,773,190

Cash Flow Summary

Analysis Period	Period Ending	Cash Flow Before Debt Service	P.V. of Cash Flow @ 5.50%	P.V. of Cash Flow @ 6.00%	P.V. of Cash Flow @ 6.50%	P.V. of Cash Flow @ 7.00%	P.V. of Cash Flow @ 7.50%
Year 1	Dec-2023	6,866,129	6,508,180	6,477,481	6,447,070	6,416,943	6,387,097
Year 2	Dec-2024	67,707	60,832	60,259	59,695	59,138	58,589
Year 3	Dec-2025	10,786,419	9,185,862	9,056,486	8,929,527	8,804,931	8,682,642
Year 4	Dec-2026	9,899,896	7,991,361	7,841,645	7,695,417	7,552,583	7,413,047
Year 5	Dec-2027	11,617,683	8,889,088	8,681,409	8,479,524	8,283,247	8,092,397
Year 6	Dec-2028	7,326,559	5,313,556	5,164,935	5,021,141	4,881,996	4,747,328
Year 7	Dec-2029	11,920,798	8,194,795	7,928,011	7,671,107	7,423,674	7,185,319
Year 8	Dec-2030	12,452,624	8,114,116	7,812,930	7,524,264	7,247,540	6,982,214
Totals		70,937,815	54,257,790	53,023,155	51,827,745	50,670,053	49,548,634
Property Resale @ 5.75% Cap Rate		217,440,337	141,683,878	136,424,757	131,384,233	126,552,256	121,919,283
Total Unleveraged Present Value			195,941,668	189,447,912	183,211,978	177,222,308	171,467,917
DCF Value Conclusion (Rounded)					183,000,000		

As previously noted, the subject has been at 80% occupancy with no new leasing for a few years now. Additionally, 2024 sees the expiration of another major tenant ODTA which occupies 30% of the leasable area potentially bringing the occupancy to about 50%. Given this, the cash flow is risky in the next few years until additional lease up occurs which comes with additional costs such as free rent, commissions and TIs. Coupled with the state of the office market due to COVID, there may be some challenges associated with the leasing at the property.

Direct Capitalization Stabilized Income and Expenses

We note the pro forma is derived from the year 1 discounted cash flow income and expenses. We note that in the cash flow there is turnover and absorption vacancy in year one. We account for this in the direct capitalization by applying the full vacancy loss of 13.5%. The year 1 TIs and Leasing commissions are deducted from the value.

Stabilized Pro Forma - Year 1

Pro Forma	\$	Per SF
Income		
Potential Base Rent	\$21,247,550	\$46.28
Recoveries	\$1,221,510	\$2.66
Other Income	\$22,955	\$0.05
Potential Gross Income	\$22,492,015	\$48.99
Less Commercial V/C Loss	-\$3,036,422	-\$6.61
Effective Gross Income	\$19,455,593	\$42.38
Operating Expenses		
Real Estate Taxes	\$4,109,350	\$8.95
Insurance	\$252,505	\$0.55
Utilities	\$2,984,150	\$6.50
Water Sewer	\$91,820	\$0.20
Repairs and Maintenance	\$1,147,750	\$2.50
Payroll	\$688,650	\$1.50
General, Admin & Misc	\$183,640	\$0.40
Management	\$368,419	\$0.80
Total Operating Expenses	\$9,826,284	\$21.40
Total Expenses Excluding RE Taxes	\$5,716,934	\$12.45
Net Operating Income	\$9,629,309	\$20.97
Operating Expense Ratio	51%	

NOI Comparison					Bowery DCF
	2019	2020	2021	2022	Pro Forma
Income					
Rent	\$21,118,939	\$19,404,965	\$18,144,087	\$17,542,568	\$21,247,550
Reimbursements and Other Income	\$1,188,027	\$1,323,834	\$1,254,908	\$464,370	\$1,244,465
Potential Gross Income	\$22,306,966	\$20,728,799	\$19,398,996	\$18,006,938	\$22,492,015
Less Vacancy					\$0
Less Collection					-\$64,127
Effective Gross Income	\$22,306,966	\$20,728,799	\$19,398,996	\$18,006,938	\$22,427,888
Operating Expenses					
Real Estate Taxes	\$3,816,196	\$3,997,684	\$4,207,547	\$3,108,248	\$4,109,350
Insurance	\$213,778	\$253,879	\$280,595	\$247,074	\$252,505
Utilities	\$2,990,133	\$2,599,324	\$2,736,699	\$3,068,499	\$2,984,150
Water Sewer	\$165,641	\$84,181	\$82,035	\$79,708	\$91,820
Repairs and Maintenance	\$1,126,811	\$1,412,806	\$1,250,687	\$933,153	\$1,147,750
Payroll	\$590,042	\$487,792	\$631,996	\$740,417	\$688,650
General, Admin & Misc		\$164,766	\$178,381	\$211,034	\$183,640
Management	\$0	\$526,539	\$453,604	\$309,870	\$368,419
Total Operating Expenses	\$8,902,601	\$9,526,972	\$9,821,542	\$8,698,002	\$9,826,284
Total Operating Expenses (Excl. Taxes)	\$5,086,405	\$5,529,288	\$5,613,996	\$5,589,754	\$5,716,934
Net Operating Income	\$13,404,366	\$11,201,827	\$9,577,453	\$9,308,936	\$9,629,309
Operating Expense Ratio (excl. Taxes)	23%	27%	29%	31%	25%

We note that reserves in this case are observed to be below the NOI line and are excluded from this chart. We note that in the cash flow there is turnover and absorption vacancy in year one. The actual EGI is \$18,420,935 in year 1 which is more aligned with the owner reported 2022 value.

Direct Capitalization

Direct Capitalization Rates

The following are direct capitalization rates extracted from the comparable sales presented in the sales comparison approach and from other sales researched.

Comparable Overall Sale Capitalization Rates

#	Address	Type	Sale Date	Cap Rate
1	435 9th Street, Brooklyn NY	Office	Oct-22	3.52%
2	6010 Bay Parkway, Brooklyn NY	Medical Office	Sep-22	5.50%
3	178 Court Street, Brooklyn NY	Office	Listing	4.68%
4	77-81 Wythe Avenue, Brooklyn NY	Office	Listing	6.08%
Average				4.95%

We analyzed sales of comparable assets within the subject's periphery and they exhibit overall capitalization rates from 3.52% to 6.08% with an average of 4.95%. We have supplemented our cap rate comps with additional comparables not used in our sales comparison approach. The additional rates are good indicators for cap rates for the subject.

However, we also note that there has been a dearth of office/retail transactions in the Brooklyn submarket due to rising interest rates. Investors have not been very active in the market over the past three years and few transactions have occurred. Going back three years, investors have closed, on average, 6 transactions per year with an annual average sales volume of \$216.1 million. Over the past year, there were 7 closed transactions across 1 million square feet, for a total sales volume of \$428.5 million. In 2022 Q4, there were 0 sales, compared to \$122 million in the previous quarter.

Additionally, the CoStar Submarket Overview stated a cap rates averaged 4.87% for office and 5.03% for retail in Q4 2022.

Surveys - Overall Capitalization Rates

Survey	Type of Product	Overall Cap Rate	
PwC	National CBD Office	4.25%	- 7.50%
Fourth Quarter - 2022	Market	5.75%	avg
Situs - R.E.R.C.	National CBD Office	5.00%	- 8.00%
Fourth Quarter - 2022	Market	6.10%	avg

The surveyed capitalization rates range from 4.25% to 8.00% and have a central tendency between 5.75% and 6.10%.

Capitalization Rate Conclusion

Overall capitalization rates are influenced by numerous factors, of which the most influential are: investors' perception of risk, the potential for net income growth, and the market for competitive assets. As indicated by the local comparable sales, assets in the submarket tend to trade for going-in returns toward the lower end of the national range.

In terms of its position within the market range, it is our view that an investor would accept a return toward the higher end of the range. The asset is in an excellent location and is in good condition. Finally, it is in a market where there has been continually strong demand for investment. Finally, the subject has minimal upside potential as the average current office rent is \$47 per square foot which is consistent with our market rent conclusion of \$50 per square foot. However, there is considerable lease-up risk as there are 78,991 square feet of vacant retail and office space. Additionally, increased interest rates have begun to put pressure on commercial real estate assets. Office has continued to struggle in the wake of COVID-19. Balancing these factors, it is our view that a 5.50% overall rate would be required by an investor. We note we deduct absorption and turnover, free rent, tenant improvements and leasing commissions from the first year to come to a value in the direct capitalization approach.

Deductions

TI	-\$1,083,750
Leasing Commissions	-\$552,952
Total Deductions	-\$1,636,702

The value is calculated below:

Direct Capitalization Summary

	Date of Value	Value	Final Value (Rd)
NOI		\$9,629,309	
OAR		5.50%	
Indicated Value		\$175,078,345	
Less TI and Leasing Commissions		-\$1,636,702	
As Is Fair Value Via the Income Capitalization Approach	December 31, 2022	\$173,441,643	\$173,000,000

Sensitivity Analysis

% Difference		Cap Rate					
		-1.00%	-0.50%	0.00%	0.50%	1.00%	
Cap Rate / NOI		4.50%	5.00%	5.50%	6.00%	6.50%	
NOI	-10%	\$8,666,378	\$191,000,000	\$172,000,000	\$156,000,000	\$143,000,000	\$132,000,000
	-5%	\$9,147,844	\$202,000,000	\$181,000,000	\$165,000,000	\$151,000,000	\$139,000,000
	0.0%	\$9,629,309	\$212,000,000	\$191,000,000	\$173,000,000	\$159,000,000	\$147,000,000
	5%	\$10,110,774	\$223,000,000	\$201,000,000	\$182,000,000	\$167,000,000	\$154,000,000
	10%	\$10,592,240	\$234,000,000	\$210,000,000	\$191,000,000	\$175,000,000	\$161,000,000

Income Approach Value Conclusion

The value summary of the Direct Capitalization and Discounted Cash Flow methods is presented below. The values derived by the two income valuation methods differ by -5.78%. Less reliance is placed on the results of the Direct Capitalization method since this method does not adequately reflect expected changes in income levels or future resale value at the end of the expected holding period. Additionally, the Discounted Cash Flow method most closely resembles the criteria and motivations of an investor of an income-producing asset such as the subject. Further, the presence of multiple tenants with staggered lease terms gives further credence to the results of the Discounted Cash Flow method. Therefore, we place sole weight on our yield capitalization analysis and our concluded value by the Income Approach is \$183,000,000.

As Is Value Summary

Approach	Interest Appraised	Date of Value	Conclusion
Direct Capitalization	Leased Fee Interest	December 31, 2022	\$173,000,000
Discounted Cash Flow	Leased Fee Interest	December 31, 2022	\$183,000,000
Conclusion	Leased Fee Interest	December 31, 2022	\$183,000,000

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 investors typically purchase office properties in the subject's area in terms of value per square foot, we have applied this unit of comparison. We note there have been a dearth of office transactions from the past year. Most sales were portfolio sales or distressed sales, thus we have elected to expand our time horizon to include the most relevant transactions that have occurred in the market.

Comparable Sales

The following is a map of the comparable sales to follow:



Comparable Sale 1: 25-11 49th Avenue, Long Island City, Queens



Sale No.	1
Location	25-11 49th Avenue Long Island City, Queens
Parcel Number	100/12
Site Area (SF)	92,105.00
Gross Building Area (SF)	238,770
Property Description	This is the sale of a 238,770-SF office building located in Long Island City, Queens. The property, built in 2019, contains 238,770 square feet of GBA on 92,105. square feet of land. The former industrial building had been fully renovated and converted to office space and was vacant at sale. The property features 9 stories, 14-18' ceiling heights, 5 terraces, 40'x20' column spacing, and is steps from both the 7 train and the LIRR. There is a cafe, parking and bike storage on site. There are 3 elevators, 24/7 security, and an emergency generator. The building was purchased by Sotheby's where they plan to establish state-of-the-art operations to support their growth. A Cushman & Wakefield team led by Adam Spies and Josh King brokered the sale.
Sale Date	January 21, 2022
Year Built	2019
Grantor	MAPLE 49TH AVENUE OWNER II, LLC,
Grantee	25-11 49TH AVENUE LLC
Sale Price	\$82,500,000
Price Per SF	\$346
NOI	Not Reported
Cap Rate	Not Reported
Document No.	2022000058278

Comparable Sale 2: 12 Metrotech Center, Brooklyn, NY



Sale No.	2
Location	12 Metrotech Center Brooklyn, NY
Parcel Number	140/1002
Site Area (SF)	43,749.00
Gross Building Area (SF)	186,000
Property Description	This is the sale of a 186,000-SF office building located in Brooklyn, NY. The property, built in 2002, contains 186,000 square feet of GBA on 43,749. square feet of land. This is the sale of an office condo unit in Downtown Brooklyn. It was widely marketed by Cushman and Wakefield. Cushman & Wakefield announced today that the real estate services firm has arranged \$106 million in acquisition financing for the purchase. The 186,000-square-foot office condo sits on the top five floors of 12 MetroTech Center and features a dedicated office lobby, while the lower 25 floors of the building are owned by the City of New York. The five-year, interest-only loan is one of the largest office financings to close in Brooklyn since the beginning of the COVID-19 pandemic.
Sale Date	August 10, 2021
Year Built	2002
Grantor	330 JAY OFFICE ASSOCIATES, LLC
Grantee	12MTC OWNER, LLC
Sale Price	\$128,000,000
Price Per SF	\$688
NOI	Not Reported
Cap Rate	Not Reported
Document No.	2021000328791

Comparable Sale 3: 3 Metrotech Center, Brooklyn, NY



Sale No.	3
Location	3 Metrotech Center Brooklyn, NY
Parcel Number	2058/17
Site Area (SF)	49,122.00
Gross Building Area (SF)	457,966
Property Description	This is the sale of a 457,966-SF office building located in Brooklyn, NY. The property, built in 1990/2015, contains 457,966 square feet of GBA on 49,122. square feet of land. The seller (JP Morgan Chase) vacated the building in December 2020 and put the property on the market. The property was described as impeccably maintained. It features 10 stories, and covered parking. It was reported that the buyer (NYU) will be occupying the entirety of the space. The University will undertake a review to determine which specific academic and other uses will be best served by the new building. With expected renovations, NYU anticipates the building will open for University use during the academic year 2025-2026. No financing was recorded in connection with this transaction.
Sale Date	August 31, 2022
Year Built	1990/2015
Grantor	JPMORGAN CHASE BANK, NATIONAL ASSOCIATION
Grantee	NEW YORK UNIVERSITY
Sale Price	\$122,000,000
Price Per SF	\$266
NOI	Not Reported
Cap Rate	Not Reported
Document No.	2022000357694

Comparable Sale 4: 3300 Northern Blvd, Long Island City, Queens



Sale No.	4
Location	3300 Northern Blvd Long Island City, Queens
Parcel Number	214/1001-2005
Site Area (SF)	62,750.00
Gross Building Area (SF)	498,000
Property Description	This is the sale of a 498,000-SF office building located in Long Island City, Queens. The property, built in 1915/2001/2007, contains 498,000 square feet of GBA on 62,750. square feet of land. Sixth Street, a leading global investment firm, in partnership with 60 Guilders, a New York City-based real estate investor and manager, has completed the acquisition of The Center Building at 33-00 Northern Boulevard in Long Island City for approximately \$173 million. The seller was Vornado.Apollo, on behalf of its insurance platform, provided \$170 million in financing for the deal – the majority of which will be used for the purchase, with the remainder in reserve for future expenses related to building improvements. Occupancy was approximately 89% according to leasing contracts for the property. Major tenants include the New York City Human Resources Administration (HRA), which is dedicated to fighting poverty as the largest social services agency in the United States, and the Metropolitan Transportation Authority (MTA). The building is 8 stories with covered parking.
Sale Date	June 17, 2022
Year Built	1915/2001/2007
Grantor	VNO 33-00 NORTHERN BLVD LLC
Grantee	LIC NORTHERN BOULEVARD OWNER, LLC
Sale Price	\$172,750,000
Price Per SF	\$347
NOI	Not Reported
Cap Rate	Not Reported
Document No.	2022000264931

Comparable Sale 5: 830 Third Avenue, New York, NY



Sale No.	5
Location	830 Third Avenue New York, NY
Parcel Number	1305/40
Site Area (SF)	10,041.00
Gross Building Area (SF)	150,638
Property Description	This is the sale of a 150,638-SF office building located in New York, NY. The property, built in 1958, contains 150,638 square feet of GBA on 10,041. square feet of land. This was formerly the headquarters for the Girls Scouts of America. Since acquiring the property in 2001, AEW has invested in an upgraded lobby and elevator cabs, 24/7 attended lobby, storage space and a bike room. The building has MERV-13 air-filters designed to meet air filtration efficiency in common areas and efficient, functional floor plans from 8,200 to 12,300 square feet suited to smaller tenants seeking full-floor occupancy. The top three floors are connected by an internal staircase, with a private outdoor terrace located on the 12th floor. It sold 62% occupied including 3,799 square feet of retail leased to Republic Bank. Reportedly, all the spaces were set to expire in 2023. There is a new loan in the amount of \$53,250,000 and the lender is Truist Bank. JLL marketed the property on behalf of the seller, AEW Capital Management. JLL also worked on behalf of the borrower, a joint venture of Empire Capital Holdings and Namdar Realty Group, to secure the financing through Truist.
Sale Date	August 29, 2022
Year Built	1958
Grantor	MP 830 THIRD AVENUE, L.L.C
Grantee	THIRD CITY REALTY LLC
Sale Price	\$72,000,000
Price Per SF	\$478
NOI	Not Reported
Cap Rate	Not Reported
Document No.	2022000376421

Comparable Sales Summary

#	Address	Sale Date	SF	Sale Price	Price Per SF	Cap Rate
1	25-11 49th Avenue, Long Island City, Queens	Jan-22	238,770	\$82,500,000	\$346	Not Reported
2	12 Metrotech Center, Brooklyn, NY	Aug-21	186,000	\$128,000,000	\$688	Not Reported
3	3 Metrotech Center, Brooklyn, NY	Aug-22	457,966	\$122,000,000	\$266	Not Reported
4	3300 Northern Blvd, Long Island City, Queens	Jun-22	498,000	\$172,750,000	\$347	Not Reported
5	830 Third Avenue, New York, NY	Aug-22	150,638	\$72,000,000	\$478	Not Reported

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

Property Rights Appraised The purpose of this adjustment is to account for differences in the property rights transferred with the sale. No property rights adjustments are required.

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

Conditions of Sale Condition of sale refers to the motivations of the buyer and seller involved in a particular transaction. All sales are arm's length and no adjustments were needed.

Market Conditions (Time) All sales took place since August 10, 2021. Market conditions over the past three years have worsened for office and retail properties similar to the subject. Volume transaction has significantly declined. We apply negative adjustments to all sales.

Location The subject is located within the Downtown Brooklyn submarket on Livingston Street, also fronting on Boerum Place. This is a readily accessible area within the downtown core, close to the courthouses and other municipal buildings. The subject immediate area is accessible via a multitude of public transportation options.

Comparable 5 is located in Midtown Manhattan, a superior location. A downward adjustment was made.

Size This adjustment accounts for the difference in size between each of the comparables and the subject property. The sales range in size from 150,638 to 498,000, while the subject property is 459,100 square feet. Typically, a smaller building will sell at a higher price per square foot level than a similar larger sized building (area/unit ratio). Downward adjustments are noted to Sales 1, 2, and 5 which are smaller properties.

Condition The subject property was constructed in 1969 and is in good condition. All the Comparables sold in superior condition and were adjusted downward.

Occupancy The subject is 80.63% occupied. Comparables 1 and 3 were sold vacant, thus was adjusted upward. Comparable 5 was only 62% occupied and received an upward adjustment.

Utility The subject is a mixed-use retail/office building. All of the comparables are similar in utility to the subject and no adjustments were required.

Comparable Sales Adjustment Grid

Sale No.	Subject	1	2	3	4	5
Address:	111 Livingston Street, Brooklyn, NY 11201	25-11 49th Avenue, Long Island City, Queens	12 Metrotech Center, Brooklyn, NY	3 Metrotech Center, Brooklyn, NY	3300 Northern Blvd, Long Island City, Queens	830 Third Avenue, New York, NY
Sale Date:		1/21/2022	8/10/2021	8/31/2022	6/17/2022	8/29/2022
No. SF	459,100	238,770	186,000	457,966	498,000	150,638
Sale Price		\$82,500,000	\$128,000,000	\$122,000,000	\$172,750,000	\$72,000,000
Price Per SF		\$346	\$688	\$266	\$347	\$478
Property Rights:	Leased Fee Interest	0%	0%	0%	0%	0%
Financing Terms:	None	0%	0%	0%	0%	0%
Conditions of Sale:	None	0%	0%	0%	0%	0%
Market Conditions (Time):	31-Dec-22	-5%	-5%	-5%	-5%	-5%
Trended Price Per SF		\$328	\$654	\$253	\$330	\$454
Location:	Brooklyn	0%	0%	0%	0%	-5%
Size:	459,100	-5%	-5%	0%	0%	-5%
Condition:	Good	-5%	-5%	-5%	-5%	-5%
Occupancy	80.63%	20%	0%	20%	0%	5%
Utility:		0%	0%	0%	0%	0%
Total Adjustments		10%	-10%	15%	-5%	-10%
Adjusted Price Per SF		\$361	\$588	\$291	\$313	\$409
		Unadjusted			Adjusted	
	Low	\$266			Low	\$291
	High	\$688			High	\$588
	Average	\$425			Average	\$392
	Median	\$347			Median	\$361

Reconciliation

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 exhibited a range between \$291 and \$588 with an average of \$392 and a median of \$361 per square foot. The comparables display a relatively close range of values and each is considered a good indication of value. Thus, considering the elements of comparison noted above, our opinion of fair value is \$400 per square foot and calculated as follows.

Value Conclusion Via Sales Approach

	Date of Value	Value	Final Value (Rd)
Concluded Value Per SF		\$400	
SF		459,100	
Indicated Value		\$183,640,000	
As Is Fair Value via the Sales Comparison Approach	December 31, 2022	\$183,640,000	\$184,000,000

Reconciliation & Final Value Opinion

The estimated values arrived at by the approaches to value used in this report 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	Leased Fee Interest	December 31, 2022	\$183,000,000
Sales Approach	Fair Value As Is	Leased Fee Interest	December 31, 2022	\$184,000,000

The **Cost Approach** is traditionally a good indicator of value when properties being appraised are new or close to new. The subject was constructed in 1969, and has notable physical and economic depreciation. The difficulty in credibly isolating the influence of these factors on value affects the reliability of this approach. More importantly, investors typically give nominal weight to this analysis since the asset is operating on a stabilized basis and its cost bears little relationship to the value. Therefore, as a result of the limited use of this approach, it has not been applied.

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

The **Sales Comparison Approach** is reliable when few differences exist between the comparable sales and the subject, and the sales data collected is credible and accurate. Similar property types in competitive locations tend to sell within a consistent range, and this factor makes valuation on a per square foot basis a strong predictor of value. The sales used to advance an opinion of value of the subject property were comparable in most respects and were good indicators of value. However, given the physical and/or locational differences of the comparables, required adjustments were made accordingly. Thus, since the quantitative adjustments were largely drawn from elements of the income approach, investors give this analysis less weight, and the sales approach provides secondary support for our income approach value conclusion.

Final Value Opinion

Value	Interest Appraised	Date of Value	Conclusion
Fair Value As Is	Leased Fee Interest	December 31, 2022	\$183,000,000

The value conclusions are subject to the following **Extraordinary Assumptions**⁸ 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**⁹ 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.

⁸ The definition of Extraordinary Assumptions can be found in the Glossary of Terms, which is located in the Addenda.

⁹ 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.
- We have performed services, as an appraiser, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform 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 requirements of the Code of Professional Ethics and Standard of Professional Practice of the Appraisal Institute, the Uniform Standards of Professional Appraisal Practice, and applicable state appraisal regulations.
- Jonathan Nathanson has made an exterior inspection of the property that is the subject of this report on 02/07/23. Michelle Zell has previously made a personal inspection of the property that is the subject of this report. Diana Zlatkina has made a personal inspection of the property that is the subject of the report.
- Jonathan Nathanson provided significant real property appraisal assistance to the person signing this certification in the form of a property inspection.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Michelle Zell, MAI has completed the continuing education program for Designated Members of the Appraisal Institute.
- As of the date of this report, Diana Zlatkina has completed the Standards and Ethics Education Requirements for Candidates of the Appraisal Institute.
- We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.

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Addenda

Contingent & Limiting Conditions

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.

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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.

Provided Information

Rent Roll				
111 Livingston December 30, 2122				
	SF	Lease	Monthly	TOTAL
		Expiration	Base Rent & Electric	YEARLY
Vacant	2,375.00	2/28/2021	7,601.51	
Vacant / asking \$80 PSF	3,391.00	5/31/2019	22,097.28	
C.U.N.Y	45,000.00	8/31/2027	215,024.09	2,580,289.08
Legal Aid	117,200.00	10/31/2037	412,641.67	4,951,700.00
OTDA	121,545.00	5/31/2024	517,378.75	6,208,545.00
Brooklyn Law	41,000.00	1/31/2032	197,312.50	2,367,750.00
Vacant	20,500.00			-
Vacant	50,225.00			-
Vacant / asking \$50 PSF	2,500.00	MTM	8,257.95	99,095.40
Berkaman Law	4,125.00	MTM	22,883.41	274,600.92
Livingston Street Parking		1/31/2032	114,833.33	1,378,000.00
Total	407,861.00			17,859,980.40

	Jan - Dec 22
Ordinary Income/Expense	
Income	
Miscellaneous Income	464,369.76
Rental Income	17,542,568.34
Total Income	18,006,938.10
Gross Profit	18,006,938.10
Expense	
Office Expense	4,914.25
Real Estate Taxes	3,105,093.15
Telephone	2,623.98
Payroll Expense	740,416.59
Water & Sewer	79,708.13
Bank Charges	12,296.24
C.A.M	524,098.30
DEMOLITION	10,000.00
Insurance	247,073.73
L&P FEES	190,071.97
Maintenance & Repairs	394,336.02
Management Fees	309,869.50
PARKING	1,128.05
Permits	4,718.30
Rent Paid	4,463.64
TAXES	3,155.00
TRANSFER	0.00
Utilities	3,068,498.73
Total Expense	8,702,465.58
Net Ordinary Income	9,304,472.52

Subject Property Photos

All subject photos were taken as of February 7, 2023.

Building Facade



Subject Street



Subject Street



Subject Street



Subject Street

Subject Street



Subject Street



Exterior Entrance



Exterior Entrance



Exterior Entrance



Exterior Entrance



Exterior Entrance

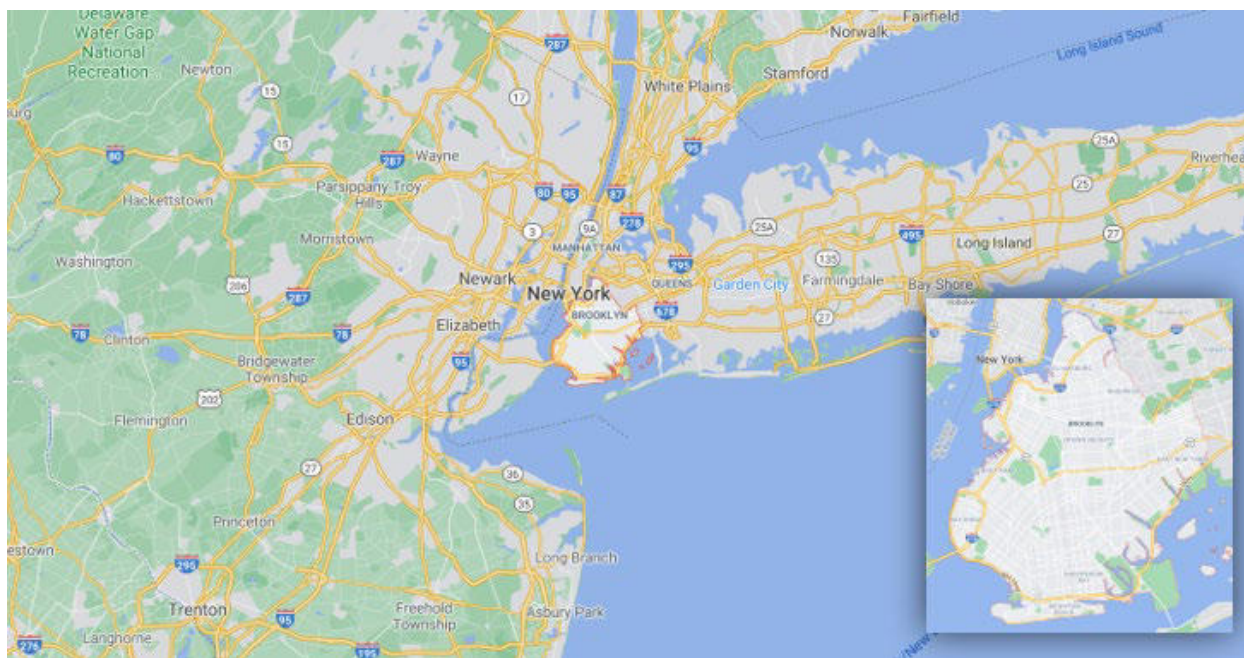


Exterior Entrance



Kings County Area Analysis

The following analysis includes pertinent aspects of the surrounding region as it pertains to the subject property. This report was compiled using data as of 2022 Q4 unless otherwise noted. Data is from a number of sources including the U.S. Bureau of Labor Statistics ("BLS"), the U.S. Bureau of Economic Analysis ("BEA"), and the U.S. Census Bureau.



Source: Google Maps

Kings County At a Glance

The subject property is located in Kings County, New York. Kings County, New York is best known as the NYC borough of Brooklyn. It is the most populous county in the state, and the second-most densely populated county in the United States, with an estimated 2.7 million residents in 2020. The economy of Brooklyn is diverse and includes a range of industries such as finance, technology, healthcare, and retail. Some of the top employers in Brooklyn include JPMorgan Chase, Goldman Sachs, and Brooklyn Hospital Center. The Brooklyn Navy Yard is also a major employer in the area, providing jobs in manufacturing and technology. Housing options in Brooklyn vary greatly, from historic brownstones and townhouses to high-rise apartment buildings. The cost of living in Brooklyn is higher than the national average, but residents enjoy a bustling and diverse community, with a wide range of retailers and businesses, including large chain stores and local shops and restaurants. There are also many community parks and open spaces, such as Prospect Park and Marine Park, which provide residents with opportunities for recreation and relaxation. Brooklyn is well-connected by a network of local corridors and major roads, including the Brooklyn-Queens Expressway (Interstate 278) and the Belt Parkway. The borough is also served by several subway lines, including the B, D, N, Q, and R lines, as well as several bus routes operated by the Metropolitan Transportation Authority (MTA). JFK International Airport is located in nearby Queens and provides air travel options for residents of Brooklyn.

The COVID-19 pandemic slowed economic growth throughout the country, including here in Kings County. Between February 2020 and April, Kings County employers shed over 238,333 jobs (19.3% of the labor market), as social distancing protocols were put in place and operating restrictions were imposed. Despite this, County GDP grew 5.0% in 2020, compared to the year prior.

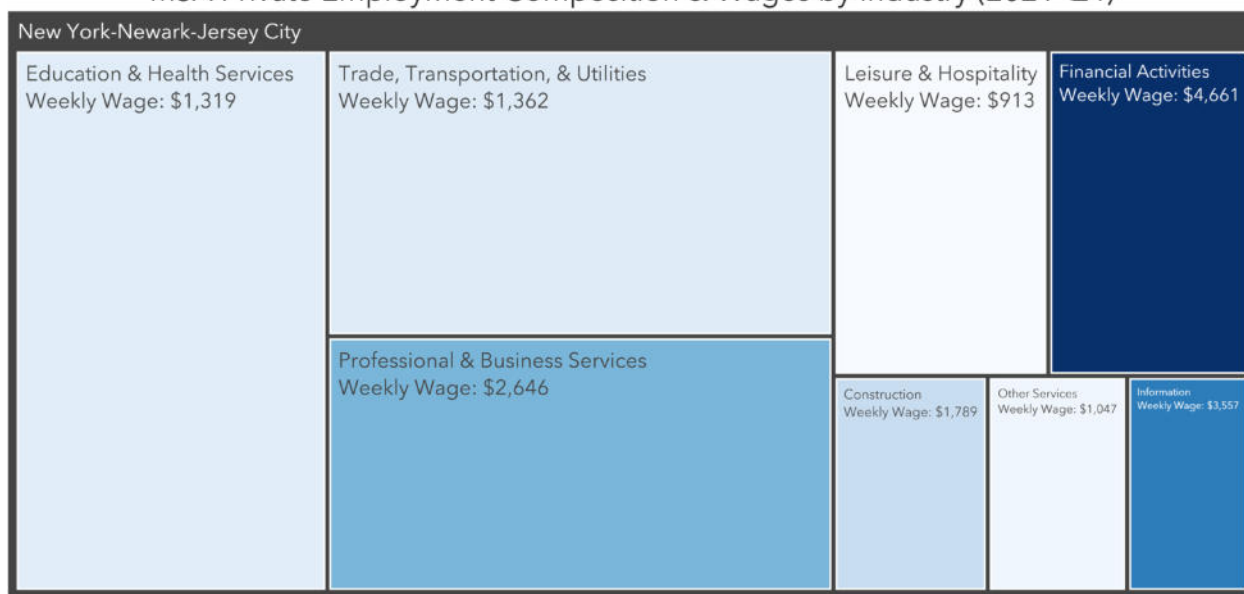
Area Fundamentals

Attribute	County Level Value	5 Year Annualized Growth Rate	Relative to Baseline (MSA)
Employment	1,110,930	-1.5%	Slower than MSA
GDP	\$92.3 billion	3.8%	Faster than MSA
Population	2,641,052	0.3%	Slower than MSA
Per Capita Personal Income	\$61,851	8.7%	Faster than MSA

Labor Market Conditions

According to the Q4 2021 Quarterly Census of Employment and Wages, New York-Newark-Jersey City employed 7,598,354 private employees, with establishments in the Education & Health Services, Trade, Transportation, & Utilities, and Professional & Business Services industries accounting for the top three employers. These industries employ 1,924,821 (25.2%), 1,646,876 (21.5%), and 1,468,220 (19.2%) private sector workers in the Metro, respectively.

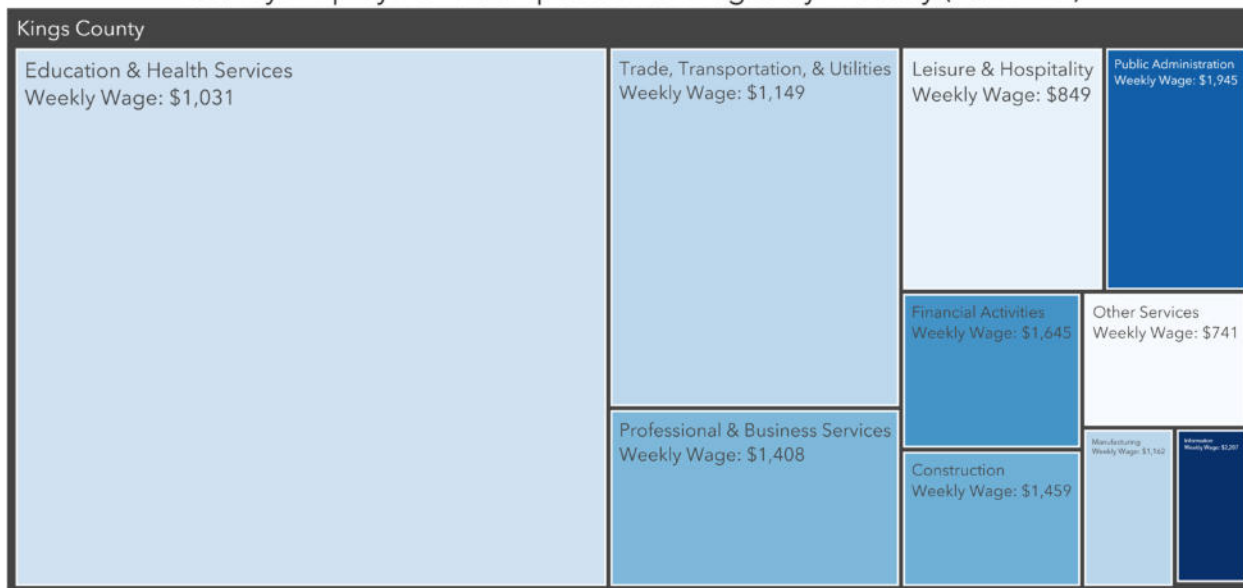
MSA Private Employment Composition & Wages by Industry (2021 Q4)



Source: U.S. Bureau of Labor Statistics

According to the Q4 2021 Quarterly Census of Employment and Wages, Kings County employed 802,690 employees, with establishments in the Education & Health Services, Trade, Transportation, & Utilities, and Professional & Business Services industries accounting for the top three employers. These industries employ 386,758 (47.7%), 127,077 (15.7%), and 63,206 (7.8%) workers in the County, respectively. Kings County has an especially large share of workers in the Education & Health Services industry. In fact, its 47.7% fraction of workers is 2.3 times higher than the National average.

County Employment Composition & Wages by Industry (2021 Q4)

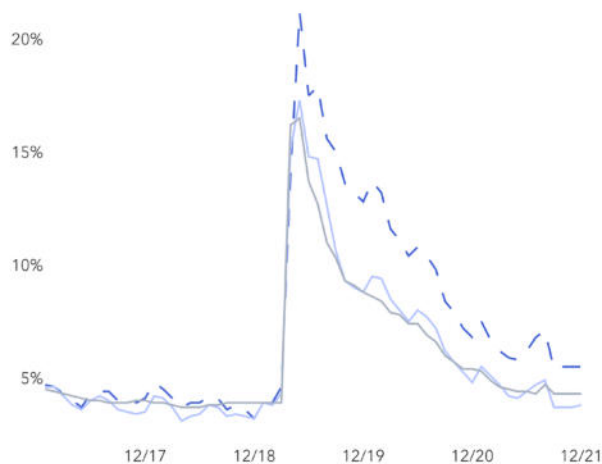


Source: U.S. Bureau of Labor Statistics

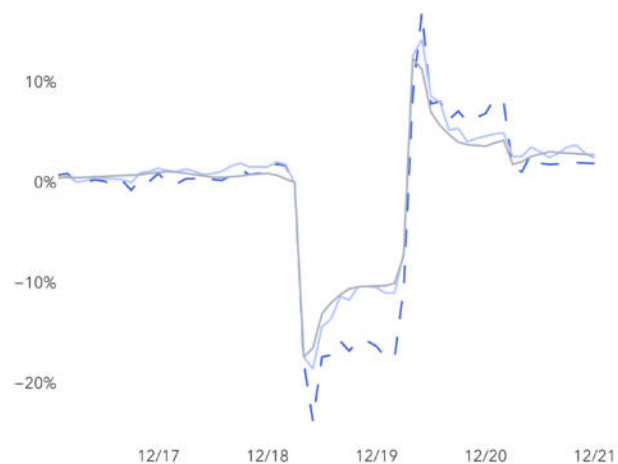
At the onset of the pandemic last spring, Kings County area employers shed 19.3% of its workforce, expanding the unemployment rate from 3.9% in February 2020 to 14.0% just two months later. The unemployment rate in Kings County has compressed over the past year to the current rate of 5.5%, considerably above the New York-Newark-Jersey City rate of 3.8%. As of 12/22, total employment is up 2% on a year-over-year basis. The unemployment rate remains above its pre-pandemic level (Feb 2020) of 3.9%.

— Kings County — New York-Newark-Jersey City (MSA) — New York

Unemployment Rate



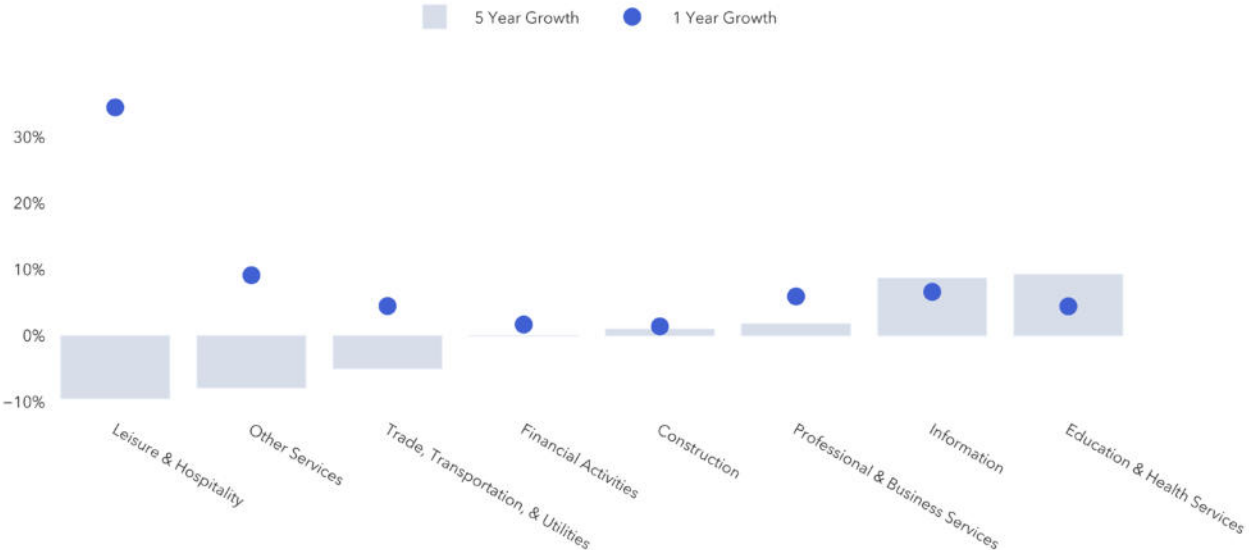
Annual Employment Growth



Source: U.S. Bureau of Labor Statistics

According to the Q4 2021 Quarterly Census of Employment and Wages, New York-Newark-Jersey City Metro has experienced private employment expand 0.0% (2,418) in total over the last five years. During that time, the Education & Health Services, Information, and Professional & Business Services industries saw the strongest growth, expanding 9.3%, 8.7%, and 1.8%, respectively. Meanwhile, the Leisure & Hospitality Industry has experienced employment collapse 9.5% over the previous five years.

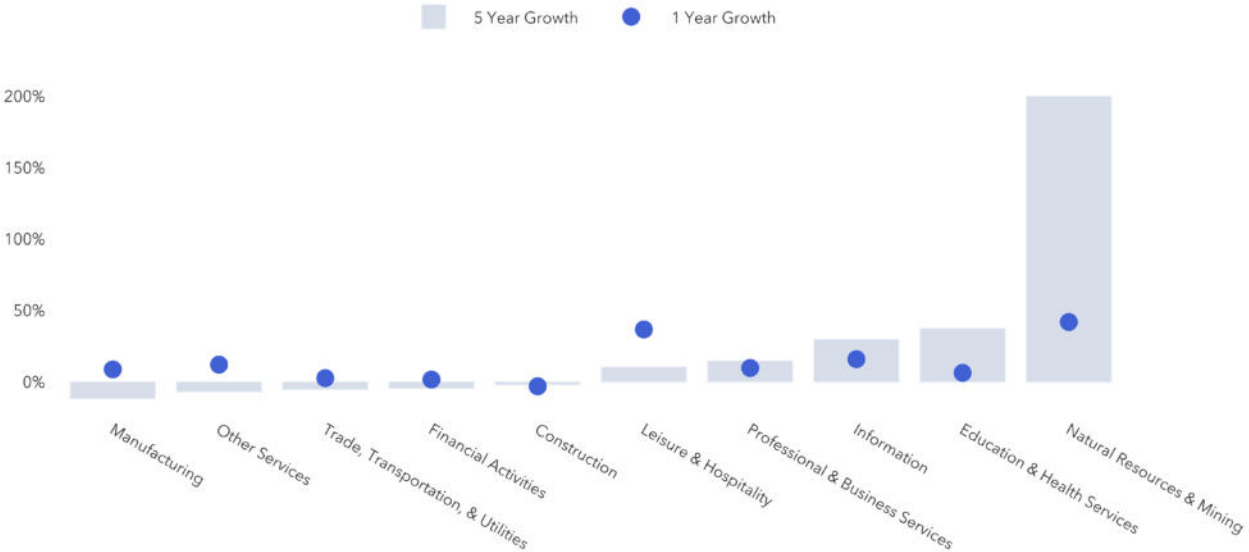
Private Employment Growth by Industry (MSA) (2021 Q4)



Source: U.S. Bureau of Labor Statistics

According to the Q4 2021 Quarterly Census of Employment and Wages, Kings County has experienced private employment expand 14.4% (87,266) in total over the last five years. During that time, the Natural Resources & Mining, Education & Health Services, and Information industries saw the strongest growth, expanding 200.0%, 37.4%, and 29.7%, respectively. Meanwhile, the Manufacturing Industry has experienced employment collapse 11.8% over the previous five years.

Private Employment Growth by Industry (County) (2021 Q4)

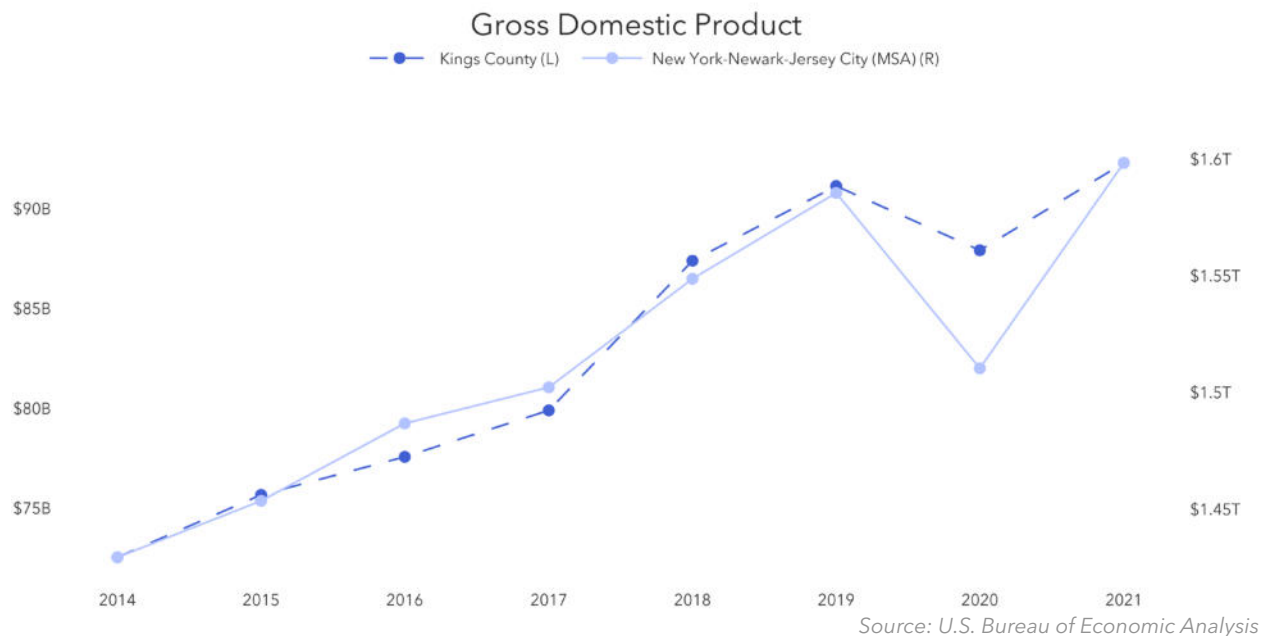


Source: U.S. Bureau of Labor Statistics

Economic Production

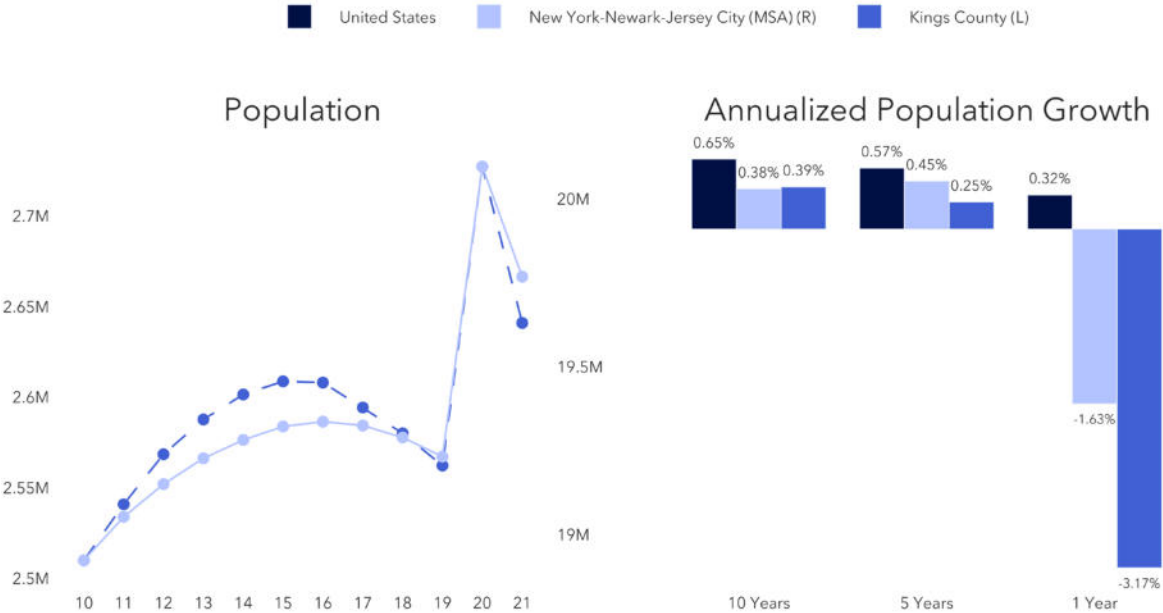
The U.S. economy finished 2022 in solid shape even as questions persist over whether growth will turn negative in the year ahead. Fourth-quarter gross domestic product, the sum of all goods and services produced for the October-to-December period, rose at a 2.9% annualized pace, slightly better than expected. The growth rate was slightly slower than the 3.2% pace in the third quarter. The Fed is expected to continue with rate hikes over the first half of 2023, although at a much slower pace than the historic rate experienced in 2022.

For the five years prior to the pandemic, Kings County experienced average annual growth of 5.1% compared to 2.2% for the Metro. In 2021, Kings County produced about \$92.3 billion of output, representing an annual change of 5.0% compared to 5.8% for the Metro.



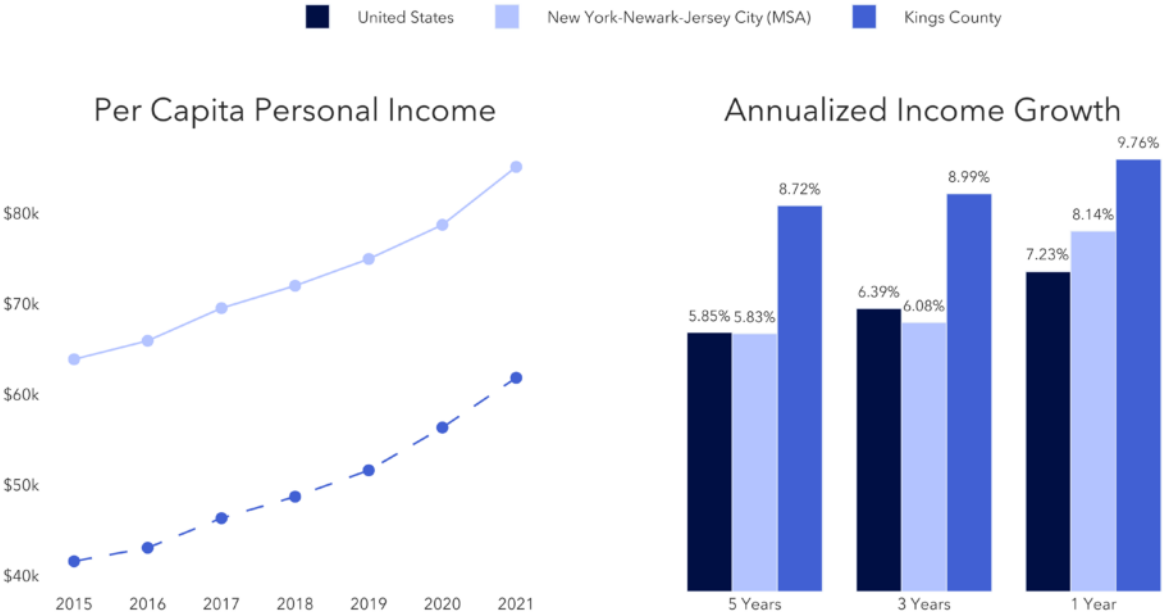
Demographics

Going back ten years, Kings County's population has expanded 0.4% per annum to the 2021 count of 2,641,052. Over the past five years, growth has declined, growing 0.3% per annum since 2016. This growth rate falls short of the Nation, which has expanded 0.6% per year over the last five years.



Source: U.S. Census Bureau


Going back five years, Kings County residents' per capita personal income has expanded 8.7% per annum to the 2021 level of \$61,851. Over the past three years, growth has expanded, growing 9.0% per annum since 2018. This growth rate exceeds the Nation, which has expanded 6.4% per year over the last three years.






Source: U.S. Census Bureau

Infrastructure

Transportation Methods

 Most of the limited-access expressways and parkways are in the western and southern sections of Brooklyn, where the borough's two interstate highways are located; Interstate 278, which uses the Gowanus Expressway and the Brooklyn-Queens Expressway, traverses Sunset Park and Brooklyn Heights, while Interstate 478 is an unsigned route designation for the Brooklyn-Battery Tunnel, which connects to

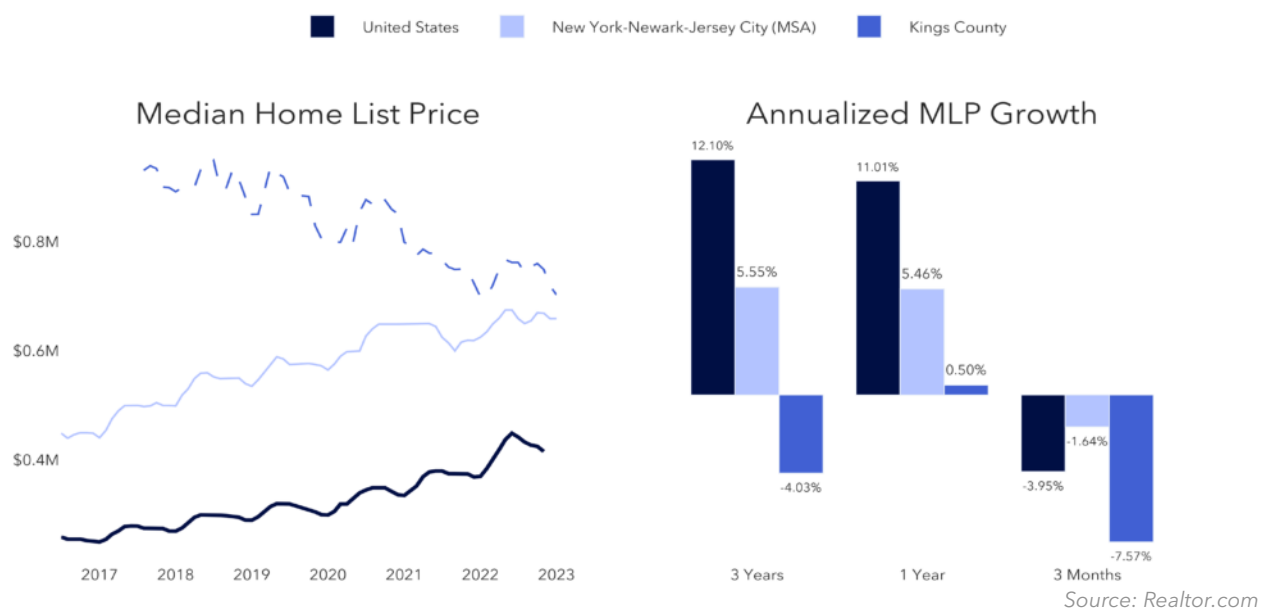
Manhattan. Other prominent roadways are the Prospect Expressway (New York State Route 27), the Belt Parkway, and the Jackie Robinson Parkway (formerly the Interborough Parkway). Major thoroughfares include Atlantic Avenue, Fourth Avenue, 86th Street, Kings Highway, Bay Parkway, Ocean Parkway, Eastern Parkway, Linden Boulevard, McGuinness Boulevard, Flatbush Avenue, Pennsylvania Avenue, and Nostrand Avenue. Brooklyn is connected to Manhattan by three bridges, the Brooklyn, Manhattan, and Williamsburg Bridges; a vehicular tunnel, the Brooklyn-Battery Tunnel (also known as the Hugh L. Carey Tunnel); and several subway tunnels. The Verrazzano-Narrows Bridge links Brooklyn with the more suburban borough of Staten Island.

-  Brooklyn features extensive public transit. Nineteen New York City Subway services traverse the borough. There are three commuter rail stations in Brooklyn: East New York, Nostrand Avenue, and Atlantic Terminal, the terminus of the Atlantic Branch of the Long Island Railroad.
-  Kings County public bus service is provided by the MTA and offers an extensive route map.
-  Three international airports serve NYC. JFK and LGA are located in Queens while EWR is located in Newark, New Jersey.

Housing

In 2021, historically low mortgage rates, the desire for more space, and the ability to work from home led to an increase in demand for housing. This, combined with historically low inventory levels, pushed values to record highs in most counties and metros across the Nation in 2021 and first half of 2022, with medium listing price in the US reaching a peak of \$413,000 in June 2022. However, with persistent inflation, the Fed has hiked interest rates at a record pace, pushing mortgage rates to 7% in November. The sharp rise in mortgage rates has eroded housing affordability, resulting in a decrease in demand, and values. As of December, values remain up 2% over the past year, but the medium listing price in the US decreased 1.5% In December, representing a 11% decrease in values from June to the current median list price of \$366,900 in December.

In Kings County, Realtor.com data points to continued growth in values over the past year. As of 01/2023, the median home list price sits at \$702,500, an increase of 0.5% compared to an increase of 5.5% for the New York-Newark-Jersey City Metro, and an increase of 11.0% across the Nation over the past year. With the recent sharp rise in mortgage rates, the county median list price has experienced a decrease of 7.6% over the past 3 months, compared to a decrease of 1.6% for the New York-Newark-Jersey City Metro in the same period.



Outlook

The United States economy has recovered from the pandemic, but, with persistent levels of inflation, the Fed has repeatedly reaffirmed its commitment to fighting inflation, even at the cost of economic slow-down. Economic observers predict a mild recession over the first half of 2023, with a potential rebound in the second half of the year.

The current unemployment rate in Kings County of 5.5% is below its five-year average. By contrast, that rate is also above the state rate of 4.3%, and above the national rate of 3.7%. Although Kings County has experienced population growth of 0.3% per year over the past five years, it most recently saw a one-year contraction of -3.2%. Considering its strong positive growth relative to the nation as a whole over the five years prior to the pandemic, its long-term growth in population, and despite its dependency on one particular industry, the county is well equipped for near and long-term growth.

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 19 years.

Michelle has appraised multi-family, condominium and cooperative apartment buildings, retail properties, office buildings, restaurants, industrial properties, hotels, and vacant land properties all over the United States. Michelle specializes in managing large portfolios, appraising large scale existing and proposed developments, appraisals for EB-5 financing, litigation and condemnation proceedings, as well as trust and estate needs.

Michelle 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 as 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 Aphorp 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 7th Avenue, a proposed hotel and retail development located in Times Square and valued at \$2B, market rent determination for Bell Works - the former Bell 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, Michelle 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
	Michelle is currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members.
Certified General Real Estate Appraiser	State of New York (# 4600049921) State of Florida (# RZ4135) State of Georgia (# 404989) State of Louisiana (# G4507) State of Maine (# CG 4769) Commonwealth of Massachusetts (# 1000274) State of New Hampshire (# NHCG-1055)

State of Tennessee (# 6208)
State of Texas (# TX 1380938G)
Commonwealth of Pennsylvania (# GA004611)

Publications

Michelle 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/>

Diana Zlatkina

Vice President

Experience

Diana Zlatkina is a Vice President at Bowery Valuation who joined the firm in August 2018. Diana has worked in the commercial real estate appraisal industry since 2014. Prior to joining Bowery, she was an appraiser at the Leitner Group Inc./BBG, working throughout New York City on a wide variety of asset types including multifamily, mixed-use, office, retail and developable land.

Education

Boston University, Questrom School of Business	Cum Laude, Dean's List Bachelor of Business Administration with a concentration in Finance and a minor in Hospitality
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Certifications & Professional Designations

Certified General Real Estate Appraiser	State of New York (# 46000052754) State of New Jersey (#42RG002799200) Commonwealth of Pennsylvania (# GA004544)
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Jon Nathanson

Valuation Specialist

Experience

Jon Nathanson is a Valuation Specialist at Bowery Valuation who joined the firm in June 2021. He has worked in the real estate industry since 2006 including commercial and multi-family sectors.

Before joining Bowery, Jon held Property Manager roles at various multi-family owner/developer and property management firms based in Connecticut including BLT, Pinnacle, Bridgeport Neighborhood Trust and Pyramid Real Estate. Additionally, Jon began his real estate experience as a broker with Cushman & Wakefield and a Corporate Real Estate Manager with Guardian Life and Pfizer (through CBRE).

Education

Western Connecticut State University Bachelor of Art, History

Appraisal Classes

- Basic Appraisal Principals
- Basic Appraisal Procedures
- PA Supervisor-Trainee Course
- MA Supervisor-Trainee Course
- CT Supervisor-Trainee Course
- 15-hr National USPAP Course
- Green Building Concepts for Appraisers
- 7-hr National USPAP Course

Certifications & Professional Designations

Provisional Real Estate Appraiser State of Connecticut (# RSP.0002126)

State of Massachusetts (# 1027514)

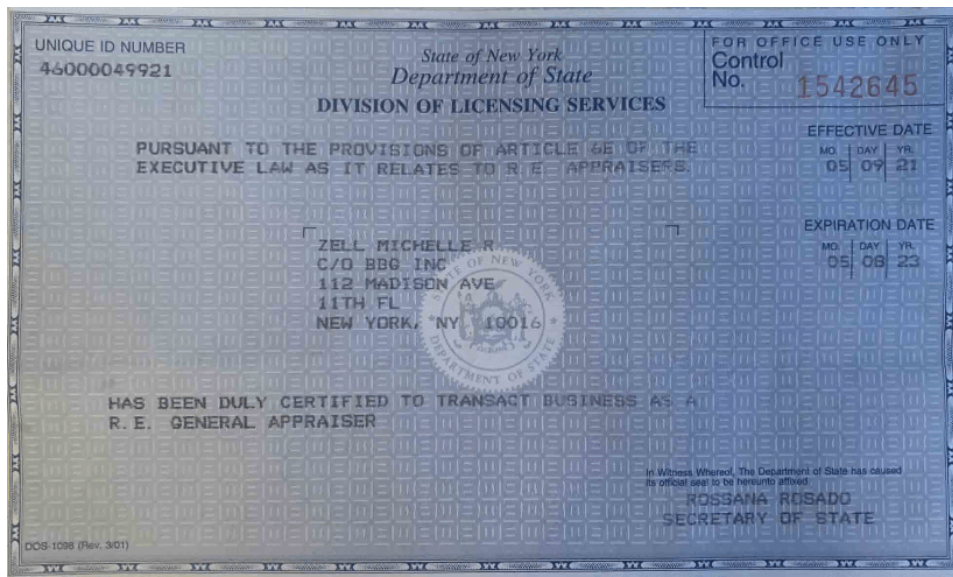
Real Estate Appraiser Trainee

Commonwealth of Pennsylvania (# LAT001261)

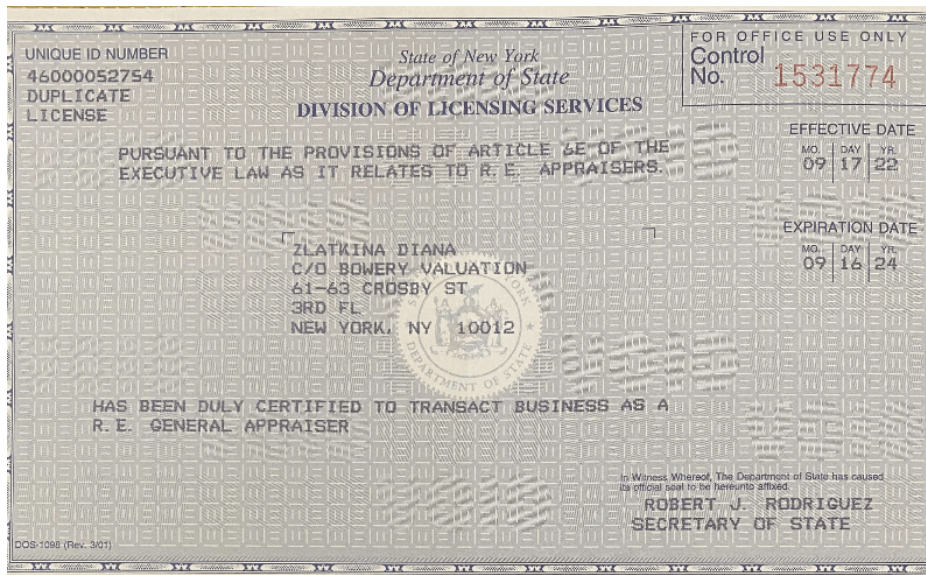
Licensed Appraiser Trainee

Licenses

Michelle Zell, State Certified General Appraiser- New York



Diana Zlatkina, State Certified General Appraiser- New York



Glossary of Terms

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

As Is Market Value	The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date, according to the Interagency Appraisal and Evaluation Guidelines (Federal Deposit Insurance Corporation: 2010). Note: The use of the "as is" phrase is specific to appraisal regulations pursuant to FIRREA applying to appraisals prepared for regulated lenders in the United States.
Arm's Length Transaction	A transaction between unrelated parties who are each acting in his or her own best interest.
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, according to The Appraisal of Real Estate, 14th Edition (Appraisal Institute: 2013).
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.
Excess Land	Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately.
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.
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, according to David Parker's International Valuation Standards (John Wiley & Sons, Ltd: 2016). (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, according to the Uniform Appraisal Standards for Federal Land Acquisitions (The Appraisal Foundation: 2016).
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.
Insurable Value	A type of value for insurance purposes.
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.
Liquidation Value (also known as Disposition Value)	The most probable price that a specified interest in real property should bring under the following conditions: • Consummation of a sale within a short time period. • The property is subjected to market conditions prevailing as of the date of valuation. • Both the buyer and seller are acting prudently and knowledgeably. • The seller is under extreme compulsion to sell. • The buyer is typically motivated. • Both parties are acting in what they consider to be their best interests. • A normal marketing effort is not possible due to the brief exposure time. • Payment will be made in cash in US dollars or in terms of financial arrangements comparable thereto. • The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.
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.
Prospective Market Value "As Completed" and "As Stabilized"	A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. Prospective value opinions are intended to reflect the current expectations and perceptions of market participants, based on available data. Two prospective value opinions may be required to reflect the time frame during which development, construction, and occupancy will occur. The prospective market value—as completed— reflects the property's market value as of the time that development is expected to be completed. The prospective market value—as stabilized— reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease

	over a reasonable period of time and at comparable terms and conditions to other similar properties.
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 Cost for Insurance Purposes	The estimated cost, at current prices as of the effective date of valuation, of a substitute for the building being valued, using modern materials and current standards, design, and layout for insurance coverage purposes guaranteeing that damaged property is replaced with new property (i.e., depreciation is not deducted).
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.
Retrospective Value Opinion	A value opinion effective as of a specified historical date. The term retrospective does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion".
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.
Surplus Land	Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel.
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, according to The Appraisal of Real Estate, 14th Edition (Appraisal Institute: 2013).



APPRAISAL REPORT

2440 Fulton Street
Brooklyn, New York 11233

Proposed Mixed-Use Office And Retail Building
Bowery Report No. JOB-2200023823

REQUESTED BY

Avrumie Furst

The Leser Group ("TLG")
1481 47th Street
Brooklyn, NY 11219

DATE OF VALUE

December 31, 2022

PREPARED BY



Michelle Zell, MAI

March 14, 2023

Mr. Avrumie Furst
The Leser Group ("TLG")
1481 47th Street
Brooklyn, NY 11219

Re: Appraisal File No. JOB-2200023823
Proposed Mixed-Use Office And Retail Building
2440 Fulton Street
Brooklyn, New York 11233

Dear Mr. Furst,

In accordance with your request, we have completed an appraisal of 2440 Fulton Street in Brooklyn, New York 11233. The purpose of this appraisal is to provide an opinion of the As Is and As Complete Fair Value of the Fee Simple Interest and the prospective As Stabilized Fair Value of the Leased Fee Interest.

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(a) 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 purpose of the appraisal is to aid the intended user in the preparation of Financial Statements and a Prospectus, or additional Prospectuses, to be published with the Israeli Security Authority. The report is intended for use only by The Leser Group and its related entities, successors, and/or assigns.

We confirm that we have given our full consent to the inclusion of the valuation in its entirety within financial statements and related information to be published by the Company for the Tel Aviv Stock exchange and for the Israeli Security Authority.

The subject, 2440 Fulton Street, is currently a development site on which ownership is developing a 393,610± square foot (inclusive of the cellar) mixed-use building. The gross building area above grade is 354,176± square feet. We have reviewed building plans that have been approved by the NYC Department of Buildings and a breakdown of the space is provided below. Ownership is currently in the construction process and is expected to complete building (shell condition) by the end of 2023.

Mr. Avrumie Furst

Ownership has an executed lease with the Department of Citywide Administrative Services (DCAS) which is dated March 18, 2021. Per review of the lease agreement, the demised premises includes a portion of the ground (1st) floor, a portion of the 3rd floor, and the entire leasable portion of the 4th, 5th, and 6th floors of the proposed building. The lease is for a 21-year term once the tenant has possession. In regard to the rentable square footage of the space, the building plans distinguish between carpetable square footage (SCF) allocated to either the city tenant or other non-city tenants, non-carpetable area allocated to either the city tenant or non-city tenants, and shared non-carpetable area. According to the lease, the rentable area for DCAS is calculated as the tenant's carpetable area divided by a conversion factor of 75.2%. It is expected that the city tenant will occupy a total of approximately 279,957± rentable square feet (based off a carpetable area of 210,538 square feet) upon completion of the building, although the exact square footage is subject to re-measurement. It is noted that per the lease agreement, the minimum CSF is 207,018, while the maximum rentable square footage is 289,006 square feet. As such, based on the expected size of the DCAS space, there will be an additional approximately 88,211± square feet of RSF (based on CSF of 66,335) on the first, second, and third floors which can be leased to prospective non-city tenants. Finally, the newly constructed building will contain a parking garage with capacity for 326 parking spaces on the cellar and ground floor, of which 35 spaces are allocated to the city tenant and 291 will be available for lease.

We note that there is a slight variance between the breakdown of the carpetable area in the plans and lease with the city tenant, we have based our rentable square feet based off the break down provided in the lease with the city tenant (see addenda).

Mr. Avrumie Furst

Space	Total Rentable SF	Percentage of GBA
City Tenant	279,957	71.1%
Non-City Tenant	88,211	22.4%
Total Leaseable Area	368,168	93.5%
Loss Factor	25,441	6.5%
GBA (Inclusive of Cellar)	393,610	100.0%

The owner provided total construction budget for the development is \$121,833,961 or \$344 per square foot of building area which includes hard costs, soft costs and landlord contributions to tenant work. To date, approximately \$40,259,866 has been spent to date. As a result, the costs to complete the project equates to \$81,574,095 or \$230 per square foot.

The developer estimated a completion date of December 31, 2023 or about 12 months from the time of this report, which we have assumed to be accurate and reasonable.

2440 Fulton Street is between Fulton and Herkimer Street on Van Sinderen Avenue, with full block frontage, in the Broadway Junction/Ocean Hill neighborhood (Kings County) in the State of New York. The site contains a total land area of 1.779± acres / 77,500± square feet and is located in a C4-5D zoning district with an FAR of 4.20 which yields 325,500± square feet of buildable area. The subject has been rezoned as a part of the East New York Rezoning plan. The subject is identified on Kings County Tax Maps as Block 1554, Lots 16.

The highest and best use of 2440 Fulton Street is the construction of the proposed office building. This conclusion is based on its zoning, physical characteristics, location, and forecasted economic conditions.

Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformance with the Standards of Professional Practice and Code of Professional Ethics of the Appraisal Institute, the Uniform Standard of Professional Appraisal Practice (USPAP), and applicable state appraisal regulations. To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP.

After carefully considering all available information and factors affecting value, our opinion is as follows:

Fair Value Opinion

Value	Interest Appraised	Date of Value	Conclusion
Fair Value As Is	Fee Simple Interest	December 31, 2022	\$135,500,000

This appraisal report involves an annual update from our prior appraisal report with an effective date of value of December 31, 2020 and December 31, 2021. The As Is Fair Value conclusion herein is up 44.1% from the concluded As Is Fair Value from the prior report of \$94,000,000. We note that since the prior appraisal report, the developer has commenced the construction project and spent \$32,840,176 in additional hard & soft costs in 2022. We have also lowered entrepreneurial profit from 15% to 10.0%, decreased the holding costs to stabilization from 2.0% to 1.5%, and decreased the discount rate from 6.25% to 5.75% given that the construction is 12 months away from completion. We have increased our going in capitalization rate from 5.0% to 5.25% given the current economic environment.

In addition, it is worth pointing out that since the prior appraisal, the owner's construction budget has nominally changed from \$121,903,443 to \$121,833,961 which can be attributed to changes in hard costs. Nevertheless, we incorporated the updated construction budget into our analysis.

Mr. Avrumie Furst

No other changes to our selection of market rents, stabilized occupancy, or operating expense estimates were considered appropriate at this time.

The value conclusions are subject to the following **Extraordinary Assumptions**¹ 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.

- Our opinion of the prospective market values upon stabilization assume that the proposed improvements are completed on December 31, 2023, the prospective date of completion, in accordance with the architectural plans and specifications cited within this report, in a good and workmanlike manner, and in conformance with all City of New York zoning and building codes.
- Our opinion of the prospective market values upon completion and upon stabilization assume that there will be no significant changes in the applicable economic conditions that could impact the subject property as currently perceived between the current effective date and our prospective valuation dates.
- The owner provided us with a construction budget of \$121,833,961 or \$344 per square foot of building area which includes hard costs, soft costs and landlord contributions to tenant work. We make the extraordinary assumption that the budget is sufficient to complete the proposed development and that the project is completed within the estimated time frame provided.

The value conclusions are based on the following **Hypothetical Conditions**² 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.

Sincerely,

A handwritten signature in black ink that reads 'Michelle Zell'.

Michelle Zell, MAI
Senior Vice President
Certified General Real Estate Appraiser
NY License No. 46000049921
michelle.zell@boweryvaluation.com
(917) 533-3141

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

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

Summary of Salient Facts & Conclusions

Property Identification



The subject, 2440 Fulton Street, is currently a development site. Ownership is developing a 393,610± square foot (inclusive of the cellar) mixed-use building. The gross building area above grade is 354,176± square feet. We have reviewed building plans that have been approved by the NYC Department of Building and a breakdown of the space is provided below. Ownership is currently in the construction process and is expected to complete building (shell condition) by the end of 2023.

Ownership has an executed lease with the Department of Citywide Administrative Services (DCAS) which is dated March 18, 2021. Per review of the lease agreement, the demised premises includes a portion of the ground (1st) floor, a portion of the 3rd floor, and the entire leasable portion of the 4th, 5th, and 6th floors of the proposed building. The lease is for a 21-year term once the tenant has possession. In regard to the rentable square footage of the space, the building plans distinguish between carpetable square footage (SCF) allocated to either the city tenant or other non-city tenants, non-carpetable area allocated to either the city tenant or non-city tenants, and shared non-carpetable area. According to the lease, the rentable area for DCAS is calculated as the tenant's carpetable area divided by a conversion factor of 75.2%. It is expected that the city tenant will occupy a total of approximately 279,957± rentable square feet (based off a carpetable area of 210,538 square feet) upon completion of the building, although the exact square footage is subject to re-measurement. It is noted that per the lease agreement, the minimum CSF is 207,018, while the maximum rentable square footage is 289,006 square feet. As such, based on the expected size of the DCAS space, there will be an additional approximately 88,211± square feet of RSF (based on CSF of 66,335) on the first, second, and third floors which can be leased to prospective non-city tenants. Finally, the newly constructed building will contain a parking garage with capacity for 326 parking spaces on the cellar and ground floor, of which 35 spaces are allocated to the city tenant and 291 will be available for lease.

The site contains a total land area of 1.779± acres / 77,500± square feet and is located in a C4-5D zoning district with an FAR of 4.20 which yields 325,500± square feet of buildable area. The subject is identified on Kings County Tax Maps as Block 1554, Lots 16.

Salient Facts

Block/ Lot	1554 / 16	Zoning (Current)	C4-5D
Site Area (sq. ft./ acres)	77,500± / 1.779±	Flood Hazard Zone	Zone X
Proposed GBA (sq. ft.)	354,176	Occupancy Rate	N/A
Census Tract	367.00	Date of Inspection	February 7, 2023
Marketing Time	6-12 Months	Exposure Time	6-12 Months

Financial Indicators

Financial Indicators	Total	Per SF-GBA
Effective Gross Income	\$17,374,756	\$49.06
Expense Ratio	26%	
Net Operating Income	\$12,792,499	\$36.12
Capitalization Rate	5.25%	
Income Capitalization Approach As Stabilized	\$277,500,000	\$784
Income Capitalization Approach As Is	\$135,500,000	\$383
Sales Comparison Approach As Stabilized	\$281,500,000	\$795
Sales Comparison Approach As Is	\$139,500,000	\$394
Cost Approach As Stabilized	\$229,500,000	\$648
Cost Approach As Complete	\$215,500,000	\$608
Cost Approach As Is (Land Value + Costs Spent to Date)	\$102,000,000	\$288

Conclusions

Final Value Conclusion

Value	Interest Appraised	Date of Value	Conclusion
Fair Value As Is	Fee Simple Interest	December 31, 2022	\$135,500,000

The value conclusions are subject to the following **Extraordinary Assumptions**³ 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.

- Our opinion of the prospective market values upon stabilization assume that the proposed improvements are completed on December 31, 2023, the prospective date of completion, in accordance with the architectural plans and specifications cited within this report, in a good and workmanlike manner, and in conformance with all City of New York zoning and building codes.
- Our opinion of the prospective market values upon completion and upon stabilization assume that there will be no significant changes in the applicable economic conditions that could impact the subject property as currently perceived between the current effective date and our prospective valuation dates.
- The owner provided us with a construction budget of \$121,833,961 or \$344 per square foot of building area which includes hard costs, soft costs and landlord contributions to tenant work. We make the extraordinary assumption that the budget is sufficient to complete the proposed development and that the project is completed within the estimated time frame provided.

The value conclusions are based on the following **Hypothetical Conditions**⁴ 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.

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

⁴ 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 this appraisal is to provide an opinion of the As Is Fair Value of the Fee Simple Interest. We have also provided the prospective fair value As Complete of the Fee Simple Interest, and the prospective fair value As Stabilized of the Leased Fee Interest, 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."

Identification of the Client

The Leser Group ("TLG") has engaged us and is our client for this assignment.

Intended Users

The Intended User of the report is The Leser Group, and its affiliates. The report is intended for use only by The Leser Group and its related entities, successors, and/or assigns and auditors.

We confirm that we have given our full consent to the inclusion of the valuation in its entirety within financial statements and related information to be published by the Company for the Tel Aviv Stock exchange and for the Israeli Security Authority.

Intended Use

The Intended Use of the report is to aid The Leser Group in the preparation of Financial Statements and a Prospectus, or additional Prospectuses, to be published with the Israeli Security Authority.

Property Rights Appraised

The subject is appraised on the basis of As Is Fair Value of the Fee Simple Interest and the prospective As Stabilized Fair Value of the Leased Fee Interest.⁵

Property History

The current owner of record is TLG Fulton LLC per Kings County records.

Address	Block / Lot	Sale Date	Sale Price	Grantor	Grantee
2440 Fulton Street	1554 / 16	6/23/2015	\$33,000,000	Fulton Center LLC	TLG Fulton LLC

The subject was acquired by TLG Fulton LLC. There was a flip contract dated 2/23/2015 between 2440 Fulton LLC and TLG Fulton LLC. The original contract price and official property deed price is \$33,000,000. Given the assignment of the contract, ownership paid an additional \$1,000,000 making the total cost of acquisition \$34,000,000. The subject was acquired for its development potential.

⁵ The definition of Fee Simple Interest can be found in the Glossary of Terms, which is located in the Addenda.

At the time of sale, there was a proposed rezoning (East New York Re-zoning), which has since been approved. This rezoning changed the subject's zoning from an M1-2 zone with a FAR of 4, to a C4-5D zone with a FAR of 4.2 (or 6.5 with community facility). This potential zoning change was considered in the contract under a clause that required the buyer to pay the seller an additional \$7,000,000 if the re-zoning was approved. This brings the total acquisition price to \$41,000,000.

Finally, we note that the LIRR has an easement on the site for an underground tunnel.

This appraisal report involves an annual update from our prior appraisal report with an effective date of value of December 31, 2021. The As Is Fair Value conclusion herein is up 44.1% from the concluded As Is Fair Value from the prior report of \$94,000,000. We note that since the prior appraisal report, the developer has commenced the construction project and spent \$32,840,176 in additional hard & soft costs in 2022. We have also lowered entrepreneurial profit from 15% to 10.0%, decreased the holding costs to stabilization from 2.0% to 1.5%, and decreased the discount rate from 6.25% to 5.75% given that the construction is 12 months away from completion. We have increased our going in capitalization rate from 5.0% to 5.25% given the current economic environment.

In addition, it is worth pointing out that since the prior appraisal, the owner's construction budget has nominally changed from \$121,903,443 to \$121,833,961 which can be attributed to changes in hard costs. Nevertheless, we incorporated the updated construction budget into our analysis.

We are not aware of any additional bids, transactions, offers or options to purchase for this asset. There have been no other sales in the last three years.

Exposure Time⁶

It is our opinion that a normal exposure time for the subject property is between six and twelve months. This conclusion is predicated on interviews with brokers and other real estate industry sources and on information obtained in the verification process. The value reported herein presumes such an exposure time.

Marketing Time⁷

It is our opinion that a normal marketing time for the subject property is between six months and twelve 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.

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;

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

⁷ The definition of Marketing Time can be found in the Glossary of Terms, which is located in the Addenda.

- 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.

Scope of the Appraisal

Within the course of this assignment, we have:

- Inspected the exterior of the current development site.
- Researched and investigated the location in terms of its economic activity, development patterns, and future trends and related their impact on the market.
- Researched the subject's zoning, specifically as it pertains to its location within a redevelopment zone.
- Determined the reasonableness of the borrower's total budget with construction surveys and construction cost comparables.
- Analyzed land sales and applied techniques of the cost approach to determine a value via this approach
- Determined the Highest and Best Use of the subject property based on an analysis of all relevant factors.
- Conducted a market survey of rent and vacancy levels of similar properties.
- We have researched and analyzed similar office and retail rental comparables.
- Projected the net operating income and applied a market-derived income capitalization rate to develop an opinion of value of the subject property by the income approach.
- Researched and analyzed sales of competitive assets and applied the techniques of the sales comparison approach in advancing opinions of value.
- Reconciled each approach to value in order to estimate the final value estimate(s) of the subject property based on the purpose of this appraisal.
- Advanced an opinion of the fair value of the identified interest.

General Assumptions

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. We recommend the services of a professional engineer for this purpose. If a report is commissioned and there are any environmental issues uncovered, they could affect our opinion of value reported.
- **Zoning Ordinances:** We recommend an appropriately qualified land use attorney be consulted if a definitive determination of compliance is required.

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.

Sources of Data

Site Data	Source/Verification:
Site Size	Public Record
Excess/ Surplus Land	Tax Map
Gross Size/ Units	Proposed Architectural Plans
Commercial SF	Proposed Architectural Plans
Number of Buildings	Inspection
Amenities	Inspection
Deferred Maintenance	Inspection
Income Data	Owner; Market Forecast
Expense Data	Expense Comparables

North Brooklyn: Office Submarket Analysis

The information contained in this report was provided using 2022 Q4 CoStar data for the North Brooklyn Office Submarket ("Submarket") located in the New York Market ("Market").



Overview

The subject property is in the North Brooklyn Submarket of the New York Market, defined in the map above. This Submarket accounts for 2.0% of the Markets total inventory with 19.1 million square feet of office space. The Office sector demonstrated signs of resiliency in 2021 and early 2022 after experiencing very little demand in 2020. With economic headwinds intensifying over the second half of 2022, office demand has slowed considerably in most markets across the country. Adverse market trends that plagued the office sector during the pandemic are no longer affecting the Submarket. With vacancy rates compressing over the year, annual rent growth is in positive territory. In fact, vacancy rates have compressed to 14.7% while rents have increased 2.5%. With improving market conditions for office properties in the Submarket, values have increased over the past year to \$504/SF but compressed -0.7% in the fourth quarter. Capitalization rates have compressed 7 bps to a rate of 5.3%, but still remain above the long-term average.

Sector Fundamentals

	North Brooklyn	YoY	QoQ	New York	YoY	QoQ
Market Rent/SF	\$43.41	2.5%	0.3%	\$57.13	0.5%	0.1%
Vacancy Rate	14.72%	-271 bps	-15 bps	12.32%	61 bps	12 bps
Availability Rate	17.8%	-42 bps	-45 bps	15.9%	-15 bps	11 bps
Net Absorption SF	85,562	-64.9%	-37.2%	4,271,159	310.6%	704.4%
Asset Value/SF	\$504	5.6%	-0.7%	\$666	0.2%	-2.2%
Market Cap Rate	5.29%	-7 bps	1 bps	5.47%	1 bps	4 bps
Transaction Count	9	12%	-18%	193	-54%	-31%
Sales Volume	\$30,339,000	4%	-30%	\$2,398,003,456	-61%	89%

Supply and demand indicators, including inventory levels, absorption, vacancy, and rental rates for office space in the Submarket are presented in the following table.

Historical Office Performance: North Brooklyn Submarket

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
2022 Q4	19,096,628	1,072,059	94,573	595,857	14.7%	17.8%	\$43.41	\$477	5.29%
2022 Q3	19,028,735	1,064,952	129,694	754,225	14.9%	18.3%	\$43.29	\$478	5.27%
2021	19,002,055	907,681	960,752	567,016	17.4%	18.3%	\$42.34	\$449	5.36%
2020	18,041,303	1,288,561	657,671	80,129	16.1%	18.8%	\$42.13	\$420	5.48%
2019	17,383,632	1,929,375	1,519,031	731,485	13.4%	16.3%	\$44.29	\$433	5.36%
2018	15,864,601	2,983,096	-424,474	-646,713	9.7%	12.1%	\$44.51	\$430	5.24%
2017	16,289,075	2,443,597	271,603	575,888	8.1%	10.8%	\$42.85	\$426	5.09%
2016	16,017,472	1,989,681	323,527	-64,325	10.2%	14.3%	\$43.64	\$421	5.02%
2015	15,693,945	523,630	34,472	187,095	7.7%	11.9%	\$42.07	\$412	4.98%
2014	15,659,473	212,304	22,025	-595,837	8.7%	10.7%	\$38.72	\$375	5.12%
2013	15,637,448	288,291	-57	139,946	4.8%	5.2%	\$35.13	\$332	5.45%

Supply & Demand

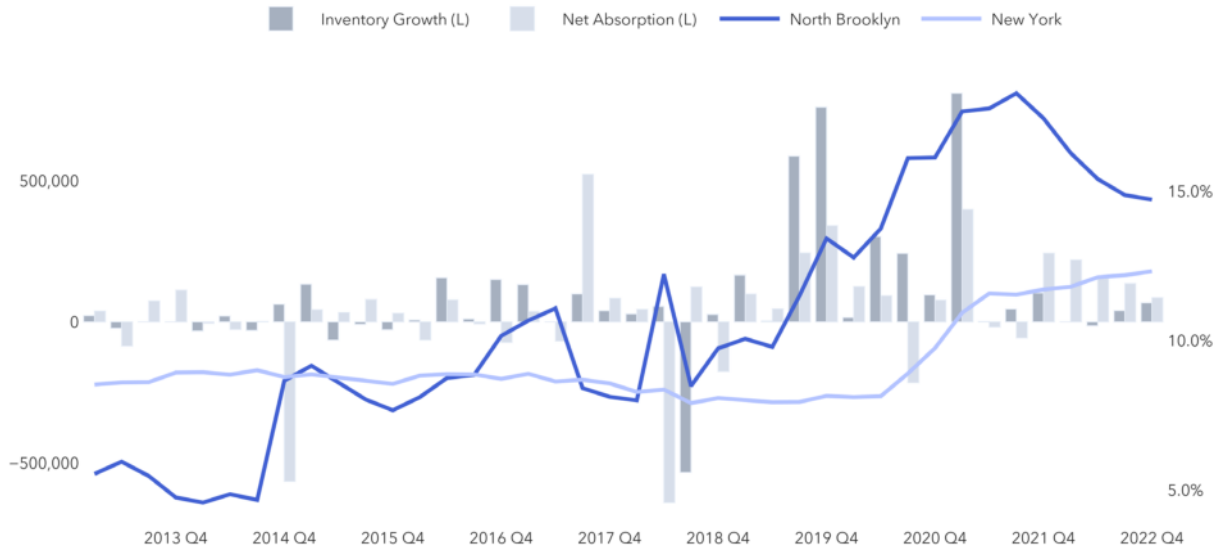
The Submarket has 19.1 million square feet of office space, and developers have added, net of demolitions, 3.4 million square feet over the past ten years, increasing inventory by 21.9% during that time. Demand has not been able to keep up with supply over the past decade and vacancy rates have expanded compared to the rate ten years ago.

Despite an increase in inventory levels over the past year, demand has outpaced it and vacancy rates have compressed 271 bps over the past year from 17.4% to 14.7% the 10-year average of 10.7% and above the Market average by 240 bps. With 85.6k square feet absorbed in the fourth quarter, vacancy rates have compressed 15 bps over the past quarter. In the fourth quarter, office tenants in the Submarket absorbed 85.6k square feet, a decrease from the 136.2k square feet absorbed in 2022 Q3, and also down from the 243.9k square feet absorbed in the same quarter last year. Class A space in the Submarket has an elevated vacancy rate of 46.5% followed by 13.6% for Class B space, and 3.4% for Class C space.

Vacancy Rates

	2013	2014	2015	2016	2017	2018	2019	2020	2021	22 Q3	22 Q4
National	11.6%	10.9%	10.3%	9.9%	9.8%	9.5%	9.6%	10.9%	12.0%	12.3%	12.5%
Market	8.9%	8.8%	8.6%	8.7%	8.6%	8.1%	8.2%	9.8%	11.7%	12.2%	12.3%
Submarket	4.8%	8.7%	7.7%	10.2%	8.1%	9.7%	13.4%	16.1%	17.4%	14.9%	14.7%
Class A	1.0%	3.1%	3.0%	29.9%	30.7%	42.3%	61.4%	59.4%	55.7%	48.2%	46.5%
Class B	4.1%	11.3%	10.3%	13.1%	8.9%	12.0%	10.0%	11.8%	15.6%	13.3%	13.6%
Class C	5.9%	5.7%	4.6%	4.4%	4.7%	3.2%	3.6%	5.5%	4.6%	3.6%	3.4%

Absorption & Vacancy Rates



Rents

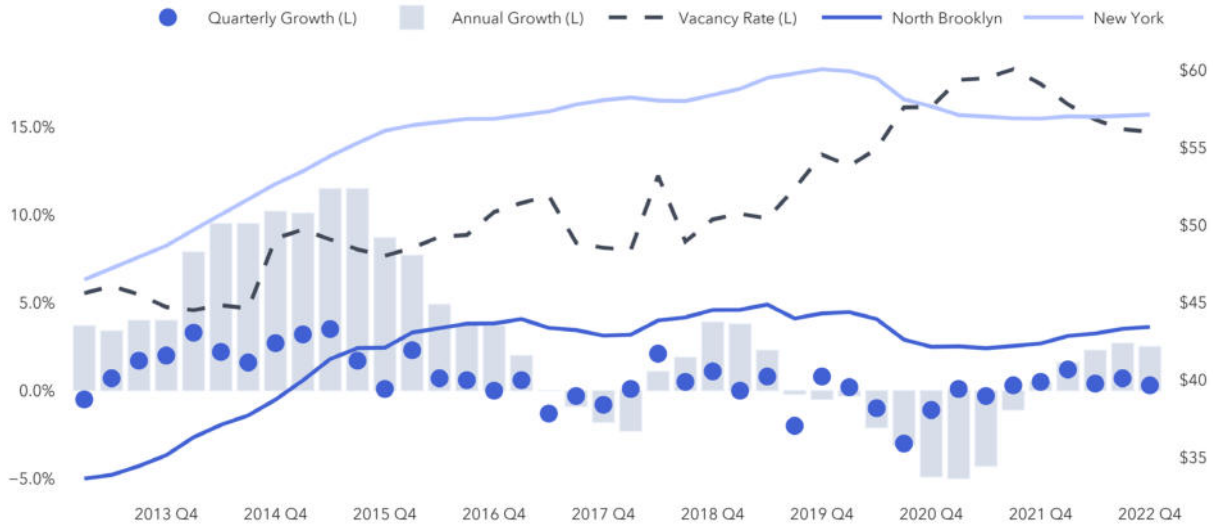
At \$43.41/SF, rents in the Submarket are roughly 24% lower than the Market where rents sit at \$57.13/SF. Rents in the Submarket have increased 2.9% per annum over the past decade, exceeding the Market, where rents increased 2.3% per annum during that time.

Market Rents

	2013	2014	2015	2016	2017	2018	2019	2020	2021	22 Q3	22 Q4
National	\$27.48	\$28.94	\$30.60	\$31.61	\$32.53	\$33.63	\$34.97	\$34.47	\$34.79	\$35.15	\$35.19
Market	\$48.66	\$52.65	\$56.08	\$56.86	\$58.06	\$58.38	\$60.06	\$57.66	\$56.87	\$57.09	\$57.13
Submarket	\$35.13	\$38.72	\$42.07	\$43.64	\$42.85	\$44.51	\$44.29	\$42.13	\$42.34	\$43.29	\$43.41
Class A	\$45.12	\$47.24	\$51.75	\$52.61	\$54.22	\$54.28	\$56.81	\$55.18	\$54.71	\$54.77	\$54.75
Class B	\$33.70	\$36.94	\$41.31	\$42.71	\$41.53	\$43.65	\$43.44	\$40.82	\$41.16	\$42.22	\$42.38
Class C	\$32.64	\$37.49	\$38.65	\$40.84	\$39.54	\$41.21	\$39.68	\$38.01	\$38.32	\$39.52	\$39.63

Prior to the pandemic, the North Brooklyn Office Submarket experienced softening rent growth. In 2019 Q4, annual rent growth in the Submarket softened below the previous quarter, and was below the historical average, with annual growth of -0.5%. In 2020 Q2, quarterly rent growth fell to -1.0%. By the end of 2020, rents had fallen 4.9% from the 2019 Q4 rent level of \$44.29/SF. From 2019 Q4 to 2021 Q4, rents have decreased 4.4%. Quarterly rent growth in 2022 Q4 decreased 0.3% from the previous quarter, softening annual growth to 2.5%.

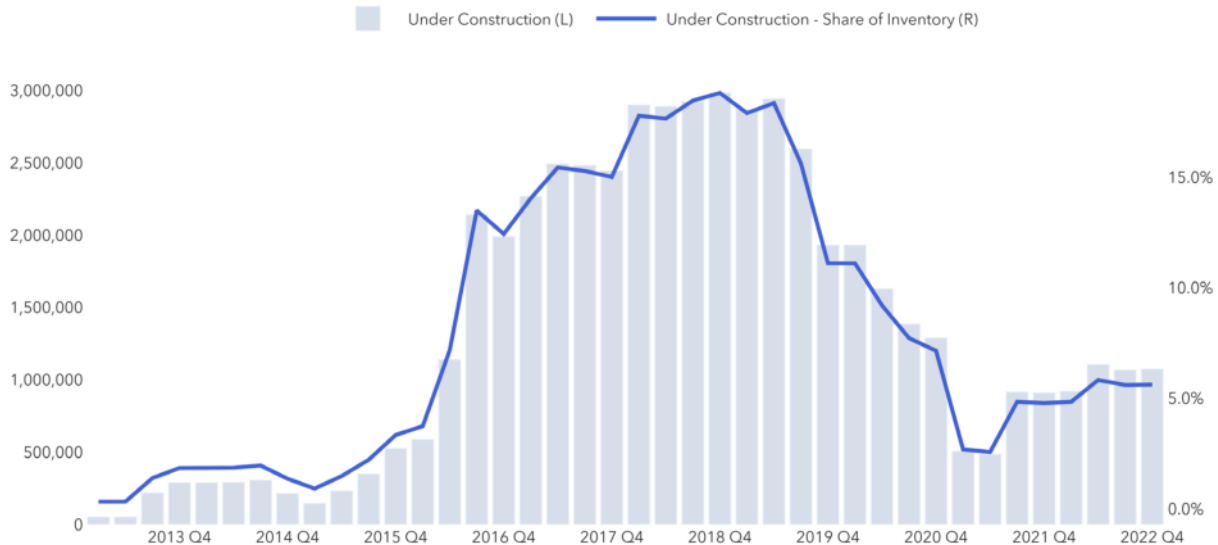
Market Rent/SF - Annual & Quarterly Growth



Construction & Future Supply

Developers have been active for much of the past ten years. In fact, they have added 4.7 million square feet to the Submarket over that time, expanding inventory by 21.9%. Developers are currently active in the Submarket with 1.1 million square feet, or the equivalent of 5.6% of existing inventory, underway. Demand in the North Brooklyn Submarket has outpaced new deliveries over the past year but could slow along with softening economic growth.

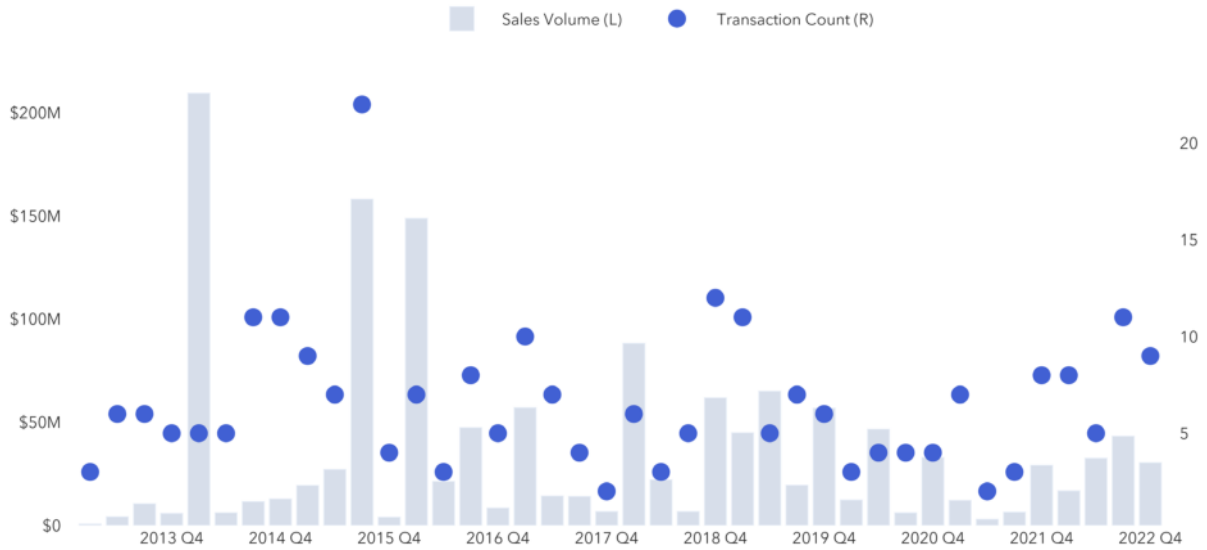
Under Construction SF - Share of Inventory



Capital Markets

Investors have been active in the Submarket over the past three years. Going back three years, investors have closed, on average, 23 transactions per year with an annual average sales volume of \$90.3 million. Over the past year, there were 33 closed transactions across 320.9k square feet, for a total sales volume of \$122.7 million. In 2022 Q4, there were 9 sales for a total sales volume of \$30.3 million, compared to \$43.2 million in the previous quarter.

Sales Volume & Transaction Count

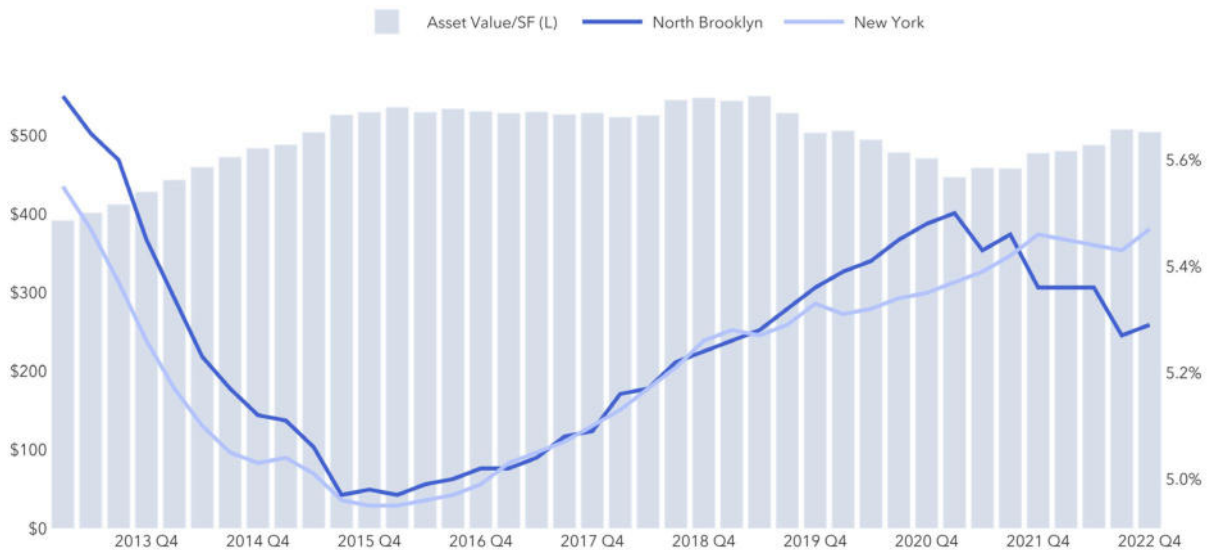


Market pricing, based on the estimated price movement of all properties in the Submarket, sat at \$504/SF and has increased 5.6% over the past year but have compressed 0.7% in the past quarter. Capitalization rates have compressed 7 bps over the past year to 5.3% and increased 1 bps in the fourth quarter. Higher interest rates, the subsequent cost of debt, and the limited improvement in market conditions will weigh on both activity and pricing going forward. However, favorable yields, especially relative to other property sectors, should help to offset.

Recent Transactions

Property Address	RBA	Building Class	Year Built	Last Sale Date	Last Sale Price
284 Suydam St, Brooklyn	4,875	C	1901	Q1 2022	\$2,000,000
541 3rd Ave, Brooklyn	3,000	C	1925	Q3 2021	\$1,880,000
790-792 Flushing Ave, Brooklyn	6,780	C	1931	Q3 2021	\$1,150,000

Asset Value & Market Cap Rates



Outlook

Office demand remains well below pre-pandemic levels. Many office markets are contending with elevated vacancy and availability rates. This is occurring at a time of a looming recession, which has resulted in layoffs from many companies, slowing the recovery for the sector.

Office market conditions in the North Brooklyn Submarket show growing demand despite an increase in inventory. With demand outpacing new inventory, vacancy rates have compressed over the past year. With vacancy rates compressing, quarterly rent growth in 2022 Q4 reached 0.3%, softening annual growth to 2.5%. Looking ahead to the near-term, it is likely that tenants remain active, although at a slower pace with rents increasing. With improving market conditions, values will likely experience some growth.

Supply and demand indicators, including inventory levels, absorption, vacancy, and rental rates for retail space in the Submarket are presented in the following table.

Historical Retail Performance: North Brooklyn Submarket

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
2022 Q4	49,979,494	300,330	-230,825	-185,234	3.0%	3.8%	\$52.07	\$504	5.21%
2022 Q3	50,150,588	284,023	26,470	-170,270	3.4%	4.0%	\$52.18	\$504	5.20%
2021	50,204,635	213,242	182,351	638,832	3.1%	4.0%	\$51.39	\$494	5.19%
2020	50,022,284	269,788	-76,654	-301,246	4.0%	4.9%	\$50.13	\$474	5.27%
2019	50,098,938	120,965	-58,826	-109,298	3.5%	4.2%	\$50.62	\$464	5.35%
2018	50,155,204	293,036	555,393	496,913	3.4%	4.4%	\$49.98	\$449	5.39%
2017	49,597,975	703,053	159,767	-315,884	3.4%	4.5%	\$49.41	\$439	5.39%
2016	49,438,208	276,790	184,653	462,296	2.4%	4.2%	\$48.23	\$426	5.40%
2015	49,253,555	342,388	229,636	333,863	3.0%	4.7%	\$47.08	\$405	5.52%
2014	49,023,919	524,966	349,856	578,491	3.2%	6.0%	\$45.34	\$365	5.83%
2013	48,674,063	677,223	225,838	379,677	3.7%	5.3%	\$43.55	\$313	6.25%

Supply & Demand

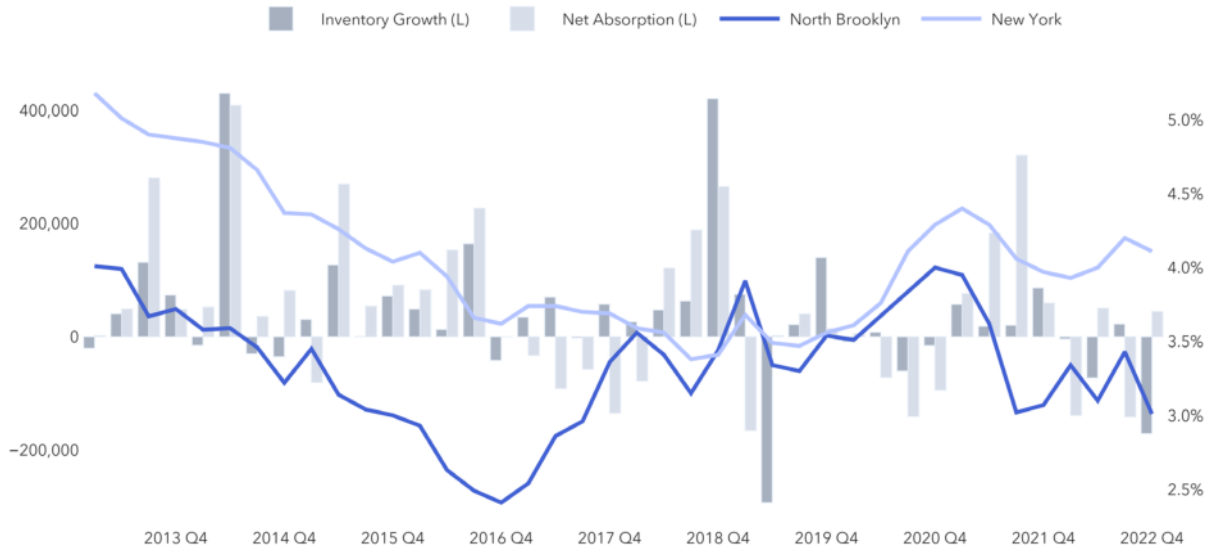
The Submarket has 50 million square feet of retail space, and developers have added, net of demolitions, 1.6 million square feet over the past ten years, increasing inventory by 3.2% during that time. Despite this increase in supply over the past ten years, demand has outpaced it and vacancy rates are lower than they were a decade ago.

Despite falling demand, with falling inventory levels, vacancy rates have compressed 7 bps over the past year from 3.1% to 3.0% remain below the 10-year average of 3.3% and below the Market average by 110 bps. With 44.5k square feet absorbed in the fourth quarter, vacancy rates have compressed 42 bps over the past quarter. In the fourth quarter, retail tenants in the Submarket absorbed 44.5k square feet, an increase from the -141.5k square feet absorbed in 2022 Q3 but a decrease from the 59.5k square feet absorbed in the same quarter last year. Power space in the Submarket has an elevated vacancy rate of 7.2% followed by 7.0% for Neighborhood space, 2.8% for General Retail space, and 0.0% for Strip space.

Vacancy Rates

	2013	2014	2015	2016	2017	2018	2019	2020	2021	22 Q3	22 Q4
National	6.2%	5.6%	5.2%	4.6%	4.5%	4.4%	4.5%	5.1%	4.7%	4.3%	4.2%
Market	4.9%	4.4%	4.0%	3.6%	3.7%	3.4%	3.6%	4.3%	4.0%	4.2%	4.1%
Submarket	3.7%	3.2%	3.0%	2.4%	3.4%	3.4%	3.5%	4.0%	3.1%	3.4%	3.0%
General Retail	3.8%	3.4%	3.1%	2.4%	3.4%	3.5%	3.5%	3.9%	3.0%	3.1%	2.8%
Neighborhood	2.9%	1.7%	0.1%	2.0%	2.2%	0.0%	6.7%	13.4%	10.4%	10.1%	7.0%
Power	0.0%	0.0%	0.0%	1.9%	1.9%	2.8%	2.8%	1.1%	0.1%	7.2%	7.2%
Strip	11.7%	5.5%	4.5%	7.0%	7.2%	3.2%	9.2%	10.7%	4.6%	5.5%	0.0%

Absorption & Vacancy Rates



Rents

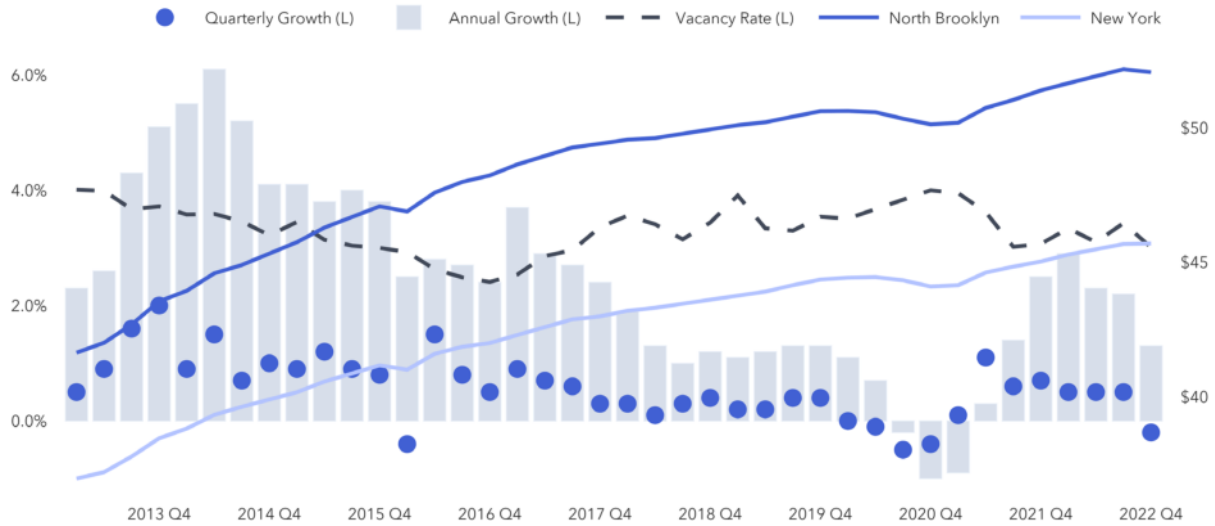
At \$52.07/SF, rents in the Submarket are roughly 14% higher than the Market where rents sit at \$45.70/SF. Rents in the Submarket have increased 2.5% per annum over the past decade, exceeding the Market, where rents increased 2.4% per annum during that time.

Market Rents

	2013	2014	2015	2016	2017	2018	2019	2020	2021	22 Q3	22 Q4
National	\$18.56	\$19.05	\$19.59	\$20.06	\$20.63	\$21.15	\$21.67	\$22.00	\$22.76	\$23.53	\$23.70
Market	\$38.46	\$39.90	\$41.17	\$42.00	\$42.99	\$43.61	\$44.36	\$44.10	\$45.03	\$45.68	\$45.70
Submarket	\$43.55	\$45.34	\$47.08	\$48.23	\$49.41	\$49.98	\$50.62	\$50.13	\$51.39	\$52.18	\$52.07
General Retail	\$43.81	\$45.59	\$47.35	\$48.51	\$49.69	\$50.24	\$50.82	\$50.32	\$51.61	\$52.45	\$52.32
Neighborhood	\$39.10	\$40.83	\$42.37	\$43.43	\$44.54	\$45.51	\$47.00	\$46.82	\$47.33	\$47.54	\$47.55
Power	\$39.54	\$41.26	\$42.72	\$43.72	\$44.83	\$45.82	\$47.29	\$47.17	\$47.77	\$48.18	\$48.19
Strip	\$39.50	\$41.24	\$42.83	\$43.92	\$45.03	\$46.09	\$47.64	\$47.40	\$47.71	\$47.44	\$48.04

In 2019 Q4, annual rent growth in the Submarket remained stable, but was below the historical average, with annual growth of 1.3%. In 2020 Q2, quarterly rent growth fell to -0.1%. By the end of 2020, rents had fallen 1.0% from the 2019 Q4 rent level of \$50.62/SF. From 2019 Q4 to 2021 Q4, rents have increased 1.5%. Quarterly rent growth in 2022 Q4 decreased -0.2% from the previous quarter, softening annual growth to 1.3%.

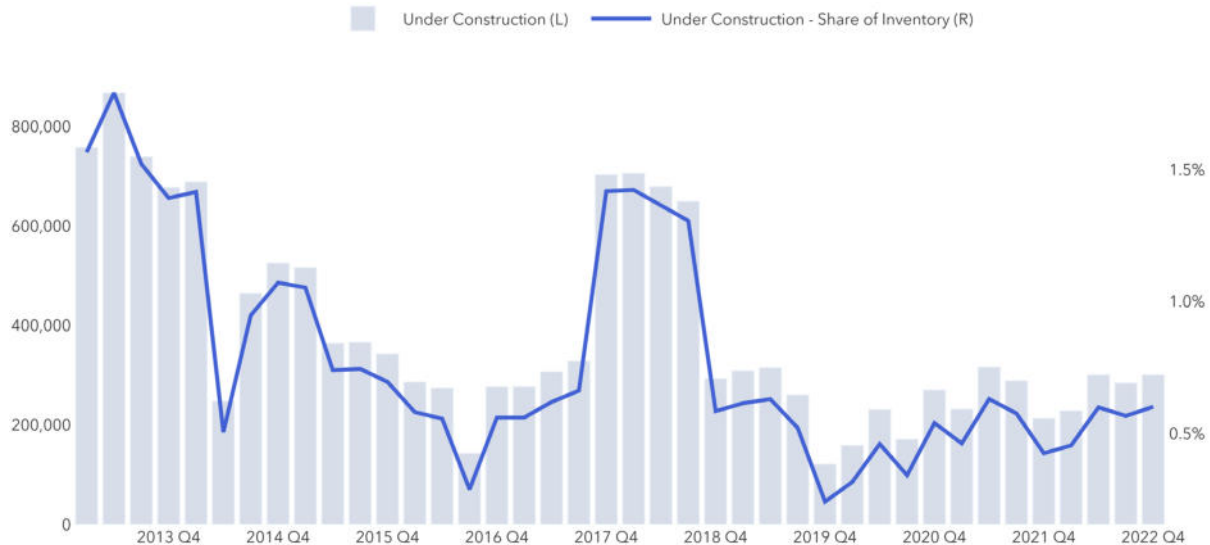
Market Rent/SF - Annual & Quarterly Growth



Construction & Future Supply

Developers have been active for much of the past ten years. In fact, they have added 3 million square feet to the Submarket over that time, expanding inventory by 3.2%. Developers are currently active in the Submarket with 300.3k square feet, or the equivalent of 0.6% of existing inventory, underway. Demand in the North Brooklyn Submarket has outpaced new deliveries over the past year but could slow along with softening economic growth.

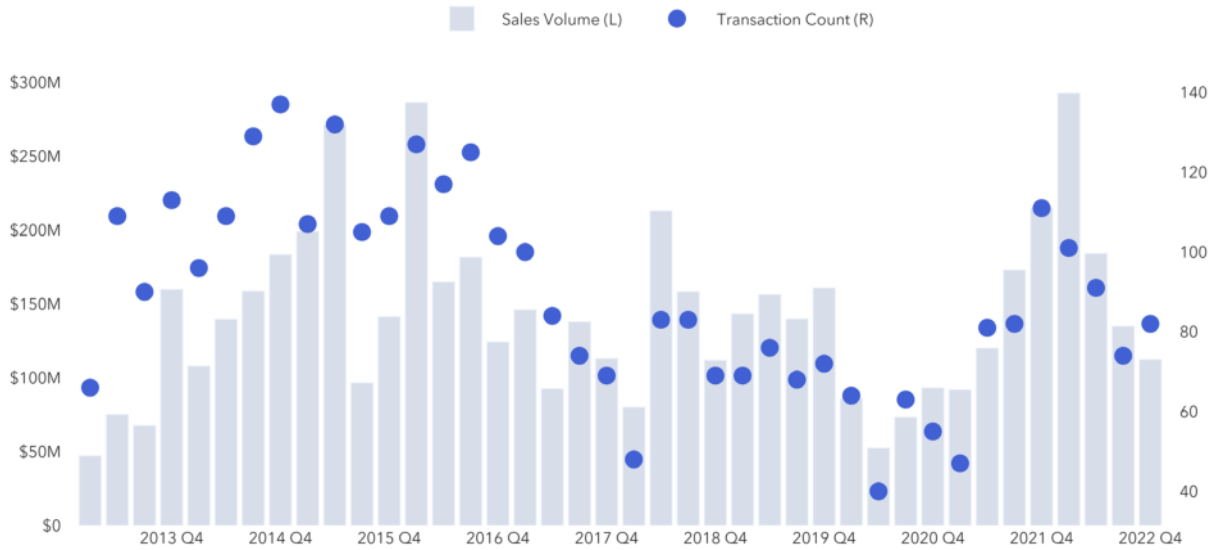
Under Construction SF - Share of Inventory



Capital Markets

Investors have been active in the Submarket over the past three years. Going back three years, investors have closed, on average, 297 transactions per year with an annual average sales volume of \$542.1 million. Over the past year, there were 348 closed transactions across 1.7 million square feet, for a total sales volume of \$723.3 million. In 2022 Q4, there were 82 sales for a total sales volume of \$112.1 million, compared to \$134.7 million in the previous quarter.

Sales Volume & Transaction Count

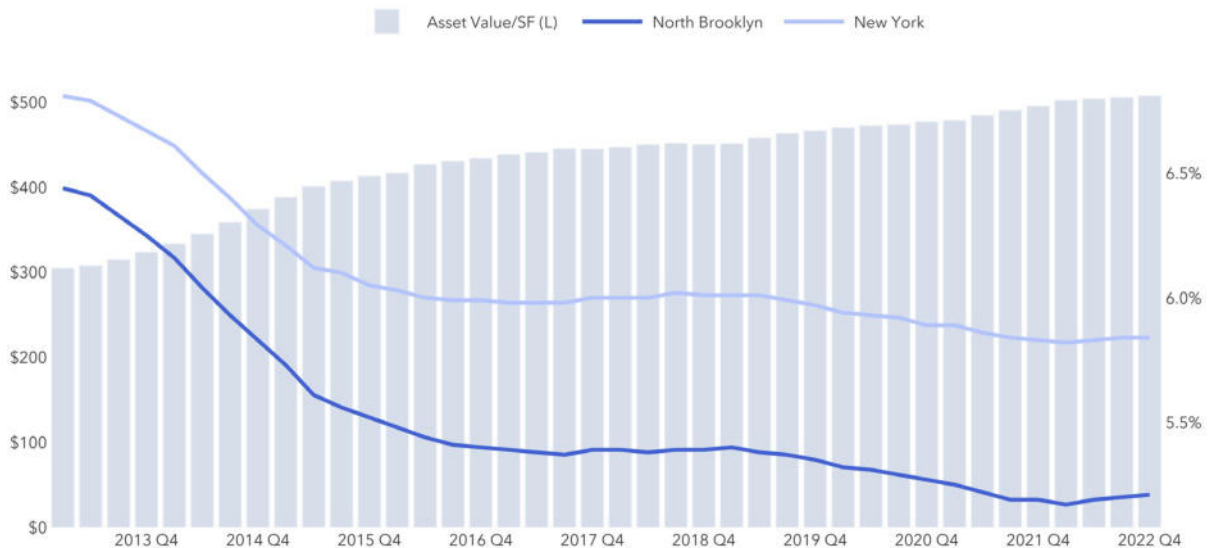


Market pricing, based on the estimated price movement of all properties in the Submarket, sat at \$508/SF and has increased 2.5% over the past year and 0.4% in the past quarter. Capitalization rates have increased 3 bps over the past year to 5.2% and increased 1 bps in the fourth quarter. While consumers continue to spend despite elevated inflation, the rising cost of debt has slowed activity in the capital markets. However, there is demand from investors, especially for properties with strong fundamentals in markets experiencing outsized population and household growth.

Recent Transactions

Property Address	RBA	Building Class	Year Built	Last Sale Date	Last Sale Price
156 Court St, Brooklyn	7,675	C	1900	Q1 2022	\$7,065,000
144-150 Greenpoint Ave, Brooklyn	22,800	C	1931	Q3 2021	\$6,250,000
225 5th Ave, Brooklyn	5,240	C	1920	Q4 2021	\$5,150,000

Asset Value & Market Cap Rates

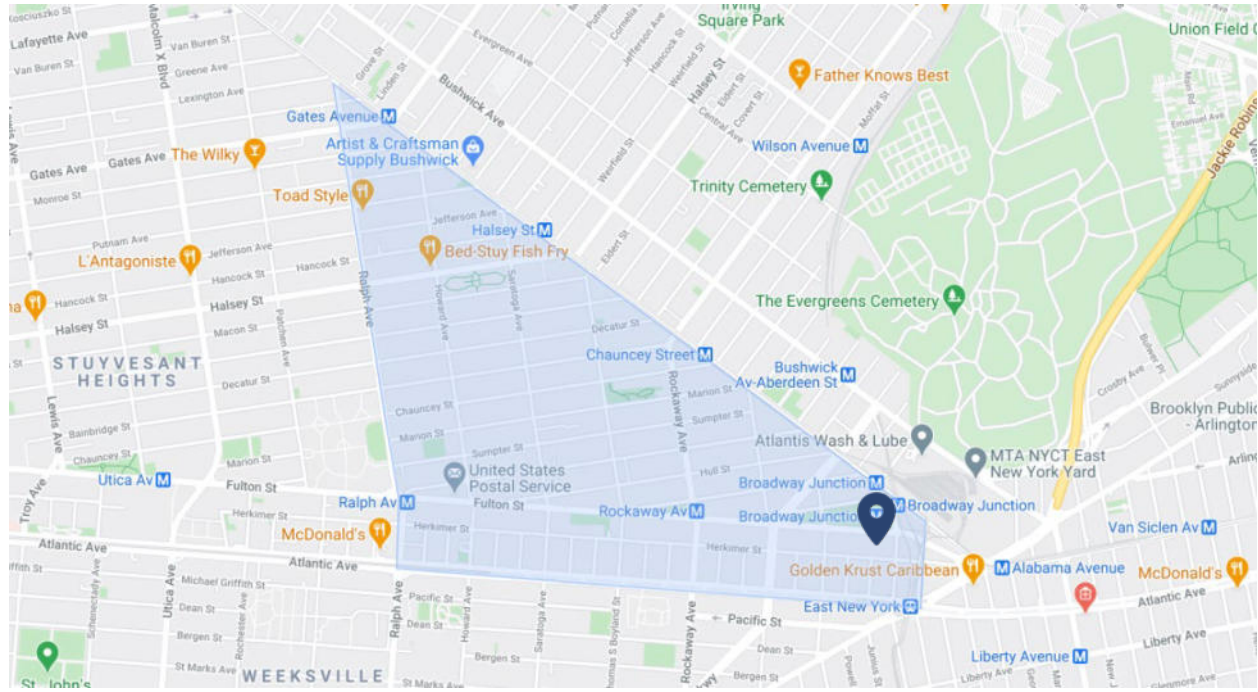


Outlook

The retail sector has recovered relatively well from the pandemic. Retail sales and foot traffic remained elevated despite high inflation. However, the threat of a recession has shifted consumer preferences, with retail sales softening to end the year. Still, property performance continues to vary significantly by subtype, location, class, and tenant composition. Properties with necessity based retailers or those in strong population growth markets are best positioned.

Retail market conditions in the North Brooklyn Submarket show that despite a decrease in absorption levels, the Submarket has been aided by a decrease in inventory, compressing vacancy rates over the past year. With vacancy rates compressing, quarterly rent growth in 2022 Q4 reached -0.2%, softening annual growth to 1.3%. Looking ahead to the near-term, it is likely that tenants remain active, although at a slower pace with rent growth declining. With softening market conditions amidst rising debt costs, values will likely experience downward pressure.

Neighborhood & Demographic Overview



Source: Google Maps

Ocean Hill at a Glance

Ocean Hill is a neighborhood in Brooklyn, New York City and is a subsection of Bedford-Stuyvesant originally named for its hills. It is bounded by Bushwick to the north, Brownsville to the south, and Stuyvesant Heights to the west. Today, the neighborhood is experiencing strong population growth fueled by strong subway access and a growing commercial strip along Rockaway Avenue. As a result, a number of residential developments, from single family homes to large properties of 20+ units are under construction. Population growth has historically outpaced that of Brooklyn overall, and while population growth is expected to slow, it is still forecasted to outpace Brooklyn. Given its proximity and relative affordability, the Ocean Hill neighborhood will continue to see growth in the near-term future.

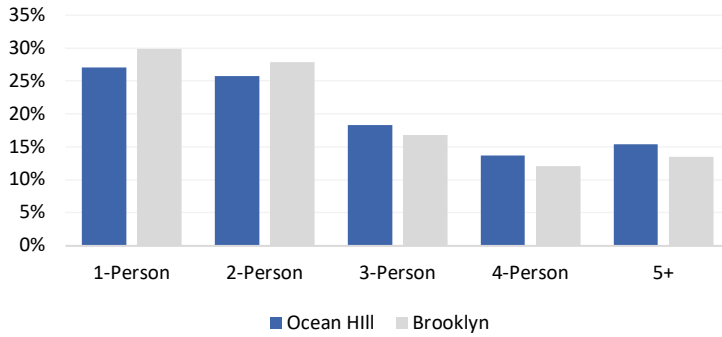
The following demographic profile, assembled by Envionics Analytics, a nationally recognized compiler of demographic data, reflects the subject’s municipality (Ocean Hill) and market (Brooklyn). All values presented herein are estimates for 2021 and all figures presented are for the subject neighborhood unless stated otherwise.

	Area	2000 Census	2010 Census	Change	2021 Est.	Change	2026 Projected	Change
Population	Ocean Hill	6,285	6,228	-0.91%	6,902	10.82%	7,219	4.59%
	Brooklyn	2,465,323	2,504,700	1.60%	2,663,688	6.35%	2,729,851	2.48%
Households	Ocean Hill	2,052	2,186	6.53%	2,471	13.04%	2,602	5.30%
	Brooklyn	880,721	916,856	4.10%	989,055	7.88%	1,018,358	2.96%
Family Households	Ocean Hill	1,512	1,490	-1.46%	1,682	12.89%	1,770	5.23%
	Brooklyn	584,121	573,363	-1.84%	614,593	7.19%	631,736	2.79%

Neighborhood

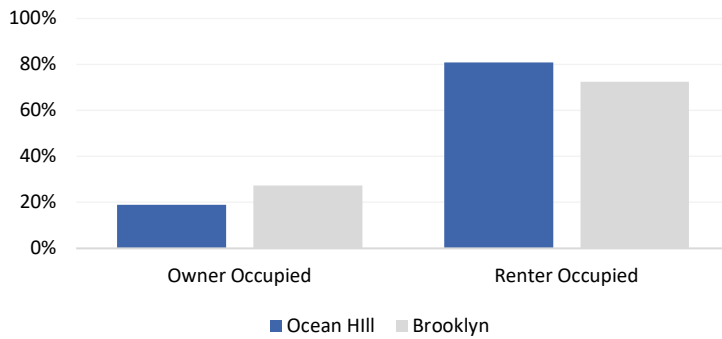
Housing

Households by Household Size



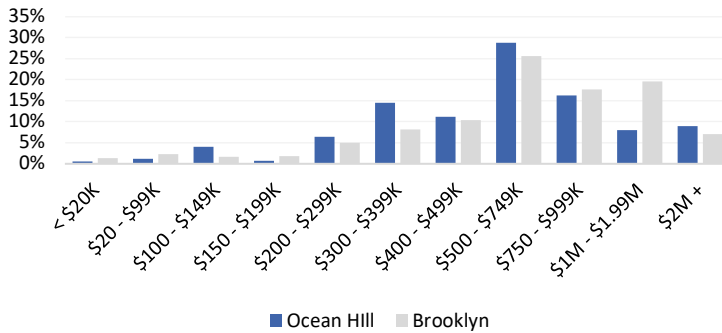
HOUSEHOLDS
2,471
AVERAGE HOUSEHOLD SIZE
2.77

Occupied Housing Units by Tenure



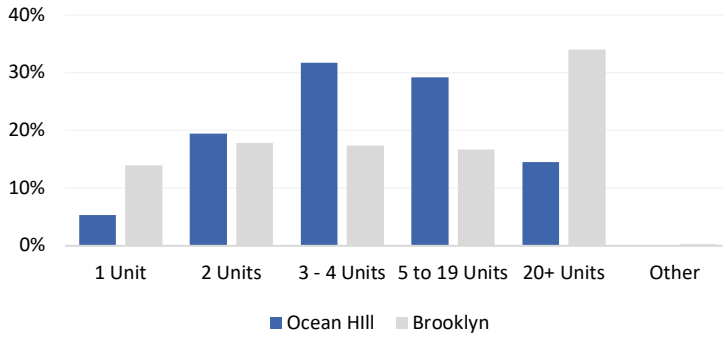
MAJORITY OCCUPIED HOUSING UNITS
81% Renter

Owner Occupied Housing Units by Value



MEDIAN OWNER-OCCUPIED HOUSING VALUE
\$598,060

Housing Units by Units in Structure



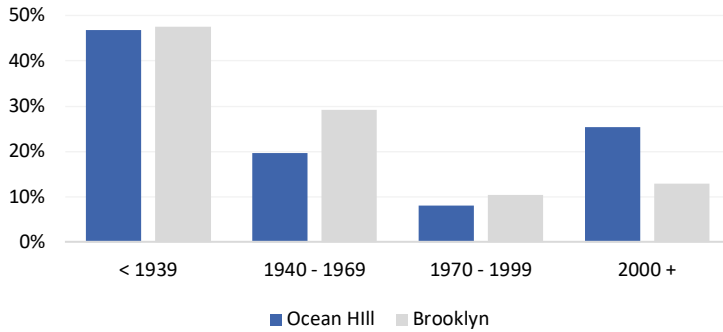
NEIGHBORHOOD HOUSING UNITS

2,794

COUNTY/CITY HOUSING UNITS

1,074,602

Housing Units by Year Structure Built



NEIGHBORHOOD MEDIAN YEAR STRUCTURE BUILT

1954

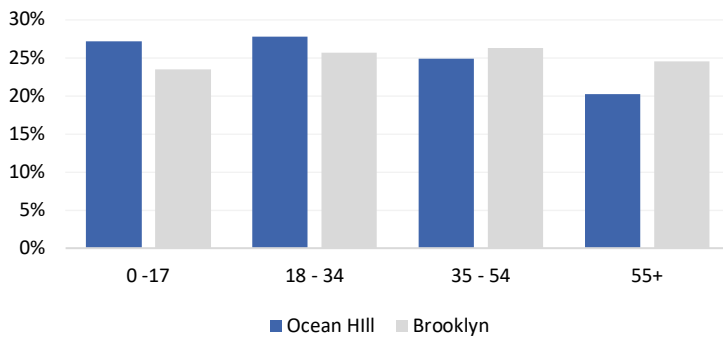
COUNTY/CITY MEDIAN YEAR STRUCTURE BUILT

1941

Demographics

Population

Population by Age



POPULATION

6,902

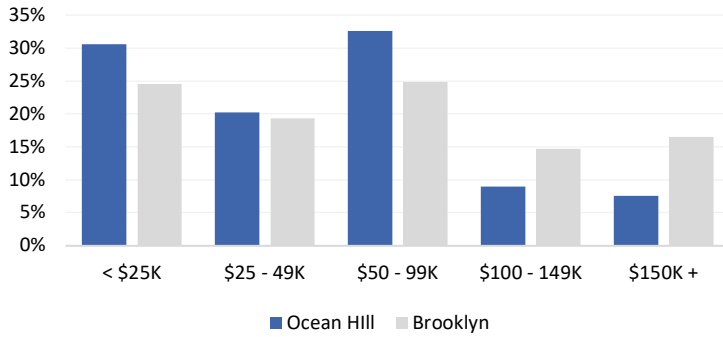
MEDIAN AGE

32

AVERAGE AGE

34

Households by Household Income



MEDIAN HOUSEHOLD INCOME

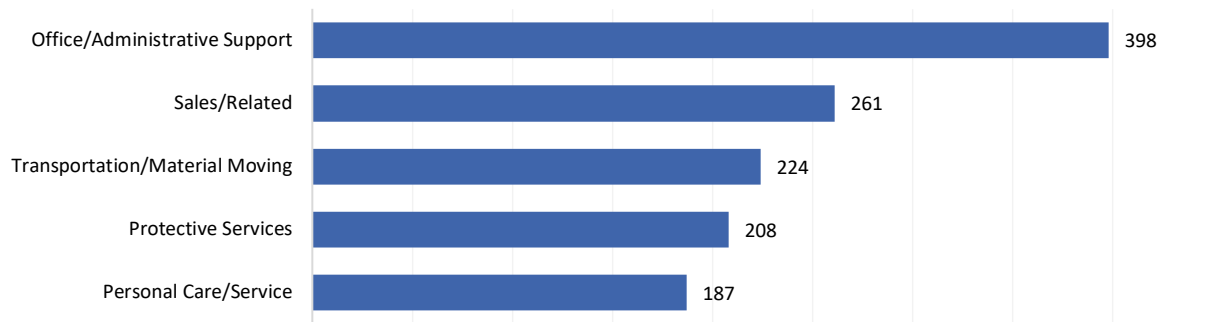
\$48,936

AVERAGE HOUSEHOLD INCOME

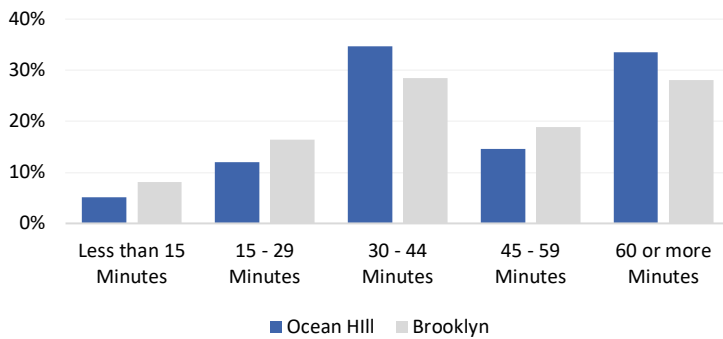
\$63,513

Employment & Transportation

Top 5 Employment Occupations in Neighborhood



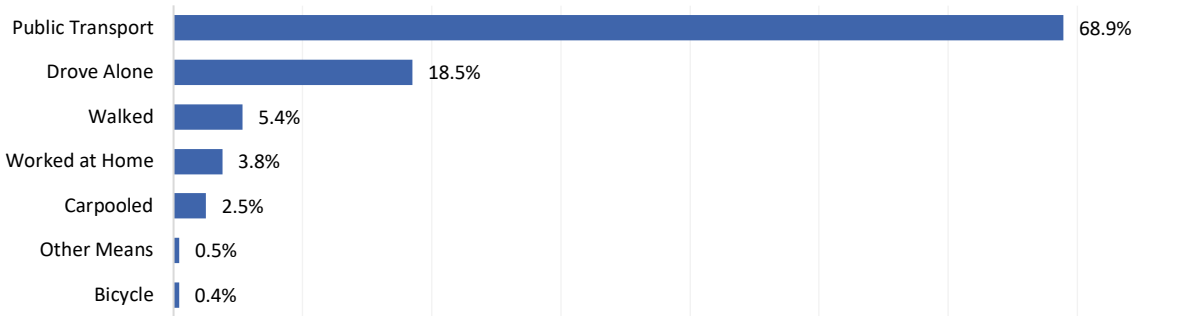
Travel Time to Work







AVERAGE TRAVEL TIME TO WORK

51 minutes

Transport Mode to Work in Neighborhood



Transport Modes and Access

-  Major roads include Atlantic Avenue and Fulton Street, which run east and west and connect to Interstate 278 and the Jackie Robinson Parkway. In addition, Bushwick Avenue, runs northwest and connects to Interstate 278 as well.
-  The neighborhood is located in the southeast corner of Bed-Stuy, which has multiple transit stops along the A, C, J, and L train routes. In addition, the Long Island Railroad (LIRR) East New York Station provides access to six routes.
-  The MTA has multiple bus routes that service the area and connect to other routes in the area.
-  The nearest airports are JFK International Airport (9 mi.), followed by LaGuardia International Airport (10 mi.)

Conclusion

Ocean Hill is a small neighborhood in Brooklyn, New York City. It is ideally located with access to two major local corridors, public transit, and a growing development scene in nearby Bedstuy and Broadway Junction. Here, residents have access to the subway and the LIRR commuter trains. The area has seen strong population growth over the last ten years and is expected to see continued growth.

East New York Rezoning

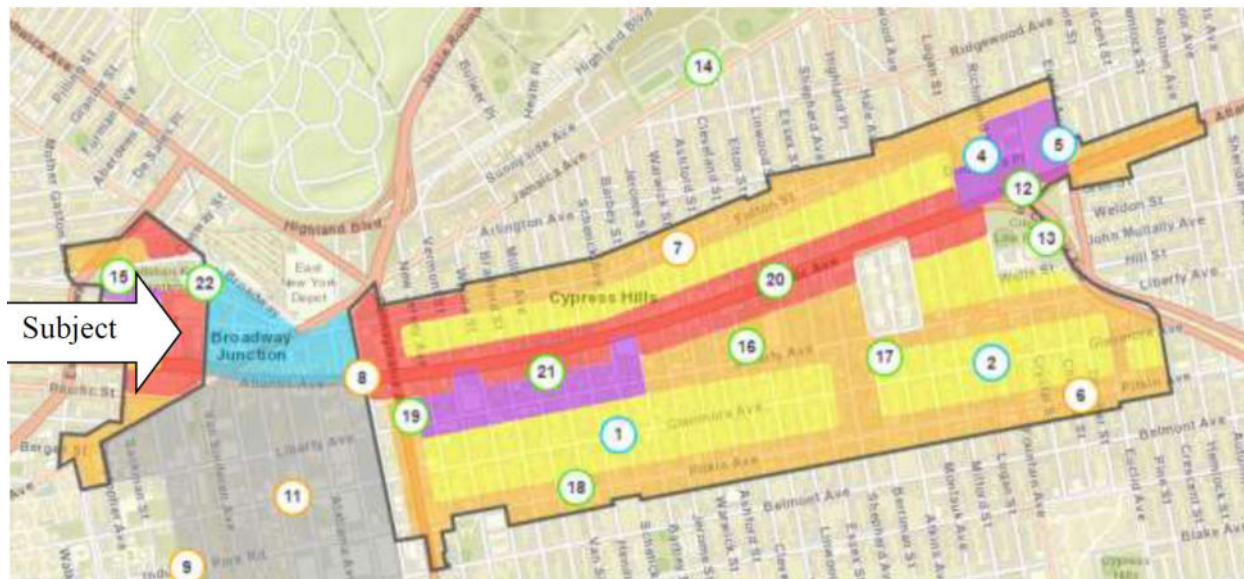
A rezoning or remapping occurs when the zoning designation(s) for an area is changed on the NYC zoning maps to facilitate policy initiatives and achieve community objectives. New zoning applies only to new development, existing business or residential uses that would not be permitted under new zoning may remain indefinitely. These are considered non-conforming uses.

The East New York Neighborhood Plan is a coordinated plan to promote affordable housing, encourage economic development, create pedestrian-friendly streets and invest in community resources to support the long-term growth and sustainability of East New York, Cypress Hills and Ocean Hill.

The East New York Neighborhood Plan is a part of Housing New York, the Mayor's housing plan to build and preserve affordable housing through community development initiatives that foster a more equitable and livable New York City.

The existing zoning restricts new development to low density, there is no new residential development allowed along Atlantic Avenue, around Broadway Junction, and on parts of Liberty Avenue. Most of the neighborhood has not changed since 1961. With zoning changes, developers can construct taller buildings in exchange for a commitment to including below-market-rate apartments, which also makes room for more retail and community chosen for study for the possibilities it held as a transit-rich location.

Approximately 190 blocks in northern East New York, Cypress Hills and Ocean Hill are targeted under the plan. In East New York and Cypress Hills, the area is bordered by Sheffield to Lincoln avenues and Fulton Street to Pitkin Avenue. In Ocean Hill, the affected area is from Eastern Parkway Extension to Van Sinderen Avenue, and Broadway to East New York Avenue.

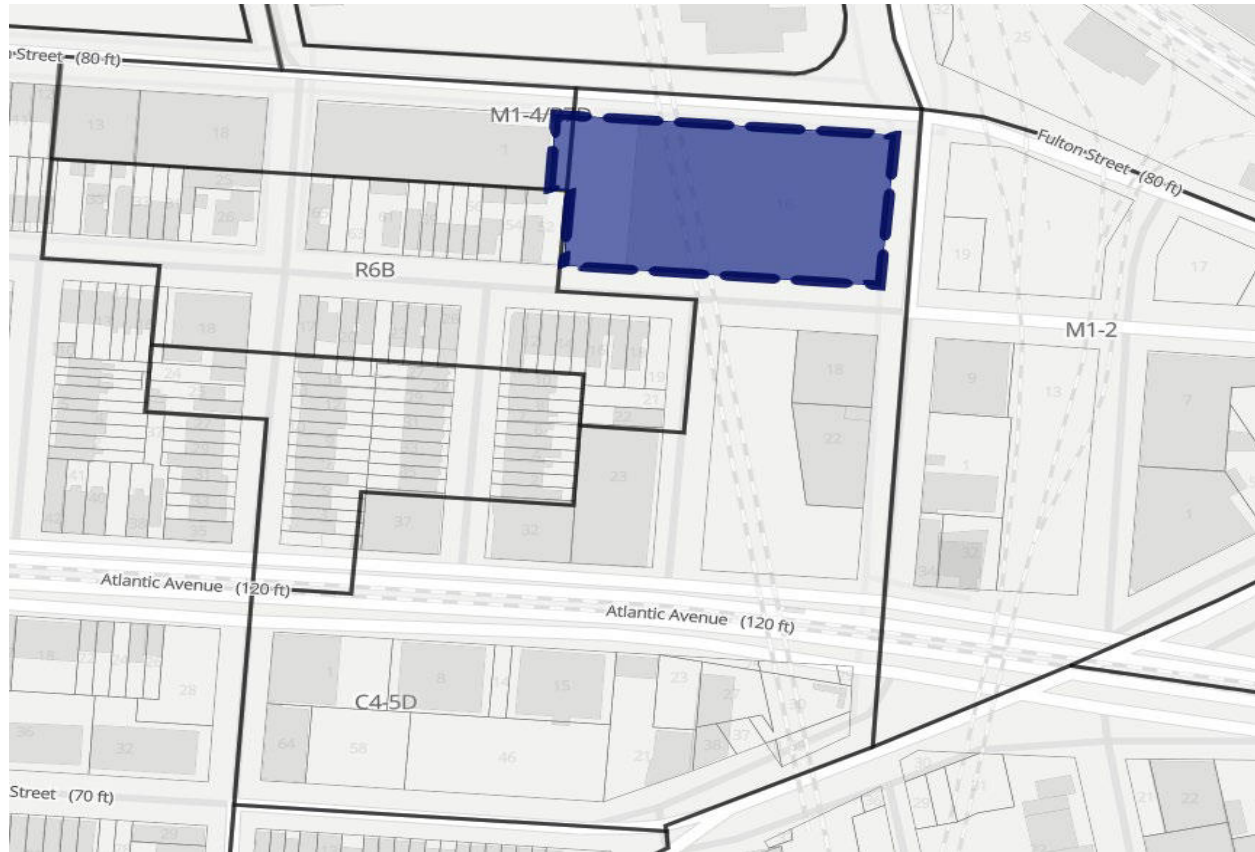


Broadway Junction, located at the nexus of several Central Brooklyn neighborhoods, has suffered from decades of disinvestment. Although it is well-served by mass transit, residents of the surrounding community describe the area as “desolate and unsafe,” and don’t perceive it as part of their neighborhood. Members of the community have long advocated for public- and private-sector investment to activate Broadway Junction as a major economic hub and driver of local opportunity.

The Leser Group’s vision for the subject, 2440 Fulton, is to become a community-centric gateway with retail and neighborhood compatible uses including a space for city offices and an institute for higher education.

Zoning Summary

The subject is currently zoned C4-5D.



C4-5D Zoning Summary

We note that the subject was recently rezoned from an M1-2 zone to a C4-5D zone. 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).

C4 Commercial Districts

District	Residential Equivalent District	Commercial FAR	Residential FAR
C4-1	R5	1.0	1.25
C4-2/C4-3	R6	3.4	0.78-2.43 ^{1,3}
C4-2A/C4-3A	R6A	3.0	3.0 ⁴
C4-4/C4-5	R7	3.4	0.87-3.44 ^{3,4}
C4-4A/ C4-4L/ C4-4A	R7A	4.0	4.0 ⁴
C4-4D	R8A	3.4	6.02 ⁴
C4-5D	R7D	4.2	4.2 ⁴
C4-5X	R7X	4.0	5.0 ⁴
C4-6	R10	3.4	10.0 ^{4,5}
C4-6A	R10A	3.4	10.0 ⁴
C4-7	R10	10.0 ⁵	10.0 ^{4,5}
C4-7A	R10A	10.0	10.0 ⁴

¹ 3.0 FAR permitted on wide streets outside the Manhattan Core under Quality Housing Program

² 7.2 FAR permitted on wide streets outside the Manhattan Core under Quality Housing Program

³ 4.0 FAR permitted on wide streets outside the Manhattan Core under Quality Housing Program

⁴ Increase in FAR with Inclusionary Housing Program Bonus

⁵ FAR bonus up to 20% for a public plaza

Bulk Calculation Current and Proposed Zoning

Based on the maximum effective FAR of 4.20, 325,500 square feet of bulk development is permitted on the site.

Ownership has provided buildings plans for the current development that can be found in the addenda. The plans present a total gross area of 409,080± square foot (inclusive of the lower level) and a zoning floor area of 337,554 based on a FAR of 4.36.

The current improvements conform in terms of age, condition, and construction to surrounding improvements within the immediate neighborhood. We assume the proposed improvements will be of legal, conforming and complying use.

Assessed Values & Real Estate Taxes



2440 Fulton Street is designated on Kings County Tax Maps as block and lot 1554 / 16. The current assessed value is shown below:

2023/2024 Tentative Assessed Value

Current Assessment: **1554 / 16**

	Actual		Transitional	
Land	\$1,220,850		\$691,650	
Building	+	\$0	+	\$0
Total	\$1,220,850		\$691,650	

Tax Rates

The City of New York has four tax categories for real property, of which the subject is considered Class 4. The most recent tax rate for Class 4 properties was 10.646%.

Current Tax Liability

Taxable Assessed Value	\$691,650
Tax Rate	x 10.646%
Tax Liability	\$73,633

We note that the table above is the current tax burden for the subject prior to completion of the proposed development. Any new improvements constructed would be reassessed by the City.

Projected Tax Liability

To determine the subject's prospective assessment and associate tax liability upon completion of the proposed construction, we have surveyed comparable office building assessments in the area:

Competitive RE Tax Assessments

Comparable	Year Built / Renovated	SF	Taxes/SF
2211 CHURCH AVENUE	2017	32,000	\$6.46
2275 COLEMAN STREET	2013	44,000	\$7.19
3512 QUENTIN ROAD	2010	22,077	\$7.14
406 PINE STREET	2017	60,180	\$9.42
		Min	\$6.46
		Avg	\$7.55
		Max	\$9.42

The comparables are recently constructed or altered office properties. The comparables range from \$6.46 to \$9.42 per square foot and average \$7.55 per square foot. We have received and reviewed a tax opinion letter provided by ownership which indicates a stabilized tax assessment of \$27,500,000. This results in an estimated stabilized tax liability of \$2,927,650. Based on the comparable data and provided tax opinion letter, we project a tax liability of \$8.27 per square foot for the new building, which is above the average of the comparable range but overall reasonable given that the subject will represent new construction upon completion but also having a somewhat inferior location to some of the comparables.

Industrial and Commercial Incentive Program (ICIP)/ Industrial and Commercial Abatement (ICAP) Tax Benefit

ICIP and ICAPs are commercial tax benefit programs for significant renovations done to commercial properties or units. The ICIP program was created in 1984 and the ICAP (Industrial & Commercial Abatement Program) replaced the Industrial Commercial Exemption Program (ICIP) which ended in 2008. Previously approved ICIP benefits were not affected. An important difference between an exemption and an abatement is in the accounting within the broader property tax system – an exemption is a reduction of taxable assessed value applied before a tax liability is calculated, while an abatement is an offset against a property tax bill.

The City of New York grants tax exemptions and abatements under the Industrial and Commercial Incentive Plan (ICIP). Partial exemptions from or abatement of Real Estate Taxes for varying periods of up to 25 years are provided for eligible industrial or commercial buildings which are constructed, modernized, rehabilitated, expanded, or otherwise physically improved. A Certificate of Eligibility is issued for projects which meet the program requirements.

The program grants long-term real estate tax exemptions for the construction or alteration of eligible industrial or commercial buildings. Qualifying industrial projects may also receive partial tax abatement for any existing real estate tax liability. For commercial projects, the program provides a full exemption on the increase in assessed value attributable to the improvements for 25 years, followed by five years of exemption declining at 20% per year. Commercial projects may also be eligible for a partial tax abatement based on the real estate taxes levied in the year prior to commencement of construction.

To be eligible for the ICAP, industrial and commercial buildings must be built, modernized, expanded or otherwise physically improved. There are locational limitations and spend minimums. There are two main effects from moving from an exemption to an abatement. First, under ICAP, the value of the abatement is determined by the initial tax rate (set in the year prior to the issuance of the first building permit) and does not get adjusted in future years to reflect changes in the tax rate (minimizing some of the fluctuation in tax expenditure we saw with ICIP). Therefore, the value of the abatement is more fixed under ICAP than ICIP. The "Abatement Base" is equal to the "Post-completion Tax" minus 115% of the "Initial Tax." The "Post-completion Tax" is the taxable assessed value (the lower of the actual or transitional assessed values) shown on the assessment roll with a taxable status date immediately following the earlier of (1) completion of construction (issuance of a Final Certificate of Occupancy) or (2) four years from the date of issuance of the project's first building permit multiplied by the "Initial Tax Rate." The "Initial Tax Rate" is the tax rate applicable to the assessment roll with a taxable status date immediately preceding the issuance of the first building permit. The "Initial Tax" is the taxable assessed value indicated on the assessment roll with a taxable status date immediately preceding issuance of the first building permit multiplied by "Initial Tax Rate."

Limitations on Eligibility For Certain Types Of Property

Utilities: No benefits are permitted for utility property, which includes all property used by a utility in the ordinary course of business, as well as land and buildings owned by a utility.

Retail: A property may be subject to varying abatement schedules, depending on the percentage of the property that is dedicated to retail purposes.

The amount of the abatement base is generally the difference in tax liability imposed on the building or structure between two points in time, if the second tax liability exceeds the first tax liability by more than 15 percent.

The initial tax liability (point 1) is the liability for the building or structure on the tax roll with a taxable status date preceding the first building permit or commencement of construction if no permit is required (vacant land in this instance). The post-completion tax (point 2) is the tax liability for the building or structure on the tax roll with a taxable status date immediately following the earlier of completion of construction; or four years from the date of issuance of the first building permit or commencement of construction, if no building permit was required.

The abatement is equal to the amount by which the post completion tax exceeds 115 percent of the initial tax. At no time during the benefit period may the abatement reduce the initial tax liability imposed on the building or structure nor may it reduce the amount of taxes imposed on the land portion of the assessment.

Projects that consist of industrial construction work or commercial construction work in areas designated as special commercial abatement areas may also be entitled to additional benefits during years two through thirteen of the benefit period (so called inflation protection). Unlike the previous ICIP, the inflation protection is more generous for industrial construction work than otherwise qualifying commercial construction work. For work other than the industrial work, inflation protection is limited to increases that are above 5%. However, in both cases, the abatement base will not be increased by inflation protection if the taxable assessed value in any year increases by more than five percent as a result of a physical change (construction or alterations).

Additional Industrial Abatement

Notwithstanding the statutory provision that the abatement may not reduce the amount of the initial tax, industrial projects that meet a higher minimum required expenditure (40 percent rather than 30 percent) are also eligible for an additional abatement based on the initial tax. There is an abatement schedule of 12 years that coincides with the schedule for the abatement base described above that provides a maximum abatement of 50 percent of the initial tax in the first four years, declining every two years by 10 percentage points. These amounts are not subject to inflation protection.

Abatement Schedules

Industrial: As noted immediately above, the additional industrial abatement based on the initial tax is granted for a 12-year period. There is a 25-year abatement schedule for industrial construction work and commercial construction work in special commercial construction areas, provided no more than 10 percent of the building or structure is used for retail purposes. In those cases where retail use exceeds ten percent, the excess retail space is subject to a 15-year benefit schedule.

There is no retail restriction in the Regular construction area.

Other Schedules

For commercial construction outside a special commercial construction area, there is a 15-year abatement schedule.

Renovation: There are two schedules for renovation work in Renovation areas of Manhattan: (a) in Lower Manhattan and the Garment District, there is a 12 year schedule; (b) for the Renovation area south of 59th Street, excluding the Lower Manhattan and Garment District areas, the schedule is ten years. The final schedule is an eight year benefit period for commercial construction work on new buildings or structures that meet certain statutory requirements in Lower Manhattan.

Deadlines

The Preliminary Application must be filed before obtaining a building permit, or, if no permit is required, before starting construction. Under the law, ICAP applications filed after construction commencement or building permit issuance must automatically be denied. Preliminary ICAP applications will be accepted until March 1, 2017. The Final Application is filed within one year after the building permit is received.

Timing

The owner informed that they are applying for a 25-year ICAP abatement will consist of a benefit period of 25 years for commercial construction. The tax abatement under the ICAP program is not available until the earlier of (a) January 5, of a tax year following completion of construction or (b) four years from the date of issuance of the first building permit. The first taxable year post completion is the 2023/2024 tax year.

Location

- New Commercial Construction can be anywhere in the City except in some parts of Manhattan. The areas south of 96th Street (including the south side 96th Street) and north of Murray, Frankfort, and Dover Streets do not qualify.
- Commercial Renovations can be anywhere in the City except in some parts of Manhattan. The areas between 59th Street and 96th Street (including north side of 59th street and south side of 96th street) do not qualify. Additional commercial renovation benefits are available below 59th Street and these areas:
- Garment Center District.
- Lower Manhattan in the area between Murray Street, Battery Place, South Street and West Street.

Improvements

- You must spend at least 30% of the property's Taxable Assessed Value no later than four years from the date the building permit was first issued or from the start of construction if no permit is required.
- There are additional benefits for construction projects that spend 40% of the Taxable Assessed Value.
- Construction must be completed no later than five years from the date of issuance of the first building permit, or if no permit is required, from the start of
- There can be multiple schedules:

- Where more than 10% of the building is used for retail purposes, only the non-retail portions of the building are eligible for the 15-year benefit and up to 10% of the retail portion are eligible for the 25-year benefit. The remaining retail portion shall be eligible for benefits in accordance with the 15-year schedule.
- Special Area & Regular Area

Details

The subject qualified for a 25-year ICAP Tax Abatement. We note the following:

- The base tax assessment, prior to development is projected to be \$551,681, indicating a base tax liability of \$58,732 to which the 115% base factor is applied. This results in a base liability of \$67,542 which is use for the calculation of the ICAP abatement. Shown below:

Base Tax Liability	\$58,732
Base Factor	<u>115%</u>
Base Liability for ICAP Calculation	\$67,542

- The projected assessed value of \$27,500,000 , is projected to grow at 3.0% annually.
- The current Class 4 tax rate is 10.646%, indicating a stabilized tax liability of \$2,927,650.
- The ICAP Abatement amount is the difference of the Stabilized Tax Liability and 115% of the base tax liability prior to development, calculated to be \$2,860,108.
- We have applied an 5.75% discount rate to value these benefits. A calculation of the benefit schedule and the net present value is provided below. The present value of the 25-year ICAP Abatement is \$33,750,000

ASSUMPTIONS

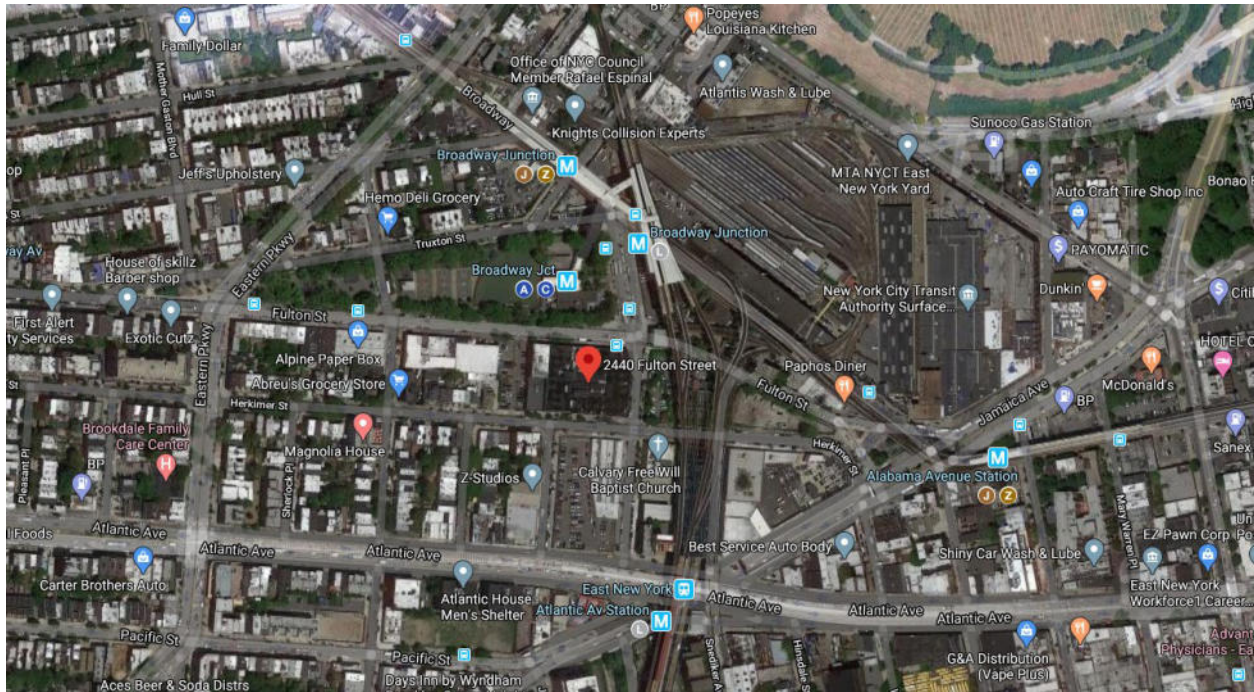
2023 Tax Rate:	10.646%
Annual Rate of Growth (Tax Rate):	0%
Discount Rate:	5.75%

FUTURE TAXES

Stabilized Tax Liability	\$2,927,650
Stabilized Assessment	\$27,500,000
ICAP Abatement	\$2,860,108
Annual Rate of Growth (Assessment):	3.0%

Year	Projected AV	Tax Rate	Full Taxes	Benefit Amount	% of Allowed (Phaseout)	Net Benefit Amount	Net Taxes	Tax Savings
1	\$27,500,000	0.10646	\$2,927,650	\$2,860,108	100%	\$2,860,108	\$67,542	\$2,860,108
2	\$28,325,000	0.10646	\$3,015,480	\$2,860,108	100%	\$2,860,108	\$155,371	\$2,860,108
3	\$29,174,750	0.10646	\$3,105,944	\$2,860,108	100%	\$2,860,108	\$245,836	\$2,860,108
4	\$30,049,993	0.10646	\$3,199,122	\$2,860,108	100%	\$2,860,108	\$339,014	\$2,860,108
5	\$30,951,492	0.10646	\$3,295,096	\$2,860,108	100%	\$2,860,108	\$434,988	\$2,860,108
6	\$31,880,037	0.10646	\$3,393,949	\$2,860,108	100%	\$2,860,108	\$533,841	\$2,860,108
7	\$32,836,438	0.10646	\$3,495,767	\$2,860,108	100%	\$2,860,108	\$635,659	\$2,860,108
8	\$33,821,531	0.10646	\$3,600,640	\$2,860,108	100%	\$2,860,108	\$740,532	\$2,860,108
9	\$34,836,177	0.10646	\$3,708,659	\$2,860,108	100%	\$2,860,108	\$848,551	\$2,860,108
10	\$35,881,263	0.10646	\$3,819,919	\$2,860,108	100%	\$2,860,108	\$959,811	\$2,860,108
11	\$36,957,700	0.10646	\$3,934,517	\$2,860,108	100%	\$2,860,108	\$1,074,409	\$2,860,108
12	\$38,066,431	0.10646	\$4,052,552	\$2,860,108	100%	\$2,860,108	\$1,192,444	\$2,860,108
13	\$39,208,424	0.10646	\$4,174,129	\$2,860,108	100%	\$2,860,108	\$1,314,021	\$2,860,108
14	\$40,384,677	0.10646	\$4,299,353	\$2,860,108	100%	\$2,860,108	\$1,439,245	\$2,860,108
15	\$41,596,217	0.10646	\$4,428,333	\$2,860,108	100%	\$2,860,108	\$1,568,225	\$2,860,108
16	\$42,844,104	0.10646	\$4,561,183	\$2,860,108	100%	\$2,860,108	\$1,701,075	\$2,860,108
17	\$44,129,427	0.10646	\$4,698,019	\$2,860,108	90%	\$2,574,097	\$2,123,921	\$2,574,097
18	\$45,453,310	0.10646	\$4,838,959	\$2,860,108	80%	\$2,288,087	\$2,550,873	\$2,288,087
19	\$46,816,909	0.10646	\$4,984,128	\$2,860,108	70%	\$2,002,076	\$2,982,052	\$2,002,076
20	\$48,221,416	0.10646	\$5,133,652	\$2,860,108	60%	\$1,716,065	\$3,417,587	\$1,716,065
21	\$49,668,059	0.10646	\$5,287,662	\$2,860,108	50%	\$1,430,054	\$3,857,607	\$1,430,054
22	\$51,158,101	0.10646	\$5,446,291	\$2,860,108	40%	\$1,144,043	\$4,302,248	\$1,144,043
23	\$52,692,844	0.10646	\$5,609,680	\$2,860,108	30%	\$858,032	\$4,751,648	\$858,032
24	\$54,273,629	0.10646	\$5,777,971	\$2,860,108	20%	\$572,022	\$5,205,949	\$572,022
25	\$55,901,838	0.10646	\$5,951,310	\$2,860,108	10%	\$286,011	\$5,665,299	\$286,011
						NPV:	\$33,725,097	
						ROUNDED:	\$33,750,000	

Site Description



Location 2440 Fulton Street is between Fulton and Herkimer Street on Van Sinderen Avenue, with full block frontage, in the Broadway Junction/Ocean Hill neighborhood (Kings County) in the State of New York. The subject has excellent access to mass transit as it is located across the street from the A/C, L, and J/Z trains at the Broadway Junction station. We note that the subject is also in close proximity to the LIRR at the East New York station. Finally, there are numerous shopping and dining options in walking distance.

Easements, Encroachments, and Restrictions There do not appear to be any easements, encroachments, or restrictions that would adversely affect value.

Site Area 1.779± acres./ 77,500± square feet

Shape Regular

Frontage	Street	Frontage (ft)
	Fulton Street	400.00
	Herkimar Street	375.00
	Van Sideren Avenue	200.00

Topography Generally level

Drainage Assumed adequate

Access This site has excellent access from four streets.

Paving All roads are paved with asphalt and are in satisfactory condition.

Street Drainage Street drainage is collected by gravity into the local sewer storm system mains.

Street Lighting Adequate

Utilities & Services	Water/Sewer and Refuse - Municipal Police & Fire Protection - Municipal Gas & Electric -ConEd
Hazardous Substances	We observed no evidence of toxic or hazardous substances that require remediation during our inspection of the site.
Flood Hazard Status⁸	Located in "Zone X" on the National Flood Insurance Program Rate Map dated September 5, 2007 Community Panel #3604970217F. Flood zone X is a low- to moderate-risk area.
Conclusion	The site is like others in the vicinity, and there are no negative external factors.

⁸ The flood map can be found in the Map Gallery, which is located in the Addenda.

Description of Improvements⁹

Ownership is developing a 393,610± square foot (inclusive of the cellar) mixed-use building. The gross building area above grade is 354,176± square feet. We have reviewed building plans that have been approved by the NYC Department of Building and a breakdown of the space is provided below. Ownership is currently in the construction process and is expected to complete building (shell condition) by the end of 2023.

Ownership has an executed lease with the Department of Citywide Administrative Services (DCAS) which is dated March 18, 2021. Per review of the lease agreement, the demised premises includes a portion of the ground (1st) floor, a portion of the 3rd floor, and the entire leasable portion of the 4th, 5th, and 6th floors of the proposed building. The lease is for a 21-year term once the tenant has possession. In regard to the rentable square footage of the space, the building plans distinguish between carpetable square footage (SCF) allocated to either the city tenant or other non-city tenants, non-carpetable area allocated to either the city tenant or non-city tenants, and shared non-carpetable area. According to the lease, the rentable area for DCAS is calculated as the tenant's carpetable area divided by a conversion factor of 75.2%. It is expected that the city tenant will occupy a total of approximately 279,957± rentable square feet (based off a carpetable area of 210,538 square feet) upon completion of the building, although the exact square footage is subject to re-measurement. It is noted that per the lease agreement, the minimum CSF is 207,018, while the maximum rentable square footage is 289,006 square feet. As such, based on the expected size of the DCAS space, there will be an additional approximately 88,211± square feet of RSF (based on CSF of 66,335) on the first, second, and third floors which can be leased to prospective non-city tenants. Finally, the newly constructed building will contain a parking garage with capacity for 326 parking spaces on the cellar and ground floor, of which 35 spaces are allocated to the city tenant and 291 will be available for lease.

Structural & Mechanical

Structural

Foundation	Poured Concrete Slab.
Structural System:	Structural Steel and Concrete Slab.
Exterior Walls	Brick and glass panel
Roof	Flat, built-up roof.
Windows	Casement windows.
Basement	The basement will include parking and mechanical areas
Amenities	The property will include passenger elevators.
Furniture, Fixtures, and Intangibles:	In the local market, unit fixtures, such as storage racks, typically trade with the property and are considered part of the real estate. Further, there are no other personal property, trade fixture, or intangible items that influence value. As such, we do not report a separate FF&E value.

Mechanicals

Heating/ Cooling Systems/ Hot water	Central HVAC units and gas fired hot water heaters.
Electric/Gas/Water	Upon completion, there will be electric and gas meters located in the basement.

⁹ The subject property photos can be found in the Addenda.

Plumbing	PVC, copper, and iron.
Fire Safety	Sprinklered throughout.

Functional Utility

From a utility standpoint, the subject will be well laid out for an owner-user or multiple tenants and adequately accommodates its proposed utilization. It will be a newly constructed property in excellent condition relative to similar properties in the area.

Building Layout

Space	Total Rentable SF	Percentage of GBA
City Tenant	279,957	71.1%
Non-City Tenant	88,211	22.4%
Total Leaseable Area	368,168	93.5%
Loss Factor	25,441	6.5%
GBA (Inclusive of Cellar)	393,610	100.0%

Building Condition

Condition

As noted previously, the subject's existing improvements are slated for demolition. The subject is expected to be completed in December 2023. The following is a breakdown of ownership's construction budget, excluding site acquisition costs.

	Total	Per SF	% of Total
Hard Cost	\$96,957,752	\$274	80%
Soft Costs	\$13,060,274	\$37	11%
Landlord Contributions to Tenant Work	\$11,815,935	\$33	10%
Total	\$121,833,961	\$344	100%

It is noted that as of the date of value, \$30,399,592 in hard costs and \$9,860,274 in soft costs were reported as having been spent to date. Thus, the costs remaining to complete equates to \$81,574,095 or \$230 per square foot of GBA.

Upon completion of construction, we assume that the subject will be in excellent condition.

Deferred Maintenance

No Property Condition Report was given in conjunction with this appraisal.

The subject is currently under construction. We assume that the property will be in excellent condition upon completion.

Remaining Economic Life

While 2440 Fulton Street will be completed in 2023, we estimate the effective age to be 0 years upon completion of the planned construction and construction, and, given a usable life of 60 years, the remaining economic life of the building is 60 years.

Summary

The subject will be a newly constructed office property in excellent condition upon completion of the proposed construction. The information contained in the sections entitled "Site Description" and "Building Description" is based on provided plans for the subject, zoning, and assessment records.

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 uses¹⁰, such as the legally permissible use, the physically possible use, the financially feasibility, and the highest and best use, are considered and tested for the subject site.

As Vacant

Legally Permissible

The subject is zoned C4-5D, which permits commercial and residential use as of right. The maximum FAR is 4.20. Given the total lot area of 77,500 square feet, a maximum of 325,500 square feet of buildable area will be permitted on the site. Additional building area can be constructed if used for community facility. There are no zoning changes anticipated and no easements or encroachments that preclude development.

Physically Possible

The size falls within the range of improved sites in the area. All necessary utilities are available, and the site appears functional for all of the above noted uses.

Financially Feasible

The subject is located within a predominantly mixed-use and commercial district. When considering whether a certain use is financially feasible, the most important criteria is whether the return on such use would support the cost required to build. In addition, risks and related rates of return are applied to arrive at the total development cost. This indication is then compared to the forecasted value of such an improvement. If the value is higher than the cost, the use is feasible. Given the central location of the site, any one of the above permissible uses would generate the maximum market rent obtained in the area. After considering the risk and correlated returns required to stabilize each the respective uses, the value of development exceeds the development cost.

Ownership has an executed lease with the City of New York Department of Citywide Administration Services (DCAS) to occupy 279,957± square feet on the partial first, partial third, and fourth through sixth floors in the newly constructed building. The initial base rent upon commencement is \$13 million per annum, which equates to \$48.58 per square foot of leasable area. This highlights demand for the space within the subject market.

Additionally, we present a feasibility indicator below, based on an office rental rate of \$40 per square foot.

¹⁰ The definitions of these alternative uses can be found in the Glossary of Terms, which is located in the Addenda.

H & B Use Test

	PSF
PGI	\$40.00
Vacancy @ 5%	\$2.00
EGI	<u>\$38.00</u>
Op Ex @ 30%	<u>\$11.40</u>
NOI	\$26.60
OAR	5.00%
Value	\$532
Less Construction Costs	\$343.99
Less Holding Costs to Stabilization @ 5%	\$17.20
Less Profit on Stabilized Value @ 15%	<u>\$79.80</u>
Total Deductions	\$441
Residual Site Value	\$91

The RCN includes construction costs of \$343.99 per square foot (GBA above grade), a 5% cost to stabilization, and a 15% profit factor on the stabilized value. Therefore, new construction is currently financially feasible. Additionally, we note the As Is value via the income approach, at \$135,500,000, is higher than the value of the land as if vacant (\$61,800,000) and value of the land plus costs spent to date (\$102,000,000) given that a majority of the subject will be leased by the City of New York.

**Maximally Productive/
Highest and Best Use**

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than to develop a commercial building.

Conclusion

Based on the subject property's zoning, physical characteristics, location, and forecasted economic conditions, it is our opinion that the highest and best use of the site as if vacant is to develop a commercial building.

Most Probable Buyer

The most likely buyer is a large-scale developer.

As Improved

The subject is a development site. Therefore, this analysis is not applicable.

Appraisal Valuation Process

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

The Cost Approach is based on the understanding that market participants relate value to cost. In the Cost Approach a property is valued based on a comparison with the cost to build a new or substitute property. The cost estimate is adjusted for all depreciation affecting the existing property. This approach traditionally reflects a good indicator of value when the improvements being appraised are new or close to new or when the property has unique or specialized improvements.

The Income Capitalization Approach reflects an analysis of a property's capacity to generate future income and capitalizes the income into an indication of present value. This approach reflects the market's perception of a relationship between a property's potential income and its market value. It is a strong indicator of value when market rents, vacancy rates, stabilized expenses, capitalization/discount rates are based on reliable market data. The two common valuation techniques associated with the Income Capitalization Approach are direct capitalization and the discounted cash flow (DCF) analysis, with one or both methods applied as appropriate. This approach is widely used in appraising income producing properties.

The Sales Comparison Approach assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with similar utility. This approach is reliable in an active market with sufficient sales data where 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 square foot and per unit basis a strong predictor of value. The Sales Comparison Approach is often relied upon for owner-user properties. For leased properties, this approach is more often considered as secondary support for the Income Approach.

Each approach applied is then reconciled to a final value conclusion after weighing the quantity and quality of data analyzed and the applicability of each approach to the subject property type.

Approaches to Value Applied

Approach	Applicability to Subject	Use in Assignment
Cost Approach	Applicable	Yes
Income Approach	Applicable	Yes
Sales Approach	Applicable	Yes

Cost Approach

The Cost Approach provides an analysis of the physical value of the property, that is, the current market value of the land "as if vacant" as indicated typically by a Sales Comparison Approach, plus the depreciated value of the improvements. The latter is derived from an estimate of the cost to replace the improvements less accrued depreciation, if any, resulting from physical deterioration, functional obsolescence and locational/external obsolescence. The Cost Approach is founded in the valuation principle of substitution which indicates that no prudent purchaser would pay more for a property than the cost of acquiring a similar site and having similar improvements constructed without undue delay.

The Cost Approach is typically most applicable when the property being appraised involves relatively new improvements representing the highest and best use of the land or when relatively unique or specialized improvements are constructed on the site and for which there exist few similar comparable sales in the market. Applicability also infers that there are adequate land sales to estimate the site value or sufficient justification for the extraction of land value.

For the subject, we have analyzed the developer's actual costs in relationship to the Marshall Valuation Service (MVS) estimate. For purposes of this appraisal and consistent with the actions of the market participants with less than detailed knowledge of cost components, the comparative unit method of cost buildup is used in comparison and we have relied upon the Marshall Valuation Service cost manual for valuing the improvements to support the developer's costs. We have given greater weight to the developer's construction costs for valuing the improvements as the project is on-going and they represent the actual costs spent.

The final indicated value is derived by adding the value of the underlying land, as developed using a sales comparison of land sales, to the depreciated value of the existing improvements as discussed herein.

The first step in the Cost Approach is rendering an opinion of the underlying land area.

Land Value

The following map and table summarize the comparable data used in the valuation of the subject site. 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. Similar sites within the subject market are typically purchased on a price per buildable square foot basis. We note that there are few recent small sized transactions of land in the immediate area and therefore include the most appropriate comparables and make adjustments.

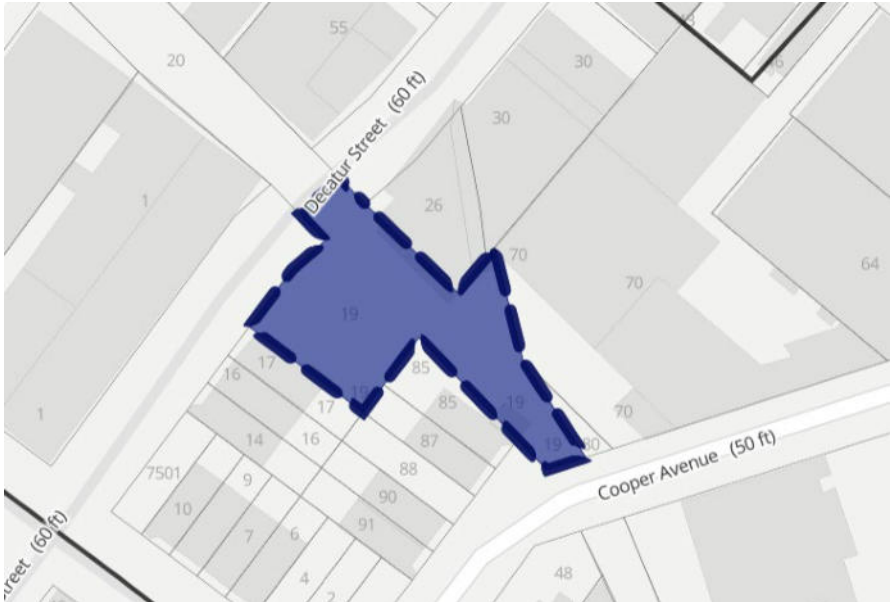
Comparable Sales

Comparable Sales Map



#	Location	Sale Date	Zoning	Buildable Area	Adjusted Sale Price	Adj. Price Per SFDA
1	1518 Decatur Street, Queens, NY 11385	Jan-23	M1-4	39,830	\$6,750,000	\$169
2	6065 Strickland Avenue, Brooklyn, NY 11234	Nov-22	R3-1	58,172	\$14,000,000	\$241
3	938-942 Franklin Avenue, Brooklyn, NY 11225	Nov-22	R6A	199,836	\$41,462,000	\$207
4	2360 Bedford Avenue, Brooklyn, NY	May-22	C4-2	637,585	\$86,091,790	\$135
5	318 Nevins Street, Brooklyn, NY	Dec-21	M1-4 / R7-2	505,590	\$102,508,600	\$203

Comparable Sale 1



**1518 Decatur Street
Queens, NY 11385**

Grantee	JV North 12th Street LLC		
Grantor	Keifer Lane Realty LLC		
Document Number	2023000013641		
Zoning	M1-4		
Block/ Lot	3542 / 19	Sale Date	1/4/2023
		Sale Price	\$6,750,000
Site Area (SF)	19,915	Adjustments	\$0
		Adjusted Sale Price	\$6,750,000
Buildable Area	39,830	Adj. Price Per SFDA	\$169

This is the sale of a parcel located on Decatur Street. The parcel contains 19,915 square feet of lot area and is currently operating as a parking lot. The property is zoned M1-4 with a 2.0 FAR yielding 39,830 square feet as of right and was purchased for \$6,750,000. Per the DOB, there are currently no plans for development. Confirmed on the Public Record and Press Releases for the property.

Comparable Sale 2

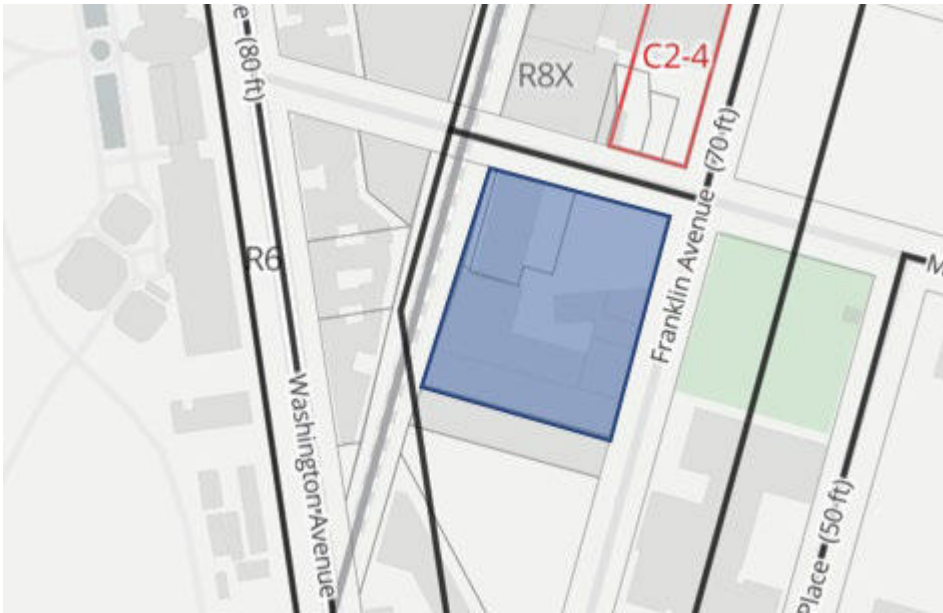


**6075 Strickland Avenue
Brooklyn, NY 11234**

Grantee	Strickland Realty Group LLC		
Grantor	Albert Capone		
Document Number	2022000443823		
Zoning	R3-1		
Block/ Lot	8470 / 1070 & 1076	Sale Date	11/30/2022
Site Area (SF)	116,343	Sale Price	\$14,000,000
		Adjustments	\$0
		Adjusted Sale Price	\$14,000,000
Buildable Area	58,172	Adj. Price Per SFDA	\$241

This is the sale of two parcels located on Strickland Avenue. The two parcels contain 116,343 square feet of lot area and is currently operating as a parking lot. The property is zoned R3-1 with a 0.5 FAR yielding 58,172 square feet as of right and was purchased for \$14,000,000. Per the DOB, there are currently no plans for development. Confirmed on the Public Record and Press Releases for the property.

Comparable Sale 3



938-942 Franklin Avenue
Brooklyn, NY 11225

Grantee	960 Franklin LLC		
Grantor	Hpg Associates Inc		
Document Number	2022000421614		
Zoning	R6A		
Block/ Lot	1192 / 41 & 46	Sale Date	11/4/2022
Site Area (SF)	66,612	Sale Price	\$42,350,000
		Adjustments	\$888,000
		Adjusted Sale Price	\$41,462,000
Buildable Area	199,836	Adj. Price Per SFDA	\$207

This is the sale of two parcels located at the corner of Franklin Avenue and Montgomery Street. The two parcels contain 66,612 square feet of lot area and the site is currently improved with two buildings containing a total of 88,800 square feet which is to be demolished. We estimate a demolition cost of \$10 PSF. The property is zoned R6A with a 3.0 FAR yielding 199,836 square feet as of right and was purchased for \$42,350,000. Per the DOB, there are currently no plans for development. Confirmed on the Public Record and Press Releases for the property.

Comparable Sale 4



**2360 Bedford Avenue
Brooklyn, NY**

Grantee	Bedford Beverly Acquisitions LLC		
Grantor	Interprop Bedford LLC		
Document Number	2022000202018		
Zoning	C4-2		
Block/ Lot	14 & 5135 / 53	Sale Date	5/9/2022
Site Area (SF)	187,525	Sale Price	\$88,000,000
		Adjustments	\$1,908,210
		Adjusted Sale Price	\$86,091,790
Buildable Area	637,585	Adj. Price Per SFDA	\$135

This is the sale of two parcels located at the corner of Bedford Avenue and Beverly Road. The two parcels contain 187,525 square feet of lot area and the site is currently improved with two buildings containing a total of 190,821 square feet which is to be demolished. We estimate a demolition cost of \$10 PSF. The property is zoned C4-2 with a 3.4 FAR yielding 637,585 square feet as of right and was purchased for \$88,000,000, equating to \$138 per buildable square foot. The buyer is said to be redeveloping the space into two residential buildings totaling 456,000 square feet in Flatbush. The projects will bring 650 unit of multifamily space. Confirmed on the Public Record and Press Releases for the property.

Comparable Sale 5



**318 Nevins Street
Brooklyn, NY**

Grantee	GOWANUS 300 NEVINS STREET LLC		
Grantor	NEVINS STREET HOLDINGS, LLC		
Document Number	2022000038736		
Zoning	M1-4 / R7-2		
Block/ Lot	439 / 1	Sale Date	12/30/2021
Site Area (SF)	101,118	Sale Price	\$102,000,000
		Adjustments	\$508,600
		Adjusted Sale Price	\$102,508,600
Buildable Area	505,590	Adj. Price Per SFDA	\$203

This is the sale of 318 Nevins Street in the Gowanus neighborhood of Brooklyn. The full-block site fronts the Gowanus Canal to the west and spans 101,118 square feet of land area. The development site is in the newly rezoned area of Gowanus, with a maximum buildable area of 505,590 square feet. At the time of sale, the site was improved with an approximately 25,430 square foot, single-story parking structure. We estimate demolition costs at \$20 per square foot of GBA. The development site is proposed for 2 new residential towers that will feature 660 apartment units (25% affordable under the city's MIH program), as well as about 60,000 square feet of commercial space at base. The parties entered into contract in July 2021, with closing taking place on December 30, 2021. The price was \$102,000,000, to which we have added the demolition costs. Thus, the adjusted price equates to \$102,508,600 or \$203 per square foot of FAR. All details were obtained via public records and news articles and confirmed with Dan Marks, a representative of the buyer.

Comparable Sales Summary

#	Location	Sale Date	Zoning	Buildable Area	Adjusted Sale Price	Adj. Price Per SFDA
1	1518 Decatur Street, Queens, NY 11385	Jan-23	M1-4	39,830	\$6,750,000	\$169
2	6075 Strickland Avenue, Brooklyn, NY 11234	Nov-22	R3-1	58,172	\$14,000,000	\$241
3	938-942 Franklin Avenue, Brooklyn, NY 11225	Nov-22	R6A	199,836	\$41,462,000	\$207
4	2360 Bedford Avenue, Brooklyn, NY	May-22	C4-2	637,585	\$86,091,790	\$135
5	318 Nevins Street, Brooklyn, NY	Dec-21	M1-4 / R7-2	505,590	\$102,508,600	\$203

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

Property Rights Appraised 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 land analysis are fee simple interest for the subject. Since all the comparable properties have or will have fee simple ownership interests, no adjustments were required.

Financing The purpose of adjusting for financing terms is to determine cash equivalent sale prices for the comparable sales in accordance with the definition of Fair Value for this report. To the best of our knowledge, all the sales or future sales were cash transactions or financed at market rates. No adjustments were required.

Conditions of Sale Conditions of sale refer to the motivations of the buyer and seller involved in a particular transaction. All sales appear to be arm's length transactions. No conditions of sale were reported. No adjustments were applied.

Market Conditions (Time) All sales took place since December 30, 2021 and are recent enough to reflect current market conditions. Given that Sales 4 and 5 traded in superior interest rate environments, downward adjustments were applied.

Location An adjustment for location is required when the locational characteristics of a comparable property differ from those of the subject property. Location adjustments considered the prestige of an area, surrounding properties, proximity to cultural amenities, and transportation. In our location adjustment we considered the subject's location and the increased desirability resultant from the new construction.

Comparables 3 and 5 exhibit superior access to Manhattan being located West of the subject in Gowanus (Comparable 5), Prospect Park (Comparable 3). Therefore, these comparables warranted varying negative adjustments for superior locations.

Size This adjustment accounts for the difference in size between each of the comparables and the subject property. Land in the subject market sells on a price per buildable foot. Smaller parcels are more affordable on a total price basis, and thus attract a larger pool of buyers, however, at the same time there are less economies of scale and sometimes have a higher price per square foot of buildable square foot. Larger parcels at the time same time tend to sell at a discount due to large economies of scale. Sales that are fairly similar in size compared to the subject and have not been adjusted.

The subject has an as of right buildable area is 325,500 square feet. The Comparables range in size from 39,830 to 637,585 square feet of buildable area. In relation to the subject, Comparables 4 and 5 are larger and are therefore adjusted up to account for the difference in size. Comparables 1 and 2 are smaller and are therefore adjusted down to account for the difference in size.

Zoning

The subject and the comparables all have similar commercial and or residential zoning with similar permitted uses. We have utilized the base FAR (without bonus) in our analysis of these sites. Sale 1 only permits industrial and manufacturing development. An upward adjustment was applied. Sale 2 is located in an R3-1 zone which permits low density development, which commands a premium (higher land to building ratio - more outdoor space). A downward adjustment was applied.

Utility

This adjustment accounts for the shape, frontage and layout of a particular site. The subject has three frontages with full block frontage along Van Sideren and excellent utility. Sale 2 has waterfront access. A downward adjustment was applied. Sale 1 is irregular. Sale 4 has a large lot depth which will impact development. Upward adjustments were applied.

Adjustment Grid

Sale No.	1	2	3	4	5
Address:	1518 Decatur Street	6075 Strickland Avenue	938-942 Franklin Avenue	2360 Bedford Avenue	318 Nevins Street
Sale Date:	1/4/2023	11/30/2022	11/4/2022	5/9/2022	12/30/2021
Adjusted Sale Price:	\$6,750,000	\$14,000,000	\$41,462,000	\$86,091,790	\$102,508,600
Buildable Area	39,830	58,172	199,836	637,585	505,590
Adj. Price Per SFDA	\$169	\$241	\$207	\$135	\$203
Property Rights:	0%	0%	0%	0%	0%
Financing Terms:	0%	0%	0%	0%	0%
Conditions of Sale:	0%	0%	0%	0%	0%
Market Conditions (Time):	0%	0%	0%	-5%	-5%
Trended Adj. Price Per	\$169	\$241	\$207	\$128	\$193
Location:	0%	0%	-10%	0%	-10%
Size:	-5%	-5%	0%	10%	10%
Zoning:	10%	-5%	0%	0%	0%
Utility:	5%	-5%	0%	10%	0%
Total Adjustments:	10%	-15%	-10%	20%	0%
Adjusted Adj. Price Per SFDA	\$186	\$205	\$187	\$154	\$193
	Unadjusted			Adjusted	
Low	\$135		Low	\$154	
High	\$241		High	\$205	
Average	\$191		Average	\$185	
Median	\$203		Median	\$187	

Conclusion

We compared the sites based on their buildable area. 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 exhibited a range between \$154 per buildable square foot to \$205 per buildable square foot with an average of \$185 per buildable square foot and a median of \$187 per buildable square foot. In our conclusion we have emphasize all sales as they are good indicators of value for the subject property. However, we gave most reliance to Comparables 1 to 3 as they are the most recent transactions (reflective of current conditions). Thus, considering the elements of comparison noted above, our opinion of Fair Value is \$190 per buildable square foot.

Fair Value of the Land

Concluded Value Per Buildable SF		\$190
Buildable Area		325,500
Land Value as if Vacant		\$61,845,000
As Is Land Value	December 31, 2022	\$61,845,000
As Is Land Value (Rounded)	December 31, 2022	\$61,800,000

As Is Fair Value Conclusion

To obtain the As Is fair value of the subject via the Cost Approach, we add all costs spent to date to the As Is land value. This is presented as follows:

As Is Fair Value of the Land		\$61,845,000
Plus: Costs Spent to Date		\$40,259,866
Fair Value of the Land As Is	December 31, 2022	\$102,104,866
Fair Value of the Land As Is (Rounded)	December 31, 2022	\$102,000,000

Replacement Cost New

In estimating the replacement cost new for the subject, the following data sources have been utilized:

- The subject’s actual construction costs
- The comparative unit method, utilizing the Marshall Valuation Service (MVS) cost guide; a nationally recognized cost service

Subject Actual Costs

The following is a summary of the actual construction costs for the subject. As the project is complete, all costs have been spent and these presents costs represent the true costs to building the subject. The total construction costs are outlined in the following table with a detailed breakdown provided in the addenda.

Total Construction Costs			
	Total	Per SF	% of Total
Hard Cost	\$96,957,752	\$274	80%
Soft Costs	\$13,060,274	\$37	11%
Landlord Contributions to Tenant Work	\$11,815,935	\$33	10%
Total	\$121,833,961	\$344	100%

As a test of reasonableness, we have compared the developer’s actual construction costs using the Marshall Valuation Service cost manual for valuing the improvements.

Marshall Valuation Service

Direct Cost / Hard Costs

The MVS base unit cost estimates include the following hard costs, as well as other costs typically considered site costs and soft costs (indirect costs):

- Materials, sales taxes on materials, and labor costs
- Typical site preparation including finish grading and excavation for foundation and backfill;
- Utilities from structure to lot line
- Typical architect's and engineer's fees for plans, plan check, building permits and survey
- Typical contractor's overhead and profit, including job supervision, workmen's compensation, fire and liability insurance, equipment, temporary facilities, security, etc.
- Normal interest in building funds during the period of construction plus processing fees or service charges

Base unit building costs in MVS are adjusted to reflect the physical characteristics of the subject. Making these adjustments, including the appropriate local and current cost multipliers, reflect the total basic structure cost estimate for the subject property. In order to test the subject's actual construction costs, we have compared the MVS cost estimate to the subject's adjusted hard costs, inclusive of the above typical site and soft costs included within the MVS basic structure cost estimate.

MVS Analysis and Conclusion

Our MVS estimate considers Construction Class C of Good Quality Rating for Office Buildings (Section 15 / Page 17), Construction Class CDS of parking for Office Buildings Basements (Section 15 / Page 19). The full MVS calculations are shown at the end of this section. As previously indicated, we have adjusted the subject's hard costs to include site preparation, utilities from the structure to the lot line, architect and engineering fees, contractor's overhead and profit, and financing costs and fees, which are similarly included in the MVS cost estimate. The concluded MVS basic structure cost estimate is compared to the subject's adjusted hard cost estimate in the following chart:

MVS Conclusion

Cost Estimate	Subject Total	Per SF
MVS Base Structure Cost	\$130,521,071	\$368.52
Subject's Adjusted Hard Cost	\$108,773,687	\$307.12

The MVS cost of \$130,521,071 or \$368.52 per square foot is approximately 20% higher than the subject's actual (adjusted) hard cost of \$108,773,687 or \$307.12 per square foot. It is worth pointing out that MVS base cost for Good Quality/Class C office buildings (section 15 / page 17) has increased about 11.0% since the prior year. This may be the result of supply-side challenges including labor and material shortages. In addition, 27.9% of the hard costs have been spent already.

Overall, we believe the developer's construction cost to be overall reasonable when compared to the above indicated cost from Marshall and Swift's before depreciation and we have relied upon the provided costs from the developer.

Additions

Items not included in the MVS base unit building cost are estimated separately using the segregated cost sections of the MVS cost guide.

Site Costs

Site costs include on- and off-site costs that make it suitable for its intended use or development. Site costs not included in the MVS base unit cost estimate include parking and walkways, signage, landscaping, drainage and miscellaneous site improvements.

Indirect Costs / Soft Costs

Several indirect cost items are not included in the base unit building cost derived through the MVS cost guide. These items include developer's overhead (general and administrative costs), professional fees, property taxes, legal and insurance costs, local development fees and contingencies, lease-up and marketing costs and miscellaneous costs.

The subject's actual indirect/soft costs equates to a total of \$13,060,274. The subject's soft costs comprise about 12.0% of hard costs, which is overall reasonable. In our MVS comparison analysis, we have similarly projected soft costs at 10% of the total hard costs new projected via MVS, or \$13,052,107.

Our MVS comparison analysis is presented in detail on the following pages.

Office Buildings - Section 15, Page 17, Class C Good, manual dated November 2021

Base Unit Cost New PSF			\$203.00
Refinements:			
Add HVAC / Climate Adjustment			
Elevator (Addition or Deduction)			
Other [Specify]			
Add Sprinklers		+	\$2.00
Adjusted Base Unit Cost New PSF			\$205.00
Multipliers:			
Number of Stories Multiplier	1.020		
Height/Story Multiplier	1.055		
Floor Area/Perimeter Multiplier	1.000		
Current Cost Multiplier	1.110		
Local Multiplier	1.390		
Complex/Congested Sites Multiplier	x 1.050		
Total Multiplier		x	1.74
Adjusted Replacement Cost New PSF			\$357.38
Area		x	354,176
Replacement Cost New			\$126,576,463

Basements - Office Buildings Section 15, Page 19, Class CDS Parking , manual dated November 2021

Base Unit Cost New PSF			\$53.50
Refinements:			
Add HVAC / Climate Adjustment			
Elevator (Addition or Deduction)			
Other [Specify]			
Add Sprinklers		+	\$3.88
Adjusted Base Unit Cost PSF			\$57.38
Number of Stories Multiplier	1.020		
Height/Story Multiplier	1.055		
Floor Area/Perimeter Multiplier	1.000		
Current Cost Multiplier	1.110		
Local Multiplier	1.390		
Complex/Congested Sites Multiplier	x 1.050		
Total Multiplier		x	1.74
Adjusted Replacement Cost New PSF			\$100.03
Area		x	39,433
Replacement Cost New			\$3,944,608
Add Soft Costs at 10%			\$13,052,107
Total Replacement Cost New			\$143,573,178

Direct, Indirect & Site Cost Conclusion

Based on the above analysis, the subject's budgeted cost was given most consideration towards the estimated replacement cost new conclusion for the subject. In addition, the developer's cost is generally supported by the MVS cost. The replacement cost new, inclusive of all hard, site and soft costs, is therefore estimated at \$121,833,961 or \$344 per square foot, presented as follows:

	Total	Per SF	% of Total
Hard Cost	\$96,957,752	\$274	80%
Soft Costs	\$13,060,274	\$37	11%
Landlord Contributions to Tenant Work	\$11,815,935	\$33	10%
Total	\$121,833,961	\$344	100%

Furniture, Fixtures and Equipment

At the subject, there is not an amount allocated for FF&E in the developer's hard cost budget. The cost of fixtures is included in the construction budget; however, developers and investors typically do not view these costs as a separate FF&E cost.

Entrepreneurial Profit

Entrepreneurial profit, also known as developer's profit, represents the expected return or reward to the developer and is separate from contractor's overhead and profit. It is the financial reward that a developer would expect to receive in addition to recovering all direct, indirect and site costs. It is the expected compensation that would motivate a developer to undertake a project. The client-provided construction costs did not include a line item for developer's profit. Based on the location, asset type and expected developer's profit for similar properties based on discussions with other developers, the expected developer's profit for similar properties is in the 10% to 15% range (although not always achieved), however, given expectations, we have estimated a developer's profit of 10.0% of the stabilized value via the income approach given the considerable value of the prospective lease with the City of New York. This equates to an entrepreneurial profit of \$27,741,665 for the subject property.

Depreciation

There are essentially three sources of accrued depreciation:

- Physical deterioration, both curable and incurable;
- Functional obsolescence, both curable and incurable; and
- External obsolescence

Physical Deterioration / Economic Life

The subject will represent new construction once completed, and thus we have assumed no physical deterioration. We assume a total economic life of 60 years. The remaining economic life would also be 60 years.

Functional Obsolescence

Based on a review of the architect's plans, no forms of curable functional obsolescence were noted. Because replacement cost considers the construction of the subject improvements utilizing modern materials and current standards, design and layout, functional incurable obsolescence is generally not applicable.

External Obsolescence

The subject property has a good location within Broadway Junction in proximity to supporting community services and employment centers. No elements of external obsolescence were observed.

Conclusion

We believe the developer's construction costs are overall reasonable given the construction costs of similar commercial projects and that fact that these represent the actual costs as well as when compared to the indicated cost of \$143,573,178 from Marshall and Swift's. Therefore, we have relied upon the provided costs from the developer.

As mentioned, the subject is in the pre-development stage and demolition permits have been filed. Therefore, to estimate our Prospective Market Value As Stabilized, we add the land value (exclusive of demolition costs as they are accounted for in the budget) of \$61,845,000 to the developer's total costs of \$121,833,961 and consider an entrepreneurial profit of \$27,741,665, which is 10.0% of the stabilized value via the income approach given the considerable value of the lease with the City of New York.

Additionally, our soft costs did not include lease up costs, \$14,081,304, which we must add here to arrive at the As Stabilized value.

Our values estimate via the Cost Approach are summarized as follows:

Prospective Fair Value As Stabilized Opinion

	Date of Value	Value	Final Value (Rd)
Land Value		\$61,845,000	
Replacement Cost New		\$121,833,961	
Holding Costs to Stabilization @ 2%		\$4,161,250	
Profit on Stabilized Value @ 12%		\$27,741,665	
Lease Up Costs		\$14,081,304	
Prospective Fair Value As Stabilized	September 30, 2024	\$229,663,180	\$229,500,000

Next, we deduct the lease up costs of the property in order to estimate the As Complete Fair Value. The calculation of the lease up costs is detailed in the Income Approach.

As Complete Fair Value Opinion

	Date of Value	Value	Final Value (Rd)
Prospective Fair Value As Stabilized		\$229,663,180	
Less Lease-up Costs		\$14,081,304	
Prospective Fair Value As Complete	December 31, 2023	\$215,581,876	\$215,500,000

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 and yield capitalization. Investors in the local market typically utilize both methodologies to value office and retail assets. Given that the owner has an executed Conditional Designation letter for the city to occupy 71.1% of the leasable area, we have chosen the direct capitalization methodology.

The subject is a proposed mixed-use office and retail building, and ownership has an executed Conditional Designation Letter from the New York City Economic Development Corporation and is in the final stages of approval and nears execution for the lease with the Department of Citywide Administrative Services. The preliminary plans distinguish between carpetable area allocated to either the city tenant or non-city tenant, non-carpetable area allocated to either the city tenant or non-city tenant and shared non-carpetable area. According to the lease, the rentable area is calculated by taking the carpetable area and dividing it by a conversion factor of 75.2%. According to the lease, the city tenant will occupy approximately 279,957± square feet on the first, and third through sixth floors in the newly constructed building once construction is complete. This is based off a carpetable area of 210,538 square feet. Additionally, there will be approximately 88,211± square feet of rentable area on the first, second, and third floors. This is based off a carpetable area of 66,335 square feet. A breakdown of the leasable square footage is provided below.

Space	Total Rentable SF	Percentage of GBA
City Tenant	279,957	71.1%
Non-City Tenant	88,211	22.4%
Total Leaseable Area	368,168	93.5%

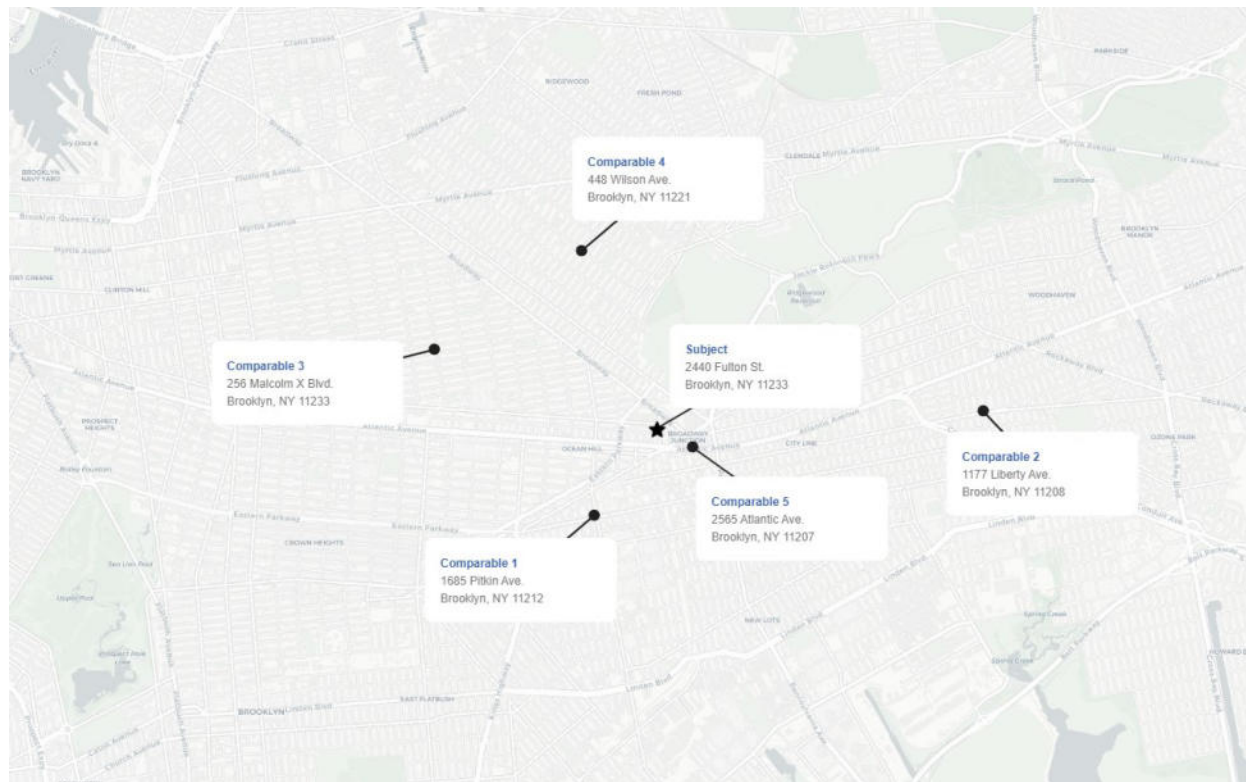
Base Commercial Income

A breakdown of the city lease is provided below:

Tenant	SF	Monthly Rent	Annual Rent	Rent PSF	Details
City Lease	279,957	\$1,133,333	\$13,600,000	\$49	Demised Premises consists of a portion of the 1st (ground) floor, 3rd floor, the entire leasable portion of the 4th floor, the entire leasable portion of the 5th floor, and the entire leasable portion of the 6th floor. The lease has a 21-year term beginning on the Possession Date which is anticipated to be no later than December 1, 2024. Free rent period equal to nine months following the Possession date. Rent increases by 10% in year three and remains flat for five years and repeats throughout the term. Two, five-year renewal options. Pro-rata share of tax increases over the base year established by the possession date. Pro-Rata share of operating expenses over the base year established by the possession date.

Next, we have surveyed recently signed retail and office leases in order to project a market rent for the 88,211 square feet of leasable non-city tenant area on the first (ground) floor, second floor, and third floor. A summary of our findings is presented below.

Comparable Retail Rentals



#	Address	Tenant	Start Date	Sq. Ft.	Base Rent	Comments
1	1685 Pitkin Ave, Brooklyn, NY 11212	Retail	Jan-23	1,800	\$45.00	Modified Gross
2	1177 Liberty Ave, Brooklyn, NY 11208	Star Furniture	Nov-22	2,500	\$50.40	Modified Gross - 10 year lease
3	256 Malcolm X Blvd, Brooklyn, NY 11233	Royal Rib House	Dec-21	1,050	\$52.50	Modified Gross - 10 year lease
4	448 Wilson Avenue	Top Line	Nov-21	550	\$59.52	Modified Gross, 7-year term, corner space
5	2565 Atlantic Avenue	Retail	Jul-21	800	\$45.00	FS, 2-year term, shell space, excellent
			Min:	550	\$45.00	
			Avg:	1,340	\$50.48	
			Max:	2,500	\$59.52	

Retail Lease Comps Rent Discussion

Comparable 1 is a 1,800 square foot space in Brooklyn. The location is slightly superior in that it is located on a main commercial street. However, the condition is average. The starting rent is \$45.00 per square foot for this midblock space at grade level. It is structured on a modified gross basis.

Comparable 2 is a 2,500 square foot space that rented for \$50.40 per square foot, modified gross. It is located in Brooklyn in a good commercial area for this neighborhood. It features good street presence along Liberty Avenue. It is leased for 10 years.

Comparable 3 is an 1,050 square foot space located in the Brooklyn area, similar to the subject. The space was signed at a rate of \$52.50 per square foot, full service, for a 10-year term.

Comparable 4 is a 550 square foot space in Bushwick. The location is slightly superior in that it is located on a main commercial street. The starting rent \$59.52 per square foot for this corner space at grade level. It is structured on a modified gross basis over a 7-year term.

Comparable 5 is an 800 square foot space located in the Ocean Hill / East New York area, similar to the subject/ The space was signed at a rate of \$45.00 per square foot, full service, for a 2-year term. It is noted that the space was reported to be in shell condition and it features a corner layout.

Comparable Office Rentals

#	Address	Tenant	Start Date	Term	Sq. Ft.	Base Rent	Lease Terms
1	49 Wyckoff Ave	Office Tenant	Nov-22	3 years	1,031	\$35.00	Modified Gross. 4th floor
2	1190 Fulton Street	Eprine Community Services	Mar-22	7 years	6,000	\$48.92	Modified Gross. 2nd floor
3	640 Parkside Ave, Brooklyn, NY 11226	Mirimus Inc	Jan-22	4 years	1,691	\$35.00	Modified Gross. 4th floor
4	1903 Fulton Street	Noah's Arc Preparatory	Oct-21	5 years	2,200	\$39.75	Modified Gross. 1st floor
5	432 E 92nd St, Brooklyn, NY 11212	Little Stars Inc	Jul-21	10 Years	7,800	\$42.00	Modified Gross. Basement to 2nd floor.
6	1519 Decatur Street	Grand Central Atelier	Apr-21	10 years	12,098	\$32.00	Modified Gross. 2nd floor space.
					Min:	1,031	\$32.00
					Avg:	5,137	\$38.78
					Max:	12,098	\$48.92

Office Rent Discussion

Comparable 1 is a 1,031 square foot space along Wyckoff Ave in the Bushwick area of Brooklyn. It was signed in Nov 2022 for a 3-year term. It is noted that the space is located at 4th floor level and was leased to an office tenant at a rate of \$35.00 per square foot, modified gross.

Comparable 2 is a 6,000 square foot space in Brooklyn that rented for \$48.92 per square foot with modified gross terms. The space was located on the 2nd floor of the property and was signed for a 7-year term. We note that this is a recently constructed property.

Comparable 3 is a 1,691 square foot space located in Brooklyn. The comparable was leased at a rate of \$35.00 per square foot (asking rent) with modified gross terms. It is noted that this represents a comparable office location as the subject.

Comparable 4 is a 2,200 square foot space along Fulton Street in the ocean Hill area of Brooklyn. It was signed in October 2021 for a five-year term. It is noted that the space is located at first floor level and was leased to a preparatory/school type tenant at a rate of \$39.75 per square foot, modified gross

Comparable 5 is a 7,800 square foot space in East Flatbush that rented for \$42.00 per square foot with modified gross terms. The tenant leased out the whole building which included below grade lower level space, ground floor space, and 2nd floor space.

Comparable 6 is a 12,098 square foot space in Ridgewood that rented for \$32.00 per square foot with modified gross terms. The space was located on the 2nd floor of the property and was signed for a 10-year term.

Non-City Tenant Rent Conclusion

The market survey we conducted provided a range for ground floor spaces from \$45.00 to \$59.52 per square foot, with an average of \$50.48 per square foot and a range of \$32.00 to \$48.92 per square foot, with an average of \$38.78 per square foot for large upper floor office spaces. The subject space will have 88,211 square feet of leasable non-city tenant area on the first (ground) floor, second floor, and partial third floor and it will be new construction, specifically built out to tenant specifications.

Based on our research and various conversations with investment sales agents, sellers, buyers and locally based brokers, we conclude to a market rent of \$40 per square foot for a 10 year term for the 88,211 square feet of leasable non-city tenant area. We forecast a 12-month lease up period with 3 months of free rent for new tenants. Our market rent forecast equates to a total monthly income of \$294,038 and \$3,528,459 annually. A presentation of the lease with the city and projected rent gross monthly and annual rent for the non-city space is provided below.

Tenant	SF	Monthly Rent	Annual Rent	Rent PSF	Details
City Lease	279,957	\$1,133,333	\$13,600,000	\$49	Demised Premises consists of a portion of the 1st (ground) floor, 3rd floor, the entire leasable portion of the 4th floor, the entire leasable portion of the 5th floor, and the entire leasable portion of the 6th floor. The lease has a 21-year term beginning on the Possession Date which is anticipated to be no later than December 1, 2024. Free rent period equal to nine months following the Possession date. Rent increases by 10% in year three and remains flat for five years and repeats throughout the term. Two, five-year renewal options. Pro-rata share of tax increases over the base year established by the possession date. Pro-Rata share of operating expenses over the base year established by the possession date.
Non-City Tenant	88,211	\$294,038	\$3,528,459	\$40	Will consist of space located on the first (ground) floor, second floor, and third floor.
Potential Commercial Income	368,168	\$1,427,372	\$17,128,459	\$47	

Lease Up and Free Rent Period

The majority of the leasing brokers we interviewed indicated an uptick in the lease up and free rent period. For our market leasing assumptions, we assume a 12-month lease up period with 6-months' rent loss, and an additional 3 months of free rent for non-city tenants.

Leasing Commissions

Typical brokerage commissions for office leases range from 30%-40% for the annual rent paid in the first year of the lease. We apply the standard leasing commissions of 35% of the year 1 income on new non-city tenant leases. All leasing commissions would be paid in year one of the lease. Our leasing commission equals \$1,234,960 which we deduct from our final value.

Expense Reimbursement Income

Office rents in the area are typically structured on modified gross basis, with tenants paying utilities directly and a pro rata share of the real estate taxes over a base year. The city tenant lease will be modified gross lease terms whereby the tenant reimburses the prorated share of tax increases over the base year and operating expenses. The base year is established by possession date.

Under the projected lease terms for the non-city space, the tenants will reimburse for taxes over a base year. Since this reimbursement would not be effective until Lease Year 2, and the amount would likely be nominal, it was excluded since the direct capitalization method which capitalizes a single year of income.

Parking Income

The subject will have an on-site parking component and generate additional income via leased spaces. According to the plans, the subject will have a total of 326 parking spaces and 35 spaces will be allocated to the city tenant. Therefore, the subject will have 291 leasable parking spaces. We have surveyed competitive comparable monthly parking leases in the market. A summary of our findings is provided below.

Address	Type	Monthly Rate	Annual Rate
345 Sheffield Avenue	Underground Garage	\$200	\$2,400
60 East 92nd Street	Surface	\$165	\$1,980
256 Utica Avenue	Underground Garage	\$225	\$2,700
1660 Decatur Street	Surface Valet	\$275	\$3,300
	Min	\$165	\$1,980
	Average	\$216	\$2,595
	Max	\$275	\$3,300

As indicated, the comparables range from \$165 to \$275 and average \$216 per month. The subject' sparking component will be covered which has a positive effect on achievable rents. We project a monthly parking rate of \$200 times the 291 leasable spaces which indicates a total monthly income of \$58,200 and an annual income of \$698,400. The calculation is provided below.

Parking Income

Monthly Rate	\$200
Number of Leasable Parking Spaces	291
Annual Parking Income	<u>\$698,400</u>

We apply a vacancy and collection loss factor equal to 20% and apply this to the annual parking income.

Vacancy and Credit Loss

Our review of occupancy rates of comparable properties indicates an occupancy rate range between 90% and 100%. The CoStar general North Brooklyn Office Submarket vacancy was reported at 14.72% for Q4 2022. The retail vacancy rate was reported at 3.01%.

The subject, upon completion, will be in excellent condition. Additionally, the owner has an executed lease with the city of New York DCAS to occupy 71.1% of the leasable area at the subject. Given that the lease is to DCAS of the City of New York, the prospective cash flow has minimal risk given the strength and quality of this tenancy. Therefore, we apply a vacancy and collection loss of 1% to the income generated by the city lease and a 5% general vacancy rate and collection loss has been applied to the non-city tenant income which is market oriented.

As noted previously, we apply a vacancy and collection loss factor equal to 20% of the annual parking income.

Effective Gross Income Summary

Potential City Tenant Income	\$13,600,000
Potential Non-City Tenant Income	\$3,528,459
Parking Income	\$698,400
Potential Gross Income	\$17,826,859
Less City Tenant V/C Loss @ 1%	-\$136,000
Less Non-City Tenant V/C Loss @ 5%	-\$176,423
Less Parking V/C Loss @ 20%	-\$139,680
Effective Gross Income	\$17,374,756

Operating Expense Analysis

No operating expenses were provided since the subject is vacant and awaiting redevelopment. We have estimated operating expenses based on knowledge of similar properties we have appraised. The data, analyzed in terms of nominal and gross square footage, is presented:

Comparable Office Operational Expenses

Below we present operating expenses from regional comparables.

Comparable:	1	2	3	4	Average
Address	New York, NY	New York, NY	New York, NY	New York, NY	
GBA:	13,621	22,276	25,000	10,059	
Operating Expenses					
Insurance	\$33,040	\$9,303	\$9,153	\$2,022	\$13,380
Utilities	\$22,944	\$30,533	\$29,750	\$20,204	\$25,858
Water & Sewer	\$1,939	\$4,981	\$17,958	\$8,558	\$8,359
Repairs and Maintenance	\$15,058	\$51,477	\$94,494	\$42,523	\$50,888
Payroll & Security	\$16,572	\$22,205	\$22,180	\$22,205	\$20,791
General, Admin & Misc	\$4,000	\$33,559	\$51,269	\$26,613	\$28,860
Management	\$21,496	\$55,467	\$39,557	\$12,624	\$32,286
Total Operating Expenses	\$115,049	\$207,525	\$264,361	\$134,749	\$180,421
Operating Expenses PSF					
Insurance	\$2.43	\$0.42	\$0.37	\$0.20	\$0.85
Utilities	\$1.68	\$1.37	\$1.19	\$2.01	\$1.56
Water & Sewer	\$0.14	\$0.22	\$0.72	\$0.85	\$0.48
Repairs and Maintenance	\$1.11	\$2.31	\$3.78	\$4.23	\$2.86
Payroll & Security	\$1.22	\$1.00	\$0.89	\$2.21	\$1.33
General, Admin & Misc	\$0.29	\$1.51	\$2.05	\$2.65	\$1.62
Management	\$1.58	\$2.49	\$1.58	\$1.25	\$1.73
Total Operating Expenses	\$8.45	\$9.32	\$10.57	\$13.40	\$10.43

Estimated Operating Expenses

Our stabilized annual expense forecast is presented. We note we base these figures on the gross buildable area of 354,176 square feet.

Real Estate Taxes

As presented earlier, we forecasted the tax payment at \$2,927,650 annually.

Insurance

Insurance costs vary by the type of coverage. Costs are generally lower (on a per square foot basis) for larger buildings and for multi-building policies. The historical amounts are presented below:

Per SF Summary	Low	Average	High
Comparables	\$0.15	\$0.41	\$0.75
Appraiser			\$0.65

We have projected this expense at \$0.65 per square foot, which is toward the high end of the comparable range. This is reasonable given that market participants have given feedback of rising insurance costs.

Utilities

Per SF Summary	Low	Average	High
Comparables	\$0.29	\$2.48	\$6.51
Appraiser			\$0.25

This expense covers common area only utilities for the subject property, tenants are directly metered for electricity usage. We have projected this expense at \$0.25 per square foot which is beneath the range but as the newly constructed units will have individual HVAC systems that tenants are responsible for.

Water & Sewer

This expense covers the water and sewer charges.

Per SF Summary	Low	Average	High
Comparables	\$0.04	\$0.15	\$0.36
Appraiser			\$0.30

We have projected this expense at \$0.30 per square foot, which equates to \$106,253 annually, which is toward the high end of the comparable range.

Repairs & Maintenance

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

Per SF Summary	Low	Average	High
Comparables	\$0.49	\$1.38	\$2.45
Appraiser			\$0.50

We have projected this expense at \$0.50 per square foot, at the low end of the comparable range, noting the subject will be a brand new building upon completion that will require minimal repairs and maintenance.

Payroll

This expense is for multiple staff that provide services for the building.

Per SF Summary	Low	Average	High
Comparables	\$0.86	\$2.07	\$4.33
Appraiser			\$1.25

Under a multi-tenant scenario, we assume a minimal payroll expense to clean common areas etc. We have projected this expense at \$1.25 per square foot which is beneath the average of the comparable range.

General, Administrative, Professional & Miscellaneous

This expense allows for any expenditure not included in the above categories including permits and dues, miscellaneous charges, office expense, and advertising, etc.

Per SF Summary	Low	Average	High
Comparables	\$0.06	\$0.21	\$0.57
Appraiser			\$0.15

We have projected this expense at \$0.15 per square foot which is at the low to middle end of the comparable range but reasonable due to economies of scale.

Management Fee

Typically, management fees for office properties range from 2% to 6% of effective gross income. We applied a management fee of 3.00% of effective gross income, which is consistent with investor expectations. Typical management fees in the market range between 2% and 6%. Based on our projected effective gross income, the management fee equates to \$521,243 or \$1.47 per square foot.

Reserves

This expense provides for the periodic replacement of building components that wear out more rapidly than the building itself and that must be replaced periodically during the building's economic life. The comparables did not report any reserve amounts as typically any reserves costs would be captured in annual repairs and maintenance costs. We forecast this expense at \$0.10 per leasable area of in total. This item is a non-recoverable.

Total Operating Expenses - Net of Taxes

Per SF Summary	Low	Average	High
Comparables	\$3.10	\$7.14	\$12.32
Appraiser			\$4.67

Operating expenses, exclusive of real estate taxes, were forecasted at \$4.67 per square foot. Excluding real estate taxes, the comparables ranged from \$3.10 to \$12.32 per square foot with the wide range primarily driven by high utility and payroll costs at the comparables. Our forecast is reasonably within the comparable range on a per square foot basis considering the fact that upon completion the subject will be in excellent condition. Thus, this forecast will be applied in our valuation analysis.

Stabilized Income and Expenses

Pro Forma

Pro Forma	\$	Per SF
Income		
Potential City Tenant Income	\$13,600,000	\$38.40
Potential Non-City Tenant Income	\$3,528,459	\$9.96
Parking Income	\$698,400	\$1.97
Potential Gross Income	\$17,826,859	\$50.33
Less City Tenant V/C Loss @ 1%	-\$136,000	-\$0.38
Less Non-City Tenant V/C Loss @ 5%	-\$176,423	-\$0.50
Less Parking V/C Loss @ 20%	-\$139,680	-\$0.39
Effective Gross Income	\$17,374,756	\$49.06
Real Estate Taxes	\$2,927,650	\$8.27
Insurance	\$230,215	\$0.65
Utilities	\$88,544	\$0.25
Water & Sewer	\$106,253	\$0.30
Repairs & Maintenance	\$177,088	\$0.50
Payroll	\$442,720	\$1.25
General, Admin & Misc	\$53,126	\$0.15
Reserves	\$35,418	\$0.10
Management	\$521,243	\$1.47
Total Operating Expenses	\$4,582,257	\$12.94
Total Expenses Excluding RE Taxes	\$1,654,607	\$4.67
Net Operating Income	\$12,792,499	\$36.12
Operating Expense Ratio	26%	

Income Capitalization

In developing an opinion of the overall capitalization rate required by an investor, we will apply several methods of analyses: (1) Band of Investment; (2) Debt Coverage Ratio; (3) Direct Comparable Sales; (4) Investor Surveys; and (5) Personal Surveys.

Band of Investment Technique

We use the Band of Investment technique to estimate a capitalization rate that accounts for the combination of equity and prevailing financing. The rate developed is a weighted average, the weights being percentages of the total value, which are occupied by the mortgage and equity positions.

Mortgage Component

A survey of active lenders in the subject property's influencing market indicates that 25-year and 30-year mortgage commitments are typically 100 to 300 basis points above 10-year treasuries.

Survey of Competitive Rates

Survey of Competitive Rates	Rate
Federal Funds Rate	4.25%-4.50%
5-year CD	4.50%
10-year Treasury Bond	3.48%
30-year Treasury Bond	3.66%
Corporate Bonds (Moody's Seasoned AAA)	4.43%
Municipal Bonds (AAA, 10-year)	2.45%

Source: Federal Reserve Statistical Release, FRED, bankrate.com, fmsbonds.com

Currently, 10-year treasuries are trading at 3.48% and mortgage rates are roughly 5.00% to 7.50%. The current mortgage market indicates a competitive interest rate, as there is strong demand from mortgage lenders seeking stable deals.

After surveying several commercial mortgage lenders, it is our opinion that a typical creditworthy purchaser could obtain financing from a lending source in an amount equal to 70% percent of value at an annual interest rate of 5.50% and a 30-year payout. Therefore, the mortgage constant is 0.06810.

Equity Component

As a stabilized income pro forma is expressed in constant dollars, an equity divided rate will be applied. The consensus of those actively engaged in the marketplace for apartment buildings is that Year 1 equity rates of return (based upon forecasting techniques and assumptions like those utilized herein) fall within a broad range, depending on numerous risk factors, including among others:

Location - the better the location, the lower the rate of return;

Physical Characteristics- the newer the property, the higher the quality of construction and finishes, and the better the design and layout of the physical structure, the lower the rate of return;

Degree of Growth Forecasted for Income and Expenses - the more aggressive and value enhancing the valuation assumptions, the higher the rate of return;

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 rate of return;

Type of Investment - the riskier the perceived return on investment for a particular type of real estate, the higher the rate of return.

Applying an appropriate equity dividend rate to the mortgage equity technique is an integral part of the valuation process. As previously stated, the equity rate of return is sensitive to the risk associated with the property, whether it be location, income flows, functional or physical obsolescence, and most important of all, the economic climate. First, we look at national surveys to understand appropriate yield rates. The latest Realty Rates survey indicates an average equity dividend rate of 11.11% and ranges from 7.45% to 15.59%.

Equity Dividend Rate Survey

Survey	Type of Product	Equity Dividend Rates		
Realty Rates	Office	7.45%	-	15.59%
Fourth Quarter - 2022	CBD Market	11.11%	avg	

Next, we consider the subject property place in the marketplace. 2440 Fulton Street is in a good location in Brooklyn. Based on our discussions with market participants, equity dividend rates for industrial real estate investments typically range from 2.00% to 10.00%, depending on the above noted factors.

We believe an investor in the subject property would accept an initial annual return of 5.00% in anticipation of a stable income flow and property appreciation over time. It should be emphasized that the equity dividend rate is not necessarily the same as an equity yield rate or true rate of return on equity capital. The equity dividend rate is an equity capitalization that reflects all benefits that can be recognized by the equity investor as of the date of purchase. We selected this rate based on the subject's location and its good access and visibility. We summarize the mortgage and equity parameters utilized in our derivation of an overall capitalization rate below:

We summarize the mortgage and equity parameters utilized in our derivation of an overall capitalization rate below:

Selected Loan Terms

Typical Loan Terms	Value
Mortgage Rate	5.50%
Amortization Term (Years)	30
Number of Payments	360
Loan-to-Value Ratio (M)	70%
Equity Ratio	30%
Mortgage Constant	0.06810

Band of Investment

Band of Investment	Value
Loan-to-Value Ratio (M)	70%
Mortgage Constant	x
Mortgage Component	4.7670%
Equity Ratio	30%
Equity Dividend Rate	x
Equity Component	1.5000%
Indicated Overall Rate	6.27%

The Band of Investment formula of developing an overall capitalization rate suggests a rate of 6.27%.

Debt Coverage Ratio Analysis

Next, we perform a debt coverage ratio analysis. As lenders will lend based on its underwriting standards, this factor plays a role in developing an overall capitalization rate. The most often applied standards are the Debt Service Coverage Ratio (DSCR) and the Loan-to-Value Ratio. The DSCR is a proprietary-underwriting standard, generally established by the lending institution, varying according to property type, age, location, and the quality of stream of income. The Loan-to-Value Ratio is generally an imposition of a regulatory body and therefore is a limiting factor as opposed to an indicator of value. The Debt Service Coverage Ratio will be the focus here. The lender wants the amount of the debt service, the annualized monthly payments on the mortgage loan, to be more than fully covered by the Net Operating Income from the property.

If an investor must meet a Loan-to-Value Ratio standard, iterations employing this method will direct the investor towards the optimum balance of LTV, DSCR, Rate, Term, loan amount and required equity. Employing the Income Capitalization Method using the Loan-Underwriter's Method to determine the capitalization rate will resolve the matter more readily, albeit with complete disregard for the return on equity, which is a secondary by-product. The estimate capitalization rate using the debt service coverage formula is $DSCR \times LTV \times \text{mortgage constant}$. Below we perform the DCRA analysis:

Debt Coverage Ratio Analysis

Debt Coverage Ratio Analysis	Value
Debt Coverage Ratio	1.30
Mortgage Constant	0.06810
Loan To Value	70%
Cap Rate Suggested	6.20%

The Debt Coverage Ratio Analysis suggests a capitalization rate of 6.20%.

Direct Capitalization Rates

The following are direct capitalization rates extracted from the comparable sales (to be presented in the Sales Comparison Approach):

Comparable Overall Sale Capitalization Rates

#	Address	Type	Sale Date	Cap Rate
1	224 Kings Hwy, Brooklyn, NY 11223	Office	Jan-23	5.28%
2	6010 Bay Pkwy Brooklyn, NY	Medical Office	Sep-22	5.50%
3	75 N 7th St, Brooklyn, NY 11249	Office	Jul-22	5.39%
4	15-02 121st St, Queens, NY 11356	Office	Jun-22	5.03%
5	3554 32nd St, Long Island City, NY 11106	Office	Mar-22	5.50%
6	2084 86th St, Brooklyn, NY 11214	Retail / Office	May-21	4.90%
Average				5.27%

We analyzed sales of comparable assets within the subject's periphery and they exhibit overall capitalization rates from 4.90% to 5.50% with an average of 5.27%. We have supplemented our cap rate comps with additional comps not used in our sales comparison approach. The additional rates are good indicators for cap rates for the subject and are recent; however, there are differences regarding the comps, which do not justify utilizing the comps in the Sales Comparison approach such as location, size, or date of sale. Further, there is a dearth of sales with capitalization rates for office/retail buildings of this size in this market. Nonetheless, the above-mentioned comps are good indicators of cap rates for a property like the subject although the increased vacancy and decline in market rents will cause cap rates to rise in the near term.

Surveys - Overall Capitalization Rates

Survey	Type of Product	Overall Cap Rate		
PwC	Office - CBD	4.25%	-	7.50%
Fourth Quarter - 2022	Market	5.75%	avg	
Situs - R.E.R.C.	Office - CBD	5.00%	-	8.00%
Fourth Quarter - 2022	Market	6.10%	avg	

The surveyed capitalization rates range from 4.25% to 8.00% and have a central tendency between 5.75% and 6.10%.

Capitalization Rate Conclusion

Overall capitalization rates are influenced by numerous factors, of which the most influential are: investors' perception of risk, the potential for net income growth, and the market for competitive assets. As indicated by the local comparable sales, assets in the submarket tend to trade for going-in returns toward the middle of the national range.

In terms of its position within the market range, it is our view that based on the following factors an investor would accept a return above the average of the comparable of the range.

- The subject is located in a good location in Broadway Junction, proximate to public transportation and it will be newly built and in excellent condition. We note that while there is general uncertainty in the current office market due to the interest rate environment, the subject will not be stabilized until 2024, and market participants anticipate a decline in the interest rates which would benefit the commercial real estate market.
- The subject is extremely well positioned in this regard as a majority of the leasable area will be occupied by the City of New York on a long-term basis, which would appeal to investors given the strong income stream.

Balancing these factors, it is our view that a 5.25% overall rate would be required by an investor.

A Summary of our calculation of value less rent loss and lease up deductions is provided below:

Rent Loss and Lease Up Deductions

In order to arrive at the As Is Fair Value for the subject, we have made various deductions which are outlined below.

- We deduct the remaining construction costs for the subject which are \$81,574,095.
- As stated above, we project a 12-month lease up period. Thus, given our assumption of a straight-line lease-up, whereby 50% of the space is expected to be leased halfway through the lease-up period, we deduct 6-months' rent loss. In addition, we include 3-months of free rent on new leases which equates to a total of 9-months of rent loss via absorption and free rent from the non-city tenants.
- We also include a broker's commission equal to 35% of the year 1 income.
- Additionally, we deduct a total of 9-months' rent loss from the income generated by the city tenant lease as stipulated by the lease. The total rent loss and lease up deduction is \$14,081,304, calculated below.

Annual Potential Income		\$17,128,459
Months Per Year	÷	12
PGI Per Month		\$1,427,372
Months of Rent Loss	×	9
Estimated Rent Loss		\$12,846,344
Brokerage Commission (Non-City tenant)	+	\$1,234,960
Total Rent Loss		\$14,081,304

- We deduct a profit factor equal to 10.0% of the stabilized value (inclusive of ICAP benefits). This equates to \$27,741,665.

- We deduct holding costs equal to 1.5% of the stabilized value of \$277,416,650, calculated to be \$4,161,250.
- Finally, we discount the indicated value of \$149,858,336 for 21-months to account for the construction and lease-up period at a rate of 5.75% (discounted on a monthly basis). Note that the discount rate is 50 bps above the concluded capitalization rate.

The As Stabilized and As Is Fair Value are provided below.

	Date of Value	Value	Final Value (Rd)
NOI		\$12,792,499	
Cap Rate		5.25%	
Indicated Value As Stabilized		\$243,666,650	
Add NPV of Tax Benefits		\$33,750,000	
Current Stabilized Fair Value Via the Income Capitalization Approach	September 30, 2024	\$277,416,650	\$277,500,000
Less Remaining Construction Costs		\$81,574,095	
Less Absorption / Free Rent (9 Months) & Non-City Leasing Commissions		\$14,081,304	
Less Holding Costs @ 1.5% Stabilized Value		\$4,161,250	
Less Profit on Stabilized Value @ 10%		\$27,741,665	
Indicated Value		\$149,858,336	
Indicated As Is Fair Value (Discounted 21 months at 5.75% - Monthly Basis)	December 31, 2022	\$135,545,277	\$135,500,000

Sales Comparison Approach

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

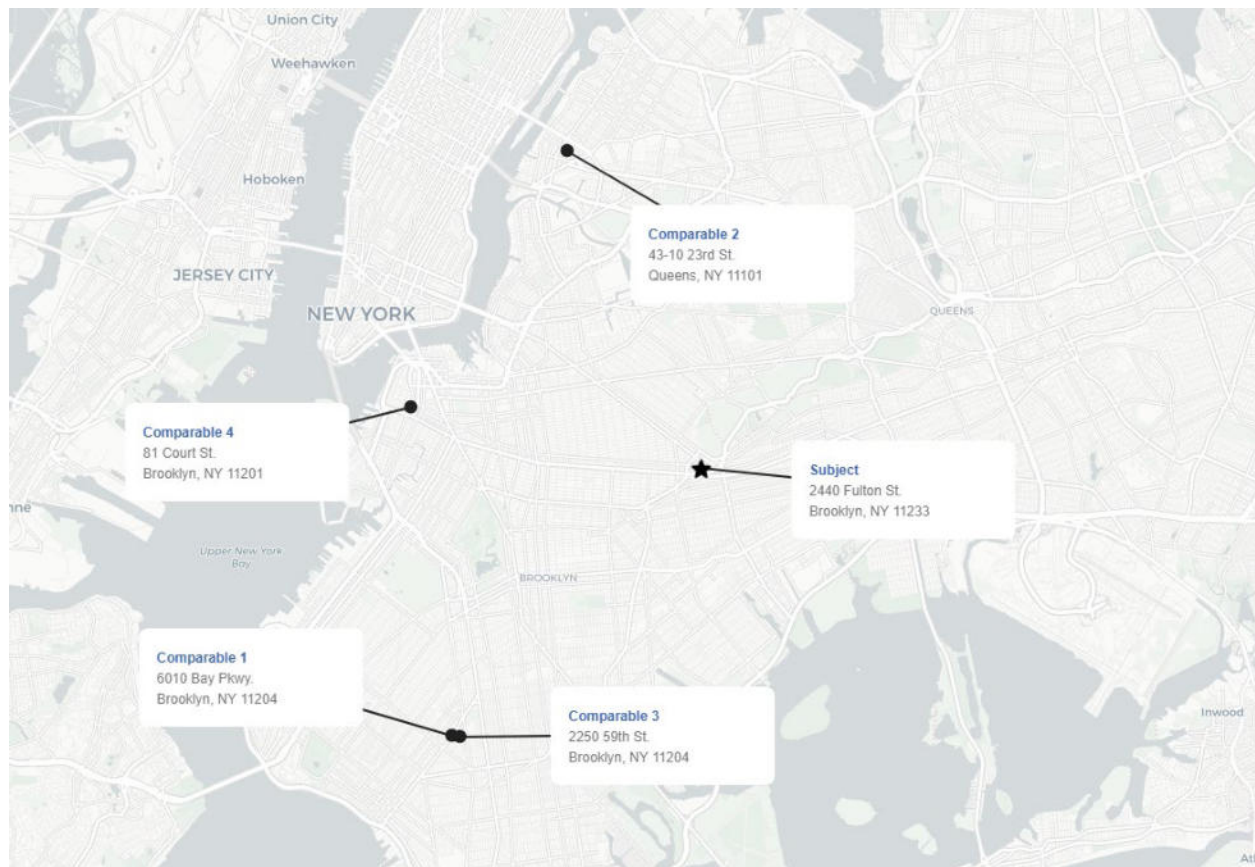
The procedure involved in this Approach is to research the market for sales of improved properties which are comparable, select appropriate units of comparison, adjust the sale prices to the subject, and then reconcile the range of adjusted sale prices into an opinion of value.

Unit of Comparison

In order to analyze comparable sales, it is necessary to convert the sale prices to an appropriate unit of comparison, a process which facilitates price comparisons between properties of different sizes, and it also enables adjustment for qualitative differences. Since investors typically purchase commercial properties in the subject's area in terms of value per square foot, we have applied this unit of comparison. We note that there is a dearth of transactions of similar office buildings. We have expanded our search radius to include surrounding boroughs but have included the most recent comparable sales.

Comparable Sales

The following is a map of the comparable sales to follow:



#	Address	Sale Date	SF	Sale Price	Price Per SF	Cap Rate
1	6010 Bay Pkwy, Brooklyn, NY 11204	Sep-22	85,567	\$77,500,000	\$906	5.50%
2	43-10 23rd Street, Long Island City, NY 11101	Dec-21	151,180	\$92,500,000	\$612	Not Reported
3	2250 59th Street, Brooklyn, NY	Dec-21	48,086	\$30,000,000	\$624	Not Reported
4	81 Court Street, Brooklyn, NY	Nov-20	15,000	\$11,500,000	\$767	Not Reported

Comparable Sale 1: 6010 Bay Pkwy, Brooklyn, NY 11204



Sale No.	1
Location	6010 Bay Pkwy Brooklyn, NY 11204
Block/ Lot	5522 / 36
Site Area (SF)	20,000.00
Gross Building Area (SF)	85,567
Property Description	This comparable represents the acquisition of a 9-story, 144,764-square-foot medical office building at 6010 Bay Pkwy in Brooklyn, NY. However, we note that a portion of the ground floor and the entirety of the 2nd - 4th floor is used for parking per DOB records. The actual leaseable area excluding parking is 85,567 SF which we apply to our analysis. The property is anchored by Maimonides Medical Center. Other tenants include: an urgent care center, a orthopedic department, a pain management center, a pathology lab, a fertility clinic, and 30,000 square feet of private physician office space. The property is currently 100% leased through 14 NNN leases with a weighted average remaining term of approximately 7 years. Major tenants include Maimonides Medical Center (31% GLA), Brooklyn Surgery Center (25% GLA), and RadNet Imaging (11% GLA). It reportedly traded at a 5.5% cap rate indicating an NOI of \$4,482,500. There are 177 attended parking spaces. It traded for \$81.5M. The property benefits from an ICIP tax exemption which commenced in 2015 and is set to expire in 2029. Using a 6% discount rate, we have valued the benefits at \$4M which we have deducted from the purchase price. The adjusted sale price is \$77.5M. All details were obtained via CoStar, cross-
Sale Date	September 9, 2022
Year Built	2013
Grantor	BP Group DE LLC
Grantee	Physicians Realty Trust
Sale Price	\$77,500,000
Price Per SF	\$906
NOI	\$4,262,500
Cap Rate	5.50%
Document No.	\$2,022,000,368,311

Comparable Sale 2: 43-10 23rd Street



Sale No.	2
Location	43-10 23rd Street Long Island City, NY 11101
Block/ Lot	440 / 1
Site Area (SF)	36,649.00
Gross Building Area (SF)	151,180
Property Description	This is the sale of an office building located in Long Island City, NY 11101. The property, built in 1924, contains 151,180 square feet of above grade GBA on 36,649 square feet of land. The building most recently sold for \$92,500,000. The buyer, Longfellow Real Estate Partners, will be re-developing the property into a commercial life science office building. The firm is investing an additional \$120M to convert the property into a high-tech life sciences building. The renovation is expected to be completed in Q1 2023. All details were obtained via CoStar and cross-referenced with public records.
Sale Date	December 17, 2021
Year Built	1924
Grantor	Maple K 43-10 23rd St Owner LLC
Grantee	Court Square 23rd LLC
Sale Price	\$92,500,000
Price Per SF	\$612
NOI	Not Reported
Cap Rate	Not Reported
Document No.	2021000513202

Comparable Sale 3: 2250 59th Street, Brooklyn, NY



Sale No.	3
Location	2250 59th Street Brooklyn, NY
Block/ Lot	Block 6548/Lot 27
Site Area (SF)	10,000.00
Gross Building Area (SF)	48,086
Property Description	This comparable represents the acquisition of a newly constructed 48,086-square-foot office building at 2250 59th Street in the Mapleton area of Brooklyn. Based on our review of Department of Building records, the property was a vertical enlargement (Alteration Type 1) and comprises a total square footage of 48,086. The improvements rise 8 stories and feature a mix of both commercial (Class A office/retail) and community facility space. The property went into contract in March 2021 and closed in December 2021 for a price of \$30,000,000. All details were obtained via CoStar and cross-referenced with public records. According to our research, it sold with approximately 81% occupancy.
Sale Date	December 3, 2021
Year Built	2020
Grantor	Royal 59 LLC
Grantee	2250 59 Owner LLC
Sale Price	\$30,000,000
Price Per SF	\$624
NOI	Not Reported
Cap Rate	Not Reported
Document No.	2021000499684

Comparable Sale 4: 81 Court Street, Brooklyn, NY



Location	81 Court Street Brooklyn, NY
Block/ Lot	269 / 27
Site Area (SF)	2,162.00
Gross Building Area (SF)	15,000
Property Description	This is the sale of a 7-unit office/retail building located in Brooklyn, NY. The property, built in 1987 / 2008, contains 15,000 square feet of GBA on 2,162 square feet of land. The building most recently sold for \$11,500,000. The building sold as a part of a foreclosure proceeding. It contains 1 ground floor retail unit and 6 floor through office units. We note the office units are currently vacant and being marketed with an asking rent of \$35 per square foot.
Sale Date	November 10, 2020
Year Built	1987 / 2008
Grantor	Investors Bank
Grantee	Investors Court Street, LLC
Sale Price	\$11,500,000
Price Per SF	\$767
NOI	Not Reported
Cap Rate	Not Reported
Document No.	2020000337368

Comparable Sales Summary

#	Address	Sale Date	SF	Sale Price	Price Per SF	Cap Rate
1	6010 Bay Pkwy, Brooklyn, NY 11204	Sep-22	85,567	\$77,500,000	\$906	5.50%
2	43-10 23rd Street, Long Island City, NY 11101	Dec-21	151,180	\$92,500,000	\$612	Not Reported
3	2250 59th Street, Brooklyn, NY	Dec-21	48,086	\$30,000,000	\$624	Not Reported
4	81 Court Street, Brooklyn, NY	Nov-20	15,000	\$11,500,000	\$767	Not Reported

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

Property Rights Appraised The purpose of this adjustment is to account for differences in the property rights transferred with the sale. No property rights adjustments are required.

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

Conditions of Sale Condition of sale refers to the motivations of the buyer and seller involved in a particular transaction. All sales are arm's length and no adjustment is needed. Comparable 4 sold as a part of foreclosure proceedings with the ground floor retail space occupied and vacant office units on the upper floors. However, no adjustments are warranted as the terms appear arm-length.

Market Conditions (Time) All sales took place since November 2020. Given the recent interest rate hikes, there has been limited commercial office transactions. However, given that Sales 2 - 4 transacted in superior interest rate environments, downward adjustments were applied.

Location The subject property is located in Broadway Junction/Ocean Hill in Kings County. Comparables 1 and 3 are in inferior locations and are therefore adjusted up to account for this discrepancy. Comparables 2 and 4 are in superior locations and are therefore adjusted down to account for this discrepancy.

Size This adjustment accounts for the difference in size between each of the comparables and the subject property. The sales range in size from 15,000 to 151,180 square feet, while the subject property will contain 354,176 square feet. Comparables 1, 3, and 4 are smaller and are therefore adjusted down to account for the difference in size.

Utility This adjustment reflects building height or number of stories, land to building ratio, views, exterior appeal, corner location and the interior finishes, design and layout of each comparable as compared to the subject property. The subject will have an on-site parking component. Given that Sale 1 included parking space on Floors 1- 4 and we have not included this area, downward adjustments were applied. Sales 2 - 4 do not have on site parking. Upward adjustments were applied.

Condition The subject property will be in excellent condition upon completion of construction. Comparables 2 and 4 are in inferior condition and are therefore adjusted up to account for this difference.

Comparable Sales Adjustment Grid

Sale No.	Subject	1	2	3	4
Address:	2440 Fulton Street, Brooklyn, New York 11233	6010 Bay Pkwy, Brooklyn, NY 11204	43-10 23rd Street, Long Island City, NY 11101	2250 59th Street, Brooklyn, NY	81 Court Street, Brooklyn, NY
Sale Date:		9/9/2022	12/17/2021	12/3/2021	11/10/2020
No. SF	354,176	85,567	151,180	48,086	15,000
Sale Price		\$77,500,000	\$92,500,000	\$30,000,000	\$11,500,000
Price Per SF		\$906	\$612	\$624	\$767
Property Rights:	Leased Fee Interest	0%	0%	0%	0%
Financing Terms:	None	0%	0%	0%	0%
Conditions of Sale:	None	0%	0%	5%	0%
Market Conditions (Time):	September 30, 2024	0%	-5%	-5%	-5%
Trended Price Per SF		\$906	\$581	\$624	\$728
Location:	Ocean Hill	5%	-5%	5%	-5%
Size:	354,176	-5%	0%	-5%	-5%
Utility:	N/A	-20%	5%	5%	5%
Condition:	Good	0%	15%	0%	10%
Net Adjustments		-20%	15%	5%	5%
Adjusted Price Per SF		\$725	\$668	\$655	\$765
		Unadjusted			
	Low	\$612		Low	\$655
	High	\$906		High	\$765
	Average	\$727		Average	\$703
	Median	\$695		Median	\$697

Reconciliation

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 exhibited a range between \$655 and \$765 per square foot, with an average of \$703 and a median of \$697 per square foot. In relation to the subject, we gave reliance to Comparable 1 as it is the most recent sale (reflective of current market conditions) and is also new construction like the subject. Given that the subject features strong tenancy in place, in addition to a superior location, it is reasonable that the concluded fair value for the subject be near that of this comparable.

Overall, considering the elements of comparison noted above, our opinion of fair market value is \$700 per square foot, and calculated as follows. We also apply the same adjustments to value as considered in the direct capitalization approach.

The value is calculated below:

Value Conclusion Via Sales Approach

	Date of Value	Value	Final Value (Rd)
Value per SF		\$700	
Square Feet		354,176	
Indicated Value As Stabilized		\$247,923,347	
Add NPV of Tax Benefits		\$33,750,000	
Prospective Fair Value As Stabilized	September 30, 2024	\$281,673,347	\$281,500,000
Less Construction Costs		\$81,574,095	
Less Rent Loss (9 Months), Marketing & Leasing Commissions (35%)		\$14,081,304	
Less Holding Costs to Stabilization @ 1.5%		\$4,161,250	
Less Profit on Stabilized Value @ 10%		\$27,741,665	
Indicated Value Via Sales Approach		\$154,115,033	
Current As Is Fair Value Via the Sales Comparison Approach (Discounted 21 months at 5.75% - Monthly Basis)	December 31, 2022	\$139,395,415	\$139,500,000

Reconciliation & Final Value Opinion

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

Fair Value Opinion

Approach	Value	Interest Appraised	Date of Value	Conclusion
Cost Approach	Prospective Fair Value "As Stabilized"	Leased Fee Interest	September 30, 2024	\$229,500,000
Cost Approach	Prospective Fair Value "As Complete"	Fee Simple	December 31, 2023	\$215,500,000
Cost Approach	Fair Value "As Is"	Fee Simple	December 31, 2022	\$102,000,000
Income Approach	Prospective Fair Value "As Stabilized"	Leased Fee Interest	September 30, 2024	\$277,500,000
Income Approach	Fair Value "As Is"	Fee Simple	December 31, 2022	\$135,500,000
Sales Approach	Prospective Fair Value "As Stabilized"	Leased Fee Interest	September 30, 2024	\$281,500,000
Sales Approach	Fair Value "As Is"	Fee Simple	December 31, 2022	\$139,500,000

The **Cost Approach** is traditionally a good indicator of value when properties being appraised are new or close to new. The difficulty in credibly isolating the influence of physical and economic depreciation on value affects the reliability of this approach. However, the subject will complete construction in December 2023 and therefore will have no physical and economic depreciation. As such, we chose to use this approach. However, the subject has a majority of the rentable area leased to the City of New York which will occupy the subject on a long-term basis, adding significant value to the subject that is difficult to quantify using this methodology. Further, investors typically give nominal weight to this analysis if the asset is an income producing property and operating on a stabilized basis. Therefore, no emphasis has been placed on this approach.

The **Income Approach** is a strong indicator of value when market rents, vacancy rates, stabilized expenses, capitalization/discount rates are based on reliable market data. In this case, given the depth of the market, there are numerous transactions from which to glean points of analysis, lending credibility to the results of the approach. mixed-use office 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 square foot basis a strong predictor of value. We note that there is a dearth of recent office transactions as a result of the high interest rate environment. Therefore, the Sales Comparison Approach is largely used as a secondary support for our opinion developed in the application of the Income Approach.

Final Value Opinion

Value	Interest Appraised	Date of Value	Conclusion
Fair Value As Is	Fee Simple Interest	December 31, 2022	\$135,500,000

The value conclusions are subject to the following **Extraordinary Assumptions**¹¹ 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.

- Our opinion of the prospective market values upon stabilization assume that the proposed improvements are completed on December 31, 2023, the prospective date of completion, in accordance with the architectural plans and specifications cited within this report, in a good and workmanlike manner, and in conformance with all City of New York zoning and building codes.
- Our opinion of the prospective market values upon completion and upon stabilization assume that there will be no significant changes in the applicable economic conditions that could impact the subject property as currently perceived between the current effective date and our prospective valuation dates.
- The owner provided us with a construction budget of \$121,833,961 or \$344 per square foot of building area which includes hard costs, soft costs and landlord contributions to tenant work. We make the extraordinary assumption that the budget is sufficient to complete the proposed development and that the project is completed within the estimated time frame provided.

The value conclusions are based on the following **Hypothetical Conditions**¹² 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.

¹¹ The definition of Extraordinary Assumptions can be found in the Glossary of Terms, which is located in the Addenda.

¹² 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.
- We have performed services as an appraiser, regarding the property that is the subject of this report, within the three-year period immediately preceding acceptance of this assignment.
- 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.
- Jonathan Nathanson has made a personal inspection of the property that is the subject of this report on February 7, 2023. Michelle Zell, MAI and Steve Zheng did not inspect the property.
- No one provided significant real property appraisal assistance to the person signing this certification, assisting in the research and writing of the report.
- 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*, 6th 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.¹³

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.

¹³ *The Appraisal of Real Estate, 14th 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.¹⁴ **(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.¹⁵

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.

¹⁴ Parker, David. *International Valuation Standards* (John Wiley & Sons, Ltd: 2016)

¹⁵ *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.¹⁶

¹⁶ *The Appraisal of Real Estate, 14th Edition (Appraisal Institute: 2013)*

Contingent & Limiting Conditions

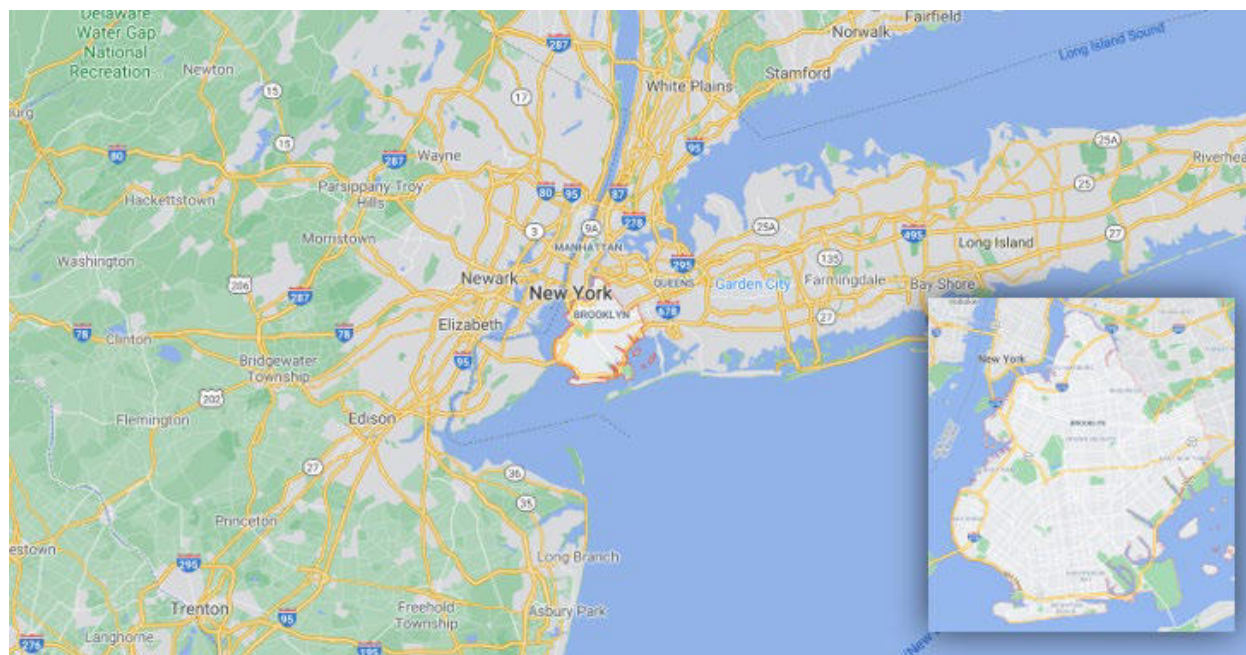
1. Any legal description or plats reported herein are assumed to be accurate. Any sketches, surveys, plats, photographs, drawings or other exhibits are included only to assist the intended user to better understand and visualize the subject property, the environs, and the competitive data. We have made 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.

Kings County Area Analysis

The following analysis includes pertinent aspects of the surrounding region as it pertains to the subject property. This report was compiled using data as of 2022 Q4 unless otherwise noted. Data is from a number of sources including the U.S. Bureau of Labor Statistics ("BLS"), the U.S. Bureau of Economic Analysis ("BEA"), and the U.S. Census Bureau.



Source: Google Maps

Kings County At a Glance

The subject property is located in Kings County, New York. Kings County, New York is best known as the NYC borough of Brooklyn. It is the most populous county in the state, and the second-most densely populated county in the United States, with an estimated 2.7 million residents in 2020. The economy of Brooklyn is diverse and includes a range of industries such as finance, technology, healthcare, and retail. Some of the top employers in Brooklyn include JPMorgan Chase, Goldman Sachs, and Brooklyn Hospital Center. The Brooklyn Navy Yard is also a major employer in the area, providing jobs in manufacturing and technology. Housing options in Brooklyn vary greatly, from historic brownstones and townhouses to high-rise apartment buildings. The cost of living in Brooklyn is higher than the national average, but residents enjoy a bustling and diverse community, with a wide range of retailers and businesses, including large chain stores and local shops and restaurants. There are also many community parks and open spaces, such as Prospect Park and Marine Park, which provide residents with opportunities for recreation and relaxation. Brooklyn is well-connected by a network of local corridors and major roads, including the Brooklyn-Queens Expressway (Interstate 278) and the Belt Parkway. The borough is also served by several subway lines, including the B, D, N, Q, and R lines, as well as several bus routes operated by the Metropolitan Transportation Authority (MTA). JFK International Airport is located in nearby Queens and provides air travel options for residents of Brooklyn.

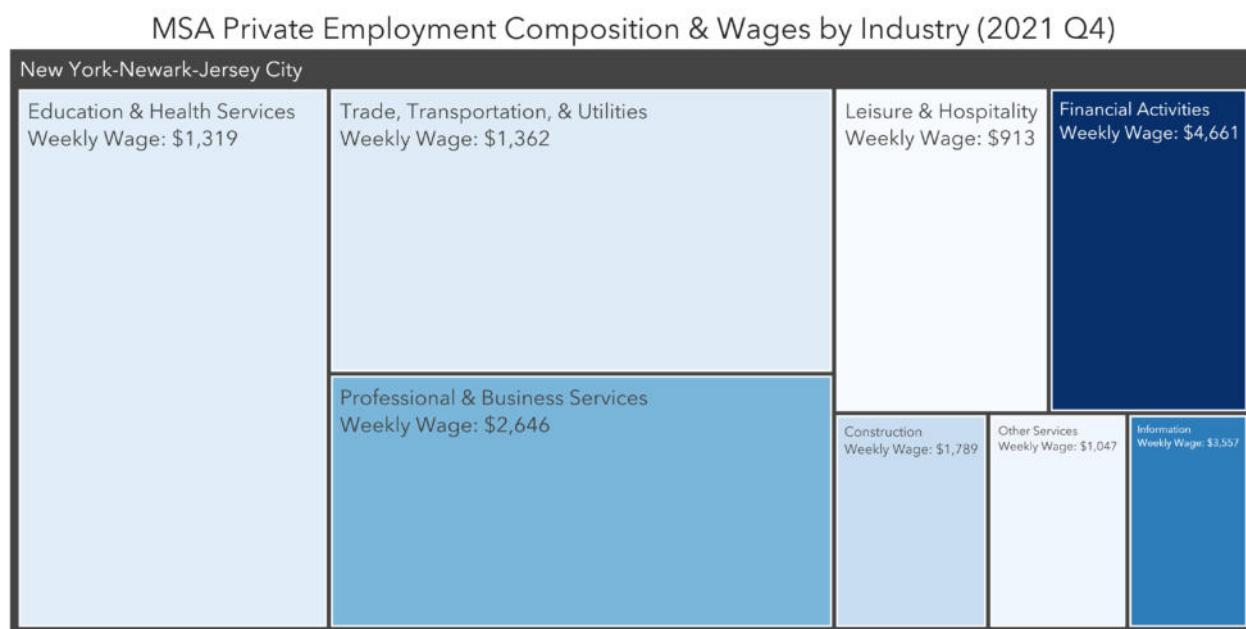
The COVID-19 pandemic slowed economic growth throughout the country, including here in Kings County. Between February 2020 and April, Kings County employers shed over 238,333 jobs (19.3% of the labor market), as social distancing protocols were put in place and operating restrictions were imposed. Despite this, County GDP grew 5.0% in 2020, compared to the year prior.

Area Fundamentals

Attribute	County Level Value	5 Year Annualized	
		Growth Rate	Relative to Baseline (MSA)
Employment	1,110,930	-1.5%	Slower than MSA
GDP	\$92.3 billion	3.8%	Faster than MSA
Population	2,641,052	0.3%	Slower than MSA
Per Capita Personal Income	\$61,851	8.7%	Faster than MSA

Labor Market Conditions

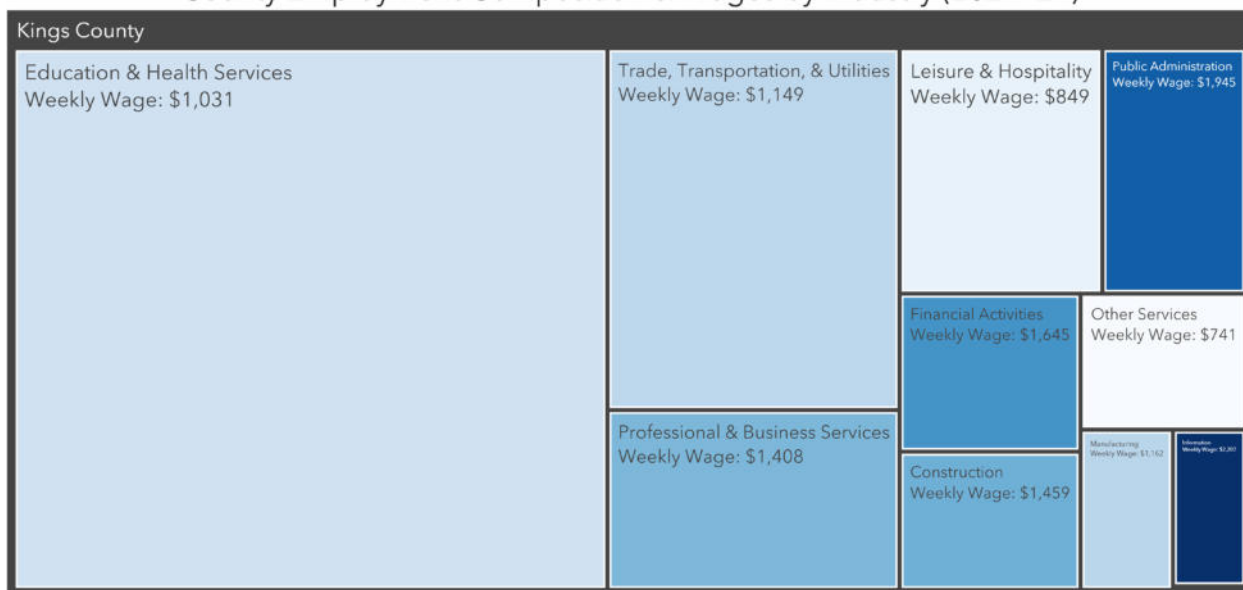
According to the Q4 2021 Quarterly Census of Employment and Wages, New York-Newark-Jersey City employed 7,598,354 private employees, with establishments in the Education & Health Services, Trade, Transportation, & Utilities, and Professional & Business Services industries accounting for the top three employers. These industries employ 1,924,821 (25.2%), 1,646,876 (21.5%), and 1,468,220 (19.2%) private sector workers in the Metro, respectively.



Source: U.S. Bureau of Labor Statistics

According to the Q4 2021 Quarterly Census of Employment and Wages, Kings County employed 802,690 employees, with establishments in the Education & Health Services, Trade, Transportation, & Utilities, and Professional & Business Services industries accounting for the top three employers. These industries employ 386,758 (47.7%), 127,077 (15.7%), and 63,206 (7.8%) workers in the County, respectively. Kings County has an especially large share of workers in the Education & Health Services industry. In fact, its 47.7% fraction of workers is 2.3 times higher than the National average.

County Employment Composition & Wages by Industry (2021 Q4)

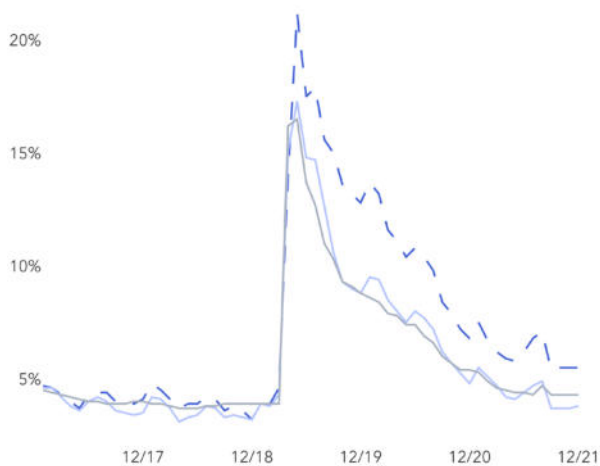


Source: U.S. Bureau of Labor Statistics

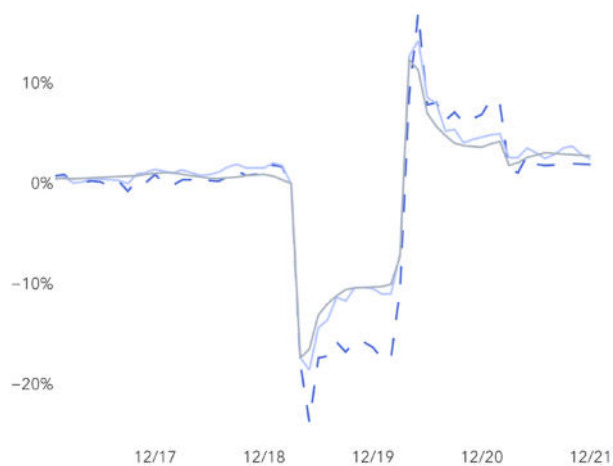
At the onset of the pandemic last spring, Kings County area employers shed 19.3% of its workforce, expanding the unemployment rate from 3.9% in February 2020 to 14.0% just two months later. The unemployment rate in Kings County has compressed over the past year to the current rate of 5.5%, considerably above the New York-Newark-Jersey City rate of 3.8%. As of 12/22, total employment is up 2% on a year-over-year basis. The unemployment rate remains above its pre-pandemic level (Feb 2020) of 3.9%.

— Kings County — New York-Newark-Jersey City (MSA) — New York

Unemployment Rate



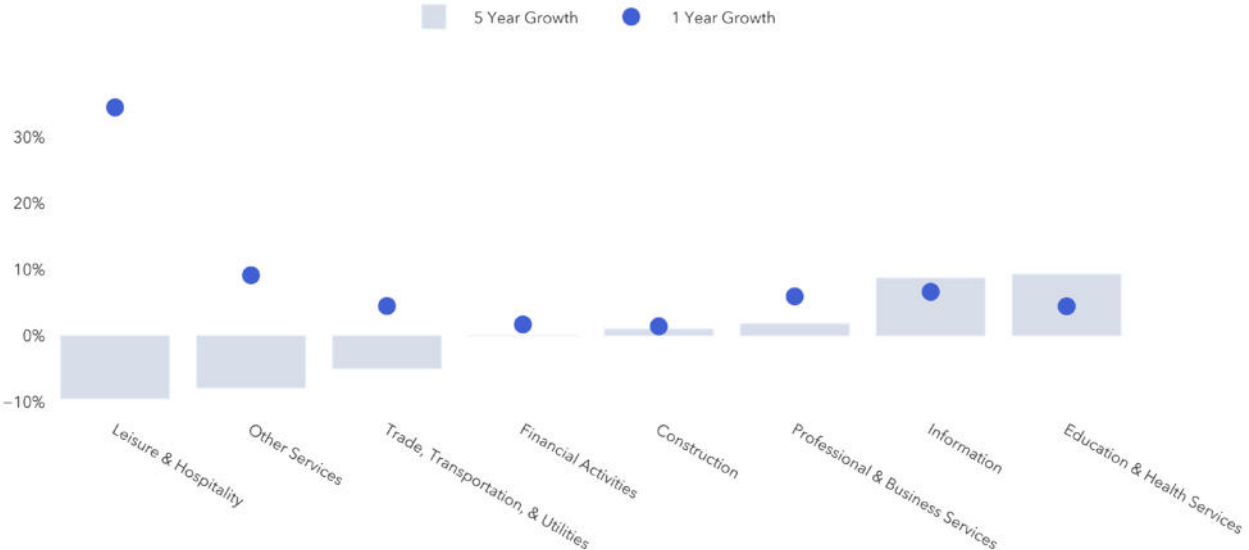
Annual Employment Growth



Source: U.S. Bureau of Labor Statistics

According to the Q4 2021 Quarterly Census of Employment and Wages, New York-Newark-Jersey City Metro has experienced private employment expand 0.0% (2,418) in total over the last five years. During that time, the Education & Health Services, Information, and Professional & Business Services industries saw the strongest growth, expanding 9.3%, 8.7%, and 1.8%, respectively. Meanwhile, the Leisure & Hospitality Industry has experienced employment collapse 9.5% over the previous five years.

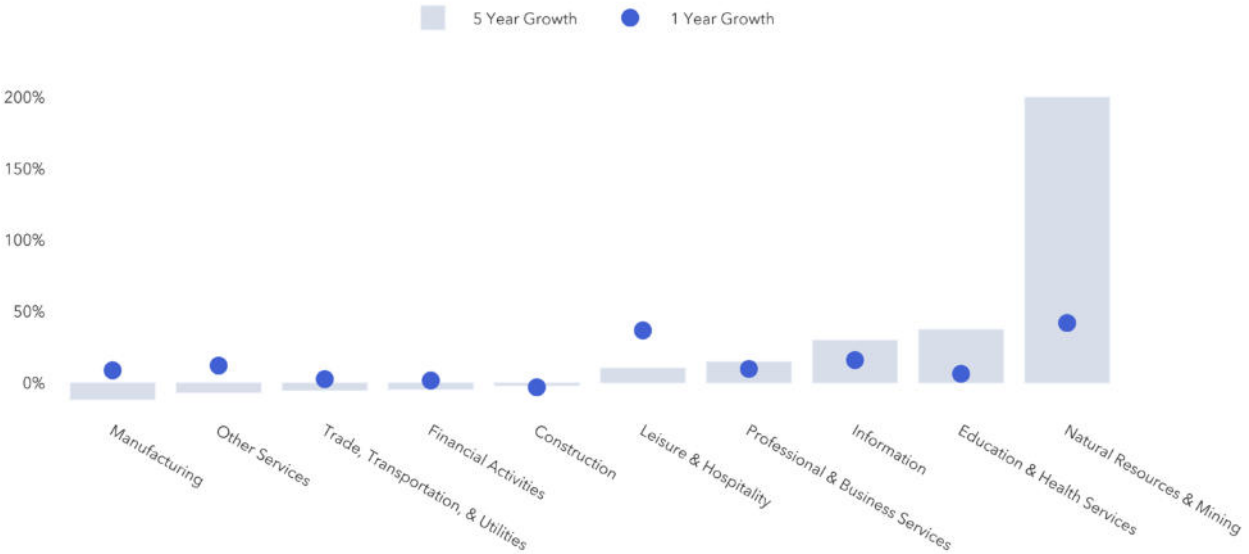
Private Employment Growth by Industry (MSA) (2021 Q4)



Source: U.S. Bureau of Labor Statistics

According to the Q4 2021 Quarterly Census of Employment and Wages, Kings County has experienced private employment expand 14.4% (87,266) in total over the last five years. During that time, the Natural Resources & Mining, Education & Health Services, and Information industries saw the strongest growth, expanding 200.0%, 37.4%, and 29.7%, respectively. Meanwhile, the Manufacturing Industry has experienced employment collapse 11.8% over the previous five years.

Private Employment Growth by Industry (County) (2021 Q4)

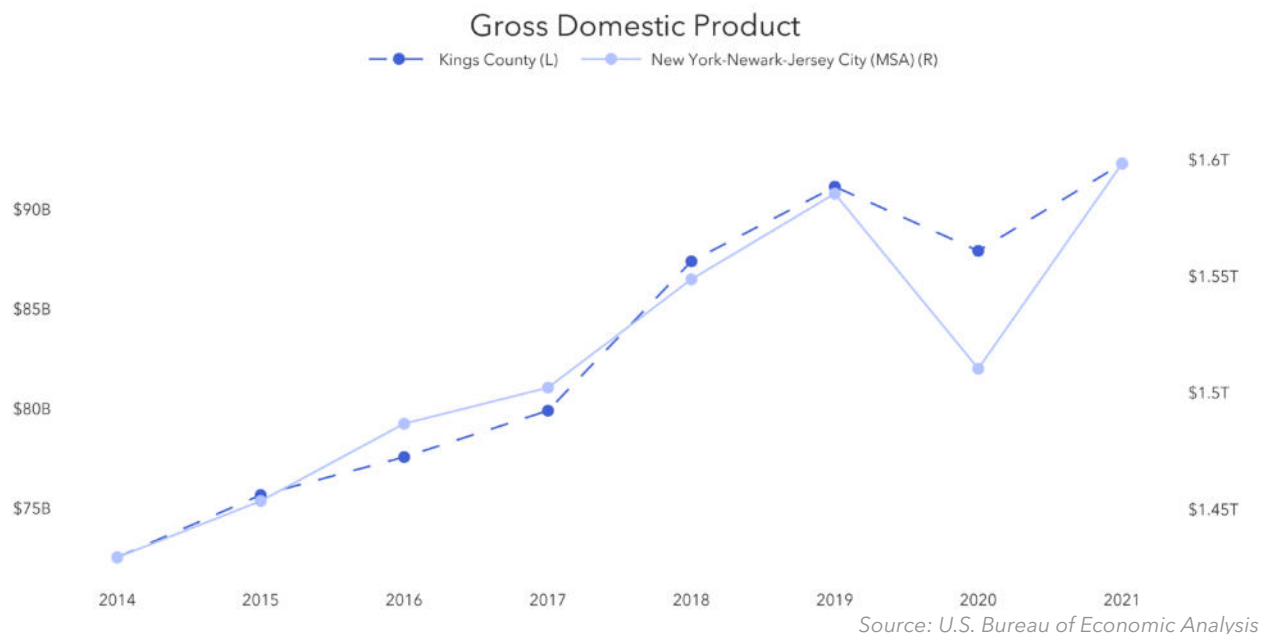


Source: U.S. Bureau of Labor Statistics

Economic Production

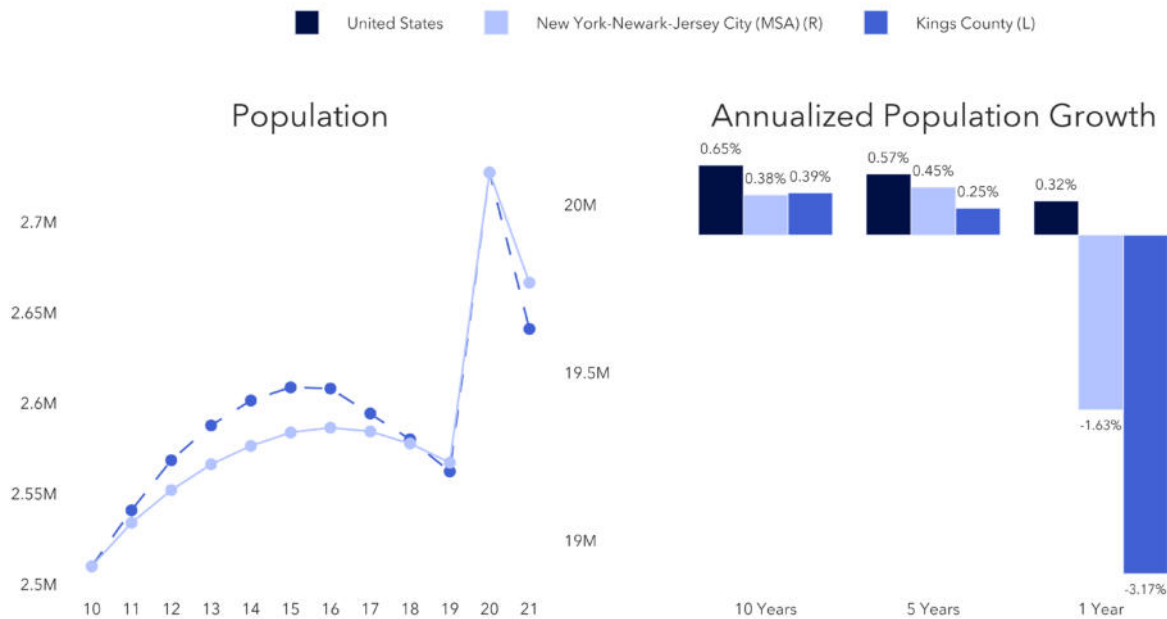
The U.S. economy finished 2022 in solid shape even as questions persist over whether growth will turn negative in the year ahead. Fourth-quarter gross domestic product, the sum of all goods and services produced for the October-to-December period, rose at a 2.9% annualized pace, slightly better than expected. The growth rate was slightly slower than the 3.2% pace in the third quarter. The Fed is expected to continue with rate hikes over the first half of 2023, although at a much slower pace than the historic rate experienced in 2022.

For the five years prior to the pandemic, Kings County experienced average annual growth of 5.1% compared to 2.2% for the Metro. In 2021, Kings County produced about \$92.3 billion of output, representing an annual change of 5.0% compared to 5.8% for the Metro.



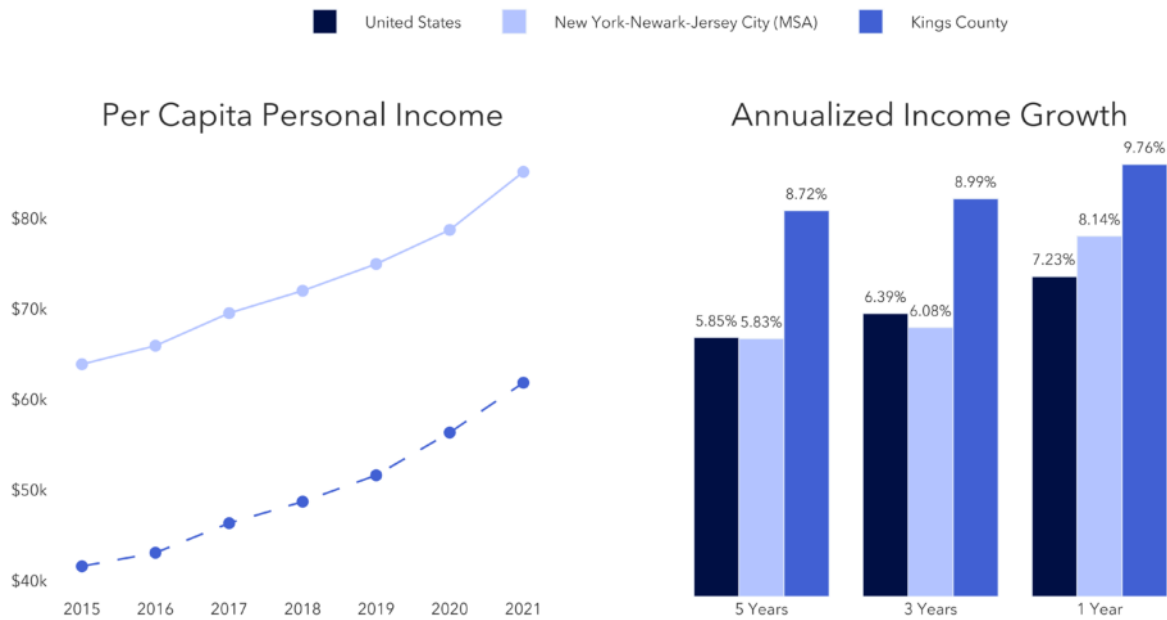
Demographics

Going back ten years, Kings County's population has expanded 0.4% per annum to the 2021 count of 2,641,052. Over the past five years, growth has declined, growing 0.3% per annum since 2016. This growth rate falls short of the Nation, which has expanded 0.6% per year over the last five years.



Source: U.S. Census Bureau





Going back five years, Kings County residents' per capita personal income has expanded 8.7% per annum to the 2021 level of \$61,851. Over the past three years, growth has expanded, growing 9.0% per annum since 2018. This growth rate exceeds the Nation, which has expanded 6.4% per year over the last three years.



Source: U.S. Census Bureau

Infrastructure

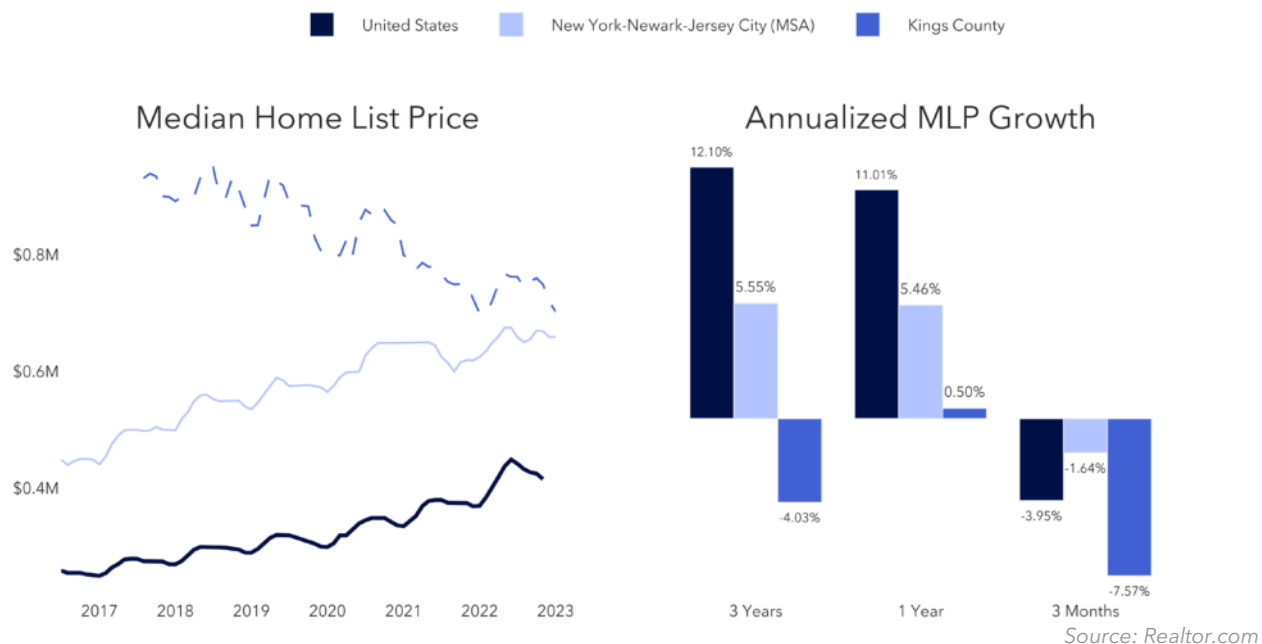
Transportation Methods

-  Most of the limited-access expressways and parkways are in the western and southern sections of Brooklyn, where the borough's two interstate highways are located; Interstate 278, which uses the Gowanus Expressway and the Brooklyn-Queens Expressway, traverses Sunset Park and Brooklyn Heights, while Interstate 478 is an unsigned route designation for the Brooklyn-Battery Tunnel, which connects to Manhattan. Other prominent roadways are the Prospect Expressway (New York State Route 27), the Belt Parkway, and the Jackie Robinson Parkway (formerly the Interborough Parkway). Major thoroughfares include Atlantic Avenue, Fourth Avenue, 86th Street, Kings Highway, Bay Parkway, Ocean Parkway, Eastern Parkway, Linden Boulevard, McGuinness Boulevard, Flatbush Avenue, Pennsylvania Avenue, and Nostrand Avenue. Brooklyn is connected to Manhattan by three bridges, the Brooklyn, Manhattan, and Williamsburg Bridges; a vehicular tunnel, the Brooklyn-Battery Tunnel (also known as the Hugh L. Carey Tunnel); and several subway tunnels. The Verrazzano-Narrows Bridge links Brooklyn with the more suburban borough of Staten Island.
-  Brooklyn features extensive public transit. Nineteen New York City Subway services traverse the borough. There are three commuter rail stations in Brooklyn: East New York, Nostrand Avenue, and Atlantic Terminal, the terminus of the Atlantic Branch of the Long Island Railroad.
-  Kings County public bus service is provided by the MTA and offers an extensive route map.
-  Three international airports serve NYC. JFK and LGA are located in Queens while EWR is located in Newark, New Jersey.

Housing

In 2021, historically low mortgage rates, the desire for more space, and the ability to work from home led to an increase in demand for housing. This, combined with historically low inventory levels, pushed values to record highs in most counties and metros across the Nation in 2021 and first half of 2022, with medium listing price in the US reaching a peak of \$413,000 in June 2022. However, with persistent inflation, the Fed has hiked interest rates at a record pace, pushing mortgage rates to 7% in November. The sharp rise in mortgage rates has eroded housing affordability, resulting in a decrease in demand, and values. As of December, values remain up 2% over the past year, but the medium listing price in the US decreased 1.5% In December, representing a 11% decrease in values from June to the current median list price of \$366,900 in December.

In Kings County, Realtor.com data points to continued growth in values over the past year. As of 01/2023, the median home list price sits at \$702,500, an increase of 0.5% compared to an increase of 5.5% for the New York-Newark-Jersey City Metro, and an increase of 11.0% across the Nation over the past year. With the recent sharp rise in mortgage rates, the county median list price has experienced a decrease of 7.6% over the past 3 months, compared to a decrease of 1.6% for the New York-Newark-Jersey City Metro in the same period.



Outlook

The United States economy has recovered from the pandemic, but, with persistent levels of inflation, the Fed has repeatedly reaffirmed its commitment to fighting inflation, even at the cost of economic slow-down. Economic observers predict a mild recession over the first half of 2023, with a potential rebound in the second half of the year.

The current unemployment rate in Kings County of 5.5% is below its five-year average. By contrast, that rate is also above the state rate of 4.3%, and above the national rate of 3.7%. Although Kings County has experienced population growth of 0.3% per year over the past five years, it most recently saw a one-year contraction of -3.2%. Considering its strong positive growth relative to the nation as a whole over the five years prior to the pandemic, its long-term growth in population, and despite its dependency on one particular industry, the county is well equipped for near and long-term growth.

Provided Information

		Revised Scheduled Value	Total Spent up to date	Remaining Balance
DIVISION 1: General Requirements				
01-PRO	Adjacent Building Protection	\$ 125,780.03	\$ 125,780.03	\$ -
01-BAR	Barricades	\$ 75,175.00	\$ 75,175.00	\$ -
01-CMF	CM Fee	\$ 3,625,825.00	\$ 1,136,820.92	\$ 2,489,004.08
01-CNY	Contingency - Revised Schedule Value is based on what was previously spent	\$ 902,279.55	\$ -	\$ 902,279.55
01-ENG	Engineering	\$ 10,000.00	\$ 225.00	\$ 9,775.00
01-GEC	General Conditions	\$ 4,106,217.00	\$ 570,350.59	\$ 3,535,866.41
01-HOI	Hoist	\$ 297,767.00	\$ 10,000.00	\$ 287,767.00
01-LIA	Liability Insurance	\$ 1,800,095.90	\$ 7,093.00	\$ 1,793,002.90
01-PRM	Permits	\$ 250,000.00	\$ 16,863.80	\$ 233,136.20
01-SCF	Scaffold & Sidewalk Shed	\$ 136,600.00	\$ 67,500.00	\$ 69,100.00
01-SEC	Security Systems and Alarms	\$ 95,423.63	\$ 95,423.63	\$ -
01-BRG	Sidewalk Bridge	\$ 125,235.00	\$ -	\$ 125,235.00
01-SSP	Site Supervision	\$ 2,361,667.00	\$ 584,573.37	\$ 1,777,093.63
01-TFE	Temporary Fence	\$ 66,495.00	\$ 4,325.00	\$ 62,170.00
01-TMP	Temporary Electrical Power	\$ 38,000.00	\$ 38,000.00	\$ -
01-TST	Testing	\$ 425,400.00	\$ 381,484.00	\$ 43,916.00
01-SUR	Surveying	\$ 184,305.00	\$ 38,350.00	\$ 145,955.00
			\$ -	\$ -
SUB-TOTAL		\$ 14,626,265.11	\$ 3,151,964.34	\$ 11,474,300.77
DIVISION 2: EXISTING CONDITIONS / SITE WORK				
02-EXC	Excavation	\$ 2,976,496.38	\$ 2,737,596.38	\$ 238,900.00
02-PIL	Piles		This line item is included in 02-EXC	
02-SOE	SOE		This line item is included in 02-EXC	
02-SOI	Trucking & Disposal	\$ 2,146,340.41	\$ 2,146,340.41	\$ -
02-LND	Landscaping	\$ 418,900.00	\$ -	\$ 418,900.00
02-PVN	Paving	\$ 224,772.00	\$ -	\$ 224,772.00
02-PVR	Pavers	\$ 19,670.00	\$ -	\$ 19,670.00
02-SID	Concrete Sidewalk	\$ 310,355.00	\$ -	\$ 310,355.00
02-CRB	Concrete Curbs	\$ 113,740.00	\$ -	\$ 113,740.00
02-TRE	Tree Pits	\$ 76,640.00	\$ -	\$ 76,640.00
02-SEW	Water Main & Sewer	\$ 99,500.00	\$ 53,350.00	\$ 46,150.00
02-STE	Sitework	\$ 313,698.00	\$ -	\$ 313,698.00
02-RLC	Relocation fire hydrant, light pole, bus stop	\$ 40,000.00	\$ 16,000.00	\$ 24,000.00
			\$ -	\$ -
SUB-TOTAL		\$ 6,740,111.79	\$ 4,953,286.79	\$ 1,786,825.00
DIVISION 3: CONCRETE				
03-FND	Foundation	\$ 6,367,940.00	\$ 1,849,627.71	\$ 4,518,312.29
03-SSC	Superstructure		This line item is included in 03-FND	
03-SSD	SSDS sub slab depressurization system		This line item is included in 03-FND	
			\$ -	\$ -
SUB-TOTAL		\$ 6,367,940.00	\$ 1,849,627.71	\$ 4,518,312.29
DIVISION 4: MASONRY				
04-BRI	Brick *Precast Coping included*	\$ 70,775.00	\$ -	\$ 70,775.00
04-CMU	CMU	\$ 1,578,889.00	\$ -	\$ 1,578,889.00
04-EXS	Exterior Stone	\$ 99,000.00	\$ -	\$ 99,000.00
			\$ -	\$ -
SUB-TOTAL		\$ 1,748,664.00	\$ -	\$ 1,748,664.00

DIVISION 5: METALS			
05-STR	Metal Stairs *Railings included*	\$ 1,550,000.00	\$ 59,000.00 \$ 1,491,000.00
05-STL	Structural Steel	\$ 12,648,000.00	\$ 9,679,370.00 \$ 2,968,630.00
05-STE	Structural Steel Erection	\$ 4,793,527.00	\$ 484,602.70 \$ 4,308,924.30
			\$ - \$ -
	SUB-TOTAL	\$ 18,991,527.00	\$ 10,222,972.70 \$ 8,768,554.30
			\$ - \$ -
DIVISION 6: WOODS AND PLASTICS			
06-CAR	Carpentry	\$ 40,000.00	\$ - \$ 40,000.00
			\$ - \$ -
	SUB-TOTAL	\$ 40,000.00	\$ - \$ 40,000.00
DIVISION 7: Thermal and Moisture			
07-WPP	Capillary Waterproofing	\$ 36,000.00	\$ - \$ 36,000.00
07-FSS	Fire Spray Steel	\$ 1,200,000.00	\$ - \$ 1,200,000.00
07-ISL	Insulation	\$ 400,000.00	\$ 56,929.76 \$ 343,070.24
07-RFN	Roofing	\$ 2,184,750.00	\$ - \$ 2,184,750.00
07-WPU	Underslab Waterproofing	\$ 205,000.00	\$ 61,500.00 \$ 143,500.00
07-FIS	Firestopping	\$ 234,816.00	\$ - \$ 234,816.00
07-CLK	Caulking & Joint Sealers	\$ 36,000.00	\$ - \$ 36,000.00
07-EPX	Epoxy & Traffic Coating	\$ 230,340.00	\$ - \$ 230,340.00
			\$ - \$ -
	SUB-TOTAL	\$ 4,526,906.00	\$ 118,429.76 \$ 4,408,476.24
DIVISION 8: OPENINGS			
08-ADR	Access Doors	\$ 7,000.00	\$ - \$ 7,000.00
08-DRS	Doors and Hardware *SUPPLY*	\$ 78,625.00	\$ - \$ 78,625.00
08-ODR	Overhead Doors	\$ 88,740.00	\$ - \$ 88,740.00
08-WND	Window	\$ 14,600,000.00	\$ 5,864,500.00 \$ 8,735,500.00
			\$ - \$ -
	SUB-TOTAL	\$ 14,774,365.00	\$ 5,864,500.00 \$ 8,909,865.00
DIVISION 9: FINISHES			
09-FLR	Flooring	\$ 7,563.00	\$ - \$ 7,563.00
09-FRM	Framing	\$ 2,123,000.00	\$ - \$ 2,123,000.00
09-PNT	Paint	\$ 328,338.00	\$ - \$ 328,338.00
09-TLE	Tile	\$ 97,244.00	\$ - \$ 97,244.00
			\$ - \$ -
	SUB-TOTAL	\$ 2,556,145.00	\$ - \$ 2,556,145.00
DIVISION 10: SPECIALTIES			
10-BAA	Bathroom Accessories	\$ 78,600.00	\$ - \$ 78,600.00
10-FRX	Fire Extinguishers & Cabinets	\$ 22,400.00	\$ - \$ 22,400.00
10-SGN	Signage	\$ 50,000.00	\$ - \$ 50,000.00
10-SSN	Stair Safety Nosing	\$ 38,040.00	\$ - \$ 38,040.00
10-TPR	Toilet Partitions	\$ 74,400.00	\$ - \$ 74,400.00
10-VSM	Vestibule Mat	\$ 6,000.00	\$ - \$ 6,000.00
			\$ - \$ -
	SUB-TOTAL	\$ 269,440.00	\$ - \$ 269,440.00
DIVISION 11: EQUIPMENT			
11-BKE	Bike Racks	\$ 3,800.00	\$ - \$ 3,800.00
11-CRS	car stackers	\$ 2,225,000.00	\$ - \$ 2,225,000.00
11-LDE	Loading Dock Equipment	\$ 20,000.00	\$ - \$ 20,000.00
			\$ - \$ -
	SUB-TOTAL	\$ 2,248,800.00	\$ - \$ 2,248,800.00
DIVISION 13: SPECIAL CONSTRUCTION			
13-FAL	Fire Alarm	\$ 275,000.00	\$ - \$ 275,000.00
			\$ - \$ -
	SUB-TOTAL	\$ 275,000.00	\$ - \$ 275,000.00
DIVISION 14: CONVEYING SYSTEMS			
14-ELV	Elevator	\$ 2,392,000.00	\$ 797,333.33 \$ 1,594,666.67
			\$ - \$ -
	SUB-TOTAL	\$ 2,392,000.00	\$ 797,333.33 \$ 1,594,666.67
			\$ - \$ -

DIVISION 15: MECHANICAL				
15-FRE	Fire Sprinkler	\$ 1,450,000.00	\$ 28,500.00	\$ 1,421,500.00
15-PFX	Plumbing Fixtures	\$ 44,800.00	\$ -	\$ 44,800.00
15-PLM	Plumbing	\$ 2,843,840.00	\$ 305,000.00	\$ 2,538,840.00
15-HVA	HVAC	\$ 10,008,000.00	\$ 2,695,340.00	\$ 7,312,660.00
			\$ -	\$ -
SUB-TOTAL		\$ 14,346,640.00	\$ 3,028,840.00	\$ 11,317,800.00
DIVISION 16: ELECTRICAL				
16-ELC	Electrical Power	\$ 4,950,000.00	\$ 412,637.50	\$ 4,537,362.50
16-GNR	Generator	\$ 223,600.00	\$ -	\$ 223,600.00
16-LFX	Lighting Fixtures	\$ 450,348.00	\$ -	\$ 450,348.00
16-DAT	Data Tel	\$ 180,000.00	\$ -	\$ 180,000.00
16-ARC	ARCS System	\$ 250,000.00	\$ -	\$ 250,000.00
16-VLT	Electrical Vault	\$ 1,000,000.00	\$ -	\$ 1,000,000.00
SUB-TOTAL		\$ 7,053,948.00	\$ 412,637.50	\$ 6,641,310.50
			\$ -	\$ -
TOTAL SUM:		\$ 96,957,751.90	\$30,399,592.13	\$66,558,159.77

LEASE BETWEEN

**THE CITY OF NEW YORK
DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES
1 CENTRE STREET, 20TH FLOOR NORTH
NEW YORK, NEW YORK 10007**

&

**2440 HOLDINGS LLC
1481 47TH STREET
BROOKLYN, NEW YORK 11219**

Premises: 2440 Fulton Street a/k/a 1495 Herkimer Street (Block 1554, Lot 16)
Borough of Brooklyn
to be used by the
New York City Human Resources Administration

REVIEWED BY

Attorney: _____	Date: _____
Negotiator: _____	Date: _____
Exec. Dir., Leasing & Acquisitions: _____	Date: _____
Dir./Asst. Dir., D&PM: _____	Date: _____
Exec. Dir., D&PM, RES: _____	Date: _____

||

NY 78289287v2

ARTICLE 2
RENT

2.1 **Base Rent.** (a) Tenant shall make payment to Landlord of the annual fixed rent (“**Base Rent**”) as follows:

(i) for the period commencing on the Rent Commencement Date and ending on the day immediately preceding the 3rd anniversary of the Possession Date, at the rate of \$13,600,000.08 per annum payable in equal monthly installments of \$1,133,333.34;

(ii) for the period commencing on the 3rd anniversary of the Possession Date and ending on the day immediately preceding the 8th anniversary of the Possession Date at the rate of \$14,960,000.04 per annum payable in equal monthly installments of \$1,246,666.67;

NY 78289287v2

(iii) for the period commencing on the 8th anniversary of the Possession Date and ending on the day immediately preceding the 13th anniversary of the Possession Date at the rate of \$16,456,000.08 per annum payable in equal monthly installments of \$1,371,333.34;

(iv) for the period commencing on the 13th anniversary of the Possession Date and ending on the day immediately preceding the 18th anniversary of the Possession Date at the rate of \$18,101,600.04 per annum, payable in equal monthly installments of \$1,508,466.67; and

(v) for the period commencing on the 18th anniversary of the Possession Date and ending on the Expiration Date at the rate of \$19,911,760.08 per annum, payable in equal monthly installments of \$1,659,313.34.

amount, payable in equal monthly installments of \$1,000,000.00.

(b) **“Rent Commencement Date”** means the later of (i) **August 24, 2025**, and (ii) nine (9) months following the Possession Date, subject to postponement in accordance with Section 6.12. The period commencing on the Term Commencement Date and ending on the day preceding the Rent Commencement Date is referred to as the **“Free Rent Period.”**

▲ (c) Base Rent shall be payable by Tenant commencing on the Rent Commencement Date and thereafter throughout the Term, and shall be payable in arrears on the last day of the month in which the Rent Commencement Date occurs and on the last day of each calendar month thereafter; provided, that if the Rent Commencement Date is not the first day of a month, then Base Rent for the month in which the Rent Commencement Date occurs shall be prorated and paid on the last day of the month in which the Rent Commencement Date occurs. Any dispute as to the Possession Date and/or Rent Commencement Date shall be resolved by arbitration in accordance with the provisions of Section 7.3(b)(D). Pending the resolution of such dispute, Tenant may pay Base Rent from the date Tenant claims to be the Rent Commencement Date. If such dispute is resolved in favor of Landlord after the Rent Commencement Date (as finally determined), then within 30 days after resolution of the dispute, Tenant shall pay to Landlord all Base Rent theretofore due based on the arbitrator’s determination of the Rent Commencement Date, together with interest thereon from the date that such rent obligation was due and payable until paid by Tenant at the Interest Rate.

2.2 **Additional Rent.** All other payments due to Landlord from Tenant under this Lease shall be considered **“Additional Rent.”** Base Rent and Additional Rent shall be referred to sometimes as **“rent”** or **“Rent”** in this Lease.

2.3 **Bills and Invoices.** All bills sent by Landlord to Tenant shall have clearly reflected thereon the property address for which the bill is being sent. All bills must be legible and must contain the address to which the payment should be sent. The name, address, and telephone number of the Landlord’s contact person for billing inquiries must be provided to Tenant in the manner designated in Article 21 hereof.

2.4 **Manner of Payment.** All rent shall be payable to Landlord either (a) by check drawn upon a New York City bank that is a member of the New York Clearing House Association or any successor thereto at Landlord’s address hereinabove set forth (or at such other address as

NY 78289287v2



PROJECT NO. 1517
**2440 FULTON STREET
 CORE AND SHELL**

- CLIENT: **THE LESER GROUP, LTD**
 1451 47th Street, Brooklyn, NY 11219
- PROJECT ARCHITECT: **MARVEL ARCHITECTS**
 145 Hudson Street, 3rd Floor,
 New York, NY 10013
- STRUCTURAL ENGINEER: **MCMAMARA SALVA ENGINEERS**
 45 W 45th St, 10th Floor
 New York, NY 10036
- BUILDING SYSTEMS: **VENTROP ENGINEERING GROUP, PLLC**
 369 W 34th St, 2nd Floor
 New York, NY 10001
- CIVIL/PARKING ENGINEER: **PHILIP HABIB & ASSOCIATES**
 102 Madison Ave, 10th Floor
 New York, NY 10016
- GEOTECHNICAL ENGINEER: **ANCORA ENGINEERING, PLLC**
 454 8th Ave
 New York, NY 10001
- ELEVATOR CONSULTANT: **JENKINS & HUNTINGTON**
 1451 Avenue of the Americas
 New York, NY 10020
- SUSTAINABILITY ENGINEER: **TBD**
- ACOUSTICAL CONSULTANT: **TBD**
- LIGHTING CONSULTANT: **TBD**

Marvel Architects
 145 HUDSON STREET, 3RD FLOOR
 NEW YORK, NY 10013
 TEL: 212 675 1000
 FAX: 212 675 1001
 WWW.MARVELARCHITECTS.COM
 ARCHITECTS OF RECORD
 145 HUDSON STREET, 3RD FLOOR
 NEW YORK, NY 10013
 TEL: 212 675 1000
 FAX: 212 675 1001
 WWW.MARVELARCHITECTS.COM
 NOT FOR CONSTRUCTION

NO.	DESCRIPTION	DATE
1	ISSUED FOR PERMITS	08/15/2023
2	ISSUED FOR PERMITS	08/15/2023
3	ISSUED FOR PERMITS	08/15/2023
4	ISSUED FOR PERMITS	08/15/2023
5	ISSUED FOR PERMITS	08/15/2023
6	ISSUED FOR PERMITS	08/15/2023
7	ISSUED FOR PERMITS	08/15/2023
8	ISSUED FOR PERMITS	08/15/2023
9	ISSUED FOR PERMITS	08/15/2023
10	ISSUED FOR PERMITS	08/15/2023
11	ISSUED FOR PERMITS	08/15/2023
12	ISSUED FOR PERMITS	08/15/2023
13	ISSUED FOR PERMITS	08/15/2023
14	ISSUED FOR PERMITS	08/15/2023
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16	ISSUED FOR PERMITS	08/15/2023
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99	ISSUED FOR PERMITS	08/15/2023
100	ISSUED FOR PERMITS	08/15/2023



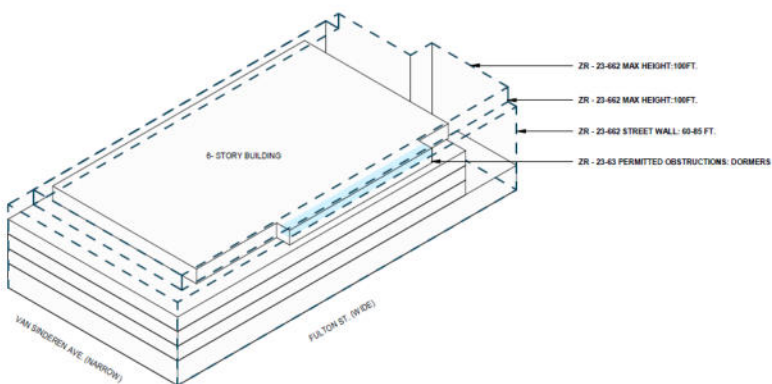
130th St 131st St 132nd St 133rd St 134th St 135th St 136th St 137th St 138th St 139th St 140th St 141st St 142nd St 143rd St 144th St 145th St 146th St 147th St 148th St 149th St 150th St

1517
2440 FULTON STREET
 BROOKLYN, NY

TITLE SHEET

SCALE: 1/2" = 1'-0"

DRAWN BY
T-000
 J.L.M./J.L.
 DOB/JOB



Level	Area
07-LEVEL 7	1,487.65 SF
06-LEVEL 6	52,811.66 SF
05-LEVEL 5	67,940.28 SF
03-LEVEL 4	67,902.48 SF
03-LEVEL 3	67,905.28 SF
02-LEVEL 2	34,384.49 SF
01-LEVEL 1 (EL. 75.84)	77,147.32 SF
00-CELLAR	39,500.35 SF
	409,079.51 SF

Level	Area
07-LEVEL 7	1,487.65 SF
06-LEVEL 6	52,811.66 SF
05-LEVEL 5	67,940.28 SF
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03-LEVEL 3	67,905.28 SF
02-LEVEL 2	34,384.49 SF
01-LEVEL 1 (EL. 75.84)	77,147.32 SF
00-CELLAR	39,500.35 SF
Grand total	409,079.51 SF

1 MASSING - LOOKING SOUTHWEST

ZONING CALCULATIONS C4-5D- 2440 FULTON (LOT 16 FULTON ST) OPT 0 - NEW BUILDING - EXTERIOR PARKING

		FAR
LOT AREA:	77,500	1
OOM	325,500.00	4.2
CF	325,500.00	4.2
R	325,500.00	4.2
TOTAL	325,500.00	4.2

BLDG HT	LVL	FLR TO FLR HEIGHT	GROSS SQFT	LOT COVERAGE
85.0	ROOF			
70.0	6	15.00	52,597	68%
55.0	5	15.00	68,000	88%
40.0	4	15.00	68,000	88%
25.0	3	15.00	68,000	88%
13.0	2	12.00	31,962	41%
0.0	1	13.00	63,060	81%
		-15.0	39,221	16,577 LIRR

MAX FAR (4.2)

GFA	351,619
4% MECH DEDUCT	14,064.76
ZFA	337,554
FAR	4.36

*GFA NOT INCLUDING CELLAR

Subject Property Photos

All subject photos were taken on February 7, 2023.

Subject Development Site



Subject Development Site



Subject Development Site



Subject Development Site



Subject Development Site



Subject Development Site



Subject Development Site



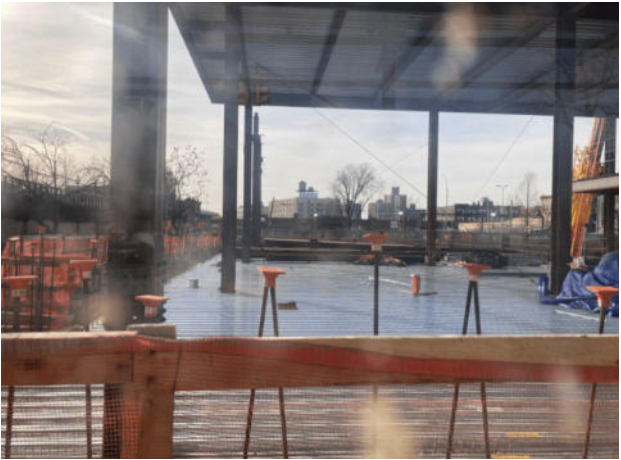
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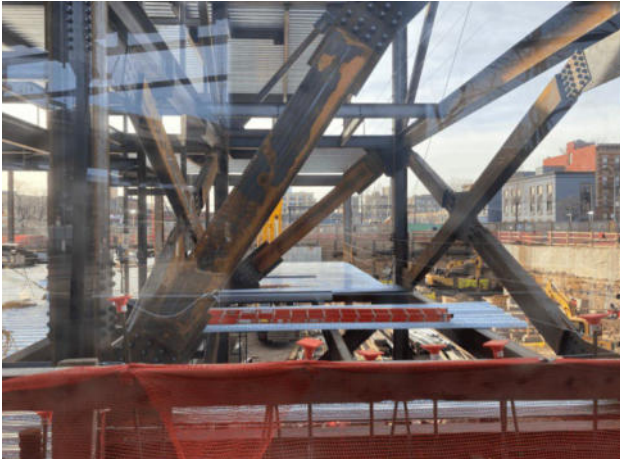
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Subject Development Site



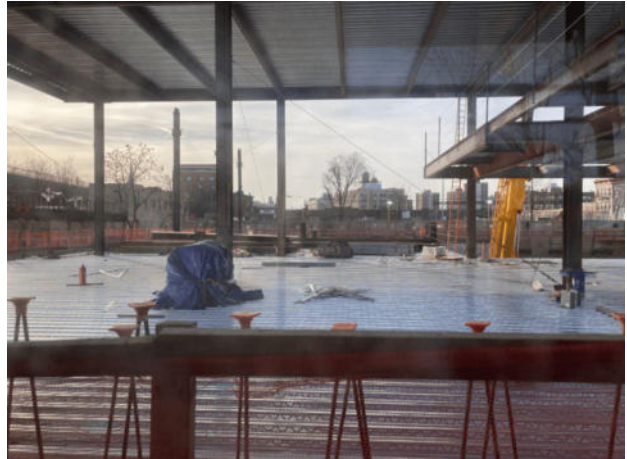
Subject Development Site



Subject Development Site



Subject Development Site



Subject Development Site



Subject Development Site



Subject Development Site



Subject Development Site



Subject Development Site



Subject Development Site



Subject Street

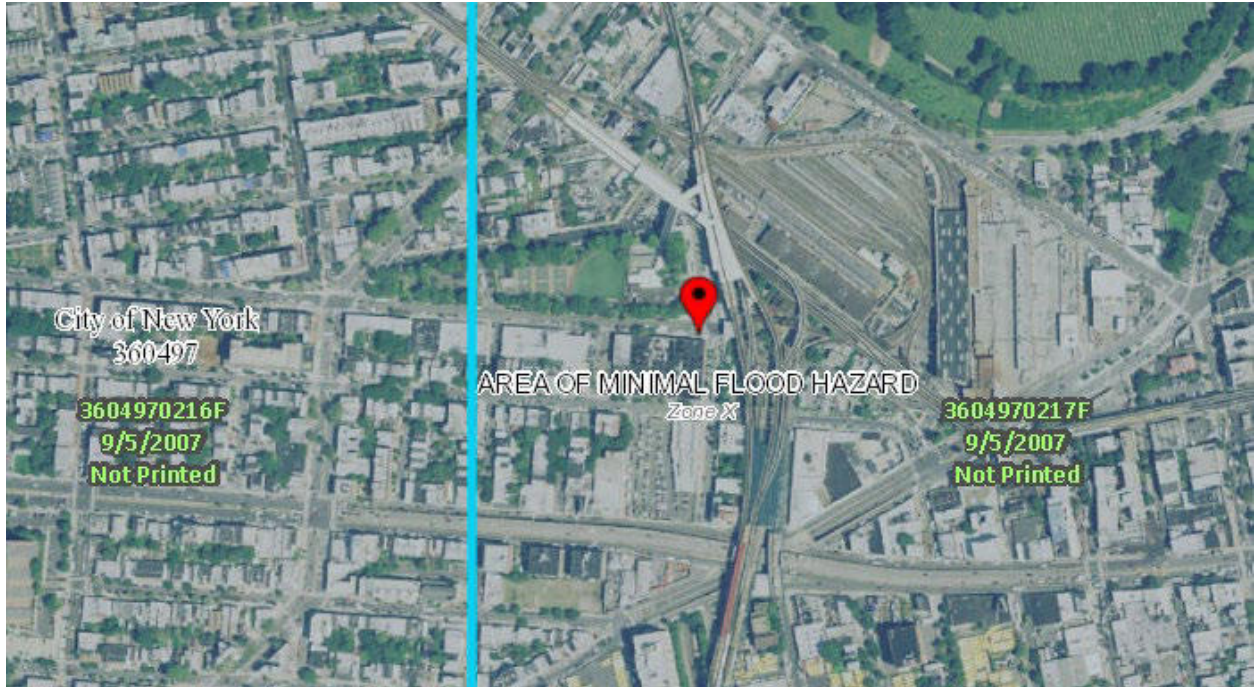


Subject Street



Map Gallery

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 Aphorp 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 7th 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/>

Licenses

Michelle Zell, MAI, State Certified General Appraiser- New York





Bowery Valuation
61 Crosby St., 3rd Floor
New York, NY 10012

March 28, 2023

Mr. Avrumie Furst
The Leser Group
1481 47th Street
Brooklyn, NY 11219
af@thelesergroup.com

Re: Value of 12 Unsold Units in 1555-1575 61 Street in Brooklyn as of Q4 2022

Dear Mr. Furst:

We have been asked to provide a value for 12 unsold condominium units within 1555-1575 61 Street in Brooklyn, NY. To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(b) of USPAP. In addition, this appraisal has been prepared in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement).

The client and intended user is The Leser Group. The Intended Use is to aid the Company in the preparation of the prospectus and/or financial statements to be published in the Tel Aviv Stock Exchange in 2023. We confirm that we have given our full consent to the inclusion of the valuation in its entirety within the company financial statements and prospectus to be published in the Tel Aviv Stock Exchange in 2023 and any Draft Prospectus to be published or disclosed to the Israeli Security Authority. This letter has been prepared in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). The depth of analysis discussed in this letter is specific to the needs of the client. The report is intended only for use in the preparation of financial statements.

Six units are under contract and 6 units are on the market. Based on recent sales activity within the subject, we adopt ownership's pricing for the under contract units and for sale units. The individual prices are listed below.



1575 61st Street	Price	Status
3L	940,000.00	Under Contract
4L	940,000.00	Under Contract
6th Floor	1,000,000.00	FS
1563 61st Street	Price	Status
6th Floor	1,000,000.00	FS
1559 61st Street	Price	Status
5R	955,000.00	FS
1555 61st Street	Price	Status
1R	1,100,000.00	FS
1L	1,200,000.00	FS
2R	1,175,000.00	Under Contract
2L	920,000.00	Under Contract
3R	1,205,000.00	Under Contract
5R	975,000.00	Under Contract
6th Floor	1,000,000.00	FS

We apply a discounted cash flow model to value the 12 units. We assume the 6 units under contract are sold in the first quarter of our model. We assume the 6 unsold units are sold 2 per quarter for the remaining 3 quarters. Thus, all units are sold within one year. We deduct sales costs of 4% of the selling price and legal/transfer fees of 1%. We apply a 7.5% discount rate which includes carrying costs and developer profit. The net present value for the 12 units is \$11,400,000.

Please let me know if you have any questions, and thank you for the opportunity to serve you.



Bowery Valuation
61 Crosby St., 3rd Floor
New York, NY 10012

Discounted Cash Flow Analysis						
	Total Sellout	No. Units	Per Unit			
Vacant Sales	\$6,255,000	6	\$1,042,500			
U/C Units	\$6,155,000	6	\$1,025,833			
Total Gross Sellout	\$12,410,000					
	Quarter	1	2	3	4	Total
Residential Units Closed:		0	2	2	2	6
Remaining Residential Units:		6	4	2	0	
U/C Units		\$6,155,000				\$6,155,000
Residential Sales		\$0	\$2,085,000	\$2,085,000	\$2,085,000	\$6,255,000
Total Gross Sales:		\$6,155,000	\$2,085,000	\$2,085,000	\$2,085,000	\$12,410,000
Expenses:						
Marketing and Sales Commissions:	4.0% Sales	\$246,200	\$83,400	\$83,400	\$83,400	\$496,400
Legal/Transfer:	1.0% Sales	\$61,550	\$20,850	\$20,850	\$20,850	\$124,100
Total Expenses:		\$307,750	\$104,250	\$104,250	\$104,250	\$620,500
Net Cash Flow:		\$5,847,250	\$1,980,750	\$1,980,750	\$1,980,750	\$11,789,500
Discount Rate:	7.5% annual	0.981595	0.963529	0.945795	0.928388	
Present Value:		\$5,739,632	\$1,908,510	\$1,873,384	\$1,838,905	\$11,360,430
						"As Is" Net Sellout Value: \$11,360,430
						As Is Net Sellout Value, Rounded: \$11,400,000

Sincerely,

Michelle Zell, MAI
Senior Vice President
Michelle.zell@boweryvaluation.com



1970 RESTRICTED APPRAISAL REPORT

1440 Story Avenue
Bronx, New York, 10473

Community Facility (School) Building
Bowery Report No. JOB-2200023839

REQUESTED BY

Avrumie Furst

The Leser Group
1481 47th Street
Brooklyn, NY 11219

DATE OF VALUE

As Is: December 31, 2022

PREPARED BY



Michelle
Zell, MAI



Katelin
Kutchko



David
Shin

February 13, 2023

Avrumie Furst
The Leser Group
1481 47th Street
Brooklyn, NY 11219

Re: Appraisal File No. 2200023839
Community Facility (School)
1440 Story Avenue
Bronx, NY 10473

Dear Mr. Furst,

In accordance with your request, we have completed a Restricted Appraisal in letter format of 1440 Story Avenue, an 80,000 square foot community facility building in the Soundview section of Bronx NY for the purpose of advancing an updated opinion of the As Is Fair Value of the Leased Fee Interest in the subject as of December 31, 2021. This appraisal is prepared under the Restricted Appraisal Report option of Standard Rule 2-2(b) of USPAP.

The client and intended user is The Leser Group. The Intended Use is to aid the Company in the preparation of the prospectus and/or financial statements to be published in the Tel Aviv Stock Exchange in 2023. We confirm that we have given our full consent to the inclusion of the valuation in its entirety within the company financial statements and prospectus to be published in the Tel Aviv Stock Exchange in 2023 and any Draft Prospectus to be published or disclosed to the Israeli Security Authority. This letter has been prepared in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). The depth of analysis discussed in this letter is specific to the needs of the client. The report is intended only for use in the preparation of financial statements.

Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformance with the Standards of Professional Practice and Code of Professional Ethics of the Appraisal Institute, and the Uniform Standard of Professional Appraisal Practice (USPAP) and IFRS 13.

We previously appraised the subject property for The Leser Group with the same intended users and intended use with an effective date of December 31, 2021, as well as December 31, 2020, and December 31, 2019. The prior appraisal was prepared under the Appraisal Report option of Standard Rule 2-2(b) of USPAP. We incorporate by reference the detailed description, subject photos, property analysis, neighborhood description, zoning and tax analysis included within these reports and have updated the market analysis, income approach and value conclusion. To fully understand this updated appraisal report, the reader is advised to reference these sections of the prior appraisal report with a value date of December 31, 2019.

As with any appraisal, the reader is reminded that the opinion of value is only valid as of the effective date(s). Our conclusions are predicated on the attitudes and expectations prevalent in the subject submarket and market on the date(s) of value. Bowery Valuation continuously monitors the markets where we are active and appropriate steps have been taken to ensure our analysis is based on the most recent, relevant data available. Changes in market conditions or associated with other unanticipated future events, could impact value.

On December 14, 2022, the Federal Reserve Board again increased the benchmark rate by an additional 50 basis points, the seventh increase in the calendar year 2022 in an effort to curb inflation. The most recent rate hike is a slight decline in increases after four consecutive bumps of 75 basis points each in June, July, September, and November with smaller increases in March (25 bps) and May (50 bps). The latest rate hike brings the federal funds rate to a new range of 4.25-4.50% – its highest level in 15 years. Along with the increase announcement, there was an indication that officials expect to keep rates higher through next year, with no reductions until 2024.

Mr. Furst
Page 2
February 13, 2023

After carefully considering all available information and factors affecting value, our opinion of value is:

Value Premise	Date of Value	Interest Appraised	Value Conclusion
As Is Fair Value	December 31, 2022	Leased Fee Interest	\$19,900,000

The value conclusions are subject to the following **Extraordinary Assumptions** 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**¹ 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
Senior Vice President
Certified General Real Estate Appraiser
NY License No. 46000049921
FL Cert Gen RZ4135
michelle.zell@boweryvaluation.com
(917) 533-3141



Katelin Kutchko
Vice President
Certified General Real Estate Appraiser
NY License No. 46000053185
katelin.kutchko@boweryvaluation.com
(516) 317-5397



David Shin
Associate
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¹ The definition of Hypothetical Conditions can be found in the Glossary of Terms, which is located in the Addenda.

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Subject Property Data



The subject, 1440 Story Avenue, consists of a two-story community facility (school) building. 1440 Story Avenue contains a net rentable area of 80,000± square feet. The property is 100% leased and occupied by a single tenant. According to public record, the improvements were built in 1960. The property is 100% leased to New York City School Construction Authority and utilized as a school. The current long-term lease expires in September 2024 and the tenant has two five-year renewal options. Based on the current rental rate, the lease and subsequent renewals are below market. It is assumed that the tenant will renew. The property was built in 1960 and has had subsequent improvements throughout the years. Overall, the property is in good condition. There are multiple administrative offices, common lavatories, water fountains, a kitchen, and a staff lounge. Classrooms are located on the upper floor.

The subject property is located on the southwest corner of Story Avenue and Colgate Avenue in the Soundview neighborhood in Bronx, NY. The site contains a total land area of 1.372± acres / 59,751± square feet and is located in a M1-1 Zone. It is identified on the Bronx County tax map as Block/Lot 3622 / 16.

Current Occupancy	100%	Zoning	M1-1 Zone
No. Stories	Two-story	Flood Hazard Zone	Zone X
Block/Lot	3622/16	Census Tract	0028.00
Site Area	1.372 acres.	Exposure Time	6 to 9 months
Gross Building Area (GBA)	59,751 sq. ft.	Marketing Time	6 to 9 months
Year Built / Renovated	1960	Date of Inspection	February 2, 2023

The highest and best use of the subject is as its current use as a community facility building. This conclusion is based on its zoning, physical characteristics, location, and forecasted economic conditions.

The subject property has not sold subsequent to the effective date of our prior appraisal, and we are not aware of any current bids, offers, or options to purchase this asset.

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Introduction

Purpose & Date of Value

The purpose of the appraisal is to provide an opinion of the fair value of the leased fee interest of the subject property as of December 31, 2022, subject to the general underlying assumptions and limiting conditions cited herein. This appraisal has been prepared 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."

Identification of the Client

The Leser Group has engaged Bowery Valuation and is Bowery Valuation's client for this assignment.

Intended Use & Users

The Intended Use of the report is to aid The Leser Group in the preparation of Financial Statements and a Prospectus, or additional Prospectuses, to be published with the Israeli Security Authority.

The Intended User of the report is The Leser Group and its affiliates. The report is intended for use only by The Leser Group and its related entities, successors, and/or assigns.

We confirm that we have given our full consent to the inclusion of the valuation in its entirety within financial statements and related information to be published by the Company for the Tel Aviv Stock exchange and for the Israeli Security Authority.

Property Rights Appraised

The subject's Fair Value is appraised on the basis of the Leased Fee Interest.

Property History

The current owner of record is 1440 STORY, LLC per public records. The subject property has not sold in the past three years.

Exposure Time

It is our opinion that given the current economic conditions, the exposure time for the subject property is between 6 months and 9 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.

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General Assumptions

Various estimates of gross building area and net leasable area 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.
- **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.
- **Building Health and Fire Codes:** Our valuation assumes there are no known code violations.

Definition of Fair Value

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

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

- (a) the particular asset or liability being measured;
 - (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis;
 - (c) the market in which an orderly transaction would take place for the asset or liability; and
 - (d) the appropriate valuation technique(s) to use when measuring fair value. The valuation technique(s) used should maximize the use of relevant observable inputs and minimize unobservable inputs. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability.
-

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Scope of the Appraisal

The valuation scope is limited to the Income Capitalization Approach, which is considered the most meaningful valuation approach appropriate for the subject property type and is typically considered the primary approach used by market participants. The Cost Approach was not considered necessary for credible results due to the age and condition of the subject improvements, as well as the fact that this approach is typically not used or considered a reliable indicator of value by market participants. Within the course of this assignment, we have:

- Inspected the full exterior as of February 2, 2023.
- Researched and investigated the location in terms of its economic activity, development patterns, and future trends and related their impact on the market.
- Determined the highest and best use of the subject property based on an analysis of all relevant factors.
- Conducted a market survey of rent and vacancy levels of similar properties.
- Reviewed historical income and operating expenses for the subject property.
- Projected the net operating income as stabilized and applied a market-derived capitalization rate to develop an opinion of value by the income approach.
- Researched and analyzed sales of competitive assets and applied the techniques of the sales comparison approach as support for the value derived from the income approach
- Advanced an opinion of the fair value of the identified interest.

Data Sources

The data contained within this appraisal was compiled from market analysis utilizing the following sources (unless otherwise noted): the City Tax Assessor, state and county tax records, the Zoning Board, Claritas, CoStar, Attom, Federal Reserve, and FEMA. The subject photos were taken by Jonathan Nathanson on 2/3/2023, while those used for the comparable rentals and sales were sourced from the public domain. When possible, we have confirmed the reported data with parties to the transactions or those who are intimately familiar with their critical details.

Resource Verification

Data	Source/Verification
Site Size	Public Record
Excess/Surplus Land	Tax Map
Gross Size/Units	Public Record
Commercial SF	Owner; Inspection
Number of Buildings	Inspection
Amenities	Inspection
Deferred Maintenance	Inspection
Area Analysis	Bureau of Labor Statistics
Income Data	Owner; Market Forecast
Expense Data	Owner; Expense Comparables
Comparable Rental Data	CoStar; Primary Source
Comparable Sales Data	CoStar; Public Record; Primary Source

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Subject Property Update

The conclusions of this letter are based on information provided by the owner. Noteworthy changes from the prior year are presented as follows:

- The subject was externally inspected on January 31, 2023. We have relied on information obtained from the property owner and our external inspection regarding the condition. Based on our conversation with the owner the condition of the building is unchanged.
- Taxes increased from \$366,129 to \$376,568 as a result of utilizing the 2023-2024 tentative assessed tax value of \$3,537,180.
- The real estate tax reimbursement increased from \$263,154 to \$273,593 as a result of the taxes increasing.

The value on December 31, 2020, was \$18,900,000, and value on December 31, 2021, was \$19,800,000. The current value is \$19,900,000. We have relied on the information obtained by from the property owner and our external inspection regarding the condition. Based on the conversation with the owner, the condition of the building is unchanged.

Valuation Analysis / Update

Base Rental Income

The subject is encumbered by a single lease which is summarized below.

Tenant	SF	Lease Start		Monthly Rent	Annual Rent	Rent PSF	Details
		Date					
NYC Constructio	80,000	10/1/2004		\$104,667	\$1,256,000	\$15.70	Lease Expiration: 10/1/2024 Taxes: Increases over base year 2004/05 (\$102,975) Utilities: Tenant Insurance: Tenant Maint: Tenant Rent Increase: Flat for the remainder of the lease term. Annual rent in the first renewal term is \$1,460,000, annual rent in the second renewal term is \$1,696,000. Other: 2 5-year renewal options
Potential Commercial Income				\$104,667	\$1,256,000	\$15.70	

The in-place rent will remain flat until lease expiry in September 2024. The in-place rent is \$15.70 per square foot.

In this report, we have provided an updated Income Capitalization Approach, using the same assumptions that were applied in the previous valuation report as of December 31, 2021. We have adopted the same "above the line" assumptions that were used in the previous appraisal, including vacancy and collection loss and expenses. However, we have updated the following items:

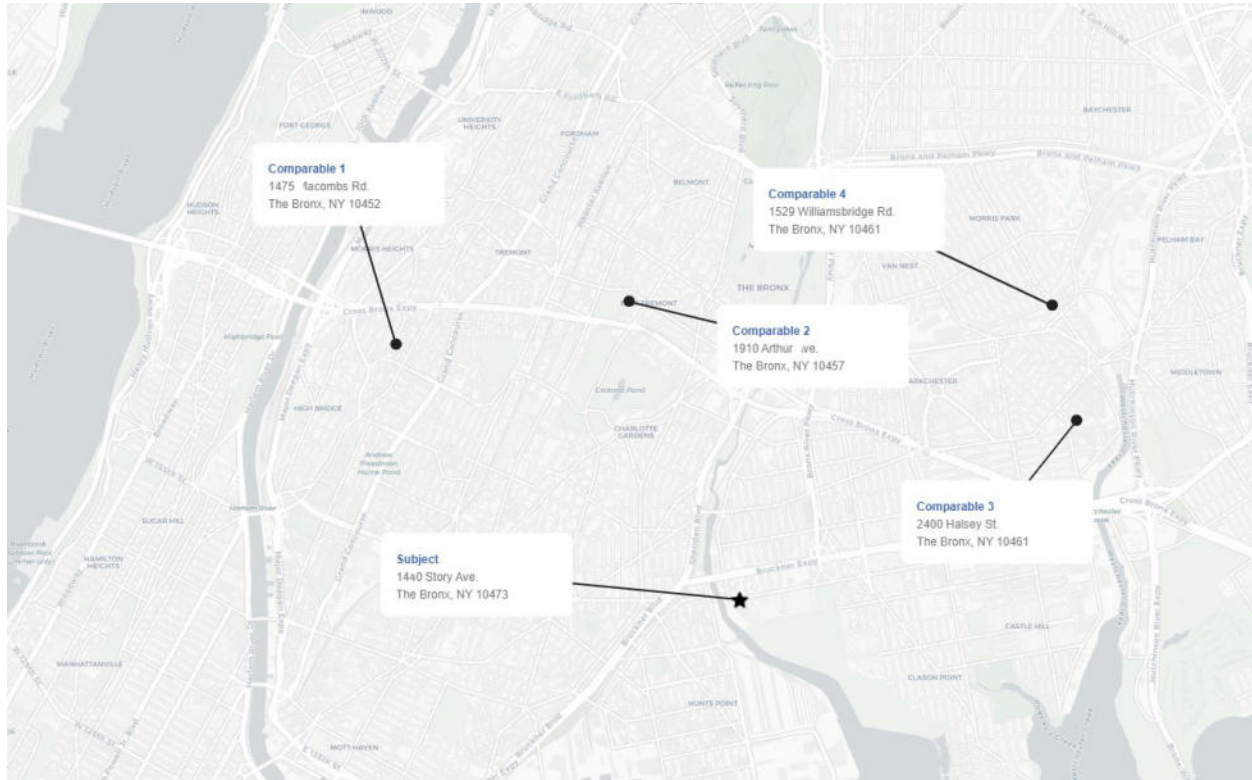
- Taxes to reflect most recent assessed values
- Tax reimbursement to reflect most recent taxes
- Cap Rate to reflect most recent market conditions and investor sentiment.

Rent Conclusions

Rent comparables range from 34.00 to \$42.50 per square foot, and average \$37.38 per square foot. Based on the current rental rate, the lease and subsequent renewals are below market. It is assumed that the tenant will renew.

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Community Facility/Office Rent Comparables



#	Address	Tenant	Start Date	Sq. Ft.	Base Rent	Lease Terms
1	1475 Macombs Road, Bronx, NY	Zeta Charter Schools	Sep-23	72,136	\$42.50	NNN
2	1910 Arthur Ave, Bronx, NY	Zeta Charter Schools	Aug-21	70,000	\$36.00	NNN
3	2400 Halsey Street, Bronx, NY	Office Space	Jun-22	27,600	\$34.00	MG
4	1529 Williamsbridge Road, Bronx, NY	Democracy Pre Public Schools	Feb-21	32,280	\$37.00	MG
				Min:	6,500	\$34.00
				Avg:	38,588	\$37.38
				Max:	72,136	\$42.50

Property Tax Update

2023-2024 Tentative Tax Assessments

	Actual	Transitional
Land	\$490,950	\$490,950
Building	+ \$3,112,650	+ \$3,046,230
Total	\$3,603,600	\$3,537,180

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2023-2024 Tentative Tax Liabilities

Taxable Assessed Value		\$3,537,180
Tax Rate	x	10.646%
Tax Liability		\$376,568
Tax Liability Per SF		\$4.71

The tenant reimburses for real estate tax increases over base year 2004/2005. The reimbursement is \$273,593.

Real Estate Reimbursement	
Tenant:	NYC Construction Authority
Base Year:	2004/2005
Base Year Taxes:	\$102,975
Current Year Taxes:	\$376,568
Increase:	\$273,593
Reimbursement Share:	x 100.00%
Reimbursement:	\$273,593

Proforma

It is noted that insurance costs have risen, and repairs & maintenance costs have decreased for this fiscal year. As such, we have re-forecasted these two expenses to align with the 2022 actual figures.

The updated proforma and value calculation is presented below.

Pro Forma	\$	Per SF
Income		
Potential Commercial Income	\$1,256,000	\$15.70
Potential RE Tax Reimbursement	\$273,593	\$3.42
Potential Gross Income	\$1,529,593	\$19.12
Less Commercial V/C Loss @0.5%	-\$7,648	-\$0.10
Effective Gross Income	\$1,521,945	\$19.02
Operating Expenses		
Real Estate Taxes	\$376,568	\$4.71
Insurance	\$60,000	\$0.75
Repairs & Maintenance	\$6,400	\$0.08
Miscellaneous	\$1,600	\$0.02
Management	\$30,439	\$0.38
Total Operating Expenses	\$475,007	\$5.94
Total Expenses Excluding RE Taxes	\$98,439	\$1.23
Net Operating Income	\$1,046,938	\$13.09
Operating Expense Ratio	31%	

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	2020 Actual	2022 Actual	Bowery Pro Forma
Income			
Effective Gross Income	\$1,505,832	\$1,536,768	\$1,521,945
Operating Expenses			
Real Estate Taxes	\$349,613	\$352,900	\$376,568
Insurance	\$76,497	\$60,797	\$60,000
Repairs & Maintenance	\$5,652	\$6,344	\$6,400
Miscellaneous	\$1,802	\$1,379	\$1,600
Management Fees	\$0	\$25,000	\$30,439
Total Operating Expenses	\$433,564	\$446,421	\$475,007
Total Operating Expenses (Excl. Taxes)	\$83,951	\$93,521	\$98,439
Net Operating Income	\$1,072,267	\$1,090,347	\$1,046,938
Operating Expense Ratio (excl. Taxes)	6%	6%	6%

Income Capitalization

We have examined the band of investment method, data from national surveys, and rates extracted from recent sales of similar properties. The rates extracted from comparable sales are considered the best indicators for capitalization rates for the subject property. The sales summarized below reflect the best indicators of value for the subject property. Details of these transactions are included in our office work file.

#	Address	Property Type	GBA	Year Built	Sale Date	Cap Rate
1	4377 Bronx Boulevard, Bronx, NY	Medical Office	46,350	1916	Listing	5.94%
2	1888 Westchester Avenue, Bronx, NY	Medical Office	12,400	1993	Listing	5.25%
3	196-25 42nd Avenue, Queens, NY	Medical Office	16,534	2009	Listing	5.07%
4	1634-1636 E 14th Street, Brooklyn, NY	Medical office	13,920	1916	Oct-21	6.65%
5	73-09 Myrtle Avenue, Queens, NY	Medical office	46,350	1916	Mar-21	4.00%
6	39-07 Prince Street, Queens, NY	Medical office	46,350	1916	Mar-20	5.00%
Average						5.32%

Capitalization Rate Conclusion

Overall capitalization rates are influenced by numerous factors, of which the most influential are investors' perception of risk, the potential for net income growth and the market for competitive assets.

We highlight that the subject rent is significantly below market and the rent will remain flat until lease expiry in September 2024. Moreover, the asset is in a good location with no visible items of deferred maintenance, suggesting limited risk of unscheduled capital expenditures. It is noted that cap rates for office/community facility properties in overall Bronx have ticked up to a 5.8% submarket average. However, a lower cap rate is justified as the space is leased to a credit-worthy tenant, renting below market, and thus suggesting limited risk of vacancy.

Balancing these factors, it is our view that a 5.25% overall rate would be required by an investor.

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	Date of Value	Value	Final Value (Rd)
NOI		\$1,046,938	
OAR		5.25%	
Indicated Value		\$19,941,679	
Current As Is Fair Value Via the Income Capitalization Approach	December 31, 2022	\$19,941,679	\$19,900,000

The implied price per square foot for the property from the direct capitalization approach is \$249 per square foot, which is within the range of the comparables sales. We also include a summary grid of the sales as additional support to our value.

#	Address	Sale Date	NRA	Sale Price	Price Per SF	Cap Rate
1	860 Courtlandt Avenue, Bronx, NY	Jun-22	29,130	\$8,700,000	\$299	Not Reported
2	66 Long Island Expressway, Maspeth, NY	Listing	15,650	\$4,400,000	\$281	6.00%
3	1414 Utica Avenue, Brooklyn, NY	Aug-21	10,083	\$2,100,000	\$208	7.50%
4	1634-1636 E 14th Street, Brooklyn, NY	Oct-21	13,920	\$3,800,000	\$273	6.65%
5	720 Livonia Avenue, Brooklyn, NY	Jan-21	28,000	\$11,518,500	\$411	Not Reported

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Final Value Opinion Conclusion

After carefully considering all available information and factors affecting value, our opinion of value is:

Value	Interest Appraised	Date of Value	Conclusion
Fair Value	Leased Fee Interest	December 31, 2022	\$19,900,000

The value conclusions are subject to the following **Extraordinary Assumptions** 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** 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
Senior Vice President
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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.
- Bowery Valuation has performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- 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.
- The appraisal was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- 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 and the current version of the FIRREA of 1989, including its Title XI regulations.
- Vito Scalesi has made an inspection of the property that is the subject of this report on January 31, 2023. Michelle Zell, PengKatelin Kutchko, and David Shin have 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.
- We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
- We have experience in appraising properties similar to the subject, have acquired the necessary geographic competency, and are in compliance with the Competency Rule of USPAP.

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Addenda

Provided Documents

Annual_Statement_1440_Accrual (4)

1/13/2023 10:45 AM

1440 Story LLC. (1440)	
Annual Statement	
Period = Jan 2022-Dec 2022	
Book = Accrual ; Tree = ysl_is	
EOY	
Dec 2022	
REVENUE	
RENT REVENUE	
Rent Income	1,256,000.04
Deferred Rent Income	-114,999.96
NET RENT REVENUE	1,141,000.08
REIMBURSED EXPENSE INCOME	
Real Estate Tax Recovery	300,469.43
Insurance Recovery	95,298.07
TOTAL REIMBURSED EXPENSE INCOME	395,767.50
TOTAL REVENUE	1,536,767.58
OPERATING EXPENSES	
ADMINISTRATIVE EXPENSES	
Management Fee	25,000.00
Banking Fees	30.00
Licenses, Fees & Permits	1,349.25
TOTAL ADMINISTRATIVE EXPENSES	26,379.25
REPAIRS & MAINTENANCE	
Repairs & Maintenance	544.38
General Repairs & Maintenance	5,800.00
TOTAL REPAIRS & MAINTENANCE	6,344.38
INSURANCE	
Property Insurance	60,796.98
General Liability	30,908.34
TOTAL INSURANCE	91,705.32
PROPERTY TAXES	
Real Property Taxes	351,400.22
Other Taxes	1,500.00
TOTAL PROPERTY TAXES	352,900.22
TOTAL OPERATING EXPENSES	477,329.17
NET OPERATING INCOME	1,059,438.41

Rent Roll

1/13/2023 10:44 AM

Rent Roll

Property: 1440 From Date: 01/01/2023 By Property

Property	Unit(s)	Lease	Lease Type	Area	Lease From	Lease To	Term	Monthly	Monthly	Annual	Annual	Annual	Annual	Security	LOC Amount/
								Rent	Rent	Rent	Rent	Rec.	Misc		
								Per Area	Per Area	Per Area	Per Area	Per Area			
1440 - 1440 Story LLC, Bronx															
Current Leases															
1440	1	NYC SCA	School City	80,000.00	10/1/2004	9/30/2024	240.00	104,666.67	1.31	1,256,000.00	15.70	0.00	0.00	0.00	0.00
Total Current				80,000.00				104,666.67	1.31	1,256,000.00	15.70	0.00	0.00	0.00	0.00
		Total Units	Total Area	Percentage	Monthly Rent	Annual Rent									
Occupied		1.00	80,000.00	100.00	104,666.67	1,256,000.00									
Vacant		0.00	0.00	0.00	0.00	0.00									
Total		1.00	80,000.00		104,666.67	1,256,000.00									

Subject Property Photos

All subject photos were taken on the date of value of this appraisal.

Subject Property



Subject Property



Subject Property



Subject Property



Subject Property



Subject Property



Subject Property



Subject Property



Subject Property

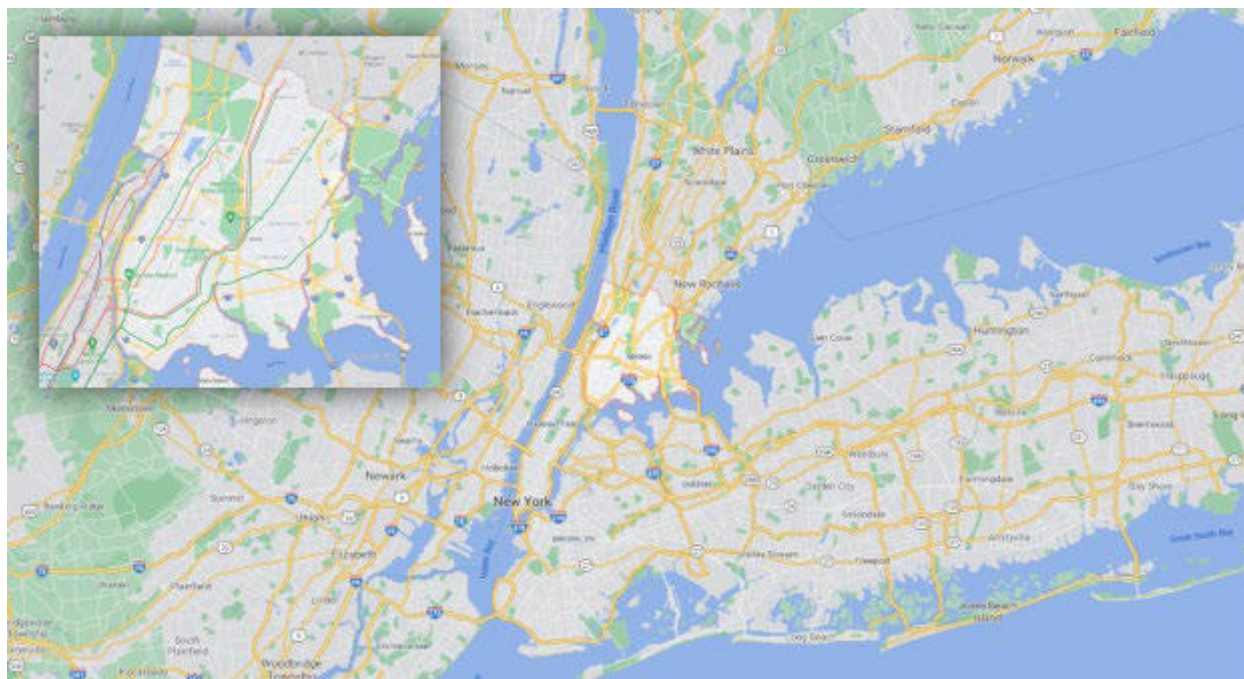


Subject Property



Bronx County Area Analysis

The following analysis includes pertinent aspects of the surrounding region as it pertains to the subject property. This report was compiled using data as of 2022 Q3 unless otherwise noted. Data is from a number of sources including the U.S. Bureau of Labor Statistics ("BLS"), the U.S. Bureau of Economic Analysis ("BEA"), and the U.S. Census Bureau.



Source: Google Maps

Bronx County At a Glance

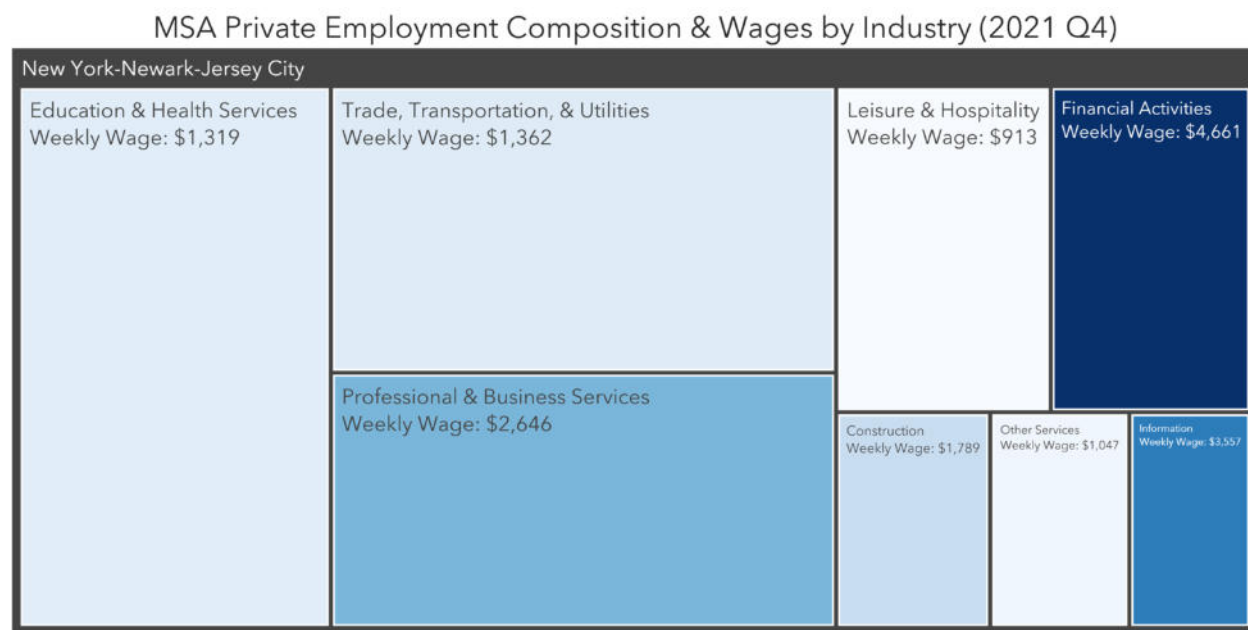
The subject property is located in Bronx County, New York. The Bronx is a borough of New York City, coextensive with Bronx County, in New York. The Bronx is one of the five boroughs of New York City, New York and is the third-most-densely populated county in the United States. The Bronx is south of Westchester County; north and east of the New York City borough of Manhattan, across the Harlem River; and north of the New York City borough of Queens, across the East River. Of the five boroughs, it has the fourth-largest area, fourth-highest population, and third-highest population density. The COVID-19 pandemic slowed economic growth throughout the country, including here in Bronx County. Between February 2020 and April, Bronx County employers shed over 116,864 jobs (19.4% of the labor market), as social distancing protocols were put in place and operating restrictions were imposed. As such, County GDP contracted -6.0% in 2020, compared to the year prior. As of 09/22, the unemployment rate sits at 7.2%, below its five-year average of 9.3% and above the state level of 4.3%. The largest industry in terms of employment in Bronx County is Education & Health Services, which employs 51.1% of all workers in the County.

Area Fundamentals

Attribute	County Level Value	5 Year Annualized	
		Growth Rate	Relative to Baseline (MSA)
Employment	540,915	-1.9%	Slower than MSA
GDP	\$36.9 billion	1.7%	Faster than MSA
Population	1,424,948	-0.3%	Slower than MSA
Per Capita Personal Income	\$43,919	7.6%	Faster than MSA

Labor Market Conditions

According to the Q4 2021 Quarterly Census of Employment and Wages, New York-Newark-Jersey City employed 7,598,354 private employees, with establishments in the Education & Health Services, Trade, Transportation, & Utilities, and Professional & Business Services industries accounting for the top three employers. These industries employ 1,924,821 (25.2%), 1,646,876 (21.5%), and 1,468,220 (19.2%) private sector workers in the Metro, respectively.



Source: U.S. Bureau of Labor Statistics

According to the Q4 2021 Quarterly Census of Employment and Wages, Bronx County employed 312,914 employees, with establishments in the Education & Health Services, Trade, Transportation, & Utilities, and Public Administration industries accounting for the top three employers. These industries employ 160,622 (51.1%), 56,414 (17.9%), and 22,299 (7.1%) workers in the County, respectively. Bronx County has an especially large share of workers in the Education & Health Services industry. In fact, its 51.1% fraction of workers is 2.3 times higher than the National average.

County Employment Composition & Wages by Industry (2021 Q4)



Source: U.S. Bureau of Labor Statistics

At the onset of the pandemic last spring, Bronx County area employers shed 19.4% of its workforce, expanding the unemployment rate from 5.2% in February 2020 to 16.7% just two months later. The unemployment rate in Bronx County has compressed over the past year to the current rate of 7.2%, considerably above the New York-Newark-Jersey City rate of 3.7%. As of 09/22, total employment is up 2% on a year-over-year basis. The unemployment rate remains above its pre-pandemic level (Feb 2020) of 5.2%.

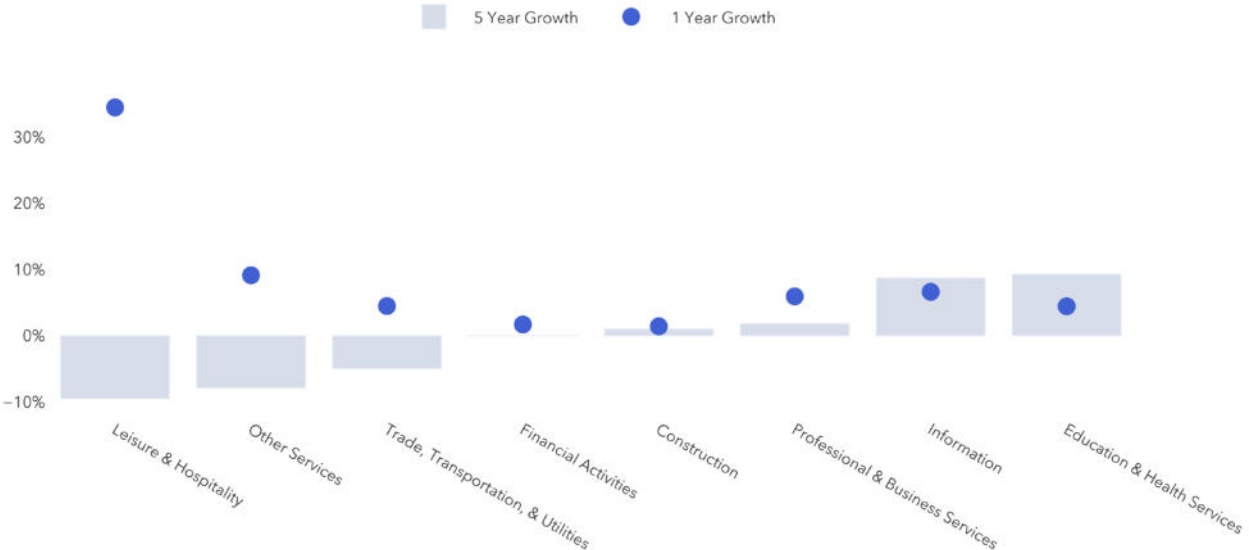
— Bronx County — New York-Newark-Jersey City (MSA) — New York



Source: U.S. Bureau of Labor Statistics

According to the Q4 2021 Quarterly Census of Employment and Wages, New York-Newark-Jersey City Metro has experienced private employment expand 0.0% (2,418) in total over the last five years. During that time, the Education & Health Services, Information, and Professional & Business Services industries saw the strongest growth, expanding 9.3%, 8.7%, and 1.8%, respectively. Meanwhile, the Leisure & Hospitality Industry has experienced employment collapse 9.5% over the previous five years.

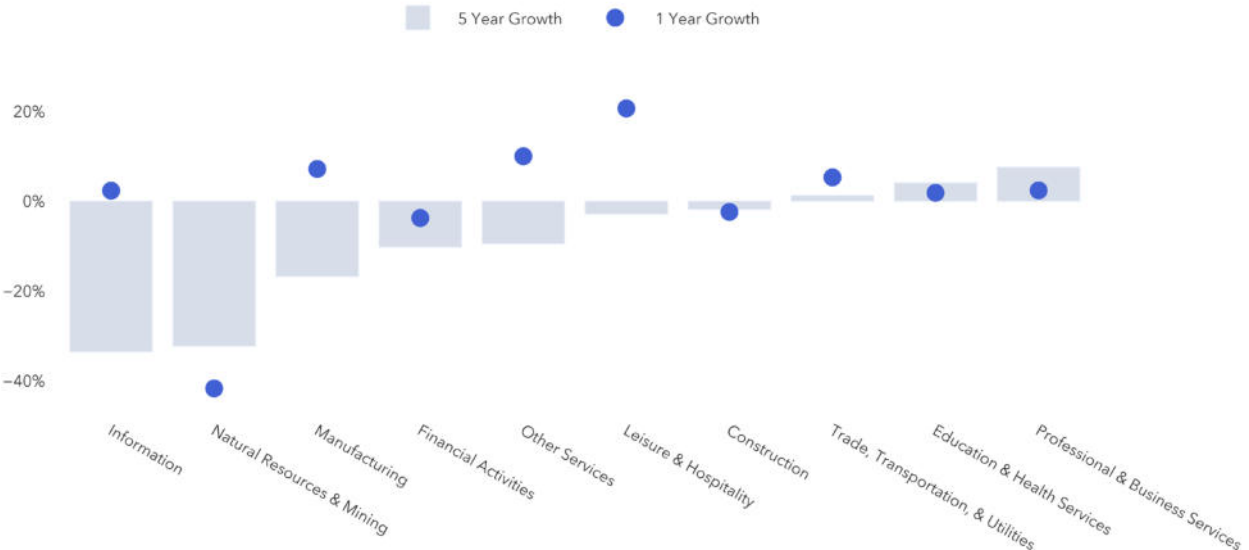
Private Employment Growth by Industry (MSA) (2021 Q4)



Source: U.S. Bureau of Labor Statistics

According to the Q4 2021 Quarterly Census of Employment and Wages, Bronx County has experienced private employment expand 0.3% (820) in total over the last five years. During that time, the Professional & Business Services, Education & Health Services, and Trade, Transportation, & Utilities industries saw the strongest growth, expanding 7.6%, 4.1%, and 1.3%, respectively. Meanwhile, the Information Industry has experienced employment collapse 33.5% over the previous five years.

Private Employment Growth by Industry (County) (2021 Q4)

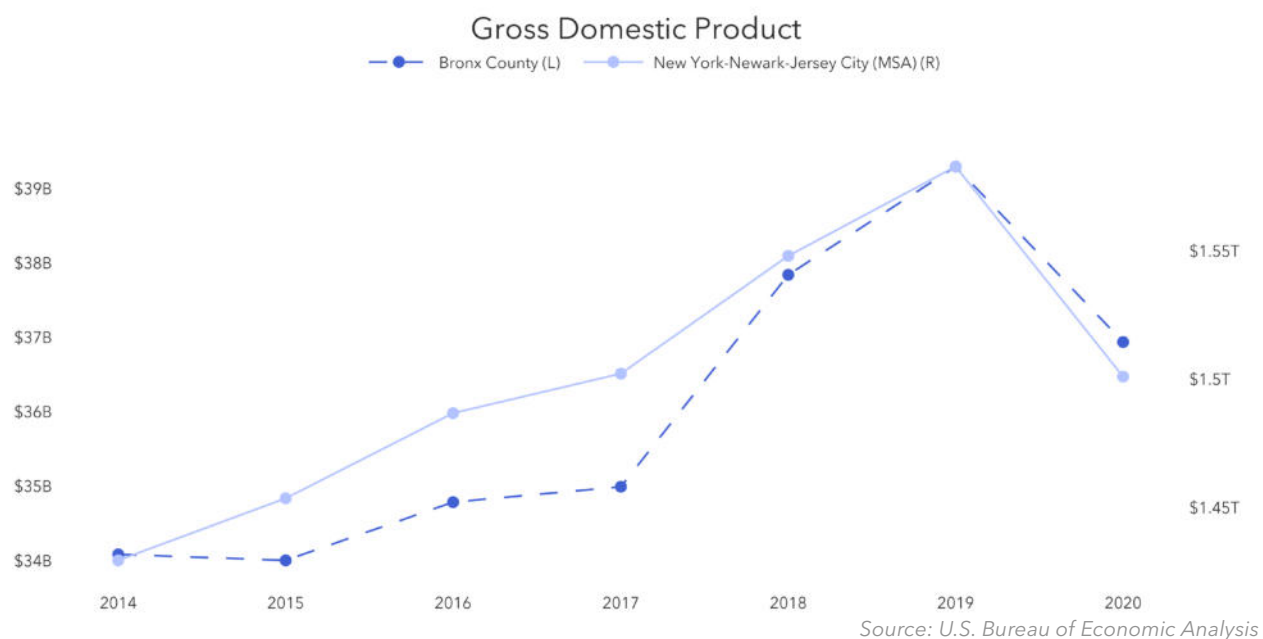


Source: U.S. Bureau of Labor Statistics

Economic Production

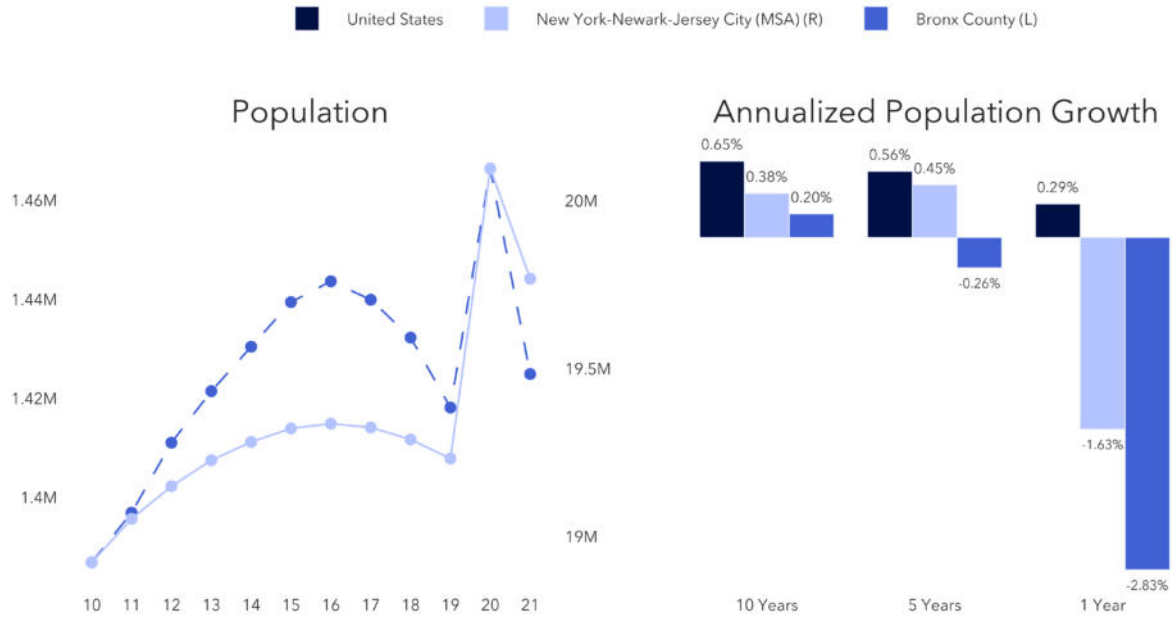
After accelerating to 6.9% in the fourth quarter of 2021, GDP growth fell for the 2nd straight quarter, decreasing at an annualized rate of 0.9% in Q2. Although there was a small rebound in GDP for Q3, Core CPI (all items less food and energy) is at a 30 year high of 6.6% yoy, this is despite an increase in the Federal Funds Rate for the fifth time this year. As such, the Fed is widely expected to continue with rate hikes well into 2023, increasing the likelihood of a recession in the near term.

For the five years prior to the pandemic, Bronx County experienced average annual growth of 3.1% compared to 2.1% for the Metro. In 2020, Bronx County produced about \$36.9 billion of output, representing an annual change of -6.0% compared to -5.2% for the Metro.



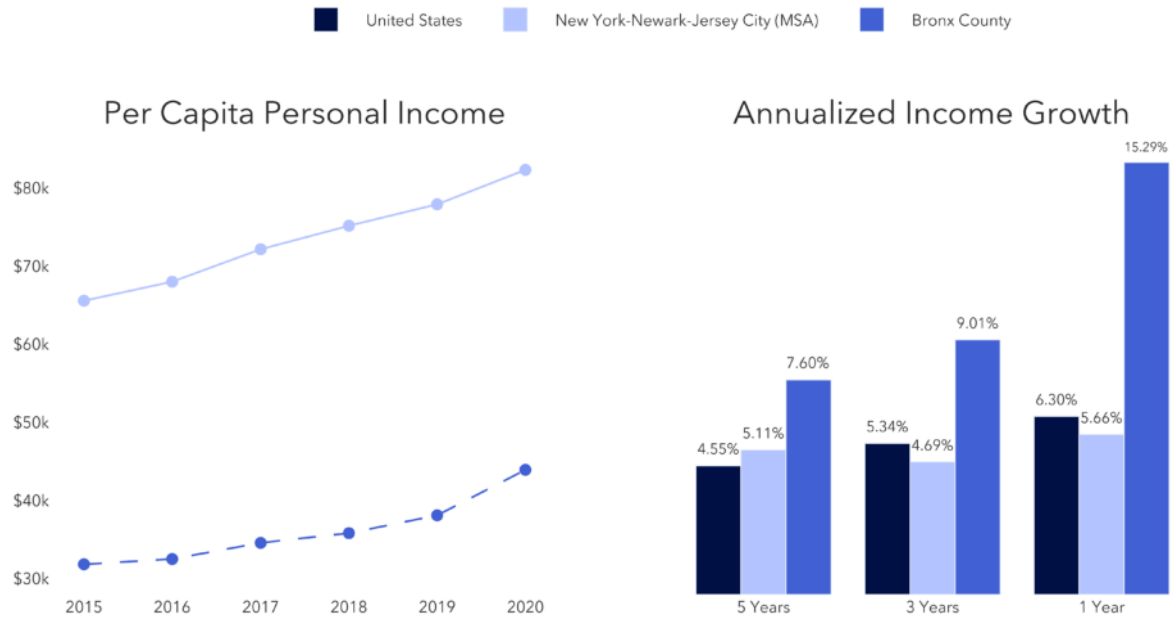
Demographics

Going back ten years, Bronx County's population has expanded 0.2% per annum to the 2021 count of 1,424,948. Over the past five years, growth has declined, contracting 0.3% per annum since 2016. This growth rate falls short of the Nation, which has expanded 0.6% per year over the last five years.



Source: U.S. Census Bureau





Going back five years, Bronx County residents' per capita personal income has expanded 7.6% per annum to the 2020 level of \$43,919. Over the past three years, growth has expanded, growing 9.0% per annum since 2017. This growth rate exceeds the Nation, which has expanded 5.3% per year over the last three years.



Source: U.S. Census Bureau

Infrastructure

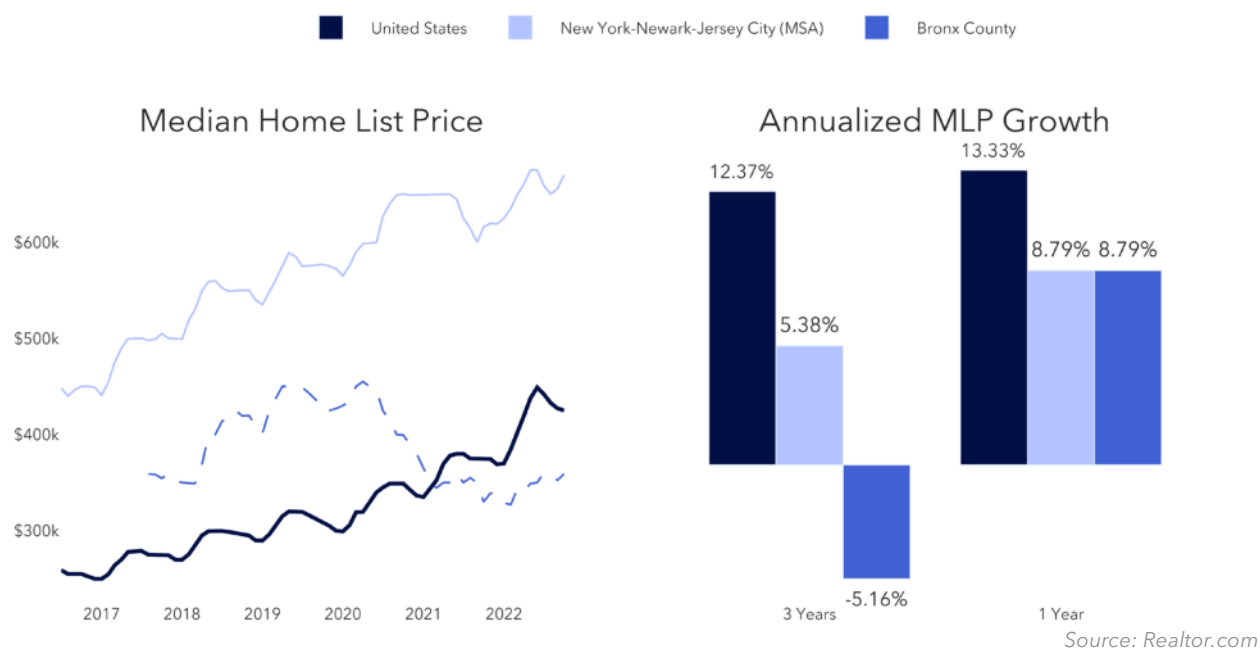
Transportation Methods

-  Interstate 95 (Cross Bronx Expressway) runs east and west through the Bronx connecting west to New Jersey via the George Washington Bridge and east towards Connecticut. Interstate 87 runs north and south along the Harlem River while Interstate 278 runs northeast from the South Bronx. Interstate 678 connects to Queens along with Interstate 295.
-  The Bronx is served by seven New York City Subway services along six physical lines, with 70 stations in the Bronx. In total, the Subway covers the B, D, 1, 2, 4, 5, and 6 trains. Two Metro-North Railroad commuter rail lines (the Harlem Line and the Hudson Line) serve 11 stations in the Bronx. In addition, trains serving the New Haven Line stop at Fordham Plaza.
-  There are also many MTA Regional Bus Operations bus routes in the Bronx. This includes local and express routes as well as Bee-Line Bus System routes.
-  Residents and visitors have easy access to LGA and JFK in Queens and Newark Liberty in NJ.

Housing

In 2021, historically low mortgage rates, the desire for more space, and the ability to work from home led to an increase in demand for housing. This, combined with historically low inventory levels, pushed values to record highs in most counties and metros across the Nation in 2021 and first half of 2022, with medium listing price in the US reaching \$449,000 in June 2022. However, with persistent inflation in the current year, the Fed has hiked interest rates, pushing mortgage rates to 7% as of October. The sharp rise in mortgage rates has eroded housing affordability, resulting in a decrease in demand, and values. While values remain up 14% over the past year, the medium listing price in the US decreased 4.8% from June to September.

In Bronx County, Realtor.com data points to continued growth in values. In fact, as of 10/2022, the median home list price sits at \$359,000, an increase of 9% compared to an increase of 9% for the New York-Newark-Jersey City Metro, and an increase of 13% across the Nation over the past year. With the recent sharp rise in mortgage rates, demand is expected to soften along with growth in values.



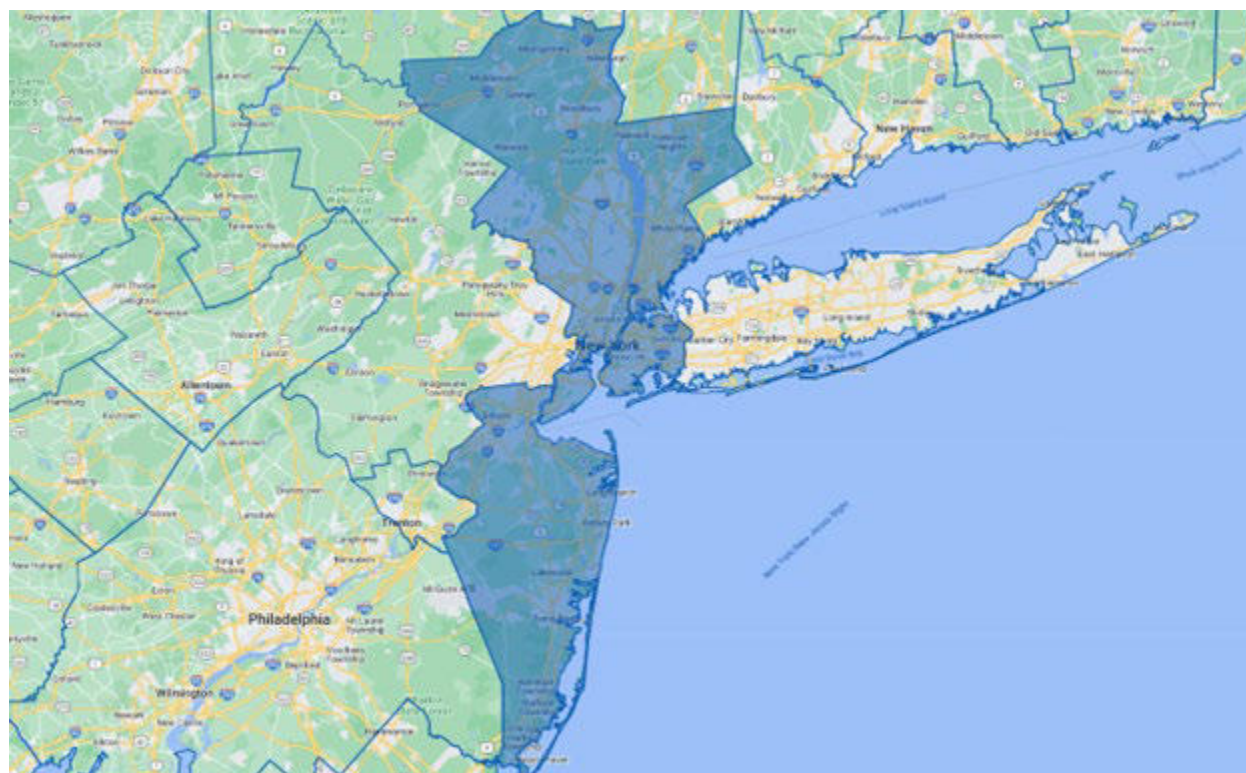
Outlook

The United States economy continues to feel some lingering effects from the pandemic, with a mix of cautiously optimistic and worsening signs. The unemployment rate in September dropped to 3.5%, with total nonfarm payroll employment increasing by 263,000, matching the lowest pre-pandemic rate of February of 2020. Notable job gains occurred in leisure and hospitality and in health care. The global supply chain pressure index, which measures disruptions on supply side, has shown significant improvement since the worst month of disruptions in December 2021. However, with persistent levels of inflation continuing through September, the Fed repeatedly reaffirmed its commitment to fighting inflation. As such, the Fed is widely expected to continue with rate hikes well into 2023, increasing the likelihood of a recession in the near term.

The current unemployment rate in Bronx County of 7.2% is below its five-year average. By Contrast, that rate is also above the state rate of 4.3%, and above the national rate of 3.7%. Bronx County continues to experience population loss with one- and five-year annual growth rates of -2.8% and -0.3%. Despite its positive GDP growth over the five years prior to the pandemic, when considering its dependency on one particular industry, and its declining population, the county faces a few hurdles before it can be well positioned for near- and long-term growth.

New York: Office Market Analysis

The information contained in this report was provided using 2022 Q4 CoStar data for the New York Office Market ("Market").



Overview

The subject property is in the New York Market defined in the map above. This Market accounts for 11.7% of the Nation's total inventory with 975.9 million square feet of office space. The inventory is roughly 49% Class A, 35% Class B, and 16% Class C. The Office sector demonstrated signs of resiliency in 2021 and early 2022 after experiencing very little demand in 2020. Demand has slowed considerably though with economic headwinds intensifying over the second half of 2022. Tenants have adopted more defensive leasing postures, halting expansion plans or downsizing footprints to navigate the growing threat of a recession. Vacancy rates have increased as increasingly more businesses and tenants adopt remote work policies. Some markets and submarkets have fared better than others. In New York, vacancy rates have increased over the past year, but landlords have been able to push rents, which increased 0.5% during that time. Despite softening market conditions for office properties in the Market, values have increased over the past year to \$666/SF but compressed -2.2% in the fourth quarter. Capitalization rates have increased 1 bps to a rate of 5.5%, but still remain above the long-term average.

Sector Fundamentals

	New York	YoY	QoQ	National	YoY	QoQ
Market Rent/SF	\$57.13	0.5%	0.1%	\$35.19	1.1%	0.1%
Vacancy Rate	12.32%	61 bps	12 bps	12.48%	46 bps	13 bps
Availability Rate	15.9%	-15 bps	11 bps	16.0%	74 bps	21 bps
Net Absorption SF	4,271,159	310.6%	704.4%	34,833	-99.7%	101.4%
Asset Value/SF	\$666	0.2%	-2.2%	\$342	2.0%	-0.1%
Market Cap Rate	5.47%	1 bps	4 bps	6.99%	-1 bps	0 bps
Transaction Count	193	-54%	-31%	4,247	-42%	-19%
Sales Volume	\$2,398,003,456	-61%	89%	\$12,916,793,344	-64%	-27%

Supply and demand indicators, including inventory levels, absorption, vacancy, and rental rates for office space in the Market are presented in the following table.

Historical Office Performance: New York Market

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market	Market
								Sale Price Per SF	Cap Rate
22 Q4	975,905,159	13,709,593	7,893,216	1,055,293	12.3%	15.9%	\$57.13	\$656	5.47%
22 Q3	969,678,436	19,573,662	1,267,647	-5,243,599	12.2%	15.7%	\$57.09	\$667	5.43%
2021	968,011,943	20,044,710	2,213,642	-16,950,464	11.7%	16.0%	\$56.87	\$650	5.46%
2020	965,791,641	18,281,772	2,778,283	-13,005,637	9.8%	14.6%	\$57.66	\$674	5.35%
2019	962,962,739	22,089,744	9,613,685	8,203,266	8.2%	11.7%	\$60.06	\$669	5.33%
2018	953,344,654	26,560,656	2,781,473	7,216,267	8.1%	10.9%	\$58.38	\$651	5.26%
2017	950,518,181	22,588,318	455,347	1,589,626	8.6%	11.4%	\$58.06	\$648	5.10%
2016	950,002,834	17,518,296	2,105,505	405,823	8.7%	11.7%	\$56.86	\$647	4.99%
2015	947,893,829	16,371,476	-2,286,516	195,119	8.6%	11.4%	\$56.08	\$637	4.95%
2014	950,180,345	9,003,609	1,186,554	2,465,428	8.8%	11.3%	\$52.65	\$584	5.03%
2013	948,993,791	8,617,772	1,607,357	-1,069,049	8.9%	11.9%	\$48.66	\$526	5.26%

Supply & Demand

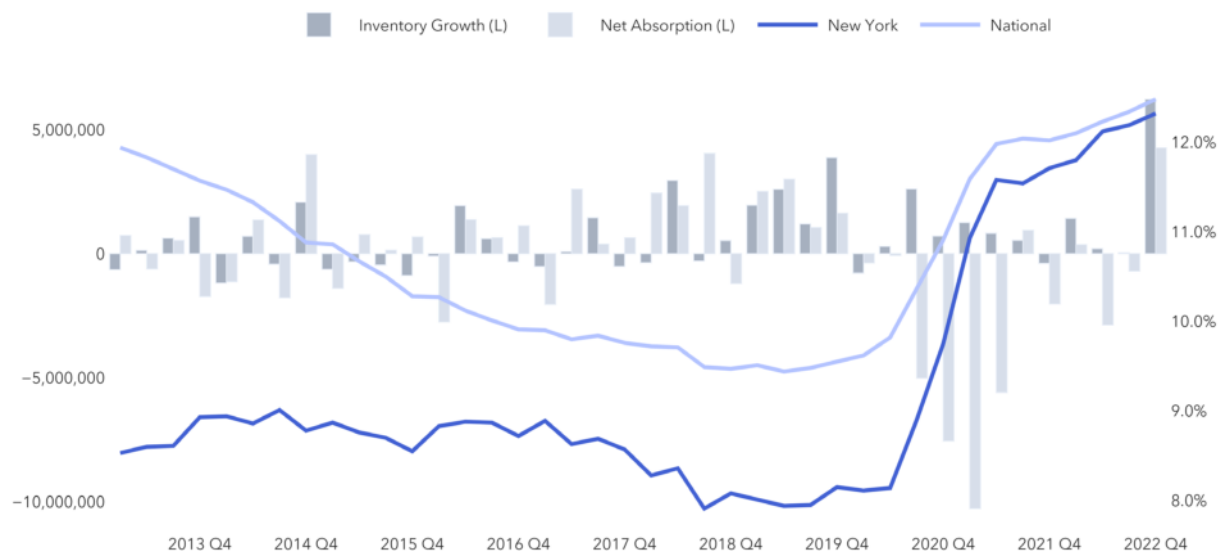
The Market has 975.9 million square feet of office space, and developers have added, net of demolitions, 29.2 million square feet over the past ten years, increasing inventory by 3.1% during that time. Demand has not been able to keep up with supply over the past decade and vacancy rates have expanded compared to the rate ten years ago. Further, tech firms across the U.S. have laid off tens of thousands of workers in 2022 which will negatively impact future demand levels. The pandemic has also contributed to financial strain leading to some firms cutting costs by placing their office space on the market. This has led to absorption levels over the past 12 months remaining in negative territory, while the amount of available sublet space continues to inch upward.

Demand has picked up over the first three quarters of 2022 compared to the same time period in 2021 but has fallen short of inventory growth. As such, vacancy rates in the Market have increased 61 bps over the past year from 11.7% to 12.3% but still remain above the 10-year average of 9.2% and below the National average by 16 bps. With 4.3 million square feet absorbed in the fourth quarter, vacancy rates have increased 12 bps over the past quarter. In the fourth quarter, office tenants in the Market absorbed 4.3 million square feet, an increase from the -706.7k square feet vacated in 2022 Q3, and an improvement from the -2 million square feet vacated in the same quarter last year. Class A space in the Market has an elevated vacancy rate of 15.5% followed by 10.8% for Class B space, and 6.2% for Class C space.

Vacancy Rates

	2013	2014	2015	2016	2017	2018	2019	2020	2021	22 Q3	22 Q4
National	11.6%	10.9%	10.3%	9.9%	9.8%	9.5%	9.6%	10.9%	12.0%	12.3%	12.5%
Market	8.9%	8.8%	8.6%	8.7%	8.6%	8.1%	8.2%	9.8%	11.7%	12.2%	12.3%
Class A	10.7%	10.4%	10.2%	10.7%	10.5%	10.0%	10.5%	11.6%	14.4%	15.4%	15.5%
Class B	7.9%	7.9%	7.8%	8.0%	7.9%	7.3%	6.7%	9.1%	10.4%	10.7%	10.8%
Class C	6.1%	6.0%	5.2%	4.6%	4.7%	4.4%	4.5%	5.8%	6.5%	5.9%	6.2%

Absorption & Vacancy Rates



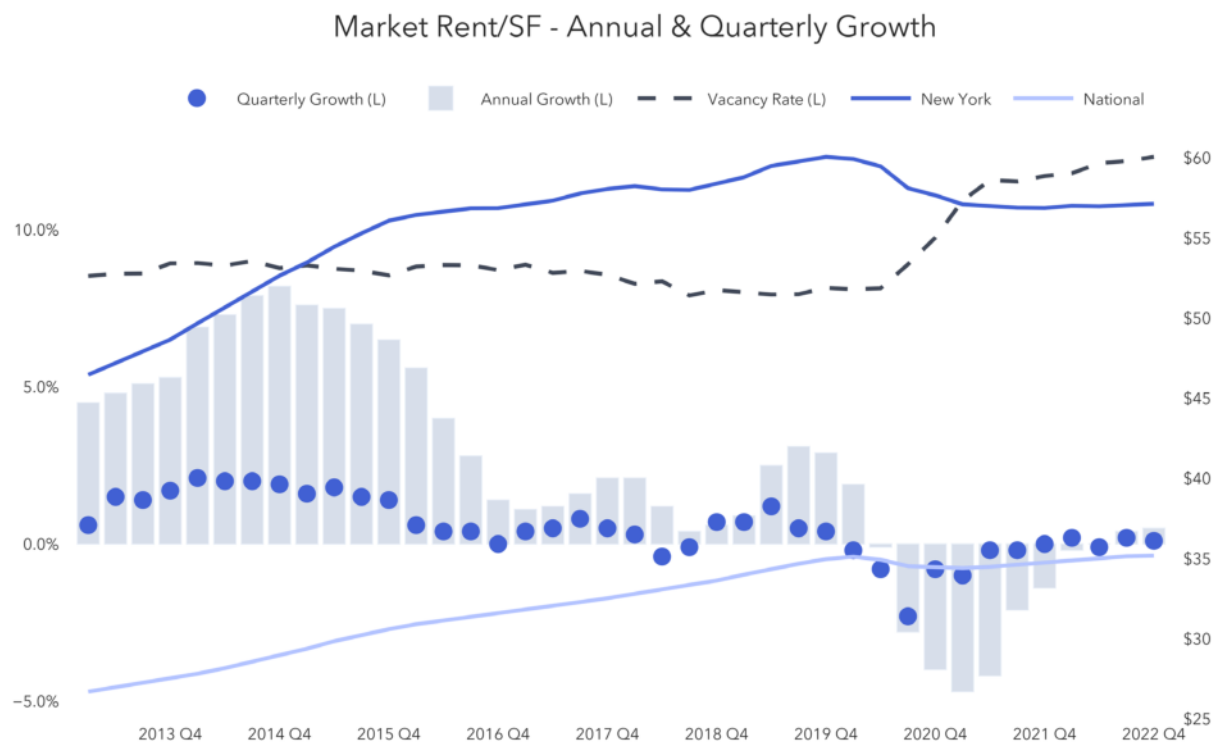
Rents

At \$57.13/SF, the rents in the Market are roughly 62% higher than the National average where rents sit at \$35.19/SF. Rents in the Market have grown 2.3% per annum over the past decade, falling short of the National average, where rents increased 3.2% per annum during that time. The impressive rent gains witnessed early in the past cycle, which were fueled by the strong leasing demand from TAMI sector firms, are now a memory. Today, year-over-year rental growth in the New York metro remains below the national average. The poor rental performance can be linked to increased vacancies and weakened tenant demand. If more affordable sublet space were to continue flooding the market while leasing activity decelerates, some owners may continue to lower rents further. In the Market, Class A space is at a premium with a rate of \$70.92/SF, followed by \$45.86/SF for Class B and \$38.80/SF for Class C space.

Market Rents

	2013	2014	2015	2016	2017	2018	2019	2020	2021	22 Q3	22 Q4
National	\$27.48	\$28.94	\$30.60	\$31.61	\$32.53	\$33.63	\$34.97	\$34.47	\$34.79	\$35.15	\$35.19
Market	\$48.66	\$52.65	\$56.08	\$56.86	\$58.06	\$58.38	\$60.06	\$57.66	\$56.87	\$57.09	\$57.13
Class A	\$58.47	\$63.18	\$67.28	\$68.19	\$70.50	\$70.67	\$73.21	\$71.29	\$70.82	\$70.94	\$70.92
Class B	\$41.00	\$44.55	\$47.63	\$48.31	\$48.36	\$48.94	\$49.96	\$46.81	\$45.57	\$45.77	\$45.86
Class C	\$34.86	\$37.59	\$39.72	\$40.28	\$40.52	\$40.79	\$41.25	\$38.93	\$38.14	\$38.70	\$38.80

Prior to the pandemic, the New York Office Market experienced softening rent growth. In 2019 Q4, annual rent growth in the Market softened below the previous quarter, and was below the historical average, with annual growth of 2.9%. With demand softening during the initial stages of the pandemic, quarterly rent growth decreased -0.8% in 2020 Q2. By the end of 2020, rents had fallen 4.0% from the 2019 Q4 rent level of \$60.06/SF. From 2019 Q4 to 2021 Q4, rents decreased -5.3%. Quarterly rent growth in 2022 Q4 decreased 0.1% from the previous quarter, improving annual growth to 0.5%.



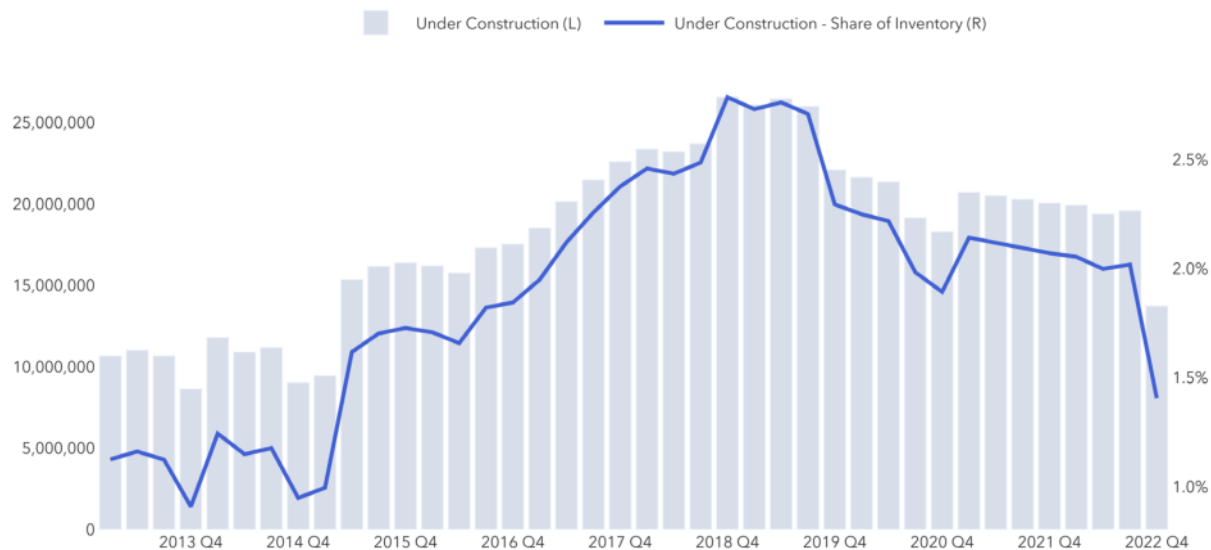
Construction & Future Supply

Developers have been active for much of the past ten years. In fact, they have added 60.5 million square feet to the Market over that time, expanding inventory by 3.1%. Leading the Manhattan construction boom is the mega-development at Hudson Yards. With its focus on meeting the demands of companies looking for modern office spaces, the \$25 billion mixed-use, multi-property project on the Far West Side of Midtown remains at the forefront of Manhattan's evolving office landscape. Despite the enormity of the towers, delivered buildings are near full occupancy and much of the space in buildings close to completion is spoken for. Still yet to deliver are the projects located at Two Manhattan West and 66 Hudson Boulevard.

Premium office properties have consistently broken ground over the past decade, with developers investing in various project types, from modern skyscrapers to state-of-the-art boutique projects to repurposed industrial assets. The motivation for increased construction stems from the new demand profile which has tenants utilizing their modern office space as a recruitment tool. As a result, projects today are aiming to include not only a host of luxury amenities, but an abundance of natural light through the addition of outdoor terraces, floor-to-ceiling windows, and column-free floors.

A recent large completion was the \$3 billion development at 1 Vanderbilt in the Grand Central submarket. The 5-star 1.7 million-SF tower is more than 90% leased to tenants like TD Bank and the Carlyle Group. The asking rents on some of the remaining space reportedly exceed \$200/SF. Recent deliveries also occurred outside of Manhattan with the completion of the Dime, a mixed-use building in Williamsburg that features a sizable amount of office space that has yet to lease to any tenants as office demand in Brooklyn remains sluggish. Though today's tenant values the product over the neighborhood, it seems that the idea of relocating outside Manhattan is a bridge too far.

Under Construction SF - Share of Inventory



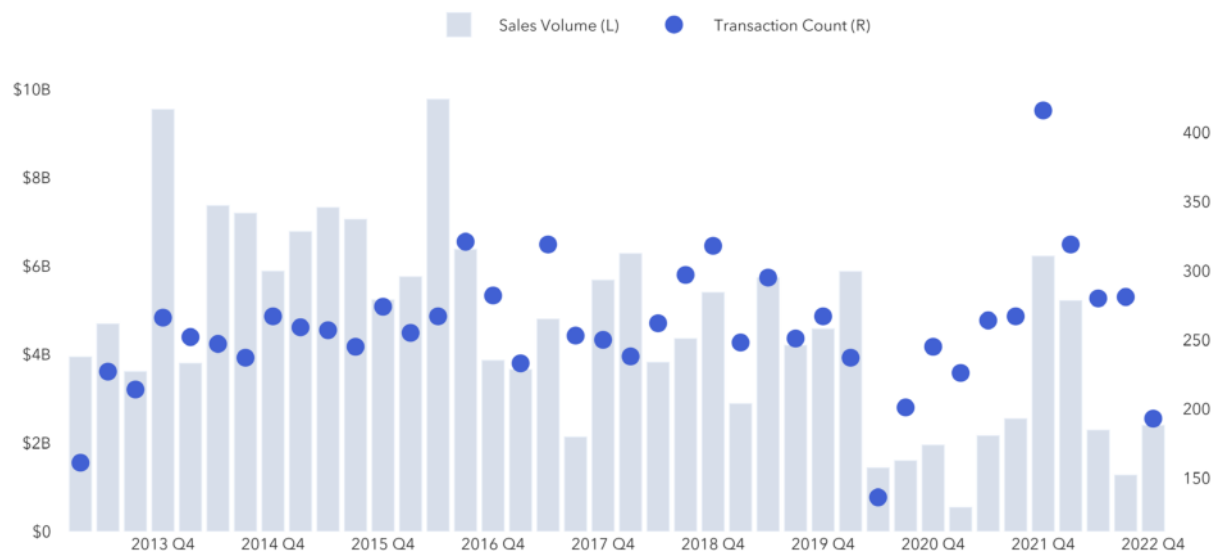
Capital Markets

Investors have been active in the Market over the past three years. Going back three years, investors have closed, on average, 1,022 transactions per year with an annual average sales volume of \$11.2 billion. Over the past year, there were 1,073 closed transactions across 27.8 million square feet, for a total sales volume of \$11.2 billion. In 2022 Q4, there were 193 sales for a total sales volume of \$2.4 billion, compared to \$1.3 billion in the previous quarter. Recent sales activity has been driven by the transfer of modern trophy buildings like 1 Manhattan West (at a \$2.45 Billion Valuation), 441 9th Avenue (\$1 Billion), and 100 Pearl Street (\$850 million). Buyers view these assets as less risky due to their higher occupancies and premium build quality.

The weaknesses impacting the office sector have also been evident in recent trades. The \$445 million purchase of 450 Park Ave by SL Green was a marked discount to the previous purchase price of \$545 million in 2014. A similar discount was applied during the \$320 million sale of 1330 Avenue of the Americas by Empire Capital Holdings compared to the 2010 purchase price of \$400 million. Despite these sales, investors are still largely staying away from mostly vacant value-add opportunities for the time being due to the current surplus of available space in Class A buildings.

Similar to leasing activity, the investment market is predominantly driven by the transfer of trophy office buildings, as buyers view them as less risky since these are assets that occupiers covet. Investors are mainly staying away from traditional value-add opportunities in Class B buildings for the time being due to both the current surplus of available space in Class A buildings and the uncertainty surrounding how long it may take these more vintage properties to stabilize occupancy levels. If current conditions persist, the negative impacts on pricing and cap rates will be most apparent in trades of office assets with moderate vacancy levels. But for now, there is not a large wave of distress among office buildings as rents are still being collected and owners are well-capitalized.

Sales Volume & Transaction Count

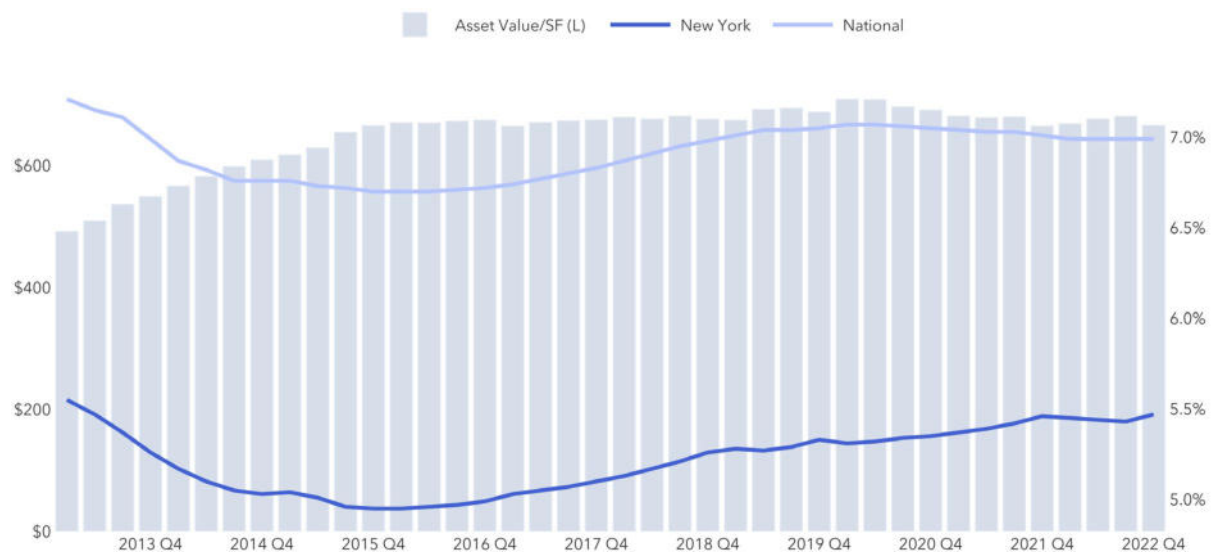


Market pricing, based on the estimated price movement of all properties in the Market, sat at \$666/SF and has increased 0.2% over the past year but have compressed 2.2% in the past quarter. Capitalization rates have increased 1 bps over the past year to 5.5% and increased 4 bps in the fourth quarter. Higher interest rates, the subsequent cost of debt, and the limited improvement in market conditions will weigh on both activity and pricing going forward. However, favorable yields, especially relative to other property sectors, should help to offset.

Recent Transactions

Property Address	RBA	Building Class	Year Built	Last Sale Date	Last Sale Price
51 W 52nd St, New York	897,071	A	1963	Q4 2021	\$760,000,000
450 Park Ave, New York	337,000	A	1971	Q2 2022	\$445,000,000
70 Hudson St, Jersey City	431,281	A	2001	Q1 2022	\$300,000,000
79 Fifth Ave, New York	345,751	B	1906	Q2 2022	\$276,750,000
1000 Harbor Blvd, Weehawken	617,187	A	1989	Q4 2021	\$219,000,000

Asset Value & Market Cap Rates



Outlook

Office demand remains well below pre-pandemic levels. Many office markets are contending with elevated vacancy and availability rates. This is occurring at a time of a looming recession, which has resulted in layoffs from many companies, slowing the recovery for the sector.

Office market conditions in the New York Market show that demand has increased, but fallen short of rising inventory levels. Together, vacancy rates increased over the past year. With vacancy rates expanding, quarterly rent growth in 2022 Q4 reached 0.1%, increasing annual growth to 0.5%. Looking ahead to the near-term, it is likely that tenant demand remains limited with rents declining. With softening market conditions amidst rising debt costs, values will likely experience limited growth.

Appendix

New York Office Market Overview

Submarket	Inventory SF	Vacancy Rate	Availability Rate	Under Construction SF	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
Plaza District	92,901,077	13.4%	15.6%	1,871,767	\$89.91	\$1,053	4.63%
Penn Plaza/Garment	87,056,470	13.3%	18.8%	2,565,922	\$68.58	\$913	4.66%
Grand Central	59,639,741	14.3%	19.2%	39,487	\$75.76	\$884	4.73%
Times Square	50,099,707	13.4%	19.4%	0	\$78.67	\$945	4.65%
Chelsea	45,435,888	13.8%	16.9%	296,657	\$62.92	\$895	4.57%
Financial District	41,422,729	18.2%	24.7%	0	\$55.07	\$656	4.76%
World Trade Center	38,795,342	12.2%	16.5%	48,801	\$62.82	\$795	4.64%
Columbus Circle	36,228,982	9.8%	13.0%	0	\$75.63	\$928	4.74%
Hudson Waterfront	31,613,617	13.8%	19.9%	149,787	\$42.22	\$378	6.86%
Gramercy Park	28,945,207	14.2%	17.3%	0	\$73.50	\$875	4.68%
Downtown Brooklyn	24,029,144	18.0%	16.9%	1,007,677	\$48.89	\$525	4.87%
Northwest Queens	21,982,794	16.6%	20.0%	220,524	\$45.61	\$483	5.01%
City Hall	19,593,924	5.8%	6.3%	19,412	\$52.88	\$654	4.82%
North Brooklyn	19,096,628	14.7%	17.8%	1,072,059	\$43.41	\$477	5.29%
South Brooklyn	18,945,915	8.1%	10.2%	226,415	\$35.58	\$406	5.59%
Eastern Monmouth	17,464,919	6.5%	8.4%	0	\$28.98	\$198	8.16%
Murray Hill	16,500,068	20.1%	23.6%	36,500	\$54.04	\$696	4.80%
Bronx	15,540,634	8.0%	10.6%	86,683	\$38.57	\$352	5.81%
Insurance District	14,280,951	19.1%	24.3%	0	\$54.66	\$643	4.74%
Northeast Queens	14,220,884	3.6%	5.2%	127,068	\$45.14	\$410	5.38%
East I-287 Corridor	14,055,474	15.2%	16.9%	0	\$32.06	\$204	6.27%
Hudson Square	13,047,777	8.4%	15.9%	2,767,227	\$74.58	\$923	4.65%
Soho	12,634,726	14.1%	17.3%	0	\$67.33	\$997	4.73%
Brunswick West	10,280,992	22.3%	25.2%	60,000	\$33.83	\$220	7.93%
Tribeca	9,698,471	7.9%	12.2%	0	\$70.23	\$831	4.68%
West I-287 Corridor	9,557,056	12.9%	16.9%	3,000	\$32.73	\$191	6.47%
Ocean County	9,515,233	4.5%	7.0%	209,822	\$26.47	\$197	7.97%
White Plains CBD	8,846,412	12.6%	15.2%	0	\$36.80	\$251	6.21%
North	8,824,638	11.2%	17.5%	25,958	\$36.62	\$222	7.57%
Edison/Woodbridge							
Brunswick	8,615,987	6.5%	7.0%	779,000	\$29.10	\$196	7.89%
GW Bridge	8,371,828	5.9%	7.8%	0	\$30.43	\$223	7.82%
Harlem/North Manhattan	8,333,836	14.4%	14.9%	686,650	\$45.16	\$698	4.92%
Meadowlands	8,311,728	11.0%	14.6%	0	\$30.15	\$185	8.06%
South Edison	7,629,036	7.0%	8.6%	0	\$28.85	\$187	7.88%
Staten Island	7,540,601	7.0%	9.1%	75,300	\$33.43	\$338	6.18%
Greenwich Village	7,438,637	12.2%	17.4%	112,617	\$70.90	\$964	4.71%
Route 287 East	7,357,584	9.4%	10.9%	0	\$24.89	\$173	8.26%
Passaic Rt 46/23	6,890,957	10.8%	15.7%	0	\$29.67	\$159	8.50%
South Queens	6,789,560	5.5%	7.1%	9,483	\$41.70	\$352	5.58%
Route 4/17	6,336,762	8.8%	13.6%	252,716	\$30.30	\$187	8.19%

Western Monmouth	6,317,610	7.0%	9.2%	65,514	\$25.20	\$176	8.29%
Southeast	6,061,712	7.4%	8.5%	0	\$29.00	\$198	6.63%
North	5,354,453	16.2%	18.2%	0	\$33.19	\$246	6.11%
U.N. Plaza	5,103,933	4.8%	8.4%	0	\$62.05	\$822	4.70%
Central Queens	5,046,598	3.2%	13.4%	363,873	\$40.94	\$411	5.36%
North 17 Corridor	4,899,169	7.5%	8.8%	0	\$28.24	\$183	8.23%
Southern Monmouth	4,856,455	10.2%	11.8%	19,500	\$28.62	\$202	7.98%
Southwest	4,835,754	6.0%	7.3%	0	\$32.76	\$197	6.29%
Hackensack	4,811,956	9.7%	12.7%	51,750	\$26.64	\$196	7.83%
Upper East Side	4,683,254	4.3%	4.0%	88,179	\$69.42	\$1,179	4.57%
Upper Parkway	4,623,396	15.7%	22.0%	0	\$31.24	\$180	8.60%
Route 3/GSP	3,597,278	2.9%	4.0%	84,151	\$30.05	\$178	8.13%
Middletown	3,576,674	13.2%	14.0%	0	\$26.14	\$206	6.37%
Newburgh	3,260,229	7.0%	8.3%	113,894	\$26.65	\$210	6.43%
Passaic Urban Region	3,075,539	10.4%	13.8%	10,000	\$29.63	\$181	8.25%
North Central Bergen	2,987,712	5.9%	9.1%	0	\$30.57	\$231	7.76%
Northwest	2,833,823	7.9%	8.8%	0	\$30.23	\$165	7.05%
Orangetown	2,788,480	18.6%	25.0%	0	\$27.90	\$280	5.79%
Ramapo	2,755,071	1.9%	2.7%	158,000	\$29.92	\$227	6.16%
Teaneck/Ridgefield	2,689,549	12.1%	17.2%	0	\$33.34	\$215	7.77%
Route 46 Corridor	2,634,748	11.2%	11.1%	0	\$29.15	\$180	7.90%
Clarkstown	2,367,765	9.1%	10.7%	0	\$27.97	\$199	6.43%
Monroe	2,362,500	1.1%	2.2%	0	\$45.52	\$186	6.09%
Western Bergen	2,246,942	0.4%	0.5%	4,200	\$34.27	\$200	8.08%
Route 208 Corridor	2,184,904	8.2%	7.6%	0	\$26.84	\$192	8.07%
Palisades	2,019,799	7.1%	14.7%	0	\$26.05	\$217	7.65%
Upper West Side	1,872,734	24.5%	24.6%	0	\$57.71	\$939	4.65%
Northeast	1,407,008	2.7%	5.7%	0	\$38.28	\$237	6.16%
Upper Suburban Passaic	540,764	7.7%	7.3%	0	\$28.08	\$162	9.07%

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 19 years.

Michelle has appraised multi-family, condominium and cooperative apartment buildings, retail properties, office buildings, restaurants, industrial properties, hotels, and vacant land properties all over the United States. Michelle specializes in managing large portfolios, appraising large scale existing and proposed developments, appraisals for EB-5 financing, litigation and condemnation proceedings, as well as trust and estate needs.

Michelle 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 as 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 Apthorp 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 7th Avenue, a proposed hotel and retail development located in Times Square and valued at \$2B, market rent determination for Bell Works - the former Bell 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, Michelle 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 Michelle is currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members.
Certified General Real Estate Appraiser	State of New York (# 4600049921) State of Florida (# RZ4135) State of Georgia (# 404989) State of Louisiana (# G4507) State of Maine (# CG 4769) Commonwealth of Massachusetts (# 1000274) State of New Hampshire (# NHCG-1055) State of Tennessee (# 6208)

State of Texas (# TX 1380938G)
Commonwealth of Pennsylvania (# GA004611)

Publications

Michelle 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/>

Katelin Kutchko

Vice President

Experience

Katelin Kutchko is a Vice President at Bowery Valuation who joined the firm in August 2018. She has worked in the real estate appraisal industry since 2014 and has appraised condominium, cooperative, community facility, development sites, industrial, ground-leased, manufactured housing community, mixed-use, multi-unit residential, office, private club, school and retail center properties across the United States.

Before joining Bowery, Katelin served as an associate at BBG/ Leitner Group based in New York, NY.

Education

University of Pennsylvania, School of Design Master of Architecture with a Real Estate Design and Development Certificate from the Wharton School

New York University, College of Arts and Sciences Honors Scholar
Bachelor of Arts with a major in Urban Design & Architecture Studies and minor in Studio Art.

Certifications & Professional Designations

Certified General Real Estate Appraiser State of New York (# 46000053185)
State of New Jersey (# 42RG00281400)
Commonwealth of Pennsylvania (# GA004619)
State of Texas (# TX 1381205G)

David Shin

Valuation Associate

Experience

David Shin is a Valuation Associate at Bowery Valuation who joined the firm in January 2022. Mr. Shin is actively engaged in appraising mixed-use and multifamily properties in New York and New Jersey.

Before joining Bowery, Mr. Shin served as a research assistant at Bain & Company, Seoul for their private equity group, followed by working as a summer and full-time analyst at Barclays Investment Bank in New York City. During both experiences, he received commercial due diligence and financial modeling training.

Mr. Shin graduated from Cornell University with a Bachelor of Science degree in Hotel Administration with a concentration in finance/accounting and a minor in real estate.

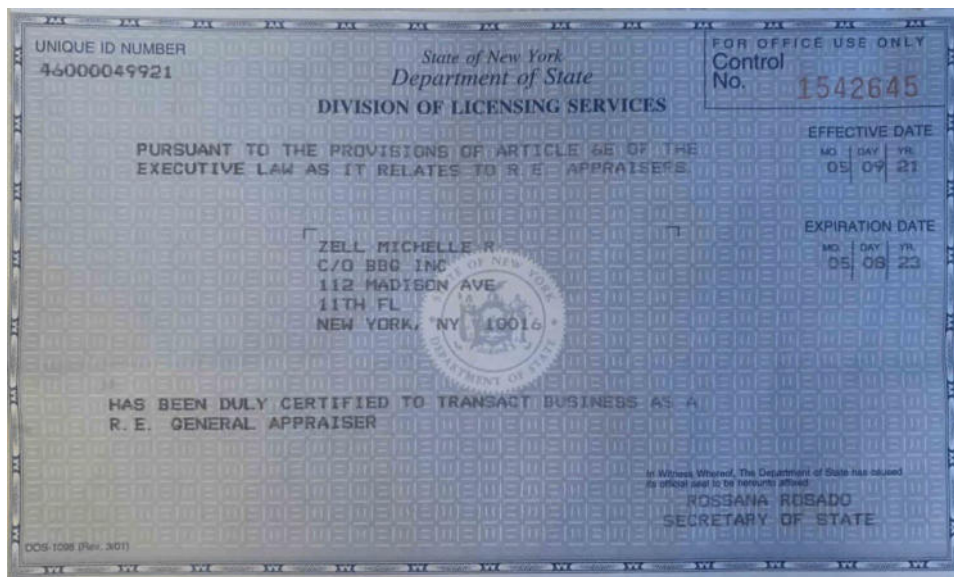
Education

Cornell University, School of Hotel Administration Magna Cum Laude, Dean's List
Bachelor of Science in Hotel Administration with a concentration in Finance/Accounting and a minor in Real Estate

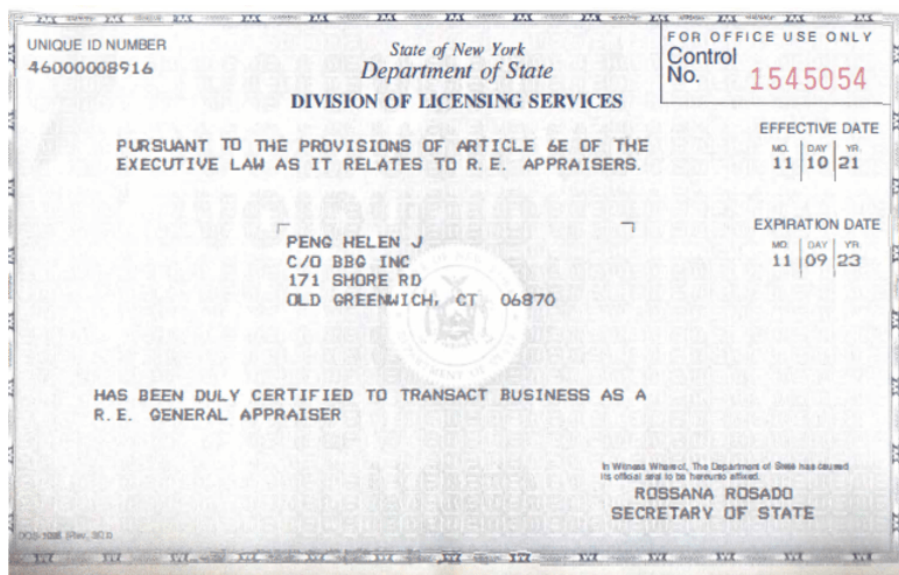
Appraisal Institute Basic Appraisal Principles
Basic Appraisal Procedures

Licenses

Michelle Zell, State Certified General Appraiser- New York



Helen Peng, State Certified General Appraiser- New York



Katelin Kutchko, State Certified General Appraiser- New York

UNIQUE ID NUMBER 46000053185	State of New York Department of State DIVISION OF LICENSING SERVICES	FOR OFFICE USE ONLY Control No. 1547826
PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.		EFFECTIVE DATE MO DAY YR 01 14 22
KUTCHKO KATELIN C/O BOWERY VALUATION 61-63 CROSBY ST NEW YORK, NY 10012-4446		EXPIRATION DATE MO DAY YR 01 13 24
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.		
ROBERT J. RODRIGUEZ ACTING SECRETARY OF STATE		
DOS-1096 (Rev. 3/01)		



APPRAISAL REPORT

116 Beard Street, 115 Van Dyke Street
& 411 Van Brunt Street

Brooklyn, New York 11231

Community Facility Building and Vacant Land
Bowery Report No. JOB-2200023815

REQUESTED BY

Avrumie Furst

The Leser Group (TLG)
1481 47th Street
Brooklyn, NY

DATE OF VALUE AS IS

December 31, 2022

PREPARED BY



Michelle Zell, MAI



Evan Pruitt

February 10, 2023

Mr. Avrumie Furst
The Leser Group (TLG)
1481 47th Street
Brooklyn, NYRe: Appraisal File No. JOB-2200023815
Community Facility Building and Vacant Land
116 Beard Street, 115 Van Dyke Street & 411 Van Brunt Street
Brooklyn, New York 11231

Dear Mr. Furst:

In accordance with your request, we have completed an appraisal of 116 Beard Street, 115 Van Dyke Street & 411 Van Brunt Street, Brooklyn, New York 11231 for the purpose of advancing an opinion of the fair value of the leased fee interest of the subject as of December 31, 2022. To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. In addition, this appraisal has been prepared in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). We previously appraised the subject with a value date of December 31, 2019, and subsequently provided a value update on March 31, 2020, followed by a full appraisal report on December 31, 2020, a value update on September 30, 2021, and a full appraisal report on December 31, 2021.

The client and intended user is The Leser Group. The Intended Use is to aid the Company in the preparation of the prospectus and/or financial statements to be published in the Tel Aviv Stock Exchange in 2023. We confirm that we have given our full consent to the inclusion of the valuation in its entirety within the company financial statements and prospectus to be published in the Tel Aviv Stock Exchange in 2023 and any Draft Prospectus to be published or disclosed to the Israeli Security Authority. This letter has been prepared in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). The depth of analysis discussed in this letter is specific to the needs of the client. The report is intended only for use in the preparation of financial statements.

The subject currently comprises a 2017- constructed, 5-story 20,785 square foot community facility building which is fully leased by a substance abuse center (lease commenced in April 2018) and vacant land (lot 13 and lot 1). There are plans to extend the community facility building (proposed GBA 9,416 sf) on the vacant land to operate as one building however these plans have not been approved as at the date of this appraisal. However, there is a signed LOI in place for the existing rehabilitation tenant to lease the new building. The community facility building, along with vacant land at Lot 13 and Lot 1 are the subject of this appraisal. We also note that ownership retained an additional 8,401 square feet of air rights from the sale of lot 51, formerly part of lot 1, that will be utilized in the proposed extension.

The subject is zoned M1-2 zoning which permits an as-of-right FAR of 2.0. We note that ownership has applied for an ICAP tax benefit but had not received it at the date of this report.

The properties are summarized below:

Address	Block/Lots	GBA (sqft)	Site Area (sqft)	Use	No. of Tenants
115 Van Dyke Street	604/13	0	5,625	Vacant Land	0
411 Van Brunt Street	604/5	20,785	11,700	Comm. Facility	1
419 Van Brunt Street	604/1	0	6,075	Vacant Land	0

The subject property is located in the area bounded by Van Dyke Street, Beard Street, Van Brunt Street and Richards Street in the Red Hook neighborhood of Brooklyn, NY. The site contains a total land area of 0.537± acres / 23,400± square feet. It is identified on the Kings County Tax Maps as Block/Lots 604 / 1,5,13.

Mr. Avrumie Furst
Page 2
February 10, 2023

The highest and best use of the subject is as the current use as a community facility building and industrial building. This conclusion is based on its zoning, physical characteristics, location, and forecasted economic conditions.

Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformance with the Standards of Professional Practice and Code of Professional Ethics of the Appraisal Institute, the Uniform Standard of Professional Appraisal Practice (USPAP). This appraisal is prepared in compliance with IFRS-13 as well as the Interagency Appraisal and Evaluation Guidelines dated December 2, 2010. After carefully considering all available information and factors affecting value, our opinion is:

Final Value Opinion

Value	Interest Appraised	Date of Value	Conclusion
Fair Value As Is (Rehab Facility)	Leased Fee Interest	December 31, 2022	\$18,600,000
Fair Value As Is (Vacant Land)	Fee Simple Interest	December 31, 2022	\$7,800,000

The value conclusions are subject to the following **Extraordinary Assumptions**¹ 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**² 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
Senior Vice President
Certified General Real Estate Appraiser
NY State Cert. No. 46000049921
FL License No. RZ4135
michelle.zell@boweryvaluation.com | (917) 533-3141



Evan Pruitt
Associate Vice President
Certified General Real Estate Appraiser
NY License No. 46000053934
evan.pruitt@boweryvaluation.com
(206) 861-3661

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

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

Summary of Salient Facts & Conclusions

Subject Property	Community Facility Building and Industrial Building 116 Beard Street, 115 Van Dyke Street & 411 Van Brunt Street, Brooklyn, New York 11231
Building Description	The subject currently comprises a 2017- constructed, 5-story 20,785 square foot community facility building which is fully leased by a substance abuse center (lease commenced in April 2018) and vacant land (lot 13 and lot 1). There are plans to extend the community facility building (proposed GBA 9,416 sf) on the vacant land to operate as one building however these plans have not been approved as at the date of this appraisal. However, there is a signed LOI in place for the existing rehabilitation tenant to lease the new building. The community facility building, along with vacant land at Lot 13 and Lot 1 are the subject of this appraisal. We also note that ownership retained an additional 8,401 square feet of air rights from the sale of lot 51, formerly part of lot 1, that will be utilized in the proposed extension.
Location	The subject is located in the area bounded by Van Dyke Street, Beard Street, Van Brunt Street and Richards Street in the Red Hook neighborhood of Brooklyn, NY.
Parcel	604 / 1,5,13
Census Tract	53.00
Year Built	The community facility building was constructed in 2017.
Site Area	0.537± acres./ 23,400± square feet
Zoning	M1-2 zone
Flood Hazard Status	According to National Flood Insurance Program Rate Map dated September 5, 2007 Community Panel #3604970192F, the subject is located within flood Zone AE. Zone X is the area determined to be outside the 500-year flood and protected by levee from 100- year flood.
Exposure Time	Between six and twelve months
Property Rights Appraised	Leased Fee Interest
Date of Inspection	February 7, 2023
Date of Value	December 31, 2022
Date of Report:	February 10, 2023

Financial Indicators - As Is (existing rehabilitation building)

Financial Indicators	Total	Per SF-GLA
Average Rent PSF	\$43.71	
Effective Gross Income	\$1,144,363	\$55.06
Stabilized Occupancy	96%	
Current Occupancy	100.00%	
Expense Ratio	11%	
Net Operating Income	\$1,023,584	\$49.25
Direct Capitalization Rate	5.50%	
Direct Capitalization Approach Value	\$18,600,000	\$895
Sales Comparison Approach Value	\$18,750,000	\$902

Final Value Opinion

Value	Interest Appraised	Date of Value	Conclusion
Fair Value As Is (Rehab Facility)	Leased Fee Interest	December 31, 2022	\$18,600,000
Fair Value As Is (Vacant Land)	Fee Simple Interest	December 31, 2022	\$7,800,000

The value conclusions are subject to the following **Extraordinary Assumptions**³ 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**⁴ 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.

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

⁴ 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

The purpose of the appraisal is to provide an opinion of the As Is fair value of the leased fee interest of the subject property as of December 31, 2022, 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."

Identification of the Client

The Leser Group (TLG) has engaged us and is our client for this assignment.

Intended Use and User

The Intended User of the report is The Leser Group (TLG), and its affiliates. The report is intended for use only by The Leser Group (TLG) and its related entities, successors, and/or assigns and auditors.

We confirm that we have given our full consent to the inclusion of the valuation in its entirety within financial statements and related information to be published by the Company for the Tel Aviv Stock exchange and for the Israeli Security Authority.

Date of Value Opinion

The date of our valuation is December 31, 2022. Bowery Valuation conducted an exterior inspection (per ownership) of the asset and its environs on February 7, 2023.

Property Rights Appraised⁵

The subject's As Is Fair Value is appraised on the basis of Leased Fee Interest.

Property History

The subject is owned by Beard Street Acquisition LLC (lots 1 and 13) and 411 Van Brunt LLC (lot 5). Part of Lot 1 was sold by the owner, along with Lots 46 and 16 for \$34M. This sale closed on August 9, 2022. The sale history is summarized:

Address	Block / Lot	Sale Date	Sale Price	Grantor	Grantee
110 Beard Street	604 / 1, 4, 5,13,16,46	11/26/2008	\$11,606,755	Sheriff of the City of New York	BEARD STREET ACQUISITION LLC
411 Brunt Street	604/5	4/14/2016	\$0	Beard Street Acquisition LLC	411 Van Brunt LLC
118 Beard Street	604/ 16, 46, 51	4/14/2016	\$34,000,000	Beard Street Acquisition LLC	110 Beard Street LLC

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

According to the most recent public records, the subject property sold for \$11,606,754 on November 26, 2008 between Sheriff of the City of New York (seller) and Beard Street Acquisition LLC (buyer). However, the current owner has indicated that the subject's ownership entity purchased the subject for a total price of \$10,060,000 in a distressed sale/foreclosure transaction. The sale price reportedly consists of \$7,060,000 for the note and \$3,000,000 for the equity. We were not able to further verify the details of this transaction.

The transaction for Lot 5 (zoning lot merger) in 2016 listed above was to isolate the lot that contains the newly built structure as it is leased without a cancellation clause and is not considered part of the industrial / office building. It was not an arm's length transaction and was completed for deed transfer purposes.

We previously appraised the subject with a value date of December 31, 2019 and December 31, 2020 which included the subject and the adjacent industrial buildings. The value as of 12/31/19 was \$38,100,000. We subsequently provided a value update on March 31, 2020 with a value of \$38,400,000. The difference in value was attributed to M Fried Store Fixtures rent increasing by 2% per the lease, and we increased the community facility vacancy and collection loss factor from 0.5% to 1%. We also appraised the subject along with the industrial property with a value date of December 31, 2020 for \$39,400,000.

Since this report, the industrial portion of the subject, being lots 16, 46 and part of lot 1 (approximately 2,500 square feet) sold for \$34M. We subsequently provided a value update on September 30, 2021 with a value of \$18,100,000 for the rehab facility and \$6,400,000 for the remaining vacant land.

More recently, we appraised the subject with a value date of December 31, 2021 for \$18,000,000 for the rehab facility and \$7,800,000 for the remaining vacant land.

Our current value for the existing building is \$18,600,000 and the value of the land is \$7,800,000. The slight value change from the previous value update is due to the following changes that have occurred:

- The rental rate of the existing tenant, The Hook, increased from \$1,060,900 last year to \$1,092,727 this year.
- Real estate tax liability for the existing rehab center has increased from \$68,887 to \$72,962 to reflect the most recent assessed values.
- RE tax reimbursement increased from \$34,178 to \$38,254 for the existing rehabilitation building.

We are not aware of any additional bids, transactions, offers or options to purchase for this asset.

Exposure Time⁶

It is our opinion that a normal exposure time for the subject property is between six months and twelve months. This conclusion is predicated on interviews with brokers and other real estate industry sources and on information obtained in the verification process. The value reported herein presumes such an exposure time.

General Assumptions

Various estimates of gross building area, net area, and number of units 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.

⁶ 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.
- **Building Health and Fire Codes:** Our valuation assumes there are no known code violations.

Definition of Fair Value

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

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

- (a) the particular asset or liability being measured;
- (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis;
- (c) the market in which an orderly transaction would take place for the asset or liability; and
- (d) the appropriate valuation technique(s) to use when measuring fair value. The valuation technique(s) used should maximize the use of relevant observable inputs and minimize unobservable inputs. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability.

Scope of the Appraisal

Within the course of this assignment, we have:

- Inspected the full exterior and interior, common areas, and mechanical systems.
- Researched and investigated the location in terms of its economic activity, development patterns, and future trends and related their impact on the market.
- Determined the highest and best use of the subject property based on an analysis of all relevant factors.
- Conducted a market survey of rent and vacancy levels of similar properties.
- Reviewed projected income and operating expenses for the subject property.
- Researched and analyzed similar community facility and industrial rentals, operating expense and tax comparables to determine the reasonableness of the existing income and expenses at the subject property.
- Projected the net operating income and applied a market-derived capitalization rate and competitive discount rate to develop an opinion of value by the income approach.
- Researched and analyzed sales of competitive assets and applied the techniques of the sales comparison approach in advancing an opinion of value.
- Researched land sales to determine a land value and residual land value.

- Advanced an opinion of the fair value of the identified interest.

Data Sources

The data contained within this appraisal was compiled from market analysis utilizing the following sources (unless otherwise noted): the local tax Assessor, Environics Analytics, CoStar, RealQuest, 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.

Data Sources

Site Data	Source/Verification:
Site Size	Public Record
Excess/ Surplus Land	Tax Map
Gross Size/ Units	Public Record
Commercial SF	Owner; Inspection
Number of Buildings	Inspection
Deferred Maintenance	Inspection
Income Data	Owner; Market Forecast
Expense Data	Owner; Expense Comparables

The subject photos were taken by Jon Nathanson as of the date of inspection (February 7, 2023).

U.S. Economic and Commercial Real Estate Overview – 2022 Q3

This report contains data and commentary from the U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, U.S. Department of Housing and Urban Development, and CoStar. Data is through the 3rd quarter of 2022 unless otherwise noted.

Economic Overview and Outlook

The United States economy continues to feel some lingering effects from the pandemic, with a mix of cautiously optimistic and worsening signs. The unemployment rate in September dropped to 3.5%, with total nonfarm payroll employment increasing by 263,000, matching the lowest pre-pandemic rate of February of 2020. Notable job gains occurred in leisure and hospitality and in health care. The global supply chain pressure index, which measures disruptions on supply side, has shown significant improvement since the worst month of disruptions in December 2021. However, with persistent levels of inflation continuing through September, the Fed repeatedly reaffirmed its commitment to fighting inflation. As such, the Fed is widely expected to continue with rate hikes well into 2023, increasing the likelihood of a recession in the near term.

GDP

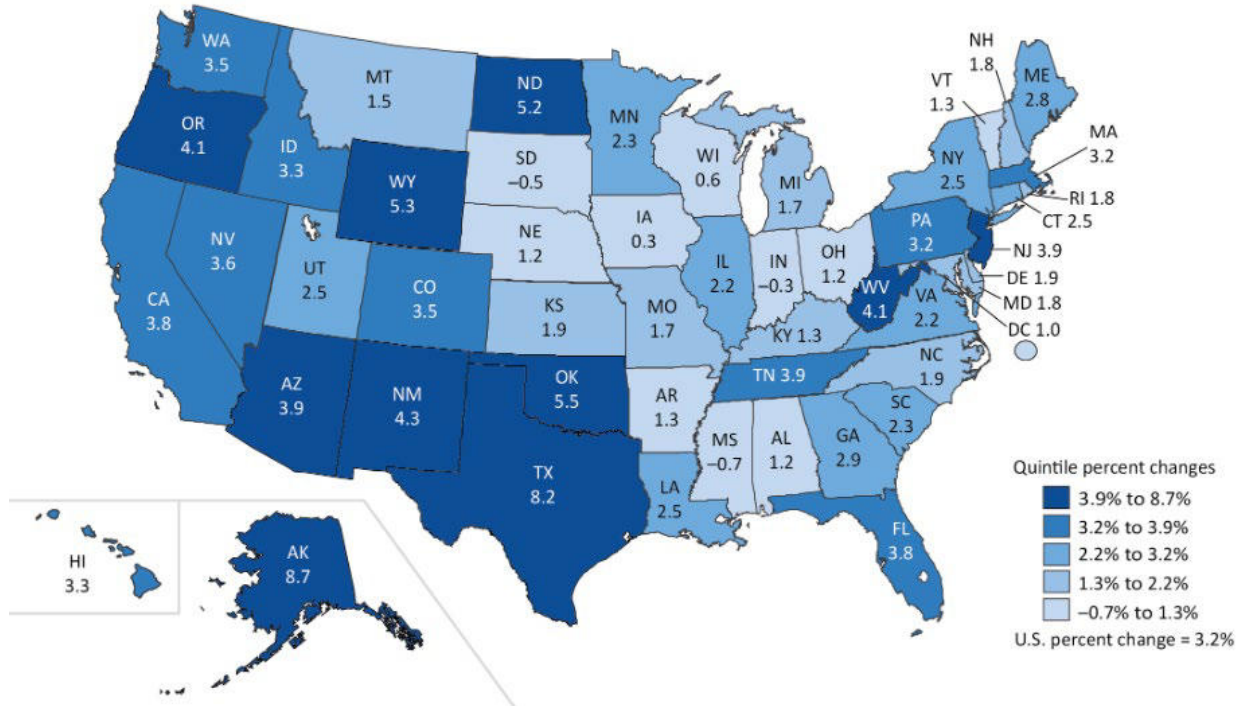
After two straight quarters of negative GDP, real GDP for the nation increased at an annual rate of 2.6%, exceeding the consensus forecast. Real GDP increased in 16 of the 23 industry groups for which BEA prepares quarterly state estimates. Information services; professional, scientific, and technical services; and mining were the leading contributors to the increase in real GDP nationally.

The increase in real GDP reflected increases in exports, consumer spending, nonresidential fixed investment, federal government spending, and state and local government spending, that were partly offset by decreases in residential fixed investment and private inventory investment. Imports, which are a subtraction in the calculation of GDP, decreased. The increase in exports reflected increases in both goods and services. Within exports of goods, the leading contributors to the increase were industrial supplies and materials (notably petroleum and products as well as other nondurable goods), and nonautomotive capital goods. Within exports of services, the increase was led by travel and "other" business services (mainly financial services). Within consumer spending, an increase in services (led by health care and "other" services) was partly offset by a decrease in goods (led by motor vehicles and parts as well as food and beverages). Within nonresidential fixed investment, increases in equipment and intellectual property products were partly offset by a decrease in structures. The increase in federal government spending was led by defense spending. The increase in state and local government spending primarily reflected an increase in compensation of state and local government employees.

The mining industry was the leading contributor to the increases in real GDP in Alaska, Texas, Oklahoma, Wyoming, North Dakota, and New Mexico, the six states with the largest increases in real GDP, and in West Virginia, the state with the eighth-largest increase in real GDP. The information services industry increased in all 50 states and the District of Columbia (table 3). This industry was the leading contributor to the increase in 14 states.

Professional, scientific, and technical services increased in 48 states and the District of Columbia and was the leading contributor to the increase in 5 states and the District of Columbia. The construction industry was the leading contributor to the decrease in Mississippi and Indiana, two of three states with decreases in real GDP. This industry also moderated increases in real GDP in 47 states and the District of Columbia.

Real GDP: Percent Change at Annual Rate, 2022:Q2–2022:Q3



Source: Bureau of Economic Analysis

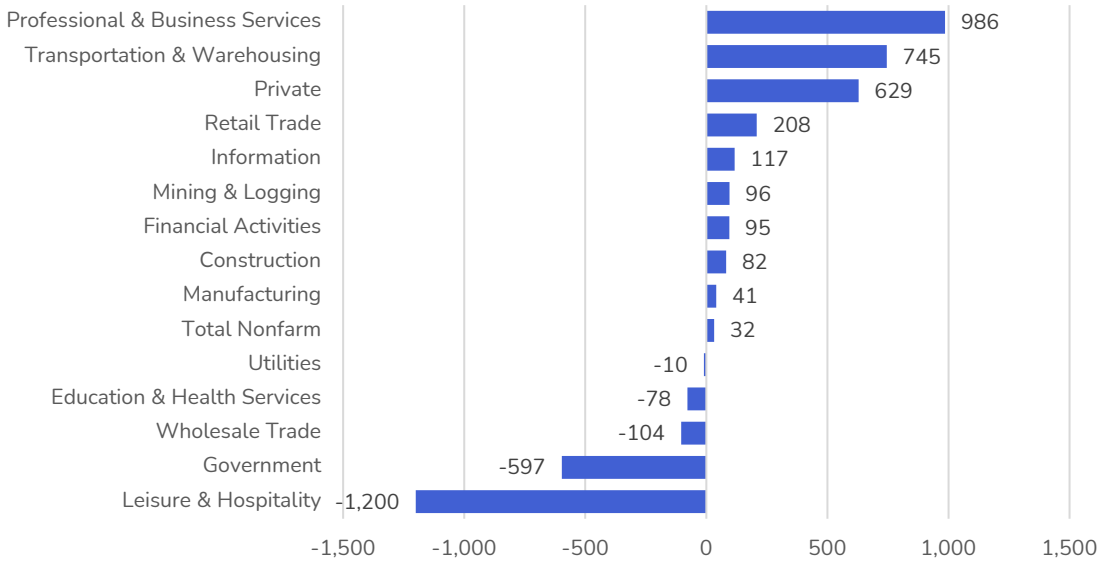
Following two consecutive quarters of negative readings, the improvement in topline Q3 GDP should not yet be interpreted as a turnaround for the US economy. Changes to the GDP in Q3 display continued softening in consumer spending and further deterioration in residential investment, which was obscured by strength in net exports and a rebound in government spending. Further, growth in final sales to private domestic purchasers fell to just 0.1% (the weakest reading since Q2 2020). This core weakness will intensify in the coming months as inflation continues to batter US consumers and businesses, and interest rates continue to rise. Looking ahead, growth characteristics of the US economy are likely to give way to a mild recession beginning in Q4 and extending into early 2023.

Labor Market

Nonfarm payrolls once again blew past expectations, increasing by 263K in November. Employment gains were fairly broad-based across industries, including in cyclically-sensitive sectors like construction and manufacturing. Average hourly earnings growth was much stronger than anticipated, and new labor supply that might help put water on the fire was once again not forthcoming: the labor force participation rate fell by a tenth and is now below where it was in January.

The labor market remains far too hot for the Fed's liking, and it will take much slower growth in employment and wages to return inflation to the central bank's 2% target on a sustained basis. A downshift to a 50 bps rate hike in December occurred, but the Fed still has a ways to go in its tightening cycle.

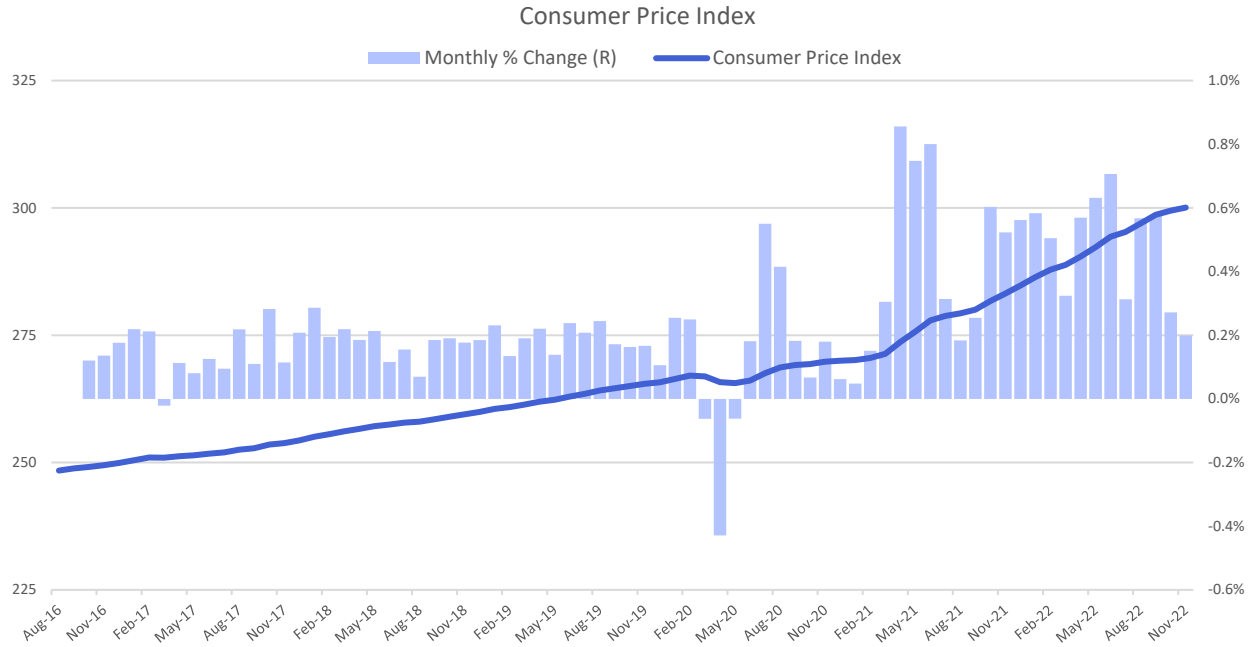
Employment in Total Nonfarm: Change since February 2020 (thousands)



Source: Bureau of Labor Statistics

Inflation

Consumer prices rose just 0.1% in November. Excluding food and energy prices, "core" CPI increased a bit faster at 0.2%, below the Bloomberg consensus of 0.3%. A slide in energy prices for consumers was a major source of deflationary pressure. Gasoline prices declined 2.0% over the month, while energy services prices (electricity and utility gas service) fell 1.1%. Food prices did not outright decline, but the pace of increase did continue to slow. Prices for groceries and food away from home such as restaurants increased 0.5% in November. Although still fast, this marked the smallest increase since December 2021. Gasoline prices have continued to unwind the surge seen earlier this year, and the initial data for December suggests further declines are likely in the near term. With food inflation also showing signs of rolling over, households are finally seeing relief from two of the biggest sources of purchasing power pain.



U.S. Bureau of Labor Statistics

The CPI report offers further evidence that core inflation is slowing and that the peak in inflation this cycle is behind us. Over the past three months, consumer prices excluding food and energy have grown at a 4.3% annualized rate, and November marked the fifth straight month the three-month annualized rate eased. A directionally slower but still elevated core inflation rate argues for a directionally slower but still aggressive monetary policy response, and that is what we expect from the FOMC tomorrow. A 50 bps rate hike is all but assured, and such a move would be a step down from the 75 bps pace that marked the previous four FOMC meetings.

Residential

Total housing starts fell 0.5% to a 1.427 million-unit pace in November. The monthly decline was less severe than expected. Starts during October were revised slightly higher and now show a more modest 2.1% drop.

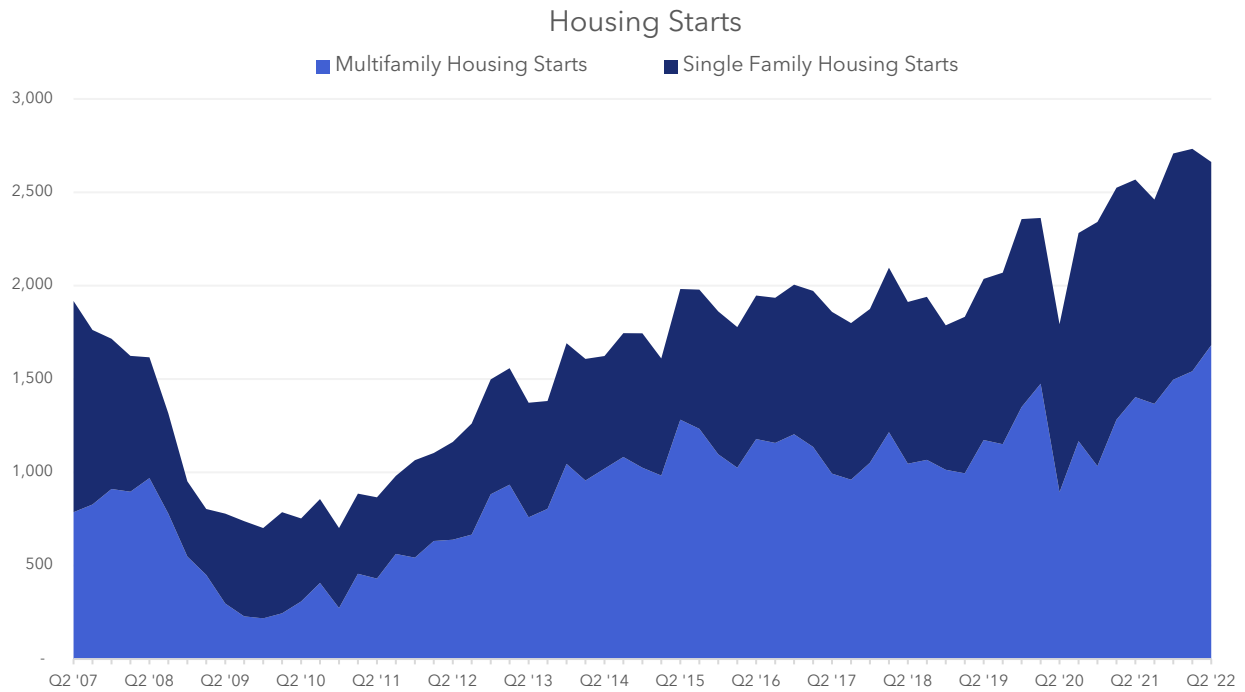
Single-family units currently under construction declined for the sixth consecutive month. The drop in single-family construction appears to be improving building material availability and pricing. Multifamily starts rose 4.9%, bouncing back a two-month string of declines. Multifamily starts are up over 18% year-to-date, which reflects the still-strong pace of apartment and condo construction. The pace of new multifamily units currently under construction rose to 932K, a fresh cycle high and most elevated since 1974.

Builder sentiment declined once again as the National Association of Home Builders/Wells Fargo Housing Market Index (HMI) fell in December, although expectations for future sales improved. The more positive outlook likely reflects the move lower in mortgage rates over the past few weeks. Overall, builder sentiment remains gloomy. That noted, the improvement in the future sales component is a potential green shoot that indicates builders are starting to see buyer demand stabilize amid lower mortgage rates.

The housing market correction continued in November. Existing home sales dropped 7.7% during the month, the 10th straight decline. The 4.09 million-unit pace of resales is 35.4% below the pace in November 2021 and the slowest pace outside the pandemic era since November 2010. Single-family sales fell 7.6% during the month, while condo and co-op sales declined 8.3%

The ongoing weakness in existing home sales is explained by reduced affordability due to 2022's sharp rise in mortgage rates on top of the fast run up in home prices over the past two years.

Home prices continue to moderate as buyer demand evaporates. The median existing single-family home price rose 3.2% on a year-to-year basis in November, a softer rise than the 6.1% annual increase registered in October. Home prices are declining outright on a monthly, not-seasonally adjusted basis. Prices tend to fall in the winter months as buyers pull back in wait of the spring. The recent monthly declines in home values, however, are likely better explained by sellers adjusting prices lower in response to a considerably weaker demand environment brought on by the leg-up in mortgage rates.



Source: U.S. Department of Housing and Urban Development

Real Estate Market Conditions and Outlook

Fears of a coming recession have increased, as the Federal Reserve raises interest rates to rein in inflation that is spiraling higher at decades long record rates. Persistent shortages of material and labor and snags in supply chains have caused prices to vault higher for months. Inflation remains elevated and rising interest rates have put downward pressure on demand, slowing growth fundamentals across multiple sectors and geographies.

Multifamily

Strong demand for apartments in 2021 pushed vacancy rates to a record low, accelerating rent growth to historical levels. However, elevated rents, along with economic headwinds, have resulted in softening demand over the past few months, putting downward pressure on rents in most markets across the country. In the Market, demand has softened over the past year, leading to rising vacancy rates. Rent growth remains up 5.7% over the past year but rising vacancy rates have put downward pressure on growth in the third quarter, contracting rents 0.5%. With market conditions for multifamily properties in the Market, values have increased over the past year to \$271,763/unit but compressed -0.3% in the third quarter. Capitalization rates have compressed 8 bps to a rate of 5.0%, remaining below the long-term average.

National Multifamily Fundamentals

Period	Inventory Units	Under Construction Units	Net Delivered Units 12 Mo	Absorption Units 12 Mo	Vacancy Rate	Market Effective Rent/Unit	Asset Value/Unit	Market Cap Rate
2022 Q3	18,528,810	902,405	422,163	247,833	5.5%	\$1,624	\$271,763	4.95%
2022 Q2	18,401,653	911,432	398,855	380,891	5.2%	\$1,632	\$272,501	4.96%
2021	18,203,754	825,755	400,436	699,032	4.9%	\$1,552	\$261,966	5.00%
2020	17,803,312	710,627	442,042	385,788	6.7%	\$1,385	\$236,222	5.20%
2019	17,361,292	714,151	361,250	332,884	6.5%	\$1,383	\$230,661	5.46%
2018	17,000,297	654,588	354,870	378,600	6.5%	\$1,338	\$219,179	5.68%
2017	16,645,419	597,967	374,000	312,724	6.7%	\$1,296	\$209,572	5.83%
2016	16,271,410	606,234	331,017	253,710	6.5%	\$1,266	\$202,482	5.94%
2015	15,940,381	533,995	313,529	313,038	6.2%	\$1,238	\$193,674	6.05%
2014	15,627,631	477,425	281,030	253,575	6.3%	\$1,187	\$181,904	6.22%
2013	15,345,818	419,075	200,135	201,312	6.2%	\$1,158	\$169,113	6.49%
2012	15,145,579	326,702	115,361	182,127	6.3%	\$1,129	\$166,405	6.47%

Vacancy Rates

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Q2	Q3
National	6.3%	6.2%	6.3%	6.2%	6.5%	6.7%	6.5%	6.5%	6.7%	4.9%	5.2%	5.5%
Class A	7.3%	8.9%	10.4%	11.5%	11.2%	11.6%	10.7%	10.5%	11.8%	7.4%	7.3%	7.8%
Class B	6.3%	6.2%	6.2%	5.9%	6.5%	6.6%	6.3%	6.3%	6.2%	4.8%	5.3%	5.8%
Class C	6.1%	5.7%	5.5%	5.1%	5.3%	5.4%	5.2%	5.2%	5.0%	3.9%	4.1%	4.3%

Market Rents

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Q2	Q3
National	\$1,129	\$1,158	\$1,187	\$1,238	\$1,266	\$1,296	\$1,338	\$1,383	\$1,385	\$1,552	\$1,632	\$1,624
Class A	\$1,605	\$1,639	\$1,674	\$1,730	\$1,747	\$1,773	\$1,821	\$1,874	\$1,822	\$2,098	\$2,221	\$2,196
Class B	\$1,091	\$1,121	\$1,151	\$1,205	\$1,233	\$1,264	\$1,308	\$1,356	\$1,369	\$1,546	\$1,629	\$1,620
Class C	\$887	\$911	\$936	\$982	\$1,016	\$1,047	\$1,082	\$1,119	\$1,141	\$1,231	\$1,282	\$1,287

The U.S. multifamily sector has experienced an uptick in vacancy rates in 2022 Q3 amidst elevated rental rates, active development, and the possibility of a recession. In spite of this uptick in vacancy rates, rent growth remains inflated in many markets across the Nation. While markets and submarkets will face some upward pressure on vacancies, the overall strength of market conditions will lead to continued growth in Q4, although a softened growth of rate should be expected.

Retail

The retail markets continued revival is underpinned by improved in-store foot traffic, a robust pipeline of store openings, and resilient consumer spending. Despite acute economic uncertainty, consumers continue to spend, although they are adjusting their spending habits. Tenants and investors remain active, although selective by region, subtype, and tenant. United States of America retail properties have displayed positive market conditions over the past year. In fact, vacancy rates decreased to 4.3% while rents have increased 4.5%. With improving market conditions for retail properties in the Market, values have increased over the past year to \$243/SF, increasing 1.1% in the third quarter. Capitalization rates have compressed 7 bps to a rate of 6.7%, remaining below the long-term average.

National Retail Fundamentals

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
22 Q3	11,822,615,865	61,728,560	21,947,880	80,542,120	4.3%	5.1%	\$23.53	\$240	6.73%
22 Q2	11,814,363,295	62,848,792	15,128,525	93,255,824	4.4%	5.2%	\$23.31	\$237	6.74%
2021	11,805,714,867	58,070,200	20,288,626	72,411,776	4.7%	5.6%	\$22.75	\$231	6.78%
2020	11,785,284,095	51,906,008	42,758,323	-29,699,200	5.1%	6.5%	\$21.99	\$219	6.91%
2019	11,740,845,049	65,867,168	54,046,920	38,408,408	4.5%	6.0%	\$21.68	\$212	7.03%
2018	11,685,880,120	77,331,008	54,933,060	58,889,360	4.4%	6.1%	\$21.15	\$205	7.09%
2017	11,629,531,864	77,825,400	81,237,461	95,847,560	4.5%	6.2%	\$20.64	\$201	7.05%
2016	11,547,276,561	91,585,336	70,910,519	134,385,104	4.6%	6.5%	\$20.06	\$197	7.02%
2015	11,475,405,120	81,302,592	71,606,912	115,991,096	5.2%	7.2%	\$19.59	\$191	7.08%
2014	11,403,202,681	73,861,144	60,045,305	127,382,336	5.6%	7.4%	\$19.05	\$178	7.31%
2013	11,343,035,356	68,958,720	52,098,514	88,337,328	6.3%	8.0%	\$18.55	\$158	7.68%
2012	11,290,754,890	50,849,684	50,976,417	74,473,712	6.6%	8.5%	\$18.16	\$152	7.78%

Despite an increase in inventory levels over the past year, demand has outpaced it and vacancy rates have compressed 50 bps over the past year from 4.8% to 4.3% remain below the 10-year average of 5.1% and at the National average. With 16.6 million square feet absorbed in the third quarter, vacancy rates have compressed 7 bps over the past quarter. In the third quarter, retail tenants in the Market absorbed 16.6 million square feet, a decrease from the 19.4 million square feet absorbed in 2022 Q2, and also down from the 29.3 million square feet absorbed in the same quarter last year. Mall space in the Market has an elevated vacancy rate of 8.7% followed by 6.5% for Neighborhood space, 4.8% for Strip space, and 4.7% for Power space. At a vacancy rate of 2.6%, General Retail has the lowest rate in the Market.

Vacancy Rates

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Q2	Q3
National	6.6%	6.3%	5.6%	5.2%	4.6%	4.5%	4.4%	4.5%	5.1%	4.7%	4.4%	4.3%
General Retail	5.0%	4.8%	4.2%	3.8%	3.1%	3.0%	3.0%	3.0%	3.2%	2.8%	2.6%	2.6%
Mall	4.8%	4.4%	4.1%	3.9%	3.9%	4.1%	4.8%	5.7%	7.8%	8.5%	8.5%	8.7%
Neighborhood	9.9%	9.5%	8.7%	8.3%	7.6%	7.2%	6.9%	6.9%	7.8%	7.1%	6.7%	6.5%
Power	5.5%	5.0%	4.3%	4.1%	4.6%	4.5%	4.7%	4.9%	5.5%	5.3%	4.9%	4.7%
Strip	10.6%	10.0%	9.0%	8.2%	6.8%	6.4%	5.8%	5.7%	6.3%	5.2%	4.8%	4.8%

Market Rents

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Q2	Q3
National	\$18.21	\$18.60	\$19.09	\$19.64	\$20.10	\$20.68	\$21.18	\$21.70	\$21.97	\$22.75	\$23.31	\$23.53
General Retail	\$17.80	\$18.21	\$18.69	\$19.21	\$19.64	\$20.19	\$20.66	\$21.12	\$21.34	\$22.04	\$22.54	\$22.71
Mall	\$24.44	\$25.10	\$25.80	\$26.62	\$27.32	\$28.15	\$28.83	\$29.56	\$29.80	\$30.75	\$31.53	\$31.84
Neighborhood	\$17.16	\$17.47	\$17.92	\$18.43	\$18.91	\$19.45	\$19.97	\$20.52	\$20.87	\$21.72	\$22.35	\$22.61
Power	\$19.29	\$19.72	\$20.23	\$20.83	\$21.36	\$21.99	\$22.55	\$23.13	\$23.43	\$24.29	\$24.92	\$25.17
Strip	\$16.40	\$16.67	\$17.07	\$17.52	\$17.93	\$18.42	\$18.90	\$19.39	\$19.75	\$20.63	\$21.21	\$21.44

The retail sector has recovered relatively well from the pandemic. Retail sales and foot traffic have remained elevated despite high inflation. However, persistent inflation will likely shift consumer preferences, ultimately causing retailers to slow their leasing pace. Still, property performance continues to vary significantly by subtype, location, class, and tenant composition. Necessity based retailers and those in strong population growth markets are best positioned.

Office

In 2021 the Office sector demonstrated signs of resiliency after experiencing very little demand in 2020. Demand has slowed considerably though with economic headwinds intensifying in the third quarter. Tenants have adopted more defensive leasing postures, halting expansion plans or downsizing footprints to navigate the growing threat of a recession. With absorption turning negative for the first time since 2021 Q2, vacancy rates have increased 11-basis points (bps) in Q3. Even now—depending on the geography, the quality of the asset, the location and the floor plate—some office space across the country is thriving. Vacancy rates have increased as increasingly more businesses and tenants adopt remote work policies.

National Office Fundamentals

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Sale Price	Cap Rate
								Per SF	
22 Q3	8,315,099,807	143,524,960	40,446,659	10,774,797	12.4%	15.8%	\$35.13	\$339	6.92%
22 Q2	8,305,514,581	146,210,496	44,072,641	18,598,232	12.3%	15.6%	\$35.07	\$338	6.93%
2021	8,285,308,987	143,434,128	55,531,022	-43,462,400	12.1%	15.3%	\$34.85	\$331	6.95%
2020	8,229,549,210	155,351,216	47,939,176	-69,689,072	10.9%	14.7%	\$34.56	\$323	7.01%
2019	8,181,072,182	160,655,104	57,804,573	46,660,620	9.6%	12.3%	\$35.06	\$319	7.04%
2018	8,122,757,039	145,094,784	49,647,435	68,762,992	9.5%	12.4%	\$33.72	\$307	6.98%
2017	8,072,539,799	138,995,232	55,910,783	61,716,876	9.8%	12.8%	\$32.61	\$298	6.83%
2016	8,015,999,652	139,173,648	43,936,690	67,796,896	9.9%	13.2%	\$31.69	\$294	6.72%
2015	7,971,895,348	125,697,072	46,822,212	90,094,208	10.3%	13.7%	\$30.68	\$285	6.70%
2014	7,924,956,909	118,715,496	28,751,685	79,795,376	10.9%	14.1%	\$29.01	\$265	6.76%
2013	7,895,979,118	88,741,408	20,189,663	52,877,488	11.6%	14.6%	\$27.54	\$244	6.98%
2012	7,875,579,793	71,787,144	14,638,498	43,120,936	12.1%	15.1%	\$26.56	\$225	7.23%

Vacancy Rates

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	22 Q2	22 Q3
National	12.1%	11.6%	10.9%	10.3%	9.9%	9.8%	9.5%	9.6%	10.9%	12.1%	12.3%	12.4%
Class A	13.5%	13.1%	12.4%	12.0%	12.2%	12.5%	12.2%	12.3%	14.0%	16.3%	16.8%	17.1%
Class B	12.5%	12.0%	11.3%	10.6%	10.0%	9.6%	9.3%	9.4%	10.7%	11.4%	11.4%	11.5%
Class C	8.5%	8.1%	7.4%	6.6%	5.7%	5.2%	4.7%	4.6%	5.3%	5.1%	4.9%	4.8%

Market Rents

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	22 Q2	22 Q3
National	\$26.56	\$27.54	\$29.01	\$30.68	\$31.69	\$32.61	\$33.72	\$35.06	\$34.56	\$34.85	\$35.07	\$35.13
Class A	\$33.71	\$34.90	\$36.86	\$39.04	\$40.18	\$41.40	\$42.87	\$44.93	\$44.23	\$44.25	\$44.33	\$44.37
Class B	\$22.98	\$23.91	\$25.13	\$26.57	\$27.51	\$28.27	\$29.23	\$30.20	\$29.76	\$30.17	\$30.46	\$30.53
Class C	\$19.72	\$20.40	\$21.37	\$22.51	\$23.38	\$24.08	\$24.78	\$25.43	\$25.22	\$25.83	\$26.16	\$26.22

Office demand remains below pre-pandemic levels for many markets. Many office markets are contending with elevated vacancy rates and will experience limited rent growth, if any, over final quarter of 2022. This comes at a time of looming recession, which has resulted in layoffs from many companies, slowing the recovery for the sector.

Industrial

The U.S. industrial sector continued to experience heightened levels of absorption, although it has softened from record levels experienced in 2021. Notwithstanding the elevated construction deliveries and a downtick in absorption, vacancy rates remain tight. Amid high occupancy rates and elevated demand totals, rental rates have continued to reach new heights for the sector. Macro trends have positively affected industrial properties in the Market, although there are signs of softening with vacancy increasing in the latest quarter. Despite this, vacancy rates have compressed over the past year and rents have increased 12.0% during that time. With improving market conditions for industrial properties in the Market, values have increased over the past year to \$158/SF, increasing 2.5% in the third quarter. Capitalization rates have compressed 2 bps to a rate of 6.2%, remaining below the long-term average.

National Industrial Fundamentals

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
22 Q3	17,941,463,485	713,120,704	348,982,889	435,388,384	4.0%	7.0%	\$10.86	\$151	6.17%
22 Q2	17,828,969,739	666,282,432	323,214,140	512,547,520	3.9%	6.5%	\$10.61	\$147	6.16%
2021	17,670,095,270	540,687,424	300,880,785	516,723,328	4.2%	6.4%	\$9.97	\$136	6.16%
2020	17,369,010,812	357,751,648	302,799,590	220,771,008	5.5%	7.5%	\$9.08	\$118	6.31%
2019	17,065,026,153	343,815,424	245,542,158	170,756,128	5.1%	7.0%	\$8.61	\$107	6.49%
2018	16,818,321,231	299,976,544	221,801,822	260,863,024	4.7%	7.1%	\$8.16	\$98	6.64%
2017	16,592,226,230	270,069,600	225,860,787	254,645,952	5.0%	7.5%	\$7.71	\$89	6.75%
2016	16,362,772,430	265,588,816	174,239,097	279,470,240	5.3%	8.1%	\$7.27	\$83	6.85%

2015	16,186,813,209	207,326,992	125,981,736	243,643,008	6.0%	9.2%	\$6.86	\$76	7.01%
2014	16,058,792,054	162,750,560	91,401,104	252,138,288	6.8%	10.0%	\$6.49	\$68	7.33%
2013	15,966,449,523	134,708,720	21,585,442	172,393,616	7.8%	11.1%	\$6.20	\$62	7.59%
2012	15,944,302,326	77,947,456	-16,829,188	104,479,640	8.8%	12.4%	\$5.99	\$58	7.79%

Vacancy Rates

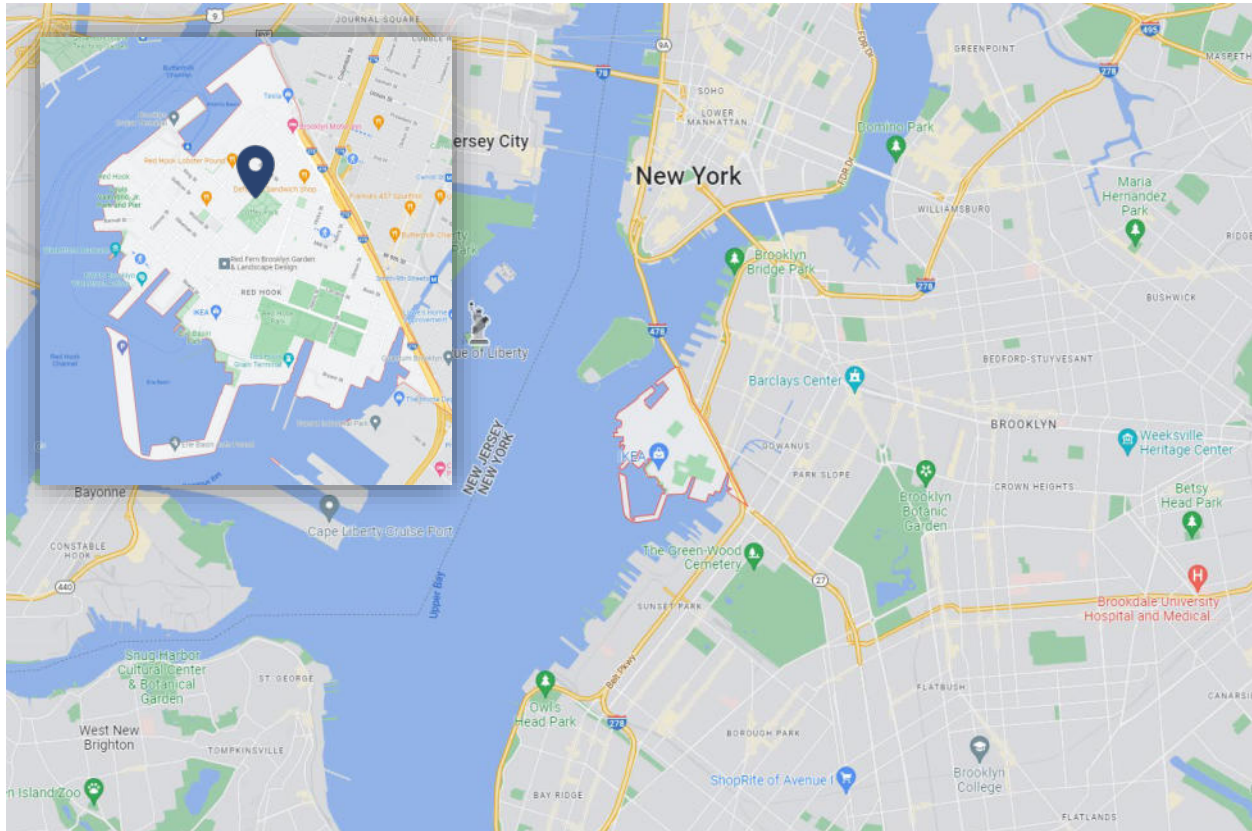
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Q2	Q3
National	8.8%	7.8%	6.8%	6.0%	5.3%	5.0%	4.7%	5.1%	5.5%	4.2%	3.9%	4.0%
Flex	11.9%	10.9%	9.4%	8.1%	7.2%	6.8%	6.4%	6.4%	7.0%	6.2%	5.8%	5.8%
Logistics	8.6%	7.6%	6.6%	5.9%	5.2%	5.0%	4.8%	5.4%	5.8%	4.1%	3.8%	3.9%
Specialized	7.8%	6.9%	6.1%	5.2%	4.6%	4.3%	3.6%	3.6%	3.8%	3.4%	3.2%	3.1%

Market Rents

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Q2	Q3
National	\$5.99	\$6.20	\$6.49	\$6.86	\$7.27	\$7.71	\$8.16	\$8.61	\$9.08	\$9.97	\$10.61	\$10.86
Flex	\$10.78	\$11.18	\$11.69	\$12.28	\$12.89	\$13.54	\$14.20	\$14.82	\$15.36	\$16.38	\$17.12	\$17.44
Logistics	\$5.30	\$5.49	\$5.76	\$6.10	\$6.47	\$6.88	\$7.30	\$7.73	\$8.20	\$9.10	\$9.76	\$10.02
Specialized	\$5.96	\$6.16	\$6.43	\$6.79	\$7.19	\$7.65	\$8.10	\$8.54	\$8.99	\$9.77	\$10.28	\$10.48

Consumption and supply chain backlogs have resulted in record levels of U.S. industrial leasing over the past two years. However, supply is expected to exceed demand over the next few quarters as demand cools off due to the economic slowdown as well as the construction pipeline, which is anticipated to deliver robust totals.

Neighborhood & Demographic Overview



Source: Google Maps

Red Hook at a Glance

Red Hook is a neighborhood in the Borough of Brooklyn in New York City. It is bordered by the Gowanus Expressway and Hamilton Avenue to the northeast, the Gowanus Canal to the southeast, and the New York Harbor to the northwest and southwest. Red Hook is somewhat removed from other neighborhoods due to the elevated Gowanus Expressway. Red Hook was a prosperous shipping and port area in the early 20th century as most of the neighborhood is concentrated on the New York Harbor. Red Hook is primarily an industrial neighborhood with some residential uses, although there has been some recent residential development. The residential sections of the neighborhood consist primarily of small brick and masonry buildings that housed the sailors. The neighborhood is also home to Brooklyn's largest public housing development, the NYCHA Red Hook Houses, which accommodates approximately 6,000 residents.

Population and Households

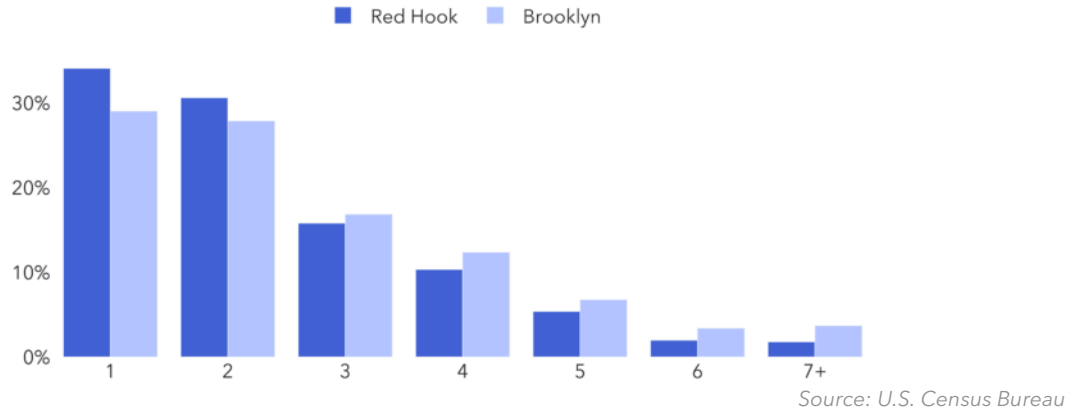
The following demographic profile, created with data from the U.S. Census Bureau, reflects the subject's municipality and market. Population estimates for Red Hook reflect the sum of population estimates for census tracts that overlap its geographic boundaries. Current population estimates for Red Hook and Brooklyn reflect data from the most recent 5-year American Community Survey (ACS) and the 2020 Census Redistricting Data Program, respectively.

Population Growth

	Area	2010 Census	Current Estimate	Annual % Change
Population	Red Hook	10,228	10,973	0.8%
	Brooklyn	2,504,700	2,736,074	1.0%

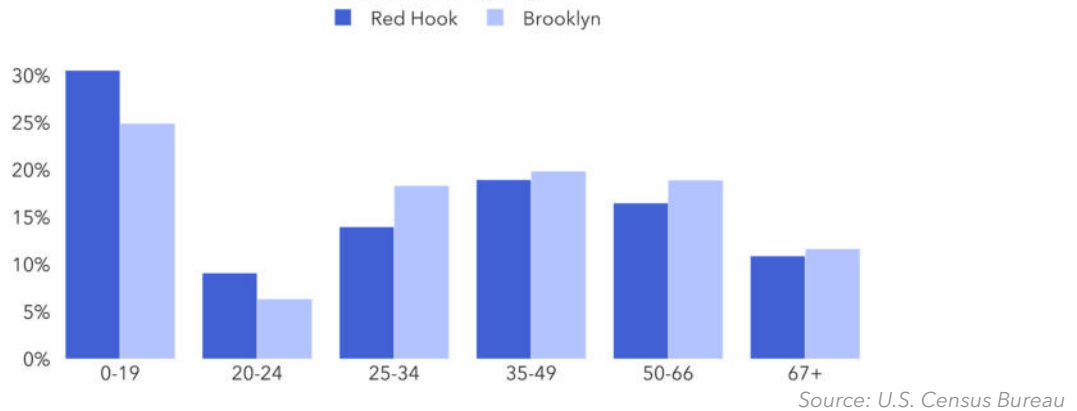
Households in Red Hook are, on average, smaller than those in Brooklyn. Households in Red Hook have an average size of 2.00 people, compared to 2.69 people in Brooklyn. 1 person households account for the largest share in both Red Hook and Brooklyn.

Households by Household Size



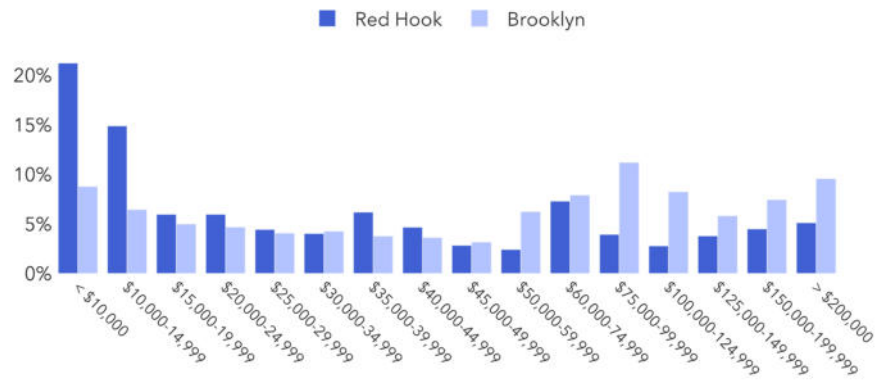
The median age of Red Hook residents is younger than in Brooklyn. Residents of Red Hook have a median age of 33.7, compared to 35.2 in Brooklyn. In both Red Hook and Brooklyn, children and teens account for the largest cohort.

Population by Age



Households in Red Hook have a higher median income than those in Brooklyn. Households in Red Hook have a median income of \$63,636, compared to \$60,231 for households in Brooklyn. The chart below indicates the share of households by income brackets. In Red Hook, the most common household income is under \$10k, compared to between \$75k-99,999 for Brooklyn.

Households by Household Income

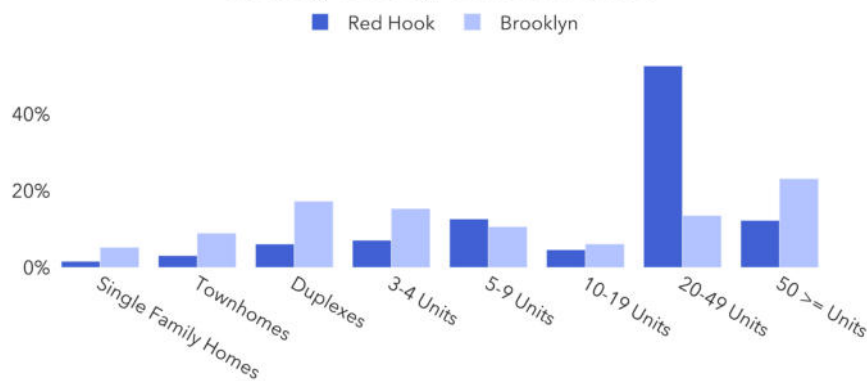


Source: U.S. Census Bureau

Housing

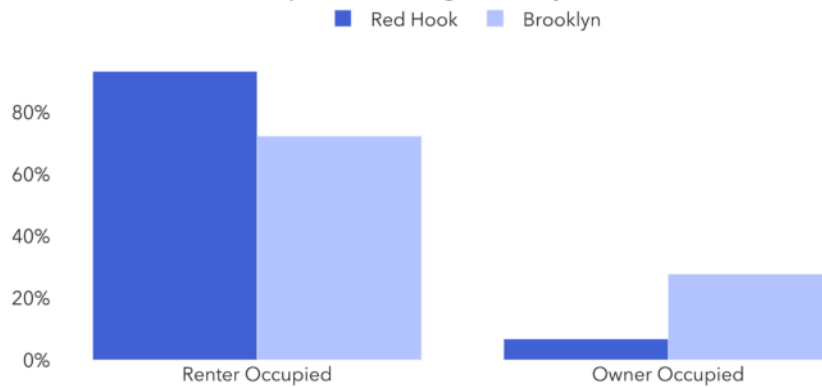
20-49-unit properties, followed by 5-9-unit properties then properties with 50+ units account for the most common forms of housing in Red Hook. 7% of the housing units in Red Hook are occupied by their owner. This percentage of owner-occupation is lower than the Brooklyn level of 28%.

Housing Units by Units in Structure



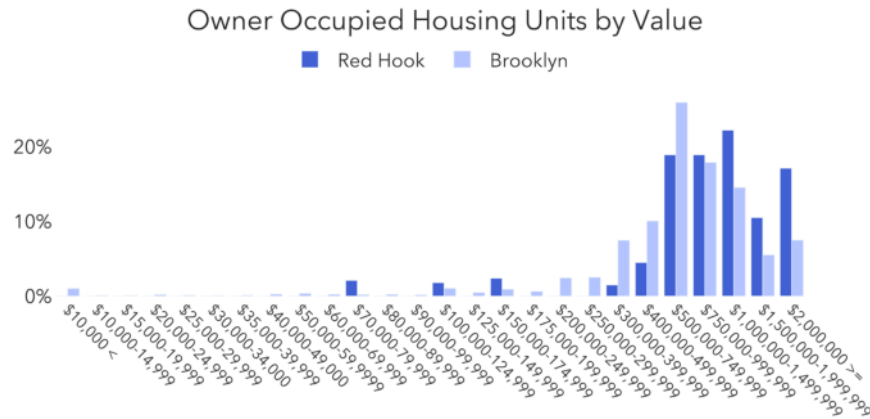
Source: U.S. Census Bureau

Occupied Housing Units by Tenure



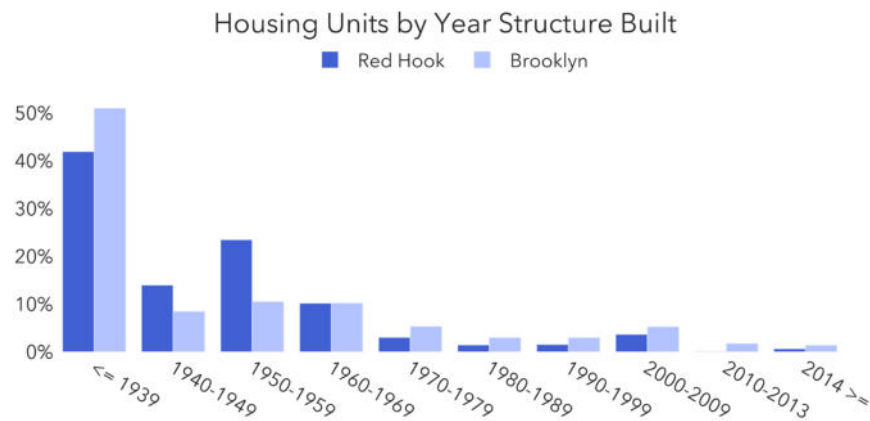
Source: U.S. Census Bureau

Homes in Red Hook have a median value of \$1,061,300, compared to \$706,000 for Brooklyn. In Red Hook, the most common home value is between \$1 million - \$1.5m, compared to between \$500k - \$749k for Brooklyn.



Source: U.S. Census Bureau

Homes in Red Hook have a median year built of 1951, compared to NA for Brooklyn. In both Red Hook and Brooklyn, the largest share of homes were built before WWII.

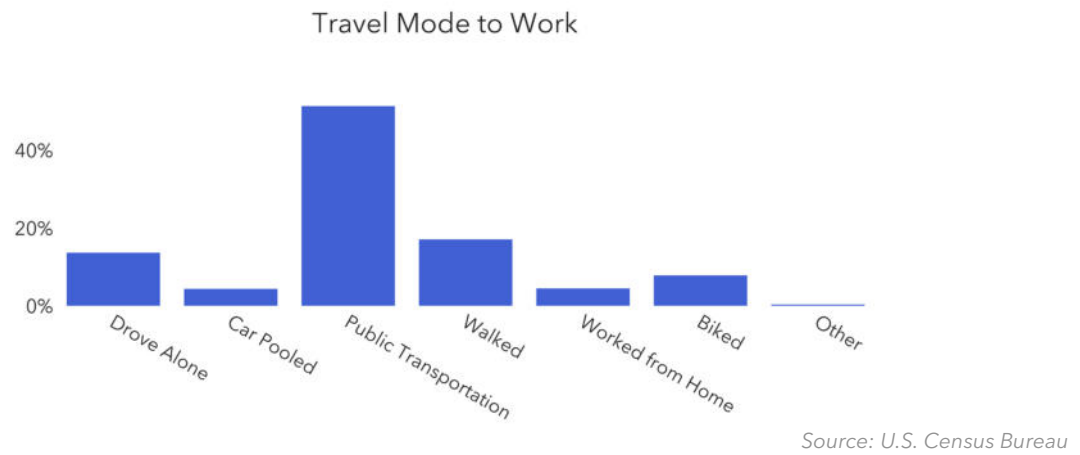
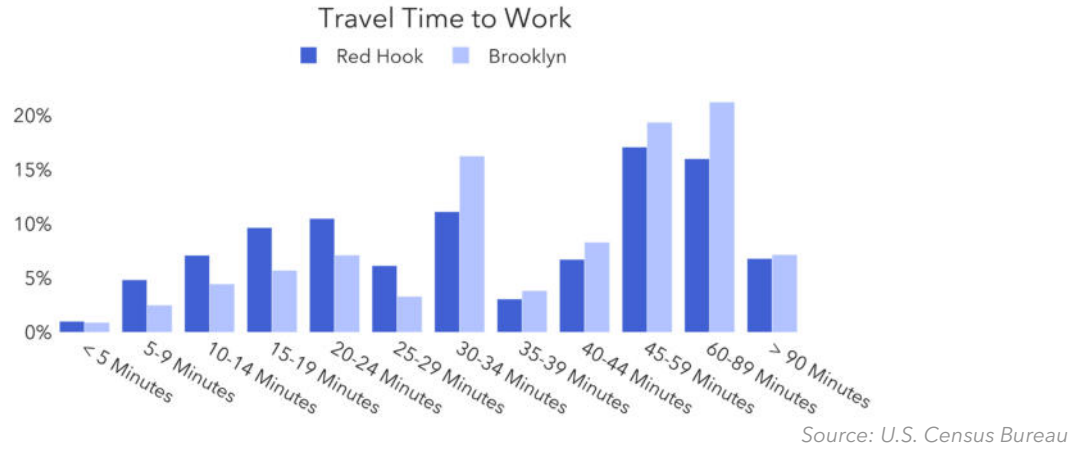


Source: U.S. Census Bureau






Transportation

In Red Hook, the majority of residents use public transit with 51% choosing to do so. The second most common method is walking with 17%.

Commuters in Red Hook have a median commute time of about 32 minutes. In Red Hook, the most common commute time is between 45-59 minutes, compared to 60-89 minutes for Brooklyn.



Transportation Methods

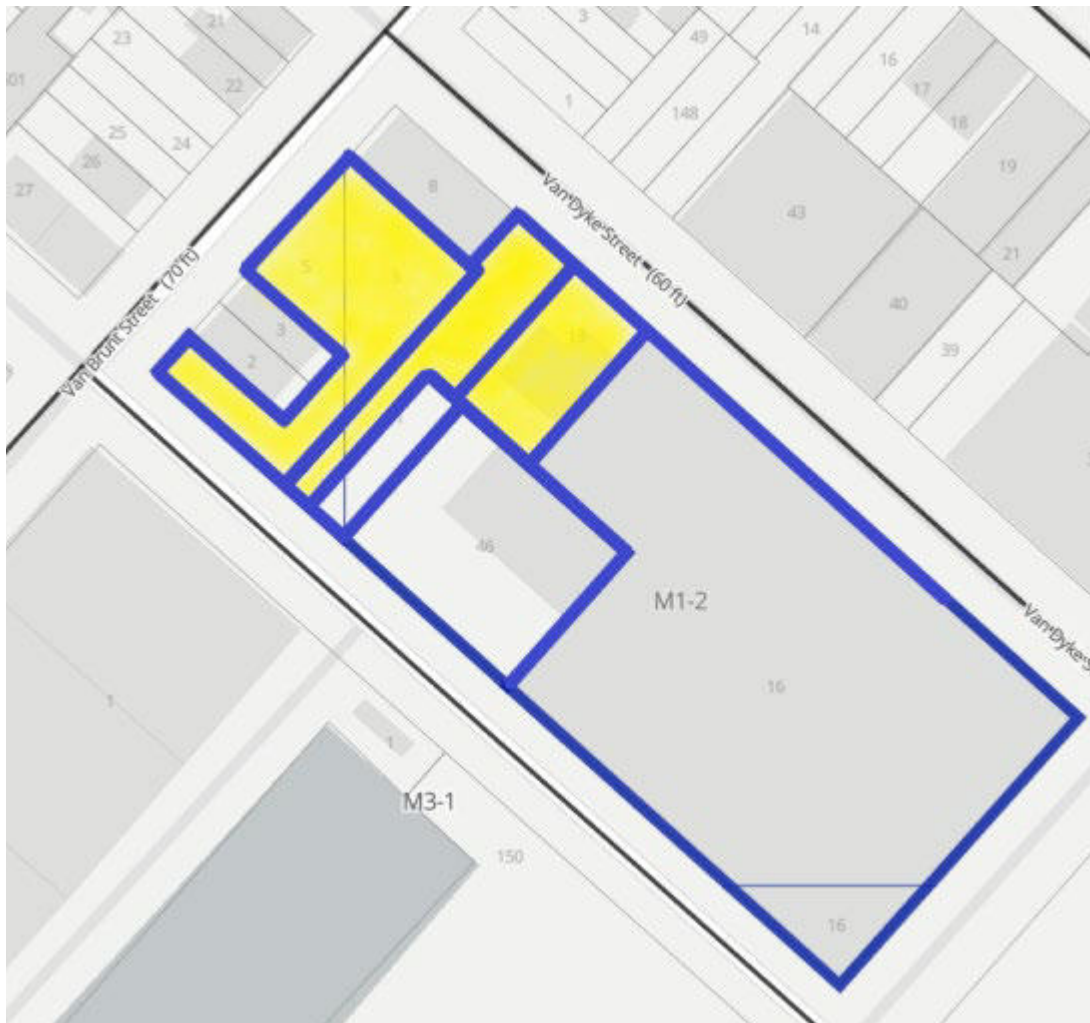
-  Walk Score: 76 (Very Walkable)
-  Red Hook is connected to Manhattan by the Brooklyn-Battery Tunnel, which has a toll plaza and approaches separate it from Carroll Gardens and Columbia Street to the north. The Gowanus Expressway (I-278) also runs through the neighborhood.
-  Red Hook itself does not have a subway line that runs through the neighborhood. In nearby Carroll Gardens, the New York City Subway has the F and G trains that run through it. The closest stops to Red Hook are located at Carroll Street and Smith-9th Street.
-  The neighborhood is served by local MTA bus routes including the B61 and the B57.
-  The nearest major airports are LaGuardia Airport (13 mi) and John F. Kennedy International Airport (24 mi.) followed by Newark Liberty International Airport (16 mi.)

Conclusion

Red Hook is a neighborhood in Brooklyn, New York with limited access to public transportation, but offers proximity to other highly desirable Brooklyn neighborhoods, and the affordable housing have long been the attraction to Red Hook. The recent revitalization of the Red Hook Waterfront has attracted large format retailers such as IKEA and Fairway Markets, as well as luxury car brand Tesla’s showroom. We expect continued growth for the neighborhood.

Zoning Summary

Zoning Map



The property is located in the M1-2 zoning district.

M1 districts range from the Garment District in Manhattan and Port Morris in the Bronx with multistory lofts, to parts of Red Hook or College Point with one- or two-story warehouses characterized by loading bays. M1 districts are often buffers between M2 or M3 districts and adjacent residential or commercial districts. M1 districts typically include light industrial uses, such as woodworking shops, repair shops, and wholesale service and storage facilities. Nearly all industrial uses are allowed in M1 districts if they meet the stringent M1 performance standards. Offices, hotels, and most retail uses are also permitted. Certain community facilities, such as hospitals, are allowed in M1 districts only by special permit, but houses of worship are allowed as-of-right.

In M1-5A and M1-5B districts mapped in SoHo/NoHo, artists may occupy joint living-work quarters as an industrial use. Other than M1 districts paired with residence districts in Special Mixed-Use Districts, M1-5M and M1-6M districts (by special permit) and M1-D districts (by authorization or certification) are the only manufacturing districts in which residences are permitted. However, in M1-6D districts, residential use may be allowed as-of-right on zoning lots under certain conditions.

In M1-5M and M1-6M districts, mapped in parts of Chelsea, space in an industrial building may be converted to residential use, provided a specified amount of floor area is preserved for industrial and commercial uses.

Floor area ratios in M1 districts range from 1.0 to 10.0, depending on location; building height and setbacks are controlled by a sky exposure plane which may be penetrated by a tower in certain districts. Although new industrial buildings are usually low-rise structures that fit within sky exposure planes, commercial and community facility buildings can be constructed as towers in M1-3 through M1-6 districts. In the highest density manufacturing district, M1-6, mapped only in Manhattan, a FAR of 12 can be achieved with a bonus for a public plaza. Except along district boundaries, no side yards are required. Rear yards at least 20 feet deep are usually required, except within 100 feet of a corner.

Parking and loading requirements vary with district and use. M1-1, M1-2 and M1-3 districts are subject to parking requirements based on the type of use and size of an establishment. For example, a warehouse in an M1-1 district requires one off-street parking space per 2,000 square feet of floor area or per every three employees, whichever would be less. Parking is not required in Long Island City or M1-4, M1-5 and M1-6 districts, mapped mainly in Manhattan. Requirements for loading berths of specified dimensions differ according to district, size, and type of use.

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M1 Manufacturing Districts

District	FAR (max)	Parking
M1-1	1.0	Required
M1-2	2.0	Required
M1-3	5.0	Required
M1-4	2.0	Not required
M1-5	5.0	Not required
M1-6	10.0 ¹	Not required

¹ FAR bonus up to 20% for a public plaza

Appraiser's Conclusion on Conformity

Based on the maximum effective FAR of 2.0 in M1-2 districts, the subject has an allowable building area of 46,800 square feet. There are an additional 8,401 square feet of air rights that have been retained by ownership from the recent sale of lot 51. Therefore, total allowable building area is 55,201 square feet. Deducting the existing improvements of the rehabilitation center (20,785 sf), there are 34,416 square feet remaining, including the 8,401 square feet of air rights. The proposed GBA of the extension is 34,416 square feet which is in line with the allowable building area.

Van Dyke + Parital Beard Lot configuration (Final Option - 09/03/2021)			
	Lot Area (ZLDA tax lot)		23400
	2.0 FAR		46800
	Ex. 411 ZFA used		20785
	Remaining ZFA		26015
	Proposed ZFA		34416
	Req'd Air-rights		8401
	Req'd parking	For ex. building*	14
		3414 SF "Hotel" (appx.)**	1
		Medical	103
		TOTAL	117
VAN DYKE - RAMP (FINAL OPTION)			
		Parking	Bed
			FA
	5th Floor		TBD*** 8325
	4th floor	44	8325
	3rd Floor	44	8325
	2nd Floor	52	9905
	1st Floor (P2)	70	tbd
	Ground (P1)	48	600
	off-site	0	
	Total Beds	140	
	Total Parking	118	
	Total FA		35480
	w/ approx. 3% mech/plumbing deduction, ZFA =		34416
Note:			
	*	for 411 Van Brunt, 14 parking spaces required per ZD1	
	**	Exist U.G. 5 F.A.: 17,065 SF. 20% addition: 3,413 SF	
	***	More rooms/beds possible - can be proposed on 5th floor	

Per the zoning analysis, 117 parking spaces are required.

The M1-2 zoning district permits numerous light industrial and office uses as of right, and certain community facilities are allowed in M1 districts only by special permit. The application for the development of the new treatment center was approved on August 17, 2016 which allowed for community facility use by the Department of Buildings. Therefore, the subject is legally conforming with regards to the allowable uses.

Assessed Values & Real Estate Taxes

Tax Map



Assessments

110 Beard Street & 411 Van Brunt Street, Brooklyn, New York is designated on the Kings County Tax Maps as Block/Lots 604 / 1,5,13. The property is a tax Class 4. We have applied the 2021/2022 tax rate of 10.646% to the most recent assessed value of the property to determine its current tax liability. We provide the taxes for Lot 5 below. Given that improvements on lot 13 and part of lot 1 are proposed, we will project taxes for these lots.

The current tentative assessed values for Lot 5 are as follows:

Tentative 2023/2024 Assessed Values (Lot 5)

	Actual		Transitional
Land	\$263,250		\$174,150
Building	+ \$534,150	+	\$511,201
Total	\$797,400		\$685,351

Tax Rates

Year	Tax Rate			
	Class 1	Class 2	Class 3	Class 4
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
2021/2022	19.963	12.235	12.289	10.755
2022/2023	20.309	12.267	12.755	10.646

The 2022/2023 class 4 tax rate is 10.646%.

Tax Liability (Lot 5)

Taxable Assessed Value		\$685,351
Tax Rate	x	10.646%
Tax Liability		\$72,962
Tax Liability Per SF		\$3.51

Projected Taxes for Extension (Lot 13 and 1)

To provide a basis of comparison for this tax estimate, we have collected liability data from other community facility buildings located within the subject's submarket. A summary of these liabilities is included in the table below:

Competitive RE Tax Liabilities -Community Facility

	Year Built	GBA	Taxes/SF
57 Richards Street	1921	22,500	\$2.80
723 Henry Street	1931	22,800	\$2.97
124 10th Street	1920	20,790	\$2.53
123 11th Street	1920	19,450	\$2.91
142 19th Street	1958	25,400	\$3.31
1784 Atlantic Avenue	1972	20,000	\$3.41
		Min	\$2.53
		Average	\$2.99
		Max	\$3.41

Conclusion

Tax Liability Summary

	PSF
Comp Min.	\$2.53
Comp Avg.	\$2.99
Comp Max.	\$3.41
Current Subject Tax Liability	\$3.31

We also use the in-place taxes at the existing building of \$3.51 per square foot as a comparable. Based on the above comparables, we project taxes for the proposed (9,416 sf extension) building to be \$3.00 per square foot or \$28,248 annually, based on the proposed GBA of 9,416 square feet. The existing buildings' taxes per square foot fall within the market range and are considered reasonable. Thus, we apply the current tax liability for Lot 5 of \$72,962 in our analysis.

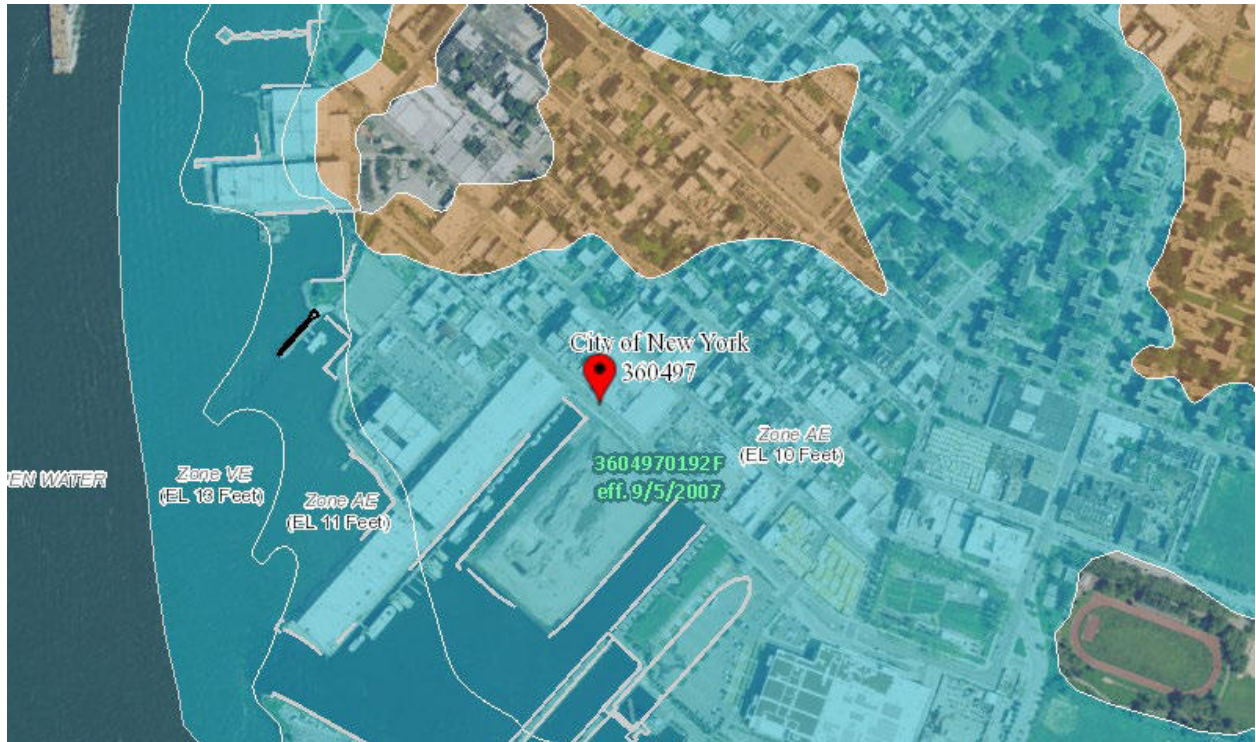
Site Description



Location	110 Beard Street and 411 Van Brunt Street is located in the area bounded by Van Dyke Street, Beard Street, Van Brunt Street and Richards Street in the Red Hook neighborhood of Brooklyn, NY. Surrounding uses are industrial with some commercial and residential interspersed. We note that Amazon has recently signed a lease in November 2020 for a 311,796 square foot industrial warehouse at 280 Richards Street in Red Hook, just 0.3 of a mile from the subject. The industrial space is expected to be used as a distribution center where smaller vehicles are loaded with merchandise to be delivered directly to consumers on city streets. The facility is currently being built and Amazon is expected to occupy the space in 2022.	
Site Area	0.537± acres./ 23,400± square feet, broken down as follows:	
	Block 604, Lot 1	6,075 SF
	Block 604, Lot 5	11,700 SF
	Block 604, Lot 13	5,625 SF
	Total	23,400 SF
Shape	Irregular	
Frontage	Street	Frontage (ft)
	Beard Street	115.00
	Van Brunt Street	110.00
	Van Dyke Street	100.00
Topography	Generally level	
Drainage	Assumed adequate	
Access	The site is accessed from Beard Street (115.0 feet) and Van Brunt Street (110.0 feet)	
Paving	All roads are paved with asphalt and are in satisfactory condition	

Street Drainage	Street drainage is collected by gravity into the local sewer storm system mains
Street Lighting	Adequate
Utilities & Services	Water/Sewer and Refuse - City Police & Fire Protection - City Gas & Electric - Con Ed
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. The value reported within this report assumes there are no hazardous substances present on the site.
Flood Hazard Status	Located in "Zone AE" on the National Flood Insurance Program Rate Map dated September 5, 2007 Community Panel #3604970192F. Zone AE is an area inundated by 100-year flooding.
Conclusion	The site is like others in the vicinity, and there are no negative external factors. Based on its current use, it is functionally adequate.

Flood Map



Building Description

The subject currently comprises a 2017- constructed, 5-story 20,785 square foot community facility building which is fully leased by a substance abuse center (lease commenced in April 2018) and vacant land (lot 13 and lot 1). There are plans to extend the community facility building (proposed GBA 9,416 sf) on the vacant land to operate as one building however these plans have not been approved as at the date of this appraisal. However, there is a signed LOI in place for the existing rehabilitation tenant to lease the new building. The community facility building, along with vacant land at Lot 13 and Lot 1 are the subject of this appraisal. We also note that ownership retained an additional 8,401 square feet of air rights from the sale of lot 51, formerly part of lot 1, that will be utilized in the proposed extension. The subject is zoned M1-2 zoning which permits an as-of-right FAR of 2.0.

The proposed plans to extend the rehabilitation center include a 5 story extension of the current building, with extra bedrooms being added.

The following is a summary of the current construction characteristics of the improvements.

Structural & Mechanical

Structural

Foundation	Reinforced concrete and masonry
Structural System	Reinforced concrete and structural steel
Exterior Walls	Brick and masonry
Roof	Flat, built-up roof and tar insulation. The roof is in good condition.
Windows	Double hung windows in metal frames.

Mechanicals

HVAC Systems	The new treatment center building has its own self-contained HVAC system, with each of the 36 dormitory rooms serviced by PTAC units.
Elevators	The building is serviced by an elevator.
Plumbing	PVC, copper, and iron
Life Safety	The new treatment center building is fully sprinklered with a wet system.

Layout & Finishes

Interior Layout & Finish

Stairwells	Within the community facility building, there are two interior stairwells that run from the basement to the roof. The stairwells are in good condition.
Layout	The community facility building is 5 stories and is leased to a treatment center. The facility contains 36 beds and approximately 3,720 square feet of medical/treatment space. Amenities include access to a recording studio, yoga room, fitness center and private outdoor space.

Room Finishes & Lighting	Interiors feature carpet or vinyl tile floors, 8'+ ceilings and painted sheetrock or plaster walls. The ceilings include acoustic tile ceilings with recessed fluorescent lighting.
Parking	There will be 117 parking spaces in total once the extension is completed.
Lavatories	There are lavatories on each floor. Finishes and porcelain bathroom fixtures.
Current Occupancy	The property is currently 100% occupied.

Functional Utility

From a utility standpoint, the subject properties are well laid out for a single tenant. The new building is also of a functional and adequate design for its intended use as an in-patient treatment center. As mentioned previously, the current leasable area is 20,785 square feet.

Condition & Maintenance

Condition

Based on our inspection, the current subject is in excellent condition. Constructed in 2017, periodic maintenance has occurred as necessary with new systems in the newly constructed building.

Remaining Economic Life

The community facility portion of the subject was constructed in 2017 and has a remaining life of 55 years.

Summary

The subject currently comprises a 2017- constructed, 5-story 20,785 square foot community facility building which is fully leased by a substance abuse center (lease commenced in April 2018) and vacant land (lot 13 and lot 1). There are plans to extend the community facility building (proposed GBA 9,416 sf) on the vacant land to operate as one building however these plans have not been approved as at the date of this appraisal. The information contained in the sections entitled "Site Description" and "Building Description" was obtained from our field inspection on February 7, 2023, information provided by ownership, CoStar, RealQuest, and zoning and assessment records.

North Brooklyn: Office Submarket Analysis

The information contained in this report was provided using 2022 Q4 CoStar data for the North Brooklyn Office Submarket ("Submarket") located in the New York Market ("Market").



Overview

The subject property is in the North Brooklyn Submarket of the New York Market, defined in the map above. This Submarket accounts for 2.0% of the Markets total inventory with 19.1 million square feet of office space. The Office sector demonstrated signs of resiliency in 2021 and early 2022 after experiencing very little demand in 2020. With economic headwinds intensifying over the second half of 2022, office demand has slowed considerably in most markets across the country. Adverse market trends that plagued the office sector during the pandemic are no longer affecting the Submarket. With vacancy rates compressing over the year, annual rent growth is in positive territory. In fact, vacancy rates have compressed to 14.7% while rents have increased 2.5%. With improving market conditions for office properties in the Submarket, values have increased over the past year to \$504/SF but compressed -0.7% in the fourth quarter. Capitalization rates have compressed 7 bps to a rate of 5.3%, but still remain above the long-term average.

Sector Fundamentals

	North Brooklyn	YoY	QoQ	New York	YoY	QoQ
Market Rent/SF	\$43.41	2.5%	0.3%	\$57.13	0.5%	0.1%
Vacancy Rate	14.72%	-271 bps	-15 bps	12.32%	61 bps	12 bps
Availability Rate	17.8%	-42 bps	-45 bps	15.9%	-15 bps	11 bps
Net Absorption SF	85,562	-64.9%	-37.2%	4,271,159	310.6%	704.4%
Asset Value/SF	\$504	5.6%	-0.7%	\$666	0.2%	-2.2%
Market Cap Rate	5.29%	-7 bps	1 bps	5.47%	1 bps	4 bps
Transaction Count	9	12%	-18%	193	-54%	-31%
Sales Volume	\$30,339,000	4%	-30%	\$2,398,003,456	-61%	89%

Supply and demand indicators, including inventory levels, absorption, vacancy, and rental rates for office space in the Submarket are presented in the following table.

Historical Office Performance: North Brooklyn Submarket

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
2022 Q4	19,096,628	1,072,059	94,573	595,857	14.7%	17.8%	\$43.41	\$477	5.29%
2022 Q3	19,028,735	1,064,952	129,694	754,225	14.9%	18.3%	\$43.29	\$478	5.27%
2021	19,002,055	907,681	960,752	567,016	17.4%	18.3%	\$42.34	\$449	5.36%
2020	18,041,303	1,288,561	657,671	80,129	16.1%	18.8%	\$42.13	\$420	5.48%
2019	17,383,632	1,929,375	1,519,031	731,485	13.4%	16.3%	\$44.29	\$433	5.36%
2018	15,864,601	2,983,096	-424,474	-646,713	9.7%	12.1%	\$44.51	\$430	5.24%
2017	16,289,075	2,443,597	271,603	575,888	8.1%	10.8%	\$42.85	\$426	5.09%
2016	16,017,472	1,989,681	323,527	-64,325	10.2%	14.3%	\$43.64	\$421	5.02%
2015	15,693,945	523,630	34,472	187,095	7.7%	11.9%	\$42.07	\$412	4.98%
2014	15,659,473	212,304	22,025	-595,837	8.7%	10.7%	\$38.72	\$375	5.12%
2013	15,637,448	288,291	-57	139,946	4.8%	5.2%	\$35.13	\$332	5.45%

Supply & Demand

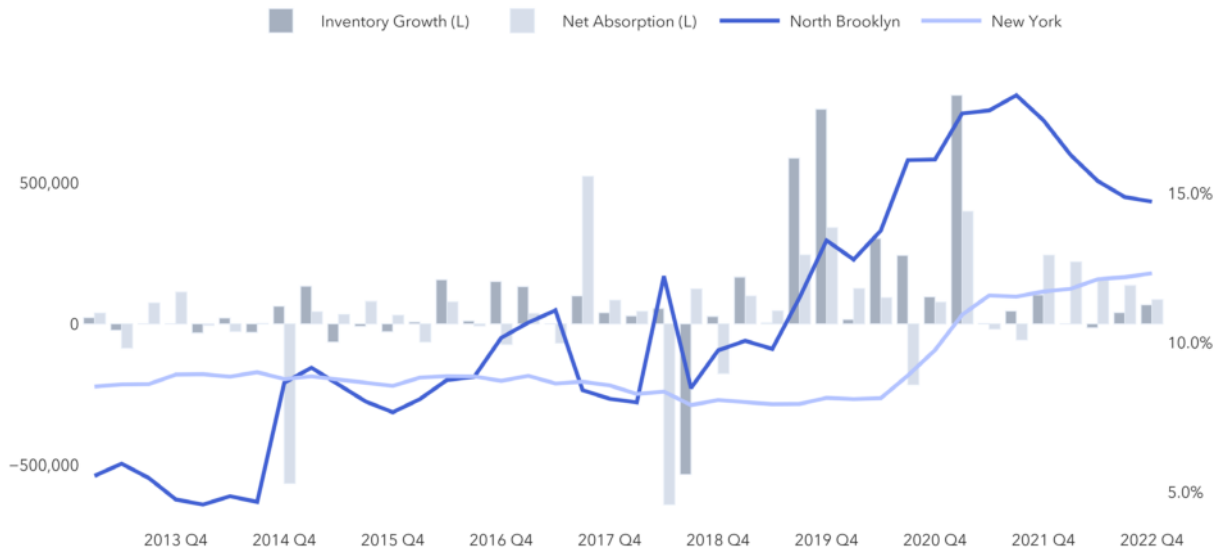
The Submarket has 19.1 million square feet of office space, and developers have added, net of demolitions, 3.4 million square feet over the past ten years, increasing inventory by 21.9% during that time. Demand has not been able to keep up with supply over the past decade and vacancy rates have expanded compared to the rate ten years ago.

Despite an increase in inventory levels over the past year, demand has outpaced it and vacancy rates have compressed 271 bps over the past year from 17.4% to 14.7% the 10-year average of 10.7% and above the Market average by 240 bps. With 85.6k square feet absorbed in the fourth quarter, vacancy rates have compressed 15 bps over the past quarter. In the fourth quarter, office tenants in the Submarket absorbed 85.6k square feet, a decrease from the 136.2k square feet absorbed in 2022 Q3, and also down from the 243.9k square feet absorbed in the same quarter last year. Class A space in the Submarket has an elevated vacancy rate of 46.5% followed by 13.6% for Class B space, and 3.4% for Class C space.

Vacancy Rates

	2013	2014	2015	2016	2017	2018	2019	2020	2021	22 Q3	22 Q4
National	11.6%	10.9%	10.3%	9.9%	9.8%	9.5%	9.6%	10.9%	12.0%	12.3%	12.5%
Market	8.9%	8.8%	8.6%	8.7%	8.6%	8.1%	8.2%	9.8%	11.7%	12.2%	12.3%
Submarket	4.8%	8.7%	7.7%	10.2%	8.1%	9.7%	13.4%	16.1%	17.4%	14.9%	14.7%
Class A	1.0%	3.1%	3.0%	29.9%	30.7%	42.3%	61.4%	59.4%	55.7%	48.2%	46.5%
Class B	4.1%	11.3%	10.3%	13.1%	8.9%	12.0%	10.0%	11.8%	15.6%	13.3%	13.6%
Class C	5.9%	5.7%	4.6%	4.4%	4.7%	3.2%	3.6%	5.5%	4.6%	3.6%	3.4%

Absorption & Vacancy Rates



Rents

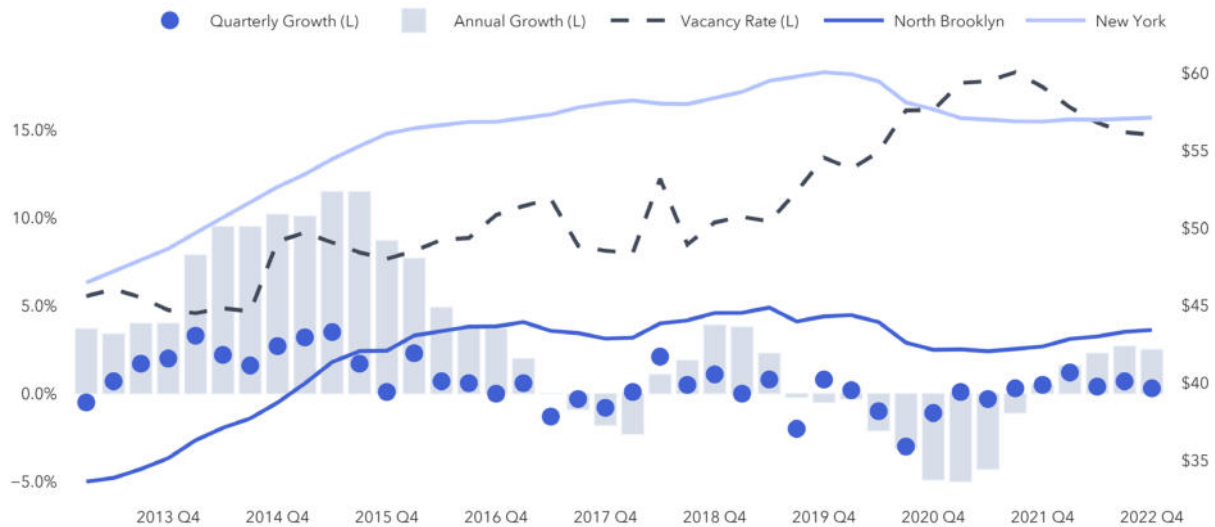
At \$43.41/SF, rents in the Submarket are roughly 24% lower than the Market where rents sit at \$57.13/SF. Rents in the Submarket have increased 2.9% per annum over the past decade, exceeding the Market, where rents increased 2.3% per annum during that time.

Market Rents

	2013	2014	2015	2016	2017	2018	2019	2020	2021	22 Q3	22 Q4
National	\$27.48	\$28.94	\$30.60	\$31.61	\$32.53	\$33.63	\$34.97	\$34.47	\$34.79	\$35.15	\$35.19
Market	\$48.66	\$52.65	\$56.08	\$56.86	\$58.06	\$58.38	\$60.06	\$57.66	\$56.87	\$57.09	\$57.13
Submarket	\$35.13	\$38.72	\$42.07	\$43.64	\$42.85	\$44.51	\$44.29	\$42.13	\$42.34	\$43.29	\$43.41
Class A	\$45.12	\$47.24	\$51.75	\$52.61	\$54.22	\$54.28	\$56.81	\$55.18	\$54.71	\$54.77	\$54.75
Class B	\$33.70	\$36.94	\$41.31	\$42.71	\$41.53	\$43.65	\$43.44	\$40.82	\$41.16	\$42.22	\$42.38
Class C	\$32.64	\$37.49	\$38.65	\$40.84	\$39.54	\$41.21	\$39.68	\$38.01	\$38.32	\$39.52	\$39.63

Prior to the pandemic, the North Brooklyn Office Submarket experienced softening rent growth. In 2019 Q4, annual rent growth in the Submarket softened below the previous quarter, and was below the historical average, with annual growth of -0.5%. In 2020 Q2, quarterly rent growth fell to -1.0%. By the end of 2020, rents had fallen 4.9% from the 2019 Q4 rent level of \$44.29/SF. From 2019 Q4 to 2021 Q4, rents have decreased 4.4%. Quarterly rent growth in 2022 Q4 decreased 0.3% from the previous quarter, softening annual growth to 2.5%.

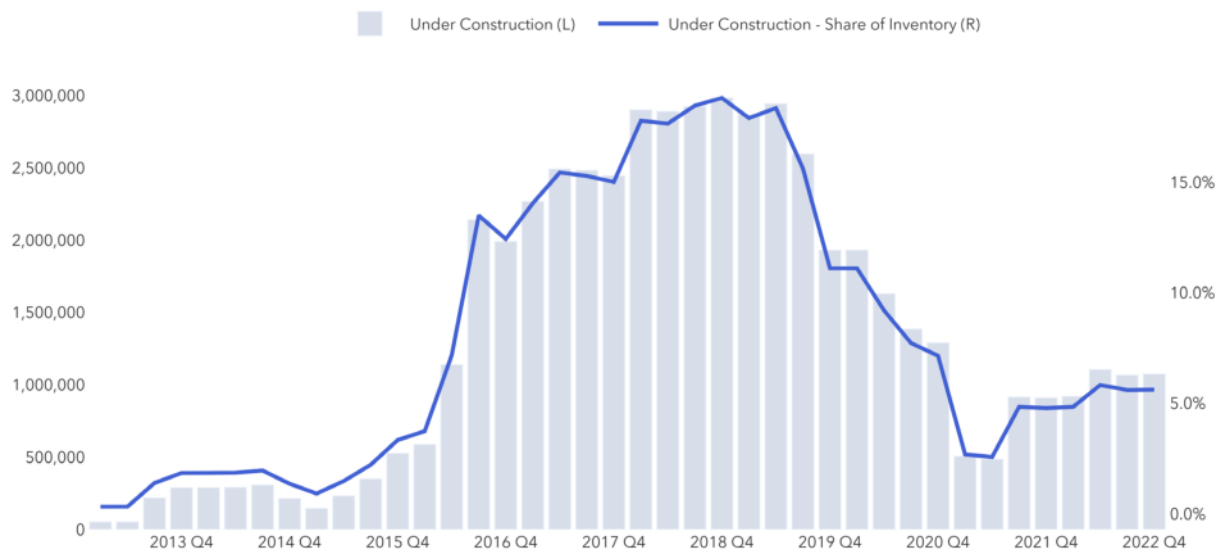
Market Rent/SF - Annual & Quarterly Growth



Construction & Future Supply

Developers have been active for much of the past ten years. In fact, they have added 4.7 million square feet to the Submarket over that time, expanding inventory by 21.9%. Developers are currently active in the Submarket with 1.1 million square feet, or the equivalent of 5.6% of existing inventory, underway. Demand in the North Brooklyn Submarket has outpaced new deliveries over the past year but could slow along with softening economic growth.

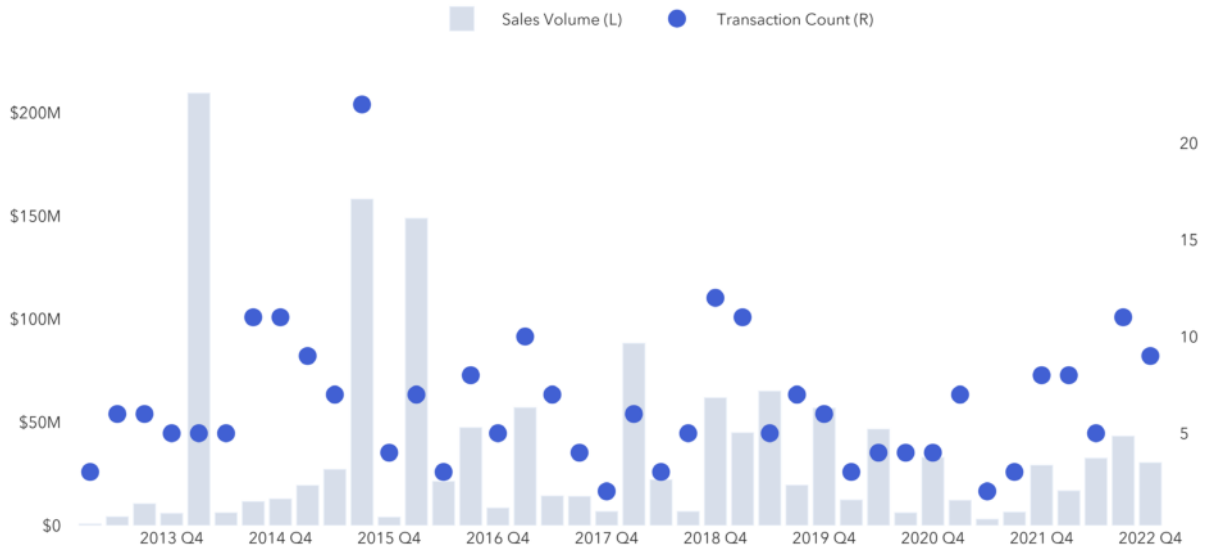
Under Construction SF - Share of Inventory



Capital Markets

Investors have been active in the Submarket over the past three years. Going back three years, investors have closed, on average, 23 transactions per year with an annual average sales volume of \$90.3 million. Over the past year, there were 33 closed transactions across 320.9k square feet, for a total sales volume of \$122.7 million. In 2022 Q4, there were 9 sales for a total sales volume of \$30.3 million, compared to \$43.2 million in the previous quarter.

Sales Volume & Transaction Count

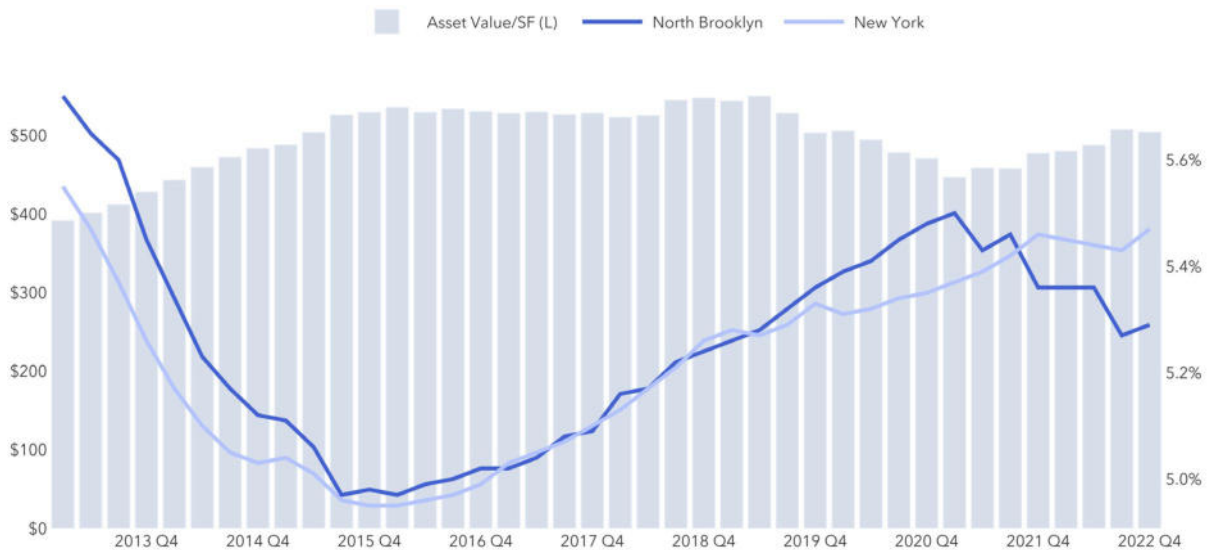


Market pricing, based on the estimated price movement of all properties in the Submarket, sat at \$504/SF and has increased 5.6% over the past year but have compressed 0.7% in the past quarter. Capitalization rates have compressed 7 bps over the past year to 5.3% and increased 1 bps in the fourth quarter. Higher interest rates, the subsequent cost of debt, and the limited improvement in market conditions will weigh on both activity and pricing going forward. However, favorable yields, especially relative to other property sectors, should help to offset.

Recent Transactions

Property Address	RBA	Building Class	Year Built	Last Sale Date	Last Sale Price
284 Suydam St, Brooklyn	4,875	C	1901	Q1 2022	\$2,000,000
541 3rd Ave, Brooklyn	3,000	C	1925	Q3 2021	\$1,880,000
790-792 Flushing Ave, Brooklyn	6,780	C	1931	Q3 2021	\$1,150,000

Asset Value & Market Cap Rates



Outlook

Office demand remains well below pre-pandemic levels. Many office markets are contending with elevated vacancy and availability rates. This is occurring at a time of a looming recession, which has resulted in layoffs from many companies, slowing the recovery for the sector.

Office market conditions in the North Brooklyn Submarket show growing demand despite an increase in inventory. With demand outpacing new inventory, vacancy rates have compressed over the past year. With vacancy rates compressing, quarterly rent growth in 2022 Q4 reached 0.3%, softening annual growth to 2.5%. Looking ahead to the near-term, it is likely that tenants remain active, although at a slower pace with rents increasing. With improving market conditions, values will likely experience some growth.

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 uses⁷, 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.

Highest and Best Use As Vacant

Legally Permissible

The subject property is located within a M1-2 zone district with permissible uses for new construction including industrial, commercial and community facility. Residential uses are not allowable as of right. No known zoning changes to uses other than these are currently being considered or anticipated. The commercial nature of the area, combined with the generally good condition of the area's improvements and the current and expected trends in supply and demand, all support the current zoning. It is our opinion that the site, if vacant, could be developed for the above legally permitted uses.

Physically Possible

The site is of good size and has good street access. The lot contains 23,400 square feet within five contiguous tax parcels with good frontage on Beard Street (115.0 feet) and Van Brunt Street (110.0 feet). The size falls within the range of improved sites in the area. All necessary utilities are available and the site appears functional for a variety of permitted uses. The above legally permitted uses, therefore, are considered physically possible.

Financially Feasible

The subject is located within a predominantly mixed-use area characterized primarily by a combination of industrial, transportation and community facility uses. Primary uses are allowable up to a 2.0 FAR, including light industrial, office, retail, hotel and other commercial uses. The subject is situated in a community where there is sufficient demand for mixed-use properties. Thus, market conditions are such that new market-oriented mixed-use construction (community facility and industrial) is feasible as the value would exceed the cost.

Most Productive Density/ Highest and Best Use

All legally permissible, physically possible, and financially feasible uses of the site, as vacant, have been presented and examined. In conclusion, it is our opinion that the highest and best use of the subject site, as vacant, is mixed-use development (community facility and industrial) to the maximum FAR.

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

As Improved

Legally Permissible

The subject property is in in zone M1-2 which permits numerous light industrial and office uses as of right, and certain community facilities are allowed in M1 districts only by special permit. The community facility portion of the property has a FAR of 2. In terms of use the subject property conforms to the zoning requirements of the applicable zoning districts. There appears to be excess development potential (i.e. unused development rights or air rights), indicated that future redevelopment of the portion of the property not encumbered by the new community facility building could be redeveloped with more profitable uses (i.e. larger bulk).

Physically Possible

The subject is currently improved with a Rehabilitation Facility with a total gross area of 20,785 square feet. The subject is considered to be in excellent condition, being functional for its use. As noted above, the current improvements comply with current zoning.

Financially Feasible

The subject's block is characterized as mixed-use and there is no other use which is feasible. As improved, the subject generates net cash flow, and an adequate return to the owners. Further, the property is encumbered by the in-place leases. Therefore, its current use as a community facility building and industrial building is financially feasible.

Maximally Productive/ Highest and Best Use

All legally permissible, physically possible, and financially feasible uses of the site, as improved, have been presented and examined. Based on our analysis, there does not appear to be any alternative use that could reasonably be expected to provide a higher present value than the current use, and the existing use exceeds the value of the site as if vacant. It is our opinion that the highest and best use of the subject, as improved, given the current improvements is its current use as a community facility building and industrial building.

Most Probable Buyer

Taking into account the size and characteristics of the property, the likely buyer is a local or regional investor.

Appraisal Valuation Process

There are three approaches to value we consider: the Cost Approach, the Sales Approach, and the Income Approach.

The **Cost Approach** is traditionally a good indicator of value when properties being appraised are new or close to new. The subject was constructed in 2017 and has notable physical and economic depreciation. The difficulty in credibly isolating the influence of these factors on value affects the reliability of this approach. Along this line, investors typically give nominal weight to this analysis since the asset is operating on a stabilized basis and its cost bears little relationship to the value. Therefore, as a result of the limited use of this approach, it has not been applied.

The **Income Approach** is a strong indicator of value when market rents, vacancy rates, stabilized expenses, capitalization/discount rates are based on reliable market data. In this case, given the depth of the market, there are numerous transactions from which to glean points of analysis, lending credibility to the results of the approach. Further, community facility and industrial buildings are often acquired for their capacity to generate a return on capital. 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 square foot basis a strong predictor of value.

In advancing an opinion of the value of the subject, we considered the two primary approaches of real estate valuation: The Income Approach and the Sales Comparison Approach. The Cost Approach was not applied due to the age of the subject and difficulty in estimating depreciation. Additionally, market participants in the area do not generally consider the Cost Approach when making investment decisions for properties like the subject.

Land Value (Lot 1 and 13)

The following map and table summarize the comparable data used in the valuation of the subject site. We utilized price per buildable unit as our unit of comparison for the land valuation.

As stated, based on the maximum effective FAR of 2.0 in M1-2 districts, the subject has an allowable building area of 46,800 square feet. There are an additional 8,401 square feet of air rights that have been retained by ownership from the recent sale of lot 51. Therefore, total allowable building area is 55,201 square feet. Deducting the existing improvements of the rehabilitation center (20,785 sf), there are 34,416 square feet remaining, including the 8,401 square feet of air rights.

Comparable Sales



Comparable Sale 1



SALE NO:	1
LOCATION	302 Maujer Street Brooklyn, NY
Block/ Lot	3021/15
ZONING:	M1-2
SITE SITE (SF)	2375
SDFA	4750
PROPERTY DESCRIPTION	<p>This is the sale of one parcel of land containing 2,275 square feet located in Brooklyn, NY. The maximum FAR is 2.0 and the maximum buildable area equates to 4,750 buildable square feet.</p> <p>The property does not contain existing improvements. The property most recently sold for \$920,000 on 1/20/23. There are no applications filed with the DOB that seem relevant to this transaction as the application to demolish a two - story improvement that was in place was filed on 5/13/2021 and approved in 9/24 /2021. Based on the information in DOB, it is presumed that the building was demolished given that it had an ECB Violation and a full vacate order (dated 3/25/2021). The sale was confirmed with CoStar and public records. There are no demolition costs to report.</p>
SALE DATE	January 20, 2023
GRANTOR	302 Maujer LLC
GRANTEE	Amant Foundation Properties LLC
SALE PRICE	\$920,000
ADJUSTMENTS	\$0
ADJUSTED SALE PRICE	\$920,000
PRICE PSF/ FAR	\$194
DOCUMENT NO.	2023000023821

Comparable Sale 2



SALE NO:	2
LOCATION	150 2nd Avenue Brooklyn, NY
Block/ Lot	1025 / 43
ZONING:	M2-1
SITE SITE (SF)	4,598
SDFA	9,196
PROPERTY DESCRIPTION	<p>This is the sale of one parcel of land containing 4,598 square feet located in Brooklyn, NY. The maximum FAR is 2.0 and the maximum buildable area equates to 9,196 buildable square feet. The property does not contain existing improvements. The property most recently sold for \$1,800,000 on 5/4/2022. There are no applications filed with the DOB that seem relevant to this transaction as the last application was dated 4/16/2008 for a proposed light manufacturing building. It is noted that the application was submitted in 2008 and approved on 5/13/2010. The sale was confirmed with CoStar and public records. There are no demolition costs to report.</p>
SALE DATE	May 4, 2022
GRANTOR	150 Second Avenue Inc
GRANTEE	MRJ Management Group LLC
SALE PRICE	\$1,800,000
ADJUSTMENTS	\$0
ADJUSTED SALE PRICE	\$1,800,000
PRICE PSF/ FAR	\$196
DOCUMENT NO.	2022000199476

Comparable Sale 3



SALE NO:	4
LOCATION	23 Stewart Avenue Brooklyn, NY
Block/ Lot	2994 / 75
ZONING:	M1-2
SITE SITE (SF)	42,166
SDFA	84,332
PROPERTY DESCRIPTION	This is the sale of an irregular shaped vacant parcel that was sold for development in East Williamsburg. The site is zoned M1-2 and was sold on October 4, 2021 for \$12,271,500. The sale was confirmed on public record and in newspaper articles.
SALE DATE	October 4, 2021
GRANTOR	J STEWART REALTY LLC
GRANTEE	25C LLC
SALE PRICE	\$12,271,500
ADJUSTMENTS	\$0
ADJUSTED SALE PRICE	\$12,271,500
PRICE PSF/ FAR	\$146
DOCUMENT NO.	2021000403416

Comparable Sale 4



SALE NO:	5
LOCATION	75 Van Brunt, 60 Degraw Street, 63, 65, 67, 69 & 73 Sackett Street Brooklyn, NY
Block/ Lot	329 / 1, 2, 62-66
ZONING:	M1-1
SITE SITE (SF)	11,651
SDFA	23,302
PROPERTY DESCRIPTION	This is the sale of an 8 parcel development site with over feet of frontage to Van Brunt and Sackett Streets. The site is zoned M1-1. The site was sold on August 12, 2021 for \$5.2M. The sale price has been adjusted for anticipated demolition costs of \$20 psf. The property was marketed by The Corcoran Group with an asking price of \$5.899M. The sale was confirmed on public record and costar.
SALE DATE	August 12, 2021
GRANTOR	75 V.B. LLC
GRANTEE	75 VAN BRUNT HOLDINGS LLC
SALE PRICE	\$5,200,000
ADJUSTMENTS	\$107,800
ADJUSTED SALE PRICE	\$5,307,800
PRICE PSF/ FAR	\$228
DOCUMENT NO.	2021000349589

Comparable Sales Summary

Comparable Sales Summary						
#	Address	Sale Date	Zoning	SDFA	Adj. Sale Price	Adj. Price Per SDFA
1	302 Maujer Street	Jan-23	M1-2	4,750	\$920,000	\$194
2	150 2nd Avenue	May-22	M2-1	9,196	\$1,800,000	\$196
3	23 Stewart Avenue	Oct-21	M1-2	84,332	\$12,271,500	\$146
4	71 & 75 Van Brunt, 60 Degraw Street, 63, 65, 67, 69 & 73 Sackett Street	Aug-21	M1-1	23,302	\$5,307,800	\$228
			Minimum	4,750	\$920,000	\$146
			Average	30,395	\$5,121,420	\$191
			Maximum	84,332	\$12,271,500	\$228

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

Property Rights Appraised 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 land analysis are fee simple interest for the subject. Since all the comparable properties have or will have fee simple ownership interests, no adjustments were required.

Financing The purpose of adjusting for financing terms is to determine cash equivalent sale prices for the comparable sales in accordance with the definition of market value for this report. To the best of our knowledge, all the sales or future sales were cash transactions or financed at market rates. No adjustments were required.

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

Market Conditions (Time) The purpose of this adjustment is to account for changes in market conditions. Given the current high interest rate environment and tightening market conditions, we adjust comparables 2, 3 and 4 downward for superior market conditions.

Location The subject property is located in the Red Hook neighborhood of Brooklyn, New York. The comparables are located in similar industrial/community facility zoned sections of Brooklyn and thus were not adjusted.

Size This adjustment accounts for the difference in size between each of the comparables and the subject property. Land in the subject market sells on a price per buildable square foot basis. Smaller parcels are more affordable on a total price basis, and thus attract a larger pool of buyers, and have a higher price per square foot.

Comparable 4 is substantially larger than the subject and thus was adjusted upward. Comparables 1 and 2 are substantially smaller than the subject and thus were adjusted downwards.

Zoning The subject and comparables are zoned M1 and M2 which allows for industrial/community facility development. Thus, no adjustments are necessary.

Utility This adjustment accounts for the shape, frontage, and layout of a particular site. Comparable 3 received an upward adjustment as the site shape is irregular with inferior access to the site for development.

Corner Corner parcels are considered superior to mid-block parcels as they offer greater exposure, a wider range of development opportunities, and are generally considered to be more desirable than mid-block parcels. The subject is located on a mid-block parcel. Comparables 2 and 4 are located on corners and thus required downward adjustments.

Adjustment Grid

Sale No.	1	2	3	4
Address:	302 Maujer Street	150 2nd Avenue	23 Stewart Avenue	71 & 75 Van Brunt, 60 Degraw Street, 63, 65, 67, 69 & 73 Sackett Street
Sale Date:	1/20/2023	5/4/2022	10/4/2021	8/12/2021
Adjusted Sale Price:	\$920,000	\$1,800,000	\$12,271,500	\$5,307,800
SFDA	4,750	9,196	84,332	23,302
Adj. Price Per Site area	\$194	\$196	\$146	\$228
Property Rights:	0%	0%	0%	0%
Financing Terms:	0%	0%	0%	0%
Conditions of Sale:	0%	0%	0%	0%
Market Conditions (Time):	0%	-5%	-5%	-5%
Trended Adj. Price Per Site area	\$194	\$186	\$138	\$216
Location:	0%	0%	0%	0%
Size:	-10%	-10%	15%	0%
Zoning:	0%	0%	0%	0%
Utility:	0%	0%	25%	0%
Corner:	0%	-5%	0%	-5%
Total Adjustments:	-10%	-15%	40%	-5%
Adjusted Adj. Price Per Site area:	\$174	\$158	\$194	\$206
	Unadjusted		Adjusted	
	Low	\$146	Low	\$158
	High	\$228	High	\$206
	Average	\$191	Average	\$183
	Median	\$195	Median	\$184

Conclusion

We analyzed the sites based on their price per square foot. 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 exhibited a range between \$158 per buildable square foot and \$206 per buildable square foot with an average of \$183 per buildable square foot and a median of \$184 per buildable square foot. We also highlight the neighboring industrial property (formerly part of the subject property) traded in August of 2022 for \$34M or \$245 per buildable square foot. Further, we place emphasis on Van Brunt Street sale. Thus, our opinion of market value is \$215 per buildable square foot.

Market Value of the Vacant Land As Is (Lot 1 and 13)

Concluded Value Per SF of Buildable Area	\$215
Buildable Area (SF)	34,416
Indicated Fair Value of the Subject's Excess Land	\$7,399,440
Fair Value of the Subject's Excess Land (RD)	\$7,400,000

The proposed plans to extend the rehabilitation center include a 5 story extension of the current building, with extra bedrooms being added. We have also provided a residual value below, utilizing the same assumptions from the income approach for the existing rehabilitation building. The following assumptions were made:

- Proposed NNN rent for the extension of the rehabilitation center of \$1,900,000 annually per signed LOI. The lease term is for 15 years with 3 options of 5 years each. Lease terms are triple net however the tenant is responsible for increase in taxes over base. 2% rent increases annually. We have added back CAM and insurance.
- 1% vacancy and collection loss
- Expenses of 15%
- Cap Rate of 5.50%
- Less construction costs of \$13M verbally provided by ownership (\$1,381 psf). According to the signed LOI, any increases in construction costs will be offset by proportional increases in the proposed rent of \$1,900,000. In other words, if the construction costs increase, the base rent will increase by the same percentage. Ownership is still quoting \$13M for construction costs, but costs could increase given the current interest rate environment. In our experience, \$1,381 per square foot is very high for residential construction, thus we do not expect a significant increase in construction costs as a result of interest rates.
- Less profit of 20% of construction costs which also takes into account any risk associated with the construction
- Less \$75 psf of soft costs \$706,200
- Less 2 years of rent loss (\$3,800,000) which also accounts for construction period

We forecast rents as such:

Pro Forma	\$	Per SF
Income		
Rent	\$1,900,000	\$201.78
CAM Reimbursement	\$5,179	\$0.55
Insurance Reimbursement	\$5,650	\$0.60
<hr/>		
Potential Gross Income	\$1,910,828	\$202.93
Less Community Facility V/C Loss at 1.0%	-\$19,108	-\$2.03
Effective Gross Income	\$1,891,720	\$200.90

We then apply a 15% operating expense ratio to derive an NOI of \$1,607,962.

NOI	\$1,607,962
OAR	5.50%
Fair Value	\$29,235,675
Less Construction Costs	\$13,000,000
Less Profit (20%)	\$3,900,000
Less Soft Costs (\$75 psf)	\$706,200
Less 2 years Rent Loss	\$3,800,000
Residual Land Value	\$7,829,475
Rounded	\$7,800,000

The residual value of \$7,800,000 (rounded) is above the land value provided of \$7,400,000. Given this is a signed LOI, we adopt the residual value for the vacant land.

Income Capitalization Approach (Lot 5)

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 and yield capitalization. Investors in the local market typically utilize a direct capitalization when making investment decisions for this asset class, therefore we conclude that the direct capitalization method is appropriate to apply to the subject.

Approach Applied

As a community facility building, this asset is encumbered by a lease and reflects 100.00% occupancy. The overall in-place income has generally been stable. Given this, it is appropriate to apply the direct capitalization method, which converts a single year's stabilized income into an indication of value.

Comparable Community Facility Rentals

We have examined the following Community Facility rental activity in the submarket.

Comparable Community Facility Rentals Map



Comparable Community Facility Rentals

#	Address	Type	Start Date	Sq. Ft.	Base Rent	Comments
1	2001 Nostrand Avenue	Bhrags Homecare	Nov-22	9,000	\$42.00	NNN
2	95 Montague Street	Graham Windham	Nov-22	15,000	\$50.00	Modified Gross, 15 year term
3	1220 E New York Avenue	Caremax	Feb-22	4,648	\$45.00	Modified Gross. 15 year term.
4	Borough Park (Confidential), Brooklyn	Proposed CF Building	TBD	30,000	\$42.00	NNN (proposed building)
5	1225 42nd Street, Brooklyn	Medical Office	Jan-21	5,400	\$35.00	NNN (2019 built)
				Min:	4,648	\$35.00
				Avg:	12,810	\$42.80
				Max:	30,000	\$50.00

Comparable Lease Summary - Community Facility

The comparables range from \$35.00 per square foot to \$50.00 per square foot, with an average of \$42.80 per square foot.

Market Conditions: The comparable contain leases signed between January 2021 and November 2022. All comparables sold at a time with similar market conditions for community facility use and were not adjusted.

Location: The subject is located in Red Hook in a predominantly mixed-use location with industrial, commercial and residential. All comparables are located in similar neighborhoods in Brooklyn and no adjustments were made.

Condition: The subject's space is in excellent condition being constructed in 2017. Comparable 1 is in inferior condition based on listing photos and thus was adjusted upward.

Size: The treatment center at the subject has a floor area of 25,000 square feet. Smaller rental spaces tend to rent for more per square foot than larger spaces. The comparables range in size from 4,648 to 30,000 square feet of leasable area. Comparables 1, 2, 3 and 5 are significantly smaller and were adjusted downwards.

Utility: This adjustment reflects the views, floor location, interior finishes, design, and layout of each comparable to the subject property. The subject does not offer parking for the units. Comparables 4 and 5 offer parking and thus were adjusted downward.

Leasing: This adjustment reflects leasing conditions and terms. The community facility lease at the subject is NNN. Comparables 2 and 3 are modified gross and were adjusted downward.

Rent Adjustment Grid - Community Facility

#	Rent PSF	MC	MC Adj.	Location	Condition	Size	Utility	Leasing Terms	Total Adj.	Adjusted
1	\$42	0%	\$42	0%	5%	-5%	0%	0%	0%	\$42
2	\$50	0%	\$50	0%	0%	-5%	0%	-5%	-10%	\$45
3	\$45	0%	\$45	0%	0%	-5%	0%	-5%	-10%	\$41
4	\$42	0%	\$42	0%	0%	0%	-5%	0%	-5%	\$40
5	\$35	0%	\$35	0%	0%	-5%	-5%	0%	-10%	\$32
Min:	\$35									Min: \$32
Avg:	\$43									Avg: \$40
Max:	\$50									Max: \$45

After adjustments, the comparables range from \$32 to \$45 with an average of \$40. The contract rent for the treatment center at the subject is \$43.71 per square foot which falls within the range of comparables. We consider this rent reasonable to adopt in our pro forma.

Lease Details

On the following page are the pertinent details of each lease:

Tenant	SF	Lease Start Date	Monthly Rent	Annual Rent	Rent PSF	Rent Details
The Hook RC Realty	25,000	11/1/2018	\$91,061	\$1,092,727	\$43.71	Lease Expiration: 3/31/2028 Taxes: Tenant pays full taxes over 19/20 base year Electric: Tenant Insurance: Tenant Maint: Tenant Rent Increase: 3% annual increases Other: Tenant responsible for their proportion of CAM and Insurance

Reimbursements

In accordance with the lease at the subject, The Hook is required to reimburse RE taxes, common area maintenance (CAM) and insurance. We note that the CAM includes repairs and maintenance and payroll. We forecast the reimbursements below based on 100% of our projected expenses for insurance and CAM:

Real Estate Tax Reimbursement							
Tenant	Base Year	Year	Base Year	Increase	Reimb.	Annual	
The Hook RC Realty LLC	2019/2020	\$72,962	-	\$34,709	=	\$38,254 x 100.00% =	\$38,254
Total Reimbursement:							\$38,254

CAM Reimbursement			
Tenant	Current	Reimb.	Annual
The Hook	\$12,471	x 100.00% =	\$12,471
Total Reimbursement:			\$12,471

Insurance Reimbursement			
Tenant	Current Year	Reimb. Share	Reimb.
The Hook	\$12,471	x 100.00%	\$12,471
Total Reimbursement:			\$12,471

Vacancy and Credit Loss

Our review of occupancy rates of comparable properties indicates an occupancy rate range between 90% and 100%. The CoStar North Brooklyn Office Submarket vacancy was reported at 14.72% for Q4 2022.

Currently, the subject is 100.00% occupied. We note that the treatment center is leased until 2028 and we have applied a vacancy and collection loss of 1% to this income and reimbursement to reflect the low risk associated with a long term lease to a leading rehabilitation center.

Effective Gross Income Summary

Potential Commercial Income	\$1,092,727
CAM Reimbursement	\$12,471
RE Tax Reimbursement	\$38,254
Insurance Reimbursement	\$12,471
Potential Gross Income	\$1,155,923
Less Community Facility V/C Loss at 1.0%	-\$11,559
Effective Gross Income	\$1,144,363

Operating Expense Analysis

We requested historical expenses from ownership, however, given the industrial portion of the subject property was sold off in August of 2022, the remaining community facility building is leased by a single tenant on a NNN basis. Thus, all of the operating expenses are reimbursed by the tenant. We include expense of comparables of similar property types:

Comparable:	Comparable Expenses				Average
	1	2	3	4	
SF	42,112	15,557	4,125	84,780	36,644
Operating Expenses					
Insurance	\$24,359	\$5,500	\$3,018	\$30,653	\$15,883
Utilities	\$0	\$0	\$2,015	\$18,122	\$5,034
CAM	\$43,564	\$10,500	\$1,722	\$50,675	\$26,615
General, Admin & Misc	\$29,948	\$1,500	\$0	\$3,066	\$8,629
Management	\$20,302	\$5,616	\$7,504	\$0	\$8,356
Total Operating Expenses	\$118,173	\$23,116	\$14,259	\$102,516	\$64,516
Operating Expenses PSF					
Insurance	\$0.58	\$0.35	\$0.73	\$0.36	\$0.51
Utilities	\$0.00	\$0.00	\$0.49	\$0.21	\$0.35
CAM	\$1.03	\$0.67	\$0.42	\$0.60	\$0.68
General, Admin & Misc	\$0.71	\$0.10	\$0.00	\$0.04	\$0.28
Management	\$0.48	\$0.36	\$1.82	\$0.00	\$0.89
Total Operating Expenses	\$2.81	\$1.49	\$3.46	\$1.21	\$2.24

Estimated Operating Expenses

Our stabilized annual expense forecast is presented. We note we base these figures on the leasable area of 20,785 square feet which is the existing rehabilitation building.

Real Estate Taxes

As presented earlier, we forecasted the tax payment at \$72,962 annually based on the assessed values for Lot 5 at the subject which is 411 Van Brunt Street.

Insurance

Insurance costs vary by the type of coverage. Costs are generally lower (on a per square foot basis) for larger buildings and for multi-building policies. The comparable expenses range from \$0.35 to \$0.73 per square foot with an average of \$0.51 per square foot. We project this expense at \$0.60 per square foot, which is consistent with the historicals. Further, the tenant reimburses 100% of insurance expenses.

CAM

This expense varies depending on building age, management philosophy, services provided, and accounting methodology. Some management companies expense items that are normally included as capital costs. The comparable expenses range from \$0.42 to \$1.03 per square foot with an average of \$0.68 per square foot. We conclude to \$0.60 per square foot for repairs and maintenance which is lower than the historical expense given that the subject does not include the older industrial building now.

Reserves

This expense provides for the periodic replacement of building components that wear out more rapidly than the building itself and that must be replaced periodically during the building's economic life. We note the owner did not indicate this expense. We have projected this expense at \$0.55 per square foot, or \$11,432 annually.

Management Fee

Typically, management fees for community facility properties range from 2% to 5% of effective gross income. We believe that since the subject is occupied by stable tenants, management fees should be minimal. We forecast management administration at 1.0% of effective gross income, which equates to \$0.55 per square foot, or \$11,433 annually. We note there was no historical management expense provided.

Total Operating Expenses - Net of Taxes

Net of taxes, we forecast operating expenses at \$47,817 or \$2.30 per square foot.

Direct Capitalization Stabilized Income and Expenses

Stabilized Pro Forma

Pro Forma	\$	Per SF
Income		
Rent	\$1,092,727	\$52.57
CAM Reimbursement	\$12,471	\$0.60
RE Tax Reimbursement	\$38,254	\$1.84
Insurance Reimbursement	\$12,471	\$0.60
Potential Gross Income	\$1,155,923	\$55.61
Less Community Facility V/C Loss at 1.0%	-\$11,559	-\$0.56
Effective Gross Income	\$1,144,363	\$55.06
Operating Expenses		
Real Estate Taxes	\$72,962	\$3.51
Insurance	\$12,471	\$0.60
CAM	\$12,471	\$0.60
Reserves	\$11,432	\$0.55
Management (1% of EGI)	\$11,444	\$0.55
Total Operating Expenses	\$120,780	\$5.81
Total Expenses Excluding RE Taxes	\$47,817	\$2.30
Net Operating Income	\$1,023,584	\$49.25
Operating Expense Ratio	11%	

Direct Capitalization

Direct Comparable Sales

The following are direct capitalization rate comparable sales in surrounding areas:

Comparable Overall Sale Capitalization Rates

#	Address	Sale Date	Cap Rate
1	6010 Bay Parkway, Brooklyn, NY	Sep-22	5.50%
2	213 48th Street, Brooklyn NY	Feb-22	6.37%
3	1634-1636 E 14th Street, Brooklyn, NY	Oct-21	6.65%
4	73-09 Myrtle Avenue, Queens, NY	Mar-21	4.00%
5	39-07 Prince Ceter; Flushing, NY	Mar-20	5.00%
6	128 Stryker Street, Brooklyn, NY	Jan-20	5.00%
Average:			5.42%

We have analyzed sales of comparable community facility/medical office assets within the subject's periphery and they exhibit overall capitalization rates from 4.00% to 6.65% with an average of 5.42%. We have supplemented our cap rate comps with additional comps not used in our sales comparison approach.

Surveys - Overall Capitalization Rates

Survey	Type of Product	Overall Cap Rate		
PwC	National Suburban Office	4.25%	-	7.75%
Fourth Quarter - 2022	Market	6.00%	avg	
Situs - R.E.R.C.	National Suburban Office	5.00%	-	9.00%
Fourth Quarter - 2022	Market	6.70%	avg	

The surveyed capitalization rates range from 4.25% to 9.00% and have a central tendency between 6.00% and 6.70%.

Capitalization Rate Conclusion

Overall capitalization rates are influenced by numerous factors, of which the most influential are: investors' perception of risk, the potential for net income growth, and the market for competitive assets. As indicated by the local comparable sales, assets in the submarket tend to trade for going-in returns toward the middle of the national range.

In terms of its position within the market range, it is our view that an investor would accept a return toward the lower end of the range. The asset is in an excellent location and is in excellent condition being constructed in 2017.

The subject is a single-tenant, NNN-leased community facility building. Overall, community facility uses have been highly sought after by owner users and tenants alike. Following COVID, occupancy has strengthened, and rental rates have increased. However, market conditions have tightened in recent months given the current rising interest rate environment. Balancing these factors, it is our view that a 5.50% overall rate would be required by an investor. The value is calculated below:

Direct Capitalization Summary

	Date of Value	Value	Final Value (Rd)
NOI		\$1,023,584	
OAR		5.50%	
Stabilized Value		\$18,610,609	
As Is Fair Value Via the Income Capitalization Approach	December 31, 2022	\$18,610,609	\$18,600,000

Sensitivity Analysis

% Difference		Cap Rate					
		-1.00%	-0.50%	0.00%	0.50%	1.00%	
Cap Rate / NOI		4.50%	5.00%	5.50%	6.00%	6.50%	
NOI	-10%	\$921,262	\$20,500,000	\$18,400,000	\$16,800,000	\$15,400,000	\$14,200,000
	-5%	\$972,444	\$21,600,000	\$19,400,000	\$17,700,000	\$16,200,000	\$15,000,000
	0.0%	\$1,023,625	\$22,700,000	\$20,500,000	\$18,600,000	\$17,100,000	\$15,700,000
	5%	\$1,074,806	\$23,900,000	\$21,500,000	\$19,500,000	\$17,900,000	\$16,500,000
	10%	\$1,125,987	\$25,000,000	\$22,500,000	\$20,500,000	\$18,800,000	\$17,300,000

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 investors typically purchase community facility and industrial properties in the subject's area in terms of value per square foot, we have applied this unit of comparison.

We note that there is a dearth of recently traded properties similar to the subject that are similar in construction, condition, unit mix and location within the immediate area over the last year. We therefore expanded our search radius both in terms of distance and sale date. We provide our community facility and industrial sales comparables below.

Comparable Sales

The following is a map of the comparable sales:



Comparable Sales Summary - Community Facility

#	Address	Type	Sale Date	GLA	Sale Price	Price Per		Description
						SF	Cap Rate	
1	6010 Bay Parkway, Brooklyn, NY	Community Facility	Sep-22	144,764	\$81,500,000	\$563	5.50%	This is the sale of a 144,764-SF community facility building located in Brooklyn, NY. The property, built in 2012, contains 144,764 square feet of GBA on 20,000. square feet of land. The building most recently sold for \$81,500,000. The property was 100% leased at the time of the sale. The anchor tenants are Brooklyn Surgery Center and Maimonides Medical Center. The property features 14 NNN tenants. The reported cap rate on the sale was 5.5%, yielding an NOI of \$4,482,500. All of the details of the sale are reported from Costar, press releases and public record.
2	625 Bolton Avenue, Bronx, NY	Community Facility	Jul-22	50,064	\$31,594,366	\$631	Not Reported	This is the sale of a 3 - story, 50,064 square foot school in the Soundview neighborhood of Bronx County, New York. The property has been utilized as a charter school since 2018 and contains surface parking for 35 vehicles. No brokers were listed for buyer or seller. All sale data was reported by CoStar and confirmed by public record.
3	586-590 6th Street, Brooklyn, NY	Community Facility	Sep-20	10,000	\$4,850,000	\$485	Not Reported	This is the sale of a 10,000-SF community facility building located in Brooklyn, NY. The property, built in 1931, contains 10,000 square feet of GBA on 3,458. square feet of land. The building most recently sold for \$4,850,000. This is the St Saviours Roman Catholic Church with 40 feet of frontage to 6th Avenue in Park Slope.
4	100 Livingston Street, Brooklyn, NY	Community Facility	Jan-20	12,681	\$10,500,000	\$828	5.50%	This is the sale of a medical office building located in Brooklyn, NY. The property, built in 1926, contains 12,681 square feet of GBA on 3,485 square feet of land. The building most recently sold for \$10,500,000. This is a 4-story medical office building that was fully leased at the time of the sale. The sale date, price, square footage and NOI were confirmed with listing brokers. We were provided with the OM which shows the asking price of \$12 million and an NOI of \$577,244 which equates to a cap rate of 5.5%. All information was confirmed with Costar, listing brokers, OM and public record.
5	242 Hoyt Street, Brooklyn, NY	Community Facility	Feb-19	24,240	\$14,000,000	\$578	Not Reported	This is the sale of a 24,240-SF community facility building located in Brooklyn, NY. The property, built in 1971, contains 24,240 square feet of GBA on 7,500. square feet of land. The building most recently sold for \$14,000,000. The property is a school.

Comparable Sales Adjustment Grid - Community Facility

Sale No.	Subject	1	2	3	4	5
Address:	411 Van Brunt Street, Brooklyn, New York	6010 Bay Parkway, Brooklyn, NY	625 Bolton Avenue, Bronx, NY	586-590 6th Street, Brooklyn, NY	100 Livingston Street, Brooklyn, NY	242 Hoyt Street, Brooklyn, NY
Sale Date:		9/9/2022	7/14/2022	9/30/2020	1/16/2020	2/28/2019
No. SF	25,000	144,764	50,064	10,000	12,681	24,240
Sale Price		\$81,500,000	\$31,594,366	\$4,850,000	\$10,500,000	\$14,000,000
Price Per SF		\$563	\$631	\$485	\$828	\$578
Property Rights:	Leased Fee Interest	0%	0%	0%	0%	0%
Financing Terms:	None	0%	0%	0%	0%	0%
Conditions of Sale:	None	0%	0%	0%	0%	0%
Market Conditions (Time):	December 31, 2022	-5%	-5%	-5%	-5%	-5%
Trended Price Per SF		\$535	\$600	\$461	\$787	\$549
Location:	Red Hook	5%	10%	10%	0%	0%
Size:	25,000	15%	10%	-5%	-5%	0%
Utility:	N/A	0%	0%	-5%	-5%	0%
Condition:	Good	0%	5%	5%	5%	0%
Total Adjustments		20%	25%	5%	-5%	0%
Adjusted Price Per SF		\$642	\$749	\$484	\$747	\$549
Unadjusted						
	Low	\$485			Low	\$484
	High	\$828			High	\$749
	Average	\$617			Average	\$634
	Median	\$578			Median	\$642

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

Property Rights Appraised

The purpose of this adjustment is to account for differences in the property rights transferred with the sale. No property rights adjustments are required.

Financing

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

Conditions of Sale

Condition of sale refers to the motivations of the buyer and seller involved in a particular transaction. All sales were arm's length and were not adjusted.

Market Conditions (Time)

The purpose of this adjustment is to account for changes in market conditions. Given the current high interest rate environment and tightening market conditions, we adjust all of the comparables downward for superior market conditions.

Location

The subject property is located in Red Hook, Brooklyn. Comparable 1 is located in Mapleton, which is an inferior area of Brooklyn with lower average rents and thus was adjusted upward.

Comparable 3 is located in Park Slope, which is an inferior area with lower average community facility rents and thus was adjusted upward.

Comparable 2 is located in the Bronx, which is an inferior area with lower average commercial rents and thus was adjusted upward.

Size	This adjustment accounts for the difference in size between each of the comparables and the subject property. The sales range in size from 10,000 to 144,764, while the community facility at the subject is 25,000 square feet. We note that there is an inverse relationship between size and price such that smaller buildings will sell for a higher price per unit and vice versa. Comparables 1 and 2 are significantly larger and were therefore adjusted upwards, while Comparables 3 and 4 are smaller and were adjusted downwards.
Utility	This adjustment reflects building height or number of stories, land to building ratio, views, exterior appeal, and the interior finishes, design and layout of each comparable as compared to the subject property. There is no parking provided. Comparables 3 and 4 offer parking and thus were adjusted downward.
Condition	The treatment center was constructed in 2017 is in excellent condition. Comparables 2, 3 and 4 are in inferior condition based on DOB filings and listing photos and thus were adjusted upward.

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 exhibited a range between \$484 and \$749 per square foot with an average of \$634 per square foot and a median of \$642 per square foot. All of the sales are good indicators of value, but we place most weight on comparable 1 as it is most recent and comparable 2 as it is recent, of a generally similar size and newly constructed. Thus, considering the elements of comparison noted above, our opinion of market value for the community facility building is \$750 per square foot, which is calculated as follows.

Concluded Value Per SF	\$750
SF	25,000
Stabilized Value	\$18,750,000

Reconciliation & Final Value Opinion

The estimated values arrived at by the approaches to value used in this report 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 (Rehab Facility)	Leased Fee Interest	December 31, 2022	\$18,600,000
Sales Approach	Fair Value As Is (Land)	Fee Simple Interest	December 31, 2022	\$7,800,000

The **Cost Approach** is traditionally a good indicator of value when properties being appraised are new or close to new. The subject was constructed in 1900 and 2017, and has notable physical and economic depreciation. The difficulty in credibly isolating the influence of these factors on value affects the reliability of this approach. More importantly, investors typically give nominal weight to this analysis since the asset is operating on a stabilized basis and its cost bears little relationship to the value. Therefore, as a result of the limited use of this approach, it has not been applied.

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

The **Sales Comparison Approach** is reliable when few differences exist between the comparable sales and the subject, and the sales data collected is credible and accurate. Similar property types in competitive locations tend to sell within a consistent range, and this factor makes valuation on a per square foot basis a strong predictor of value. The sales used to advance an opinion of value of the subject property were comparable in most respects and were good indicators of value. However, given the physical and/or locational differences of the comparables, required adjustments were made accordingly. Thus, since the quantitative adjustments were largely drawn from elements of the income approach, investors give this analysis less weight, and the sales approach provides secondary support for our income approach value conclusion.

Final Value Opinion

Value	Interest Appraised	Date of Value	Conclusion
Fair Value As Is (Rehab Facility)	Leased Fee Interest	December 31, 2022	\$18,600,000
Fair Value As Is (Vacant Land)	Fee Simple Interest	December 31, 2022	\$7,800,000

The value conclusions are subject to the following **Extraordinary Assumptions**⁸ 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**⁹ 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.

⁸ The definition of Extraordinary Assumptions can be found in the Glossary of Terms, which is located in the Addenda.

⁹ 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.
- Bowery Valuation has previously appraised 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.
- The appraisal was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- 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 and the current version of the FIRREA of 1989, including its Title XI regulations.
- Jon Nathanson has made a personal inspection of the property that is the subject of this report on February 7, 2023. Michelle Zell, MAI previously inspected the subject property on March 5, 2022. Evan Pruitt 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.
- We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
- We have experience in appraising properties similar to the subject, have acquired the necessary geographic competency, and are in compliance with the Competency Rule of USPAP. In addition, this appraisal has been prepared in compliance with IFRS 13 (International Financial Reporting Standards 13- fair value measurement).

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Addenda

Glossary of Terms

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

As Is Market Value	The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date, according to the Interagency Appraisal and Evaluation Guidelines (Federal Deposit Insurance Corporation: 2010). Note: The use of the "as is" phrase is specific to appraisal regulations pursuant to FIRREA applying to appraisals prepared for regulated lenders in the United States.
As Is Market Value 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, according to The Appraisal of Real Estate, 14th Edition (Appraisal Institute: 2013).
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.
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, according to David Parker's International Valuation Standards (John Wiley & Sons, Ltd: 2016). (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, according to the Uniform Appraisal Standards for Federal Land Acquisitions (The Appraisal Foundation: 2016).
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.
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.
Retrospective Value Opinion	A value opinion effective as of a specified historical date. The term retrospective does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion".
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, according to The Appraisal of Real Estate, 14th Edition (Appraisal Institute: 2013).

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* * *

LEASE

BETWEEN

BEARD STREET ACQUISITION LLC
as Landlord

AND

THE HOOK RC REALTY, LLC
as Tenant

PREMISES AT:
[[419 Van Brunt Street (a/k/a 116 Beard Street), Brooklyn, New York]]¹

* * *

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SL DRAFT 9.8.2022

LEASE

THIS LEASE (this "Lease") is made as of _____, 2022 by and between BEARD STREET ACQUISITION LLC, a Delaware limited liability company ("Landlord"), and THE HOOK RC REALTY, LLC, a Delaware limited liability company ("Tenant").

BACKGROUND

- A. Landlord is the owner of the land having an address at [[419 Van Brunt Street (a/k/a 116 Beard Street), Brooklyn, New York]], [constituting current Lot 13 and a portion of current Lot 1, of Block 604, and as more particularly described on Exhibit A attached hereto (the "Land")]².

TERMS OF AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises herein contained and incorporating the foregoing Recitals in their entirety, the parties hereto, intending to be legally bound hereby, covenant and agree as set forth below:

1. **Premises.** Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Premises (as hereinafter defined) for the Permitted Use for the Term (as hereinafter defined) and upon and subject to the terms and conditions, covenants and agreements hereinafter set forth in this Lease. The term "Premises" means, collectively (i) the Land, and (ii) the building to be constructed thereon in accordance herewith (the "Building"), including, without limitation, all fixtures, systems and equipment, the roof and 119 parking spots reserved for the use of the Tenant in the Building, and all improvements made, at any time prior to or following the Commencement Date, to the Premises. The term "Permitted Use" means the use of the Premises for the legal operation of ~~for~~ [[healthcare facilities, including, without limitation, inpatient rehabilitation programs and services, stabilization and withdrawal programs related to residential treatment services for individuals recovering from addiction, for general, administrative, nursing and office use incident thereto, for the rendering of professional medical services, including the prescription and dispensation of medication, patient and resident sleeping facilities, full kitchen and cooking facilities incident to the foregoing services provided]]³, but subject in all events to the terms and condition of this Lease and all applicable laws, and for no other purpose whatsoever.

2. **Term; Delivery Condition.**

2.1 **Term; Commencement Date.**

(a) The initial term of this Lease (as may be extended or sooner terminated in accordance with the provisions of this Lease, the "Term") shall commence on the date which is the earlier of (i) the date that Landlord delivers possession of the Premises to Tenant in the Delivery Condition (as hereinafter defined) (the "Delivery Date") and (ii) the date Tenant takes possession or occupies the Premises (such earlier date, the "Commencement Date"), and end on the last day of the 15th Lease Year following the Commencement Date (the "Expiration Date"), unless extended or sooner terminated in accordance with this Lease. Upon Landlord's request, Tenant shall promptly execute a written agreement confirming the Commencement Date and the Expiration Date; provided, however, that the failure of any party to execute such agreement shall not affect such dates. If the Commencement Date is the first date of a calendar month, then the first "Lease Year" shall be the period of time from such date through the date immediately preceding the first (1st) anniversary of the Commencement

² NTT: There is a contemplated merger of these tax lots with Tax Lot 5 (existing leased premises), to be addressed. Lease to further address the merger of this Lease with existing lease on Tax Lot 5 (as the buildings will be connected) once building completed. Including making leases coterminous. To be discussed. TBD [[Please add this mechanism]]

³ NTT: As per existing Lease. Confirm.

SL DRAFT 9.8.2022

Date; if the Commencement Date is other than the first day of a calendar month, then the first "Lease Year" shall be the period of time from such date to the end of the month in which such date shall fall, plus the following twelve (12) calendar months. Each "Lease Year" after the first Lease Year shall be a successive period of twelve (12) calendar months. Tenant hereby expressly waives the provisions of New York Real Property Law, Section 223-a ~~and any similar statutory provisions.~~

(b) **Renewal Terms.** Provided that, at the time of the giving of the applicable Renewal Notice (as hereinafter defined) and upon the commencement of the applicable Renewal Term (as hereinafter defined), this Lease is in full force and effect and Tenant ~~has not defaulted, and~~ is not in default, under this Lease, is in possession and occupancy of the Premises, and has not, except pursuant to a Permitted Transaction (as hereinafter defined), ~~or as otherwise permitted under this Lease,~~ assigned this Lease or sublet any portion of the Premises (each of which such foregoing conditions shall be for the benefit of Landlord only and which Landlord may waive in its sole and absolute discretion), then Tenant shall have the option (each a "Renewal Option") to extend the Term of this Lease for three (3) successive periods of five (5) years each (each a "Renewal Term"). The "First Renewal Term" shall be the period commencing on the day immediately following the Expiration Date of the initial Term and expiring on the last day of the 20th Lease Year; the "Second Renewal Term" shall be the period commencing on the day immediately following the expiration of the First Renewal Term and expiring on the last day of the 25th Lease Year; and the "Third Renewal Term" shall be the period commencing on the day immediately following the expiration of the Second Renewal Term and expiring on the last day of the 30th Lease Year. In order to exercise a Renewal Option, Tenant must deliver to Landlord written notice of such exercise ("Renewal Notice") no later than the date that is ~~129~~ months prior to the first day of the applicable Renewal Term; time being of the essence with respect to the giving of such notice. If Tenant duly exercises a Renewal Option, then this Lease shall continue through the end of the applicable Renewal Term on all of the same terms and conditions of this Lease, except that (i) all references to the "Term" shall be deemed to include such Renewal Term, (ii) the Fixed Rent payable hereunder for such Renewal Term shall be the applicable Fixed Rent as designated in Section 3.1 with respect to such Renewal Term, and (iii) following the Third Renewal Term, Tenant shall have no further options to renew the term of this Lease. For the sake of clarity, if Tenant does not ~~timely~~ exercise the Renewal Option for the First Renewal Term, then Tenant shall have no right to renew the term of this Lease for the Second Renewal Term; and if Tenant does not ~~timely~~ exercise the Renewal Option for the Second Renewal Term, then Tenant shall have no right to renew the term of this Lease for the Third Renewal Term.

2.2 **Condition of Premises; Landlord's Work.**

2.2.1 Except to the extent expressly included in Landlord's Work, Landlord shall have no obligation to perform any work whatsoever in or to the Premises or Building or Land to ready the Premises for Tenant's occupancy thereof or otherwise.

2.2.2 Landlord shall construct the Building and otherwise perform the work described on Exhibit C ("Landlord's Work") substantially in accordance with the construction drawings and specifications set forth in Exhibit D ("Construction Plans") ~~and no amendment shall be made to the Landlord's Work or the Construction Plans (including to the budget) without the prior written approval of Tenant.~~ At Landlord's cost and expense, promptly following the execution of this Lease, the Landlord agrees to use commercially reasonable efforts to diligently file and obtain all governmental approvals and permits for the construction of the Premises and the performance of Landlord's Work in accordance with the Construction Plans. Landlord shall provide Tenant with copies of all filings ~~in Landlord's possession~~ made by Landlord within five (5) business days after request therefor from Tenant. Following the issuance of the governmental approvals and permits, Landlord shall diligently commence and pursue completion of the Premises and performance of Landlord's Work in accordance with the Construction Plans. Tenant shall fully cooperate with Landlord in order to enable Landlord's Work to be performed in a timely manner. During the performance of the Landlord's Work, Tenant and its agents, consultants and representatives, shall have the right, upon reasonable prior notice, to inspect the progress of Landlord's Work and to attend the on-site and off-site meetings between the Landlord's general contractor performing the Landlord's Work and Landlord's subcontractors and/or general contractor hired to execute certain portions thereof, all as reasonably coordinated among Landlord and Tenant. Such inspections and meetings shall be conducted by Tenant in such a manner as to not interfere with the performance of Landlord's Work. Any such interference shall constitute a Tenant Delay: ~~(subject to any notice and cure periods).~~ "business

SL DRAFT 9.8.2022

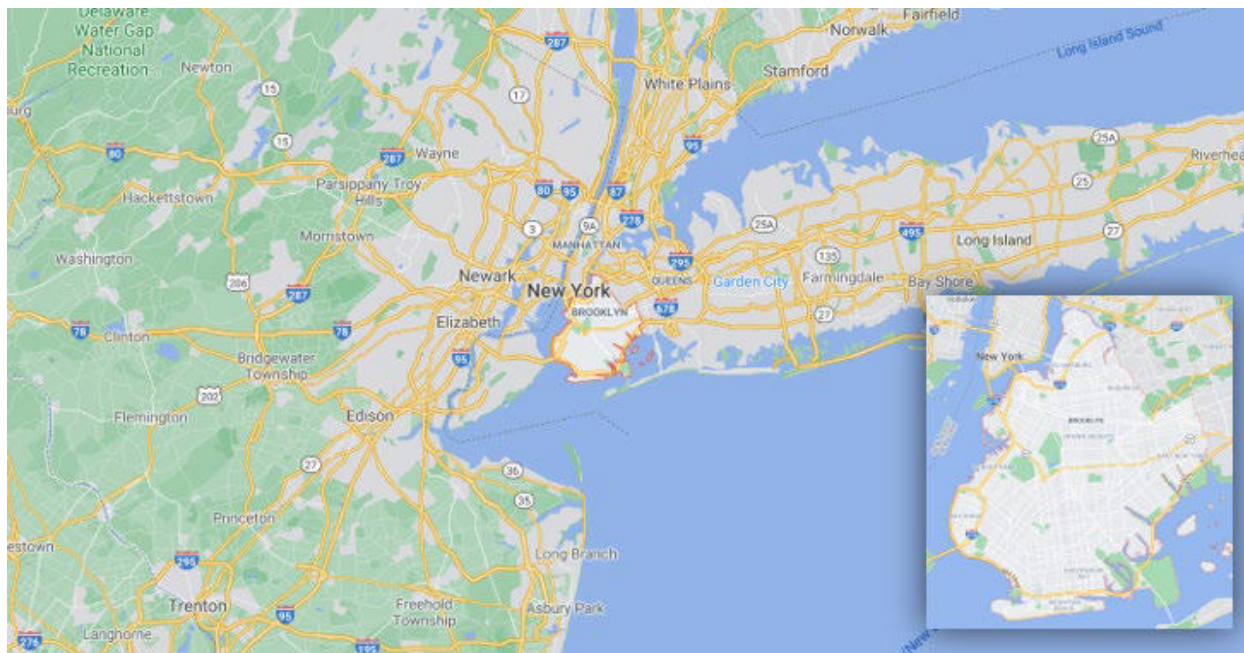
(a) Commencing as of the Commencement Date, Tenant shall pay Landlord the Fixed Rent (as hereinafter defined) in equal monthly installments on the ~~last business~~~~first-of~~ day of each and every calendar month during the Term. Rent shall be made payable directly to Landlord at its address set forth in Section 24.8, or to such other party or at such other payee and or address as Landlord may designate from time to time by written notice to Tenant. In addition, at the election of Landlord from time to time, Tenant shall pay Rent by federal wire transfer or ACH to such account(s) as Landlord may designate. In the event Tenant's check is returned for insufficient funds or otherwise dishonored for any reason, Tenant shall pay to Landlord, an administrative fee of \$100.00, which shall be deemed Additional Rent, and shall, following such occurrence, be required to make all further payments of Rent by certified or bank check or federal wire. If the Commencement Date and/or Expiration Date is a date other than the first or last day of the month, respectively, the installment of Fixed Rent and Additional Rent for such partial month shall be adjusted proportionately.

"Fixed Rent" shall mean the following annual amounts for the following periods:

Lease Year	Fixed Rent (Annually)	Fixed Rent (Monthly)	Annual Fixed Rent Escalation
1	[Fixed Rent will be \$1.9M based on \$13M construction budget, subject to increase based on final budget as per term sheet, to be finalized prior to execution]		n/a
2			2%
3			2%
4			2%
5			2%
6			2%
7			2%
8			2%
9			2%
10			2%
11			2%
12			2%
13			2%
14			2%
15			2%
16			2%

Kings County Area Analysis

The following analysis includes pertinent aspects of the surrounding region as it pertains to the subject property. This report was compiled using data as of 2022 Q3 unless otherwise noted. Data is from a number of sources including the U.S. Bureau of Labor Statistics ("BLS"), the U.S. Bureau of Economic Analysis ("BEA"), and the U.S. Census Bureau.



Source: Google Maps

Kings County At a Glance

The subject property is located in Kings County, New York. Kings County, New York is best known as the NYC borough of Brooklyn. It is the most populous county in the state, and the second-most densely populated county in the United States, with an estimated 2.7 million residents in 2020. It shares a land border with the borough of Queens, on the western end of Long Island. Brooklyn has several bridge and tunnel connections to the borough of Manhattan across the East River, and the Verrazzano-Narrows Bridge connects it with Staten Island. In the first decades of the 21st century, Brooklyn has experienced a renaissance as a destination for millennials, with gentrification, strong house price increases, and a decrease in housing affordability. Since the 2010s, Brooklyn has evolved into a thriving hub of entrepreneurship, high technology start-up firms, postmodern art, and design.

Brooklyn's job market is driven by three main factors: the performance of the national and city economy, population flows and the borough's position as a convenient back office for New York's businesses. As a result, economic conditions in Manhattan are important to the borough's jobseekers. Strong international immigration to Brooklyn generates jobs in services, retailing and construction. Since the late 20th century, Brooklyn has benefited from a steady influx of financial back office operations from Manhattan, the rapid growth of a high-tech and entertainment economy in DUMBO, and strong growth in support services such as accounting, personal supply agencies, and computer services firms. Jobs in the borough have traditionally been concentrated in manufacturing, but since 1975, Brooklyn has shifted from a manufacturing-based to a service-based economy.

The COVID-19 pandemic slowed economic growth throughout the country, including here in Kings County. Between February 2020 and April, Kings County employers shed over 238,333 jobs (19.3% of the labor market), as social distancing protocols were put in place and operating restrictions were imposed. As such, County GDP contracted -5.3% in 2020, compared to the year prior.

As of 09/22, the unemployment rate sits at 5.4%, below its five-year average of 7.0% and above the state level of 4.3%. The largest industry in terms of employment in Kings County is Education & Health Services, which employs 47.7% of all workers in the County.

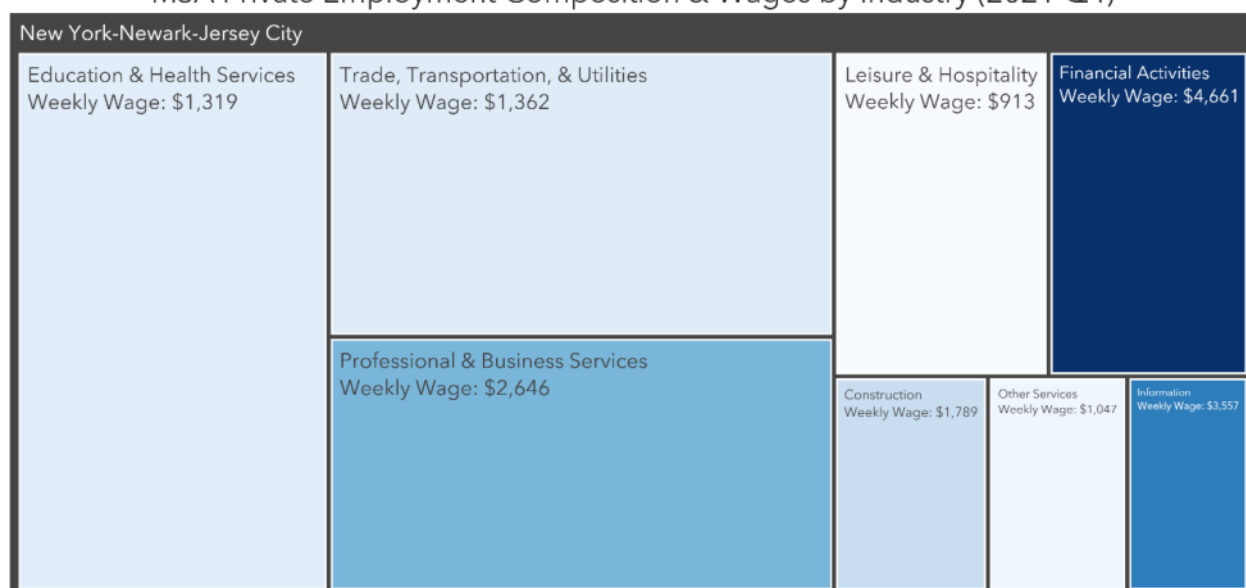
Area Fundamentals

Attribute	County Level Value	5 Year Annualized	
		Growth Rate	Relative to Baseline (MSA)
Employment	1,104,344	-1.8%	Slower than MSA
GDP	\$86.2 billion	2.8%	Faster than MSA
Population	2,641,052	0.3%	Slower than MSA
Per Capita Personal Income	\$59,468	7.6%	Faster than MSA

Labor Market Conditions

According to the Q4 2021 Quarterly Census of Employment and Wages, New York-Newark-Jersey City employed 7,598,354 private employees, with establishments in the Education & Health Services, Trade, Transportation, & Utilities, and Professional & Business Services industries accounting for the top three employers. These industries employ 1,924,821 (25.2%), 1,646,876 (21.5%), and 1,468,220 (19.2%) private sector workers in the Metro, respectively.

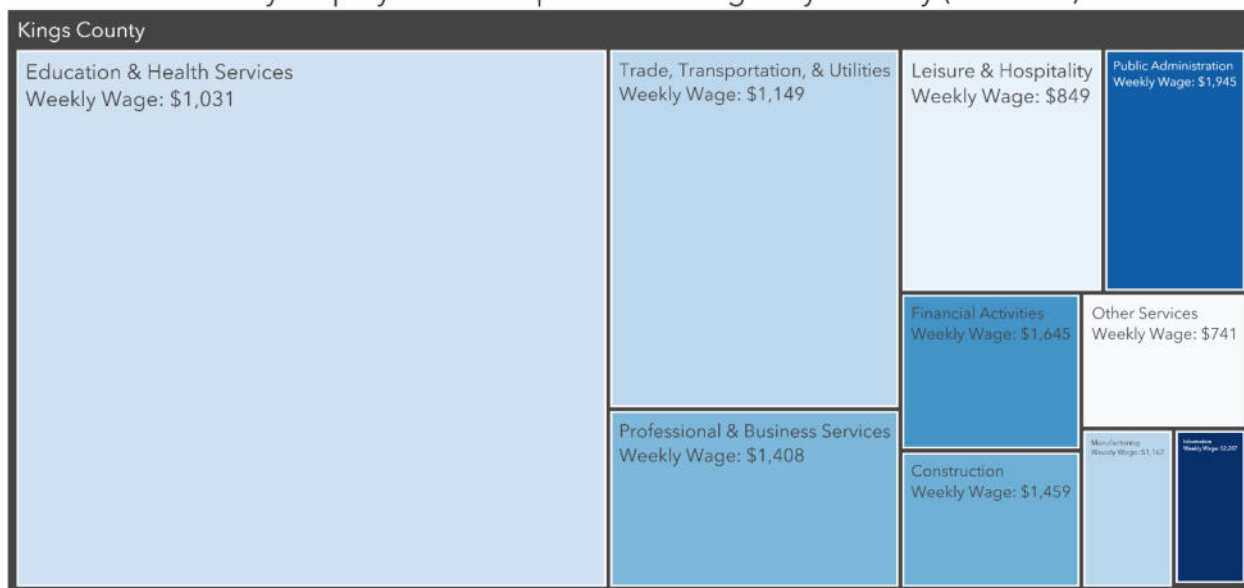
MSA Private Employment Composition & Wages by Industry (2021 Q4)



Source: U.S. Bureau of Labor Statistics

According to the Q4 2021 Quarterly Census of Employment and Wages, Kings County employed 802,690 employees, with establishments in the Education & Health Services, Trade, Transportation, & Utilities, and Professional & Business Services industries accounting for the top three employers. These industries employ 386,758 (47.7%), 127,077 (15.7%), and 63,206 (7.8%) workers in the County, respectively. Kings County has an especially large share of workers in the Education & Health Services industry. In fact, its 47.7% fraction of workers is 2.3 times higher than the National average.

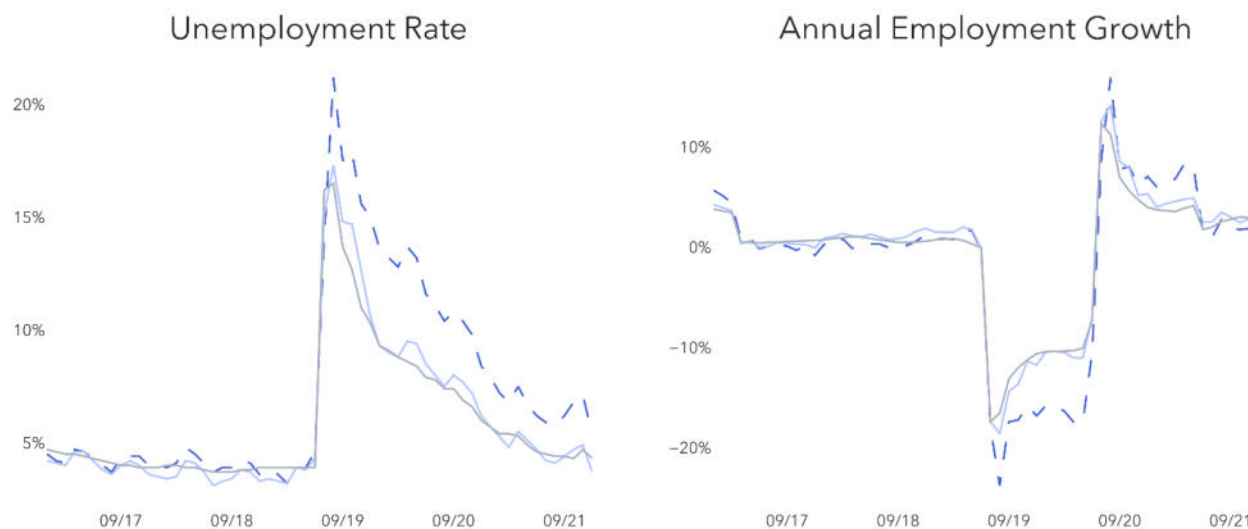
County Employment Composition & Wages by Industry (2021 Q4)



Source: U.S. Bureau of Labor Statistics

At the onset of the pandemic last spring, Kings County area employers shed 19.3% of its workforce, expanding the unemployment rate from 3.9% in February 2020 to 14.0% just two months later. The unemployment rate in Kings County has compressed over the past year to the current rate of 5.4%, considerably above the New York-Newark-Jersey City rate of 3.7%. As of 09/22, total employment is up 2% on a year-over-year basis. The unemployment rate remains above its pre-pandemic level (Feb 2020) of 3.9%.

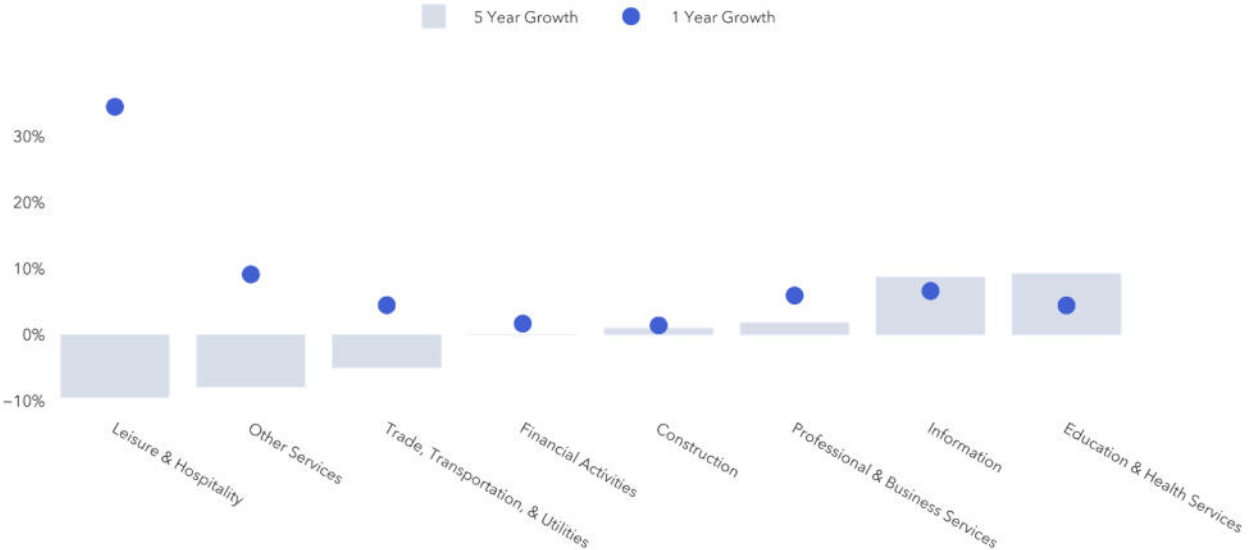
— Kings County — New York-Newark-Jersey City (MSA) — New York



Source: U.S. Bureau of Labor Statistics

According to the Q4 2021 Quarterly Census of Employment and Wages, New York-Newark-Jersey City Metro has experienced private employment expand 0.0% (2,418) in total over the last five years. During that time, the Education & Health Services, Information, and Professional & Business Services industries saw the strongest growth, expanding 9.3%, 8.7%, and 1.8%, respectively. Meanwhile, the Leisure & Hospitality Industry has experienced employment collapse 9.5% over the previous five years.

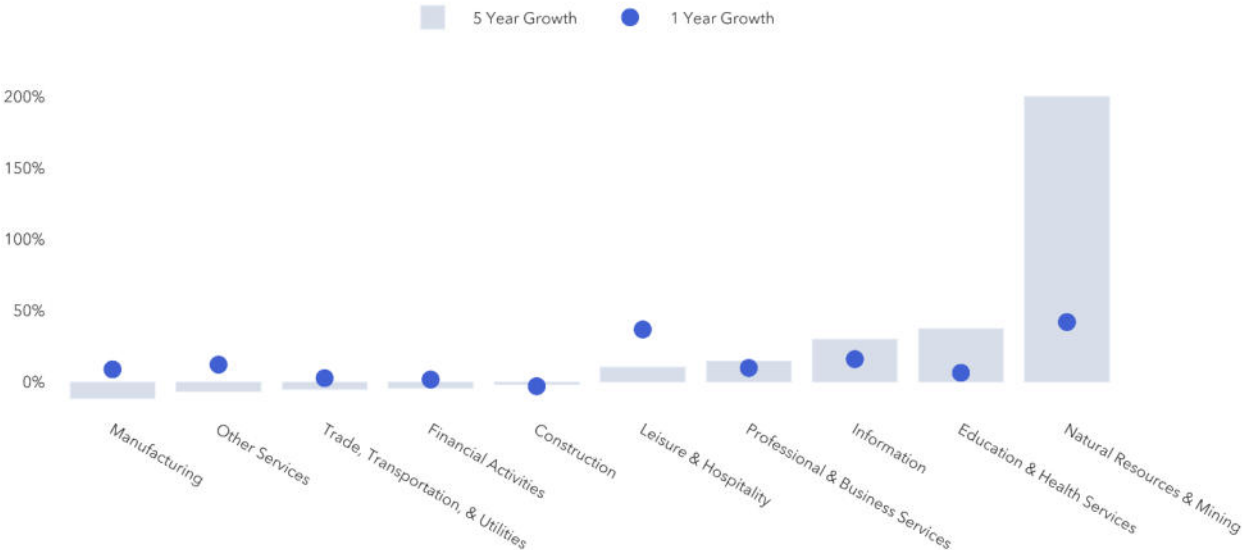
Private Employment Growth by Industry (MSA) (2021 Q4)



Source: U.S. Bureau of Labor Statistics

According to the Q4 2021 Quarterly Census of Employment and Wages, Kings County has experienced private employment expand 14.4% (87,266) in total over the last five years. During that time, the Natural Resources & Mining, Education & Health Services, and Information industries saw the strongest growth, expanding 200.0%, 37.4%, and 29.7%, respectively. Meanwhile, the Manufacturing Industry has experienced employment collapse 11.8% over the previous five years.

Private Employment Growth by Industry (County) (2021 Q4)

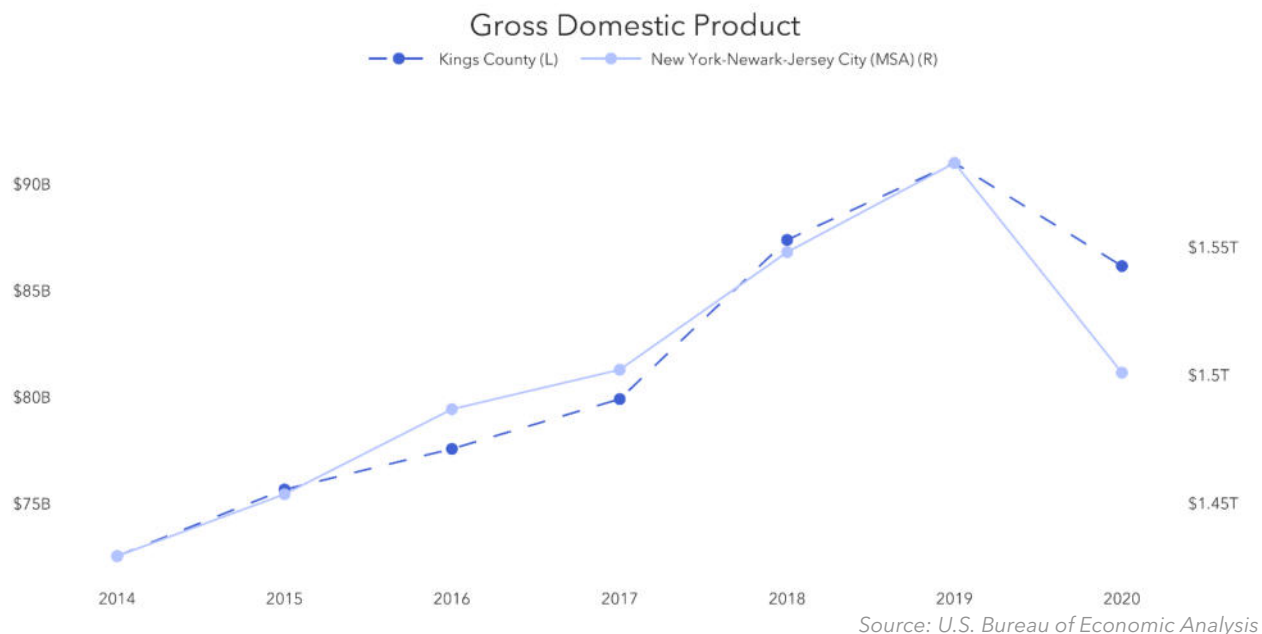


Source: U.S. Bureau of Labor Statistics

Economic Production

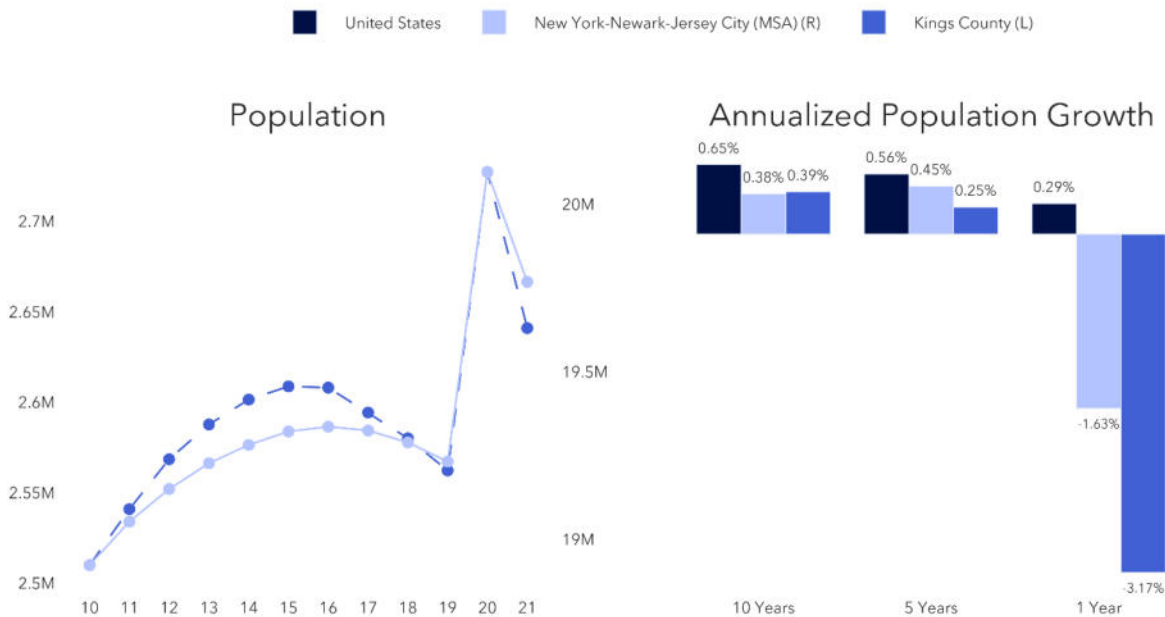
After accelerating to 6.9% in the fourth quarter of 2021, GDP growth fell for the 2nd straight quarter, decreasing at an annualized rate of 0.9% in Q2. Although there was a small rebound in GDP for Q3, Core CPI (all items less food and energy) is at a 30 year high of 6.6% yoy, this is despite an increase in the Federal Funds Rate for the fifth time this year. As such, the Fed is widely expected to continue with rate hikes well into 2023, increasing the likelihood of a recession in the near term.

For the five years prior to the pandemic, Kings County experienced average annual growth of 5.1% compared to 2.1% for the Metro. In 2020, Kings County produced about \$86.2 billion of output, representing an annual change of -5.3% compared to -5.2% for the Metro.



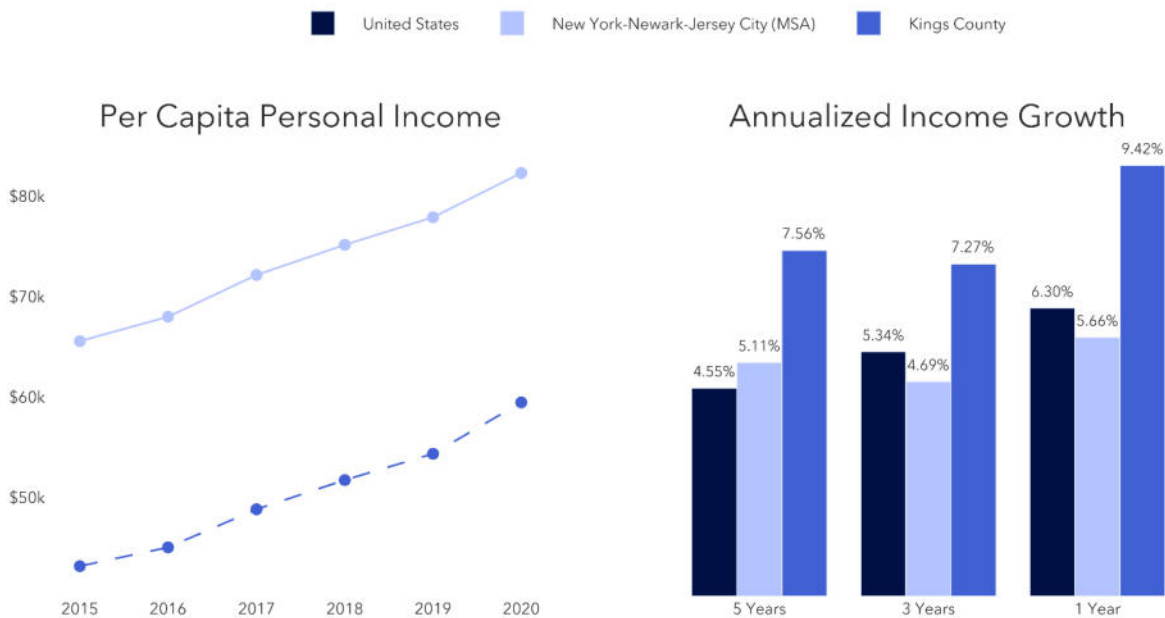
Demographics

Going back ten years, Kings County's population has expanded 0.4% per annum to the 2021 count of 2,641,052. Over the past five years, growth has declined, growing 0.3% per annum since 2016. This growth rate falls short of the Nation, which has expanded 0.6% per year over the last five years.



Source: U.S. Census Bureau


Going back five years, Kings County residents' per capita personal income has expanded 7.6% per annum to the 2020 level of \$59,468. Over the past three years, growth has declined, growing 7.3% per annum since 2017. This growth rate exceeds the Nation, which has expanded 5.3% per year over the last three years.




Source: U.S. Census Bureau

Infrastructure


Transportation Methods

 Most of the limited-access expressways and parkways are in the western and southern sections of Brooklyn, where the borough's two interstate highways are located; Interstate 278, which uses the Gowanus Expressway and the Brooklyn-Queens Expressway, traverses Sunset Park and Brooklyn Heights, while Interstate 478 is an unsigned route designation for the Brooklyn-Battery Tunnel, which connects to Manhattan. Other prominent roadways are the Prospect Expressway (New York State Route 27), the Belt Parkway, and the Jackie Robinson Parkway (formerly the Interborough Parkway). Major thoroughfares include Atlantic Avenue, Fourth Avenue, 86th Street, Kings Highway, Bay Parkway, Ocean Parkway, Eastern Parkway, Linden Boulevard, McGuinness Boulevard, Flatbush Avenue, Pennsylvania Avenue, and Nostrand Avenue.

Brooklyn is connected to Manhattan by three bridges, the Brooklyn, Manhattan, and Williamsburg Bridges; a vehicular tunnel, the Brooklyn-Battery Tunnel (also known as the Hugh L. Carey Tunnel); and several subway tunnels. The Verrazzano-Narrows Bridge links Brooklyn with the more suburban borough of Staten Island.

 Brooklyn features extensive public transit. Nineteen New York City Subway services traverse the borough. There are three commuter rail stations in Brooklyn: East New York, Nostrand Avenue, and Atlantic Terminal, the terminus of the Atlantic Branch of the Long Island Railroad.

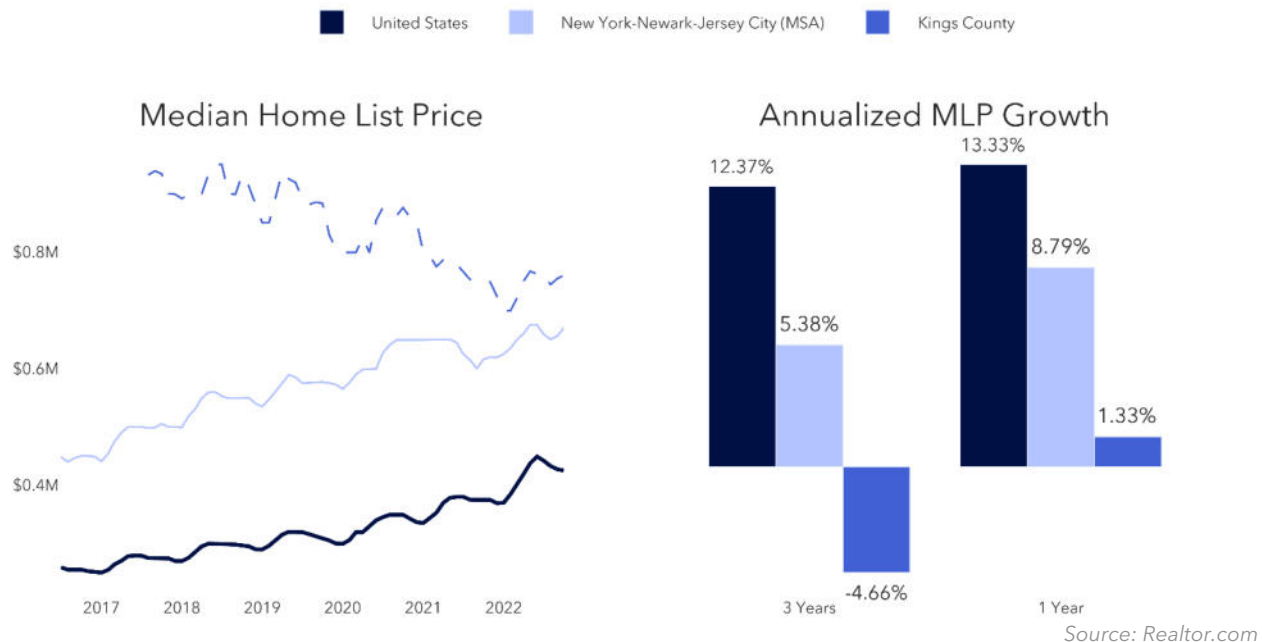
 Kings County public bus service is provided by the MTA and offers an extensive route map.

 Three international airports serve NYC. JFK and LGA are located in Queens while EWR is located in Newark, New Jersey.

Housing

In 2021, historically low mortgage rates, the desire for more space, and the ability to work from home led to an increase in demand for housing. This, combined with historically low inventory levels, pushed values to record highs in most counties and metros across the Nation in 2021 and first half of 2022, with medium listing price in the US reaching \$449,000 in June 2022. However, with persistent inflation in the current year, the Fed has hiked interest rates, pushing mortgage rates to 7% as of October. The sharp rise in mortgage rates has eroded housing affordability, resulting in a decrease in demand, and values. While values remain up 14% over the past year, the medium listing price in the US decreased 4.8% from June to \$427,250 in September.

In Kings County, Realtor.com data points to continued growth in values. In fact, as of 10/2022, the median home list price sits at \$760,000, an increase of 1% compared to an increase of 9% for the New York-Newark-Jersey City Metro, and an increase of 13% across the Nation over the past year. With the recent sharp rise in mortgage rates, demand is expected to soften along with growth in values.



Outlook

The United States economy continues to feel some lingering effects from the pandemic, with a mix of cautiously optimistic and worsening signs. The unemployment rate in September dropped to 3.5%, with total nonfarm payroll employment increasing by 263,000, matching the lowest pre-pandemic rate of February of 2020. Notable job gains occurred in leisure and hospitality and in health care. The global supply chain pressure index, which measures disruptions on supply side, has shown significant improvement since the worst month of disruptions in December 2021. However, with persistent levels of inflation continuing through September, the Fed repeatedly reaffirmed its commitment to fighting inflation. As such, the Fed is widely expected to continue with rate hikes well into 2023, increasing the likelihood of a recession in the near term.

The current unemployment rate in Kings County of 5.4% is below its five-year average. By Contrast, that rate is also above the state rate of 4.3%, and above the national rate of 3.7%. Although Kings County has experienced population growth of 0.3% per year over the past five years, it most recently saw a one-year contraction of -3.2%. Considering its strong positive growth relative to the nation as a whole over the five years prior to the pandemic, its long-term growth in population, and despite its dependency on one particular industry, the county is well equipped for near and long-term growth.

Subject Property Photos

All subject photos were taken on March 5, 2022 by Michelle Zell. We also inspected the property on February 7, 2023 by Jon Nathanson, but did not take photos.

Building Facade



Building Façade



Exterior



Subject Street



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 Apthorp 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 7th 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/>

Evan Pruitt

Associate Vice President, Valuation

Experience

Evan Pruitt is an Associate Vice President at Bowery Valuation who joined the firm in September 2020. Evan is actively engaged in appraising mixed-use, multifamily, industrial, retail, office, condominium, and land properties throughout the Tri State region.

Prior to joining Bowery, Evan served as a brokerage intern at Cushman & Wakefield, based in New York City, where he worked on a team of brokers focusing on office leasing and specifically, tenant representation.

Education

The George Washington University, School of Business Bachelor of Business Administration with a dual concentration in Finance and Real Estate and a minor in Statistics

Certifications & Professional Designations

Certified General Real Estate Appraiser State of New York (# 46000053934)

License

UNIQUE ID NUMBER 46000049921	State of New York Department of State DIVISION OF LICENSING SERVICES	FOR OFFICE USE ONLY Control No. 1542645
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 21
ZELL MICHELLE R C/O BBG INC 112 MADISON AVE 11TH FL NEW YORK, NY 10016		EXPIRATION DATE MO. DAY YR. 05 08 23
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-1096 (Rev. 3/01)		

UNIQUE ID NUMBER 46000053934	State of New York Department of State DIVISION OF LICENSING SERVICES	FOR OFFICE USE ONLY Control No. 1532919
PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.		EFFECTIVE DATE MO. DAY YR. 12 28 22
PRUITT EVAN D C/O PRUITT EVAN D 35 WEST 11TH STREET APT 4F NEW YORK, NY 10011		EXPIRATION DATE MO. DAY YR. 12 27 24
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. ROBERT J. RODRIGUEZ SECRETARY OF STATE
DOS-1096 (Rev. 3/01)		