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**NEWMARK VALUATION & ADVISORY**

**10 Bryant Park**

**452 Fifth Avenue**

Between West 39th and West 40th Streets

New York, New York County, NY 10018

Newmark Job No.: 23-0189391-1

**Appraisal Report Prepared For:**

Mr. Eli Elefant

452 Fifth Owners LLC

452 Fifth Avenue, 21st Floor

New York, NY 10018

**Prepared By:**

**Newmark**

Valuation & Advisory, LLC

125 Park Avenue

New York, NY 10017



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## NEWMARK VALUATION & ADVISORY

August 11, 2023

Mr. Eli Elefant  
452 Fifth Owners LLC  
452 Fifth Avenue, 21st Floor  
New York, NY 10018

RE: Appraisal of a LEED Gold certified, Class A office property with multi-level retail space known as 10 Bryant Park and located at 452 Fifth Avenue, New York, New York County, NY 10018, prepared by Newmark, LLC (herein "Firm" or "Newmark")

Newmark Job No.: 23-0189391-1

Dear Mr. Elefant:

The subject consists of four interconnected 10 and part 30-story, plus three levels below grade, LEED Gold certified, Class A office buildings with multi-level retail space known as 10 Bryant Park located at 452 Fifth Avenue, New York, New York County, NY. The subject is located along the entire western blockfront of Fifth Avenue between West 39th and West 40th Streets on a 44,354 square foot throughblock parcel within the Grand Central office submarket of Midtown Manhattan. The buildings were constructed from 1904 to 1926 and all four buildings were substantially renovated in 2014. The four buildings that make-up the subject property are as follows:

- ◆ The Knox Building, a landmarked 10-story structure located at the corner of Fifth Avenue and 40<sup>th</sup> Street (452 Fifth Avenue);
- ◆ The Kress Building and 442 Fifth Avenue which house a majority of the 30-story office tower and the improvements cantilever over the Kress building along Fifth Avenue and;
- ◆ 1-11 West 39th Street, a 12-story office building located adjacent to the Kress Building. The floors within the improvements have been seamlessly integrated and the property functions as one office building known as 10 Bryant Park (452 Fifth Avenue).

The subject property comprises 865,339 square feet of net rentable area, which has been re-measured based on a market-oriented loss factor of 27% according to the information provided by the owner (739,442 square feet of gross building area per the tax assessor). The property is currently 95.16% leased to 2 retail tenants and 16 office tenants.

HSBC is the anchor tenant comprising 547,963 square feet of office, retail and storage space with a lease expiration in April 2025. The tenant has indicated they will be vacating the entirety of their space within the subject property, with the exception of the vault space within the lower level. The

tenant is assumed to renew within the vault area for a period of 5-years comprising 31,095 square feet. Inclusive of the HSBC planned vacancy, the occupancy of the property will reduce to 35.42% by year-end 2025. As a result, additional downtime between leases has been modelled within this analysis in consideration of the planned vacancy and lease-up risk to be incurred over the initial 5-years of the cash flow. Due to the above market vacancy, Newmark has assumed that the property will invest capital to enhance the property with the necessary amenities to remain competitive in the current market. The renovations costs will be dedicated to a shared amenity for existing and prospective tenants, along with general building and mechanical upgrades. Within the first two years of the investment holding period, the renovation costs total \$30,000,000 (\$40.57 PSF / GBA), which will be completed while HSBC is still in occupancy of their space. The ability to market the building with the amenity package completed prior to HSBC vacating the building is considered a positive.

The property benefits from a strong office component, which is currently 96% leased and anchored by the following tenants: HSBC Bank USA (477,911 SF) and Baker & McKenzie (105,803 SF). The office tenants currently represent 85% of the total leased area and account for 87% of the year one base rental revenue currently in-place, with a weighted remaining lease term of 37 months (3.1 years). Due to the location of the property and planned enhancements, the owner continues to remain active with prospective office tenants. The owner has signed 4 leases totaling 55,079 square feet, excluding the short-term significantly below market extensions, at an average contract rent of \$110.75 per square foot, which indicates the subject's strong competitive positioning in the marketplace as a desirable office building.

The retail component consists of three retail units comprising 80,411 square feet of net rentable area. The retail space is 93% leased to HSBC Bank (56,889 SF; including 31,095 SF of vault space) and Staples (17,657 SF), which exhibit an average remaining lease term of 40 months (3.4 years). The existing vacancy was previously leased to Panera, which exercised an early termination clause adjusting the lease expiration date from May 2027 to February 2023. The remainder of the property is storage space comprising 17,302 square feet and is 95% leased by HSBC (13,163 SF) and HBK New York (500 SF).

## KEY VALUE CONSIDERATIONS

### STRENGTHS

- The existing contract rents are considered below market levels which offers future upside to an investor to release space at current market levels. Despite the relatively high vacancy rate throughout New York City for office space, leasing activity remains active for Class A office buildings. Class A buildings continue to command a premium in rents as tenants seek best in class infrastructure. The subject's office submarket location and current quality positions the property as an ideal candidate for sophisticated office tenants

seeking excellent quality office product. This is evidenced by the recently signed leases averaging \$110.75 per square foot. Achieving contract rents exceeding triple digits on a dollar per square foot basis is competitive with the Trophy office building marketplace, which is the strongest performing classification of properties throughout Manhattan.

- The subject property is located within a desirable commercial location within the Grand Central office submarket and Bryant Park sub-district of Midtown. Class A office space continues to remain active throughout this submarket, despite the volume of sublease space that has been added to the market. Submarkets within proximity to transportation such as Grand Central and Penn Station have been the beneficiary of above market leasing activity.
- The subject property is located adjacent to Bryant Park, with unobstructed views along the north side of the Fifth Avenue tower portion of the building. The above market protected views of the surrounding area has been considered when selecting our market leasing assumptions for the subject property.

#### **RISK FACTORS**

- Federal Reserve interest rate increases and associated effects on cost of capital and investment rates along with credit tightening have impaired transaction volumes.
- Despite positives such as a healthy job market, at least a mild recession is still expected later this year. Easing of inflation, continued consumer spending, and solid job growth have so far kept the economy growing in spite of interest rate increases and bank system stress.
- Both Green Street and Real Capital Analytics are reporting anemic CRE transaction volumes nationally along with slipping prices.
- Competition throughout Manhattan, specifically within Midtown East Rezoning District and the Far West Side office submarket, present a competition risk as several developments are anticipated to add a substantial amount of inventory over the next two to five years. Inclusive of the near-term vacancy of HSBC, there will be 558,793 square feet of available space within the subject property. The lease-up risk has been considered within this analysis.
- Based on our review of the current Real Estate Tax assessment, the subject building is considered significantly under-assessed, and the assumed increase to the assessment has been considered within this analysis.

#### **NATIONAL TRENDS AND UNCERTAINTIES**

National and Global economies have experienced record setting inflation and interest rates have continued to increase. Influences of the COVID pandemic on the economy have reduced but

some fallout effects continue. A recession is still a concern among economists and the populace at large while the yield curve continues to signal a recession. The April 2023 forecast by The Conference Board shows the strong likelihood of a recession later this year. Surveys of economists are not as severe with usually about 60% saying they expected a recession this year. However, consumer spending and robust job growth have allowed the economy to continue to grow.

In an effort to curtail inflation, The Federal Reserve embarked on an aggressive strategy which may be bearing fruit. In spite of three major bank failures, the Fed raised rates another 25 basis points in May 2023, for a total of 500 basis points over the course of 2022 into 2023. The Fed is targeting a range of 5.00% to 5.25% for the Federal Funds Rate – the highest since August 2007. This has been the fastest increase in rates the Federal Reserve has ever engineered. In June, 2023, the Fed chose to leave rates at the current level but stated that two additional increases were expected later this year.

Commercial real estate is receiving an increased amount of attention as prices are demonstrably falling and transaction volumes plummeting. These effects are a function of the unfavorable economic and credit conditions as well as other factors such as impacts to office use driven in part by the COVID-19 pandemic. Credit tightening, which includes wider credit spreads and lower loan-to-value ratios, is arising due to uncertain economic outlooks, deterioration in real estate collateral values, and concerns about bank liquidity. According to Real Capital Analytics (RCA), commercial transaction volume was down 56% in the first quarter of 2023 over the same period in 2022. Green Street reported a 70% reduction. Note, however, that the first quarter of 2022 had record high transaction volumes which skews the comparison.

It is likely as investors have more clarity with the interest rate environment that price discovery will allow transaction volume to increase. We have considered, and will address, these issues throughout this appraisal and report including in our determinations of overall capitalization rates, discount rates, market rent assumptions, market conditions adjustments, and growth of rents and expenses where applicable.

Based on the analysis contained in the following report, the opinion of value for the subject is:

### Value Conclusions

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Retrospective Market Value "As Is"	Leased Fee	5/31/2023	\$685,000,000

*Compiled by Newmark*

***The valuation has been prepared in accordance with the International Financial Reporting Standards 13 (IFRS 13), Fair Value Measurement and is intended for use in connection with financial reporting requirements.***

## PRIOR SERVICES VALUE CONCLUSION

Prior Services Value Conclusions				
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion	Variance
Retrospective Market Value "As Is"	Leased Fee	5/31/2021	\$865,000,000	-20.81%
Retrospective Market Value "As Is"	Leased Fee	5/31/2022	\$750,000,000	-8.67%
Retrospective Market Value "As Is"	Leased Fee	11/30/2022	\$725,000,000	-5.52%

*Compiled by Newmark*

Newmark has completed three prior appraisal reports for the subject property within the previous three years. The prior dates of value were May 31<sup>st</sup>, 2021, May 31<sup>st</sup>, 2022, and November 30<sup>th</sup>, 2022. The value conclusion in 2021 was concluded to be \$865,000,000, which was heavily influenced by the pending contract of sale that was being negotiated at \$855,000,000. During the first quarter of 2022 it was announced that the anchor tenant (HSBC) would be vacating the property and as a result, the transaction fell through. The current appraisal has concluded to a value of \$685,000,000, which represents a 20.81% decline since May 2021. An overview of the major value impacting changes comparing the prior appraisals to the current analysis have been outlined on the following chart:

Newmark Value Conclusions Chart							
Assumptions	May 31, 2023	Nov 30, 2022	May 31, 2022	May 31, 2021	Variance (23 to 22)	Variance (23 to 21)	Variance (23 to 21)
Occupancy	95.16%	94.58%	98.81%	98.81%	0.61%	-3.70%	-3.70%
In-Place Revenue	\$68,657,183	\$68,079,163	\$70,645,611	\$70,547,623	0.85%	-2.81%	-2.68%
Average Contract Rent (PSF)	\$83.38	\$83.18	\$82.62	\$82.51	0.24%	0.92%	1.06%
Average Market Rent (PSF)	\$94.86	\$91.02	\$88.23	\$88.24	4.22%	7.51%	7.50%
Contract Rent as % of Market	89.27%	92.34%	93.45%	93.32%	-3.32%	-4.48%	-4.34%
Weighted Average Remaining Lease Term	37.2 Mos.	39.1 Mos.	38.3 Mos.	51.0 Mos.	-4.83%	2.16%	-27.04%
Average Annual Expiration Over Holding Period	9.17%	9.15%	7.51%	8.10%	0.22%	21.81%	13.17%
Operating Expenses (PSF) - Year 1	\$19.05	\$19.30	\$18.21	\$19.13	-1.33%	6.00%	-0.42%
Stabilized Vacancy and Collection Loss Assumption	3.00%	3.00%	2.00%	2.00%	0.00%	50.00%	50.00%
Stabilized Blended Vacancy and Collection Loss Assumption*	3.50%	5.04%	2.14%	4.73%	-30.58%	63.34%	-25.96%
Outstanding Renovation Costs	\$29,602,869	\$32,321,074	\$21,312,452	\$0	-8.41%	38.90%	
Leasing and Capital Costs through Stabilization (Years 1-7)	\$348,420,369	\$327,472,107	\$360,978,512	\$184,588,320	6.40%	-3.48%	88.76%
Absorption Period	18.0 Mos.	12.0 Mos.	Varies	12.0 Mos.	50.00%		50.00%
Current Actual Assessment (PSF/GBA)	\$234.06	\$228.25	\$209.48	\$172.23	2.55%	11.73%	35.90%
As Is Value	\$685,000,000	\$725,000,000	\$750,000,000	\$865,000,000	-5.52%	-8.67%	-20.81%
As Is Discount Rate	6.75%	6.50%	6.25%	6.00%	3.85%	8.00%	12.50%
As Is Terminal Rate	5.25%	4.75%	4.75%	4.75%	10.53%	10.53%	10.53%
Capitalization Rate - As Is	5.00%	4.75%	4.50%	4.99%	5.26%	11.11%	0.20%
Market Rent Growth - Office	3.00%	3.0% Annually	3.0% Annually	0.00% - Years 1-2; 3.0% Thereafter			
Market Rent Growth - Retail	0.00% - Years 1-3; 3.0% Thereafter	0.00% - Years 1-3; 3.0% Thereafter	0.00% - Years 1-3; 3.0% Thereafter	0.00% - Years 1-3; 3.0% Thereafter			
Operating Expense Growth Rate	3.00%	3.00%	3.00%	3.00%	0.00%	0.00%	0.00%
Tenant Improvement Allowance - Office	\$129.91	\$129.91	\$129.91	\$110.00	0.00%	0.00%	18.10%
Free Rent Assumption - Office	12.9 Mos.	12.9 Mos.	12.9 Mos.	12.0 Mos.	0.00%	0.00%	7.35%
Average Net Effective Rent (Office)	\$82.70	\$80.18	\$81.85	\$83.46	3.14%	1.03%	-0.91%
Average Tenant Improvement Allowance - Retail	\$51.99	\$100.00	\$100.00	\$100.00	-48.01%	-48.01%	-48.01%
Average Free Rent (Mos.) - Retail	10.0 Mos.	10.0 Mos.	10.0 Mos.	10.0 Mos.	0.00%	0.00%	0.00%
Average Concession Package (Mos.) - Retail	15.9 Mos.	19.2 Mos.	19.2 Mos.	19.2 Mos.	-17.29%	0.00%	-17.29%

The value has continued to decrease over the past several quarters due to the adjusted investment rates. The cost of debt has become onerous to commercial landlords and the impact on capital market activity has been abrupt. As a result, discount and terminal capitalization rates continue to increase as investors target above market return expectations due to the various risks impacting the commercial real estate sector.

#### **EXTRAORDINARY ASSUMPTIONS**

An extraordinary assumption is defined in USPAP as an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results.

1. None

#### **HYPOTHETICAL CONDITIONS**

A hypothetical condition is defined in USPAP as 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. The value conclusions are based on the following hypothetical conditions that may affect the assignment results.

1. None

#### **CLIENT RELIANCE STATEMENT**

The intended users of the appraisal are Client, Property & Building Corporation LTD, PBC USA Investment, Inc., Discount Investment Corporation Ltd. ("DIC") PBC Israel, and each of their respective subsidiary entities whose financial statements are consolidated with any of the foregoing named entities, but only in connection with such parties' participation in the Intended Use. The identification of Intended User(s) of the appraisal is to determine the type and extent of research, analysis and reporting appropriate for the assignment. Designation of a party other than Client as an Intended User is not intended to confer upon such party any rights under this Agreement. The intended use of the appraisal is for financial reporting by the Client. The Firm knows and agrees that the appraisal will be used and/or included in certain quarterly and annual financial statements as of dates in calendar year 2023 of some or all of the Intended Users, including such financial statements as shelf prospectuses or shelf offering reports to be published by any of the said Intended Users, including by way of referral, as well as in any immediate report under Securities Law, 5728-1968 and its regulations which, according to the provisions of the law, the said companies will be required to include. The complete report may also be used by Client and its holding companies as an addendum to public filings and investment prospectuses in connection with an offering involving the Property on the Tel Aviv Stock Exchange.

The appraisal was developed based on, and this report has been prepared in conformance with the Client's appraisal requirements, the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the Interagency Appraisal and Evaluation Guidelines (December 2, 2010), and the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

## CERTIFICATION

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

1. The statements of fact contained in this report are true and correct.
2. 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.
3. 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.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. 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.
7. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as the requirements of the State of New York.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. As of the date of this report, Douglas Larson, MRICS has completed the Standards and Ethics Education Requirements for Practicing Affiliates of the Appraisal Institute.
12. Douglas Larson, MRICS and Charles Looney made a personal inspection of the property that is the subject of this report.
13. Significant real property appraisal assistance was provided by Jon Spierer and Justin Larkin who have not signed this certification. The assistance of Jon Spierer and Justin Larkin consisted of participating in the property inspection, conducting research on the market, subject property, and transactions involving comparable properties, performing certain appraisal analyses, and assisting in report writing, all under the supervision of the person(s) signing this report.
14. The Firm operates as an independent economic entity. Although employees of other service lines or affiliates of the Firm may be contacted as a part of our routine market research investigations, absolute client confidentiality and privacy were maintained at all times with regard to this assignment without conflict of interest.
15. Within this report, "Newmark", "Newmark Valuation & Advisory", "Newmark, Inc.", and similar forms of reference refer only to the appraiser(s) who have signed this certification and any persons noted above as having provided significant real property appraisal assistance to the persons signing this report.

16. Douglas Larson, MRICS has prepared three appraisals of the subject property for the current client within the three-year period immediately preceding acceptance of this assignment. Douglas Larson, MRICS has not performed services in any other capacity regarding the subject property during this time period. Charles Looney has prepared three appraisals of the subject property for the current client within the three-year period immediately preceding acceptance of this assignment. Charles Looney has not performed services in any other capacity regarding the subject property during this time period.



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Certification

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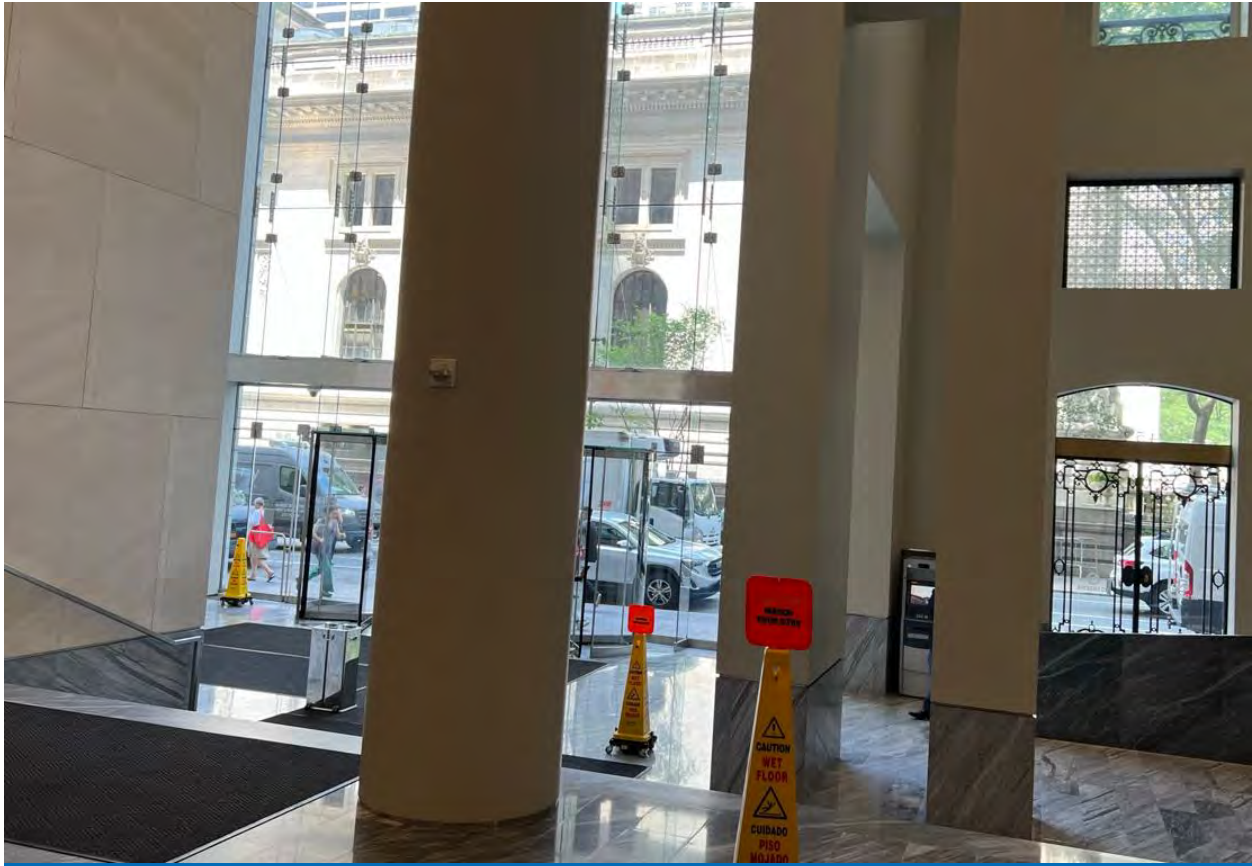
# PROPERTY PHOTOGRAPHS



Subject Property Exterior Photo Across Fifth Avenue



Subject Property Exterior Photo Across Fifth Avenue



442/452 Fifth Avenue Office Lobby



1-11 West 39<sup>th</sup> Street Office Lobby



View of the Subject Office Space



View of the Subject Office Space



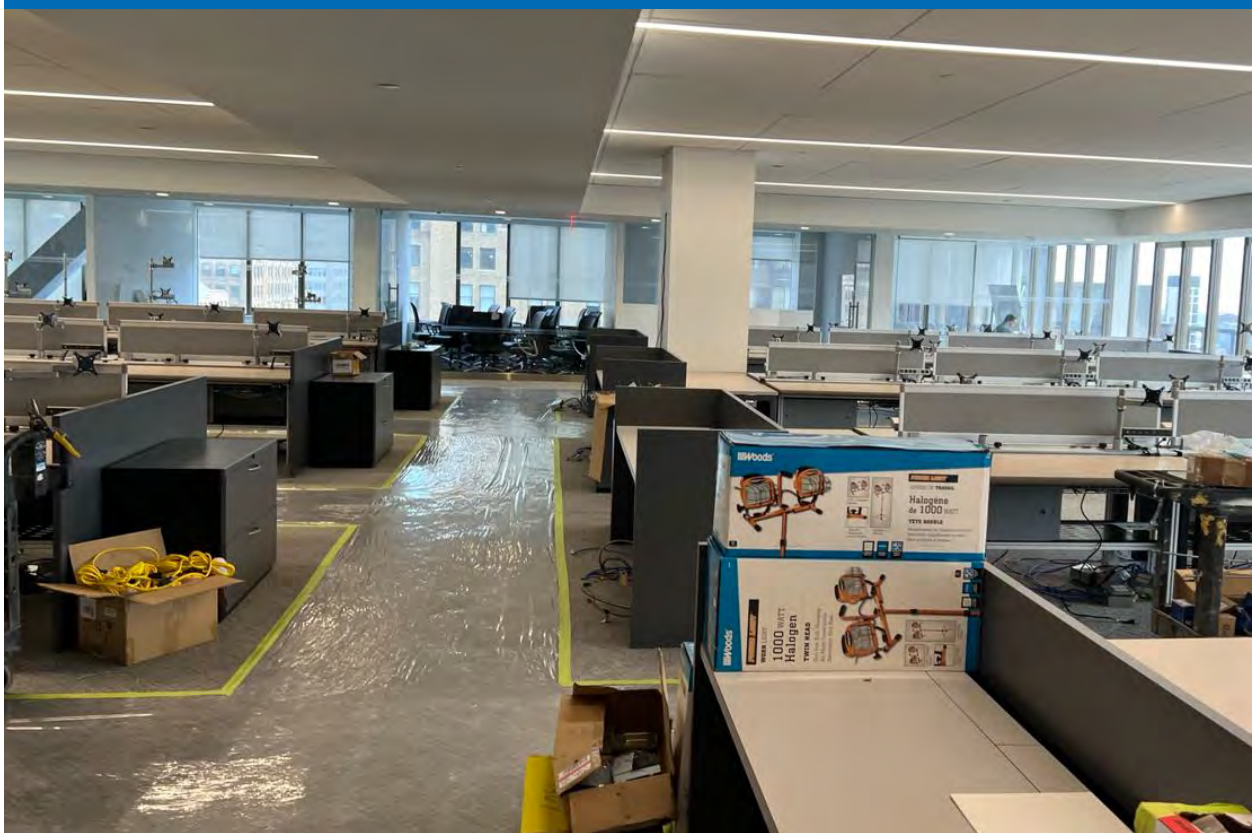
View of the Subject Office Space



View of the Subject Office Space



View of the Subject Office Space (Under Construction)



View of the Subject Office Space (Under Construction)



View of the Subject Office Space (Under Construction)



View of the Subject Vacant Office Space



View of the Subject Vacant Office Space



View of the Subject Occupied Office Space



View of the Subject Occupied Office Space



View of the Subject Retail Space



View of the Subject Retail Space



View Overlooking Bryant Park From Subject Property



View Looking Northeast From Subject Property



View Looking West From The Subject Property



View Looking North Along Fifth Avenue



View Looking South along Fifth Avenue

# EXECUTIVE SUMMARY

## 10 Bryant Park

Property Type:	Class A office buildings
Street Address:	442/452 Fifth Avenue, & 1-11 West 39th Street
City, State & Zip:	New York, New York County, NY 10018
Tax Parcel Identification	Block 841, Lot 31 & 49
Owner of Record:	452 Fifth Owners LLC c/o PBC Group
<b>Gross Building Area (SF):</b>	
442/452 Fifth Avenue	616,352
1-11 West 39th Street	<u>123,090</u>
<b>Total Gross Building Area (SF):</b>	<b>739,442</b>
Net Rentable Area As Is (SF):	865,339
Year Built (Renovated):	1904 to 1935 (2014)
Occupancy	95.16%
<b>Stories</b>	
442/452 Fifth Avenue	10 to 30-stories
1-11 West 39th Street	12-story
<b>Land Area Summary</b>	
442/452 Fifth Avenue	32,834
1-11 West 39th Street	<u>11,520</u>
<b>Total Land Area Summary:</b>	<b>1.018 acres; 44,354 SF</b>
Zoning:	General Central Commercial District (C5-3) & Light Manufacturing District (High-Performance; M1-6) within the Special Midtown Purpose District
Highest and Best Use - As Vacant:	To Construct A Mixed-Use Building With Residential And Commercial Space Developed To The Highest Feasible Density Permissible
Highest and Best Use - As Improved:	Continued Use As An Office Building With Multi-Level Retail Space

### Analysis Details

Valuation Date:	May 31, 2023
Inspection Date:	June 28, 2023
Report Date:	August 11, 2023
Report Type:	Appraisal Report
Intended Use:	Financial Reporting By The Client
Intended User:	452 Fifth Owners LLC, Property & Building Corporation LTD, PBC USA Investment, Inc., Discount Investment Corporation Ltd. ("DIC") PBC Israel, and each of their respective subsidiary entities whose financial statements are consolidated with any of the foregoing named entities, but only in connection with such parties' participation in the Intended Use.
Interest Appraised:	Leased Fee
Exposure Time (Marketing Period) Estimate:	6 to 12 Months (6 to 12 Months)

### Market Value Indications

<b>As of Date:</b>	<b>Retrospective As Is</b>
	<b>May 31, 2023</b>
Cost Approach:	Not Used
Sales Comparison Approach:	\$680,000,000
Income Capitalization Approach:	\$685,000,000
Market Value Conclusion	\$685,000,000
\$/SF	\$791.60

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than the Intended User may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

Compiled by Newmark

### Extraordinary Assumptions and Hypothetical Conditions

An extraordinary assumption is defined in USPAP as an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results.

1. None

A hypothetical condition is defined in USPAP as 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. The value conclusions are based on the following hypothetical conditions that may affect the assignment results.

1. None

*Compiled by Newmark*

## DETAILED VALUATION PARAMETERS

Sales Comparison Approach		Conclusion			\$/NRA	
Sale Dates Range	Dec-21	Aug-23	--	<b>Concluded Value (As Is)</b>	<b>\$680,000,000</b>	<b>\$785.82</b>
Unadjusted Range (\$/SF)	\$599.18	\$1,504.39	--			
Adjusted Range (\$/SF)	\$733.25	\$1,404.99	\$1,150			
Gross % Adjustment Range	20%	55%	--	Subject Under Contract or LOI?	No	

Subject Tenancy Analysis		Operating Expense Analysis (\$ PSF)	
Quantity	The subject property is 95.16% leased to 2 retail tenants and 16 office tenants	Expense Comps Range	\$16.74- \$24.33
Quality	The tenants are a combination of credit and good quality tenants.	Owner's Stabilized Budget	\$19.38
Duration	A mix of long and short-term tenants.	Stabilized Op Ex Conclusion	\$19.05

Space Type and Tenancy			Average Rents (\$/SF)			Occupancy Levels		
Space Type	% Type	SF	Avg. Rent (PSF)	Range of Contract Rent	Market Rent	Occupied SF	Vacant SF	% Occupied
Office	88.7%	767,626	\$81.38	\$19.42 - \$122.00	\$60.00 - \$130.00	735,205	32,421	95.8%
Retail	9.3%	80,411	\$111.47	\$50.00 - \$173.13	\$55.00 - \$300.00	74,546	5,865	92.7%
Storage	2.0%	17,302	\$37.62	\$36.91 - \$56.50	\$25.00	13,663	3,639	79.0%
<b>Totals/Avg.</b>	<b>100.0%</b>	<b>865,339</b>	<b>\$83.38</b>		<b>\$94.86</b>	<b>823,414</b>	<b>41,925</b>	<b>95.16%</b>

Compiled by Newmark

Direct Capitalization Method			Capitalization Rate Analysis		
Pro-Forma Year- 1	\$ Total	\$ PSF	Cap Rate Indicator	Min	Max
Potential Gross Income	\$85,151,382	\$98.40	Investor Surveys	4.50%	7.50%
Vacancy & Credit Loss	(\$2,554,541)	(\$2.95)	Market Participants	4.50%	6.00%
Effective Gross Income	\$82,596,841	\$95.45	Comparable Sales	0.58%	4.77%
Operating Expenses	\$33,348,905	\$38.54	<b>Conclusion "As Is"</b>		
Net Operating Income	\$49,247,935	\$56.91	Value Indication	<b>\$665,000,000</b>	
			Value PSF	\$768.48	
			Cap Rate Conclusion	5.00%	

Discounted Cash Flow Analysis					Cash Flow Assumptions	
Fiscal Year Ending	24-May	25-May	26-May	27-May	Category	Assumption
Effective Gross Income	\$75,380,908	\$73,527,824	\$34,295,396	\$33,852,397	Implied Occupancy	83.39%
Operating Expenses *	\$33,348,905	\$33,967,998	\$33,182,709	\$34,697,376	Market Rent Growth	Varies by Component
Operating Expenses PSF	\$38.54	\$39.25	\$38.35	\$40.10	Expense Growth	3.0% Per Annum
Operating Expense Ratio	44.24%	46.20%	96.76%	102.50%	<b>Assumption</b>	<b>"As Is"</b>
Net Operating Income	\$42,032,003	\$39,559,825	\$1,112,687	(\$844,979)	Term of Holding Period	10 yrs
NOI PSF	\$48.57	\$45.72	\$1.29	(\$0.98)	Discount Rate	6.75%
Total Leasing & Capital Costs	\$23,480,169	\$26,999,536	\$989,469	\$97,869,261	Terminal Cap Rate	5.25%
Net Cash Flow	\$18,551,834	\$12,560,289	\$123,218	(\$98,714,239)	Cost of Sales	4.00%
Cash on Cash Return	2.71%	1.83%	0.02%	-14.41%	<b>Discounted Cash Flow Value Conclusions</b>	
	<b>Cash on Cash</b>		<b>Overall Cap Rate</b>		<b>"As Is"</b>	
Average Rates Yr 1-5	-2.46%		2.53%		Value Indication	<b>\$685,000,000</b>
Average Rates Yr 6-10	7.69%		7.87%		Value PSF	\$791.60
Average Rates Yr 11-15	8.71%		14.01%		Implied Going-In Rate	6.14%
					Percent of Value from Reversion	86.01%

\* Operating Expenses exclude Reserves for Replacement.

# INTRODUCTION

## OWNERSHIP HISTORY

To the best of our knowledge, the subject property has not transferred within the past three years.

### Ownership History

To the best of our knowledge, no sale or transfer of ownership has taken place within the three-year period prior to the effective date of the appraisal.

Owner of Record:	452 Fifth Owners LLC c/o PBC Group
Listing Status:	Not Listed For Sale
Current or Pending Contract:	None Reported
Sales in the Previous Three Years:	None

*Compiled by Newmark*

## PENDING TRANSACTIONS

To the best of our knowledge, the property is not subject to an agreement of sale or an option to buy, nor is it listed for sale, as of the effective date of appraisal. It should be noted that the property was previously marketed for sale and went into contract during the fourth quarter of 2021. The acquisition fell through, and the property has been pulled from the marketplace to the best of our knowledge.

## INTENDED USE AND USER

The intended use and user of our report are specifically identified in our report as agreed upon in our contract for services and/or reliance language found in the report. No other use or user of the report is permitted by any other party for any other purpose. Dissemination of this report by any party to non-client, non-intended users does not extend reliance to any other party and Newmark will not be responsible for unauthorized use of the report, its conclusions or contents used partially or in its entirety.

- The intended use of the appraisal is for financial reporting by the client and no other use is permitted.
- The client and intended user is 452 Fifth Owners LLC, Property & Building Corporation LTD, PBC USA Investment, Inc., Discount Investment Corporation Ltd. ("DIC") PBC Israel, and each of their respective subsidiary entities whose financial statements are consolidated with any of the foregoing named entities, but only in connection with such parties' participation in the Intended Use, and no other user may rely on this appraisal report.

## CLIENT RELIANCE STATEMENT

The intended users of the appraisal are Client, Property & Building Corporation LTD, PBC USA Investment, Inc., Discount Investment Corporation Ltd. ("DIC") PBC Israel, and each of their respective subsidiary entities whose financial statements are consolidated with any of the

foregoing named entities, but only in connection with such parties' participation in the Intended Use. The identification of Intended User(s) of the appraisal is to determine the type and extent of research, analysis and reporting appropriate for the assignment. Designation of a party other than Client as an Intended User is not intended to confer upon such party any rights under this Agreement. The intended use of the appraisal is for financial reporting by the Client. The Firm knows and agrees that the appraisal will be used and/or included in certain quarterly and annual financial statements as of dates in calendar year 2023 of some or all of the Intended Users, including such financial statements as shelf prospectuses or shelf offering reports to be published by any of the said Intended Users, including by way of referral, as well as in any immediate report under Securities Law, 5728-1968 and its regulations which, according to the provisions of the law, the said companies will be required to include. The complete report may also be used by Client and its holding companies as an addendum to public filings and investment prospectuses in connection with an offering involving the Property on the Tel Aviv Stock Exchange.

## DEFINITION OF VALUE

### IFRS 13

IFRS 13 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Additionally, IFRS 13 clarifies that the exchange price is the transaction price between market participants to sell a specific asset or transfer a specific liability in the principal or most advantageous market for the asset or liability. At the measurement date, the transaction to sell that asset or transfer that liability is purely hypothetical. Accordingly, the definition of fair value focuses on the price that would be received to sell that particular asset, or the price that would be paid to transfer that liability, rather than the price that would be paid to acquire that asset, or the entry price to assume the liability.

The following definition is taken from IFRS 13.

### FAIR VALUE

Fair value is 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.

Under IFRS 13, investment property is remeasured at fair value, which is the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Therefore, fair value and market value are considered synonymous.

Market value is defined as:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this

definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 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.”

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

## INTEREST APPRAISED

The appraisal is of the Leased Fee interest in the property, as defined below.<sup>1</sup>

- ◆ **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.

## APPRAISAL REPORT

This appraisal is presented in the form of an appraisal report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of USPAP. This report incorporates sufficient information regarding the data, reasoning and analysis that were used to develop the opinion of value in accordance with the intended use and user.

## PURPOSE OF THE APPRAISAL

The purpose of this analysis is to assist 452 Fifth Owners LLC with financial reporting requirements related to the Subject Property as of May 31, 2023 by estimating its fair value in accordance with IFRS 13, Fair Value Measurements. This report will have no other purpose.

Both Fair Value and Market Value opinions for real property assets commonly use and rely upon the same types of data and analyses, as each opinion is intended to reflect the behavior of market

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<sup>1</sup> The Dictionary of Real Estate, 6<sup>th</sup> Edition, Appraisal Institute

participants. The purpose of the appraisal is to develop an opinion of the Retrospective Market Value As Is of the Leased Fee interest in the property.

### Purpose of the Appraisal

Appraisal Premise	Interest Appraised	Date of Value
Retrospective Market Value "As Is"	Leased Fee	5/31/2023

*Compiled by Newmark*

## SCOPE OF WORK

### EXTENT TO WHICH THE PROPERTY IS IDENTIFIED

- Physical characteristics
- Legal characteristics
- Economic characteristics

### EXTENT TO WHICH THE PROPERTY IS INSPECTED

Newmark inspected the subject property on June 28, 2023 as per the defined scope of work. Douglas Larson, MRICS and Charles Looney made a personal inspection of the property that is the subject of this report.

### TYPE AND EXTENT OF THE DATA RESEARCHED

- Exposure and marking time;
- Neighborhood and land use trends;
- Demographic trends;
- Market trends relative to the subject property type;
- Physical characteristics of the site and applicable improvements;
- Flood zone status;
- Zoning requirements and compliance;
- Real estate tax data;
- Relevant applicable comparable data; and
- Investment rates

### TYPE AND EXTENT OF ANALYSIS APPLIED

We analyzed the property and market data gathered through the use of appropriate, relevant, and accepted market-derived methods and procedures. Further, we employed the appropriate and relevant approaches to value, and correlated and reconciled the results into an estimate of market value, as demonstrated within the appraisal report. The scope of work undertaken is sufficient to produce credible assignment results.

# ECONOMIC ANALYSIS

## NATIONAL TRENDS AND UNCERTAINTIES

National and Global economies have experienced record setting inflation and interest rates have continued to increase. Influences of the COVID pandemic on the economy have reduced but some fallout effects continue. A recession is still a concern among economists and the populace at large while the yield curve continues to signal a recession. The April 2023 forecast by The Conference Board shows the a strong likelihood of a recession later this year. Surveys of economists are not as severe with usually about 60% saying they expected a recession this year. However, consumer spending and robust job growth have allowed the economy to continue to grow.

In an effort to curtail inflation, The Federal Reserve embarked on an aggressive strategy which may be bearing fruit. In spite of three major bank failures, the Fed raised rates another 25 basis points in May 2023, for a total of 500 basis points over the course of 2022 into 2023. The Fed is targeting a range of 5.00% to 5.25% for the Federal Funds Rate – the highest since August 2007. The three 2023 increases were smaller at 25 basis points than the previous increases and the Fed signaled a tentative hint that the current tightening cycle is near an end bringing to a close the fastest increase in rates the Federal Reserve has ever engineered.

Commercial real estate is receiving an increased amount of attention as prices are demonstrably falling and transaction volumes plummeting. These effects are a function of the unfavorable economic and credit conditions as well as other factors such as impacts to office use driven in part by the COVID-19 pandemic. Credit tightening, which includes wider credit spreads and lower loan-to-value ratios, is arising due to uncertain economic outlooks, deterioration in real estate collateral values, and concerns about bank liquidity. According to Real Capital Analytics (RCA), commercial transaction volume was down 56% in the first quarter of 2023 over the same period in 2022. Note, however, that the first quarter of 2022 had record high transaction volumes which skews the comparison.

We have considered, and will address, these issues throughout this appraisal and report including in our determinations of overall capitalization rates, discount rates, market rent assumptions, market conditions adjustments, and growth of rents and expenses where applicable.

## NEW YORK CITY AND CAPITAL MARKETS UPDATE

Office investment volume finished off the 2022 year stable, totaling \$10.2 Billion, and exhibiting a decrease of 2.29% year-over-year. The strongest quarter of 2022 was the first quarter, totaling \$4.9 billion. 2023 started off slow comparatively as office investment volume declined, totaling \$458 million, a decrease of 90.78% year-over-year or a decrease of 65.66% quarter-over-quarter. Notable transactions closed the fourth quarter of 2022 with the sale of 1330 Avenue of the

Americas, 630 Third Avenue, 630 Third Avenue, and 40 Fulton Street. The first quarter of 2023 transactions include 126 East 56<sup>th</sup> Street and 850 Third Avenue.

The lack of office building transaction is a result of several complex and interconnected factors. The COVID-19 pandemic had a profound impact on the real estate industry and has led to a decline in office building transactions as companies have shifted to remote work and reassessed their office space requirements. The shortage of equity in the market and the high cost of debt has also made it challenging for potential buyers to invest in office buildings, further exacerbating the slowdown in transactions. Economic uncertainty and a wait-and-see approach among investors and developers have further contributed to the slowdown, creating a challenging environment for the Manhattan office building market.

New York City office transaction remained below the historical market share of 30%, for the second consecutive year, concluding 2022 at 23.67% of the total market share. However, as of the effective date of value, New York City has climbed closer to the historical market share, reaching 28.86% thus far in 2023. Although New York City investment volume has declined significantly, the 2023 year-to-date market share remains slightly below the historical average, thus evidencing an overall decline for the entire U.S. office in regard to overall investment volume. The market has processed the 500-basis point rate hike the Fed has imposed during 2022 and 2023, however, economists remain skeptical if the market has fully priced in a pending recession. The dearth of transactions over the course of the last year and into 2023, has been a direct result of the increase of rates imposed by the Fed. Through discussions with market participants, it is evident there is a 30% disconnect between bid and ask for office buildings.

The scarcity of transactions evidenced in 2022 has highlighted the shortage of liquidity within the Manhattan office CRE market and is further evidenced by the decrease of investment volume in 2023. The instability in the debt markets has resulted in the revaluation of assets or their removal from the market. As a result, investment sales activity in New York City office product slowed dramatically throughout 2022 and 2023. Investors remain patient as they await a clearer outlook on the stability of the financial market and New York's return to the office. New York City's return to the office was not immediate after the removal of Covid-19 guidelines and restrictions, however occupancy is anticipated to continue to come back, in February of 2023 occupancy cracked 50% over the city.

As few transactions occurred during 2022 after the interest rate hikes, limited transparency was provided regarding the current sentiment of price from investors active in the market. However, it should be noted that each respective transaction was purchased with an implied capitalization rate in the low 4.0% range, indicating that active investors are still underwriting a recovery of the office market to historical averages which supports long-term viability for this product.

The immediate impact of rate hikes on borrowing costs has been felt most directly by landlords with unhedged floating rate debt, which accounts for a minority percentage of real estate debt in

the market. While the impact of inflation on the ability for landlords to “mark-to-market” rents to fit current pricing levels, rising interest rates and the risk of increasing speculative income may negatively impact values as investors adjust capitalization rates and return expectations in consideration of higher borrowing costs. Capital market professionals indicate a stale acquisition environment is occurring as interest rates remain high and the near future is uncertain, thus impacting commercial pricing and investment capital.

### CURRENT STATE OF THE ECONOMY

The current state of the economy, as the banking industry has been disruptive by the failure of three large banks: First Republic Bank, Silicon Valley Bank, and Signature Bank. Furthermore, the United States hit its \$31.4 trillion debt ceiling in January, Secretary Janet Yellen has warned that the government may not be able to pay all of its bills in full and on time as soon as June 1<sup>st</sup>, 2023. In order to avoid default, Congress must raise the debt limit in order to avoid default. A debt default could have devastating impacts on the United States economy, causing an economic downturn and spiking unemployment. The unemployment rate would jump to about 5% and the economy would contract by nearly half a percent, according to Moody’s. However, the last time the United States hit the debt ceiling, Congress raised the debt ceiling at the very last minute.

As of March 2023, the labor markets have continued to tighten with around 0.6 people per job opening, signifying there is an excessive supply of job openings per unemployed person. Overall employment growth remains stronger than historic levels, resulting in continued wage growth throughout 2022. The result is high inflation, which has prompted the Federal Reserve to rapidly increase rates. Tightening financial conditions and still-high inflation have pummeled consumer confidence, which is now weighing on consumer spending, the primary engine of the U.S. economy.

New York City has continued to recover from the effects of the pandemic, the city is within striking distance of a full recovery, as the city is just 34,200 jobs shy of the February 2020 record of 4.71 million. The city’s unemployment rate ticked up to 5.3% from 5.1%, with increase due to more people looking to work. However, the city continues to face significant challenges getting employees back into the office. Tenants’ trends towards flight to quality has allowed Class A and trophy quality assets to recover and even eclipse pre-pandemic levels. Conversely Class B and C owners contemplate future office conversion as occupancy levels and leasing activity remains significantly below market and impacted by the pandemic. We have continuously reached out to brokers and other market participants to understand how the market is reacting.

## HISTORIC INFLATION OVERVIEW

A summary of the annual inflation since 2004 has been provided on the chart below:

All Urban Consumers – (CPI-U) 2004 - 2023														
Year	Actual CPI												Avg.	% Change
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec		
2004	185.200	186.200	187.400	188.000	189.100	189.700	189.400	189.500	189.900	190.900	191.000	190.300	188.883	-3.15%
2005	190.700	191.800	193.300	194.600	194.400	194.500	195.400	196.400	198.800	199.200	197.600	196.800	195.292	-3.30%
2006	198.300	198.700	199.800	201.500	202.500	202.900	203.500	203.900	202.900	201.800	201.500	201.800	201.592	-2.48%
2007	202.400	203.500	205.400	206.700	207.900	208.400	208.300	207.900	208.500	208.900	210.200	210.000	207.342	-3.90%
2008	211.100	211.700	213.500	214.800	216.600	218.800	219.964	219.086	218.783	216.573	212.425	210.228	215.297	-0.11%
2009	211.143	212.193	212.709	213.240	213.856	215.693	215.351	215.834	215.969	216.177	216.330	215.949	214.537	-2.65%
2010	216.687	216.741	217.631	218.009	218.178	217.965	218.011	218.312	218.439	218.711	218.803	219.179	218.056	-1.47%
2011	220.223	221.309	223.467	224.906	225.964	225.722	225.922	226.545	226.889	226.421	226.230	225.672	224.939	-2.88%
2012	226.655	227.663	229.392	230.085	229.815	229.478	229.104	230.379	231.407	231.317	230.221	229.601	229.593	1.74%
2013	230.280	232.166	232.773	232.531	232.945	233.504	233.596	233.877	234.149	233.546	233.069	233.049	232.957	1.50%
Average CPI Increase 2004 - 2013													2.12%	
2014	233.916	234.781	236.293	237.072	237.900	238.343	238.250	237.852	238.031	237.433	236.151	234.812	236.736	0.76%
2015	233.707	234.722	236.119	236.599	237.805	238.638	238.654	238.316	237.945	237.838	237.336	236.525	237.017	0.73%
2016	236.916	237.111	238.132	239.261	240.236	241.038	240.647	240.853	241.428	241.729	241.353	241.432	240.011	2.07%
2017	242.839	243.603	243.801	244.524	244.733	244.955	244.786	245.519	246.819	246.663	246.669	246.524	245.120	2.11%
2018	247.867	248.991	249.554	250.546	251.588	251.989	252.006	252.146	252.439	252.885	252.038	251.233	251.107	1.91%
2019	251.712	252.776	254.202	255.548	256.092	256.143	256.571	256.558	256.759	257.346	257.208	256.974	255.657	2.29%
2020	257.971	258.678	258.115	256.389	256.394	257.797	259.101	259.918	260.280	260.388	260.229	260.474	258.811	1.36%
2021	261.582	263.014	264.877	267.054	269.195	271.696	273.003	273.567	274.310	276.589	277.948	270.970	270.317	4.03%
2022	281.148	283.716	287.504	289.109	292.296	296.311	296.276	296.171	296.808	298.012	297.711	296.797	292.655	9.53%
2023	299.170	300.840	301.836										300.615	4.98%
Average CPI Increase 2014 - 2023													3.00%	
Long Term Average CPI Increase (2004-2023)													3.11%	

Source: <https://www.usinflationcalculator.com/inflation/consumer-price-index-and-annual-percent-changes-from-1913-to-2008/>

As the impacts of COVID-19 have begun to recede, inflation has eclipsed all-time highs, rising an average of 4.03% in 2021, and 9.53% throughout 2022. In efforts to tame inflation, the Federal Reserve Board (“Fed”) increased the Federal Funds Rates, however, inflation has remained sticky as evidenced by the 1.70% increase in 2023. The chart presented below highlights the rate increases and the Federal Funds Rate target:

FOMC Meeting Date	Rate Change (bps)	Federal Funds Rate
May 3, 2023	+ 25	5.00% - 5.25%
March 2, 2023	+ 25	4.75% - 5.00%
February 1, 2023	+ 25	4.50% - 4.75%
December 14, 2022	+ 50	4.25% - 4.50%
November 2, 2022	+ 75	3.75% - 4.00%
September 21, 2022	+ 75	3.00% - 3.25%
July 27, 2022	+ 75	2.25% - 2.50%
June 16, 2022	+ 75	1.50% - 1.75%
May 5, 2022	+ 50	0.75% - 1.00%

The on-going banking crisis witnessed two bank failures, that of Silicon Valley Bank and Signature Bank in the month of March. Further, First Republic Bank went into receivership and was sold to JP Morgan Chase on May 1<sup>st</sup>. As of December 31, 2022, the three failed banks had a total of \$531 billion assets, marking these three failures within the top four largest bank failures. On May 3<sup>rd</sup>, Jerome Powell announced a further (+25 bps) increase, bringing the Federal Funds Rate target to 5.00% to 5.25%. Although, the on-going banking crisis, the Fed has announced it will stick to their goal to bring inflation down to the 2.0% target. They have maintained that future rate hikes may

be on pause but will be primarily focused on inflation metrics when evaluating future hikes. The next Fed meeting will occur on June 13<sup>th</sup> and 14<sup>th</sup>. Furthermore, inflationary pressures have already sparked recessionary fears unless the Fed can tame inflation while simultaneously restricting unemployment spikes to try to maintain the Fed's dual mandate of maximizing employment and targeting 2.0% inflation. Additional commentary on current inflation sourced from the U.S. Bureau of Labor Statistics has been provided below:

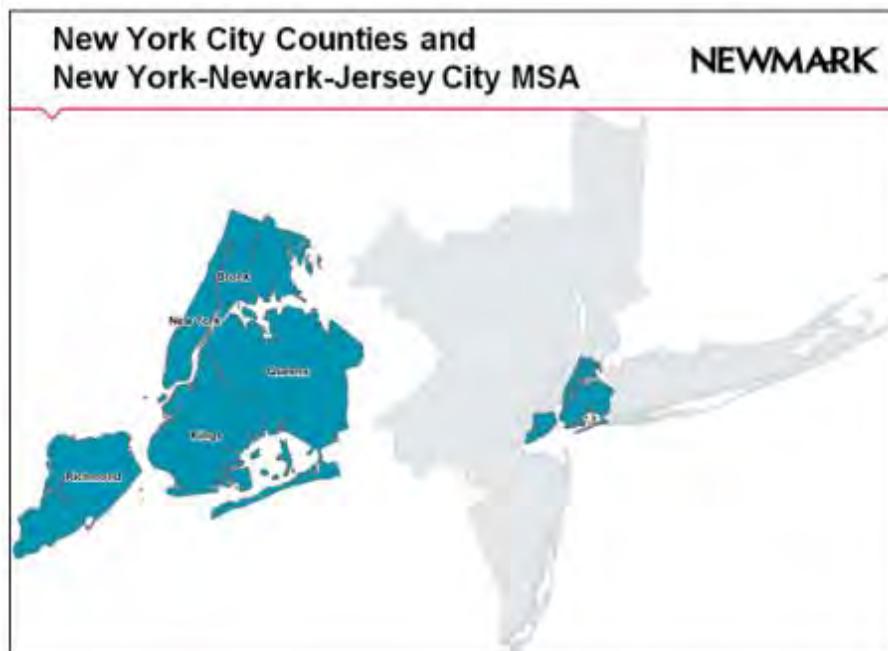
- The Consumer Price Index for All Urban Consumers (CPI-U) declined 0.1% in December on a seasonally adjusted basis, after increasing 0.1% in November, the U.S. Bureau of Labor Statistics reported today. Over the last 12 months, the all items index increased 6.5% before seasonal adjustment.
- The index for gasoline was by far the largest contributor to the monthly all items decrease, more than offsetting increases in shelter indexes. The food index increased 0.3% over the month with the food at home index rising 0.2%. The energy index decreased 4.5% over the month as the gasoline index declined; other major energy component indexes increased over the month.
- The index for all items less food and energy rose 0.3% in December, after rising 0.2% in November. Indexes which increased in December include the shelter, household furnishings and operations, motor vehicle insurance, recreation, and apparel indexes. The indexes for used cars and trucks, and airline fares were among those that decreased over the month.
- The all items index increased 6.5% for the 12 months ending December; this was the smallest 12-month increase since the period ending October 2021. The all items less food and energy index rose 5.7% over the last 12 months. The energy index increased 7.3% for the 12 months ending December, and the food index increased 10.4% over the last year; all of these increases were smaller than for the 12-month period ending November.

#### AREA ANALYSIS

Most of our major data sources, such as Moody's economy.com, include both COVID-19 pandemic period data and projections inclusive of its effects. This data is included within this section as well as throughout this report and is a central foundation of our analysis.

The subject is located within New York and New York County, New York. It is part of the New York City-Jersey City-White Plains metro area (New York City Metro).

Moody's Analytics' Economy.com provides the following economic summary for the New York City Metro as of March, 2023.



NYC Area Map

Moody's Analytics Précis® Metro Indicators: New York Metro												
2016	2017	2018	2019	2020	2021	INDICATORS	2022	2023	2024	2025	2026	2027
1,080	1,095	1,129	1,166	1,116	1,182	Gross metro product (C12\$ bil)	1,224	1,244	1,269	1,295	1,322	1,348
2.4	1.4	3.2	3.2	-4.3	5.8	% change	3.6	1.6	1.9	2.1	2.0	2.0
6,884	7,009	7,124	7,246	6,512	6,700	Total employment (ths)	7,056	7,227	7,269	7,301	7,300	7,295
2.0	1.8	1.6	1.7	-10.1	2.9	% change	5.3	2.4	0.6	0.4	0.0	-0.1
4.9	4.4	4.0	3.6	11.1	8.2	Unemployment rate (%)	5.1	4.3	4.1	4.1	4.3	4.5
4.0	6.6	3.9	3.8	5.1	6.2	Personal income growth (%)	1.3	5.7	4.6	3.7	3.7	3.4
65.9	69.1	72.1	74.9	76.4	76.6	Median household income (\$ ths)	78.2	82.3	85.1	87.6	90.4	93.2
14,281	14,266	14,222	14,173	14,173	14,053	Population (ths)	14,011	14,034	14,053	14,066	14,075	14,082
0.1	-0.1	-0.3	-0.3	0.0	-0.9	% change	-0.3	0.2	0.1	0.1	0.1	0.0
-72	-99	-118	-117	-55	-160	Net migration (ths)	-88	-36	-39	-43	-45	-45
6,637	7,212	6,989	7,850	7,824	8,956	Single-family permits (#)	8,645	9,001	9,838	11,018	11,382	11,141
27,073	33,942	32,008	42,629	36,593	35,333	Multifamily permits (#)	38,907	34,036	34,991	33,194	31,468	29,688
241	252	262	271	280	303	FHFA house price (1995Q1=100)	335	335	334	342	361	382

Source: Moody's Analytics Précis® US Metro

**OVERVIEW**

New York City consists of five counties at the mouth of the Hudson River in the southeast area of New York State.

The borough of Manhattan, also referred to as New York County, forms the political, financial and cultural core of the City. It is the economic growth engine of the Greater New York Region. The City's other boroughs are Brooklyn, Queens, Staten Island, and the Bronx, otherwise known as Kings, Queens, Richmond, and Bronx counties.

The area's vast mass transit infrastructure closely connects the five boroughs as well as the surrounding suburban areas, forming the Greater New York Region. This region covers 21

counties in the southeastern section of New York State, southwestern corner of Connecticut, and Central and Northern New Jersey.

### HIGHLIGHTS

The following are notable points about New York City:

- New York is heavily weighted in the service and retail industries. This creates a large demand for office and retail space within the market.
- The city is home to the two largest stock exchanges in the world, the New York Stock Exchange and the NASDAQ.
- New York is home to many large financial institutions, including: Morgan Stanley, Citigroup, JPMorgan Chase, Barclays, Wells Fargo and Bank of America.

Of the current Fortune 500 companies, 52 are headquartered in New York City.

### RECENT PERFORMANCE

The following facts were highlighted in the most recent Federal Reserve Beige Book, which was published in April 2023:

- Economic activity in the Second District was little changed in the latest reporting period. The labor market has remained solid: employment increased slightly despite ongoing difficulty finding workers, wages continued to increase, and many businesses plan to add staff in the months ahead.
- Inflationary pressures eased somewhat but remained widespread. Supply availability, while still constrained, continued to improve, and goods production picked up noticeably.
- Consumer spending was flat to up slightly in recent weeks, while tourism has continued to strengthen.
- The home sales market has continued to pick up and the rental market has been steady. On balance, commercial real estate markets were mostly unchanged.
- Conditions in the broad finance sector deteriorated sharply, coinciding with recent stress in the banking sector. Regional banks continued to report widespread declines in loan demand, ongoing credit tightening, and modestly rising mortgage delinquency rates.
- Amid heightened uncertainty, most businesses do not expect economic conditions to improve in the coming months.

### CONSTRUCTION

The construction discussion has been sourced from the most recent Federal Reserve Beige Book, which was published in April 2023:

Residential sales have picked up with the start of the spring selling season, with prices steady at a high level. Sales activity in and around New York City has continued to increase beyond the seasonal norm. By contrast, real estate contacts in upstate New York indicated that the spring selling season has gotten off to a slower start in part due to unseasonably harsh weather, though demand remains strong for homes in the middle of the region's price range. While listings have increased, the inventory of available homes has remained exceptionally low across the region except in Manhattan. Contacts pointed to heightened uncertainty and the prevalence of homeowners with mortgages locked in at historically low rates as key factors keeping some people from listing their homes and moving.

Residential rental markets have been steady. After peaking last summer, rents including concessions have been little changed near record highs in Manhattan, Brooklyn, and Queens and rental vacancy rates have remained exceptionally low as people gradually continue to return to New York City. Rents have also plateaued at a high level in much of upstate New York.

Commercial real estate markets were little changed in recent weeks. Office vacancy rates edged up slightly in and around New York City and were steady across upstate New York, while office rents were mostly flat across the District. New York City's retail market weakened somewhat, with vacancy rates up slightly and rents trending down. Vacancy rates remained at low levels in the industrial market and rents trended up modestly.

Overall, construction contacts reported weakening conditions in March and early April. Office construction remained steady at a low level in most of the District, though there were some new starts in northern New Jersey, Long Island, and upstate New York. Industrial construction was solid, but little changed across the District. Multi-family residential starts picked up from low levels in Manhattan and parts of upstate New York but remained weak elsewhere.

## TOURISM

According to the Mayor's office and the New York City & Company:

- New York City welcomed 56.7 million visitors in 2022, an increase on the 32.9 million visitors in 2021 bringing tourism to 85.13% of the 66.6 million visitors in 2019, a peak for NYC.
- After the initial onset of COVID-19, international tourism experienced the deepest effects of the pandemic. International travel rebounded in 2022 to 8.9 million visitors, more than triple the 2021 volume and 69% of the 2019 benchmark. Domestic travel recovered rapidly reaching 89% of the 2019 benchmark in 2022. With an increase in tourism visitation, we have a positive outlook for New York City visitation throughout 2022.
- An overview of NYC tourism performance and post COVID-19 recovery projections have been highlighted on the chart on the following chart:

NYC Travel & Tourism Visitation Statistics				
Year	Total Tourists	Domestic Tourists	International Tourists	Direct Visitor Spending (Billions)
2010	48,800,000	39,000,000	9,800,000	\$31.50
2011	50,900,000	40,300,000	10,600,000	\$34.50
2012	52,700,000	41,800,000	10,900,000	\$49.90
2013	54,300,000	42,800,000	11,500,000	\$38.80
2014	56,500,000	44,500,000	12,000,000	\$41.20
2015	58,500,000	46,200,000	12,300,000	\$42.30
2016	60,500,000	47,800,000	12,700,000	\$43.00
2017	62,800,000	49,700,000	13,100,000	\$44.20
2018	65,000,000	51,500,000	13,500,000	\$46.40
2019	66,200,000	53,100,000	13,100,000	\$47.40
2020	22,300,000	19,870,000	2,430,000	N/A
2021	32,900,000	30,200,000	2,700,000	N/A
2022	56,700,000	47,300,000	9,400,000	N/A
2023*	63,300,000	52,300,000	11,000,000	N/A
2024*	69,600,000	55,900,000	13,700,000	N/A
2025*	72,400,000	58,400,000	14,000,000	N/A

\*Forecast statistics from NYC & Company

Source: NYC & Company

- Of the 56.7 million tourists that visited New York City in 2022, 47.3 million of the visitors came from the United States, while 9.4 million were international tourists.
- Traditionally, the United Kingdom, Canada, France, Brazil, and Australia were the top-5 countries tourists came from. As China lifted their travel restrictions during 2022, it is anticipated that travel from the country will return within the next few years.

### CONSTRUCTION SPENDING

According to the Construction Outlook report compiled by the New York Building Congress:

- The New York Building Congress forecasts \$86 billion in New York City construction spending in 2022. This represents development growing \$38 billion in inflation-adjusted dollars. Even when compared to pre-COVID levels, spending is still dramatically increased, up by \$13.7 billion from 2019, a 19% increase, in inflation-adjusted dollars. Fueling this rise, labor and material prices have escalated while shortfalls in development during COVID years are being addressed.
- The congress forecasts spending in nominal dollars is expected to reach \$270 billion (\$250 billion, when adjusted for inflation) over a three-year period, growing to \$87 billion in 2023 and then to \$96 billion in 2024. Compared to the pre-COVID, three-year period from 2017 to 2019, this reflects an inflation-adjusted increase of \$37.8 billion.

- Non-residential spending, which includes office space, retail, hotels, institutional development, entertainment venues, and recreational facilities, is expected to reach \$106 billion in nominal spending between 2022 and 2024. This represents a 57% increase from pre-COVID years 2017 to 2019, due to new construction in large offices and healthcare facilities. The share of spending in this sector is projected to increase to 39% of all construction spending in 2022, up from 34% in 2021.
- The MTA is likely to invest a steady \$34.8 billion in nominal dollars over the next three years, which would be a 70% increase over total spending between 2017 and 2019.
- Compared to the pre-COVID three-year period 2017- 2019, forecasted residential spending for 2022-2024 will be up almost 70% in nominal dollars to almost \$93 billion. Residential investment in new development, rehabilitation, and interior renovation has accounted for 23% of the increase in construction spending between 2019 and 2022.
- Going forward to 2024, development is expected to exceed 30,000 new units per year while the cost per square foot of residential spending may decline somewhat as less interior renovation occurs. By 2024, aggregate residential investment is forecast to reach \$32.5 billion, up from \$31.8 billion in 2022.

## TRANSPORTATION

The transportation system in the New York City - Newark - Jersey City M.S.A. is diversified and extensive, as highlighted by the following:

### AIR TRANSPORTATION

JFK International Airport is located on Jamaica Bay in the southeastern section of Queens County, New York City. The airport is located 15 miles by highway from midtown Manhattan. JFK contributes about \$52.7 billion in economic activity to the New York/New Jersey region. Newark Liberty International Airport opened in 1948 and contributes approximately \$29.3 billion in economic activity to the metropolitan area. LaGuardia Airport is located in Queens on Flushing Bay, approximately eight miles from Midtown Manhattan. LaGuardia contributes about \$19.7 billion in economic activity to the New York/New Jersey region.

An \$8 billion transformation makes LaGuardia Airport the first new major airport built in the United States in the last 25 years when Delta opened its brand-new Terminal C to passengers on June 4, 2022. The new terminal nearly doubled in size to the two terminals it replaced and consolidated 37 gates into one spacious facility. Due to negative public feedback, the proposed AirTrain connecting with the New York City Subway and Long Island Rail Road (LIRR) in Willets Point and then servicing travel to LaGuardia Airport has been canceled, as the Port Authority of New York and the MTA identify alternative forms of transportation. As of the date of this appraisal report, an alternative method has not been identified.

## PUBLIC TRANSPORTATION

The Metropolitan Transportation Authority is North America's largest transportation network, serving the population of New York City, Long Island, southeastern New York State, and Connecticut. Long Island Rail Road (LIRR) is the largest commuter railroad and the oldest railroad in America operating under its original name. As of January 2023, the East Side Access LIRR celebrated the grand opening of the East Side extension to Grand Central. Amtrak provides passenger rail service to the New York City - Northern New Jersey - Long Island metropolitan area through Penn Station in Manhattan.

On January 31, 2023, the Federal Government announced that \$292 million of the \$1.2 trillion infrastructure law will be allocated to the Hudson Tunnel Project. The project will improve travel between New York and New Jersey through the rehabilitation of the old North River Tunnel and the construction of a new tunnel beneath the Palisades. The project is set to create 72,000 jobs and improve the New Jersey Transit and Amtrak trip for the 200,000 weekday passengers. The total estimated cost of the Hudson Tunnel Project is \$16 billion.

The following statistics are sourced from the Metropolitan Transportation Authority/New York City Economic Development Corporation:

Summary of Subway Ridership						
Year	Average Weekday	Average Saturday	Average Sunday	Average Weekend	Annual Total	Year-Over-Year Change
2015	5,650,610	3,309,731	2,663,418	5,943,149	1,762,565,419	–
2016	5,655,755	3,202,388	2,555,814	5,758,201	1,756,814,800	-0.33%
2017	5,580,845	3,156,673	2,525,481	5,682,154	1,727,366,607	-1.68%
2018	5,437,586	3,046,289	2,392,658	5,438,947	1,680,060,402	-2.74%
2019	5,493,875	3,087,043	2,407,152	5,494,195	1,697,787,002	1.06%
2020	2,040,580	1,203,072	932,240	2,135,312	639,541,029	-62.33%
2021	N/A	N/A	N/A	N/A	739,606,496	15.65%
2022	N/A	N/A	N/A	N/A	1,014,275,301	37.14%

Summary of Bus Ridership						
Year	Average Weekday	Average Saturday	Average Sunday	Average Weekend	Annual Total	Year-Over-Year Change
2015	2,476,364	1,507,007	1,172,291	2,679,297	776,081,306	–
2016	2,445,320	1,447,143	1,131,484	2,578,627	764,030,270	-1.55%
2017	2,320,222	1,391,811	1,097,259	2,489,070	724,834,684	-5.13%
2018	2,204,222	1,347,377	1,038,949	2,386,326	690,809,514	-4.69%
2019	2,158,469	1,337,173	1,019,693	2,356,866	677,588,084	-1.91%
2020	1,187,416	804,220	631,714	1,435,934	382,424,444	-43.56%
2021	N/A	N/A	N/A	N/A	381,637,866	-0.21%
2022	N/A	N/A	N/A	N/A	424,087,792	11.12%

Source: NYC Transit Authority

As evidenced, COVID had a negative impact on the use of public transportation. Prior to 2020, the growth in subway transportation in 2019 marked the first year of growth noted by the MTA since 2014. 2022 witnessed a significant increase of subway ridership, as companies began to

implement return to office strategies. Although subway ridership has not returned to pre-pandemic levels, it has significantly increased year-over-year. Prior to the onset of Covid-19, the MTA noted that bus transportation witnessed a decline for the 6th year in a row. As an impact of Covid-19 ridership decreased significantly, although bus transportation did not have the same recovery as subway ridership, it did evidence a year-over-year increase in ridership.

The rise of mobile apps such as Lyft and Uber have limited the amount of weekend and late-night ridership that was witnessed in years past. According to our primary research, ride hailing applications accounted for 595,000 trips per day in the NYC marketplace as of June 2022.

We believe that congestion pricing legislation will have limited to no impact on values within New York City, as a majority of the population utilizes public transportation. Given the accessibility to multiple forms of public transportation, both within the city and abutting suburban regions, the congestion pricing legislation should have no impact on commercial valuation.

## MOODY'S MARKET SUMMARY

Moody's summarizes the area's economic performance in recent months as follows:

### RECENT PERFORMANCE

New York City Metro keeps pushing past obstacles. Despite a foreboding environment for its key drivers, jobs are not only being added, but growth exceeds the national pace. Gains are powered by hotels, restaurants and hospitals, while office-using jobs grow at a more lackluster clip. Consumer industries are benefiting from a gradual pickup in daytime population, with office occupancy in Manhattan finally cracking 50% in January.

## MARKET COMPARISON

The following table illustrates key economic indicators and a comparison of the New York City Metro to the regional grouping as a whole. As indicated, New York is projected to outperform the National Region Metros in none of eight performance categories shown over the next five years.

Comparison of Key Economic Indicators - New York Metro Metro to National Region										
Indicator	New York Metro			Annual Growth		National			Annual Growth	
	2017	2022	2027	2017 - 2022	2022 - 2027	2017	2022	2027	2017 - 2022	2022 - 2027
Gross metro product (C12\$ bil)	1,094.9	1,224.4	1,347.6	2.3%	1.9%	16,912	19,066	21,255	2.4%	2.2%
Total employment (ths)	7,009.2	7,056.5	7,295.3	0.1%	0.7%	138,941	151,369	155,857	1.7%	0.6%
Unemployment rate (%)	4.4%	5.1%	4.5%			6.2%	3.7%	4.5%		
Personal income growth (%)	6.6%	1.3%	3.4%			5.7%	4.8%	4.0%		
Population (ths)	14,266.0	14,011.1	14,081.9	-0.4%	0.1%	318,386	329,248	339,595	0.7%	0.6%
Single-family permits (#)	7,212	8,645	11,141	3.7%	5.2%	646,250	868,357	1,484,159	6.1%	11.3%
Multifamily permits (#)	33,942	38,907	29,688	2.8%	-5.3%	354,000	393,066	452,558	2.1%	2.9%
FHFA house price (1995Q1=100)	252	335	382	5.8%	2.7%	N/A	N/A	N/A	N/A	N/A
New York Metro outperforming National Region Metros										
New York Metro underperforming National Region Metros										

Source: Moody's Analytics Précis® US Metro; Compiled by Newmark

## EMPLOYMENT SECTORS AND TRENDS

Employment data by occupation and business/industry sectors provides an indication of the amount of diversification and stability in the local economy. Job sector composition also gives an indication of the predominant drivers of current and future demand for supporting commercial real estate sectors. The following tables display employment data by occupation sector and by business/industry sector for the area and region.

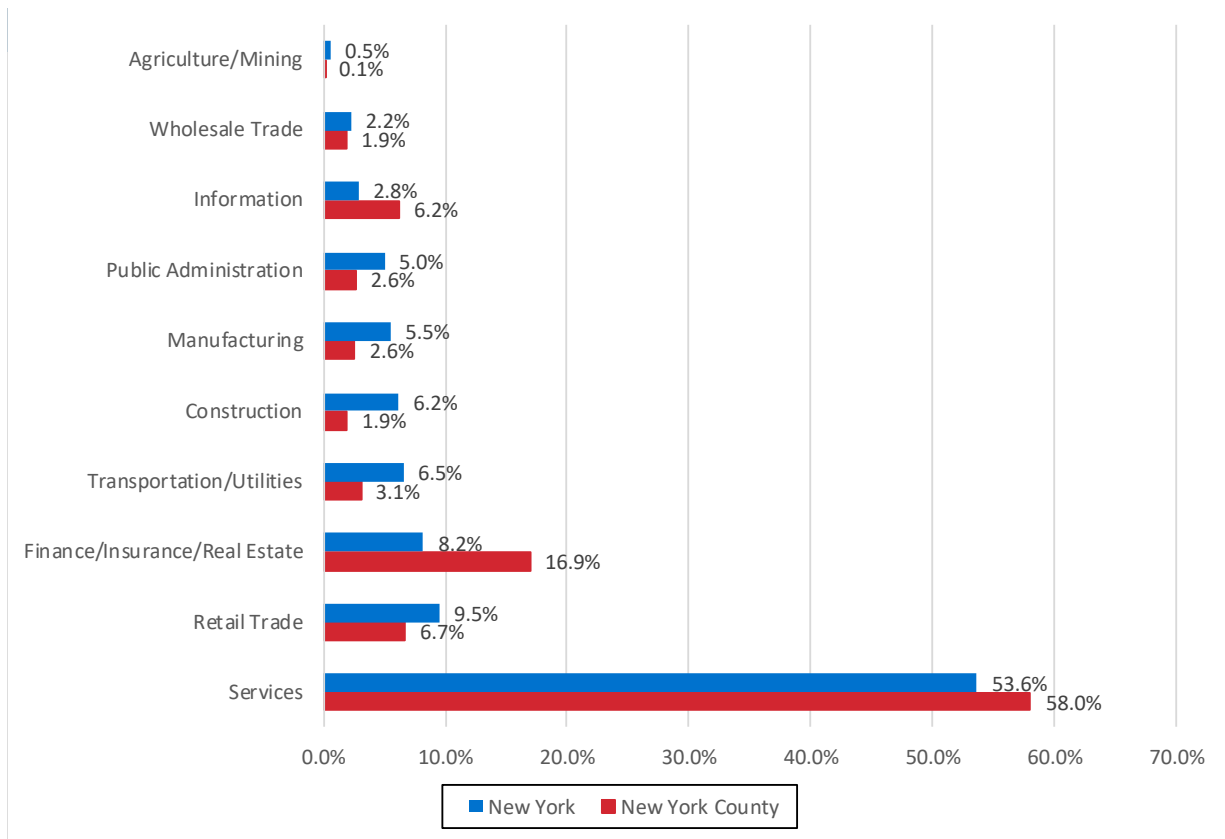
Current Employment by Occupation Sector														
Occupation Sector	0.5-Miles Radius		1-Mile Radius		2-Miles Radius		New York City	New York County	New York-Newark-Jersey City, NY-NJ-PA MSA				New York	
	Count	%	Count	%	Count	%			Count	%	Count	%		
<b>White Collar</b>	<b>10,444</b>	<b>92.3%</b>	<b>115,496</b>	<b>91.3%</b>	<b>351,212</b>	<b>91.7%</b>	<b>2,406,991</b>	<b>63.2%</b>	<b>703,855</b>	<b>82.3%</b>	<b>6,123,717</b>	<b>65.9%</b>	<b>5,955,793</b>	<b>64.1%</b>
Administrative Support	625	5.5%	7,415	5.9%	21,989	5.7%	388,318	10.2%	63,361	7.4%	990,102	10.6%	1,006,831	10.8%
Management/Business/Financial	4,861	42.9%	52,822	41.7%	149,958	39.2%	701,339	18.4%	267,523	31.3%	1,833,003	19.7%	1,656,675	17.8%
Professional	4,075	36.0%	43,062	34.0%	142,348	37.2%	1,006,553	26.4%	296,777	34.7%	2,487,761	26.8%	2,494,984	26.9%
Sales and Sales Related	883	7.8%	12,197	9.6%	36,917	9.6%	310,781	8.2%	76,194	8.9%	812,851	8.7%	797,303	8.6%
<b>Services</b>	<b>536</b>	<b>4.7%</b>	<b>7,124</b>	<b>5.6%</b>	<b>21,186</b>	<b>5.5%</b>	<b>814,438</b>	<b>21.4%</b>	<b>99,984</b>	<b>11.7%</b>	<b>1,615,507</b>	<b>17.4%</b>	<b>1,721,719</b>	<b>18.5%</b>
<b>Blue Collar</b>	<b>340</b>	<b>3.0%</b>	<b>3,921</b>	<b>3.1%</b>	<b>10,627</b>	<b>2.8%</b>	<b>588,889</b>	<b>15.5%</b>	<b>51,823</b>	<b>6.1%</b>	<b>1,558,791</b>	<b>16.8%</b>	<b>1,609,156</b>	<b>17.3%</b>
Construction/Extraction	77	0.7%	927	0.7%	2,502	0.7%	160,605	4.2%	11,121	1.3%	421,095	4.5%	424,182	4.6%
Farming/Fishing/Forestry	6	0.1%	12	0.0%	22	0.0%	1,906	0.1%	131	0.0%	7,074	0.1%	19,984	0.2%
Installation/Maintenance/Repair	83	0.7%	647	0.5%	1,530	0.4%	64,413	1.7%	6,012	0.7%	195,186	2.1%	214,657	2.3%
Production	35	0.3%	676	0.5%	2,301	0.6%	81,979	2.2%	9,586	1.1%	252,584	2.7%	297,386	3.2%
Transportation/Material Moving	139	1.2%	1,659	1.3%	4,272	1.1%	279,986	7.3%	24,973	2.9%	682,852	7.3%	652,947	7.0%
<b>Total Employees (16+ Occupation Base)</b>	<b>11,318</b>	<b>100.0%</b>	<b>126,541</b>	<b>100.0%</b>	<b>383,026</b>	<b>100.0%</b>	<b>3,810,318</b>	<b>100.0%</b>	<b>855,662</b>	<b>100.0%</b>	<b>9,298,015</b>	<b>100.0%</b>	<b>9,286,668</b>	<b>100.0%</b>

Source: ESRI; Compiled by Newmark

Current Employment by Industry Sector														
Industry Sector	0.5-Miles Radius		1-Mile Radius		2-Miles Radius		New York City	New York County	New York-Newark-Jersey City, NY-NJ-PA MSA				New York	
	Count	%	Count	%	Count	%			Count	%	Count	%		
Agriculture/Mining	9	0.1%	79	0.1%	234	0.1%	3,307	0.1%	479	0.1%	14,695	0.2%	49,822	0.5%
Construction	171	1.5%	1,817	1.4%	4,914	1.3%	206,780	5.4%	16,604	1.9%	572,016	6.2%	571,209	6.2%
Manufacturing	352	3.1%	3,524	2.8%	10,136	2.6%	113,390	3.0%	21,847	2.6%	474,594	5.1%	509,930	5.5%
Wholesale Trade	352	3.1%	2,613	2.1%	8,306	2.2%	76,013	2.0%	16,118	1.9%	243,121	2.6%	206,245	2.2%
Retail Trade	528	4.7%	6,942	5.5%	22,018	5.7%	324,133	8.5%	57,296	6.7%	860,727	9.3%	879,817	9.5%
Transportation/Utilities	192	1.7%	2,120	1.7%	6,475	1.7%	293,367	7.7%	26,225	3.1%	682,517	7.3%	605,409	6.5%
Information	639	5.6%	8,496	6.7%	27,241	7.1%	141,826	3.7%	52,963	6.2%	292,356	3.1%	264,601	2.8%
Finance/Insurance/Real Estate	2,861	25.3%	29,944	23.7%	82,536	21.5%	372,993	9.8%	144,941	16.9%	886,429	9.5%	760,095	8.2%
Services	6,030	53.3%	67,794	53.6%	211,732	55.3%	2,126,676	55.8%	496,647	58.0%	4,887,426	52.6%	4,977,562	53.6%
Public Administration	184	1.6%	3,214	2.5%	9,435	2.5%	151,833	4.0%	22,542	2.6%	384,134	4.1%	461,978	5.0%
<b>Total Employees (16+ Occupation Base)</b>	<b>11,318</b>	<b>100.0%</b>	<b>126,541</b>	<b>100.0%</b>	<b>383,026</b>	<b>100.0%</b>	<b>3,810,318</b>	<b>100.0%</b>	<b>855,662</b>	<b>100.0%</b>	<b>9,298,015</b>	<b>100.0%</b>	<b>9,286,668</b>	<b>100.0%</b>

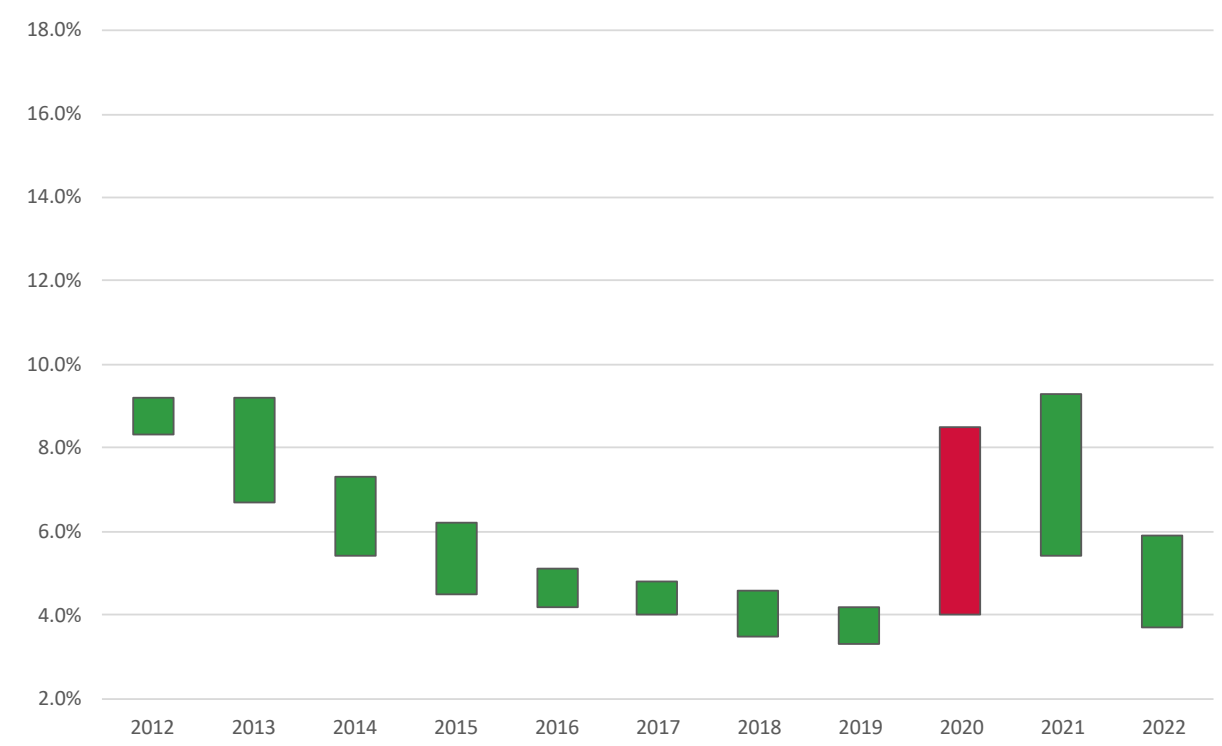
Source: ESRI; Compiled by Newmark

Comparing the industry sectors for the local market area (New York) to New York County indicates the local market area is somewhat more heavily weighted toward the Construction, Transportation/Utilities, Manufacturing, Retail Trade, Public Administration, Agriculture/Mining, and Wholesale Trade sectors. By contrast, the industry employment totals for New York County indicate somewhat higher proportions within the Finance/Insurance/Real Estate, Services, and Information sectors. The following graphic further illustrates this comparison.



Source: ESRI; Compiled by Newmark

The following table displays the historical unemployment data for the area derived from the US Department of Commerce, Bureau of Labor Statistics.



Bars represent beginning to end range of unemployment rates in each year  
 Red bars denote increasing unemployment from beginning to end of year  
 Green bars are declining unemployment from beginning to end of year

Compiled by Newmark

The following table illustrates the unemployment rates for the region on a monthly basis. While there has been some fluctuation over the past year, the year ended at the lowest rates of the year.

Unemployment Rates - New York Metropolitan Area												
<b>2021</b>												
	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
New York City	13.1%	13.2%	11.2%	10.8%	9.9%	10.1%	10.2%	9.8%	8.9%	8.4%	8.0%	7.9%
New York - Newark - Jersey City MSA	9.6%	9.9%	8.8%	8.1%	7.6%	8.0%	8.0%	7.6%	6.8%	6.3%	5.9%	4.8%
New York State	8.8%	8.9%	8.4%	8.2%	7.8%	7.7%	7.6%	7.4%	7.1%	6.9%	6.6%	5.4%
United States	6.8%	6.6%	6.2%	5.7%	5.5%	6.1%	5.7%	5.3%	4.6%	4.3%	3.9%	3.7%
<b>2022</b>												
	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
New York City	7.3%	6.6%	6.1%	5.8%	5.7%	6.0%	6.5%	6.8%	5.2%	5.3%	5.2%	5.0%
New York - Newark - Jersey City MSA	5.5%	5.1%	4.7%	4.2%	4.1%	4.4%	4.7%	4.9%	3.7%	3.7%	3.7%	3.7%
New York State	5.3%	4.9%	4.6%	4.5%	4.4%	4.4%	4.3%	4.7%	4.3%	4.3%	4.3%	4.1%
United States	4.4%	4.1%	3.8%	3.3%	3.4%	3.8%	3.8%	3.8%	3.3%	3.4%	3.4%	3.3%
<b>2023</b>												
	Jan-23	Feb-23	Mar-23									
New York City	5.5%	5.6%	* 5.2%									
New York - Newark - Jersey City MSA	4.4%	4.4%	* 4.1%									
New York State	4.2%	4.2%	* 4.1%									
United States	3.9%	3.9%	3.6%									

Source: US Bureau of Labor Statistics

\*Denotes preliminary values

Labor market conditions have remained solid. On balance, employment increased slightly in the latest reporting period despite ongoing difficulty finding workers across the region. However, businesses in the manufacturing, construction, and education & health sectors indicated that employment declined in recent weeks. Even so, contacts at two major employment agencies noted ongoing strong labor demand and continued to indicate that worries of widespread weakening in the labor market have not materialized. Indeed, thus far, layoffs have been concentrated in large companies, and mostly among their workers who are outside of the region. Further, a New York City employment agency indicated that the broader local labor market has yet to experience noticeable ripple effects from recent stress in the banking sector. Looking ahead, on net, businesses plan to add staff in the coming months.

Wages continued to increase, though at a somewhat slower pace than earlier in the year as major compensation adjustments tend to be concentrated at the beginning of the year for most workers. Businesses expect wage increases to continue to moderate.

## MAJOR EMPLOYERS

The following table lists a number of major employers with the New York City Metro as reported by Moody's. While not all-encompassing, this list provides further indication of the types of economic sectors that are drivers for the area.

Selected Major Employers: New York Metro		
Rank	Employer	Employees
1	Montefiore Health System	32,232
2	Mount Sinai Health System	32,074
3	JPMorgan Chase & Co.	29,000
4	Bank of America	27,000
5	New York-Presbyterian Healthcare System	23,709
6	NYU Langone Medical Center	23,491
7	Macy's Inc.	22,100
8	Verizon Communications	16,973
9	Columbia University	16,136
10	Citigroup Inc.	15,878
11	Morgan Stanley	15,380
12	Memorial Sloan-Kettering Cancer Center	14,908
13	City University of New York	13,777
14	PwC	11,429
15	Staffing Alternatives	11,382
16	Delta Air Lines Inc.	10,851
17	Time Warner Inc.	10,337
18	American Airlines	10,280
19	Archdiocese of New York	10,265
20	Rutgers, The State University of New Jersey	10,000

Source: Moody's Analytics Précis® US Metro

## INCOME DISTRIBUTIONS

Household Income Analysis														
2022	0.5-Miles Radius		1-Mile Radius		2-Miles Radius		New York City		New York County		New York-Newark-Jersey City, NY-NJ-PA MSA		New York	
	Household Income <\$15,000	1,207	11.1%	8,870	7.3%	26,981	7.3%	423,652	12.5%	98,479	12.0%	665,414	8.9%	784,188
Household Income \$15,000-\$24,999	488	4.5%	4,640	3.8%	13,271	3.6%	245,505	7.2%	45,503	5.5%	444,461	6.0%	540,940	7.0%
Household Income \$25,000-\$34,999	269	2.5%	3,923	3.2%	11,585	3.2%	224,623	6.6%	38,263	4.7%	424,904	5.7%	504,704	6.5%
Household Income \$35,000-\$49,999	515	4.7%	5,143	4.3%	14,568	4.0%	302,835	8.9%	47,784	5.8%	606,162	8.1%	721,190	9.3%
Household Income \$50,000-\$74,999	611	5.6%	9,712	8.0%	29,196	7.9%	467,238	13.8%	80,895	9.9%	984,255	13.2%	1,111,762	14.4%
Household Income \$75,000-\$99,999	890	8.1%	10,244	8.5%	31,013	8.4%	371,558	11.0%	77,358	9.4%	834,400	11.2%	909,635	11.8%
Household Income \$100,000-\$149,999	1,722	15.8%	19,472	16.1%	56,376	15.3%	530,991	15.7%	118,830	14.5%	1,296,316	17.4%	1,318,364	17.1%
Household Income \$150,000-\$199,999	1,273	11.7%	16,237	13.4%	46,067	12.5%	315,435	9.3%	84,006	10.2%	819,190	11.0%	753,608	9.8%
Household Income \$200,000+	3,948	36.1%	42,530	35.2%	138,546	37.7%	508,843	15.0%	230,018	28.0%	1,372,979	18.4%	1,072,504	13.9%
Median Household Income	\$140,692		\$144,336		\$150,664		\$76,657		\$106,906		\$91,608		\$79,320	
Average Household Income	\$206,211		\$207,361		\$217,611		\$121,258		\$174,046		\$137,432		\$119,670	
Per Capita Income	\$118,315		\$118,152		\$118,789		\$46,634		\$84,515		\$50,700		\$45,962	

Source: ESRI; Compiled by Newmark

## MOODY'S MARKET OVERVIEW

### WALL STREET

Gravity will catch up to financial services, and the robust gains of the past couple of years will give way to stagnation. The Federal Reserve's aggressive interest rate hikes have put a damper on equity markets, and dealmaking has ground to a near-halt. The consequences are still reverberating, with Wall Street bonuses set to fall sharply as big banks put aside more reserves and slow hiring. Goldman Sachs, one of New York's top employers, has gone further, laying off hundreds of workers. If conditions steady and inflation slows as expected, 2023 will prove ho-hum but hardly devastating. But the risk associated with potential bank failures or a federal debt-ceiling breach remains high. Either would wreak havoc with financial markets and send New York reeling.

### TECH

Ongoing layoffs in the tech sector will cause some pain, but it will be contained. While most job losses have been concentrated on the West Coast, WARN notices in New York suggest at least 2,000 combined jobs lost at major tech firms such as Google, Meta and Twitter. Combine this with sharply reduced funding for startups, and arguably the key industry for New York's future is neutered. Spillover from lost jobs and an uncertain future will have implications for spending and the office market, but conditions are not as dire as they may appear. Many recent layoffs reflect a temporary correction for overly aggressive hiring in recent years. Further, laid-off workers are having little trouble finding new jobs, suggesting that opportunities remain plentiful.

### HOUSING

The housing market will be mixed, but it is better positioned than for most of New York's peers. Although single-family prices are backtracking, the correction is less severe than it is nationally or in other major northeastern markets. Surprisingly, condo prices are falling sharply despite a less pronounced price runup than for single-family homes, owing in part to elevated construction of new high-end units for purchase. The flip side is that the inventory of rental units has steadily

declined until recently. This and an influx of young adults have sustained solid rent growth, even in struggling Manhattan. But as more potential buyers are enticed by lower prices and new apartments are built in larger numbers, the rental market is due for a modest correction.

### GOVERNMENT

Better-than-expected public-sector performance will give way to modest declines. Tax collections in 2022 surprised to the upside, supporting local government gains, but broader headwinds will prove difficult to overcome. Reduced Wall Street incomes spell trouble for tax collections, and the steady out-migration of most cohorts means a shrinking tax base. Further, the remote-work revolution bodes ill for the office market and has opened debate on the city's requirement that employees live within the five boroughs. While likely necessary from a talent attraction and retention standpoint, this represents another demographic challenge for New York.

### MIDTOWN EAST REZONING

In August 2017, the Department of City Planning approved a plan to rezone Midtown East. The rezoning would allow developers to build substantially larger buildings. The proposal identifies 16 sites where a total of 6.5 million square feet of new office space could be added by 2036.

The proposal changed air rights sales to also allow landowners to trade air rights across Midtown East, instead of exclusively to neighboring parcels. In order for developers to purchase air rights from landmarked buildings, they would first need to donate money towards public improvements.

### SoHo / NoHo NEIGHBORHOOD REZONING PLAN

In May 2021, the City Planning Commission certified the proposed rezoning of the area within SoHo and NoHo neighborhoods which will primarily impact the area bound by Canal Street to the south, Houston Street and Astor Place to the north, Lafayette Street and Bowery to the east, and Sixth Avenue and West Broadway to the west. The rezoning plan is estimated to bring approximately 900 permanently affordable homes, support existing historic districts, invest in arts and culture through an innovative arts fund model, and introduce flexible zoning for ground floor and other uses. An overview of the of the NYC Planning rezoning initiative is as follows:

The SoHo/NoHo Neighborhood Plan will establish a new special district to modernize the area's zoning. It would address housing needs and economic challenges articulated by local and citywide stakeholders. The goals of the Plan include:

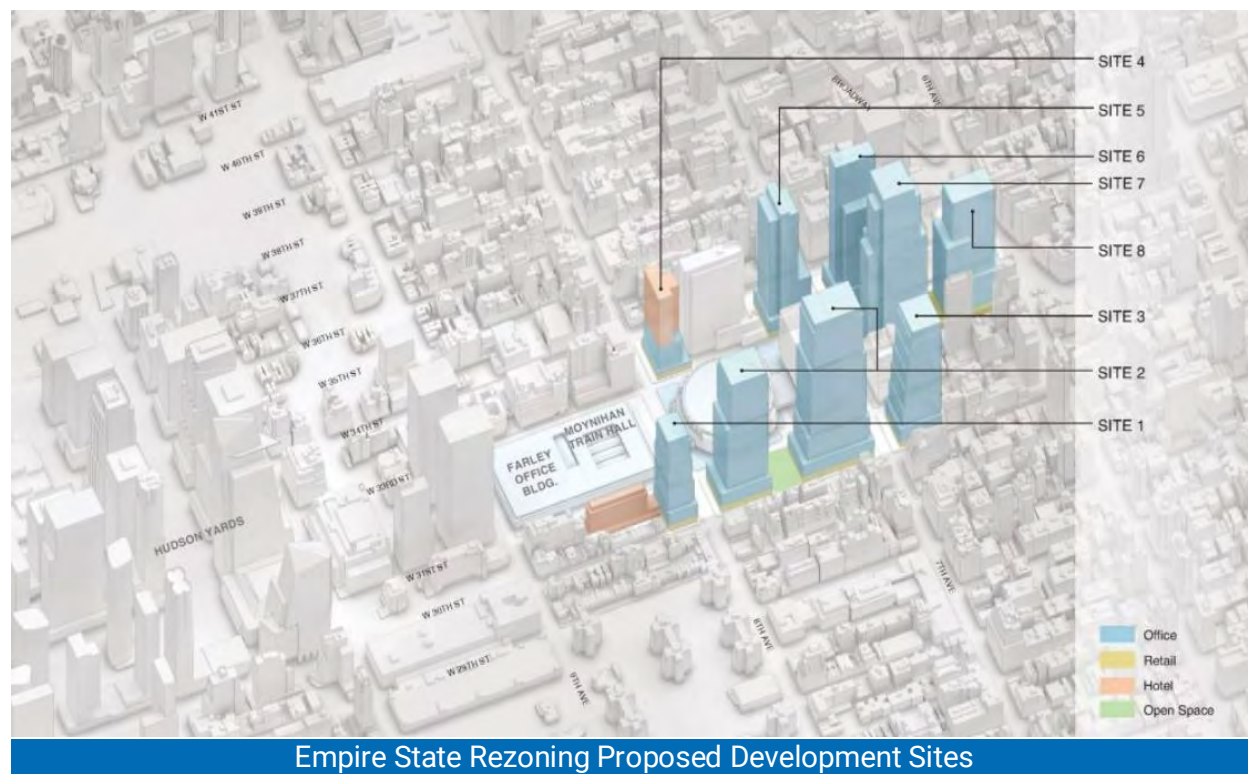
- Creating housing and especially affordable housing in these high-opportunity, transit-rich neighborhoods.
- Supporting economic resiliency and recovery by allowing a wider range of commercial uses, to provide flexibility for job-generating industries.

- Celebrating and modernizing SoHo/NoHo's role in the City's arts, culture and creative economy by supporting live-work and arts/cultural spaces.
- Guiding building shapes and sizes that respond to neighborhood context and enhance historic character. Unlike today's rules, the plan will not allow towers.

With these goals, the SoHo/NoHo Neighborhood Plan will ensure the area's continued economic vitality, adaptability and resiliency. It will increase access to the neighborhoods' amenities, support citywide housing and equity goals and reinvigorate SoHo/NoHo's legacy as a creative community. An overview of the rezoning area is highlighted below:

**EMPIRE STATE REZONING**

The Empire State Rezoning aims to transform and revitalize the area between Sixth and Seventh Avenues and West 32nd and West 34th Streets with a total of eight new buildings. All of which would surround the 109-year-old James A. Farley Building and the newly opened Moynihan Train Hall, as well as One and Two Penn Plaza and Madison Square Garden. The 7.4 million-square-foot Penn District master plan in Midtown, Manhattan will reshape the neighborhood. Governor Hochul has shown immense support of the Empire State Rezoning. The redevelopment will include eight new buildings and the redevelopment of Penn Station, that would yield a brighter, fresh and less congested Penn Station. The Empire State Rezoning is slated to be completed by 2044. An overview of the designated sites have been outlined on the following chart:



### POTENTIAL MIDTOWN REZONING

Mayor Eric Adams has proposed a rezoning within Midtown to help meet his goal of adding half a million homes citywide. Adams announced in his second State of the City address, that in the coming weeks community engagement will begin on the prospect of rezoning Midtown to allow residential construction in areas that only permit manufacturing and office use. The potential Midtown rezoning follow a recommendation by a city led task force, of whom noted the area between West 23rd and West 41st Streets are currently zoned for manufacturing, thus preventing ground-up residential development and conversions of vacant office space for residential use. This area has been identified as it experiences abnormally high vacancy rates, the rezoning will maximize the utility of the area. The task force has also recommended that the city should entertain the idea of creating a tax incentive for office to residential conversion, which includes affordable housing. The administration has projected 20,000 new apartments may come from office to residential conversions.

### TECHNOLOGY SECTOR HIGHLIGHT

An important trend with Employment has been the recent growth in the technology field. Both major tech companies, as well as small startups have leased space throughout the city and demand highly educated workers in this field.

As a result, in 2016, former Mayor Bill de Blasio released a plan to invest \$100 million into the science field, particularly into education for construction along the East Side of Manhattan and Long Island City in Queens. This aspect of the plan is part of a \$500 million plan, which aims to create 16,000 new jobs in the science field. This plan also includes certain rezoning and tax credits to facilitate the construction.

This plan helped Cornell University begin construction on its \$2 billion, 2 million square foot Roosevelt Island tech campus. The first phase of the campus opened in September 2017. The second and third phases are projected to be completed by 2037. Upon completion in 2037, The Roosevelt Island Tech Campus is projected to house 2,000 students and 280 faculty members, while also adding 8,000 permanent jobs.

### CONCLUSION

Despite a fraught outlook for finance and tech, New York City Metro will slightly outperform the U.S. Resilience in key sectors and further increases in spending by workers and tourists will provide the necessary fuel. Still, risks are tilted heavily to the downside, given the elevated odds of a global recession. Even in the best case, high costs and out-migration temper long-run expectations.

## MANHATTAN OFFICE MARKET ANALYSIS

The following information has been compiled by the Newmark Research department, which was completed on May 1<sup>st</sup>, 2023, and outlines the Newmark statistics compiled as of the first quarter 2023.

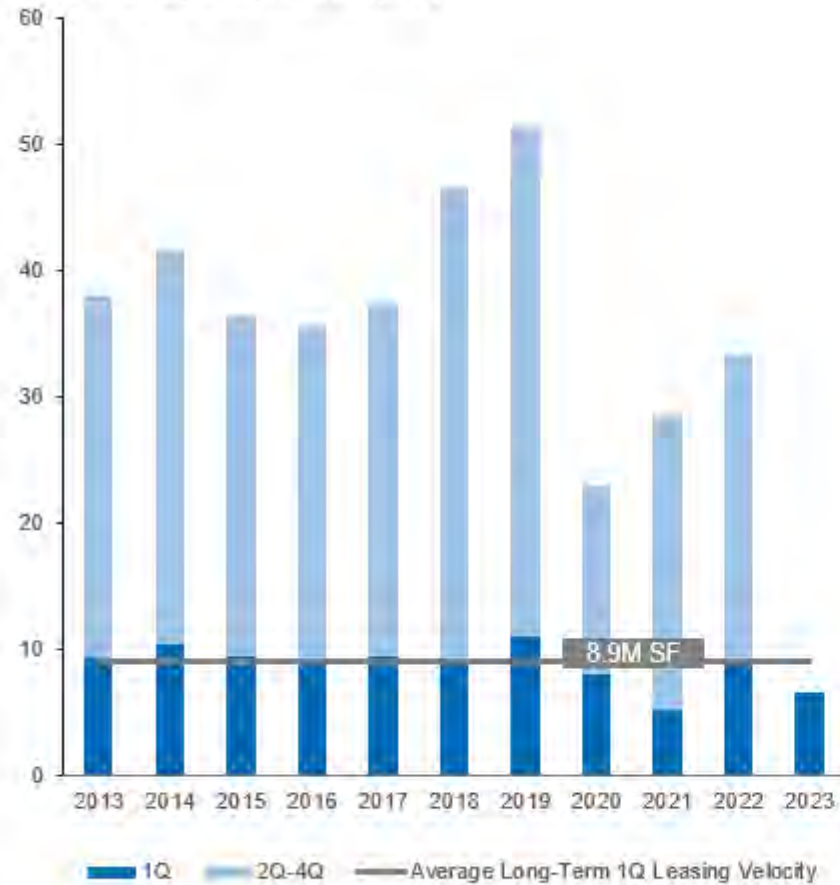
- First quarter leasing activity totaled 6.6 million square feet, 25.8% below the long-term quarterly average of 8.9 million square feet. Class A properties account for 68.3% of new leasing activity in Manhattan as demand continues to rise from tenants seeking higher quality space to lease.
- The Manhattan availability rate increased by 30 basis points quarter over quarter to 19.0%, as more than a dozen 100,000-square-foot large blocks came to market, while quarterly absorption totaled negative 2.6 million square feet. An influx of newly delivered space across Midtown, Midtown South, and Downtown contributed to eight straight years of negative absorption, delivering 24.6 million square feet in the same period.
- Manhattan Overall asking rents improved to \$75.31 per square foot despite decreases in all but five of Manhattan's 19 submarkets. The increase can partially be attributed to a few large inexpensive sublease listings being withdrawn from the market. Both Midtown and Midtown South recorded declining asking rents, with the most severe changes of more than \$1.50 per square foot occurring in the Far West Side. Overall asking rents Downtown increased however, with slight improvements recorded across each of the three submarkets. Manhattan average asking rents registered 0.2% increase from a year ago though are still 1.2%, below the pre-pandemic average.
- The first quarter delivered 2.9 million square feet to market, with 4.4 million square feet expected to deliver within the next two years. The remaining 31.0 million square feet in the pipeline will be delayed with major projects such as the Port Authority Bus Terminal, World Trade Center, and additional Hudson Yards developments comprising 61.1% of potential office development.

MANHATTAN HISTORICAL OFFICE MARKET OVERVIEW					
Period	Availability Rate	Net Absorption	Average Asking Rent	Vacancy Rate	Leasing Activity
3Q08	10.6%	-2,437,995	\$71.26	6.0%	6,530,457
<b>4Q08</b>	<b>11.9%</b>	<b>-4,439,277</b>	<b>\$62.14</b>	<b>6.4%</b>	<b>7,051,983</b>
1Q09	13.7%	-6,003,368	\$55.54	7.2%	5,318,209
2Q09	14.4%	-3,480,824	\$53.00	7.5%	5,431,676
3Q09	14.6%	-1,455,257	\$50.99	7.8%	6,710,660
<b>4Q09</b>	<b>14.4%</b>	<b>1,565,933</b>	<b>\$49.49</b>	<b>8.1%</b>	<b>8,781,072</b>
1Q10	14.0%	919,249	\$47.99	8.1%	9,329,496
2Q10	13.9%	-822,601	\$49.25	8.2%	10,694,479
3Q10	13.7%	965,953	\$49.77	8.2%	8,908,742
<b>4Q10</b>	<b>13.0%</b>	<b>3,736,452</b>	<b>\$50.96</b>	<b>7.9%</b>	<b>9,741,153</b>
1Q11	13.0%	2,837,452	\$52.00	8.1%	11,690,271
2Q11	12.6%	1,402,510	\$53.70	8.0%	11,244,797
3Q11	12.3%	565,111	\$55.54	7.7%	8,898,165
<b>4Q11</b>	<b>12.5%</b>	<b>-80,625</b>	<b>\$56.68</b>	<b>7.7%</b>	<b>10,299,284</b>
1Q12	12.8%	-16,377	\$59.39	7.5%	7,939,889
2Q12	12.9%	1,088,871	\$57.93	7.6%	12,204,495
3Q12	12.8%	-26,524	\$60.16	7.9%	9,153,690
<b>4Q12</b>	<b>12.9%</b>	<b>1,078,224</b>	<b>\$61.25</b>	<b>7.8%</b>	<b>9,460,386</b>
1Q13	12.8%	-1,225,754	\$59.55	7.6%	9,237,287
2Q13	12.8%	459,742	\$60.50	7.9%	9,765,450
3Q13	12.5%	1,973,543	\$61.83	8.0%	6,377,639
<b>4Q13</b>	<b>12.2%</b>	<b>881,922</b>	<b>\$62.42</b>	<b>8.5%</b>	<b>12,613,333</b>
1Q14	11.7%	2,080,712	\$64.98	7.8%	10,399,274
2Q14	11.6%	53,348	\$66.37	7.5%	12,316,165
3Q14	11.0%	1,956,565	\$66.15	7.5%	9,692,399
<b>4Q14</b>	<b>10.9%</b>	<b>-1,136,444</b>	<b>\$67.24</b>	<b>7.4%</b>	<b>9,270,225</b>
1Q15	11.4%	-3,246,549	\$69.89	7.7%	9,371,755
2Q15	11.3%	-214,778	\$70.17	7.6%	9,479,853
3Q15	11.2%	52,379	\$72.56	7.3%	7,743,333
<b>4Q15</b>	<b>11.2%</b>	<b>-246,439</b>	<b>\$74.91</b>	<b>7.3%</b>	<b>9,864,161</b>
1Q16	11.2%	-663,175	\$75.68	7.4%	9,153,898
2Q16	11.4%	-1,568,295	\$76.39	7.3%	9,567,368
3Q16	11.6%	-1,544,861	\$76.75	7.6%	8,710,422
<b>4Q16</b>	<b>12.0%</b>	<b>-1,895,102</b>	<b>\$76.07</b>	<b>7.6%</b>	<b>8,096,813</b>
1Q17	12.7%	-3,562,790	\$76.50	8.2%	9,384,213
2Q17	12.7%	-463,500	\$76.07	8.1%	9,905,535
3Q17	12.3%	1,174,178	\$75.87	7.6%	8,849,361
<b>4Q17</b>	<b>12.1%</b>	<b>509,394</b>	<b>\$75.32</b>	<b>7.5%</b>	<b>9,259,278</b>
1Q18	12.3%	-1,091,661	\$75.75	7.8%	8,429,462
2Q18	12.4%	-442,839	\$75.34	7.7%	12,241,752
3Q18	12.0%	760,307	\$76.12	7.4%	8,787,628
<b>4Q18</b>	<b>12.2%</b>	<b>-366,508</b>	<b>\$76.30</b>	<b>7.2%</b>	<b>13,009,997</b>
1Q19	12.2%	-878,528	\$76.34	6.9%	10,304,510
2Q19	11.7%	486,660	\$76.95	6.3%	14,332,981
3Q19	11.8%	267,226	\$79.25	5.9%	11,032,785
<b>4Q19</b>	<b>12.0%</b>	<b>-2,469,848</b>	<b>\$80.26</b>	<b>5.9%</b>	<b>13,076,410</b>
1Q20	11.8%	-766,209	\$81.71	5.8%	6,200,000
2Q20	11.9%	-1,393,759	\$80.98	6.0%	6,200,000
3Q20	14.1%	-10,973,238	\$78.75	7.8%	4,600,000
<b>4Q20</b>	<b>15.5%</b>	<b>-7,653,853</b>	<b>\$76.21</b>	<b>8.0%</b>	<b>3,200,000</b>
1Q21	17.3%	-9,677,681	\$74.06	9.1%	4,400,000
2Q21	18.7%	-9,509,927	\$73.89	9.7%	5,900,000
3Q21	18.5%	-589,250	\$73.47	9.8%	7,800,000
<b>4Q21</b>	<b>18.0%</b>	<b>-3,488,981</b>	<b>\$76.86</b>	<b>10.0%</b>	<b>8,300,000</b>
1Q22	18.7%	-1,787,458	\$77.17	10.1%	8,200,000
2Q22	19.1%	-2,294,506	\$76.14	11.6%	7,500,000
3Q22	18.4%	2,537,812	\$74.66	11.0%	9,960,000
4Q22	18.7%	-346,347	\$74.29	12.4%	5,900,000
<b>1Q23</b>	<b>19.0%</b>	<b>-2,585,263</b>	<b>\$75.31</b>	<b>13.1%</b>	<b>6,600,000</b>

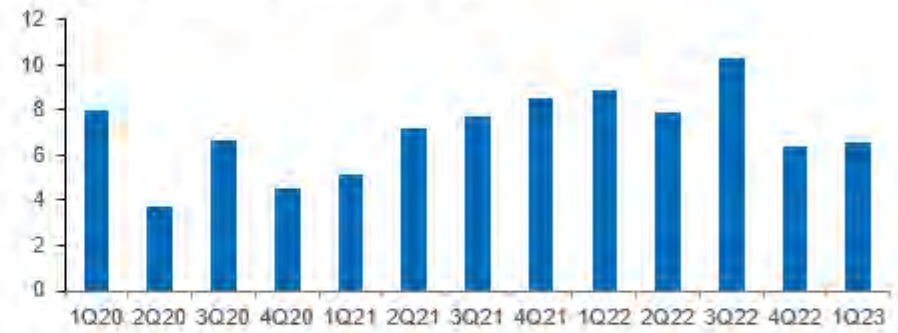
\*Compiled by Newmark

LEASING VELOCITY

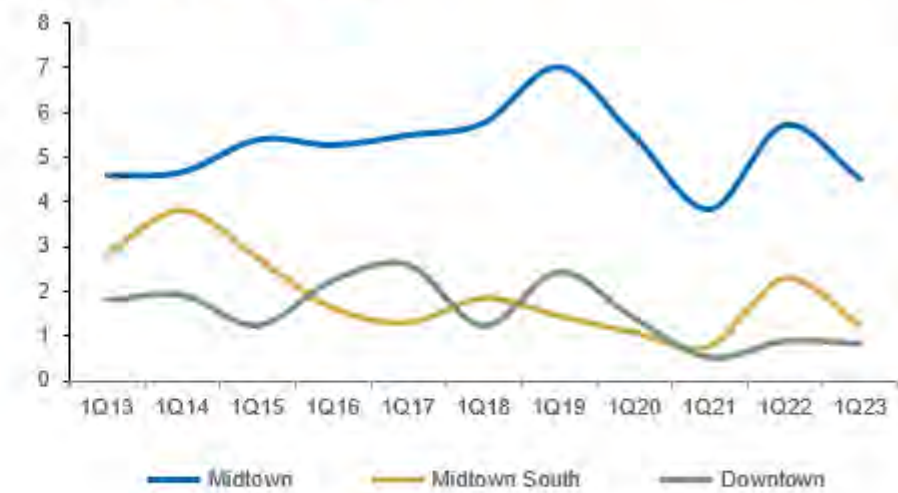
MANHATTAN LEASING ACTIVITY (MSF)



MANHATTAN QUARTERLY LEASING (MSF)



YTD LEASING BY MARKET (MSF)

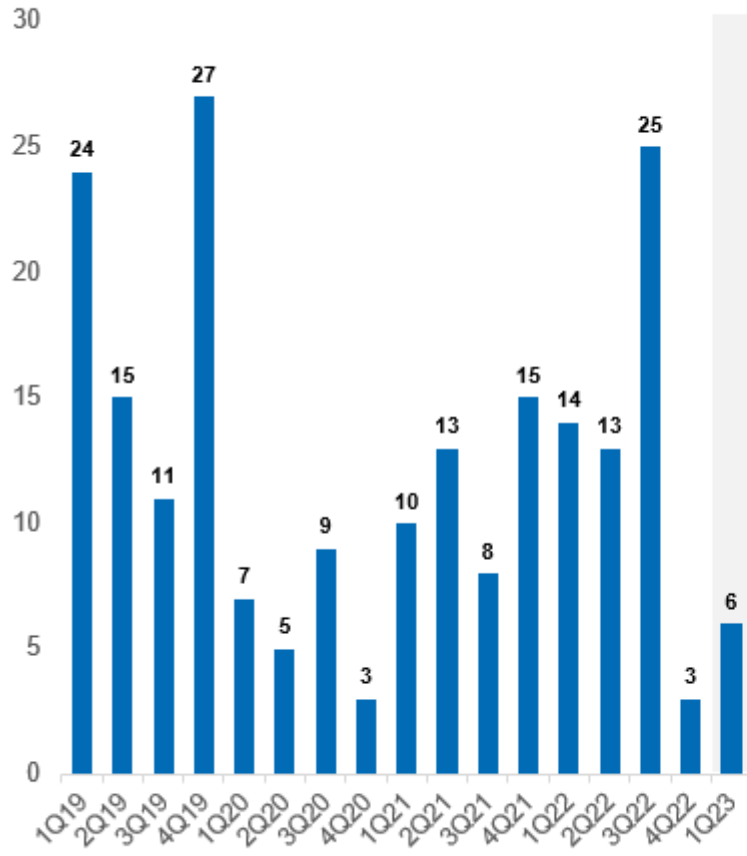


Source: Newmark Research

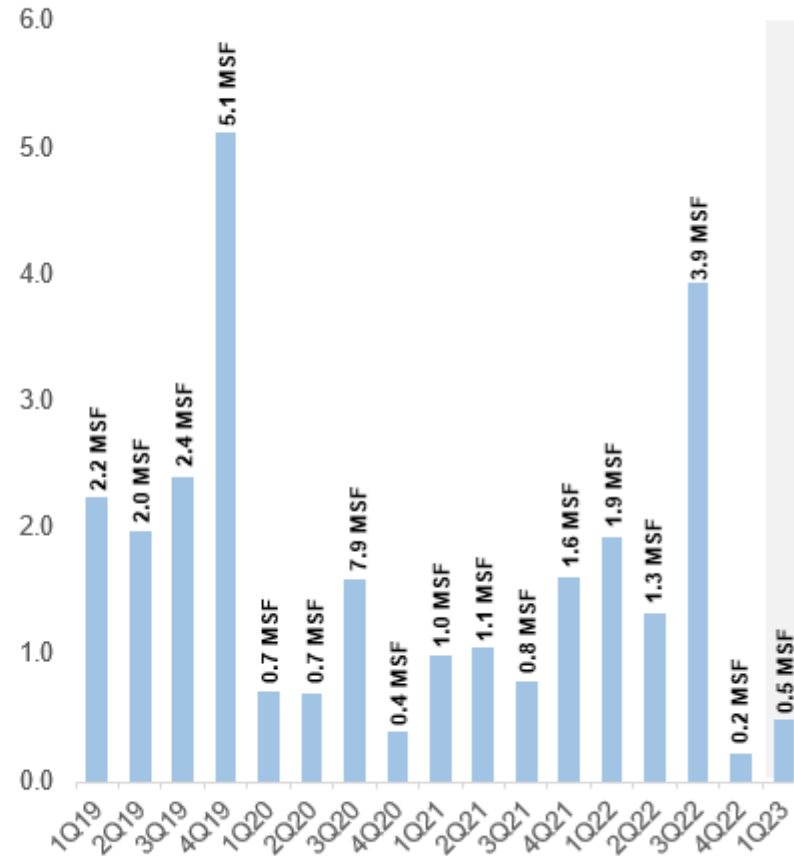
First quarter activity reached 6.6 million square feet, up 4.5% from the previous quarter, but 25.4% below first quarter 2022 activity.

CHANGING FOOTPRINTS – LARGE RELOCATIONS

50K+ RELOCATIONS BY QUARTER – # OF DEALS



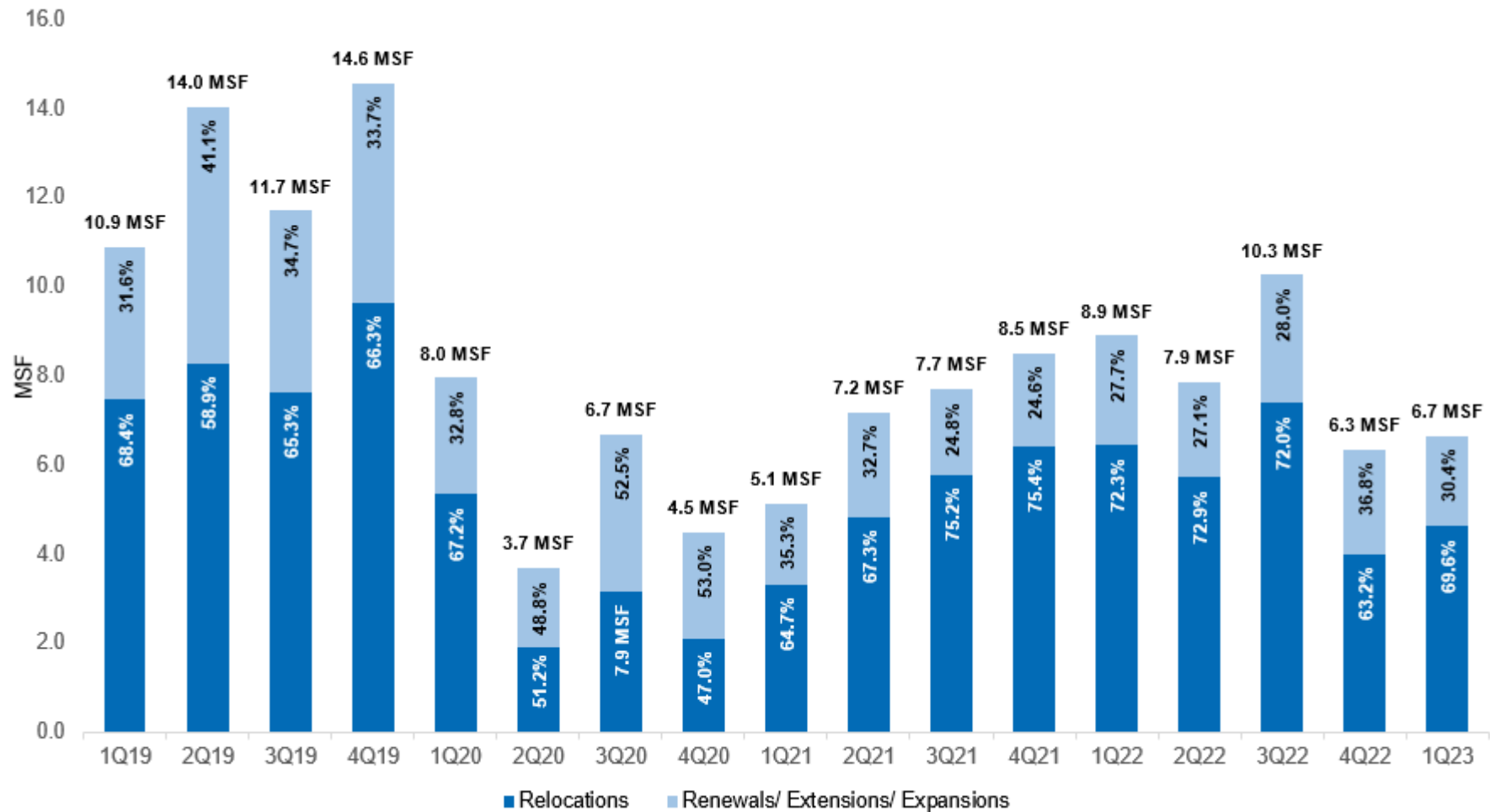
50K+ RELOCATIONS BY QUARTER – SF



Source: Newmark Research

The total square footage and number of 50K+ relocations doubled from the previous quarter but remains well below pre-pandemic and 2021-2022 averages.

RELOCATION AND RENEWAL ACTIVITY

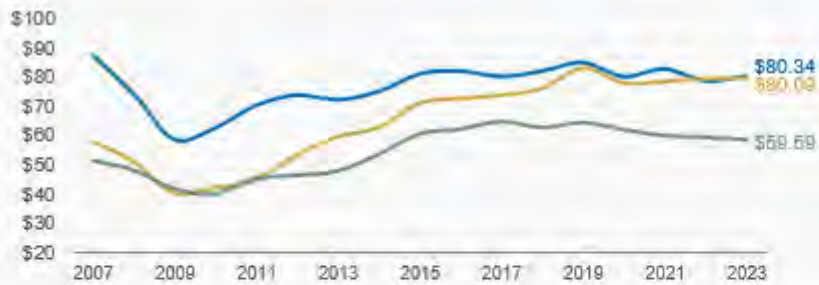


Source: Newmark Research

Renewals have accounted for more than 30.0% of total leasing activity in consecutive quarters for the first time since early 2021. Renewal activity had increased significantly in 2019 as available options were limited and in 2020 when tenants elected to renew or extend amid economic uncertainty.

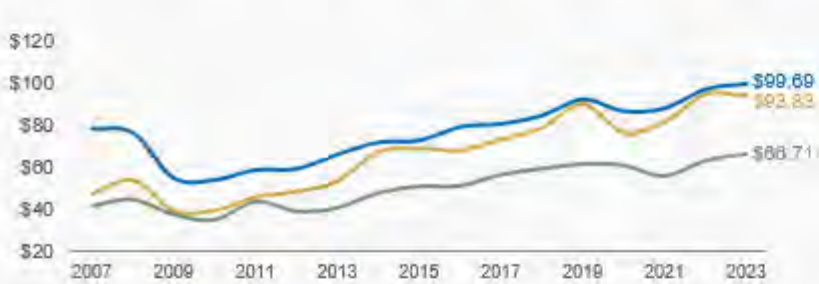
RENTAL RATE TRENDS

ASKING RENTS



	Year Over Year	Change Since 2019
MIDTOWN	2.2%	-5.5%
MIDTOWN SOUTH	0.4%	-4.1%
DOWNTOWN	-1.7%	-9.2%

BASE TAKING RENTS



	Year Over Year	Change Since 2019
MIDTOWN	2.7%	8.0%
MIDTOWN SOUTH	-0.9%	4.1%
DOWNTOWN	5.1%	7.9%

NET EFFECTIVE RENTS

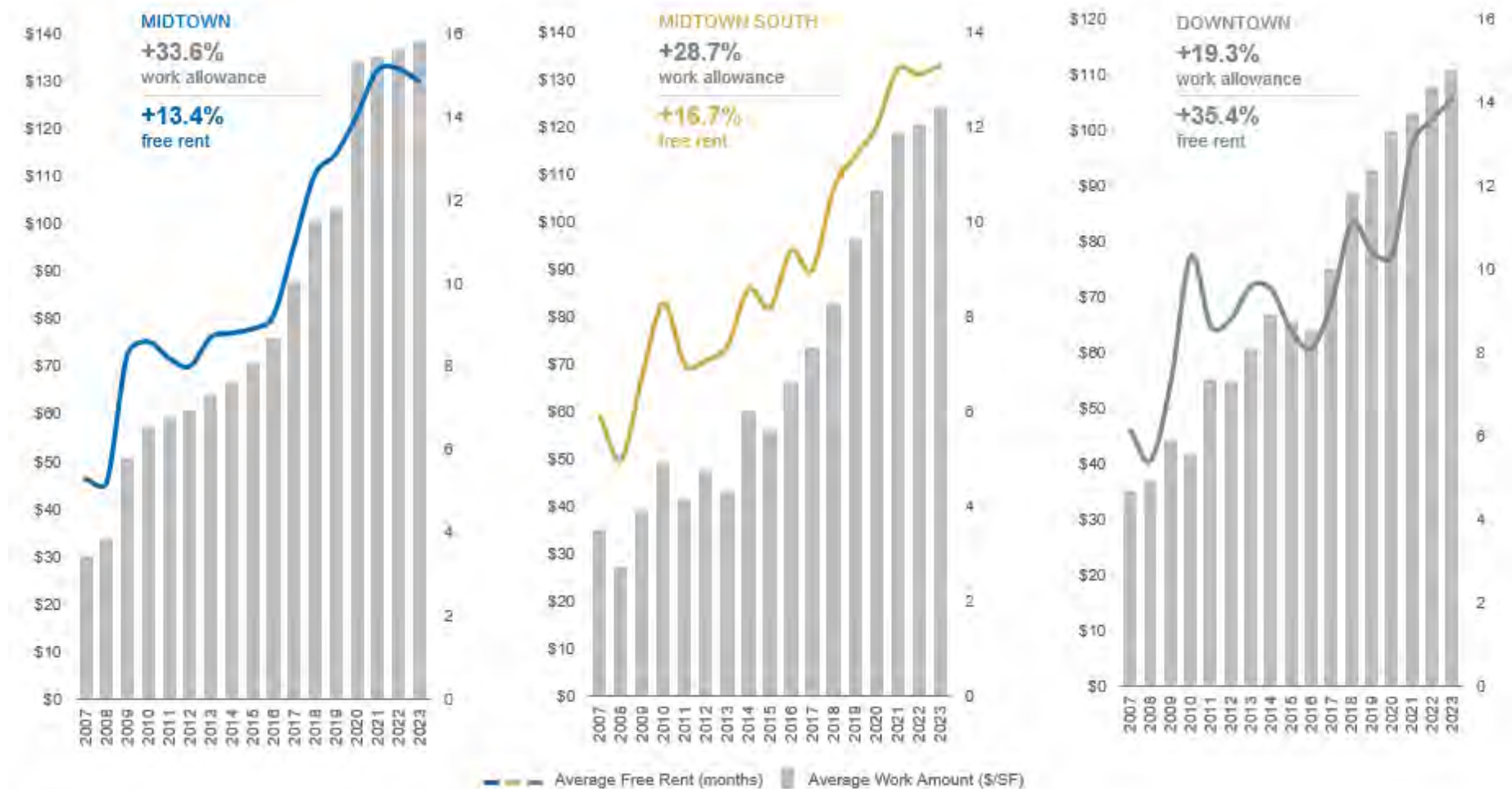


	Year Over Year	Change Since 2019
MIDTOWN	5.1%	5.3%
MIDTOWN SOUTH	-1.9%	0.6%
DOWNTOWN	6.9%	8.4%

Note: Taking and net effective rents are based on direct deals with 5+ year term  
Source: Newmark Research

Taking and Net Effective Rents in Midtown and Downtown increased to start 2023. In Midtown, there were seven deals completed greater than 20,000 square feet and \$150 per square foot each. In the Downtown market, activity at 1 World Trade Center and Brookfield Place drove rents up. Rents were slightly down in Midtown South after record-highs in 2022.

CONCESSIONS ANALYSIS

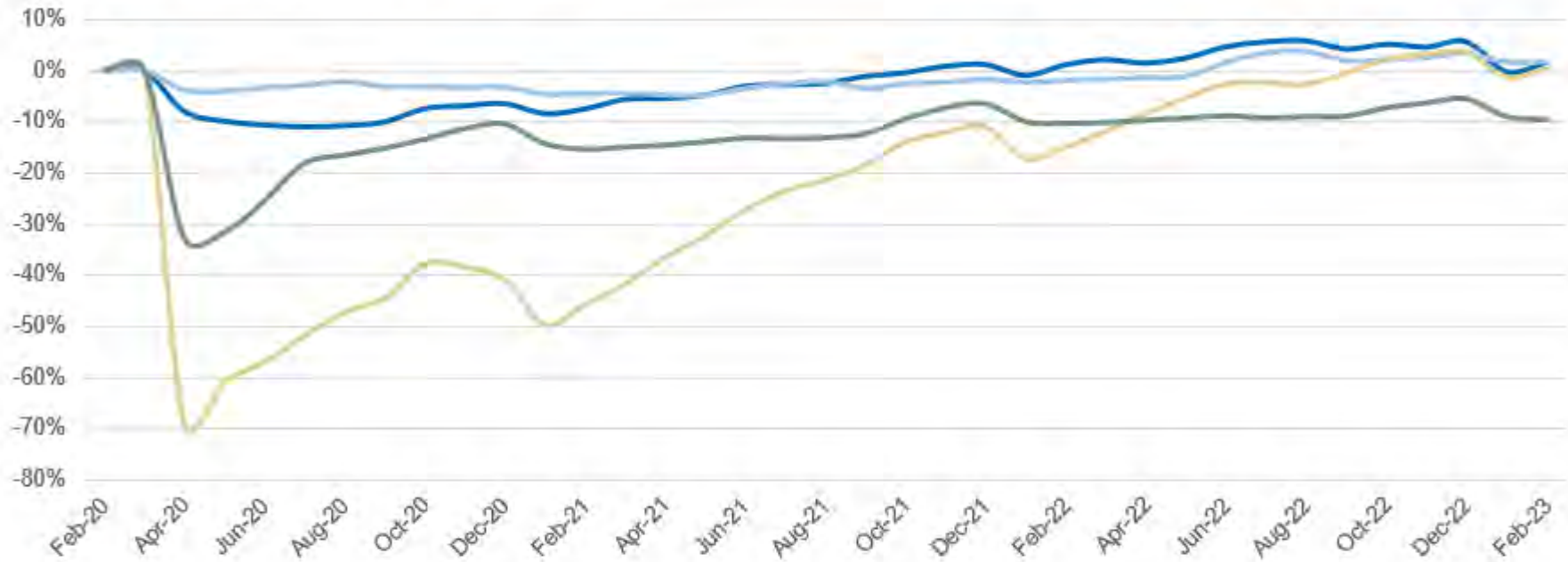


Note: Concessions are based on direct deals with 5+ year term. Changes in concessions are from 2019-Present.  
 Source: Newmark Research

Work allowances continue to increase, eclipsing a \$110 per square foot average in each market. Free rent averages have levelled off in Midtown and Midtown South, while overall concessions Downtown have increased more than any market since 2019.

NEW YORK CITY EMPLOYMENT

NEW YORK CITY EMPLOYMENT PERCENT CHANGE SINCE PANDEMIC



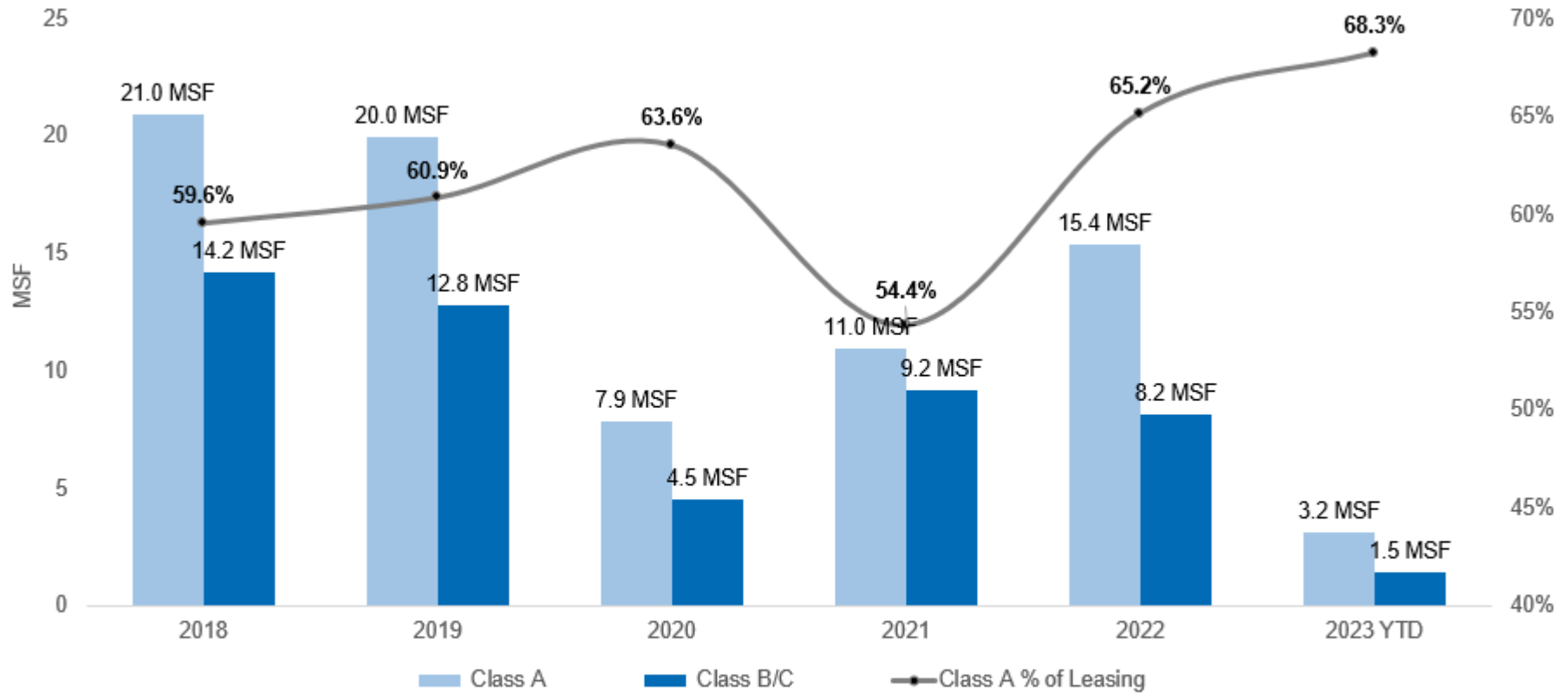
	Current Employment (Thousands)	Change Since February 2020	Change Since April 2020	Change Since 2022 Peak
<b>TAM</b>	403.6	2.3%	10.3%	-3.9%
FINANCIAL SERVICES	491.3	1.4%	5.8%	-1.9%
ACCOMMODATION AND FOOD SERVICES	342.4	-5.8%	227.0%	-3.2%
RETAIL TRADE	302.1	-11.0%	34.3%	-4.3%
<b>TOTAL OFFICE USING</b>	<b>4,619.4</b>	<b>-1.2%</b>	<b>23.2%</b>	<b>-1.8%</b>

Source: Newmark Research

New York City office-using employment is up 23.2% from the pandemic low in April 2020, however, is now 1.8% below the 2022 peak.

FLIGHT TO QUALITY – LEASING ACTIVITY

NEW LEASING ACTIVITY BY CLASS



Note: Excludes renewals/extensions/expansions  
 Source: Newmark Research

Class A properties account for 68.3% of new leasing activity in Manhattan as demand continues to rise from tenants seeking higher quality space to lease.

FLIGHT TO QUALITY- TAKING & NET EFFECTIVE RENT COMPARISON

BASE TAKING RENTS BY CLASS



NET EFFECTIVE RENTS BY CLASS



Note: Rents are based on direct deals with 5+ year term  
 Source: Newmark Research

Base taking and net effective rents have increased through the pandemic, despite negative market sentiment. The main driver of this spike is activity in new construction, while class B and C space is well below pre pandemic levels.

MANHATTAN SUBLEASE SPACE TRACKER

22.8M SF currently available

23.7M SF currently available + coming to market

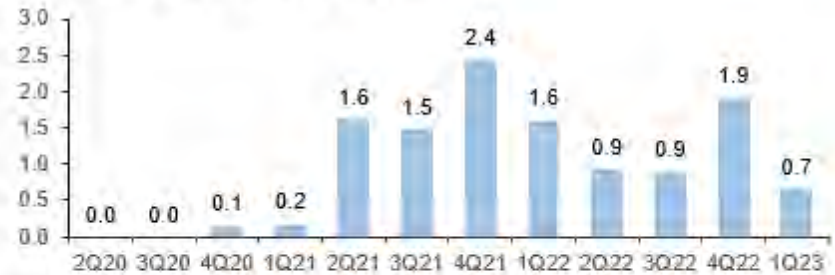
12.1M SF subleased since April 2020

12.3M SF withdrawn since April 2020

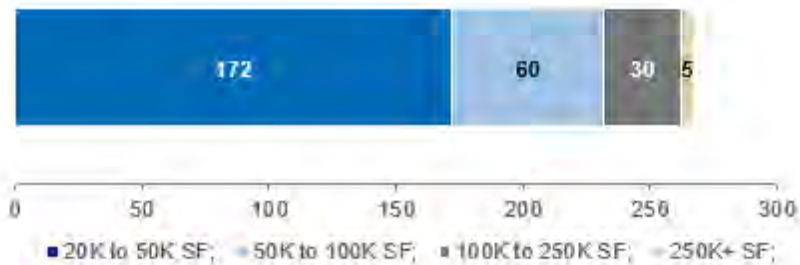


Note: Spaces coming to market are expected, but subject to change  
Source: Newmark Research

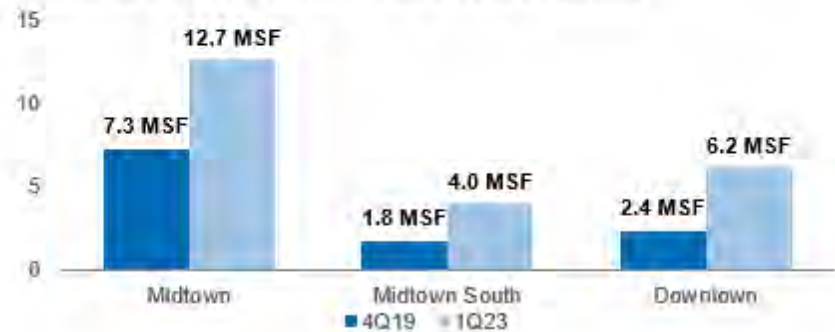
SUBLEASE WITHDRAWALS (MSF)



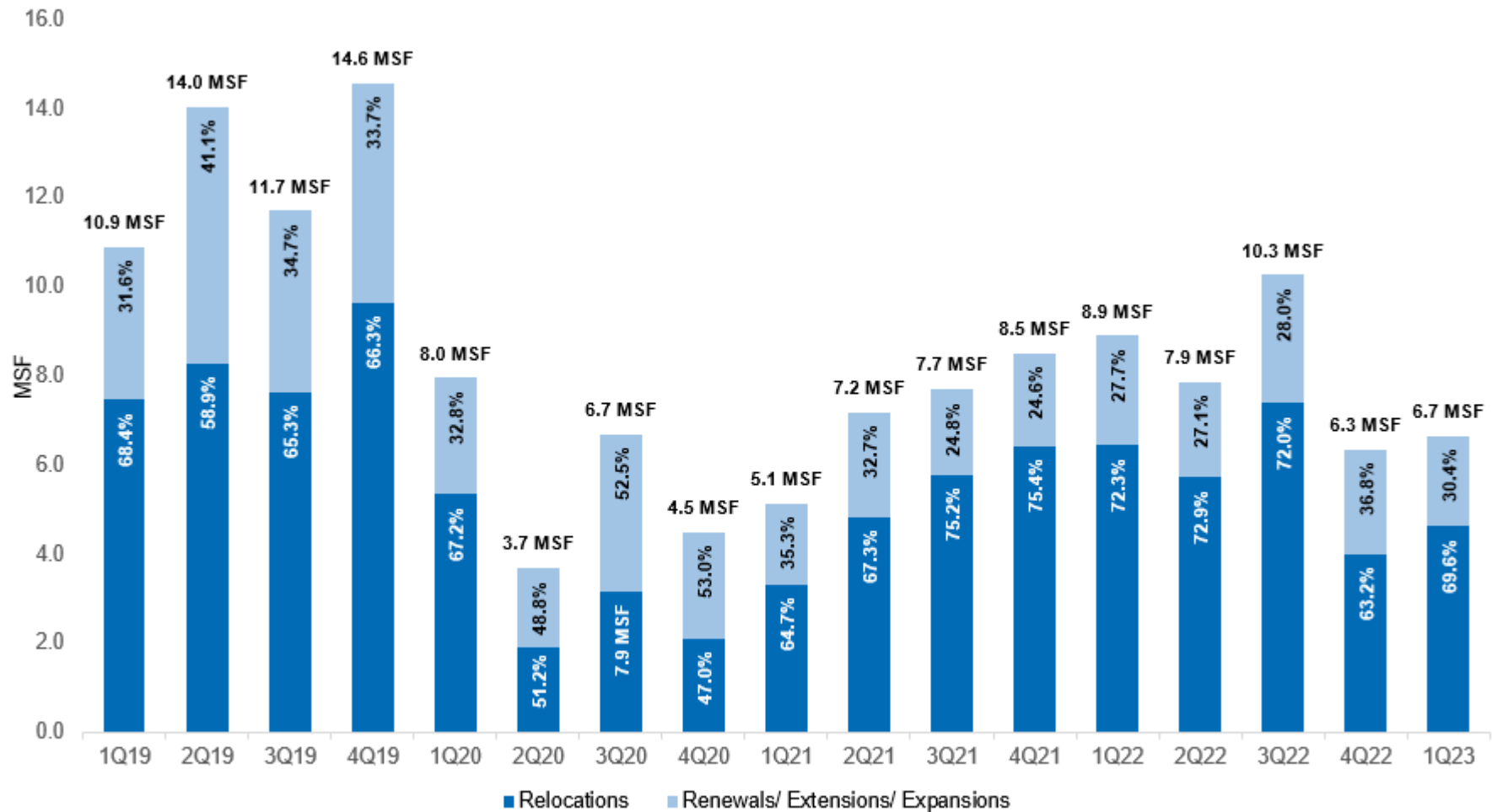
NUMBER OF SPACES ADDED BY SIZE RANGE - 20K SF+



SUBLEASE SPACE BY MARKET - PRE & POST PANDEMIC



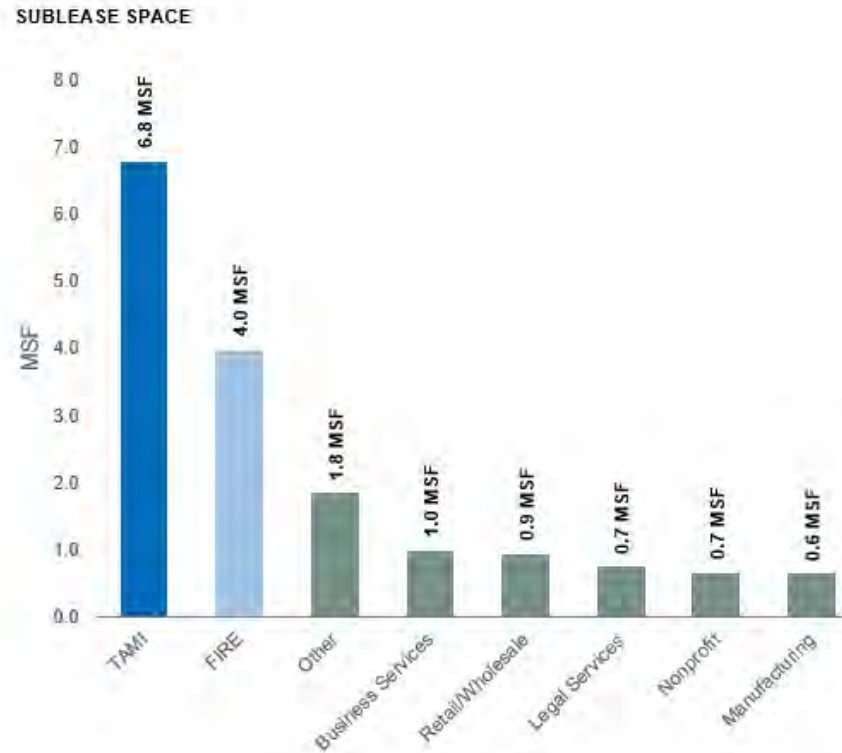
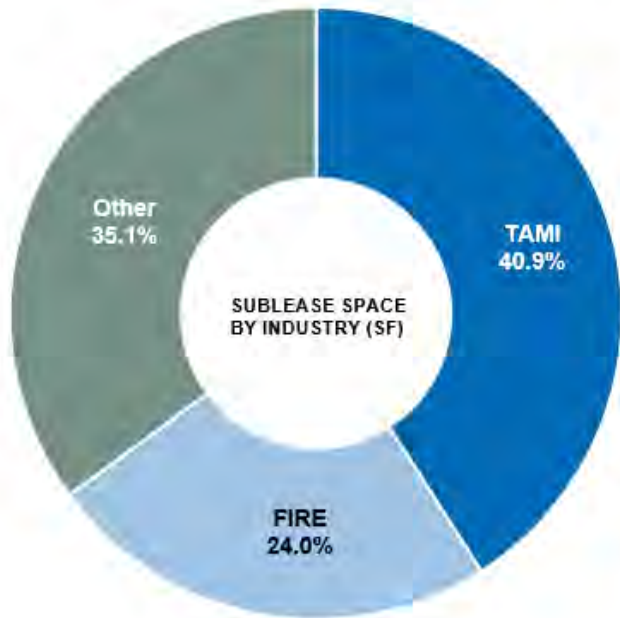
RELOCATION AND RENEWAL ACTIVITY



Source: Newmark Research

Renewals have accounted for more than 30.0% of total leasing activity in consecutive quarters for the first time since early 2021. Renewal activity had increased significantly in 2019 as available options were limited and in 2020 when tenants elected to renew or extend amid economic uncertainty.

SUBLEASE SPACE BY INDUSTRY



Note: 15K+ SF sublease space on market that has been added since March 2020.  
Source: Newmark Research

TAMI tenants account for 2.8 million square feet more sublease space added to the market during the pandemic than the next highest industry, with 6.8 million square feet total. TAMI accounts for 40.9% of the space added since March 2020, as the industry has struggled to get employees back into the office

LEASING AND ABSORPTION

MANHATTAN HISTORICAL LEASING AND ABSORPTION



Source: Newmark Research

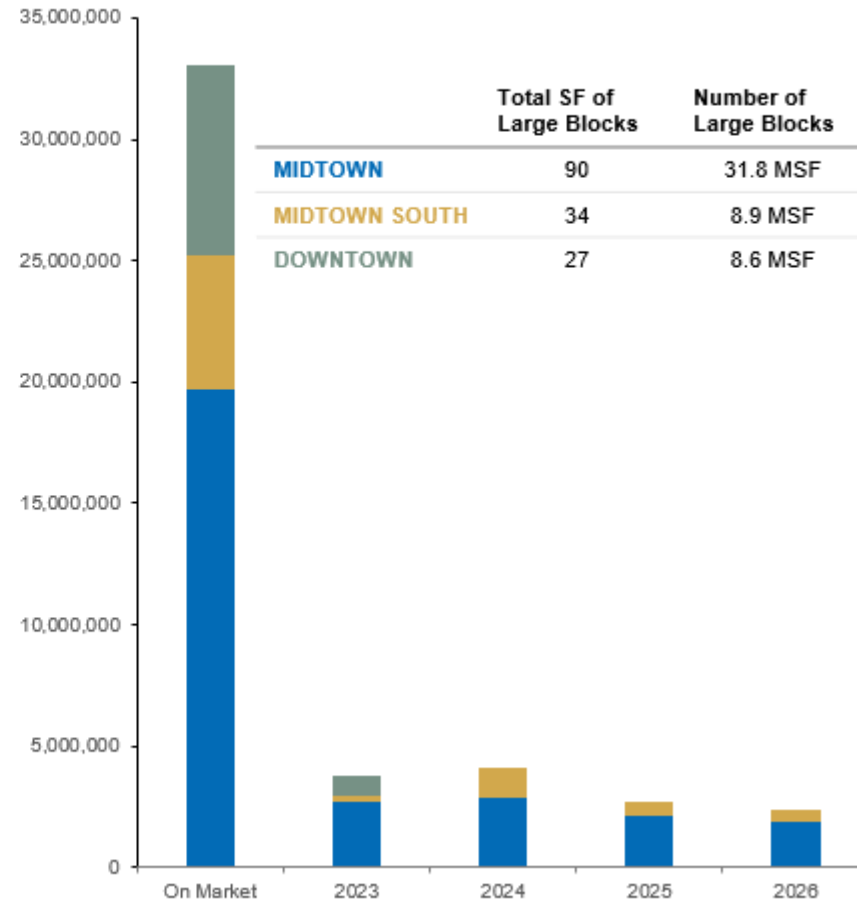
As Manhattan leasing activity continued to rebound from pandemic lows, net absorption again posted negative. An influx of newly delivered space across Midtown, Midtown South, and Downtown has helped to contribute to eight straight years of negative absorption, delivering 24.6 million square feet in the same period.

AVAILABILITY

SNAPSHOT OF TOTAL AVAILABILITY RATE

Market/Submarket	1Q23	1Q20	Change in Bps.
<b>MANHATTAN</b>	<b>19.0%</b>	<b>11.8%</b>	<b>720</b>
<b>MIDTOWN</b>	<b>18.3%</b>	<b>12.5%</b>	<b>580</b>
Eastside	21.6%	16.8%	480
Far West Side	20.0%	4.9%	1,510
Grand Central	18.8%	11.7%	710
Murray Hill	23.5%	11.2%	1,230
Park Avenue	12.2%	10.8%	140
Penn District	22.4%	12.0%	1,040
Plaza District	20.9%	16.8%	410
Sixth Ave/Rock Center	13.5%	10.4%	310
Times Square	25.0%	17.3%	770
Times Square South	17.1%	9.1%	800
Westside	17.4%	17.3%	10
<b>MIDTOWN SOUTH</b>	<b>18.8%</b>	<b>9.9%</b>	<b>890</b>
Chelsea	18.2%	9.2%	900
East Village	18.2%	25.7%	-750
Flatiron/Union Square	20.1%	11.1%	900
Hudson Square/Meatpacking	18.6%	7.5%	1,110
Noho/Soho	17.7%	9.1%	860
<b>DOWNTOWN</b>	<b>21.5%</b>	<b>11.3%</b>	<b>1,020</b>
Downtown East	26.2%	10.7%	1,550
Downtown West	17.2%	12.7%	450
Tribeca/City Hall	13.6%	8.8%	480

PIPELINE OF LARGE BLOCKS OF SPACE (>100K SF)



Note: "Coming to Market" is a measure of new supply and shadow space. Absorption is not factored into the figures.  
Source: Newmark Research

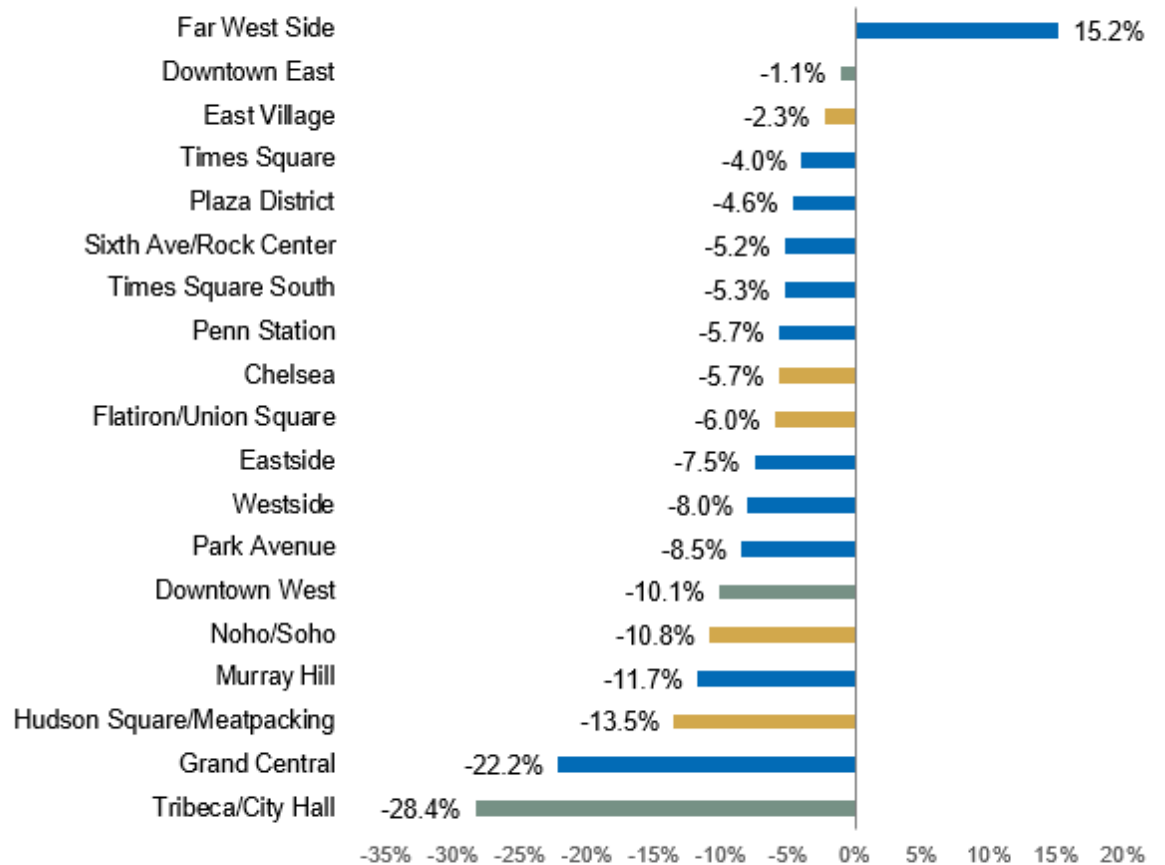
First quarter availability rose 30 basis points quarter-over-quarter to 19.0% following seventeen large space additions which came to market, six of which were subleases.

ASKING RENTS

AVERAGE ASKING RENT MARKET/SUBMARKET 1Q23 (\$/SF)

<b>MANHATTAN</b>	<b>\$75.31</b>
<b>MIDTOWN</b>	<b>\$80.34</b>
Eastside	\$70.28
Far West Side	\$129.85
Grand Central	\$68.61
Murray Hill	\$55.36
Park Avenue	\$99.89
Penn District	\$79.05
Plaza District	\$107.90
Sixth Ave/Rock Center	\$81.81
Times Square	\$78.26
Times Square South	\$54.08
Westside	\$70.82
<b>MIDTOWN SOUTH</b>	<b>\$80.09</b>
Chelsea	\$70.35
East Village	\$86.88
Flatiron/Union Square	\$81.87
Hudson Square/Meatpacking	\$90.00
Noho/Soho	\$89.67
<b>DOWNTOWN</b>	<b>\$58.60</b>
Downtown East	\$57.00
Downtown West	\$60.96
Tribeca/City Hall	\$63.37

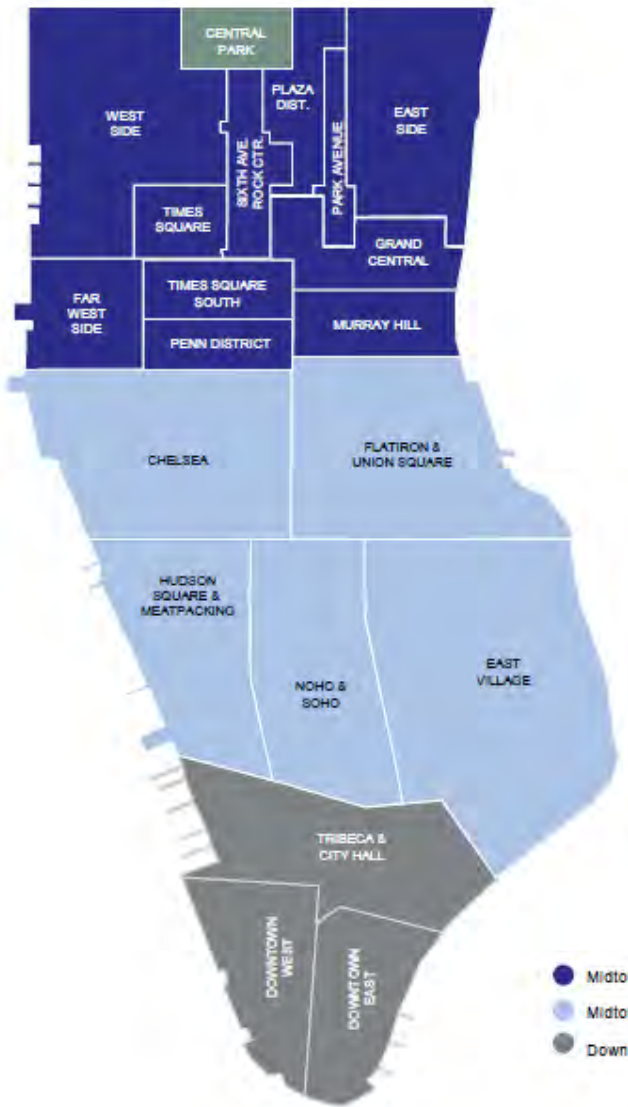
RENTAL RATE CHANGE SINCE PANDEMIC BEGAN (1Q20)



Source: Newmark Research

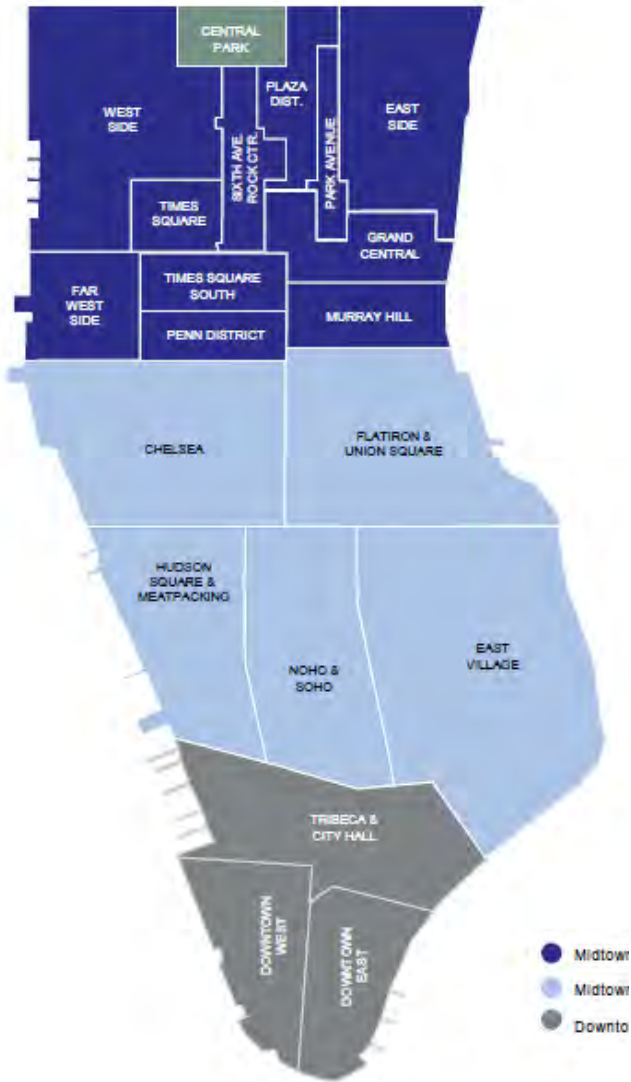
First quarter asking rents recorded \$75.31 per square foot, a 0.2% increase from year-ago levels. The Far West Side remains the lone Manhattan submarket to record taking rent growth since the pandemic began

SUBMARKET DEFINITIONS



**Midtown Manhattan** – 30th Street to 65th Street, Hudson River to Fifth Avenue. 32nd Street to 65th Street, Fifth Avenue to East River.

- Westside - 41st Street to 65th Street, Hudson River to Ninth Avenue. 48th Street to 65th Street, Ninth Avenue to Seventh Avenue.
- Times Square - 41st Street to 48th Street, Ninth Avenue to Seventh Avenue.
- Far West Side – 30th Street to 41st Street, Hudson River to Ninth Avenue.
- Penn Station - 30th Street to 35th Street, Ninth Avenue to Fifth Avenue.
- Times Square South - 35th Street to 41st Street, Ninth Avenue to Fifth Avenue.
- Sixth Ave/Rockefeller Center – 41st Street to 59th Street, Seventh Avenue to Midblock Sixth - Fifth Avenue. 48th Street to 52nd, Seventh Avenue to Fifth Avenue.
- Plaza District – 47th Street to 65th Street, Midblock Sixth - Fifth Avenue to Midblock Madison – Park Avenue. 61st Street to 65th Street, Fifth Avenue to Midblock Park - Lexington Avenue.
- Park Avenue – 44th Street to 61st Street, Midblock both sides of Park Avenue.
- Eastside – 45th Street to 65th Street, Midblock Park - Lexington Avenue to East River.
- Grand Central – 38th Street to 47th Street, Midblock Sixth - Fifth Avenue to Midblock Madison - Park Avenue. 38th Street to 45th Street, Park Avenue to East River.
- Murray Hill – 32nd Street to 38th Street, Fifth Avenue to East River.



**Midtown South** – Canal Street to 30<sup>th</sup> Street, Hudson River to Fifth Avenue. Canal Street to 32<sup>nd</sup> Street, Fifth Avenue to East River.

- Chelsea – 14<sup>th</sup> Street to 30<sup>th</sup> Street, Hudson River to Sixth Avenue.
- Flatiron/Union Square – 13<sup>th</sup> Street to 32<sup>nd</sup> Street, Sixth Avenue to Lexington Avenue. 14<sup>th</sup> Street to 32<sup>nd</sup> Street, Third Avenue to East River.
- Hudson Square/Meatpacking – Canal Street to 14<sup>th</sup> Street, Hudson River to Sixth Avenue.
- SoHo/NoHo – Canal Street to 14<sup>th</sup> Street, Sixth Avenue to Fifth Avenue. Canal Street to 13<sup>th</sup> Street, Fifth Avenue to Third Avenue and Bowery.
- East Village – Canal Street to 14<sup>th</sup> Street, Third Avenue and Bowery to East River.

**Downtown Manhattan** – Below Canal Street, Hudson River to East River.

- Tribeca/City Hall – Chambers Street to Canal Street, Hudson River to East River. Frankfort Street to Canal Street, Hudson River to East River.
- Downtown West – Below Chambers Street, Hudson River to Broadway.
- Downtown East – Below Frankfort Street, Broadway to East River.

MIDTOWN MARKET OVERVIEW

AVAILABILITY AND VACANCY RATES –



LEASING ACTIVITY



DEALS BY TAKING RENT



Source: Newmark Research

FIRST QUARTER TOP DEALS

<p><b>350 PARK AVENUE</b> Citadel Enterprise Americas 585,000 SF Direct New</p>	<p><b>40 EAST 52ND STREET</b> Citadel Enterprise America 390,000 SF Direct New</p>
<p><b>787 SEVENTH AVENUE</b> Stifel, Nicolaus &amp; Co. 214,706 SF Direct Renewal</p>	<p><b>7 TIMES SQUARE</b> Ann Taylor Stores Corp. 191,258 SF Direct Extension</p>
<p><b>555 WEST 57TH STREET</b> CBS Broadcasting Corp 186,882 SF Direct Renewal</p>	

Midtown leasing activity totaled 4.5 million square feet square feet for the first quarter of 2023, led by Citadel’s two full-building leases at 350 Park Avenue and 40 East 52nd Street, accounting for more than 20.0% of leasing in the market. Availability rose by 70 basis points, closing the quarter at 18.3%. Class A space continued to generate the most activity, representing 78.6% of all leased space in Midtown.

MIDTOWN SOUTH MARKET OVERVIEW

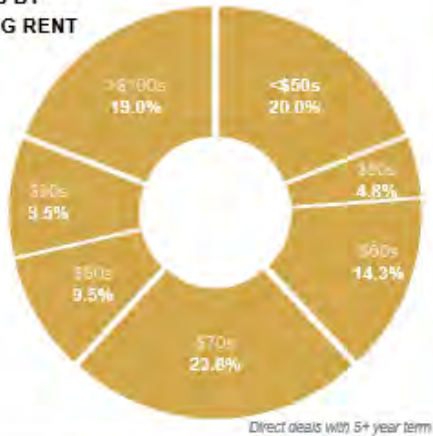
AVAILABILITY AND VACANCY RATES



LEASING ACTIVITY



DEALS BY TAKING RENT



Source: Newmark Research

Direct deals with 5+ year term

**FIRST QUARTER TOP DEALS**

<p><b>100 AVENUE OF THE AMERICAS</b> Two Sigma Investments 265,217 SF Direct Renewal</p>	<p><b>622 BROADWAY</b> Take Two Interactive Software 69,353 SF Direct Renewal</p>
<p><b>568 BROADWAY</b> ZocDoc 46,076 SF Direct Renewal</p>	<p><b>160-170 VARICK STREET</b> Esprit 38,257 SF Direct New</p>
<p><b>1 MADISON AVENUE</b> Palo Alto Networks 28,903 SF Direct New</p>	

With 1.2 million square feet of leasing velocity in 1Q23, Midtown South’s availability rate dropped by 10 basis points to 18.8%. Notable large renewals during the quarter included Two Sigma Investments at 100 Avenue of the Americas and Take Two Interactive Software at 622 Broadway. As the flight quality continues, 19.0% of 1Q23 deals had a taking rent over \$100 per square foot

DOWNTOWN MARKET OVERVIEW

AVAILABILITY AND VACANCY RATES



LEASING ACTIVITY



DEALS BY TAKING RENT



Source: Newmark Research

Direct lease with 5+ year term

FIRST QUARTER TOP DEALS



Downtown closed 1Q23 with 868,974 square feet of recorded leasing activity, led by Cadwalader, Wickersham & Taft’s long-term renewal at 200 Liberty Street. The 25.2% jump in leasing activity from the prior quarter helped drive availability lower by 20 basis points, to 21.5%. The Downtown market is poised for multiple new residential conversion projects, with 1.1 million square feet currently being removed from market inventory as 25 Water Street begins its residential conversion

## MANHATTAN - TOP LEASE TRANSACTIONS

## Midtown Lease Transactions

Tenant	Market	Building	Type	Square Feet
Citadel Enterprise Americas LLC	Park Avenue	350 Park Avenue	Direct New	585,000
Citadel Enterprise Americas LLC	Park Avenue	40 East 52nd Street	Direct New	390,000
Stifel, Nicolaus & Co	Westside	787 Seventh Avenue	Direct Renewal	214,706
Ann Taylor Stores Corporation	Times Square	7 Times Square	Direct Extension	191,258
CBS Broadcasting Corp.	Westside	555 West 57th Street	Direct Renewal	186,882

## Midtown South Lease Transactions

Tenant	Market	Building	Type	Square Feet
Two Sigma Investments, L.P.	Noho/Soho	100 Avenue of the Americas	Direct Renewal	265,217
Take Two Interactive Software, Inc.	Noho/Soho	622 Broadway	Direct Renewal	69,353
ZocDoc	Noho/Soho	568 Broadway	Direct Renewal	46,076
Esprit	Hudson Square/Meatpacking	160-170 Varick Street	Direct New	38,257
Palo Alto Networks	Flatiron/Union Square	1 Madison Avenue	Direct New	28,903

## Downtown Lease Transactions

Tenant	Market	Building	Type	Square Feet
Cadwalader, Wickersham & Taft LLP	Downtown West	200 Liberty Street	Direct Renewal	225,301
Revlon	Downtown East	55 Water Street	Sublease New	68,518
Kings College	Downtown East	52 Broadway	Sublease Renewal	52,542
Axsome Therapeutics	Downtown West	1 World Trade Center	Sublease New	48,486
Slalom, Inc	Downtown West	1 World Trade Center	Sublease New	22,170

NEW SUPPLY HIGHLIGHT – WEST SIDE

<b>10 HUDSON YARDS</b>	<b>30 HUDSON YARDS</b>	<b>55 HUDSON YARDS</b>	<b>1 MANHATTAN WEST</b>	<b>441 NINTH AVENUE</b>	<b>50 HUDSON YARDS</b>	<b>FARLEY BUILDING</b>	<b>66 HUDSON BOULEVARD</b>
100%	100%	100%	99%	81%	90%	100%	74%
1.8M SF	2.6M SF	1.5M SF	2.1M SF	700,000 SF	3.0M SF	740,000 SF	2.87M SF
Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed
Related / STRS Ohio / Allianz	Related / Oxford Properties	Related / Mitsui Fudosan	Brookfield Properties / QIA / Blackstone	CommonWealth Partners	Related / Mitsui Fudosan	Vornado Realty Trust / Related	Tishman Speyer
2016	2019	2018	2019	2019	2022	2022	2023
Coach L'Oreal BCG Guardian Life	Time Warner Related KKR Wells Fargo	Point72 Milbank Tweed Cooley LP MarketAxess Facebook	Skadden, Arps NHL McKool Smith Accenture EY	Peloton Interactive Lyft Brevet Capital	BlackRock Facebook Truist Bank Vista Equity Partners	Facebook	Pfizer AllianceBernstein Debevoise & Plimpton Turner Construction HSBC Bank
<b>410 TENTH AVENUE</b>	<b>2 MANHATTAN WEST</b>	<b>MORGAN NORTH/ 341 NINTH AVENUE</b>	<b>PENN 1</b>	<b>PENN 2</b>	<b>3 HUDSON BOULEVARD</b>	<b>99 HUDSON BOULEVARD</b>	
100%	78%		76%	28%	0%	0%	
538,520 SF	1.95M SF	630,000 SF	2.3M SF	1.8M SF	1.9M SF	1.3M SF	
Completed	Under Construction	Under Construction	Completed	Under Construction	Under Construction	Planned	
601W Companies / Kaufman Organization	Brookfield Properties / QIA	Tishman Speyer	Vornado Realty Trust	Vornado Realty Trust	Moinian Group / Boston Properties	Tishman Speyer	
2022	2023	2023	2022	2023	TBD	TBD	
Amazon	Cravath Swaine & Moore D.E. Shaw Clifford Chance KPMG	Dentsu space on market for sublease	WSP Industrious Empire Blue Cross Blue Shield Gusto	Madison Square Garden	TBD	TBD	

Source: Newmark Research, Direct space only

NEW SUPPLY HIGHLIGHT - MIDTOWN EAST

1 VANDERBILT AVENUE	425 PARK AVENUE	270 PARK AVENUE	350 PARK AVENUE / 40 EAST 52ND ST	341-347 MADISON AVENUE	235 EAST 42ND STREET	GRAND HYATT / 175 PARK AVENUE	405-417 PARK AVENUE
99%	85%	100%	0%	0%	0%	0%	0%
1.7M SF	689,950 SF	1.9M SF	1.68M SF	753,120 SF	+/- 1.2M SF	+/- 2.1M SF	800,000 SF
Completed	Completed	Under Construction	Planned	Planned (Demo Commencing)	Planned	Planned	Planned
SL Green / Hines / NPS	GreenOak / L&L Holding / Tokyu Land Corp.	JP Morgan Chase	Vornado / Rudin Management / Citadel Enterprise America	MTA / Boston Properties	David Werner / Deutsche Asset	TF Cornerstone / MSD Partners / RXR-pending	GDS Dev. / Klövern AB
2020	2021	2024	TBD	TBD	TBD	TBD	TBD
TD Bank TD Securities Greenberg Traurig McDermott Will & Emery The Carlyle Group	Citadel Hellman & Friedman Medical Properties Trust WAFRA	JP Morgan Chase (owner-occupied)	TBD	TBD	TBD	TBD	TBD

Source: Newmark Research, Direct space only

NEW SUPPLY HIGHLIGHT – MIDTOWN SOUTH

15 LAIGHT ST	799 BROADWAY	205 WEST 28TH ST	ESSEX CROSSING WEST – 145 DELANCEY	541 WEST 21ST ST	ZERO IRVING- 124 E 14TH ST	141 EAST HOUSTON
100%	88%	34%	0%	0%	91%	54%
130,000 SF	182,187 SF	104,856 SF	177,969 SF	81,000 SF	262,342 SF	59,857 SF
Completed	Completed	Completed	Completed	Completed	Completed	Completed
Hyundai Motor Group	PIMCO / Columbia Property Trust	GDS Dev / Klövern	Taconic / L&M Dev / BFC Partners / Prusik Group	Erbo Properties / Higher Ground Dev.	Junius Real Estate Partners / RAL Dev.	East End Capital
2021	2021	2021	2022	2022	2022	2021
Hudson Sq/ Meatpacking	Noho/Soho	Chelsea	East Village	Chelsea	Flatiron/ Union Sq	East Village

76 EIGHTH AVE	220 ELEVENTH AVE	555 GREENWICH ST ST	550 WASHINGTON	1 MADISON AVE	4 HUDSON SQ
88%	0%	2%	100%	64%	100%
37,000 SF	195,000 SF	267,227 SF	1.3M SF	1.4M SF	1.2M SF
Under Construction	Under Construction	Under Construction	Under Construction	Under Construction	Under Construction
Plus Development	The Moinian Group	Hines / Trinity Church	Google	SL Green / Hines / NPS	Walt Disney Company
2023	TBD	2023	2023	2023	2025
Hudson Sq/ Meatpacking	Chelsea	Hudson Sq/ Meatpacking	Hudson Sq/ Meatpacking	Flatiron/ Union Sq	Hudson Sq/ Meatpacking



Source: Newmark Research, Direct space only

NEW SUPPLY HIGHLIGHT – WORLD TRADE CENTER

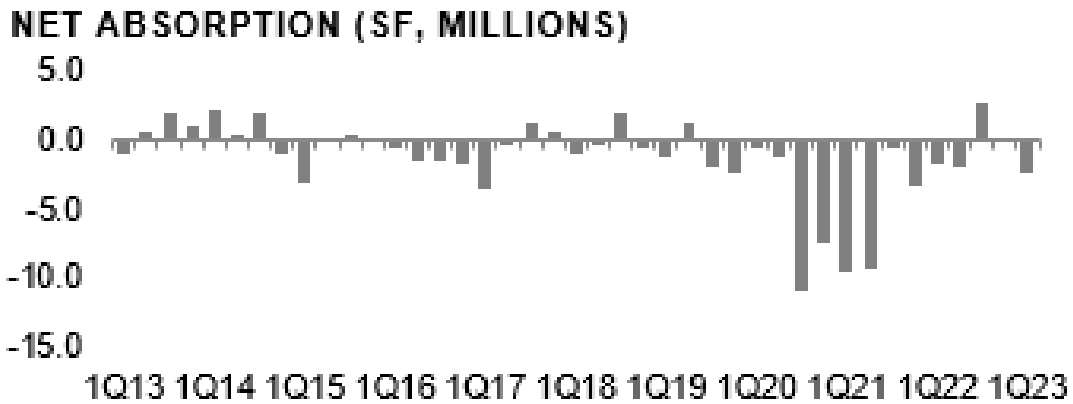
1 WORLD TRADE CENTER	2 WORLD TRADE CENTER	3 WORLD TRADE CENTER
96%	0%	92%
3.2M SF	2.8M SF	2.9M SF
Completed	Planned	Completed
Durst Organization/ Port Authority	Silverstein Properties	Silverstein Properties
2014	TBD	2018
Condè Nast US GSA MDC Partners Stagwell Group Bounce Exchange	TBD	GroupM Uber McKinsey & Co Freshfields Bruckhaus Deringer LLP Hudson River Trading

4 WORLD TRADE CENTER
99%
2.3M SF
Completed
Silverstein Properties
2013
NYC Human Resources Administration Spotify Port Authority of New York & New Jersey Zurich American Insurance Company MediaMath

Source: Newmark Research, Direct space only



**HISTORICAL ABSORPTION**



- Total net absorption was negative 2,585,263 square feet in the first quarter a large decrease from the negative 346,347 square feet in the fourth quarter.

**LIFE SCIENCES**

Life sciences incubators are the natural landing point for ventures coming directly out of an academic institution or in a startup stage. These facilities can be thought of as coworking space exclusively for life sciences tenants, providing move-in-ready wet lab space complete with equipment and other amenities via a no-strings-attached low-cost model. New York City’s has never been more dedicated in converting commercial office space to Life Science. New York City stands to be at the forefront of the life science industry. Moreover, there is ample growth potential due to the limited amount of landlord and investment management currently represented within the New York City marketplace.

The outlook on the industry is extremely positive in the long-term as the market benefits from public and private support. There is a total of 13,241,013 square feet of life science that is currently existing, under construction, and proposed. The asking rents exhibited by the competitive survey ranged from \$60.00 to \$200.00 per square foot. There is currently 5,775,000 square feet of available Life Science space in the market or to be constructed. In October 2022, the New York City mayor and governor unveiled plans to construct Manhattan’s first Science Park and Research Campus (SPARC) in Kips Bay, a project estimated at \$1.6 billion. This The project will transform an entire city block and create more than 1.5 million square feet of academic, public health, and life sciences space. The campus will be anchored by new educational facilities for over 4,500 students from the Hunter College School of Nursing and School of Health Professions, the City University of New York (CUNY) Graduate School of Public Health and Health Policy, and the Borough of Manhattan Community College’s multiple healthcare programs.

**CONCLUSION**

Beginning the first quarter of 2023, it became evident that Class A and Trophy quality assets are reaching pre pandemic levels. As Class A properties accounted for 78.6% of new leasing activity in Midtown as demand for higher quality space continues to rise. The Manhattan office market is

constantly evolving, and quarterly statistics traditionally depict a real-time snapshot of the market, quarterly statistics are traditionally the most accurate depiction of the market, as the temperament of the market is sensitive to current economic conditions. As evidenced by the current quarterly statistics, the first quarter's leasing activity totaled 6.6 million square feet, which is a 20.8% decline from last year's quarterly average.

Since March 2020, the Manhattan leasing market continues to react real time to economic conditions, with transactional activity within leasing providing a direct correlation to investor confidence. Traditionally, very little references to market statistics that exceed a 12-month period are referenced; however, the anomaly of COVID-19 and the result impacting the return-to-work efforts has real estate professionals intently referencing 2019 data. The 2019 market was one of the strongest leasing markets reached an all-time high, resulting in the strongest year on record, totaling 49.6 million square feet. The second consecutive year of historic leasing activity was driven by large deals signed by tech tenants in the Far West Side and Midtown South, primarily in newly constructed buildings as tenants continue the trend of flight to quality. While the later of the 2019 market trends continue to remain relevant, leasing activity continues to remain compromised, as physical occupancy of employers still hovers around 60.0% for Manhattan, which is significantly below the 80.0% average that was observed prior to COVID-19. Monday through Wednesday have trended towards the days with the highest occupancy, and Thursday and Fridays exhibit the lowest occupancy and have not recovered since the pandemic.

Further adding to the current marketplace is the amount of space available on the market. In the first quarter alone Manhattan's availability rate increased 30 basis points during the first quarter to 19.0%, as 17 new blocks were added of at least 100,000 square feet. Sublease space has also risen to 22.8 million square feet, the highest total on record. Despite the lingering uncertainty of the work-from-home movement and impending recession, the Manhattan market continues its resiliency, with 4.4 million square feet is expected to deliver between the second quarter and fourth quarter of 2023. Overall asking rents in the first quarter improved to \$75.31 per square foot despite decreases in all but five of Manhattan's 19 submarkets. The increase can partially be attributed to a few large inexpensive sublease listings being withdrawn from the market. The Midtown market recorded a majority of the leasing activity, which is to be a trend that continues due to the large concentration of Class A and Trophy quality buildings that currently exist in this market. Although quarterly absorption totaled negative 2.6 million square feet, the amount of leasing activity was strong and is rebounding from COVID-19.

The overall outlook for Manhattan leasing continues to face uncertainty and it is unknown though likely that local officials will intervene to rezone areas of Manhattan to allow for residential conversions. While this would most likely remove a very small percentage of buildings impacting the availability quoted, removing inventory from the market will continue to assist in identifying a true equilibrium for the Manhattan market, which has been relatively volatile since March 2020. As tenants make long-term decisions throughout the next several quarters, the full extent of COVID-19 is likely to reveal itself, and market professionals will be able to observe the rate at which companies continue to contract and shift to permanently working from home. The data suggests that the effects

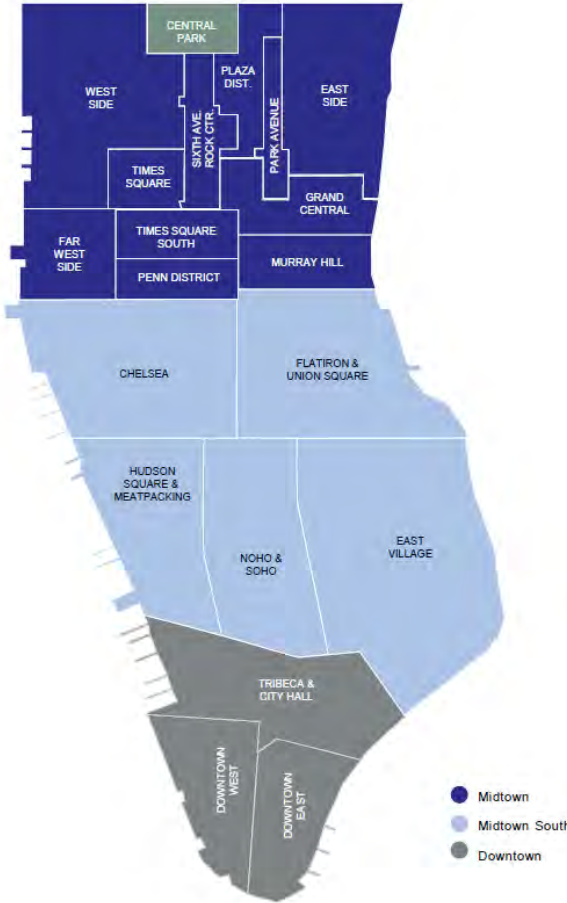
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of COVID-19 on the Manhattan market and overall economy will be temporary, the data through third quarter of 2023 suggest that tenants exceeding 50,000 square feet continue to retain a majority of their space. Properties that are considered properly amenitized, located within close proximity to transportation hubs, and Class A real estate will continue to outperform the overall marketplace, trends that persist quarter-over-quarter.

The overall outlook for the Manhattan office market through 2024 considered to be positive considering the increasing leasing activity, tenant demand, and companies' commitment to moving back into the office.

# MIDTOWN OFFICE MARKET OVERVIEW

## MIDTOWN SUBMARKET DEFINITION AND HIGHLIGHTS



- **Midtown Manhattan** – 30th Street to 65th Street, Hudson River to Fifth Avenue, 32nd Street to 65th Street, Fifth Avenue to East River.
- **Westside** - 41st Street to 65th Street, Hudson River to Ninth Avenue. 48th Street to 65th Street, Ninth Avenue to Seventh Avenue.
- **Times Square** - 41st Street to 48th Street, Ninth Avenue to Seventh Avenue.
- **Far West Side** – 30th Street to 41st Street, Hudson River to Ninth Avenue.
- **Penn Station** - 30th Street to 35th Street, Ninth Avenue to Fifth Avenue.
- **Times Square South** - 35th Street to 41st Street, Ninth Avenue to Fifth Avenue.
- **Sixth Ave/Rockefeller Center** – 41st Street to 59th Street, Seventh Avenue to Midblock Sixth - Fifth Avenue. 48th Street to 52<sup>nd</sup> Street, Seventh Avenue to Fifth Avenue.
- **Plaza District** – 47th Street to 65th Street, Midblock Sixth - Fifth Avenue to Midblock Madison – Park Avenue. 61st Street to 65th Street, Fifth Avenue to Midblock Park - Lexington Avenue.
- **Park Avenue** – 44th Street to 61st Street, Midblock both sides of Park Avenue.
- **Eastside** – 45th Street to 65th Street, Midblock Park - Lexington Avenue to East River.
- **Grand Central** – 38th Street to 47th Street, Midblock Sixth - Fifth Avenue to Midblock Madison - Park Avenue. 38th Street to 45th Street, Park Avenue to East River.
- **Murray Hill**– 32nd Street to 38th Street, Fifth Avenue to East River.

Midtown Market Summary			
	Current Quarter	Prior Quarter	Prior Year
Total Inventory (SF)	297,851,881	298,195,202	298,200,000
Availability Rate	18.3%	17.7%	18.2%
Quarterly Net Absorption (SF)	-2,573,597	-1,206,865	-996,075
Average Asking Rent/SF	\$80.34	\$78.61	\$82.55
Under Construction (SF)	5,590,380	5,574,658	9,700,000
Deliveries (SF)	0	0	0

### AVAILABILITY BY SUBMARKET

Market/Submarket	1Q23	4Q22	Change in Bps.
MANHATTAN	19.0%	18.7%	30
<b>MIDTOWN</b>	<b>18.30%</b>	<b>17.70%</b>	<b>60</b>
Eastside	21.60%	20.80%	80
Far West Side	20.00%	19.60%	40
Grand Central	18.80%	18.80%	0
Murray Hill	23.50%	22.50%	100
Park Avenue	12.20%	11.20%	100
Penn District	22.40%	22.00%	40
Plaza District	20.90%	18.00%	290
Sixth Ave/Rock Center	13.50%	12.00%	150
Times Square	25.00%	24.70%	30
Times Square South	17.10%	16.30%	80
Westside	17.40%	19.90%	-250

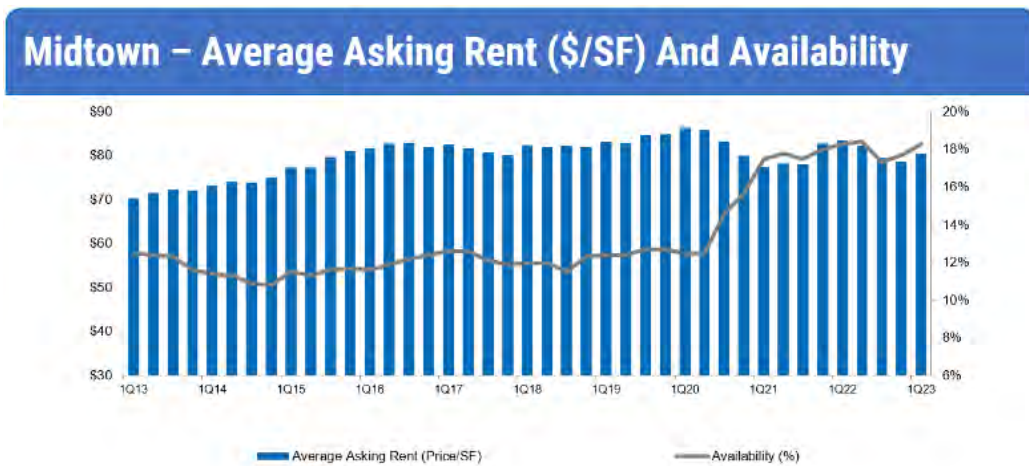
- Despite the large deals, the availability rate increased by 60 basis points to 18.3%, as availability increased in all submarkets except for the Westside submarket, which exhibited a decrease of 250 basis points quarter-over-quarter. Of the space that was leased during the first quarter, 78.6% of the deals were in Class A properties, as a flight to quality continues. Midtown leasing accounted for more than 20% of all of Manhattan leasing in the market.
- Although ten of the eleven Midtown submarkets recorded increases in availability, the largest quarter-over-quarter jumps, of more than 100 basis points, were recorded in four of the eleven submarkets: the Plaza District, Park Avenue, Murray Hill, and Sixth Avenue/ Rockefeller Center. The Plaza District exhibited the highest quarter-over-quarter increase of 290 basis points. Times Square remains the most challenged submarket with an availability rate of 25.00%, while Park Avenue boasts the lowest in Midtown, at 12.2%.
- Absorption totaled negative 2,573,597 square feet in the first quarter, a significant increase from the negative 1,026,865 square feet in the fourth quarter.

AVERAGE ASKING RENT BY SUBMARKET

Market/Submarket	1Q23(\$/SF)	4Q22(\$/SF)	\$ Change
MANHATTAN	\$75.31	\$74.29	\$1.02
<b>Midtown</b>	<b>\$80.34</b>	<b>\$78.61</b>	<b>\$1.73</b>
Eastside	\$70.28	\$71.09	-\$0.81
Far West Side	\$129.85	\$130.61	-\$0.76
Grand Central	\$68.61	\$68.09	\$0.52
Murray Hill	\$55.36	\$60.16	-\$4.80
Park Avenue	\$99.89	\$100.16	-\$0.27
Penn District	\$79.05	\$79.82	-\$0.77
Plaza District	\$107.90	\$95.83	\$12.07
Sixth Ave/Rock Center	\$81.81	\$78.56	\$3.25
Times Square	\$78.26	\$79.26	-\$1.00
Times Square South	\$54.08	\$52.00	\$2.08
Westside	\$70.82	\$70.83	-\$0.01

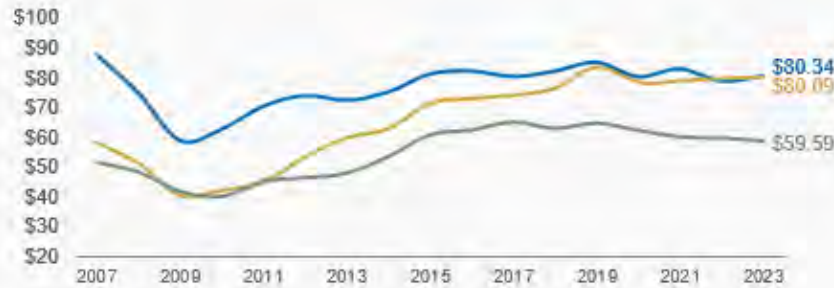
- Midtown average asking rents closed the year at \$80.34 per square foot, an increase of \$1.73 per square foot quarter-over-quarter. Rents declined in seven of the eleven submarkets, with the largest decrease occurred in the Murray Hill submarket, declining \$4.80 quarter-over-over. The largest increase occurred in the Plaza District, where rents increased \$12.07 quarter-over-quarter.
- 78.6% of the leasing occurred within Class A properties, as the flight to quality trend continues.

HISTORICAL ANALYSIS



- The Midtown availability rate increased 70 basis points quarter-over-quarter to 18.3%, amid a surge in new large blocks.
- Midtown vacancy increased from 11.3% in the fourth quarter to 12.1% in the first quarter.

**ASKING RENTS**



	Year Over Year	Change Since 2019
<b>MIDTOWN</b>	2.2%	-5.5%
<b>MIDTOWN SOUTH</b>	0.4%	-4.1%
<b>DOWNTOWN</b>	-1.7%	-9.2%

**BASE TAKING RENTS**



	Year Over Year	Change Since 2019
<b>MIDTOWN</b>	2.7%	8.0%
<b>MIDTOWN SOUTH</b>	-0.9%	4.1%
<b>DOWNTOWN</b>	5.1%	7.9%

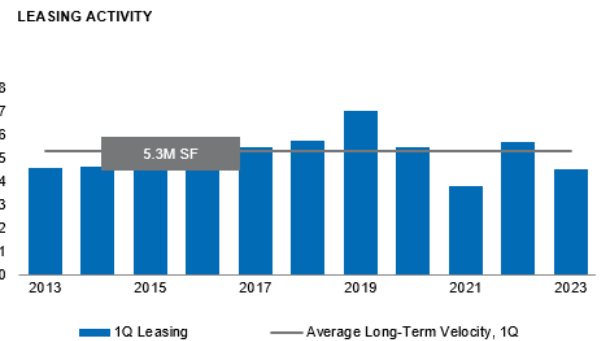
**NET EFFECTIVE RENTS**



	Year Over Year	Change Since 2019
<b>MIDTOWN</b>	5.1%	5.3%
<b>MIDTOWN SOUTH</b>	-1.9%	0.6%
<b>DOWNTOWN</b>	6.9%	8.4%

Note: Taking and net effective rents are based on direct deals with 5+ year term.  
Source: Newmark Research

LEASING ACTIVITY



Midtown leasing activity totaled 4.5 million square feet. The largest transactions of the quarter were Citadel’s two full-building leases at 350 Park Avenue and 40 East 52nd Street accounting for more than 20% of that total. The Grand Central submarket accounted for 15.30% of the space leased, bolstered by deals such as Joele Frank Williamson’s 78,353 square feet direct deal at 22 Vanderbilt and Polsinelli PC’s 53,721 square feet direct renewal at 600 Third Avenue.

NEW SUPPLY HIGHLIGHT – WEST SIDE

West Side Development/Redevelopment

AVAILABLE  
LEASED/SOLD

10 HUDSON YARDS	30 HUDSON YARDS	55 HUDSON YARDS	1 MANHATTAN WEST	441 NINTH AVENUE	50 HUDSON YARDS	FARLEY BUILDING	66 HUDSON BOULEVARD
100%	100%	100%	99%	81%	90%	100%	74%
1.8M SF	2.6M SF	1.5M SF	2.1M SF	700,000 SF	3.0M SF	740,000 SF	2.87M SF
Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed
Related / STRS Ohio / Allianz	Related / Oxford Properties	Related / Mitsui Fudosan	Brookfield Properties / QIA / Blackstone	CommonWealth Partners	Related / Mitsui Fudosan	Vornado Realty Trust / Related	Tishman Speyer
2016	2019	2018	2019	2019	2022	2022	2023
Coach L'Oreal BCG Guardian Life	Time Warner Related KKR Wells Fargo	Point72 Milbank Tweed Cooley LP MarketAxess Facebook	Skadden, Arps NHL McKool Smith Accenture EY	Peloton Interactive Lyft Brevet Capital	BlackRock Facebook Truist Bank Vista Equity Partners	Facebook	Pfizer AllianceBernstein Debevoise & Plimpton Turner Construction HSBC Bank

410 TENTH AVENUE	2 MANHATTAN WEST	MORGAN NORTH/ 341 NINTH AVENUE	PENN 1	PENN 2	3 HUDSON BOULEVARD	99 HUDSON BOULEVARD
100%	78%		76%	28%	0%	0%
538,520 SF	1.95M SF	630,000 SF	2.3M SF	1.8M SF	1.9M SF	1.3M SF
Completed	Under Construction	Under Construction	Completed	Under Construction	Under Construction	Planned
601W Companies / Kaufman Organization	Brookfield Properties / QIA	Tishman Speyer	Vornado Realty Trust	Vornado Realty Trust	Moinian Group / Boston Properties	Tishman Speyer
2022	2023	2023	2022	2023	TBD	TBD
Amazon	Cravath Swaine & Moore D.E. Shaw Clifford Chance KPMG	Dentsu space on market for sublease	WSP Industrious Empire Blue Cross Blue Shield Gusto	Madison Square Garden	TBD	TBD

Source: Newmark Research, Direct space only

NEW SUPPLY HIGHLIGHT - MIDTOWN EAST

Midtown East Development/Redevelopment

AVAILABLE  
LEASED/SOLD

1 VANDERBILT AVENUE	425 PARK AVENUE	270 PARK AVENUE	350 PARK AVENUE / 40 EAST 52ND ST	341-347 MADISON AVENUE	235 EAST 42ND STREET	GRAND HYATT / 175 PARK AVENUE	405-417 PARK AVENUE
99%	85%	100%	0%	0%	0%	0%	0%
1.7M SF	689,950 SF	1.9M SF	1.68M SF	753,120 SF	+/- 1.2M SF	+/- 2.1M SF	800,000 SF
Completed	Completed	Under Construction	Planned	Planned (Demo Commencing)	Planned	Planned	Planned
SL Green / Hines / NPS	GreenOak / L&L Holding / Tokyu Land Corp.	JP Morgan Chase	Vornado / Rudin Management / Citadel Enterprise America	MTA / Boston Properties	David Werner / Deutsche Asset	TF Cornerstone / MSD Partners / RXR-pending	GDS Dev. / Klövern AB
2020	2021	2024	TBD	TBD	TBD	TBD	TBD
TD Bank TD Securities Greenberg Traurig McDermott Will & Emery The Carlyle Group	Citadel Hellman & Friedman Medical Properties Trust WAFRA	JP Morgan Chase (owner-occupied)	TBD	TBD	TBD	TBD	TBD

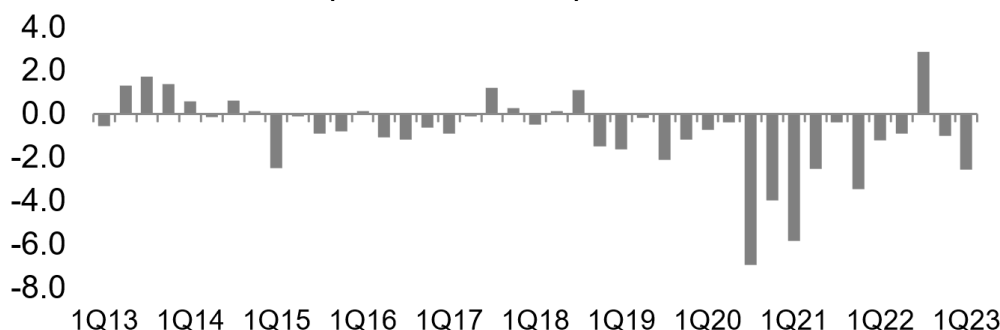
Source: Newmark Research, Direct space only

Total Under Construction by Submarket	
Eastside	-
Far West Side	3,810,140
Grand Central	-
Murray Hill	-
Park Avenue	234,240
Penn District	1,546,000
Plaza District	-
Sixth Ave/Rock Center	-
Times Square	-
Times Square South	-
Westside	-
<b>Total Midtown</b>	<b>5,590,380</b>

- Eleven projects are currently underway across Manhattan, five of which are located within the Midtown market, spanning just over 5.5 million square feet. A large portion of the square footage can be attributed to the 1.95 million square foot development located at 2 Manhattan West and the 1.9 million square foot development of 3 Hudson Boulevard within the Far West Side submarket of Midtown. Four of the five developments are located within the Far West Side submarket of Midtown, the fifth development is located at 270 Park Ave, which is the development of the 1.9 million square foot office building for J.P. Morgan Chase.

**HISTORICAL NET ABSORPTION**

**NET ABSORPTION (SF, MILLIONS)**



Absorption ended the first quarter at negative 2,573,597 square feet, which was a huge increase from the negative 1,026,865 square feet absorbed in the fourth quarter.

MIDTOWN HISTORICAL OFFICE MARKET OVERVIEW					
Period	Availability Rate	Net Absorption	Average Asking Rent	Vacancy Rate	Leasing Activity
3Q08	9.6%	-1,522,544	\$82.75	5.6%	3,775,204
<b>4Q08</b>	<b>11.0%</b>	<b>-3,024,710</b>	<b>\$74.58</b>	<b>6.3%</b>	<b>4,277,865</b>
1Q09	13.2%	-5,184,688	\$66.43	7.1%	2,728,458
2Q09	13.9%	-2,297,435	\$63.20	7.3%	3,274,649
3Q09	14.0%	-1,173,457	\$60.39	7.8%	3,630,867
<b>4Q09</b>	<b>13.9%</b>	<b>784,142</b>	<b>\$58.56</b>	<b>8.3%</b>	<b>4,595,355</b>
1Q10	13.5%	660,184	\$57.02	8.1%	5,581,194
2Q10	13.2%	499,919	\$59.93	8.1%	6,127,914
3Q10	12.9%	923,948	\$60.30	8.0%	5,103,023
<b>4Q10</b>	<b>12.2%</b>	<b>2,830,701</b>	<b>\$62.41</b>	<b>7.8%</b>	<b>6,373,102</b>
1Q11	12.3%	1,791,045	\$63.50	7.9%	6,422,106
2Q11	11.9%	493,250	\$65.00	7.8%	5,762,177
3Q11	12.0%	-887,733	\$67.98	7.4%	4,475,695
<b>4Q11</b>	<b>12.0%</b>	<b>187,561</b>	<b>\$70.20</b>	<b>7.6%</b>	<b>5,083,259</b>
1Q12	12.4%	-742,707	\$73.85	7.4%	3,818,736
2Q12	12.3%	808,982	\$71.70	7.8%	5,925,342
3Q12	12.5%	-620,694	\$73.61	8.3%	5,306,547
<b>4Q12</b>	<b>12.5%</b>	<b>1,052,875</b>	<b>\$73.80</b>	<b>8.0%</b>	<b>5,252,481</b>
1Q13	12.5%	-582,158	\$70.32	7.8%	4,592,427
2Q13	12.4%	1,304,674	\$71.51	7.8%	5,661,090
3Q13	12.3%	1,710,229	\$72.36	7.8%	3,043,045
<b>4Q13</b>	<b>11.6%</b>	<b>1,373,840</b>	<b>\$72.18</b>	<b>7.9%</b>	<b>5,317,771</b>
1Q14	11.4%	560,409	\$73.18	7.2%	4,674,411
2Q14	11.3%	-134,960	\$74.12	6.9%	5,943,150
3Q14	10.9%	616,144	\$73.89	7.3%	4,604,987
<b>4Q14</b>	<b>10.8%</b>	<b>16,969</b>	<b>\$74.95</b>	<b>7.2%</b>	<b>4,406,962</b>
1Q15	11.5%	-2,483,777	\$77.43	7.6%	5,403,712
2Q15	11.3%	-110,092	\$77.33	7.6%	5,249,177
3Q15	11.6%	-919,817	\$79.75	7.2%	3,779,633
<b>4Q15</b>	<b>11.7%</b>	<b>-791,651</b>	<b>\$81.05</b>	<b>7.3%</b>	<b>5,306,240</b>
1Q16	11.6%	32,699	\$81.68	7.4%	5,280,944
2Q16	11.9%	-1,084,278	\$82.75	7.4%	6,855,633
3Q16	12.2%	-1,198,576	\$82.85	7.8%	6,283,882
<b>4Q16</b>	<b>12.4%</b>	<b>-632,932</b>	<b>\$82.05</b>	<b>7.7%</b>	<b>5,663,025</b>
1Q17	12.6%	-893,695	\$82.50	8.0%	5,502,673
2Q17	12.6%	-69,889	\$81.63	8.1%	6,525,928
3Q17	12.1%	1,182,629	\$80.78	7.6%	5,975,764
<b>4Q17</b>	<b>11.9%</b>	<b>270,815</b>	<b>\$80.15</b>	<b>7.5%</b>	<b>6,304,788</b>
1Q18	12.0%	-484,409	\$80.51	7.6%	5,385,228
2Q18	12.0%	113,253	\$80.31	7.6%	7,277,947
3Q18	11.5%	741,413	\$82.14	7.3%	5,911,012
<b>4Q18</b>	<b>12.3%</b>	<b>-770,384</b>	<b>\$82.01</b>	<b>6.6%</b>	<b>8,080,208</b>
1Q19	12.4%	-1,087,901	\$82.41	6.7%	6,525,627
2Q19	12.4%	-1,067,166	\$82.27	6.3%	8,484,841
3Q19	12.8%	-1,789,615	\$84.15	5.8%	5,322,234
<b>4Q19</b>	<b>12.7%</b>	<b>-1,185,475</b>	<b>\$85.00</b>	<b>5.9%</b>	<b>8,254,487</b>
1Q20	12.5%	-744,135	\$86.28	6.0%	4,100,000
2Q20	12.5%	-408,189	\$85.76	6.0%	1,900,000
3Q20	14.6%	-6,922,194	\$83.20	7.8%	3,600,000
<b>4Q20</b>	<b>15.7%</b>	<b>-3,980,116</b>	<b>\$80.11</b>	<b>8.1%</b>	<b>2,200,000</b>
1Q21	17.5%	-5,866,004	\$77.48	9.2%	3,400,000
2Q21	17.8%	-2,522,105	\$78.29	9.7%	3,000,000
3Q21	17.5%	-391,647	\$78.06	9.5%	4,800,000
<b>4Q21</b>	<b>18.0%</b>	<b>-3,488,981</b>	<b>\$82.79</b>	<b>9.3%</b>	<b>5,500,000</b>
1Q22	18.2%	-996,075	\$82.55	10.0%	5,200,000
2Q22	18.3%	-921,625	\$81.40	10.6%	5,450,890
3Q22	17.3%	2,468,773	\$79.57	11.0%	6,594,362
<b>4Q22</b>	<b>17.7%</b>	<b>-1,026,865</b>	<b>\$78.61</b>	<b>11.3%</b>	<b>3,900,000</b>
1Q23	18.3%	-2,573,597	\$80.34	12.1%	4,500,000

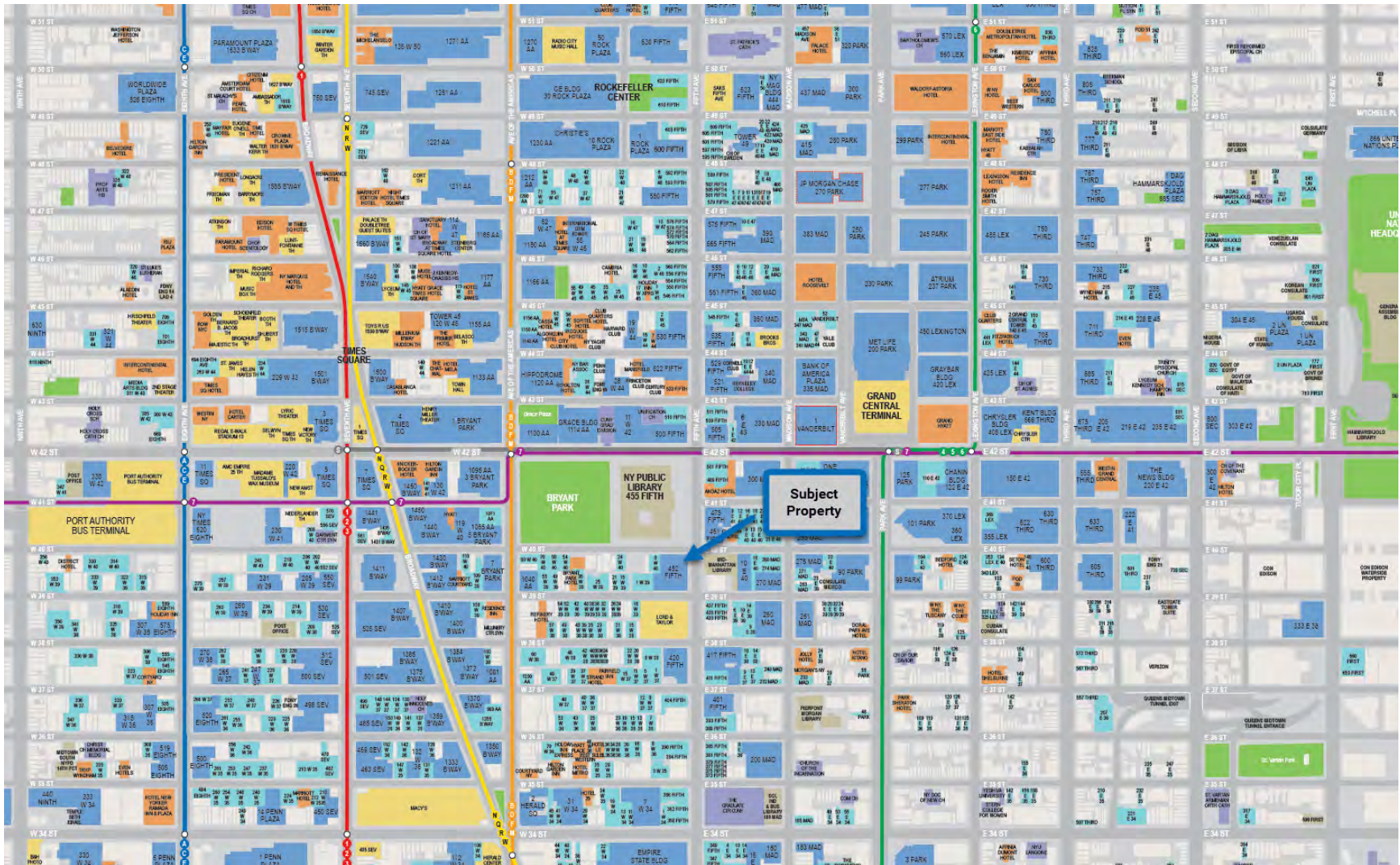
\*Compiled by Newmark

## CONCLUSION

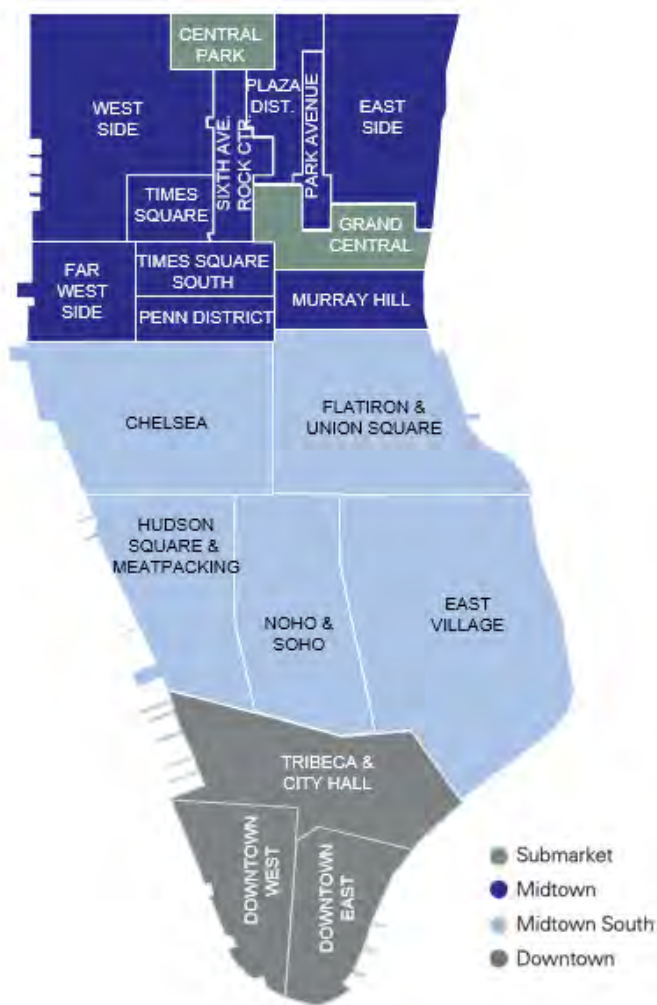
The outlook for the Midtown office market is anticipated to remain relatively stable, given the market's supply of Class A and Trophy quality assets, thus bringing stability to the market. However, Class B assets are not seen as desirable by tenants in the market, therefore the outlook for lower quality assets within the market is deemed uncertain. This is further evidenced by leasing activity within the market, as previously presented, Class A assets accounted for 78.6% of all the leased space within the Midtown market. As tenants within the market continue to flock to quality assets, upwards pressure is placed on lower quality assets to reposition in order to maintain activity within the marketplace.

Leasing activity within the Midtown market totaling 4.5 million square feet during the first quarter of 2023. Leasing has continued to be disproportionate and continues to favor the Midtown market, due to a majority of the submarkets favorable proximity to major transportation hubs such as Grand Central and Penn Station, tenants within the market prefer these locations due to the accessibility. This trend is anticipated to continue, further drawing to the appeal of the Midtown Market. This is further supported by the 6.5 million square feet that remains in the planning stages across the market, providing a positive long-term outlook for the market. Construction is not anticipated to pick back up within the next year, given the current high borrowing costs, developers are on standby until the cost of debt reaches more favorable levels. Although the current uncertainty regarding the commercial real estate and financial markets during this period, the overall outlook of the Midtown market remains stable and will continue to be favored as the convenience to transportation throughout this market continues to remain the preference for tenants, boding well for the viability and long-term outlook of this market.

# GRAND CENTRAL / BRYANT PARK SUBMARKET ANALYSES



**GRAND CENTRAL OFFICE SUBMARKET OVERVIEW**



- The subject is in the Grand Central submarket of Manhattan, defined by Newmark Research Department, as 38th Street to 47th Street, Midblock Sixth - Fifth Avenue to Midblock Madison - Park Avenue. 38th Street to 45th Street, Park Avenue to East River.
- The Grand Central submarket is the largest and oldest submarket in Manhattan, home to several buildings that are constructed before the 1920s.
- Named after Grand Central Terminal, this submarket is a central hub for New York City's transportation system.
- This submarket has an existing inventory of 48.9 million square feet of commercial real estate.
- The Grand Central submarket is located on the boundaries of broader Midtown East and Murray Hill.
- Leasing activity was up from the previous quarter, reaching 688,697 square feet, led by Joele Frank Williamson's 78,353 square foot relocation to 22 Vanderbilt Avenue from 622 Third Avenue.
- The availability rate was flat during the first quarter at 18.8%, remaining at the historical high that was reached in the previous quarter.
- Asking rents increased slightly quarter over quarter from \$68.09 per square foot to \$68.61 per square foot, partially due to below-average priced sublease space withdrawn by Chicago Title Insurance Company at 711 Third Avenue.

Grand Central Market Summary			
	Current Quarter	Prior Quarter	Prior Year
Total Inventory (SF)	48,900,000	48,900,000	48,900,000
Availability Rate	18.8%	18.8%	17.6%
Quarterly Net Absorption (SF)	-38,099	-471,924	-579,743
Average Asking Rent/SF	\$68.61	\$68.09	\$69.93
Under Construction (SF)	0	0	0
Deliveries (SF)	0	0	0

\*Compiled by Newmark

SUBMARKET HIGHLIGHTS

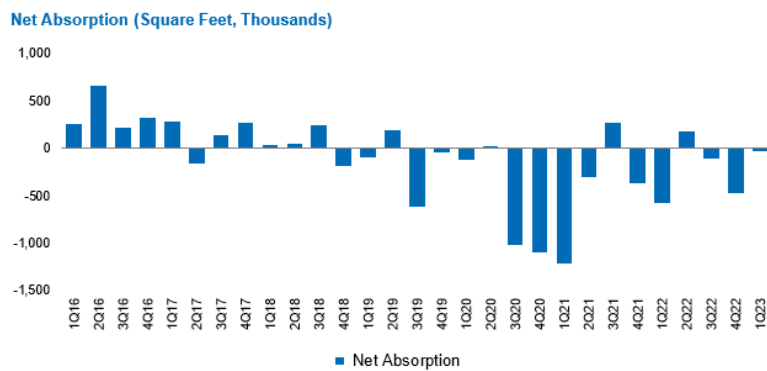
Grand Central – Top Transactions			
Tenant	Building	Type	Square Feet
Joele Frank Williamson	22 Vanderbilt Avenue	Direct New	78,353
Polsinelli PC	600 Third Avenue	Direct Renewal & Expansion	53,721
DESRI (D.E. Shaw Renewable Investments)	575 Fifth Avenue	Direct Renewal & Expansion	29,344
Hart Howerton Partners, Ltd.	10 East 40th Street	Direct Renewal & Expansion	27,111
TD Securities	125 Park Avenue	Direct Expansion	25,171
Total			213,700

*\*Compiled by Newmark*

- The largest lease of the first quarter was signed by Joele Frank Williamson for 78,353 square feet at 22 Vanderbilt Avenue.



- The availability rate was flat during the first quarter at 18.8%, remaining at the historical high that was reached in the previous quarter.
- Asking rents increased slightly quarter over quarter from \$68.09 per square foot to \$68.61 per square foot, partially due to below-average priced sublease space withdrawn by Chicago Title Insurance Company at 711 Third Avenue.



- Absorption began the year at negative 38,099 square feet, as space additions slightly outpaced new leasing activity.

GRAND CENTRAL HISTORICAL OFFICE MARKET OVERVIEW				
Period	Availability Rate	Net Absorption	Average Asking Rent	Vacancy Rate
3Q08	12.1%	-947,111	\$71.35	7.3%
<b>4Q08</b>	<b>13.5%</b>	<b>-909,417</b>	<b>\$67.22</b>	<b>7.7%</b>
1Q09	14.4%	-674,365	\$64.76	7.6%
2Q09	14.8%	-189,413	\$61.52	7.5%
3Q09	15.0%	-434,108	\$59.29	8.2%
<b>4Q09</b>	<b>14.9%</b>	<b>426,956</b>	<b>\$53.01</b>	<b>9.1%</b>
1Q10	15.0%	-86,496	\$51.65	8.4%
2Q10	15.1%	-255,811	\$51.77	8.9%
3Q10	15.2%	-217,928	\$52.71	9.0%
<b>4Q10</b>	<b>14.7%</b>	<b>576,529</b>	<b>\$54.83</b>	<b>9.0%</b>
1Q11	15.4%	749,686	\$54.82	10.8%
2Q11	14.5%	449,996	\$56.33	10.5%
3Q11	15.1%	-441,464	\$55.86	10.2%
<b>4Q11</b>	<b>14.7%</b>	<b>298,279</b>	<b>\$56.87</b>	<b>10.7%</b>
1Q12	14.9%	-27,236	\$55.82	10.4%
2Q12	15.1%	-87,719	\$56.93	10.4%
3Q12	14.6%	564,864	\$57.35	10.4%
<b>4Q12</b>	<b>14.5%</b>	<b>131,397</b>	<b>\$57.50</b>	<b>10.4%</b>
1Q13	15.4%	-597,973	\$58.80	10.5%
2Q13	15.2%	220,229	\$59.55	10.0%
3Q13	14.9%	208,171	\$58.85	10.9%
<b>4Q13</b>	<b>14.5%</b>	<b>354,078</b>	<b>\$59.73</b>	<b>11.5%</b>
1Q14	13.5%	566,370	\$60.05	9.7%
2Q14	13.0%	274,678	\$62.87	8.9%
3Q14	12.1%	245,339	\$62.35	9.9%
<b>4Q14</b>	<b>13.9%</b>	<b>-669,353</b>	<b>\$67.27</b>	<b>10.4%</b>
1Q15	15.0%	-699,637	\$74.24	11.1%
2Q15	16.2%	-605,318	\$73.90	11.2%
3Q15	17.4%	-494,485	\$75.12	11.3%
<b>4Q15</b>	<b>17.6%</b>	<b>-105,713</b>	<b>\$75.32</b>	<b>11.0%</b>
1Q16	17.1%	257,494	\$76.28	10.6%
2Q16	15.5%	659,204	\$77.59	9.6%
3Q16	14.9%	210,657	\$78.13	9.9%
<b>4Q16</b>	<b>14.2%</b>	<b>315,181</b>	<b>\$77.25</b>	<b>9.0%</b>
1Q17	13.5%	282,538	\$76.12	8.9%
2Q17	13.9%	-163,329	\$75.10	9.2%
3Q17	13.6%	130,750	\$74.91	9.2%
<b>4Q17</b>	<b>12.9%</b>	<b>263,216</b>	<b>\$73.99</b>	<b>8.9%</b>
1Q18	12.9%	26,055	\$70.06	8.9%
2Q18	12.7%	49,806	\$69.22	8.9%
3Q18	12.3%	238,077	\$73.54	7.9%
<b>4Q18</b>	<b>12.7%</b>	<b>-193,306</b>	<b>\$70.19</b>	<b>8.2%</b>
1Q19	11.9%	-100,204	\$67.40	7.3%
2Q19	12.5%	184,693	\$67.97	7.4%
3Q19	11.9%	-618,801	\$85.20	6.9%
<b>4Q19</b>	<b>11.5%</b>	<b>-46,920</b>	<b>\$84.99</b>	<b>7.1%</b>
1Q20	11.7%	-131,142	\$88.14	7.4%
2Q20	11.5%	11,034	\$89.46	7.1%
3Q20	13.4%	-1,027,682	\$84.65	9.4%
<b>4Q20</b>	<b>15.3%</b>	<b>-1,100,000</b>	<b>\$78.70</b>	<b>10.1%</b>
1Q21	17.3%	-1,225,271	\$75.61	10.7%
2Q21	17.5%	-313,459	\$73.39	11.2%
3Q21	16.4%	268,063	\$70.16	10.9%
<b>4Q21</b>	<b>16.4%</b>	<b>-372,911</b>	<b>\$71.40</b>	<b>10.9%</b>
1Q22	17.6%	-579,743	\$69.93	11.1%
2Q22	17.6%	169,521	\$70.05	11.5%
3Q22	17.8%	-134,689	\$69.91	12.3%
4Q22	18.8%	-471,924	\$68.09	12.4%
<b>1Q23</b>	<b>18.8%</b>	<b>-38,099</b>	<b>\$68.61</b>	<b>12.5%</b>

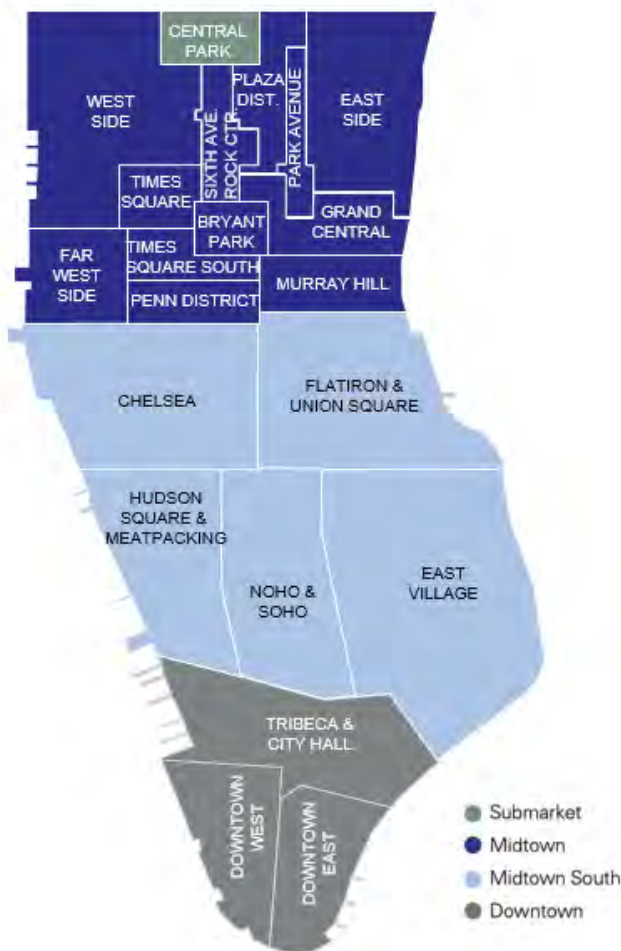
\*Compiled by Newmark

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**GRAND CENTRAL OFFICE SUBMARKET CONCLUSION**

The availability rate was flat during the first quarter at 18.8%, remaining at the historical high that was reached in the previous quarter. Leasing activity was up from the previous quarter, reaching 688,697 square feet, led by Joele Frank Williamson's 78,353 square foot relocation to 22 Vanderbilt Avenue from 622 Third Avenue. Asking rents increased slightly quarter over quarter from \$68.09 per square foot to \$68.61 per square foot, partially due to below-average priced sublease space withdrawn by Chicago Title Insurance Company at 711 Third Avenue. The largest lease of the first quarter was signed by Joele Frank Williamson for 78,353 square feet at 22 Vanderbilt Avenue. As new developments and proposed Class A office buildings aim to capitalize on the adopted Midtown East rezoning program and the success of One Vanderbilt Avenue, investors and market participants are optimistic about the assumed rent growth and future upside potential of this submarket. Examples of proposed developments include Rudin Management's redevelopment of 415 Madison Avenue, Boston Properties at 343 Madison Avenue, Vornado's redevelopment of 350 Park Avenue with Citadel and RXR's redevelopment of the Hyatt Grand Central at 175 Park Avenue. Despite questions of impact from hybrid work models, most tenants that signed large and mid-sized deals in the first quarter of 2023 expanded, doing so within this market. The overall outlook of this market is considered positive.

**BRYANT PARK OFFICE SUB-DISTRICT ANALYSIS**



- The subject is located in the Bryant Park sub-district of Manhattan, defined by Newmark Research Department, as 30 buildings within an area comprised by 39th Street to 45th Street, Midblock Sixth to Madison Avenue.
- The Bryant Park sub-district is located within the boundaries of broader areas known as Grand Central, Times Square South, and Sixth Ave/Rockefeller Center.
- Bryant Park was a recently added sub-district due to the premium placed on buildings with views of Bryant Park. These buildings are located within submarkets that contain asking rents above the surrounding office product due to the unobstructed views of Bryant Park.
- This sub-district has an existing inventory of 15.4 million square feet of commercial real estate.
- Availability rates decreased 20 basis points to 8.7%, following significantly stronger leasing activity from the previous quarter.
- Asking rents increased to \$80.97 per square foot, exhibiting a \$7.33 per square foot increase from the previous quarter due to the leasing activity in high-priced buildings such as HBK Investments and Novartis signing space at 452 Fifth Avenue.

Bryant Park Office Market Summary			
	Current Quarter	Prior Quarter	Prior Year
Total Inventory (SF)	15,408,253	15,408,253	15,408,253
Availability Rate	8.7%	8.9%	7.6%
Quarterly Net Absorption (SF)	77,430	-52,302	59,201
Average Asking Rent/SF	\$80.97	\$73.64	\$73.14
Under Construction (SF)	0	0	0
Deliveries (SF)	0	0	0

SUBMARKET HIGHLIGHTS

Bryant Park– Top Transactions			
Tenant	Building	Type	Square Feet
Standard Chartered Bank	1095 Avenue of the Americas	Direct New	70,046
Bank of America Corporation	1 Bryant Park	Direct Expansion	69,206
Hart Howerton Partners, Ltd.	10 East 40 <sup>th</sup> Street	Direct Renewal & Expansion	27,111
HBK Investments	452 Fifth Avenue	Direct New	16,428
Novartis	452 Fifth Avenue	Direct New	15,865
<b>Total</b>			<b>198,656</b>

© Data provided by Newmark

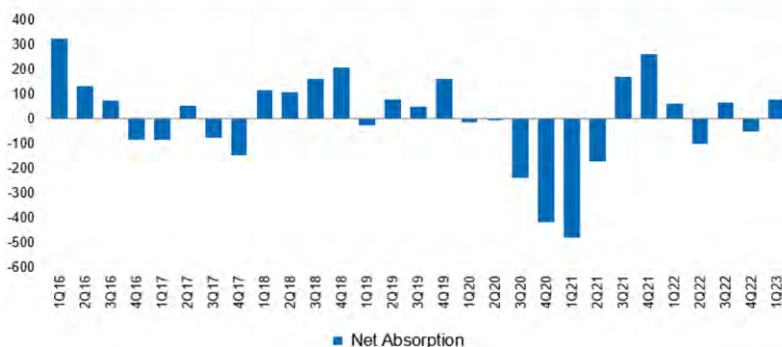
Bryant Park– Weighted Average Asking Rent, Availability And Vacancy



© Data provided by Newmark

- First quarter availability decreased 20 basis points to 8.7%, following significantly stronger leasing activity from the previous quarter.
- Asking rents increased by \$7.33 per square foot to \$80.97 per square foot from the previous quarter due to the leasing activity in high-priced buildings such as HBK Investments and Novartis signing space at 452 Fifth Avenue.

Bryant Park– Net Absorption (Square Feet, Thousands)



- First quarter absorption recorded 77,430 square feet, bolstered by strong leasing activity and limited space additions.

- Bryant Park Leasing reached 298,403 square feet of activity, a 36.0% increase in activity compared to the previous years levels.

BRYANT PARK HISTORICAL OFFICE MARKET OVERVIEW				
Period	Average Asking Rent	Vacancy Rate	Availability Rate	Net Absorption
1Q14	\$67.78	5.1%	8.6%	242,239
2Q14	\$77.76	5.3%	9.7%	-21,047
3Q14	\$77.34	6.6%	10.0%	-43,062
4Q14	\$76.69	6.7%	9.6%	16,287
1Q15	\$78.76	6.0%	9.6%	-14,179
2Q15	\$76.25	6.4%	10.6%	-370,313
3Q15	\$84.96	7.4%	13.3%	-122,251
4Q15	\$86.14	7.8%	14.8%	-188,655
1Q16	\$88.35	8.1%	12.3%	356,451
2Q16	\$86.92	6.6%	10.2%	254,010
3Q16	\$87.57	6.1%	9.6%	85,038
4Q16	\$86.84	5.8%	10.2%	-102,637
1Q17	\$88.80	6.3%	10.6%	-54,142
2Q17	\$88.69	6.6%	10.1%	65,921
3Q17	\$90.34	6.1%	10.4%	-76,196
4Q17	\$87.26	6.3%	11.4%	-157,955
1Q18	\$88.11	6.8%	10.6%	133,475
2Q18	\$91.82	6.3%	9.4%	175,344
3Q18	\$84.20	4.6%	8.7%	115,592
4Q18	\$82.52	4.3%	7.8%	219,179
1Q19	\$81.33	4.9%	8.1%	-42,708
2Q19	\$83.59	4.2%	7.7%	61,963
3Q19	\$81.81	4.6%	7.3%	45,981
4Q19	\$80.27	3.0%	5.5%	193,245
1Q20	\$80.11	2.6%	4.9%	44,075
2Q20	\$78.84	3.9%	5.0%	-16,549
3Q20	\$78.55	4.4%	7.6%	-401,676
4Q20	\$77.64	4.9%	10.0%	-425,575
1Q21	\$77.60	5.9%	13.1%	-482,644
2Q21	\$77.02	7.2%	13.0%	-171,742
3Q21	\$76.02	6.8%	11.7%	192,634
4Q21	\$75.95	6.0%	9.6%	253,890
1Q22	\$76.74	6.1%	9.4%	59,201
2Q22	\$76.59	5.4%	9.1%	-114,926
3Q22	\$76.59	5.4%	8.8%	52,459
4Q22	\$73.64	6.0%	8.9%	-30,673
1Q23	\$80.97	6.8%	8.7%	77,430

\*Compiled by Newmark

### BRYANT PARK OFFICE SUBMARKET CONCLUSION

The Bryant Park District is an assortment of buildings that are locating in the abutting Grand Central, Times Square South, and Sixth Ave/Rockefeller office submarkets, which together comprise approximately 15.4 million square feet of inventory that can market their proximity to Bryant Park, which lies of the center of these markets. The sub-district continues to outperform the surrounding submarkets due to the premium associated with leasing office space with Bryant Park views; a trend that commenced prior to COVID-19 and was exacerbated as tenants began to re-evaluate space needs and compress space requirements within superior assets.

Moreover, the sub-district continues to exhibit above average leasing velocity based on its proximity to major forms of public transportation such as Grand Central Terminal, the Port Authority Bus Terminal, and Pennsylvania Station/Moynihan Train Station. Brokers surveyed that Class A/B+ assets surrounding major forms of public transportation and public amenities such as Bryant Park continue to outperform the market, as exhibited by the positive Net Absorption, Vacancy and Availability trends witnessed since mid-year 2021. The long-term outlook for this district is considered positive, as these properties will continue to command a premium based on the proximity to major forms of public transportation and Bryant Park.

### COMPETITIVE BUILDINGS

The following chart summarizes the buildings to be considered competitive with the subject property. These buildings were chosen based on similarities to the subject in size, construction date and surrounding office submarket location.

Competitive Supply Analysis									
Property	Cross Streets	Office Area (NRA)	Year Built	Stories	Average Floor Size	Sublease SF Available	% Occupied (Direct)	Average Asking Rent	
1	150 East 42nd St	Between Third & Lexington Avenues	1,712,907	1956	42	40,784	0	94.50%	\$65.00
2	151 West 42nd St	On Broadway, Between 42nd & 43rd St	1,861,000	1999	48	31,456	242,555	94.80%	\$111.00
3	1095 Avenue of the Americas	Between 41st & 42nd Streets	1,484,325	1972	42	35,341	22,258	98.20%	--
4	1114 Avenue of the Americas	S/E/C West 43rd Street	1,557,000	1971	49	31,000	11,866	100.00%	\$80.00
5	1120 Avenue of the Americas	Between 43rd & 44th Streets	680,280	1951	21	22,000	9,562	95.50%	\$71.00
6	1133 Avenue of the Americas	Between 43rd & 44th Streets	1,039,529	1970	47	20,500	66,571	95.10%	\$80.00
7	1155 Avenue of the Americas	Between 44th & 45th Streets	790,000	1984	45	16,563	17,246	86.40%	\$96.00
8	1166 Avenue of the Americas	Between 45th & 46th Streets	1,680,732	1974	44	40,000	6,251	96.10%	\$80.00
9	1177 Avenue Of The Americas	Between 45th & 46th Streets	1,000,000	1992	47	21,277	0	87.20%	\$84.00
10	1 Bryant Park	N/W/C of West 42nd Street	2,354,000	2009	54	34,580	0	100.00%	--
11	5 Bryant Park	N/W/C of West 40th Street	681,575	1958	34	27,726	0	81.40%	\$76.00
12	7 Bryant Park	S/W/C of West 40th Street	473,672	2015	28	15,538	0	90.90%	\$125.00
13	420 Fifth Avenue	Between 37th & 38th Streets	620,500	1991	30	17,550	0	94.60%	--
14	475 Fifth Avenue	S/E/C East 41st Street	275,738	1925	24	11,129	0	88.70%	\$90.00
15	505 Fifth Avenue	N/E/C Fifth Ave and 42nd Street	325,111	2006	28	10,856	16,052	88.60%	\$87.00
16	420 Lexington Avenue	Between 43rd & 44th Streets	1,513,673	1927	31	50,042	0	87.20%	\$62.00
17	425 Lexington Avenue	Between 43rd & 44th Streets	748,985	1987	31	22,584	0	100.00%	\$78.00
18	450 Lexington Avenue	Between 44th & 45th Streets	950,048	1992	40	22,762	0	100.00%	--
19	300 Madison Avenue	Between 41st & 42nd Streets	1,140,000	2003	35	32,500	0	100.00%	--
20	330 Madison Avenue	Between 42nd & 43rd Streets	854,020	1963	39	21,538	0	96.50%	\$84.00
21	390 Madison Avenue	Between 46th & 47th Streets	862,154	1953	32	47,716	51,193	100.00%	--
22	99 Park Avenue	Between 39th & 40th Streets	640,122	1954	25	27,500	64,606	90.00%	\$69.00
23	100 Park Avenue	Between 40th & 41st Streets	907,000	1949	36	23,167	53,441	77.50%	--
24	101 Park Avenue	Between 40th & 41st Streets	1,283,314	1982	49	26,225	167,032	91.10%	--
25	230 Park Avenue	Between 45th & 46th Streets	1,406,044	1929	34	35,823	151,369	95.20%	\$76.00
26	3 Times Square	Corner of Seventh Ave and 42nd St	953,130	2001	32	27,496	0	63.80%	\$83.00
27	5 Times Square	Between W 41st And W 42nd St	1,169,964	2002	38	31,819	61,672	31.80%	\$81.00
28	7 Times Square	W 42nd and Broadway	1,258,730	2004	47	19,168	0	97.10%	--
29	1 Vanderbilt Avenue	Between 42nd & 43rd Streets	1,657,000	2020	73	23,880	0	99.00%	--
<b>Total</b>			<b>31,880,553</b>				<b>941,674</b>		
<b>Average</b>			<b>1,099,329</b>	<b>1977</b>	<b>38.8</b>	<b>27,190</b>	<b>32,472</b>	<b>90.39%</b>	<b>\$83.05</b>

Compiled by Newmark

## DIRECTLY COMPETITIVE BUILDINGS

Of the competitive buildings that were surveyed, the following buildings are considered to be the most similar to the subject property. The directly competitive buildings are illustrated on the following chart:

Directly Competitive Supply Analysis									
Property	Cross Streets	Office Area (NRA)	Year Built	Stories	Average Floor Size	Sublease SF Available	% Occupied (Direct)	Average Asking Rent	
1	1114 Avenue of the Americas	S/E/C West 43rd Street	1,557,000	1971	49	31,000	11,866	100.00%	\$80.00
2	1133 Avenue of the Americas	Between 43rd & 44th Streets	1,039,529	1970	47	20,500	66,571	95.10%	\$80.00
3	1155 Avenue of the Americas	Between 44th & 45th Streets	790,000	1984	45	16,563	17,246	86.40%	\$96.00
4	7 Bryant Park	S/W/C of West 40th Street	473,672	2015	28	15,538	0	90.90%	\$125.00
5	300 Madison Avenue	Between 41st & 42nd Streets	1,140,000	2003	35	32,500	0	100.00%	--
6	330 Madison Avenue	Between 42nd & 43rd Streets	854,020	1963	39	21,538	0	96.50%	\$84.00
7	101 Park Avenue	Between 40th & 41st Streets	1,283,314	1982	49	26,225	167,032	91.10%	--
<b>Total</b>		<b>7,137,535</b>				<b>262,715</b>			
<b>Average</b>		<b>1,019,648</b>	<b>1984</b>	<b>42</b>	<b>23,409</b>	<b>37,531</b>	<b>94.29%</b>	<b>\$93.00</b>	

Compiled by Newmark

The subject features functional, rectangular shaped floor plates with unobstructed views of Bryant Park along the norther end of the building, and excellent views of the Manhattan skyline. Historically, the building has attracted sophisticated office tenants seeking excellent quality space within the Midtown office market. The property is located within a heavily trafficked office submarket conveniently located within close proximity to several public attractions and public transportation. Based on the data previously presented, an overview of the statistical regional and submarket data has been presented on the following chart:

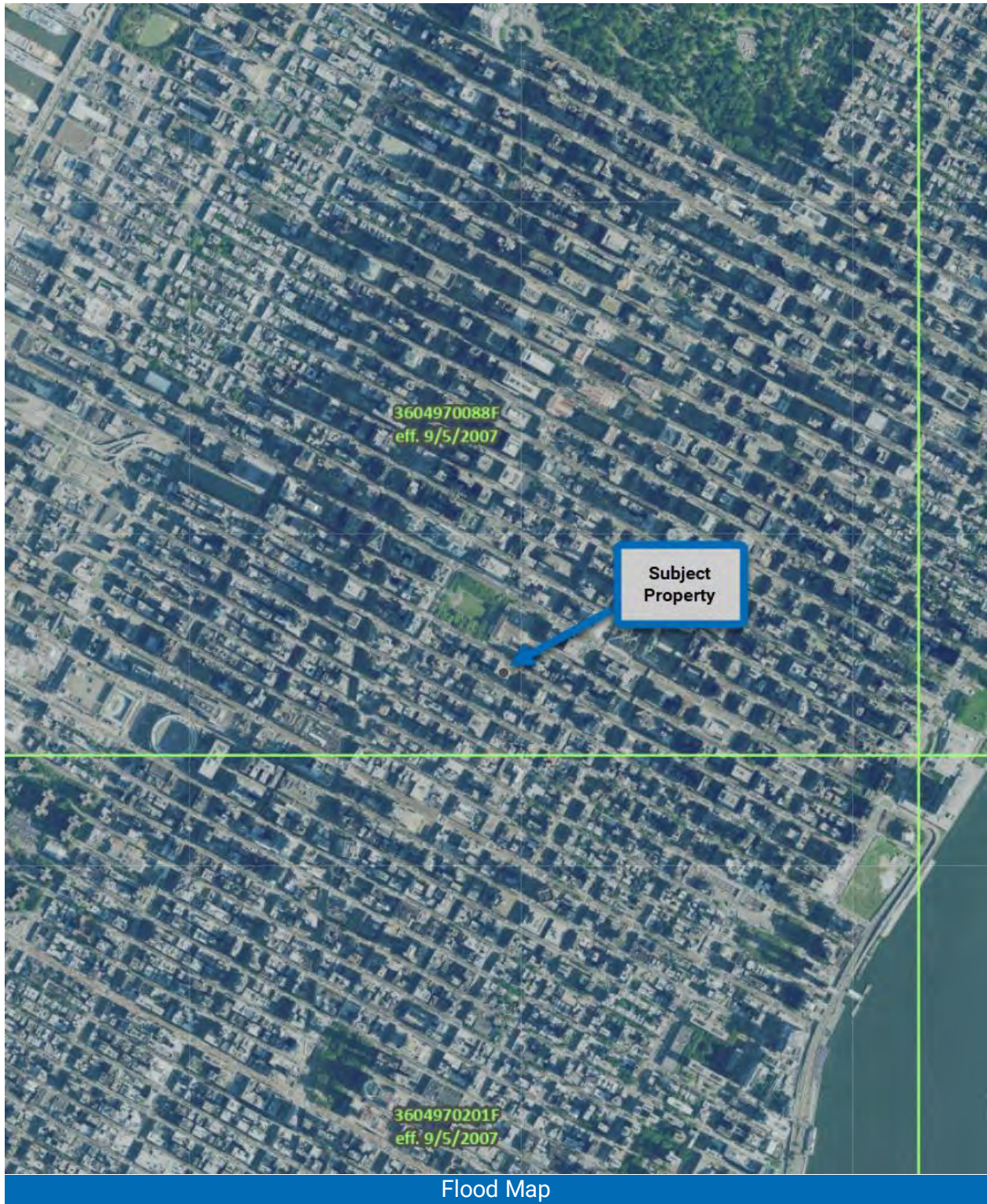
## Subject's Competitive Market Summary

Market	Average Asking Rent	Average Vacancy Rate
Manhattan	\$75.31	13.10%
Midtown	\$80.34	12.10%
Grand Central	\$68.61	12.54%
Bryant Park	\$80.97	6.80%
Competitive Survey	\$83.05	9.61%
Direct Competition	\$93.00	5.71%

Compiled by Newmark

Within this analysis, this information and the current office market statistics have been utilized in order to determine the subject's projected market rents and the implied vacancy rate utilized herein.

# LAND AND SITE ANALYSIS





Sandborn Map

**Land Description**

**Land Area Summary**

442/452 Fifth Avenue	0.7538 Acres; 32,834 SF
<u>1-11 West 39th Street</u>	<u>0.2645 Acres; 11,520 SF</u>
<b>Total Land Area</b>	<b>1.0182 Acres; 44,354 SF</b>

**Assessor Identification**

442/452 Fifth Avenue	Block 505, Lot 36
1-11 West 39th Street	Block 505, Lot 31
Source of Land Area	Public Records

**Site Characteristics**

Street Frontage	198 feet of frontage on the West side of Fifth Avenue
Street Frontage	302 feet of frontage on the North side of West 39th Street
Street Frontage	148 feet of frontage on the South side of West 40th Street
Accessibility Rating	Very Good
Visibility Rating	Very Good
Shape	"L" Shaped
Throughblock Parcel	Yes
Corner	Yes
Topography	Generally Level At Grade

**Flood Zone Analysis**

Flood Area Panel Number	3604970088F
Date	9/5/2007
Zone	Zone X
Description	Area of minimal flood hazard, usually depicted on Flood Insurance Rate Maps as above the 500-year flood level.
Insurance Required?	No

**Utility Services**

Water / Sewer	City of New York
Electricity	Consolidated Edison
Natural Gas	Consolidated Edison
Cable	Verizon Communications and Others

*Compiled by Newmark*

**EASEMENTS, ENCRoACHMENTS AND RESTRICTIONS**

We were not provided a current title report to review. Further, we are not aware of any easements, encroachments, or restrictions that would adversely affect value. Our valuation assumes no adverse impacts from easements, encroachments, or restrictions, and further assumes that the subject has clear and marketable title.

**ENVIRONMENTAL ISSUES**

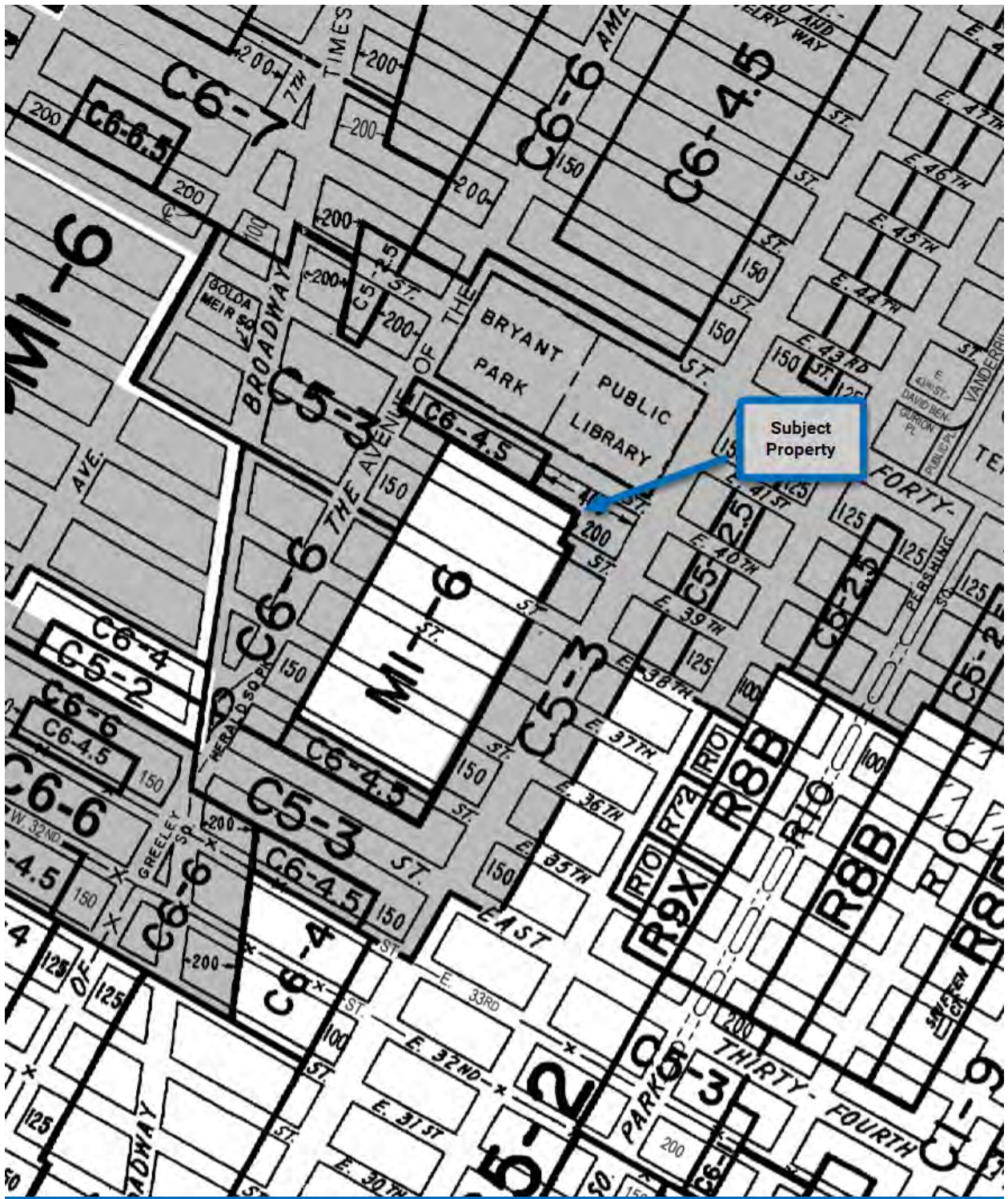
No environmental issues were observed or reported. Newmark is not qualified to detect the existence of potentially hazardous issues such as soil contaminants, the presence of abandoned

underground tanks, or other below-ground sources of potential site contamination. The existence of such substances may affect the value of the property. For this assignment, we have specifically assumed that any hazardous materials that would cause a loss in value do not affect the subject.

#### **CONCLUSION**

Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning.

# ZONING ANALYSIS



Zoning Map

Zoning Summary					
Category	Description				
Zoning Jurisdiction	City of New York				
Zoning Designation #1	C5-3				
Zoning Designation #2	M1-6				
Zoning Description	General Central Commercial District (C5-3) & Light Manufacturing District (High-Performance; M1-6)				
Special Purpose District	Special Midtown Purpose District				
Legally Conforming?	Pre-existing, legal, non-complying bulk use of the site				
Zoning Change Likely?	Unlikely				
Permitted Uses	A wide range of high bulk commercial uses requiring a central location such as corporate headquarters, large hotels, entertainment facilities, retail stores, and some residential development in mixed-use buildings for C5-3 portion of the site. The M1-6 zoning designation allows for a wide range of light industrial uses, which includes woodworking shops, repair shops, and wholesale service and storage facilities, as well as typical commercial uses including office, hotels, most retail and hospitals. Residential uses are not permitted as of right within the subject's zoning district.				
Maximum Floor Area Ratio Summary; C5-3 Zoning Designation					
Commercial Uses	15.00 Times the Lot Area				
Residential Uses	10.00 Times the Lot Area				
Community Facility Uses	15.00 Times the Lot Area				
Maximum Floor Area Ratio Summary; Zoning Designation					
Commercial Uses	10.00 Times the Lot Area				
Residential Uses	Not Permitted As of Right				
Manufacturing Uses	10.00 Times the Lot Area				
Community Facility Uses	10.00 Times the Lot Area				
Allowable Building Area Summary		Zoning	Land Area	FAR	Buildable Area
452 Fifth Avenue		C5-3	32,834 SF	@ 15.00 =	492,510 SF
1-11 West 39th Street		C5-3	731 SF	@ 15.00 =	10,965 SF
1-11 West 39th Street		M1-6	10,789 SF	@ 10.00 =	107,890 SF
<b>Total</b>			<b>44,354 SF</b>	<b>@ 13.78 =</b>	<b>611,365 SF</b>

*Compiled by Newmark*

## ZONING DESIGNATION

### LANDMARK PRESERVATION COMMISSION

The subject property was designated as a historic landmark on September 11, 1979. Properties that are designated as historic landmarks are subject to rules administered by the New York City Landmark's Prevention Commission. These rules limit and restrict the type of renovation properties may undergo within these districts. Specific restrictions are placed on a) through wall air conditioners, b) installation of retractable awnings, c) removal of fire escapes, d) sandstone restoration and replacement, e) new window openings, f) restoration of building facades, and g) temporary installations.

Any application for altering a land marked structure shall be considered a request for a Certificate of Appropriateness and shall be reviewed at a public hearing. In determining the appropriateness of any new structure, the Landmarked Preservation Commission shall take into consideration such new structure's location and effect on neighboring buildings.

#### DESCRIPTION OF LANDMARK

The Knox Building, one of the finest Beaux-Arts style commercial buildings in the city, was designed by the notable N&W York City architect John H. Duncan. Built in 1901-02 as the headquarters of the Knox Hat Company, the building occupies an especially prominent midtown Manhattan location on Fifth Avenue at 40th Street opposite the New York Public Library.

Full facade rustication, large scale ornament, and a two-story mansard roof are all features carried over from Duncan's residential designs but here skillfully adapted to a large commercial building. The rusticated limestone facade rises virtually uninterrupted for the first six stories on the Fifth Avenue front, punctuated only by large window openings. Buff brick simulating rustication is used above the second floor on the 40th Street side. Originally the hat store was located at the first floor which also incorporated a mezzanine level. Early photos show an ironed glass marquee and canopy shielding the Fifth Avenue show windows. A simple cornice above the first floor helps define the base of the building. Above the second-floor windows on the Fifth Avenue front is a palm branch motif with centered female head, while on the 40th Street side the second-floor windows are defined by keyed blocks. This motif is repeated at the 40th Street windows up to the sixth floor, and quoins flank the end bays. A bold detailed cornice carried on over scaled console brackets, some with garlands, surmounts the sixth floor and provides a transition to the upper stories of the building. The cornice, unfortunately, has lost its delicate metal railing. The seventh and eighth stories are handled as a unit with the windows flanked by brick piers and separated by ornamented spandrels. Those on the Fifth Avenue front and 40th Street end bays have lions'-heads ornate cartouches flank the Fifth Avenue windows and those in the end bays on 40th Street just below the bracketed eighth story cornice. Decorative window guards are placed at the bases of the third through eighth story windows.

Above the eighth story rises the imposing two-story mansard roof with a series of elaborate dormers. That on the Fifth Avenue front is a triple dormer with a gabled two-story center opening flanked by smaller windows. A large female head surmounts the gable. The 40th Street side has two-story dormers in the end bays flanking a series of gabled one-story dormers. Rising behind the one-story dormers are three large window openings, each with a vertically arranged triple sash. Although these openings have a distinctly modern look. Early photographs indicate that these openings were a part of the original design. Then, however, each was filled with nine narrow panes of glass. The mansard is crowned by an intricate torch and anthemion cresting with eagles, an appropriate termination to this exuberant design.

### SPECIAL MIDTOWN PURPOSE DISTRICT OVERLAY

The property is in the MiD-Special Purpose Midtown District Overlay. The “Special Midtown District” established in the Zoning Resolution was designed to promote and protect public health, safety and general welfare. These general goals include the following specific purposes:

- To strengthen the business core of Midtown Manhattan by improving the working and living environments.
- To stabilize development in Midtown Manhattan and provide direction and incentives for further growth where appropriate.
- To control the impact of buildings on the access of light and air to the streets and avenues of Midtown.
- To promote the opportunity for workers to live in the vicinity of their work.

### C5 ZONING DISTRICT

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.

### M1 ZONING DESIGNATION

M1 areas range from the Garment District in Manhattan, with its multistory lofts, to areas in the other boroughs with low-bulk plants. The M1 district is often an industrial front yard or a buffer to adjacent residential or commercial districts. Strict performance standards are common to all M1 districts. Light industries typically found in M1 areas include knitting mills, printing plants and wholesale service facilities. In theory, nearly all industrial uses can locate in M1 areas if they meet the rigorous performance standards required in the Zoning Resolution. Retail and office uses are also permitted. Use Group 4 community facilities are allowed in M1 zones by special permit but

not in other manufacturing districts. Parking and loading requirements vary with district and use, but high-density districts (M1-4 to M1-6) are exempt from parking requirements. Residential development is generally not allowed in manufacturing districts.

However, M1 districts with a significant number of residential buildings may be mapped M1-D. The D suffix indicates that limited new residential uses are permitted, by City Planning Commission authorization, on sites that meet specific criteria. The maximum FAR for permitted residential uses is 1.65. Accessory parking for residences is not required, except in M1-1D districts.

Under certain criteria, artists may have joint living-work quarters in lofts in M1-5A and M1-5B districts (mapped in the SoHo/NoHo area of Lower Manhattan). In M1-5M and M1-6M districts, the conversion of non-residential floors of a building to dwelling units is permitted, provided a specified amount of floor area is preserved for certain categories of manufacturing, industrial and commercial uses. Conversion to dwellings is also allowed, with various restrictions, in the Special Lower Manhattan Mixed Use District.

**ZONING DENSITY / FAR**

The subject property is zoned General Central Commercial District (C5-3) & Light Manufacturing District (High-Performance; M1-6) within the Special Midtown Purpose District. Based on the subject’s zoning, residential uses are not permitted as of right. Our estimate of the maximum permitted zoning floor area by the subject’s zoning code designation on the following page:

<b>Maximum Zoning Floor Area Ratio Summary</b>			
<b>Zoning</b>	<b>Land SF</b>	<b>FAR</b>	<b>Buildable SF</b>
452 Fifth Avenue- C5-3	32,834 square feet	15.00	= 492,510 square feet
1-11 West 39th Street- C5-3	731 square feet	15.00	= 10,965 square feet
1-11 West 39th Street- M1-6	10,789 square feet	10.00	= 107,890 square feet
<b>Total</b>	<b>44,354 square feet</b>	<b>13.78</b>	<b>611,365 square feet</b>

*Compiled by Newmark*

**ZONING COMPLIANCE**

Within this analysis, it has been assumed that the maximum buildable area for the subject property is 611,365 square feet of zoning floor area. The subject property comprises 739,442 square feet of gross building area. The buildings were constructed between 1904 to 1935, before the implementation of the 1961 zoning regulations. Therefore, the existing improvements appear to represent a pre-existing, legal, non-complying bulk use of the site.

- A legal conforming use occurs when a building that was legal when built and currently complies with one or more of the present district bulk regulations. In many areas, existing buildings pre-date the current zoning regulations. Non-compliance results when a building does not comply with any one of such bulk regulations.

- Determination of compliance is beyond the scope of a real estate appraisal. It is recommended that local planning and zoning personnel be contacted regarding more specific information that might be applicable to the subject. Whether or not the rights of continued use of the building exist depends on local laws.

### ZONING RESTRICTIONS

As previously mentioned, the subject property has been designated as a New York City historic landmark. Properties that are designated as historic landmarks are subject to rules administered by the New York City Landmark Preservation Commission. These rules limit and restrict the type of renovation properties may undergo. Any application for altering a landmarked structure shall be considered a request for a Certificate of Appropriateness and shall be reviewed at a public hearing. In determining the appropriateness of any new structure, the Landmark Preservation Commission shall take into consideration such new structure's location and effect on neighboring buildings.

A significant amount of the existing building must be damaged or destroyed for reconstruction to occur according to the Zoning Resolution. The Zoning Resolution of the City of New York states that "In the event that any demolition, damage or destruction of an existing building produces an unsafe condition requiring a Department of Buildings order or permit for further demolition of floor area to remove or rectify the unsafe condition, the aggregate floor area demolished, damaged or destroyed including that ordered or permitted by the Department of Buildings constitutes 75 percent or more of the floor area, then the building may be reconstructed only in accordance with the applicable bulk regulations.

Other than the subject's Landmark status and location within the Special Midtown Purpose District, we do not know of any public or private deed restrictions that limit the subject property's use. Deed restrictions are a legal matter and only a title examination by an attorney or title company can usually uncover such restrictive covenants. We recommend a title search to determine if any such restrictions exist.

### ZONING CONCLUSION

The subject's zoning permits a wide range of commercial uses such as department stores, larger office buildings, mixed buildings, which contain retail shops on the ground level with commercial or residential uses above along with hotel and community facility uses. Based on the as of right zoning floor area permitted by the subject's existing zoning, the existing improvements appear to represent a pre-existing, legal, non-complying bulk use of the site. A qualified land use/zoning expert should be engaged if there are any zoning concerns or if a determination of compliance with zoning is required.

# IMPROVEMENTS ANALYSIS

The following description is based on our inspection of the property and discussions with the owner.

<b>Improvements Summary</b>	
<b>Component Structures</b>	
General Improvement Type	Class A Office Buildings
Use Description	Office Buildings with multi-level retail space
<b>Gross Building Area (SF)</b>	
442/452 Fifth Avenue	616,352
<u>1-11 West 39th Street</u>	<u>123,090</u>
<b>Total Gross Building Area (SF)</b>	<b>739,442</b>
<b>Net Rentable Area Summary</b>	
Total Office Space	767,626
Total Retail Space	80,411
<u>Total Storage Space</u>	<u>17,302</u>
<b>Total Net Rentable Area</b>	<b>865,339</b>
Construction Status	Existing, Stabilized Operations
Construction Class	A
Competitive Property Class	A
Current Quality and Condition	Excellent
<b>Age/Life Depreciation Analysis</b>	
<b>Year Built</b>	
442/452 Fifth Avenue	1902 to 1935
1-11 West 39th Street	1926
Year Renovated	2014
Actual Age (Yrs.)	87 to 120 years
Economic Life (Yrs.)	60
Effective Age (Yrs.)	20
Remaining Economic Life (Yrs.)	40
Percent Depreciation	33.33%
<b>Floor Area Analysis</b>	
<b>Number of Stories</b>	
442/452 Fifth Avenue	10 to 30-stories
1-11 West 39th Street	12-story
	Lower Level: 26,070 to 40,454 Sf
	Grade: 19,263 SF
	Mezzanine: 11,296 SF
	Office (Fifth Ave): 14,690 to 41,604 Sf
	Office (39th St.): 11,716 to 13,247 Sf
Range of Floor Area (NRA)	

\*The net rentable area utilized is greater than the gross building area based on the loss factor applied within this analysis, and further summarized within the Income Capitalization Approach section of this appraisal report.

**Construction Details**

Construction Class	Class A: Concrete and steel, front façade is clad with metal.
Foundation	Poured reinforced columns, beams and slabs.
Ceiling Height	Generally, office space ceiling heights are 13'4" from floor to ceiling, with finished or dropped ceiling heights of 9'3". The lobby ceiling heights range from 15 to 25 feet and retail ceiling space ceiling heights range from 12 to 20 feet.
Structural Frame	Structural steel with masonry and concrete encasement.
Façade	A majority of the improvements located at 442/452 Fifth Avenue feature an exterior glass curtain wall constructed of floor to ceiling glass panels along with granite and brick with terra cotta window trim. The exterior of the Knox Building (10-story base of 452 Fifth Avenue) is masonry, metal and glass with a mansard slate roof with copper ornaments.
Windows	The Tower windows are tinted glass, double glazed in rubber gaskets. Windows in the 10-story base (Knox Building) are punched windows with fixed insulated vision panels behind a decorative granite sill band and a granite center mullion, which were replaced in the 2008 renovation. The windows on the front façade of One West 39th Street are dual pivot sash and hopper windows with a fixed pane above. The rear façade windows are original kalemien wire glass with interior tilt type double hung windows until the sixth story.
Roof	All roofs in the Tower building are the protected membrane assembly type consisting of elastomeric membrane, polystyrene insulation, filter fabric, and ballast. One West 39th Street replaced the roof in 2006 and is also a protected membrane assembly type consisting of elastomeric membrane, polystyrene insulation, filter fabric, and ballast roofing system.
Pedestrian Doors	Revolving glass and aluminum frame for the office lobby and retail entrances.
Loading Doors	There are six loading docks all accessible from 39th Street, two for the Tower building and four for One West 39th Street.

**Interior Finish**

Floors	Floors throughout office, corridor or lobby areas contain marble finish, terrazzo, resilient tile, ceramic tile, carpet or exposed hard wood.
Walls	Painted walls with stucco textured finish, plaster over wood lath on wood studs. Some office areas have some movable partitions and paneling.
Ceilings	Ceilings are either suspended acoustical tile, painted drywall or plaster.
Lighting	The building contains a mixture of fluorescent and incandescent light fixtures.

**Engineering & Mechanical**

HVAC	Each floor in the Tower has a 40 ton air handling unit which supplies the interior zone with heating, cooling, and fresh air. The air handling units have variable frequency drives with a BMS overlay. The chilled water plant was upgraded in 2006 with two (2) new Carrier Model XLE 800 ton chillers. A 700 ton chiller is retained as a back-up. The building uses Con Edison steam for heating. The high pressure steam is stepped down and distributed to the air handling units and heat exchangers to produce hot water. The northwest glazed façade utilizes electric baseboard heat. There are tenant condenser water risers capable of supplying 300 tons of supplemental cooling to the Tower floors. The installation of an additional 750 ton cooling tower enables tenants to have 24/7 supplemental cooling.																																				
Electrical	Each floor is designed for a total of six (6) watts/RSF. The building is supplied by Con Edison with three switches that supply 277/480-volt, 3-phase, 4-wire power. The service enters on 39th Street.																																				
Emergency Generator:	Two (2) 1,500 kw diesel fuel generators were installed in 2011 and one (1) 2,000 kw diesel fuel generator installed in 1996. The three (3) generators are supported by a 10,000 gallon diesel fuel storage tank. There is 1,000 kw of emergency power available for future tenant use. An additional 1,750 kw diesel fuel generator is available to tower tenants.																																				
Plumbing	Wet columns or connection points containing drains, vents and cold water are located on each floor. Each floor contains, men's and women's toilet rooms with wall or floor mounted water closets, wall-hung urinals and lavatories to meet local laws and building codes. There are three water mains that service the building: a 4" domestic line, an 8" fire protection line, and an 8" combined pipe with a 6" domestic tap. Two 10,000 gallon house tanks are shared for sprinklers and domestic water for floors 14 to 30. Each tank reserves 7,500 gallons for sprinkler usage only, leaving a total of 5,000 gallons across the two tanks for domestic water.																																				
Elevators	The building elevator systems are as follows: <table border="1" data-bbox="414 1312 901 1549"> <thead> <tr> <th>No. of Cabs</th> <th>Type</th> <th>Weight (lbs.)</th> <th>Floors</th> </tr> </thead> <tbody> <tr> <td>6</td> <td>Low Rise</td> <td>3,000</td> <td>C-11</td> </tr> <tr> <td>5</td> <td>High Rise</td> <td>3,000</td> <td>Lobby - 28</td> </tr> <tr> <td>2</td> <td>Private</td> <td>2,000</td> <td>Cellar - 29</td> </tr> <tr> <td>2</td> <td>SC-1</td> <td>4,500</td> <td>SC-1 &amp; 1</td> </tr> <tr> <td>1</td> <td>Vault</td> <td>2,500</td> <td>2 - 10</td> </tr> <tr> <td>1</td> <td>Freight</td> <td>4,000</td> <td>Cellar - 28</td> </tr> <tr> <td>2</td> <td>Freight</td> <td>2,000</td> <td>Sub-LL - 15</td> </tr> <tr> <td>2</td> <td>Retail</td> <td>3,000</td> <td>Sub-LL - 15</td> </tr> </tbody> </table>	No. of Cabs	Type	Weight (lbs.)	Floors	6	Low Rise	3,000	C-11	5	High Rise	3,000	Lobby - 28	2	Private	2,000	Cellar - 29	2	SC-1	4,500	SC-1 & 1	1	Vault	2,500	2 - 10	1	Freight	4,000	Cellar - 28	2	Freight	2,000	Sub-LL - 15	2	Retail	3,000	Sub-LL - 15
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2	Freight	2,000	Sub-LL - 15																																		
2	Retail	3,000	Sub-LL - 15																																		
Rest Rooms	The building features restrooms for men and women on each tenant floor and are all ADA compliant.																																				
Fire Sprinklers	Class E fire alarm system is installed per local code. Four (4) fire pumps support the property. Standpipe hose outlets are located in the exit stair landing. The emergency generator system operates all exit signs, egress lighting, one elevator in each bank, the Class E system and fire pumps, as well as the telephone switch, and security console.																																				
Security	Security is provided for lobby and common areas 24 hours, 7 days a week. Entry to the building is secured access via building identification and turnstile controls as well as electronic surveillance.																																				
Sustainability	Participant in Energy Star Program; Energy Management Plan and Chiller Optimization Program currently in place. Building maximizes energy efficiency through a 2012 installed BMS.																																				

Compiled by Newmark

## LAYOUT

The existing improvements feature a combination of four buildings originally built between 1902 and 1935, which together operate as one building and are referred to as 10 Bryant Park (452 Fifth Avenue). The four buildings are referred to as The Knox Building (Landmarked 10-story structure at 452 Fifth Avenue), Kress Building at 442 Fifth Avenue and 1-11 West 39th Street, have been seamlessly integrated, and the property is a functional Class A office building. When the original buildings were combined, the individual facade of the Knox and Kress Buildings remained in-tact, and a glass tower was constructed above the base of the landmarked improvements.

The subject site is located on a throughblock parcel with frontage along the entire western blockfront of Fifth Avenue, between West 39<sup>th</sup> and West 40<sup>th</sup> Streets. The office space can be accessed through the main office lobby along the south side of West 40<sup>th</sup> Street, through the HSBC retail suite on the ground floor, and through a private HSBC dedicated entrance along West 39<sup>th</sup> Street. The building features a center core, and functional, rectangular shaped floor plates that are demised for single and multi-tenant occupants. The office floor plates range in size from 14,690 to 54,657 square feet.

The remainder of the property consists of ground floor retail space comprising 80,411 square feet on the lower level, ground and mezzanine level, along with 17,302 square feet of below grade storage space. The multi-level retail space is currently demised as follows:

Retail Contract Rent Summary				
Tenant	Suite #	Total Area	Contract Rent	Contract Rent/SF
<b>Northwest Corner: West 39th Street</b>				
Staples East	Grade-01	5,731	\$2,289,131	\$399.43
Staples East	Mezz-01	11,926	\$0	\$0.00
<b>Suite Total/Average:</b>		<b>17,657</b>	<b>\$2,289,131</b>	<b>\$129.64</b>
<b>Northwest Corner: West 40th Street</b>				
HSBC Bank USA > Vacate	Grade-03	7,667	\$3,559,048	\$464.20
HSBC Bank USA > Vacate	Cellar-03	18,127	\$906,684	\$50.02
HSBC Bank USA	S-Cellar-1	11,825	\$591,250	\$50.00
HSBC Bank USA	S-Cellar-2	19,270	\$963,500	\$50.00
<b>Suite Total/Average:</b>		<b>56,889</b>	<b>\$6,020,482</b>	<b>\$105.83</b>
<b>Fifth Avenue: In Line</b>				
To-Be-Leased	Grade-02	5,865	\$0	\$0.00
<b>Suite Total/Average:</b>		<b>5,865</b>	<b>\$0</b>	<b>\$0.00</b>
<b>Total Occupied Retail</b>		<b>74,546</b>	<b>\$8,309,613</b>	<b>\$111.47</b>
<b>Total Vacant Retail</b>		<b>5,865</b>	<b>\$0</b>	<b>\$0.00</b>
<b>Total Retail</b>		<b>80,411</b>	<b>\$8,309,613</b>	<b>\$103.34</b>

### DEFERRED MAINTENANCE

There was no deferred maintenance apparent from our inspection, and none has been identified based on the ownership's provided budget and our physical inspection of the property. The existing improvements are in considered to be in excellent condition.

In order to entice prospective tenants and ignite leasing activity, the owner intends to spend approximately \$30,000,000 (\$40.57 PSF / GBA) to renovate the property with a shared amenity for existing and prospective tenants, along with general building and mechanical upgrades. The renovations will be completed while HSBC is still in occupancy of their space. The renovation costs have been modelled based on Newmark's review of comparable building's that are actively leasing space under current market conditions, as the continued flight to quality trends by tenants seeking excellent quality real estate and properties that are serviced by several amenities remain the most active buildings in the marketplace. Class A trophy office space that is available continues to diminish, which bodes well for the property to provide prospective tenants seeking excellent quality space in the marketplace.

### FUNCTIONAL UTILITY

Based on our inspection and consideration of its current use, there do not appear to be any significant items of functional obsolescence. The functional utility is considered to be adequate. All of the floor plans are considered to feature functional layouts and the layout of the overall property is considered functional in utility. Additionally, the retail floor plan is considered to be functional for its existing uses.

### ADA COMPLIANCE

Based on our observation as well as any information provided, no ADA compliance issues were noted. However, the client is advised to obtain review by a qualified professional versed in ADA compliance as we do not have expertise.

### ENVIRONMENTAL ASSESSMENT

We requested but were not provided a Phase I Environmental Assessment. We did not observe any potentially hazardous materials such as lead paint, asbestos, urea formaldehyde foam insulation, or other potentially hazardous construction materials on or in the improvements. However, it is noted that we did not search for such materials and are not qualified to detect such materials. The existence of said hazardous materials (if any) may have an effect on the value of the property. Therefore, for the purpose of this appraisal, we have specifically assumed that the property is not affected by any hazardous materials that may be present on or in the improvements. We strongly recommend that a qualified environmental engineering firm be retained by the Client prior to making a business.

### PERSONAL PROPERTY

No personal property items were observed that would have any material contribution to market value.

### LOCAL LAW 97

New York City enacted Local Law 97 in 2019, to amend the New York city charter and the administrative code of the city of New York, in relation to the commitment to achieve certain reductions in greenhouse gas emissions by 2050. The initiative was passed through the Climate Mobilization Act, also known as the NYC Green New Deal. The genesis of this law is to limit greenhouse gas emissions for buildings over 25,000 square feet, which will impact over 60,000 buildings in New York City. The main objective is to reduce emissions by 40% in 2025 and by 50% in 2030. Emission intensity reports for all buildings are due by May 1st, annually, starting from 2025, and building will receive grading based on performance.

In attempt for New York City to make up for deficits caused by the coronavirus pandemic, the Governor's proposed budget includes an amendment that property owners have been requesting since the passage of Local Law 97 in May 2019. Per our review of the draft budget proposed, building owners may have the option to purchase renewable energy credits outside the city to satisfy efforts set forth by the Climate Mobilization Act. Doing so would allow building owners to deduct from their properties reported annual building emissions for electricity consumption.

The May 2019 law, which mandates a 40 percent reduction in citywide greenhouse-gas emissions by 2030 and 80 percent by 2050, counts credits that building owners buy from renewable power generated within the city. However, this renewable power is not currently produced in the five boroughs, and though plans exist to build out such capacity, there isn't enough space in the city to meet demand. With the potential for owners to purchase credits from Upstate, avoidance of significant fines from the city may be voided, while investing in existing renewable energy resources that can accommodate the current demand. While this is speculative as of the date of value, it is important to consider for New York City properties.

### CONCLUSION

In comparison to other competitive properties within proximity to the subject, the subject's improvements are rated as follows:

- The improvements are of excellent quality construction and are in excellent condition.
- Overall, the improvements are considered to be functional and well suited for their existing use.

452 5th Ave Stacking Plan			
30	Varadero Capital (7,636 SF)	Triangle Capital (7,054 SF)	1/2026
29	Capital Dynamics (16,298 SF)		1/2026
28	Tilden Park Capital Management (16,140 SF)		9/2024
27	VACANT (16,130 SF)		
26	VACANT (16,291 SF)		
25	Lombard Odier (16,288 SF)		2/2034
24	NCH Capital (16,428 SF)		12/2027
23	Haitong Int'l Securities (10,248 SF)	SHPE Living, Inc (6,180 SF) LX 7/23	9/2036
22	HBK New York LLC (16,428 SF)		6/2028
21	Upper 90 Capital (10,338 SF) LX 7/23	Converium (2,536 SF) LX 6/23	BMO (3,554 SF)
20	Baker & McKenzie (16,294 SF)		1/2028
19	Baker & McKenzie (16,314 SF)		1/2028
18	Baker & McKenzie (16,275 SF)		1/2028
17	Baker & McKenzie (16,267 SF)		1/2028
16	Baker & McKenzie (16,263 SF)		1/2028
15	Baker & McKenzie (16,263 SF)		1/2028
14	Baker & McKenzie (8,127 SF) LX 1/28	Novartis (388 SF) LX 6/26	iCon (6,110 SF) LX 3/29 assuming CD 11/23
12	Novartis Pharmaceutical Corporation (15,865 SF)		6/2026
11	HSBC Bank USA (16,938 SF)		4/2025
10	HSBC Bank USA (37,845 SF)		4/2025
9	HSBC Bank USA (29,448 SF)		4/2025
8	HSBC Bank USA (41,604 SF)		4/2025
7	HSBC Bank USA (40,686 SF)		4/2025
6	HSBC Bank USA (41,247 SF)		4/2025
5	HSBC Bank USA (41,323 SF)		4/2025
4	HSBC Bank USA (41,460 SF)		4/2025
3	HSBC Bank USA (41,132 SF)		4/2025
2	HSBC Bank USA (7,025 SF)		4/2025

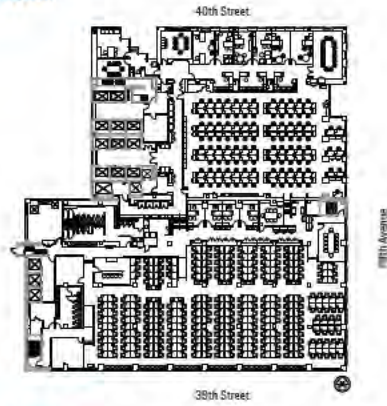
1W39th Street Stacking Plan	
12	HSBC Bank USA (11,716 SF)
11	HSBC Bank USA (11,760 SF)
10	HSBC Bank USA (12,388 SF)
9	HSBC Bank USA (12,390 SF)
8	HSBC Bank USA (12,399 SF)
7	HSBC Bank USA (12,455 SF)
6	HSBC Bank USA (13,241 SF)
5	HSBC Bank USA (13,185 SF)
4	HSBC Bank USA (13,197 SF)
3	HSBC Bank USA (13,247 SF)
2	HSBC Bank USA (13,225 SF)
C	HSBC Bank USA (1,052 SF)

Stacking Plan

\*This stacking plan is for presentation purposes only. The exhibit is not reflective of the current tenancy and square footage within the subject. A full overview has been provided within the Income Capitalization Approach section of this appraisal report.

**FLOORPLANS**

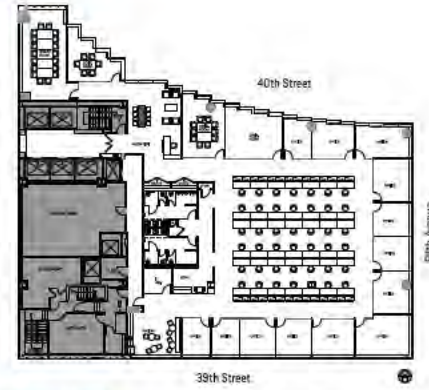
452 FIFTH AVE | 3RD FLOOR



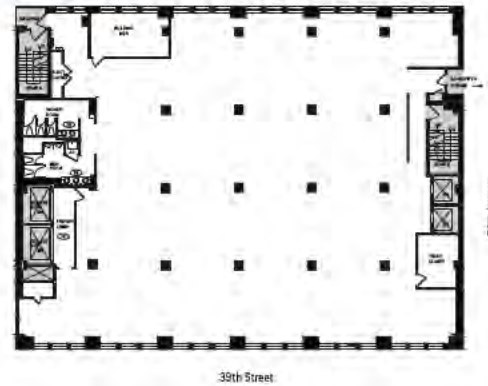
452 FIFTH AVE | 15TH FLOOR



452 FIFTH AVE | 30TH FLOOR



1W 39TH STREET | 6TH FLOOR



Sample Floor Plans

# REAL ESTATE TAXES ANALYSIS



Digital Tax Map

### REAL ESTATE TAX ANALYSIS: LOTS 31 AND 49

The subject property is located in the taxing jurisdiction of the City of New York. The assessor’s parcel identification number is Block 841, Lot 31 & 49. Within this analysis, we have presented the subject’s taxes for the existing buildings located at 442-452 Fifth Avenue (Lot 49) and 1-11 West 39<sup>th</sup> Street (Lot 31). According to the Department of Finance, taxes are current. The properties are considered a Class 4 property.

Taxes and Assessments - Block 841, Lot 31										
Years	Transitional Assessed Value			Actual Assessed Value			Taxes and Assessments			
	Land	Improved	Total	Land	Improved	Total	Tax Rate	Ad Valorem Taxes	BID Taxes	Total
2018/19	\$3,600,000	\$9,838,075	\$13,438,075	\$3,600,000	\$12,569,400	\$16,169,400	10.514%	\$1,412,879	\$20,723	\$1,433,603
2019/20	\$3,600,000	\$10,748,515	\$14,348,515	\$3,600,000	\$12,652,200	\$16,252,200	10.537%	\$1,511,903	\$20,742	\$1,532,645
2020/21	\$3,600,000	\$11,756,340	\$15,356,340	\$3,600,000	\$13,566,150	\$17,166,150	10.694%	\$1,642,207	\$26,150	\$1,668,357
2021/22	\$3,600,000	\$11,632,680	\$15,232,680	\$3,600,000	\$8,887,500	\$12,487,500	10.755%	\$1,343,031	\$31,914	\$1,374,944
2022/23	\$3,600,000	\$11,590,740	\$15,190,740	\$3,600,000	\$10,278,450	\$13,878,450	10.646%	\$1,477,500	\$31,739	\$1,509,238
2023/24	\$3,600,000	\$11,301,660	\$14,901,660	\$3,600,000	\$11,124,000	\$14,724,000	10.752%	\$1,583,192	\$31,914	\$1,615,106

Compiled by Newmark

Taxes and Assessments - Block 841, Lot 49										
Years	Transitional Assessed Value			Actual Assessed Value			Taxes and Assessments			
	Land	Improved	Total	Land	Improved	Total	Tax Rate	Ad Valorem Taxes	BID Taxes	Total
2018/19	\$31,471,200	\$93,239,571	\$124,710,771	\$31,471,200	\$118,678,800	\$150,150,000	10.514%	\$13,112,090	\$103,769	\$13,215,859
2019/20	\$31,471,200	\$106,222,883	\$137,694,083	\$31,471,200	\$128,278,800	\$159,750,000	10.537%	\$14,508,826	\$101,091	\$14,609,917
2020/21	\$31,471,200	\$116,993,050	\$148,464,250	\$31,471,200	\$127,478,800	\$158,950,000	10.694%	\$15,876,767	\$130,941	\$16,007,708
2021/22	\$31,471,200	\$115,883,980	\$147,355,180	\$31,471,200	\$95,879,700	\$127,350,900	10.755%	\$13,696,589	\$159,801	\$13,856,391
2022/23	\$31,471,200	\$118,748,510	\$150,219,710	\$31,471,200	\$123,426,450	\$154,897,650	10.646%	\$15,992,390	\$159,626	\$16,152,017
2023/24	\$31,471,200	\$120,388,340	\$151,859,540	\$31,471,200	\$126,877,950	\$158,349,150	10.752%	\$16,328,636	\$159,801	\$16,488,438

Compiled by Newmark

### CONSOLIDATED TAX SUMMARY

Taxes and Assessments - Block 841, Lot 31 & 49										
Years	Transitional Assessed Value			Actual Assessed Value			Taxes and Assessments			
	Land	Improvements	Total	Land	Improvements	Total	Tax Rate	Ad Valorem Taxes	BID Taxes	Total
2018/19	\$35,071,200	\$103,077,646	\$138,148,846	\$35,071,200	\$131,248,200	\$166,319,400	10.514%	\$14,524,970	\$124,492	\$14,649,462
2019/20	\$35,071,200	\$116,971,398	\$152,042,598	\$35,071,200	\$140,931,000	\$176,002,200	10.537%	\$16,020,729	\$121,833	\$16,142,562
2020/21	\$35,071,200	\$128,749,390	\$163,820,590	\$35,071,200	\$141,044,950	\$176,116,150	10.694%	\$17,518,974	\$157,090	\$17,676,064
2021/22	\$35,071,200	\$127,516,660	\$162,587,860	\$35,071,200	\$104,767,200	\$139,838,400	10.755%	\$15,039,620	\$191,715	\$15,231,335
2022/23	\$35,071,200	\$130,339,250	\$165,410,450	\$35,071,200	\$133,704,900	\$168,776,100	10.646%	\$17,609,597	\$191,365	\$17,800,961
2023/24	\$35,071,200	\$131,690,000	\$166,761,200	\$35,071,200	\$138,001,950	\$173,073,150	10.010%	\$16,692,796	\$191,715	\$16,884,511

Compiled by Newmark

In response to the pandemic, commercial properties throughout New York City for received assessment reductions for 2021 / 22 tax year ranging from 15% to 35%, due to perceived implications caused by COVID-19 on property values. Assessments rebounded in the 2022 / 23 tax year, increasing by an average by a range of 5% to 15% on average for Class IV properties in the 2022 / 23 tax year.

The general sentiment among real estate tax professionals surveyed is that assessed values prior to COVID-19 throughout New York City were above feasible levels for property owners, which is illustrated by the consistent tax appeals filed by a majority of landlords. The tax professionals

indicated that the widespread assessment reductions were a necessary practice, albeit not to the scale resulting from the COVID-19 pandemic. Based on the release of the final 2023 / 24 assessments, the New York City Department of Finance has assumed that commercial building property valuations have increased by an average of 6.50% year-over-year, which would price several properties directly in-line with their pre-COVID-19 assessments.

### TAX GUIDELINES

New York City is guided by the basic principles of ad valorem assessment, which means the following:

- Properties within the same property class and of similar value should experience approximately equal assessments and should therefore pay similar property taxes.
- Assessments for Class 4 properties are found by capitalizing net operating income at market level capitalization rates.
- Properties in New York City are reassessed annually based on income.

Under the taxing jurisdiction of the City of New York, real estate taxes are traditionally the product of the transitional assessed value times the tax rate, for the fiscal year July 1 through June 30. The transitional assessed value is found by using a five-year phase-in of the actual assessed value. If the actual assessed value is lower than the transitional assessed value for that year, the actual assessed value is used to determine the real estate taxes for the fiscal year.

### TAX CLASSIFICATION DEFINITIONS

- Class 1: All residential one, two and three-bedroom homes, residential condominium that hold no more than 3 units, residential condominiums that have no more than 3 stories and certain plots of land that are zoned as a residential development site.
- Class 2: All residential properties that are not covered under Class 1. This does not include hotels or motels under this class distinction.
- Class 3: All utility corporations and special franchise properties.
- Class 4: All other properties not covered in the preceding classes.

### DELINQUENCY

According to local tax assessor/collector there is no reported delinquency for the subject property.

### CURRENT TAX RATES

- The current 2023 / 2024 tax rate decreased to 10.010% per \$100 of assessed value, which represents a 5.97% decrease from the prior calendar year tax rate.

- The 2024 / 25 tax rate is estimated to increase at a rate of 1.00% above the current tax rate for 2023 / 24, or 10.010%.
- The tax rates over dating back to 2005 / 06 have been further highlighted on the following chart.

Class IV Historical Tax Rates		
Tax Year	Historical Tax Rates	% Change
2023/24	10.010%	-5.97%
2022/23	10.646%	-1.01%
2021/22	10.755%	0.57%
2020/21	10.694%	1.49%
2019/20	10.537%	0.22%
2018/19	10.514%	0.00%
2017/18	10.514%	-0.57%
2016/17	10.574%	-0.77%
2015/16	10.656%	-0.26%
2014/15	10.684%	3.50%
2013/14	10.323%	0.34%
2012/13	10.288%	1.34%
2011/12	10.152%	-1.55%
2010/11	10.312%	-1.09%
2009/10	10.426%	-1.75%
2008/09 (Q3 & 4)	10.612%	7.52%
2008/09 (Q1 & 2)	9.870%	-6.80%
2007/08	10.590%	-3.70%
2006/07	10.997%	-2.73%
2005/06	11.306%	--

*Compiled by Newmark*

Historically, the compound annual growth rate of the tax rate has been negative 0.67% since 2005 / 06, with the largest increase occurring during the great financial crises. As such, the tax rate increase at 1.00% modelled within this analysis properly accounts for any atypical assessment increases that may impact building owners in the future.

**TAX COMPARABLES**

In order to determine the reasonability of the projected phase-in, we have researched comparable properties of similar building type, class, size and income profiles to determine the projected assessed value for the subject buildings. The comparable tax assessments are highlighted on the following page:

Tax Comparables								
No.	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6	Comparable 7
Property Name	452 Fifth Avenue	150 West 42nd Street (4 Times Square)	500 Fifth Avenue	3 Bryant Park (1095 Avenue of the Americas)	1133 Avenue of the Americas	505 Fifth Avenue	1100 Avenue of the Americas	1114 Avenue of the Americas
Improvements SF	739,442	1,642,475	659,122	1,041,794	1,039,529	251,043	348,786	1,517,497
Block/Lot	Block 841, Lot 31 & 49	Block 995, Lot 5	Block 1258, Lot 34	Block 994, Lots 1001-1011	Block 996, Lot 29	Block 1277, Lot 2	Block 1258, Lot 1	Block 1258, Lot 9
Tax Year	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2020/21
Total Assessed Value	\$176,116,150	\$305,977,050	\$120,800,000	\$318,238,408	\$226,000,000	\$70,610,000	\$116,300,000	\$343,095,750
Assessed Value/SF	\$238.17	\$186.29	\$183.27	\$305.47	\$217.41	\$281.27	\$333.44	\$226.09

Compiled by Newmark

As of the date of value, the 2023 / 24 final assessments have been released. The comparable properties exhibit assessments ranging from \$183.27 to \$333.44 per square foot, with an average of \$247.61 per square foot. This compares to the subject’s 2023 / 24 actual tax assessment of \$238.17 per square foot, which is in-line with the comparable assessments and is considered reflective of current market standards.

As part of this analysis, we also analyzed the real estate taxes as a percentage of effective gross income over the analysis period, which averages approximately 28.68%, which is above traditional levels observed in the marketplace for comparable properties. This is largely impacted by the planned vacancy of HSBC. Investors in the marketplace will traditionally underwrite this expense at a range of 17.50% to 25.00% of the effective gross income. Although the current actual assessment is considered reflective of market standards based on the in-place revenue, the prospective lease expiration of HSBC will have a significant impact on the net operating income to be achieved from the subject property. Therefore, it is likely that the owner will receive a real estate tax reduction during the lease-up period of the HSBC space.

As part of this analysis, Tener Consulting Services LLC has performed a real estate analysis of the subject property on July 14<sup>th</sup>, 2023. A comparison of the New York City Department of Finance (NYC-DOF) real estate taxes compared to the estimates provided by Tener have been outlined on the following chart:

Real Estate Tax Comparison							
Tax Year	Newmark			Tax Consultant			Difference
	Lot 31	Lot 49	Total	Lot 31	Lot 49	Total	
2023/24	\$1,505,913	\$15,426,704	\$16,932,617	\$1,473,872	\$15,201,140	\$16,675,012	\$257,605
2024/25	\$1,510,165	\$15,503,670	\$17,013,835	\$1,475,414	\$15,327,448	\$16,802,862	\$210,973
2025/26	\$1,484,897	\$15,740,487	\$17,225,384	\$1,447,006	\$15,535,713	\$16,982,719	\$242,665
2026/27	\$1,547,473	\$16,646,515	\$18,193,989	\$1,509,880	\$16,350,948	\$17,860,828	\$333,161
2027/28	\$1,595,801	\$17,166,575	\$18,762,376	\$1,350,621	\$14,525,239	\$15,875,860	\$2,886,516
2028/29	\$1,629,449	\$17,652,294	\$19,281,743	\$1,359,988	\$14,625,982	\$15,985,970	\$3,295,773
2029/30	\$1,662,556	\$18,182,581	\$19,845,137	\$1,433,225	\$15,413,605	\$16,846,830	\$2,998,307
2030/31	\$1,696,340	\$18,731,657	\$20,427,997	\$1,449,478	\$15,588,403	\$17,037,881	\$3,390,116
2031/32	\$1,730,814	\$19,297,315	\$21,028,129	\$1,552,805	\$16,699,629	\$18,252,434	\$2,775,695
2032/33	\$1,765,991	\$19,880,055	\$21,646,046	\$1,717,485	\$18,470,683	\$20,188,168	\$1,457,878
2033/34	\$1,808,385	\$20,480,392	\$22,288,777	\$1,898,874	\$20,421,424	\$22,320,298	(\$31,521)
2034/35	\$1,862,636	\$21,094,804	\$22,957,440	\$2,095,421	\$24,630,606	\$26,726,027	(\$3,768,586)
2035/36	\$1,918,515	\$21,727,648	\$23,646,163	\$2,301,505	\$27,053,026	\$29,354,531	(\$5,708,368)
<b>Totals</b>	<b>\$21,718,935</b>	<b>\$237,530,698</b>	<b>\$259,249,633</b>	<b>\$21,065,574</b>	<b>\$229,843,846</b>	<b>\$250,909,420</b>	<b>\$8,340,213</b>

The real estate taxes projected by Tener Consulting Services are in-line with the NYC-DOF and Newmark has relied on the estimates provided by Tener Consulting Services.

## HIGHEST AND BEST USE

To determine the highest and best use, the subject site is evaluated based on the following scenarios: as though vacant land and as currently improved. In both cases, the property's highest and best use must meet the following criteria: most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued. The following section will determine the highest and best use of the subject property as through vacant and as currently improved.

### AS IF VACANT

#### LEGALLY PERMISSIBLE

The site is split-zoned within the General Central Commercial District (C5-3) & Light Manufacturing District (High-Performance; M1-6) within the Special Midtown Purpose District. Legally permissible uses within this zoning district include a wide range of high bulk commercial uses requiring a central location such as corporate headquarters, large hotels, entertainment facilities, retail stores, and some residential development in mixed-use buildings for C5-3 portion of the site. The M1-6 zoning designation allows for a wide range of light industrial uses, which includes woodworking shops, repair shops, and wholesale service and storage facilities, as well as typical commercial uses including office, hotels, most retail and hospitals. Residential uses are not permitted as of right within the subject's zoning district.

#### PHYSICALLY POSSIBLE

The site's size, soil, topography, etc. do not physically limit its use. The subject site can accommodate almost all urban uses. The subject is located on a 44,354 square foot throughblock parcel spanning the entire western blockfront along Fifth Avenue between West 39th and West 40th Streets. The size of the site is typical for the categories of uses allowed under zoning. In total, the site is physically capable of supporting the legally permissible uses. Municipal utilities provide for nearly all uses. Street improvements are also adequate. There are no known physical reasons why the subject site would not support any of these legally probable developments.

#### FINANCIALLY FEASIBLE

In order to be seriously considered, a use must have the potential to provide a sufficient return to attract investment capital over alternative forms of investment. A positive net income or acceptable rate of return would indicate that a use is financially feasible. Financially feasible uses are those uses that can generate a profit over and above the cost of acquiring the site and constructing the improvements. Of the uses that are permitted, possible, and financially feasible, the one that will result in the maximum value for the property is considered the highest and best use. A positive net income or acceptable rate of return would indicate that a use is financially feasible.

### MAXIMALLY PRODUCTIVE

The test of maximum productivity is to determine the actual use of the property that results in the highest land value and/or the highest return to the land. It is important to consider the risk of potential uses as a use that may generate the highest returns in cash could also be the riskiest and thus not as likely for a developer to consider.

The subject is located on an 44,354 square foot throughblock parcel that features 197.5 feet of frontage along the west side of Fifth Avenue, 301.67 feet of frontage along the north side of West 39th Street and 147.5 feet of frontage along the south side of West 40th Street. The immediate area is generally dominated by commercial, office and hotel use. Based on the subject's location, nearby developments that would yield a maximum return off the site would be to construct a mixed-use building with residential and commercial space developed to the highest feasible density permissible, based on the subject's zoning.

### HIGHEST AND BEST USE CONCLUSION – AS IF VACANT

Based on the preceding analysis and upon information and analysis contained in the area, neighborhood, and market analyses, the highest and best use as if vacant would be to construct a mixed-use building with residential and commercial space developed to the highest feasible density permissible.

### AS IMPROVED

#### LEGALLY PERMISSIBLE

The site is split-zoned within the General Central Commercial District (C5-3) & Light Manufacturing District (High-Performance; M1-6) within the Special Midtown Purpose District. The site is improved with a 10 and part 30-story, plus three levels below grade Class A mixed-use building featuring office, residential, and multi-level retail space. The buildings were constructed from 1904 to 1926 and all four buildings were substantially renovated in 2014. The existing building comprises 739,442 square feet of gross building area and in the Zoning section of this appraisal, we determined that the existing improvements appear to represent a pre-existing, legal, non-complying bulk use of the site. We also determined that the existing use is permitted in this zone.

#### PHYSICALLY POSSIBLE

The buildings were constructed from 1904 to 1926 and all four buildings were substantially renovated in 2014. The existing improvements are considered to be of excellent quality construction and are in excellent condition. Due to the planned vacancy of the anchor tenant, HSBC, this analysis assumes a market-oriented renovation in order to minimize downtime between the HSBC lease and prospective tenants backfilling the space. The renovations applied within this analysis total approximately \$30,000,000 (\$40.57 PSF / GBA) which have been modelled within the first two years of the investment holding period. The enhancements are anticipated to further enhance the desirability of the property.

We know of no current or pending municipal actions or covenants that would require a change to the current improvements. The current improvements conform to the physical characteristics of the site. Therefore, continued use of the property is reasonably probable and appropriate.

#### **FINANCIALLY FEASIBLE**

Financial feasibility focuses on positive and excess returns from the improved property. In this case, the subject is an income producing property and is capable of generating sufficient income to support the continuation of the use. As discussed in the Income Capitalization Approach, the subject property has a positive net cash flow and continued utilization of the subject as a Class A mixed-use building is financially feasible.

#### **MAXIMALLY PRODUCTIVE**

The maximally productive use of the subject as improved should conform to neighborhood trends and be consistent with existing land uses. Although several uses may generate sufficient income to satisfy the required rate of return on investment and provide a return on the land, the single use that produces the highest price or value is typically the highest and best use.

The existing office improvements are legally permissible, physically possible, and financially feasible. Based on our analysis, the concluded value as improved exceeds the value of the underlying land and removal of the improvements for redevelopment or substantial conversion to an alternative use is not indicated based on current neighborhood trends. Given no alternatives, continued use as an office building with multi-level retail space, is concluded to be maximally productive and the highest and best use of the property as improved.

#### **HIGHEST AND BEST USE – AS IMPROVED**

Based on an analysis of the market, it is our opinion that the Highest and Best Use of the subject site as improved is continued use as an office building with multi-level retail space.

# APPRAISAL METHODOLOGY

## COST APPROACH

The cost approach is based on the proposition that the informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements that represent the highest and best use of the land, or when it is improved with relatively unique or specialized improvements for which there exist few sales or leases of comparable properties.

## SALES COMPARISON APPROACH

The sales comparison approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject. Valuation is typically accomplished using physical units of comparison such as price per square foot, price per unit, price per floor, etc., or economic units of comparison such as gross rent multiplier. Adjustments are applied to the property units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to yield a total value.

## INCOME CAPITALIZATION APPROACH

The income capitalization approach reflects the subject's income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time. The two common valuation techniques associated with the income capitalization approach are direct capitalization and the discounted cash flow (DCF) analysis.

Application of Approaches to Value	
Approach	Comments
Cost Approach	The Cost Approach is not applicable and is not utilized in this appraisal.
Sales Comparison Approach	The Sales Comparison Approach is applicable and is utilized in this appraisal.
Income Capitalization Approach	The Income Capitalization Approach is applicable and is utilized in this appraisal.

*Compiled by Newmark*

The cost approach has not been utilized within this analysis and is not considered within our determination of market value based on the age of the property, which limits the reliability of an accrued depreciation estimate. Moreover, this approach is not typically utilized by market participants when acquiring an asset such as the subject property. The exclusion of reliance of this approach does not materially impact the estimated market values detailed herein.

## SALES COMPARISON APPROACH

The sales comparison approach value is derived by analyzing closed sales, listings, or pending sales of properties that are similar to the subject. The sales comparison approach includes the following steps.

- Research and verify information on properties in the competitive market that are similar to the subject and that have recently sold, are listed for sale, or are under contract.
- Select the most relevant units of comparison in the market and develop a comparative analysis.
- Examine and quantify via adjustments differences between the comparable sales and the subject property using all appropriate elements of comparison.
- Reconcile the various value indications to a value bracket and then a single value indication.

### 2023 CAPITAL MARKETS UPDATE

Office investment volume in Manhattan declined 43.19% quarter-over-quarter, totaling \$5.9 billion, a decrease of 60.90% year-over-year. The first quarter of 2023 represented the weakest first quarter sales volume since 2014 across the nation, and the lowest since first quarter of 2021 for Manhattan. Although the market has seen a significant decrease in investment volume, it is appropriate given the lack of liquidity within the market and the substantially higher cost of debt today due to rising interest rates. There have only been a few office buildings that have transacted during 2023, including 245 Park Avenue, 126 East 56<sup>th</sup> Street (Tower 56) and 850 Third Avenue. Office investment is anticipated to remain relatively inactive, due to the illiquidity witnessed in the market and the current cost of debt. However, as \$16 billion in New York City commercial real estate CMBS debt is set to mature in 2023, investment volume may increase if lenders and borrowers are unable to work together, but this may result in unwanted fire sales. However, if lenders and borrowers are able to work together, further recapitalizations or forced transactions will occur throughout the year, which would allow owners to retain equity within their assets.

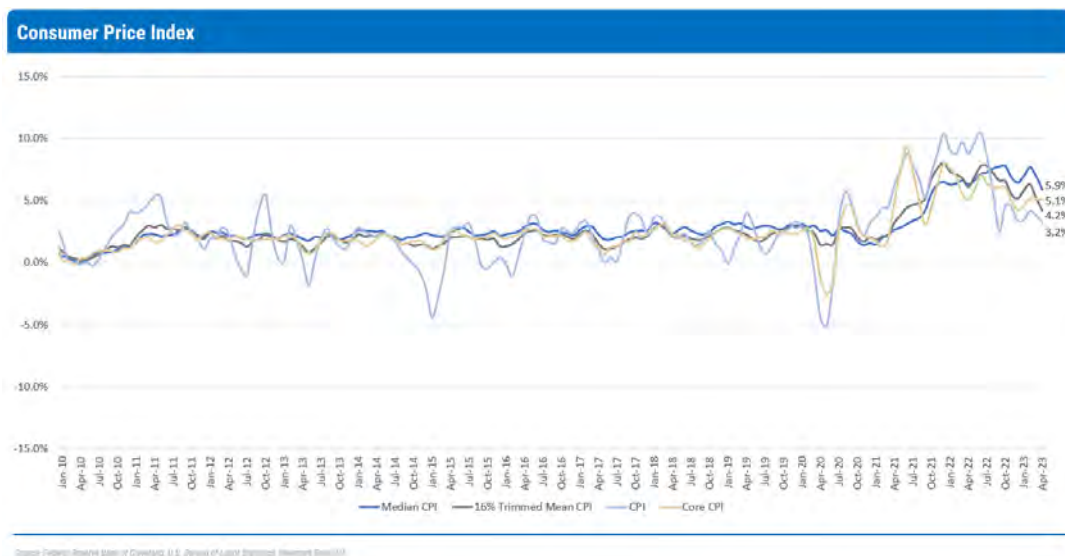
As of May 2023, the Federal Reserve has raised rates ten times for a total of 500 basis points over the course of 2022 into 2023, as outlined on the following chart:

FOMC Meeting Date	Rate Change (bps)	Federal Funds Rate
May 3, 2023	+ 25	5.00% - 5.25%
March 2, 2023	+ 25	4.75% - 5.00%
February 1, 2023	+ 25	4.50% - 4.75%
December 14, 2022	+ 50	4.25% - 4.50%
November 2, 2022	+ 75	3.75% - 4.00%
September 21, 2022	+ 75	3.00% - 3.25%
July 27, 2022	+ 75	2.25% - 2.50%
June 16, 2022	+ 75	1.50% - 1.75%
May 5, 2022	+ 50	0.75% - 1.00%
March 17, 2022	+ 25	0.25% - 0.50%

The effects of such a substantial increase in the cost of funds include increased mortgage rates but also investment rates. As a result, investment sales activity in New York City office product has slowed dramatically year-over-year. Investors have assumed an increasingly observational posture as they wait for debt markets to stabilize and a clearer picture to emerge for New York’s return to the office.

### INFLATION IS FAR FROM WHERE THE FED WANTS IT

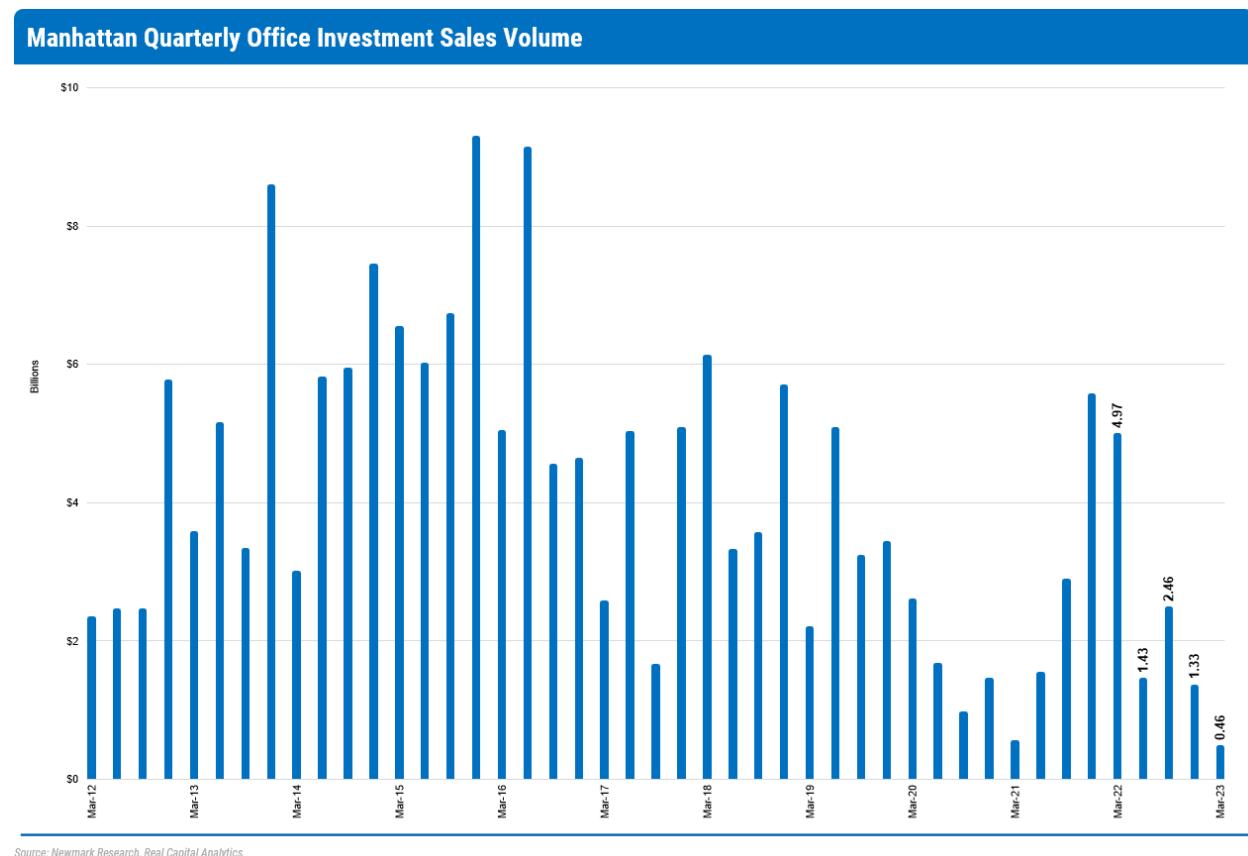
The Fed’s Funds Rate in order to satisfy their dual mandate, keep prices stable and maximize employment, as the economy starts to overheat (too much inflation) rates are increased and when the economy looks weak (high unemployment) rates are decreased. Inflation remains high as Consumer Price Index (CPI) average increased 9.53% year-over-year from 2021 to 2022, CPI has increased 4.93% year-over-year as of the latest April CPI print. Although CPI remains above the Fed’s target of 2.0%, the Fed is anticipated to take a pause on hiking rates on the next FOMC Meeting. However, the Fed will have to continue to maintain their agenda to keep rates high in order to witness a significant decline in inflation over the year. The following chart outlines CPI from April 2010 up to April 2023. Median and trimmed mean CPI strip out effect of strong outliers and are typically better indicators of underlying inflation pressure. All CPI measures have evidenced a decline, however, remain far from the Fed’s target of 2%.



### MANHATTAN OFFICE INVESTMENT

As previously highlighted, Manhattan Office Investment has declined during the high interest rate environment that has occurred after implementation of the Fed’s 500-basis point rate hike throughout 2022 into 2023. As evidenced in the following chart office investment sale volume appeared to comeback after the COVID-19 pandemic and the lower interest rate environment at the beginning of 2022, however as rates increased office investment decreased significantly over 2022 into 2023. Highlighting the scarcity of liquidity in the Manhattan office CRE market.

The following chart outlines the investment sales volume for Manhattan office buildings since 2012:



### New York City Office Sales Volume

Manhattan's office recovery remains uneven, as investors have favored newer built and high occupancy trophy assets or properties located in highly desirable submarkets. The flight to quality in the Manhattan leasing market has created a divide with elevated pricing for higher quality assets (i.e. Hudson Yards, Park Avenue, etc.) and lower valuations for older vintage assets (high concentration in the Downtown area or Garment District). Investors seeking higher yields continue to wait for distressed opportunities to emerge from the latter assets, this was not evidenced during 2022; however, in the early stages of 2023 has started to materialize. The following sales provide further detail the recent examples of distress and forced transactions:

- **149 Madison Avenue**, Columbia Property Trust sold the 12-story, 127,000 square foot office building for a \$11 million loss. This comes after losing the anchor tenant WeWork and repositioning the property in 2021, Columbia added prebuilt suites and a café for tenants to appeal towards a boutique office experience.
- **126 East 56<sup>th</sup> Street** also known as Tower 56 is evidence of another distressed sale occurring during 2023, as the mortgage was due. Pearlmark Real Estate negotiated to sell the property that will just about cover its debt. This sale may be the first of many forced

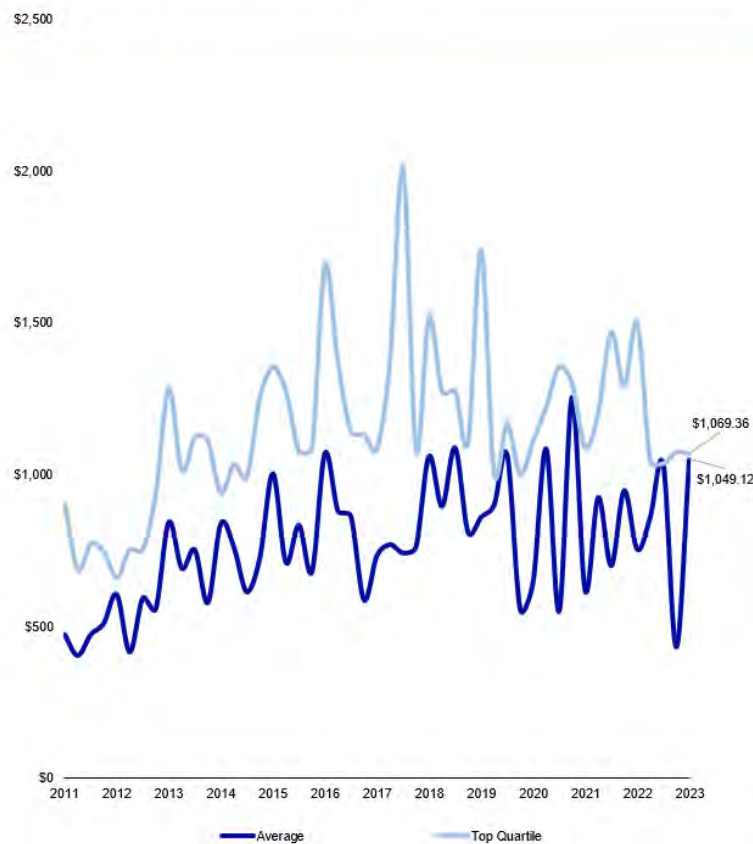
sales to occur in New York, as owners will continue to find trouble in refinancing assets during the high interest rate environment.

- **529 Fifth Avenue** was sold by Silverstein Properties and consists of a 19-story, 282,278 square foot office building for approximately \$107,500,000 (\$380.83 PSF). Silverstein refinanced the property for \$171 million in October of 2020, a year ahead of the departure of anchor tenant Citrin Corporation. Furthermore, Silverstein recently embarked on a \$20 million renovation of the property to include an amenity floor and a 500-square-foot terrace.

It is reported that approximately \$16 billion in Commercial Mortgage Back Security loans are set to mature during 2023. That is almost more than 30% higher than the \$12.7 billion that matured during 2022. Lenders may be more hesitant to extend loans on struggling properties. Notable loans that are currently being marketed include a \$1.110 billion mortgage on RFR's Seagram Building and a \$485.0 million loan on Tishman Speyer's 300 Park Avenue. Property owners will either take on new debt at a higher price, recapitalize their assets through injecting capital within the asset, or property owners will have to walk away. Owners walking away from their assets can be further exhibited by the speculation in February 2023 in a statement released by RXR disclosing that it is preparing to halt debt payments on several older Manhattan office properties and "give the keys back to the bank".

On the following chart, we have analyzed office price per square foot trends over the past 10-years.

### Price Per Square Foot Comparison



Source: Newmark Research, Real Capital Analytics

The top quartile of office transactions witnessed a slight quarter-over-quarter decrease, however, witnessed a 28.71% decline year-over-year, concluding the first quarter at \$1,069 per square foot. Furthermore, the average price per square foot, exhibited a large swing quarter-over-quarter, increasing 142.55%, however, a slight year-over-year decrease. Although, the spread between the average and top quartile pricing is compressing, within the market it is evidenced investors preference remains towards high quality Class A and trophy office buildings. Investors have recently been reluctant to invest in low quality assets due to the unfavorable high cost of debt and the increased cost of capital required to reposition low quality assets within the marketplace, as tenants continue to remain favorable to high quality space. The COVID-19 pandemic has had long-term drastic impacts on the viability of the Manhattan office market, low occupancy rates swept through the city, employees are still making their way back to the office. Albeit slow, office occupancy has continued to increase, remaining steady at 60.0%. Furthermore, owners within the market have highlighted that, physical occupancy Tuesday through Thursday sits higher around 70.0% to 85.0%, with Monday and Friday dragging severely behind. As the economy braces for a recession, it is believed employees will be urged by employers to return to the office.

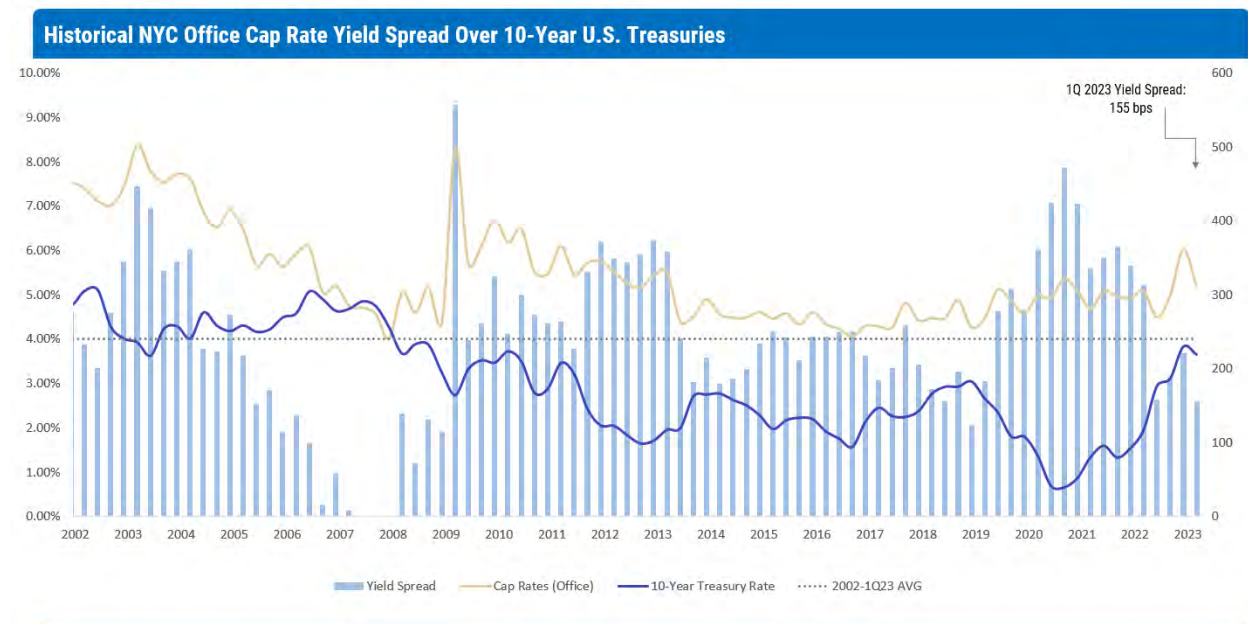
### CAPITALIZATION RATES TRENDS

- As interest rates have risen across maturities, placing downward pressure on the value of all financial assets.
- Risk aversion has risen sharply since the beginning of 2022 as reflected by widening spreads between risk-free rates and a range of financial instruments: credit, equities, and indeed commercial real estate.
- Anticipated net operating income (NOI) growth over the next 1-2 years can provide an argument for accepting lower in-place yields, but across property types, NOI forecasts are lower today than at the beginning of the year and more uncertain.
- There remains significant dry powder, particularly in the close-end fund space. This capital is the one factor that could place a floor under valuations and liquidity. More likely, the supply of capital will lead to a fast recovery in sales activity following repricing rather than averting repricing outright.

An overview of between the average capitalization rates and the top quartile capitalization rates has been highlighted on the chart below:

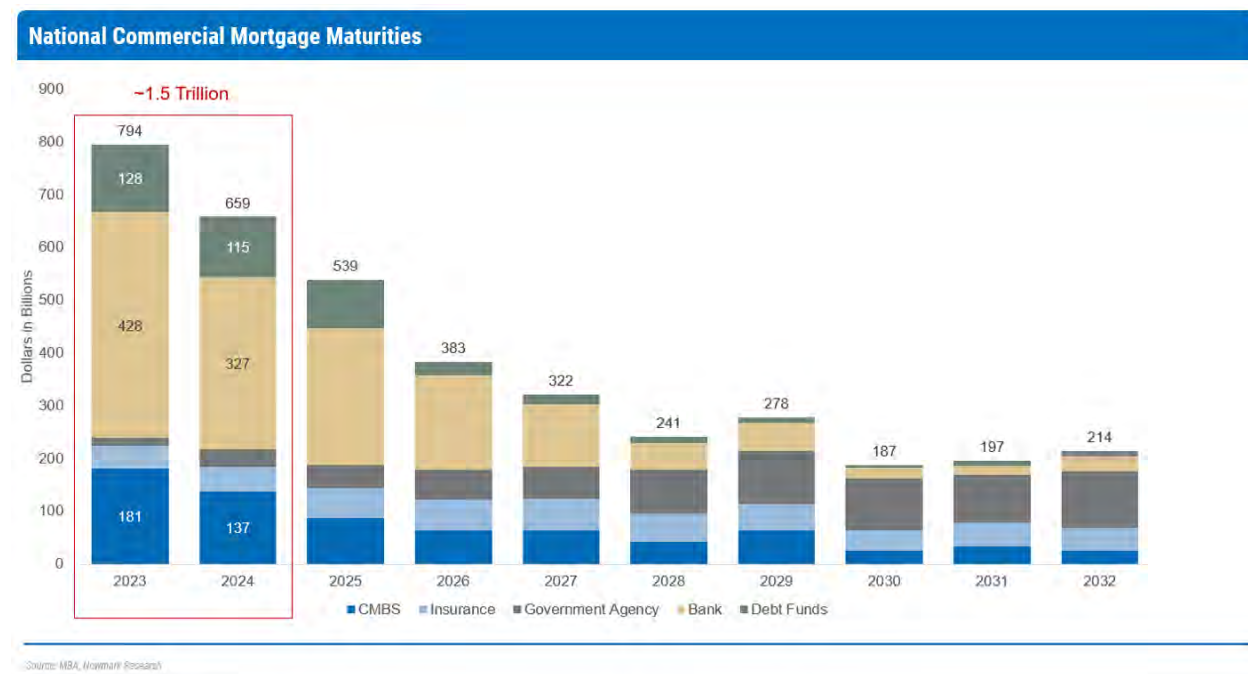


In March of 2022, the 2-year and 10-year treasury yield inverted for the first time since 2019. Based upon 50-years of history, this yield curve inversion signals risk of a recession by 2024. However, as the 10-year treasury yield continues to increase, the economy may experience a soft landing. The spread between New York City office cap rates and the 10-year treasury, is approximately 155-basis points, as the average cap rate in Manhattan closed the first quarter of 2023 at 5.19%. New York City capitalization rates have remained within the range of 4.00% to 7.00%, however, the capital markets landscape remains bifurcated, with investors and tenants migrating to high-quality assets.



Source: Federal Reserve Bank of Cleveland, U.S. Bureau of Labor Statistics, Newmark Research

Over \$1.5 trillion in senior CRE debt is set to mature in 2023 to 2024, of which 1/3 was originally issued in 2020 or later. This could be particularly problematic, given that CMBS loans are less amenable to restructurings and modifications in distress. Debt costs have increased dramatically since the beginning of the year, from 2.8% to 3.2% for core product to 4.8% to 5.5% today. The implication is that these recent loans will need to refinance at significantly higher debt costs. There will be some distressed situations arising from this, particularly should fundamentals slow and values take a hit concurrently. More commonly, however, we will see investors choosing to refinance to lower Loan to Values (LTV's) than they might have otherwise, especially as multifamily and industrial asset values have increased substantially. Lastly, there will be situations where investors bring in minority equity partners and recapitalize assets.



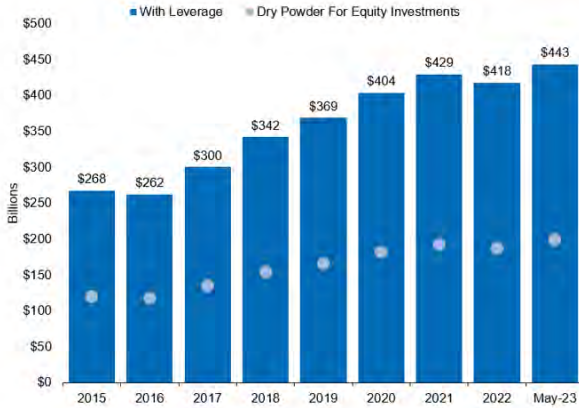
The immediate impact of rate hikes on borrowing costs are being felt most directly by landlords with unhedged floating rate debt. As previously mentioned more than \$16 billion in loans secured by New York City commercial properties are set to mature in 2023, representing a 30% increase from the \$12.7 billion that came due in 2022.

Higher debt costs will have an impact on deals with high leverage, particularly those with record pricing and ambitious underwritten rental growth, although, volatility presents a greater challenge to lenders and has the potential to reduce liquidity and spark re-trading activity during investor due diligence.

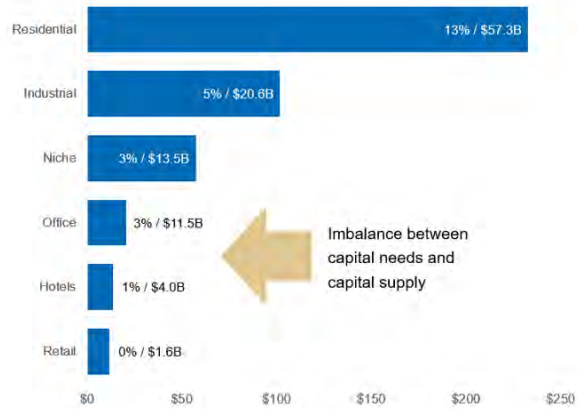
**SUPPLY OF CAPITAL**

The \$199 billion in dry powder raised for equity investments, not including dry powder raised for debt strategies, equates to a leveraged purchasing power of \$443 billion, using a 55% loan-to-value ratio. We estimate that over half of this capital is targeted at residential assets, with most of the remainder focused on industrial assets. The capital targeting office and retail assets is quite small by comparison, which could ultimately represent a contrarian opportunity. The capital targeting office and retail assets is quite small by comparison at \$11.5 billion, which could ultimately represent a contrarian opportunity as outlined on the following chart:

Dry Powder at 55% Leverage



Leveraged Dry Powder By Property Type\*

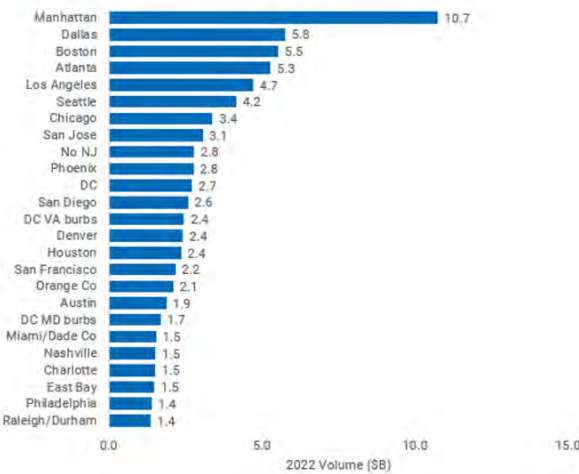


Source: Newmark Research, Real Capital Analytics, Preprint as of 5/11/2023

\*Newmark uses the amount called by writers and accepted bids to the total amount financed in each year to calculate the amount of unutilized capital (i.e., dry powder). Excluded are non-prime loans. Usually half of the dry powder was at diversified funds. This was allocated to the various property types in proportion to their share of total dry powder, excluding diversified funds. Finally, we grossed up the dry powder amounts. 55% leverage would be used.

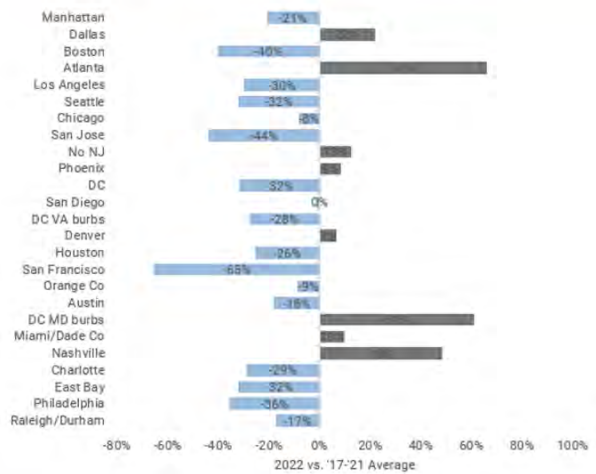
Despite the allocation of capital to other asset classes that are currently more in favor with investors, Manhattan remains the most liquid market for office space, as highlighted on the following chart. The viability of this market is considered more desirable for investors, as the physical occupancy continues to increase on quarterly basis.

Top 25 Office Markets by Year-to-Date Investment Sales Volume



Source: Newmark Research

Gateway Markets Down; Sun Belt & Suburbs Have Gained



CONCLUSION

Class A inventory continues to remain the most active transactional market for leasing and capital investment activity throughout Manhattan. The above market debt activity thought the second

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quarter of 2022 assisted in the value retention of commercial real estate, despite onerous underwriting adjustments that were reflected on leasing assumptions as a result of the pandemic. Rate hikes have persisted into 2023 and continue to impact investment activity across all asset classes. In the interim, assets with long-term, favorable fixed-rate financing will most likely be the most active product to trade in the marketplace as capital market professionals indicated favorably financed real estate will be the most attractive opportunities and most likely represent the majority of transaction activity throughout the year.

It is evident that there is a widespread between ask and bid pricing as much as 30% according to interviews with capital market professionals, and a fundamental shift has occurred due to the interest rate hikes. Interest rate volatility will most likely result in pent-up demand within the equity capital markets to soften for non-long term financed assets, as the debt market continues to correct from Federal Funds rate hikes throughout 2022 into 2023.

The unit of comparison applied in this sales comparison analysis is price per square foot as it mirrors the primary comparison method used by market participants. The most relevant sales to the subject property have been summarized on the following pages:


## SALES COMPARABLE MAP

## Improved Sales Map

Subject	10 Bryant Park
Comparable 1	245 Park Avenue
Comparable 2	4 Bryant Park
Comparable 3	16 Madison Square Park West
Comparable 4	126 East 56th Street (a.k.a. Tower 56)
Comparable 5	1330 Avenue of the Americas
Comparable 6	450 Park Avenue
Comparable 7	645 Madison Avenue
Comparable 8	320 Park Avenue
Comparable 9	441 Ninth Avenue



COMPARABLE IMPROVED SALES

Comparable Sales Summary						
	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
						
Address	452 Fifth Avenue	245 Park Avenue	4 Bryant Park	16 Madison Square Park West	126 East 56th Street (a.k.a. Tower 56)	1330 Avenue of the Americas
Submarket, City	Bryant Park, Midtown	Grand Central, Midtown	Sixth Avenue / Rockefeller Center, Midtown	Flatiron / Union Square, Midtown South	Park Avenue, Midtown	Rockefeller Center, Midtown
Land Size	44,354 SF	81,337 SF	12,343 SF	22,188 SF	6,025 SF	21,606 SF
Rentable Area	865,339 SF	1,779,367 SF	173,301 SF	306,042 SF	186,884 SF	534,062 SF
Year Built	1902 to 1984	1965 / 2000	1919 / 2014-2018	1914 / 2012-2014	1982	1965
Stories	10 / 30	45	12	12	33	39
Investment Grade	A	Class A	Class B	Class B	Class A	Class A
Occupancy	95%	85%	100%	77%	83%	80%
Seller		245 Park Acquisition LLC c/o SL Green Realty Corp.	Confidential	Confidential	Tower 56 Real Estate Owner, LLC c/o Asian Realty Partners IV LLC	Blackstone Group & RXR
Buyer		Mori Trust	Adams & Co.	Adams & Co.	T56 Owners, LLC c/o Sovereign Partners	1330 CE26 LLC c/o Empire Capital Holdings, CH Capital, Hakimian Capital, Creed Equities, Nassimi Realty
Interest Conveyed	Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee
Sale Date		July 2023	July 2023	July 2023	April 2023	November 2022
Transaction Type		Contract	Contract	Contract	Sale	Sale
Price		\$2,000,000,000	\$202,470,013	\$378,122,792	\$113,000,000	\$320,000,000
Price Per SF		\$1,124.00	\$1,168.31	\$1,235.53	\$604.65	\$599.18
NOI Per SF	\$56.91	\$53.65	\$46.73	\$43.24	\$27.88	\$24.91
In-Place Cap Rate		4.77%	4.00%	3.50%	4.61%	4.16%
Adjusted Cap Rate		-	4.50%	4.75%	5.15%	4.75%
Terminal Cap Rate		5.00%	4.50%	4.50%	5.00%	5.00%
Discount Rate		6.25%	5.50%	5.50%	7.00%	6.00%
Holding Period		10 Years	13 Years	10 Years	10 Years	11 Years

Compiled by Newmark

**Comparable Sales Summary**

	Subject	Sale 6	Sale 7	Sale 8	Sale 9
					
Address	452 Fifth Avenue	450 Park Avenue	645 Madison Avenue	320 Park Avenue	441 Ninth Avenue
Submarket, City	Bryant Park, Midtown	Park Avenue, Midtown	Plaza District, Midtown	Park Avenue, Midtown	Far West Side, Midtown
Land Size	44,354 SF	13,375 SF	9,038 SF	30,625 SF	39,640 SF
Rentable Area	865,339 SF	333,715 SF	163,513 SF	765,000 SF	697,958 SF
Year Built	1902 to 1984	1972 / 1989 / 2006	1971 / 2021	1994 / 2021	1962 / 2020
Stories	10 / 30	33	22	35	25
Investment Grade	A	Class A	Class A	Class A	Class A
Occupancy	95%	77%	58%	91%	71%
Seller		450 Property Owner US, LLC JV Oxford Properties & Crowne Acquisitions	BLR Madison LLC (Fee) & East West Bank (Leasehold)	Mutual Life of America	CBP 441 Ninth Avenue c/o Cove Property Group and Baupost Group
Buyer		SL Green Realty Trust	Titan Golden Capital	Munich Reinsurance America, Inc	Commonwealth Partners
Interest Conveyed	Leased Fee	Leased Fee	Leasehold	Leased Fee	Leased Fee
Sale Date		June 2022	May 2022	February 2022	December 2021
Transaction Type		Sale	Sale	Sale	Sale
Price		\$445,000,000	\$223,221,242	\$750,000,000	\$1,050,000,000
Price Per SF		\$1,333.47	\$1,365.16	\$980.39	\$1,504.39
NOI Per SF	\$56.91	\$53.19	\$7.86	\$33.33	\$38.51
In-Place Cap Rate		3.99%	0.58%	3.40%	2.56%
Adjusted Cap Rate		4.83%	4.70%	4.25%	4.25%
Terminal Cap Rate		4.25%	4.75%	4.50%	4.50%
Discount Rate		6.00%	6.25%	5.75%	6.00%
Holding Period		13 Years	16 Years	17 Years	15 Years

Compiled by Newmark

## DISCUSSION OF ADJUSTMENTS

### PROPERTY RIGHTS CONVEYED

The property rights conveyed in a transaction typically have an impact on the sale price of a property. Acquiring the fee simple interest implies that the buyer is acquiring the full bundle of rights. Acquiring a leased fee interest typically means that the property being acquired is encumbered by at least one lease. A leasehold interest involves the acquisition of a building that is encumbered by a ground lease.

- All of the comparables represent leased fee or fee simple transactions, and do not require adjustments based on their transfers of the leased fee interests. In addition, the comparable sales did not warrant an adjustment for any partial interest transactions as these acquisitions are common within the Manhattan office market.

### FINANCING TERMS

The subject property is being analyzed in terms of its cash value, or cash value equivalency.

- The sales do not require adjustments.

### CONDITIONS OF SALE

The condition of sale adjustment is used to account for unusual buyer and seller motivations. For example, if a seller must quickly dispose of a property, its price would in general be lower than if the seller was typically motivated.

- 4 Bryant Park warrants a downward adjustment of 29.87%, as the property was purchased above market. The sale represents an off-market acquisition of the property that was not openly marketed to the investment community. 16 Madison Square Park West warrants a downward adjustment of 29.92%, as the property was purchased above market. The sale represents an off-market acquisition of the property that was not openly marketed to the investment community. 126 East 56th Street had an upcoming CMBS debt maturity and the equity was priced at \$125.0 million based on our understanding of the transaction. 1330 Sixth Avenue had an upcoming debt maturity and there was an issue extending the loan by the current lender. The cost of additional financing for the seller, Blackstone, included a significant pay down of the mortgage. Blackstone was not willing to incur the excessive refinancing payment and decided to sell the asset at a discount of their pricing. The remaining sales do not require adjustments.

### MARKET CONDITIONS TIME

A market condition adjustment is required if the comparable sales transferred under different market conditions from those applicable to the subject on the effective date of value. Generally, an adjustment for market conditions is made if general property values have increased or decreased since the transaction date. The sales occurred between December 2021 and August 2023.

Through the date of value, Newmark is aware of several New York City transactions that occurred subsequent to COVID-19 impacting the market in March 2020. While there is some decline in value as evidenced by the changes in market assumptions and economics, the overall implications from the pandemic are different for each property and depend on several factors such as cash flow, tenancy, weighted remaining lease term, and location.

The recent instability of debt markets has caused assets priced in the 2022 to either be repriced or pulled from the market. There are only a handful of recent acquisitions of Class A buildings occurring after the increase to interest rates which provide limited transparency to the current sentiment of pricing from investors active in the market. Manhattan's office remains bifurcated, as investors have favored newer built and high occupancy trophy assets. The flight to quality in the Manhattan leasing market has created a divide with elevated pricing for higher quality assets and lower valuations for older vintage assets. Multi-tenanted B and C properties with high vacancy rates or significant coworking tenancy have been most heavily impacted by the pandemic. Higher quality Class A building pricing has remained resilient as investors flock to core assets with stable cash flows.

Newmark's valuation experience has observed the general market value variances ranging from 0% to 35%, as a result of the pandemic and recent interest rate increases. It should be noted that real estate assessment reductions from the NYC Department of Finance have absolved a meaningful amount of value reduction for commercial properties. Although the adjustment is speculative, we have applied a 5.0% downward adjustment to pre-COVID sales to reflect the additional risk in the marketplace. A 5.0% COVID-19 adjustment has not been made to any sale that occurred after March 2020 as these underwriting models priced in adjusted market conditions that were a result of the pandemic. However, the comparable sales occurred during a time period where treasury rates fluctuated from 50 to 150 basis points. In consideration of the higher interest rate environment, instability of debt markets and current market conditions, a 5.0% adjustment has been made for the respective sales occurring after March 2020.

## ANALYSIS OF IMPROVED COMPARABLE DATA

### IMPROVED SALE ONE

This is the contract of sale of a 45-story, Class A office building located along the entire eastern block front of Park Avenue between East 46th and East 47th Streets within the Grand Central office submarket of Midtown. Based on our review of public documentation, the building initially sold in September 2022 for \$1,769,900,602, which reflected the existing debt encumbering the property, which was assigned to SL Green, who was a preferred equity investor. The current contract of sale represents an equity recapitalization for 49.5% interest in the property that is currently priced by the confidential buyer and SL Green at approximately at \$2,000,000,000, which reflects a 100% interest in the property. At the time of contract, the property was 84.9% leased. The owner benefits from a strong office component which is anchored by Societe Generale (520,831 SF), Houlihan Lokey (284,450 SF), Angelo Gordon (138,669 SF), Ares Capital

(138,659 SF), and Cooperative Raboban (109,657 SF), accounting for 80.79% of the year one, projected base rental revenue. The existing vacancy within the subject property JP Morgan Chase (769,972 SF) and Major League Baseball (220,565 SF), which vacated the property in October 2022. SL Green intends to renovate the property to reposition the building as a Trophy office building, which is being underwritten by the investors that are part of this transaction. The redevelopment budget totals \$200,000,000, which will be utilized to enhancing the windows within the podium of the property, replenish the exterior facade, repositioning the Park Avenue and Lexington Avenue lobbies, creating access to Grand Central Terminal, renovating the Park Avenue public plaza and developing a robust amenity package for the existing and prospective tenants. The amenities will include a street facing food court adjacent to the Lexington Avenue lobby, a fitness and wellness center on the ground floor, a landscaped usable rooftop that will be known as Park in the Sky. Based on the net operating income achieved at the of sale, the property was purchased based on an overall capitalization rate of 4.75% at the time of sale.

### IMPROVED SALE TWO

This is the sale for an 8.0% minority interest in a 12-story, plus lower level, Class B office building known as 4 Bryant Park (1071 Avenue of the Americas) and is located within the Sixth Avenue / Rockefeller Center office submarket of Midtown. Due to the location of the property adjacent to Bryant Park, the office component features excellent views of the park throughout the building. According to our discussions with Adams & Co., they are buying out the remaining interest retained by the minority tenant in common (TIC). The minority interest is being purchased in conjunction with three other Class B office buildings. The building was most recently renovated from 2014 to 2018, whereby the owner invested approximately \$12,000,000 (\$68.95 PSF/GBA) on enhancements to the proeprty, including: re-cladding the facade at the base of the building, new bathrooms on most office floors, a new roof, HVAC upgrades, elevator modernization, and a lobby repositioning. The property comprises 173,301 square feet of rentable area, and is 100% leased to three retail and ten office tenants. The office component accounts for 69% of the year one projected base rental revenue, and the existing tenants exhibit a weighted average remaining lease term of 63 months (5.22 years). The retail space is located along the ground, mezzanine, and lower levels of the property, which is entirely leased to Kinokuniya Book Stores of America (24,555 SF), Pret A Manger (3,849 SF), and Toho Shoji (1,901 SF), totaling 30,305 square feet. The retail tenants exhibit a weighted average remaining lease term of 60 months (5.03 years). The retail component benefits from the frontage and exposure directly facing Bryant Park, providing tenants with above average foot traffic levels. Based on the net operating income achieved at the time of sale, the property is being purchased based on an overall capitalization rate of 4.00%.

### IMPROVED SALE THREE

This is the sale for a 12.0% minority interest in a 12-story, plus lower level, Class B office building known as 16 Madison Square Park (1115 Broadway) and is located within the Flatiron/Union Square office submarket of Midtown South. Due to the location of the property at the corner of Broadway and West 25th Street, adjacent to Madison Square Park, the office component benefits

from unobstructed views of the park throughout the entirety of the building. According to our discussions with Adams & Co., they are buying out the remaining interest retained by the minority tenant in common (TIC). The minority interest is being purchased in conjunction with three other Class B office buildings. The building was most recently renovated from 2012 to 2014, whereby the ownership spent approximately \$14,000,000 (\$53.90 PSF/GBA) on enhancements to the property, including: Local Law 11 facade work, pre-building vacant office space, roof work, elevator modernization, and installing a new cooling tower. In addition, the owner intends to add an additional lobby entrance along East 25th Street for exclusive access to the tenants, which can create a building-within-a-building opportunity for prospective anchor tenants in the future. Furthermore, based on our discussions with the owner, a long-term benefit and value enhancement for the property would be the addition of a penthouse rooftop that encompasses the entire building envelope. While there were no plans in place for the roof at the time of sale, the inherent value potential was considered within the investment rates underwritten. The property comprises 306,042 square feet of rentable area and is 77% leased to two retail and seven office tenants. The office space features as the main income deriving component of the property which comprises 267,423 square feet and is 81% leased. The office tenants account for 91% of the year one base rental revenue and exhibit a weighted average remaining lease term of 75 months (6.23 years). The retail space within the property is located on the ground, mezzanine, and lower levels of the property, comprising 31,261 square feet of rentable area. At the time of sale, the retail space was 55% leased to Mexican Gastronomy (13,350 SF) and FG Kitchen & Bath (3,850 SF), exhibiting a weighted average remaining lease term of 161 months (13.46 years). Based on the net operating income achieved at the time of sale, the property is being purchased based on an overall capitalization rate of 3.50%, with a mark to market capitalization rate of 4.75%.

#### IMPROVED SALE FOUR

This is the sale for a 33-story, Class A office building located at 126 East 56th Street and known as Tower 56, within the Park Avenue office submarket of Midtown. At the time of the sale, the property was 82.91% leased to 32 office tenants. At the time of the sale, the seller was in the process of investing approximately \$1.06 million to convert the mezzanine level into an amenity center. The existing tenants exhibit an average remaining lease term of 36.3 months or 3.3 years. The property is anchored by Lanier Associates (18,223 SF), Invus Financial Advisors (9,491 SF), and Quest Partners (8,948 SF). The anchor office tenants account for 19.62% of the total net rentable area and 24.11% of the projected year one base rental revenue. Based on the nature of the acquisition, Pealmark will be retaining an undisclosed minority interest and the building has an implied value of \$125.0 million, as reported by the parties involved in the transaction. The in-place net operating income based on the sale price reflects a going-in capitalization rate of 4.61%, which adjusts to an abated capitalization rate of 5.15% when considering the adjusted equity price of \$125.0 million.

### IMPROVED SALE FIVE

This is the sale for a 39 story, Class A office building located along the entire eastern blockfront of Avenue of the Americas between West 53rd and 54th Streets within the Sixth Avenue/Rockefeller Center office submarket of Midtown. At the time of sale, the property was 80% leased to 1 retail and 36 office tenants, along with a below grade parking garage leased to an operator. The existing tenants exhibit an average remaining lease term of 63 months, or 5.22 years. The office space is anchored by Knoll (59,562 SF), Silvercrest Asset Management (41,600 SF), Artisan Partners (20,558 SF), and Cornerstone (16,300 SF). The retail space was entirely leased long-term to Apple Bank through September 2040, which occupies 8,400 square feet along the ground floor and 4,900 square feet along the lower level which is utilized for storage purposes. The parking garage component contains 225 legal parking spaces across three levels below grade and comprises 69,822 square feet. The space is currently leased to ICON Parking, which will occupy the space through September 2027. The operator is responsible for a contract rent of approximately \$1.938 million, or \$8,614 per space. At the time of sale, the seller was in the process of commencing a five-year capital plan totaling \$16,991,432 which will be utilized for bathroom upgrades, common corridor restorations, exterior renovations, partial roof replacement and general base building work. It should be noted that the property is one of the only buildings along Avenue of the Americas that offers boutique floor plates with excellent views of Central Park and the surrounding New York City skyline throughout the entire property. Based on the net operating income at the time of sale, the property was acquired based on an overall capitalization rate of 4.09%.

### IMPROVED SALE SIX

This is the sale of a 33-story, Class A, trophy office building located at 450 Park Avenue within the Park Avenue office submarket of Midtown. The property is considered a unique offering along Park Avenue based on the boutique floor plates which average 10,800 square feet per floor, along with the above market light and air due to the location of the property along two bi-directional corridors (East 57th Street and Park Avenue). The property benefits from a strong office component, which was leased at an average contract rent of \$125.00 per square foot. Oxford Asset Management (31,014 SF), Banco Bradesco (21,822 SF), Muzinich (21,648 SF), BDT Capital Partners (21,557 SF), and Steadfast Financial (21,447 SF) are the largest tenants at this property. The office tenants contain an average remaining lease term of 73 months (6.1 years), and the building was receiving bids for the vacant space at contract rents ranging from \$100.00 to \$130.00 per square foot. Based on the in-place income at the time of sale, the property was purchased based on an overall capitalization rate of 3.99%, which was anticipated to increase to 4.83% by year three of the investment holding period.

### IMPROVED SALE SEVEN

The transaction represents the collapsed purchase price for the leasehold and leased fee interests located at 645 Madison Avenue. The property consists of a 22-story, Class A office building with multi-level retail space located along the southeast corner of East 59th Street, within

the Plaza District office submarket of Midtown South. The property contains excellent frontage along the Madison Avenue retail corridor. The property was recently renovated in 2021, whereby the previous leasehold owner completed a \$16,725,964 renovation budget which was utilized to reconfigure the ground floor retail space, relocate the main office lobby from Madison Avenue to East 60th Street, general base building upgrades, and recladding the facade. The ground lease was acquired by Titan Global in 2021 for \$26,628,942, and the leased fee interest in the ground lease was acquired for \$196,592,300, resulting in a total purchase price of \$223,221,242. At the time of sale, the annual ground rent was \$9,784,800, which will remain flat through the lease expiration date in May 2048. At the time of sale, the building was 58.36% leased to 14 office tenants which is anchored by The Rothman Institute (21,461 SF), Basswood Partners (13,190 SF), Roc Capital Management (12,528 SF), and SNF USA (8,861 SF). The retail space was vacant at the time of sale and comprised 5,113 square feet along the ground floor, 7,836 square feet along the second floor, and 5,539 square feet within the lower level, totaling 18,938 square feet. The leasehold was previously owned by Friedland Properties and Nightingale, which were foreclosed on by East West Bank in 2021. Based on the collapsed ground lease, the existing economics are planned to increase to a stabilized 4.70% capitalization rate according to our knowledge of the transaction.

#### IMPROVED SALE EIGHT

This is the sale of a 25% minority interest of a 35-story, Class A office building located on the west side of Park Avenue between West 50th and West 51st Streets within the Park Avenue office submarket of Midtown. At the time of sale, the property was 90.6% leased to 7 retail and 15 office tenants. The seller, Mutual of America, structured a sale leaseback agreement to occupy 247,385 square feet or 32.29% of the rentable area at a base contract rent of \$70.00 per square foot for a period of 20-years. Raymond James also serves as an anchor tenant, and leases 135,000 square feet or 17.64% of the net rentable area. The property was undergoing a \$35.0 million renovation at the time of sale to reposition the existing lobby with a new entrance along Park Avenue and amenity offerings that will include a barista, grab and go food options, and access to the lower level building fitness center. Moreover, the renovations include the construction of an amenity center on the 16th floor with a wraparound outdoor terrace that can be utilized by all tenants. The amenity center will provide tenants the option to host events, book conference rooms and the joint venture has hired a third-party amenity provider to manage all bookings and daily food options. The purchase price was based on an overall year one capitalization rate 3.40%, which is anticipated to increase to 4.25% by year three.

#### IMPROVED SALE NINE

This is the sale of a recently repositioned and expanded 25-story, plus lower level, Class A office building located along the entire eastern blockfront of Ninth Avenue between West 34th and West 35th Streets within the Far West Side office submarket of Midtown. The building is known as Hudson Commons (441 Ninth Avenue) and recently completed a redevelopment totaling \$201,374,772 (\$335.68 / GBA) in 2020. The property has achieved LEED Platinum and Wire Score

Platinum accreditations. Additional amenities include 14 terraces that offer outdoor amenity space ranging from 300 to 14,000 square feet, an amenity center at the base of the building totaling 8,221 square foot, bike storage rooms, and a new proprietary blue-chip technology platform. In addition, the property includes an executive VIP parking garage totaling 15 legal parking spaces. The property comprises 697,958 square feet of net rentable area and was 70.0% leased at the time of sale. Peloton and Lyft serve as anchor office tenants within the property and leased the entire second through eleventh floors. The average contract rent for the two anchor tenants is \$91.00 per square foot, and the tenants contain an average remaining lease term of 150 months (12.50 years). At the time of sale, Peloton had expressed interest in expanding within the property. The seller acquired the property on December 9, 2016, from Group Health Incorporated (Grantor) for a purchase price of \$330,000,000. At the time of sale, the property was improved with an 8-story commercial building that was owner-user occupied by Emblem Health. Subsequent to the transaction, the seller commenced a repositioning of the former loft improvements and expanded the existing loft building with the addition of 17-stories. The seller will escrow all leasing and capital costs underwritten at the time of sale and the purchase price reflected herein represents the gross price utilized at the time of sale. Based on the net operating income of the property, the building was purchase based on an overall capitalization rate of 2.56%, which is anticipated to stabilize at 4.25% in year three of the investment holding period.

**SUMMARY OF ADJUSTMENTS**

An overview of the adjustments for each comparable sale have been further outlined on the following chart:

Comparable Sales Adjustment Grid										
Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7	Sale 8	Sale 9	
Address	452 Fifth Avenue	245 Park Avenue	4 Bryant Park	16 Madison Square Park West	126 East 56th Street (a.k.a. Tower 56)	1330 Avenue of the Americas	450 Park Avenue	645 Madison Avenue	320 Park Avenue	441 Ninth Avenue
Location	Bryant Park, Midtown	Grand Central, Midtown	Sixth Avenue / Rockefeller Center, Midtown	Flatiron / Union Square, Midtown South	Park Avenue, Midtown	Rockefeller Center, Midtown	Park Avenue, Midtown	Plaza District, Midtown	Park Avenue, Midtown	Far West Side, Midtown
Rentable Area	865,339 SF	1,779,367 SF	173,301 SF	306,042 SF	186,884 SF	534,062 SF	333,715 SF	163,513 SF	765,000 SF	697,958 SF
Year Built	1902 to 1984	1965 / 2000	1919 / 2014-2018	1914 / 2012-2014	1982	1965	1972 / 1989 / 2006	1971 / 2021	1994 / 2021	1962 / 2020
Stories	10 / 30	45	12	12	33	39	33	22	35	25
Investment Grade	A	Class A	Class B	Class B	Class A	Class A	Class A	Class A	Class A	Class A
Interest Conveyed	Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leasehold	Leased Fee	Leased Fee
Sale Date	July 2023	July 2023	July 2023	July 2023	April 2023	November 2022	June 2022	May 2022	February 2022	December 2021
NOI Per Square Foot	\$56.91	\$53.65	\$46.73	\$43.24	\$27.88	\$24.91	\$53.19	\$7.86	\$33.33	\$38.51
Occupancy	95%	85%	100%	77%	83%	80%	77%	58%	91%	71%
Actual Price		\$2,000,000,000	\$202,470,013	\$378,122,792	\$113,000,000	\$320,000,000	\$445,000,000	\$223,221,242	\$750,000,000	\$1,050,000,000
Actual Price Per SF		\$1,124.00	\$1,168.31	\$1,235.53	\$604.65	\$599.18	\$1,333.47	\$1,365.16	\$980.39	\$1,504.39
<b>Transaction Adjustments</b>										
Property Rights Conveyed		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financing		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Conditions of Sale		0.0%	-29.87%	-29.92%	11.00%	5.00%	0.0%	0.0%	0.0%	0.0%
Market Conditions (Time)	May-23	0.0%	0.0%	0.0%	-5.00%	-5.00%	-10.00%	-10.00%	-10.00%	-10.00%
Subtotal Adjustments		0.0%	-29.9%	-29.9%	5.5%	-0.3%	-10.0%	-10.0%	-10.0%	-10.0%
Adjusted Price Per SF		\$1,124.00	\$819.38	\$865.89	\$637.61	\$597.68	\$1,200.13	\$1,228.64	\$882.35	\$1,353.95
<b>Physical and Locational Adjustments</b>										
Location		-5.0%	0.0%	0.0%	10.0%	5.0%	-5.0%	-10.0%	-5.0%	-10.0%
Size		15.0%	-20.0%	-10.0%	-20.0%	-5.0%	-10.0%	-20.0%	0.0%	-5.0%
Year Built		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Quality		10.0%	20.0%	15.0%	10.0%	10.0%	0.0%	10.0%	10.0%	-5.0%
Tenancy/Occupancy		5.0%	0.0%	5.0%	10.0%	10.0%	5.0%	10.0%	10.0%	5.0%
Economic		0.0%	0.0%	0.0%	5.0%	10.0%	0.0%	0.0%	0.0%	0.0%
Subtotal Physical and Locational Adjustments		25.0%	0.0%	10.0%	15.0%	30.0%	-10.0%	-10.0%	15.0%	-15.0%
<b>Overall Adjustment</b>		<b>25.0%</b>	<b>-29.9%</b>	<b>-19.9%</b>	<b>20.5%</b>	<b>29.8%</b>	<b>-20.0%</b>	<b>-20.0%</b>	<b>5.0%</b>	<b>-25.0%</b>
<b>Adjusted Price Per Square Foot</b>		<b>\$1,404.99</b>	<b>\$819.38</b>	<b>\$952.48</b>	<b>\$733.25</b>	<b>\$776.99</b>	<b>\$1,080.11</b>	<b>\$1,105.78</b>	<b>\$1,014.71</b>	<b>\$1,150.86</b>

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## SALES COMPARISON APPROACH CONCLUSION

The comparable sales selected contain various qualities that are very directly competitive with the subject, despite the individual traits that vary from the subject and are considered overall, very comparable.

- Prior to adjustments, the sales exhibit unit prices ranging from \$599.18 to \$1,504.39 per square foot, averaging \$1,101.68 per square foot.
- After adjustments, the sales exhibit unit prices ranging from \$733.25 to \$1,404.99 per square foot, with an average of \$1,004.28 per square foot.
- Within this analysis, we have placed primary reliance on Comparables 1, 6, 8 and 9. After adjustments, the directly comparable improved sales exhibit unit prices ranging from \$1,014.71 to \$1,404.99 per square foot, with an average of \$1,162.67 per square foot. The concluded improved unit value is estimated to be \$1,150.00 per square foot for the subject property.

### ADJUSTMENTS TO VALUE

To develop an indication of the "As Is" Market Value for the subject, the present market value of the leasing and capital costs that are anticipated to occur over the initial six years of the analysis period have been deducted from the initial value conclusion. The costs consider the planned re-leasing costs associated with the planned vacancy of HSBC. The estimated present market value of the leasing costs is further outlined on the following chart:

PV of Lease Up Costs - 6 Years												
Leasing Related Cost	Year 1	PSF	Year 2	PSF	Year 3	PSF	Year 4	PSF	Year 5	PSF	Year 6	PSF
Absorption & Turnover Vacancy	\$6,424,067	\$7.42	\$5,141,904	\$5.94	\$45,825,032	\$52.96	\$42,798,851	\$49.46	\$4,024,185	\$4.65	\$2,207,007	\$2.55
Base Rent Abatements	\$2,476,395	\$2.86	\$6,516,665	\$7.53	\$1,726,986	\$2.00	\$8,143,985	\$9.41	\$45,386,439	\$52.45	\$12,329,597	\$14.25
Tenant Improvements	\$7,113,740	\$8.22	\$8,148,639	\$9.42	\$0	\$0.00	\$73,019,965	\$84.38	\$16,130,325	\$18.64	\$525,925	\$0.61
Leasing Commissions	\$632,325	\$0.73	\$3,088,813	\$3.57	\$0	\$0.00	\$23,830,142	\$27.54	\$4,217,769	\$4.87	\$217,689	\$0.25
Capital Expenditure	\$14,801,435	\$17.10	\$14,801,435	\$17.10	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
<b>Total Year Lease Up Costs</b>	<b>\$31,447,961</b>	<b>\$36.34</b>	<b>\$37,697,456</b>	<b>\$43.56</b>	<b>\$47,552,018</b>	<b>\$54.95</b>	<b>\$147,792,944</b>	<b>\$170.79</b>	<b>\$69,758,717</b>	<b>\$80.61</b>	<b>\$15,280,218</b>	<b>\$17.66</b>
6.75% Discount Factor	0.93677		0.87753		0.82205		0.77007		0.72137		0.67576	
<b>PV of Lease Up Costs</b>	<b>\$29,459,449</b>	<b>\$34.04</b>	<b>\$33,080,820</b>	<b>\$38.23</b>	<b>\$39,089,967</b>	<b>\$45.17</b>	<b>\$113,810,456</b>	<b>\$131.52</b>	<b>\$50,322,136</b>	<b>\$58.15</b>	<b>\$10,325,765</b>	<b>\$11.93</b>
<b>Rounded</b>	<b>\$29,500,000</b>	<b>\$34.09</b>	<b>\$33,100,000</b>	<b>\$38.25</b>	<b>\$39,100,000</b>	<b>\$45.18</b>	<b>\$113,800,000</b>	<b>\$131.51</b>	<b>\$50,300,000</b>	<b>\$58.13</b>	<b>\$10,300,000</b>	<b>\$11.90</b>
<b>Total Lease Up Costs</b>	<b>\$276,100,000</b>											

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**MARKET VALUE "As Is"**

The Market Value As Is conclusion by the Sales Comparison Approach is further highlighted on the following chart:

<b>As Is Value Conclusion</b>		
<b>Sales Comparison</b>	<b>All Comparables</b>	<b>Directly Comparable</b>
Value Indication Per SF at Low	\$733.25	\$1,014.71
Value Indication Per SF at High	\$1,404.99	\$1,404.99
Average Value Indication Per SF	\$1,004.28	\$1,162.67
As If Stabilized Today Value, PSF (2023)		\$1,150.00
Subject Rentable Area		865,339 SF
Concluded As If Stabilized Value		\$995,139,850
Less: Total Lease Up Costs		(\$276,100,000)
Less: Entrepreneurial Profit @ 15.0%		(\$41,415,000)
Adjusted As Is Value Indication		\$677,624,850
<b>Concluded As Is Value, Rounded</b>		<b>\$680,000,000</b>
<b>Indicated Value Per Square Foot</b>		<b>\$785.82</b>

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# INCOME CAPITALIZATION APPROACH

## INTRODUCTION

The income capitalization approach reflects the subject's income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time. The two common valuation techniques associated with the income capitalization approach are direct capitalization and the discounted cash flow (DCF) analysis. The steps taken to apply the income capitalization approach are:

- Analyze the revenue potential of the property;
- Consider appropriate allowances for vacancy, collection loss, and operating expenses;
- Calculate net operating income by deducting vacancy, collection loss, and operating expenses from potential income;
- Apply the most appropriate capitalization methods to convert anticipated net income to an indication of value.

## METHODOLOGY APPLICABLE TO THE SUBJECT

The two most common capitalization methods are direct capitalization and discounted cash flow analysis. In direct capitalization, a single year's expected income is divided by an appropriate capitalization rate to arrive at a value indication. In discounted cash flow analysis, anticipated future net income streams and a future resale value are discounted to a present value at an appropriate yield rate.

In this analysis, the direct capitalization and discounted cash flow approaches to value are considered warranted and have been utilized.

## RENTABLE AREA SUMMARY CHART

Occupancy Summary							
Space Type	Rentable Area (SF)	% Total	Leased (SF)	% Leased	Vacant (SF)	% Vacant	Contract Rent (PSF)
Office	767,626	88.7%	735,205	95.8%	32,421	4.2%	\$81.38
Retail	80,411	9.3%	74,546	92.7%	5,865	7.3%	\$111.47
Storage	17,302	2.0%	13,663	79.0%	3,639	21.0%	\$37.62
<b>Total</b>	<b>865,339</b>	<b>100.0%</b>	<b>823,414</b>	<b>95.2%</b>	<b>41,925</b>	<b>4.8%</b>	<b>\$83.38</b>

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## SPACE MEASUREMENT DESCRIPTION

For office buildings in New York City, typically the standard for determining size varies across the city. The main factors that contribute to the overall size of a building consist of the loss factors and/or add-on factors. These create different measurement distinctions which have been outlined on the following pages and further characterized below.

### GROSS AREA

Gross floor area (GFA) in real estate is the total floor area inside the building envelope, including the external walls, and excluding the roof. An architect typically determines gross area.

### NET RENTABLE AREA

The area of a building that may be leased or rented to tenants, the square-footage of which landlords will use for calculating rental payment for tenants. It usually excludes common areas, elevator shafts, stairways, and space devoted to cooling, heating, or other equipment.

### USABLE AREA

Usable area is a measurement made by the landlord based upon standards recommended by the Real Estate Board of New York (REBNY). Gross area excludes vertical penetrations such as stairwells, elevator shafts, elevator machines and risers and fire towers however, the usable area includes nominal four-inch enclosing walls and elevator lobbies, restrooms and columns as usable square footage.

### LOSS FACTOR

Loss factor is defined as the percentage difference between rentable area, the number of square feet that office tenants pay for, and usable area. The ratio for calculating the loss factor is as follows:

Total percentage of Rentable Area to Usable Area ( $1 - \text{Usable/Rentable} = \text{Loss Factor } \%$ ).

### ADD-ON FACTOR

Also known as the load factor, this is the number that is applied to the Usable area to derive the Net Rentable Area of a tenant space. This factor can be determined as follows:

- Net Rentable Area / Usable Square Feet

## CONCLUSION

Applying a loss factor to a New York City office building is a function of the office market and a methodology that a majority of the Landlords have adopted. As existing lease terms expire, outdated measurements will be recaptured based on a market-oriented loss factor depending on the location of the asset. A re-measurement study is typically performed by architects or design firms who will provide a space-by-space measurement. New York City office tenants are fully

aware of Landlords utilizing loss factors to recapture space as this is a function of the New York City office market.

For New York City full floor tenants, an acceptable loss factor would fall in the 22 to 28% range. For multi-tenanted properties (more corridors), this range would increase to 28 to 35%. In practice, we have seen both higher and lower loss factors, but most will occur in these ranges which are further supported by REBNY measurements. The subject property comprises 865,339 square feet of net rentable area, which has been re-measured based on a market-oriented loss factor of 27% according to the information provided by the owner.

### LEASE STRUCTURE

Depending on the property type and number of tenants, occupants are required to reimburse the owner / landlord for expenses. An overview of the traditional lease types that are commonly signed throughout the New York City marketplace are as follows:

New York City Typical Recovery and Lease Structure Overview	
Structure Referenced	Newmark Definition
Gross	Tenant is not responsible for any expense recoveries
Modified Gross	Tenant is responsible for their share of real estate taxes and operating expenses over a base year amount. Traditionally, for this structure, electricity and other utilities are charged on a sub-metered basis, with an administrative charge ranging from 2.0% - 5.0%, or direct basis, whereby the tenant will be responsible to pay the utility bills directly through the provider.
Modified Net	Tenant is responsible for their pro-rata share of either real estate taxes and/or operating expenses over a base year amount <b>AND</b> their pro-rata share of the expense that is not structured with a base year amount on a net basis. Traditionally, for this structure, electricity and other utilities are charged on a sub-metered basis, with an administrative charge ranging from 2.0% - 5.0%, or direct basis, whereby the tenant will be responsible to pay the utility bills directly through the provider.
Net	Tenant is responsible for their pro-rata share of real estate taxes and/or operating expenses. This structure is typically found in single-tenant assets whereby the tenant monitors their own expenses without typical premiums and administrative fees associated with third-party asset management.
PILOT Fixed Recoveries	Newly constructed or recently repositioned assets will typically include PILOT (Payment in Lieu of Taxes) Fixed recoveries as part of pre-leases, which protect tenants from onerous tax increases as space is leased to prospective tenants. This recovery will include a payment per square foot, escalating on an annual basis, until a defined base year is established within each respective lease. The base year for this structure is traditionally established when an RPIE (Real Property Income and Expenses) statement is submitted to the New York City Department of Finance showing that between 75% to 95% of the net rentable area is responsible to pay their full contractual rent obligation.

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All of the existing tenants within the subject property are leased on a modified gross basis and are responsible for their pro-rata share of operating expenses and / or real estate taxes over a base year amount. As part of the leases signed within the building, a majority of tenants are responsible for overtime HVAC charges, electric metering expenses and other directly chargeable expenses.

### RENT ROLL/TENANT OVERVIEW

The revenue to be received from the subject property is derived from various tenant types. The estimate of rental revenue estimated within this has been based on Newmark’s review of the rent

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roll and leases provided by the owner as of the date of appraisal, along with market leasing assumptions for the existing available space and any spaces that are projected to rollover to market standards.

The investment rates and concluded value will largely depend on the income to be achieved from the property. The investment rates consider the quality of the real estate and tenancy type(s), risk of rollover, the stability/risk of the income stream and historical income and operations of the property. Weighted average remaining lease term (WALT), credit tenant exposure, corporate guarantees, large security deposits and tenant restoration clauses are of the major items that Newmark will analyze when selecting the investment rates for a property.

The chart on the following charts detail the existing office, retail, and storage leases negotiated within the subject property. In addition, the following chart provides an overall outline of the existing and remaining lease terms within the subject. We have placed reliance on the existing lease terms when determining the market leasing assumptions for the office, retail and storage space within the subject property.

452 Fifth Avenue												
#	Suite	Tenant	Rentable Area SF	% Total Rentable Area	Start Date	Expiration Date	Lease Term	Remaining Term	Lease Structure	Contract Rent		Rent Steps
										\$/SF/Yr	\$/Yr	
<b>Occupied Area</b>												
1	S-Cellar-1	HSBC Bank USA	11,825	1.37%	Apr-10	Jul-30	20.33	7.16	Gross	\$50.00	\$591,250	May-2025 - \$55.00 SF/Yr
2	S-Cellar-2	HSBC Bank USA	19,270	2.23%	Apr-10	Jul-30	20.33	7.16	Gross	\$50.00	\$963,500	May-2025 - \$55.00 SF/Yr
3	S-Cellar-3	HSBC Bank USA > Vacate	9,359	1.08%	Apr-10	Apr-25	15.08	1.91	Gross	\$35.00	\$327,565	None
4	Cellar-01	HSBC Bank USA > Vacate	1,081	0.12%	Apr-10	Apr-25	15.08	1.91	Gross	\$35.00	\$37,835	None
5	Cellar-02	HSBC Bank USA > Vacate	1,671	0.19%	Apr-10	Apr-25	15.08	1.91	Modified Gross	\$50.02	\$83,581	None
6	Cellar-03	HSBC Bank USA > Vacate	18,127	2.09%	Apr-10	Apr-25	15.08	1.91	Modified Gross	\$50.02	\$906,684	None
7	Cellar-04	HSBC Bank USA > Vacate	1,052	0.12%	Apr-10	Apr-25	15.08	1.91	Modified Gross	\$35.00	\$36,820	None
8	Cellar-06	HBK New York	500	0.06%	Jan-23	Jul-28	5.50	5.11	Gross	\$56.50	\$28,250	None
9	Mezz-01	Staples East	11,926	1.38%	Jan-12	Dec-26	15.00	3.58	Gross	\$0.00	\$0	None
10	Grade-01	Staples East	5,731	0.66%	Jan-12	Dec-26	15.00	3.58	Modified Gross	\$399.43	\$2,289,131	None
11	Grade-03	HSBC Bank USA > Vacate	7,667	0.89%	Apr-10	Apr-25	15.08	1.91	Modified Gross	\$464.20	\$3,559,048	None
12	0200	HSBC Bank USA > Vacate	7,025	0.81%	Apr-10	Apr-25	15.08	1.91	Modified Gross	\$77.00	\$540,925	None
13	0201 - 1W	HSBC Bank USA > Vacate	13,225	1.53%	Apr-10	Apr-25	15.08	1.91	Modified Gross	\$77.00	\$1,018,325	None
14	0300	HSBC Bank USA > Vacate	41,132	4.75%	Apr-10	Apr-25	15.08	1.91	Modified Gross	\$77.00	\$3,167,164	None
15	0301 - 1W	HSBC Bank USA > Vacate	13,247	1.53%	Apr-10	Apr-25	15.08	1.91	Modified Gross	\$77.00	\$1,020,019	None
16	0400	HSBC Bank USA > Vacate	41,460	4.79%	Apr-10	Apr-25	15.08	1.91	Modified Gross	\$77.00	\$3,192,420	None
17	0401 - 1W	HSBC Bank USA > Vacate	13,197	1.53%	Apr-10	Apr-25	15.08	1.91	Modified Gross	\$77.00	\$1,016,169	None
18	0500	HSBC Bank USA > Vacate	41,323	4.78%	Apr-10	Apr-25	15.08	1.91	Modified Gross	\$77.00	\$3,181,871	None
19	0501 - 1W	HSBC Bank USA > Vacate	13,185	1.52%	Apr-10	Apr-25	15.08	1.91	Modified Gross	\$77.00	\$1,015,245	None
20	0600	HSBC Bank USA > Vacate	41,247	4.77%	Apr-10	Apr-25	15.08	1.91	Modified Gross	\$77.00	\$3,176,019	None
21	0601 - 1W	HSBC Bank USA > Vacate	13,241	1.53%	Apr-10	Apr-25	15.08	1.91	Modified Gross	\$77.00	\$1,019,557	None
22	0700	HSBC Bank USA > Vacate	40,686	4.70%	Apr-10	Apr-25	15.08	1.91	Modified Gross	\$77.00	\$3,132,822	None
23	0701 - 1W	HSBC Bank USA > Vacate	12,455	1.44%	Apr-10	Apr-25	15.08	1.91	Modified Gross	\$77.00	\$959,035	None
24	0800	HSBC Bank USA > Vacate	41,604	4.81%	Apr-10	Apr-25	15.08	1.91	Modified Gross	\$77.00	\$3,203,508	None
25	0801 - 1W	HSBC Bank USA > Vacate	12,399	1.43%	Apr-10	Apr-25	15.08	1.91	Modified Gross	\$77.00	\$954,723	None
26	0900	HSBC Bank USA > Vacate	29,448	3.40%	Apr-10	Apr-25	15.08	1.91	Modified Gross	\$77.00	\$2,267,496	None
27	0901 - 1W	HSBC Bank USA > Vacate	12,390	1.43%	Apr-10	Apr-25	15.08	1.91	Modified Gross	\$77.00	\$954,030	None
28	1000	HSBC Bank USA > Vacate	37,845	4.37%	Apr-10	Apr-25	15.08	1.91	Modified Gross	\$77.00	\$2,914,065	None
29	1001 - 1W	HSBC Bank USA > Vacate	12,388	1.43%	Apr-10	Apr-25	15.08	1.91	Modified Gross	\$77.00	\$953,876	None
30	1100	HSBC Bank USA > Vacate	16,938	1.96%	Apr-10	Apr-25	15.08	1.91	Modified Gross	\$77.00	\$1,304,226	None
31	1101 - 1W	HSBC Bank USA > Vacate	11,760	1.36%	Apr-10	Apr-25	15.08	1.91	Modified Gross	\$77.00	\$950,520	None
32	1200	Novartis	15,865	1.83%	Feb-23	Jun-26	3.40	3.08	Modified Gross	\$110.00	\$1,745,150	None
33	1201 - 1W	HSBC Bank USA > Vacate	11,716	1.35%	Apr-10	Apr-25	15.08	1.91	Modified Gross	\$77.00	\$902,132	None
34	1400	Novartis	388	0.04%	Feb-23	Jun-26	3.40	3.08	Gross	\$110.00	\$42,680	None
35	1401	Icon Infrastructure North America	6,110	0.71%	Jun-23	Nov-28	5.42	5.45	Modified Gross	\$122.00	\$745,420	None
36	1402	Baker & McKenzie	8,127	0.94%	Nov-11	Jan-28	16.25	4.67	Modified Gross	\$55.00	\$446,985	None
37	1500	Baker & McKenzie	16,263	1.88%	Nov-11	Jan-28	16.25	4.67	Modified Gross	\$79.00	\$1,284,777	None
38	1600	Baker & McKenzie	16,263	1.88%	Nov-11	Jan-28	16.25	4.67	Modified Gross	\$79.00	\$1,284,777	None
39	1700	Baker & McKenzie	16,267	1.88%	Nov-11	Jan-28	16.25	4.67	Modified Gross	\$79.00	\$1,285,093	None
40	1800	Baker & McKenzie	16,275	1.88%	Nov-11	Jan-28	16.25	4.67	Modified Gross	\$79.00	\$1,285,725	None
41	1900	Baker & McKenzie	16,314	1.89%	Nov-11	Jan-28	16.25	4.67	Modified Gross	\$79.00	\$1,288,806	None
42	2000	Baker & McKenzie	16,294	1.88%	Nov-11	Jan-28	16.25	4.67	Modified Gross	\$79.00	\$1,287,226	None
43	2101	Upper 90 Capital Management and One CC Software	10,338	1.19%	Feb-23	Jul-23	0.49	0.16	Modified Gross	\$23.22	\$240,000	None
44	2102	Converium Capital	2,536	0.29%	Sep-22	Sep-23	0.98	0.27	Modified Gross	\$23.66	\$60,000	None
45	2103	452 Fifth Owners	3,554	0.41%	Jun-23	May-33	10.00	10.00	Modified Gross	\$96.17	\$341,788	None
46	2200	HBK New York	16,428	1.90%	Jan-23	Jul-28	5.51	5.11	Modified Gross	\$113.00	\$1,856,364	None
47	2300	Haitong International Securities	10,248	1.18%	Sep-21	Sep-36	15.08	13.33	Modified Gross	\$112.00	\$1,147,776	Sep-2026 - \$120.00 SF/Yr Sep-2031 - \$128.00 SF/Yr
48	2301	SHPE Living > Vacate	6,180	0.71%	Jul-22	Jul-23	1.07	0.16	Gross	\$19.42	\$120,000	None
49	2400	NCH Capital	16,428	1.90%	Jan-13	Dec-27	15.00	4.58	Modified Gross	\$98.00	\$1,609,944	None
50	2500	Lombard Odier Asset Mgt	16,288	1.88%	Aug-22	Feb-34	11.58	10.75	Modified Gross	\$105.00	\$1,710,240	Mar-2029 - \$110.00 SF/Yr
51	2800	Tilden Park Capital Management	16,140	1.87%	Nov-13	Sep-24	10.91	1.33	Modified Gross	\$115.00	\$1,856,100	None
52	2900	Capital Dynamics	16,298	1.88%	Jan-20	Jan-26	6.08	2.67	Modified Gross	\$106.56	\$1,736,715	None
53	3001	Varadero Capital	7,636	0.88%	Jul-15	Jan-26	10.59	2.67	Modified Gross	\$111.00	\$847,596	None
54	3002	Triangle Capital	7,054	0.82%	Oct-15	Jan-26	10.34	2.67	Modified Gross	\$115.00	\$811,210	None
<b>54</b>		<b>Total Occupied Space</b>	<b>823,414</b>	<b>95.16%</b>						<b>\$83.38</b>	<b>\$68,657,183</b>	
<b>Vacant Area</b>												
1	Cellar-05	To-Be-Leased	3,639	0.42%	Jun-24	May-34	10.00		Gross	\$25.00	\$90,975	3.0% Annual Inc.
2	Grade-02	To-Be-Leased	5,865	0.68%	Dec-24	Nov-34	10.00		Modified Gross	\$200.00	\$1,173,000	3.0% Annual Inc.
3	2600	To-Be-Leased	16,291	1.88%	Jun-24	May-34	10.00		Modified Gross	\$130.00	\$2,117,830	10.0% Inc. Every 5 Year
4	2700	To-Be-Leased	16,130	1.86%	Jun-24	May-34	10.00		Modified Gross	\$130.00	\$2,096,900	10.0% Inc. Every 5 Year
<b>4</b>		<b>Total Vacant Space</b>	<b>41,925</b>	<b>4.84%</b>						<b>\$130.68</b>	<b>\$5,478,705</b>	
		<b>Overall Total</b>	<b>865,339</b>	<b>100.00%</b>						<b>\$85.67</b>	<b>\$74,135,888</b>	

Compiled by Newmark

## OCCUPANCY STATUS

- The subject property is 95.16% leased to 2 retail tenants and 16 office tenants.
- The retail space within the subject property consists of three retail suites located on the ground floor, with two units demised with multi-level selling space. The ground floor retail units range in size from 5,865 to 7,667 feet, totaling 20,640 square feet of ground floor retail space. The remainder of the retail space comprises 28,676 square feet of above and below grade space leased by Staples and HSBC Bank.
- The office space is leased to a mixture of good to excellent quality tenants totaling 724,867 square feet of occupied space. The office space is currently 94% leased and anchored by HSBC Bank USA (477,911 SF) and Baker & McKenzie (105,803 SF).

- As previously mentioned, HSBC is the anchor tenant and leases a total of 547,963 square feet of office, retail and storage space. The tenant is leased through April 2025, at which point, HSBC will be vacating a majority of their space, with the exception of the vault space within the lower level comprising 31,095 square feet. Within this analysis, 24 months of downtime has been modelled for the office space. A renewal option is actively being negotiated by the tenant and the economic lease terms have been agreed on and modelled within this analysis. Inclusive of the HSBC planned vacancy, the occupancy of the property will reduce to 35.42% over the next 3-years. In consideration of the planned vacancy and limited appetite in the market for large block users seeking space in excess of 200,000 square feet, additional downtime was modelled within this analysis. The investment rates and absorption estimate properly accounts for the lease-up risk to be incurred over the initial 5-years of the investment holding period.

## TENANCY ANALYSIS

Due to the existing tenancy within the subject property, a detailed overview of each company profile and the tenants respective credit ratings for the occupied office and retail space within the subject property has been outlined below and on the following pages.

### HSBC

The Hongkong and Shanghai Banking Corporation, HSBC a Holdings is British multinational investment bank and financial services holding company. It is the largest bank in Europe by total assets ahead of BNP Paribas, with US\$2.953 trillion as of December 2021.

HSBC traces its origin to a Hong in British Hong Kong, and its present form was established in London by the Hongkong and Shanghai Banking Corporation to act as a new group holding company in 1991 its name derives from that company's initials.

The Hongkong and Shanghai Banking Corporation opened branches in Shanghai in 1865 and was first formally incorporated in 1866.

HSBC has offices in 64 countries and territories across Africa, Asia, Oceania, Europe, North America, and South America, serving around 40 million customers. As of 2020, it was the world's sixth largest bank by total assets and market capitalization.

HSBC was the world's 40th-largest public company, according to a composite measure by Forbes magazine. HSBC is organized within four business groups: Commercial Banking, Global Banking and Markets (investment banking), Retail Banking and Wealth Management, and Global Private Banking.

For the first quarter 2023, it reported profit before tax rose by \$8.7bn to \$12.9bn. Revenue increased by 64% to \$20.2bn. The increase was driven by higher net interest income in all of our

global businesses due to interest rate rises. It also included the gains related to the transactions in France and the UK. On a constant currency basis, revenue rose by 74% to \$20.2bn.

Net interest margin ('NIM') of 1.69% increased by 50 basis points ('bps') compared with 1Q22, and by 1bps compared with 4Q22. Operating expenses of \$7.6bn were \$0.6bn or 7% lower than in 1Q22.

Credit Ratings - HSBC			
Agency	Issuer Rating	Last Credit Review	Outlook
Moody's	Aa2	3/1/2023	Stable
Fitch	A+	3/1/2023	Stable
S&P	A-	3/1/2023	Stable

**Source: Moody's; Fitch; S&P**

*Compiled by Newmark*

## BAKER & MCKENZIE

Baker McKenzie is a multinational law firm headquartered in Chicago, Illinois. Founded in 1949 as Baker & McKenzie, it has 77 offices in 46 countries, and over 6,000 lawyers worldwide. It is one of the largest law firms in the world by headcount and revenue.

Since 2010, Baker McKenzie has been recognized as the top law firm in the world for multinational M&As. In 2021, Baker McKenzie's revenue was \$3.1 billion. According to the International Consortium of Investigative Journalism, Baker McKenzie is "an architect of the modern tax avoidance system." The firm was listed in the Pandora Papers for its work on offshore tax avoidance for organizations outside of the United States.

In 1999, Christine Lagarde, the Paris managing partner and an antitrust and labor lawyer, was elected chair of the global executive committee, the first woman to lead Baker McKenzie; she was chair for five years.

She later became France's Minister of Finance and managing director of the International Monetary Fund. In 2001, the firm employed 3,000 attorneys and garnered \$1 billion in revenues. In 2005, 70 partners, and other legal staff, from the New York office of disbanding international firm Coudert Brothers joined Baker McKenzie.

In August 2014, Baker McKenzie revealed it was the first law firm to break through the \$2.5bn revenues barrier since the financial crisis, and that it was the largest firm in the world by headcount.

Baker McKenzie is organized as a Swiss Verein which allows regional profit pools and their related tax, accounting, and partner compensation systems to remain separate while allowing strategy, branding, information technology and other core functions to be shared between the constituent

partnerships. Baker McKenzie is the only Verein that used to be a single partnership. All of the other Vereins were created by firms merging.

For the last seven years Thomson Reuters has ranked Baker McKenzie number one in the world by number of cross-border deals more than 65% of the firm's deals are cross-border and for the eleventh year in a row the firm was ranked first for deals with emerging market involvement, by both number of announced and completed number of deals.

As of August 2018, it is ranked as the second-largest international law firm in the world by headcount with 13,000 employees including 6,076 fee earners and 4,700 lawyers on a full-time equivalent basis in 78 offices across 47 countries.

It is the largest law firm in the United States by headcount. It is also ranked as the third largest law firm in the world in terms of revenue with US\$2.89 billion in annual revenue in FY2018. It is the largest international law firm in Asia Pacific, Continental Europe, and Latin America. In December 2016 and as part of a major visual identity change, Baker & McKenzie re-branded and dropped the '&' from its name to become Baker McKenzie.

It employs 4,809 attorneys total, and approximately 13,000 employee's total. The firm took in \$3,126,729,000 gross revenue in 2021, thus placing 4th on The American Lawyer's 2022 Am Law 200 ranking.

## STAPLES

Staples Inc. is an American office retail company. It is primarily involved in the sale of office supplies and related products, via retail channels and business-to-business (B2B)-oriented delivery operations.

At some locations, Staples also offers a copy and print service. The company opened its first store in Brighton, Massachusetts on May 1, 1986. By 1996, it had reached the Fortune 500, and it later acquired the office supplies company Quill Corporation.

In 2017, after its sale to Sycamore Partners, the company was effectively split into three "independently managed and capitalized" entities sharing the Staples name, separating its U.S. retail operations, and Canadian retail operations, from the B2B business.

In addition to selling office supplies, business machines, and tech services, Staples also offers a copy and print center for photocopies, digital printing, faxing, custom business cards, custom rubber stamps, promotional products, binding, lamination, folding, cutting and engraved products.

While many products can be produced in-store, larger, more complex jobs, or jobs requiring special materials such as PVC signs are routed to production facilities in various locations through the country.

Most locations have a limited-service UPS shipping center offering air and ground services, DHL in the United Kingdom stores, and three providers (Canada Post, FedEx, and Purolator) in Canadian stores, which is open during store hours.

In 2020, Staples had sales of approximately 8.67 billion U.S. dollars, a sharp decline from 2011, when they had sales of 24.7 billion U.S. dollars.

Revenues from acquisitions contributed \$8.3 million in total during the second quarter. Adjusted EBITDA for the quarter grew 8% to \$60.8 million. Adjusted net income increased 14.5% to \$38 million, from \$33.2 million in Q2, 2021. Adjusted diluted EPS was \$0.25 per diluted share for the quarter. On a year-to-date basis, cash flow from operations was over \$96 million.

Credit Ratings - Staples			
Agency	Issuer Rating	Last Credit Review	Outlook
Moody's	B3	2/9/2022	Stable
S&P	B	12/16/2021	Negative

**Source: Moody's; S&P**

*Compiled by Newmark*

## MAJOR TENANCY ANALYSIS

The chart on the following page the subject's existing tenancy and provides an analysis detailing the total occupied area measured, current contract rents, percentage of revenue, contract lease dates and average remaining term by space and occupancy type.

Tenant Summary							
Tenant Name	NRA (SF)	% of Total of NRA	Annual Base Rent	% of Base Rent	Contract Rent (SF)	Total Lease Term	Remaining Term
<b>Office</b>							
HSBC Bank USA > Vacate	477,911	55.23%	\$36,799,147	53.60%	\$77.00	181 Months	23 Months
Baker & McKenzie	105,803	12.23%	\$8,163,389	11.89%	\$77.16	195 Months	56 Months
HBK New York	16,428	1.90%	\$1,856,364	2.70%	\$113.00	66 Months	61 Months
NCH Capital	16,428	1.90%	\$1,609,944	2.34%	\$98.00	180 Months	55 Months
Capital Dynamics	16,298	1.88%	\$1,736,715	2.53%	\$106.56	73 Months	32 Months
Lombard Odier Asset Mgt	16,288	1.88%	\$1,710,240	2.49%	\$105.00	139 Months	129 Months
Novartis	16,253	1.88%	\$1,787,830	2.60%	\$110.00	41 Months	37 Months
Tilden Park Capital Management	16,140	1.87%	\$1,856,100	2.70%	\$115.00	131 Months	16 Months
Upper 90 Capital Management and One CC Software	10,338	1.19%	\$240,000	0.35%	\$23.22	6 Months	2 Months
Haitong International Securities	10,248	1.18%	\$1,147,776	1.67%	\$112.00	181 Months	160 Months
Varadero Capital	7,636	0.88%	\$847,596	1.23%	\$111.00	127 Months	32 Months
Triangle Capital	7,054	0.82%	\$811,210	1.18%	\$115.00	124 Months	32 Months
SHPE Living > Vacate	6,180	0.71%	\$120,000	0.17%	\$19.42	13 Months	2 Months
Icon Infrastructure North America	6,110	0.71%	\$745,420	1.09%	\$122.00	65 Months	65 Months
452 Fifth Owners	3,554	0.41%	\$341,788	0.50%	\$96.17	120 Months	120 Months
Converium Capital	2,536	0.29%	\$60,000	0.09%	\$23.66	12 Months	3 Months
<b>Total Occupied Office Space</b>	<b>735,205</b>	<b>84.96%</b>	<b>\$59,833,519</b>	<b>87.15%</b>	<b>\$81.38</b>	<b>165 Months</b>	<b>37 Months</b>
<b>Total Vacant Office Space</b>	<b>32,421</b>	<b>3.75%</b>					
<b>Total Office Space</b>	<b>767,626</b>	<b>88.71%</b>					
<b>Retail</b>							
HSBC Bank USA	31,095	3.59%	\$1,554,750	2.26%	\$50.00	244 Months	86 Months
HSBC Bank USA > Vacate	25,794	2.98%	\$4,465,732	6.50%	\$173.13	181 Months	23 Months
Staples East	17,657	2.04%	\$2,289,131	3.33%	\$129.64	180 Months	43 Months
<b>Total Occupied Retail Space</b>	<b>74,546</b>	<b>8.61%</b>	<b>\$8,309,613</b>	<b>12.10%</b>	<b>\$111.47</b>	<b>193 Months</b>	<b>40 Months</b>
<b>Total Vacant Retail Space</b>	<b>5,865</b>	<b>0.68%</b>					
<b>Total Retail Space</b>	<b>80,411</b>	<b>9.29%</b>					
<b>Storage</b>							
HSBC Bank USA > Vacate	13,163	1.52%	\$485,801	0.71%	\$36.91	181 Months	23 Months
HBK New York	500	0.06%	\$28,250	0.04%	\$56.50	66 Months	61 Months
<b>Total Occupied Storage Space</b>	<b>13,663</b>	<b>1.58%</b>	<b>\$514,051</b>	<b>0.75%</b>	<b>\$37.62</b>	<b>175 Months</b>	<b>25 Months</b>
<b>Total Vacant Storage Space</b>	<b>3,639</b>	<b>0.42%</b>					
<b>Total Storage Space</b>	<b>17,302</b>	<b>2.00%</b>					
<b>Total Occupied Space</b>	<b>823,414</b>	<b>95.16%</b>	<b>\$68,657,183</b>	<b>100.00%</b>	<b>\$83.38</b>	<b>168 Months</b>	<b>37 Months</b>
<b>Total Vacant Space</b>	<b>41,925</b>	<b>4.84%</b>					
<b>Total Net Rentable Area</b>	<b>865,339</b>	<b>100.00%</b>					

Compiled by Newmark

- The office space in the property is leased to 16 tenants which exhibit rents ranging from \$19.42 to \$122.00 per square foot, with an average of \$81.38 per square foot. The office tenants lease 84.96% of the existing net rentable area and account for 87.15% of the projected year one in-place base rental revenue, with a weighted average remaining lease term of 37 months (3.1 years).
- The retail space in the property is leased to 2 tenants which exhibit rents ranging from \$50.00 to \$173.13 per square foot, with an average of \$111.47 per square foot. The retail tenants lease 8.61% of the existing net rentable area and account for 12.10% of the projected year one in-place base rental revenue, with a weighted average remaining lease term of 40 months (3.4 years). HSBC occupies traditional retail space on a portion of the ground and lower levels of the property, along vault space within the sub-lower levels. The tenant is currently in discussions to renew the retail vault portion of the property for additional 5-year period upon the expiration of their lease term.

- The storage space is leased to two existing office tenants, HSBC and HBK, and is located within the lower levels of the property. The tenants are leased at an average contract rent of \$37.62 per square foot and an average remaining lease term of 25 months (3.10 years).
- Overall, the weighted average contract rents for the subject's occupied retail, office, and storage space is \$83.38 per square foot of net rentable area, which is considered below current market levels as further discussed within the Office and Retail Market Rent Analyses' of this appraisal report.

### RECENT OFFICE LEASING WITHIN THE SUBJECT PROPERTY

The following chart provides an overview of the recent leases signed for the office space located within the subject property.

Recent Office Leases										
Tenant	Suite	Leased SF	Lease Start	Lease Term (mos.)	Free Rent (mos.)	Tenant Improvements PSF	Contract Rent/SF	Rent Steps	Lease Structure	Net Effective Rent PSF
Novartis	1200	15,865	Feb-23	40.8 months	4.5	\$15.00	\$110.00	None	Modified Gross	\$93.54
Novartis	1400	388	Feb-23	40.8 months	4.5	\$0.00	\$110.00	None	Gross	\$97.93
Icon Infrastructure North America	1401	6,110	Jun-23	65.0 months	5	\$209.97	\$122.00	None	Modified Gross	\$73.85
HBK New York	2200	16,428	Jan-23	66.1 months	6	\$40.00	\$113.00	None	Modified Gross	\$95.45
Lombard Odier Asset Mgt	2500	16,288	Aug-22	138.9 months	19	\$0.00	\$105.00	Mar-2029 - \$110.00 SF/Yr	Modified Gross	\$92.81
<b>Total/Average</b>		<b>55,079</b>		<b>70.4 months</b>	<b>7.80</b>	<b>\$39.54</b>	<b>\$110.75</b>			<b>\$91.74</b>

Compiled by Newmark

The recently signed office leases within the subject property account for 55,079 square feet of space, or approximately 6.4% of the property. The recently signed leases exhibited contract rents ranging from \$105.00 to \$122.00 per square foot, with an average of \$110.75 per square foot. The tenants received free rent averaging 7.80 months and tenant improvements averaging \$39.54 per square foot. The concessions are considered below current market levels largely due to the tenants inheriting pre-built suites that require minimal work for second or third generation tenants. Based on the concession packages provided, the net effective rents range from \$73.85 to \$97.93 per square foot, averaging \$91.74 per square foot. The net effective rents are considered reflective of market standards.

Excluded from the chart above is the current lease proposal that the owner currently is negotiating with MetLife. The owner indicated that the lease proposal is for a period of 15-years, plus the planned free rent period. The rent is planned to commence at \$92.00 per square foot, increasing \$10.00 per square foot in year six following the rent commencement date to \$102.00 per square foot, and \$8.00 per square foot in year 11 of the rent commencement date to \$110.00 per square foot. The lease would significantly eliminate the risk of the planned vacancy from HSBC, and drastically impact the valuation.

### MARKET RENT ANALYSIS

As evidenced by the Office Market Reports, leasing activity is starting to resume as tenants assume full occupancy of their space and monitor space needs albeit, vacancy levels continue to remain above historical market levels for the Manhattan office market. Several companies have adopted a hybrid working model whereby employers rotate between working at home and in the

office. As a result, it will take several quarters of monitoring leasing activity to understand the full brunt of the pandemic and the long-term fundamental shifts for New York City office space.

Market rent is based on an analysis of comparable transactions as well as recent leasing activity at the subject and discussions with market participants. In estimating office market rent for the subject property, this analysis uses actual recent leases from comparable buildings. This analysis also researched asking rents from competitive properties within the office market analysis section of this report and relied upon the market opinions of leasing brokers. The rent comparables summarized on the following pages were chosen based upon similar location, age, quality, and utility.

Furthermore, the comparables noted on the following pages represent lease transactions for excellent quality, newly constructed and recently repositioned Class A office buildings that would directly compete with the subject property. The leases represent the most competitive rents that are to be achieved within the subject property, due to the existing quality and proposed amenities that are intended to be added to the property. The subject is considered a desirable trophy Office Building, offering ideal floor plates for the target tenancy, direct proximity to transportation and surrounding demand generators. The following comparable leases outline the most indicative properties and rental rates that directly compete with the subject property.

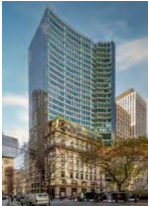






Office Rent Comparable Map

Subject	10 Bryant Park
Comparable 1	550 Madison Avenue
Comparable 2	277 Park Avenue
Comparable 3	1114 Avenue of the Americas
Comparable 4	330 Madison Avenue
Comparable 5	245 Park Avenue
Comparable 6	335 Madison Avenue
Comparable 7	280 Park Avenue
Comparable 8	1095 Avenue of the Americas
Comparable 9	101 Park Avenue
Comparable 10	1114 Avenue of the Americas
Comparable 11	1095 Avenue of the Americas
Comparable 12	1114 Avenue of the Americas
Comparable 13	51 West 52nd Street
Comparable 14	1114 Avenue of the Americas
Comparable 15	340 Madison Avenue
Comparable 16	101 Park Avenue
Comparable 17	1155 Avenue of the Americas
Comparable 18	550 Madison Avenue










OFFICE LEASE COMPARABLES

Office Rent Comparable Summary

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6
							
Address	452 Fifth Avenue	550 Madison Avenue	277 Park Avenue	1114 Avenue of the Americas	330 Madison Avenue	245 Park Avenue	335 Madison Avenue
Submarket, Market	Bryant Park, Midtown	Plaza District, Midtown	Park Avenue, Midtown	Sixth Avenue/ Rockefeller Center, Midtown	Grand Central, Midtown	Grand Central, Midtown	Grand Central, Midtown
Building Class	A	A	A	A	A	A	A
Rentable Area	865,339 SF	827,686 SF	1,850,000 SF	1,598,288 SF	849,372 SF	1,779,367 SF	1,148,400 SF
Year Built	1902 to 1984	1983 / 2021	1964 / 2022	1974 / 2014	1963 / 2012	1965 / 2000	1984
Number of Stories	10 / 30	41	51	48	39	45	29
<b>Actual Lease Comparison</b>							
Tenant Name		Clayton Dubilier & Rice	Arsenal Capital	Bank of China	KPS Capital Partners L.P.	Angelo, Gordon & Co.	Joele Frank Williamson
Floor Number(s)		E18-22 & 26	E33-34	P34	E36	E23	E18-19
Leased Area (SF)		144,000 SF	46,393 SF	19,118 SF	9,727 SF	10,636 SF	78,353 SF
Lease Type		Mod. Gross	Mod. Gross	Mod. Gross	Mod. Gross	Mod. Gross	Mod. Gross
Lease Start Date		June 2023	June 2023	May 2023	May 2023	May 2023	March 2023
Lease Term (mos.)		135.0 mos.	120.0 mos.	60.0 mos.	120.0 mos.	93.0 mos.	199.0 mos.
		<u>Rent Terms</u>	<u>Rent Terms</u>	<u>Rent Terms</u>	<u>Rent Terms</u>	<u>Rent Terms</u>	<u>Rent Terms</u>
Base Rent (\$/SF)		7 Yrs. \$150.00	5 Yrs. \$105.00	5 Yrs. \$152.00	5 Yrs. \$99.00	5 Yrs. \$113.00	5 Yrs. \$82.00
Rent Step 1 (\$/SF)		5 Yrs. \$160.00	5 Yrs. \$112.00		5 Yrs. \$105.00	3 Yrs. \$123.00	5 Yrs. \$88.00
Rent Step 2 (\$/SF)							5 Yrs. \$94.00
Rent Step 3 (\$/SF)							
Rent Step 4 (\$/SF)							
Free Rent (mos.)		15.0 mos.	15.0 mos.	1.0 mos.	10.0 mos.	16.0 mos.	19.0 mos.
Tenant Improvements (\$/SF)		\$150.00	\$145.00	\$0.00	\$150.00	\$145.00	\$200.00
Net Effective Rent (\$/SF)		\$125.00	\$80.88	\$149.47	\$78.75	\$79.79	\$66.01

Compiled by Newmark

Office Rent Comparable Summary							
	Subject	Comparable 7	Comparable 8	Comparable 9	Comparable 10	Comparable 11	Comparable 12
							
Address	452 Fifth Avenue	280 Park Avenue	1095 Avenue of the Americas	101 Park Avenue	1114 Avenue of the Americas	1095 Avenue of the Americas	1114 Avenue of the Americas
Submarket, Market	Bryant Park, Midtown	Park Avenue, Midtown	Sixth Avenue/ Rockefeller Center, Midtown	Grand Central, Midtown	Sixth Avenue/ Rockefeller Center, Midtown	Sixth Avenue/ Rockefeller Center, Midtown	Sixth Avenue/ Rockefeller Center, Midtown
Building Class	A	A	A	A	A	A	A
Rentable Area	865,339 SF	1,278,807 SF	1,484,325 SF	2,030,413 SF	1,598,288 SF	1,484,325 SF	1,598,288 SF
Year Built	1902 to 1984	1986 / 2014	1972 / 2008	1982	1974 / 2014	1972 / 2008	1974 / 2014
Number of Stories	10 / 30	43	42	49	48	42	48
<b>Actual Lease Comparison</b>							
Tenant Name		Greystar	Standard Chartered Bank	Incline Equity Partners	HG Capital	Renaissance Reinsurance	Flow Traders
Floor Number(s)		E24	E35-36	P46	P16	E5	E4
Leased Area (SF)		8,936 SF	70,046 SF	18,000 SF	14,070 SF	33,623 SF	45,914 SF
Lease Type		Mod. Gross	Mod. Gross	Mod. Gross	Mod. Gross	Mod. Gross	Mod. Gross
Lease Start Date		February 2023	January 2023	January 2023	January 2023	October 2022	July 2022
Lease Term (mos.)		108.0 mos.	120.0 mos.	120.0 mos.	84.0 mos.	180.0 mos.	120.0 mos.
		<u>Rent Terms</u>	<u>Rent Terms</u>	<u>Rent Terms</u>	<u>Rent Terms</u>	<u>Rent Terms</u>	<u>Rent Terms</u>
Base Rent (\$/SF)		5 Yrs. \$104.00	5 Yrs. \$150.00	5 Yrs. \$125.00	5 Yrs. \$110.00	5 Yrs. \$97.00	5 Yrs. \$96.00
Rent Step 1 (\$/SF)		4 Yrs. \$109.00	5 Yrs. \$160.00	5 Yrs. \$133.00	2 Yrs. \$118.00	5 Yrs. \$107.00	5 Yrs. \$104.00
Rent Step 2 (\$/SF)						5 Yrs. \$117.00	
Rent Step 3 (\$/SF)							
Rent Step 4 (\$/SF)							
Free Rent (mos.)		8.0 mos.	20.0 mos.	14.0 mos.	8.0 mos.	15.0 mos.	12.0 mos.
Tenant Improvements (\$/SF)		\$150.00	\$130.00	\$150.00	\$0.00	\$150.00	\$100.00
<b>Net Effective Rent (\$/SF)</b>		<b>\$81.85</b>	<b>\$117.00</b>	<b>\$99.42</b>	<b>\$101.81</b>	<b>\$88.92</b>	<b>\$80.40</b>

Compiled by Newmark

Office Rent Comparable Summary							
	Subject	Comparable 13	Comparable 14	Comparable 15	Comparable 16	Comparable 17	Comparable 18
							
Address	452 Fifth Avenue	51 West 52nd Street	1114 Avenue of the Americas	340 Madison Avenue	101 Park Avenue	1155 Avenue of the Americas	550 Madison Avenue
Submarket, Market	Bryant Park, Midtown	Sixth Avenue/ Rockefeller Center, Midtown	Sixth Avenue/ Rockefeller Center, Midtown	Grand Central, Midtown	Grand Central, Midtown	Sixth Avenue/ Rockefeller Center, Midtown	Plaza District, Midtown
Building Class	A	A	A	A	A	A	A
Rentable Area	865,339 SF	872,593 SF	1,598,288 SF	760,000 SF	2,030,413 SF	807,219 SF	827,686 SF
Year Built	1902 to 1984	1963	1974 / 2014	1928 / 2003	1982	1968 / 2020	1983 / 2021
Number of Stories	10 / 30	38	48	23	49	40	41
<b>Actual Lease Comparison</b>							
Tenant Name		CPP Investment Board (CPPIB)	Insight Venture Partners	PNC Bank, National Association	Wendel North America	Global Relay USA Inc.	Chubb
Floor Number(s)		E35-36	P10	P10	P46	E38-42	E10-17, 36-38
Leased Area (SF)		49,858 SF	20,000 SF	65,941 SF	8,402 SF	76,984 SF	241,647 SF
Lease Type		Mod. Gross	Mod. Gross	Mod. Gross	Mod. Gross	Mod. Gross	Mod. Gross
Lease Start Date		June 2022	May 2022	May 2022	January 2022	January 2022	November 2021
Lease Term (mos.)		180.0 mos.	240.0 mos.	60.0 mos.	132.0 mos.	180.0 mos.	240.0 mos.
		<u>Rent Terms</u>	<u>Rent Terms</u>	<u>Rent Terms</u>	<u>Rent Terms</u>	<u>Rent Terms</u>	<u>Rent Terms</u>
Base Rent (\$/SF)		5 Yrs. \$125.00	5 Yrs. \$85.00	5 Yrs. \$105.66	5 Yrs. \$125.00	5 Yrs. \$112.00	5 Yrs. \$128.18
Rent Step 1 (\$/SF)		5 Yrs. \$135.00	5 Yrs. \$92.00		6 Yrs. \$133.00	5 Yrs. \$120.00	5 Yrs. \$138.18
Rent Step 2 (\$/SF)		5 Yrs. \$145.00	5 Yrs. \$99.00			5 Yrs. \$128.00	5 Yrs. \$148.18
Rent Step 3 (\$/SF)			5 Yrs. \$106.00				5 Yrs. \$158.18
Rent Step 4 (\$/SF)							
Free Rent (mos.)		29.0 mos.	12.0 mos.	9.0 mos.	13.0 mos.	18.0 mos.	24.0 mos.
Tenant Improvements (\$/SF)		\$155.00	\$60.00	\$50.00	\$125.00	\$150.00	\$174.00
<b>Net Effective Rent (\$/SF)</b>		<b>\$104.53</b>	<b>\$88.25</b>	<b>\$79.81</b>	<b>\$105.69</b>	<b>\$98.80</b>	<b>\$121.66</b>

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## CONCLUSION OF OFFICE RENT COMPARABLES AND NET EFFECTIVE RENT ANALYSIS

In determining the subject's market rent, we have researched recent leases within comparable properties located throughout the subject's office submarket. We have appropriately accounted for the subject's quality and condition when estimating our market leasing assumptions for the subject property.

### METHODOLOGY

We calculated the net effective rent for the comparable properties by adjusting for variations in free rent and tenant improvements. The average annual base rent is the aggregate base rent over the term of the lease divided by the number of years in the term. Free rent and tenant improvement allowances are adjusted by the average contract rent over the lease term, and resultant amount is divided by the lease term. An **example** calculation of the net effective rent is further clarified below:

- Average Rent Over Term – (Initial Rent / 12 Mos. \* Free Rent / Lease Term) – (Tenant Improvement / Lease Term) = **Net Effective Rent**

The following calculations summarize the net effective rent calculations assuming a tenant signs a lease for a 15-year term at an initial contract rent of \$55.00 per square foot, with \$5.00 per square foot increases every five years (\$60.00 per square foot average rent over 15 years), while receiving a concession package of 10 months free and a tenant improvement allowance of \$70.00 per square foot. The following **example** calculation outlines the net effective rent conclusion:

- **Free Rent Adjustment**=  $(\$55.00 / 12 \text{ Mos.} * 10 \text{ Mos.} / 15 \text{ Yrs.}) = \$3.06 \text{ PSF}$
- **Tenant Improvement Adjustment**=  $(\$70.00 / 15 \text{ Yrs.}) = \$4.67 \text{ PSF}$
- **Net Effective Rent Conclusion**=  $\$60.00 \text{ (Avg. Rent)} - \$3.06 \text{ (Free Rent)} - \$4.67 \text{ (TI)} = \$52.28 \text{ PSF}$

### LEASE TERM CONCLUSION COMMENTS

The lease term for the existing tenants ranged from 0.98 to 16.26 years, with an average of 13.73 years. The lease terms negotiated for the comparable leases ranged from 5.00 to 20.00 years, with an average of 11.53 years. Conversations with brokers familiar with the subject property indicate that typical office leases in the market are signed with 10 to 20-year lease terms, depending on the size of the tenant. Within this analysis, we have assumed the subject property will be leased on terms ranging from 10 to 15-years.

### FREE RENT

The free rent within comparable leases ranged from 1 to 29 months, with an average free rent term of 14.30 months. This compares to the leases signed within the subject property which ranged from 4.5 to 19 months, with an average of 7.80 months.

Within this analysis, we have projected free rent ranging from 12.0 to 14.0 months for all prospective office tenants, which is directly in-line with leases signed in the surrounding market and well supported by the recent leasing activity within the subject property.

Furthermore, we have relied upon our discussions with the owner's leasing team along with brokers at Newmark who are actively leasing space within surrounding marketplace. The market sentiment indicates the free rent anticipated to be achieved for future leases will typically range from 0.75 to 1.50 months per term of the lease, and free rent is traditionally negotiated outside of the lease term. For example, if a tenant were to receive 12 months free rent for a 10-year lease, the lease term would be for a period of 132 months or 11.0 years. This is well supported by the comparable leases that were provided free rent. These comparable leases exhibited an average lease term of 11.53 years and included an average of 14.30 months of free rent.

### TENANT IMPROVEMENTS

The tenant improvement allowances within the comparable leases ranged from \$0.00 to \$200.00 per square foot, with an average of \$121.33 per square foot, which adjusts to \$136.50 per square foot excluding the tenants that did not receive a tenant improvement allowance. This compares to the recently signed leases that received tenant improvement allowances ranging from \$0.00 to \$209.97 per square foot, with an average of \$39.54 per square foot.

The improvement allowance projected within this analysis ranges from \$140.00 to \$150.00 per square foot for all prospective office tenants. Within this analysis, we have placed equal reliance on the average improvement allowance supported by the comparable leases, along with the recent lease with iCon at the subject property.

### ADDITIONAL COMPARABLE SUPPORT

To further support the side street market leasing assumption applied to 1-11 West 39<sup>th</sup> Street, additional leases were surveyed in the marketplace, which have been outlined on the following chart:

1-11 West 39th Street Comparables						
Address	Floor	Size	Contract Rent	Tenant Improvements	Months Free	Net Effective Rent
489 Fifth Avenue	E33	4,988	\$80.00	\$120.00	6.0 Months	\$63.57
521 Fifth Avenue	E37	5,979	\$84.00	\$120.00	7.0 Months	\$64.53
521 Fifth Avenue	E14	17,796	\$72.00	\$150.00	8.0 Months	\$55.83
521 Fifth Avenue	E16	15,340	\$73.00	\$150.00	11.0 Months	\$55.88
521 Fifth Avenue	E22	8,655	\$75.00	\$150.00	11.0 Months	\$56.79
1 Park Avenue	E14	52,662	\$73.00	\$120.00	19.0 Months	\$53.99
2 Park Avenue	E9	50,017	\$60.00	\$150.00	12.5 Months	\$34.92
2 Park Avenue	P18	9,900	\$62.00	\$55.00	5.0 Months	\$42.97
16 East 34th Street	E21-22	19,663	\$61.00	\$120.00	15.0 Months	\$43.46
16 East 34th Street	E15	19,335	\$104.00	\$0.00	.0 Months	\$104.00
200 Madison Avenue	P19	11,006	\$63.00	\$115.00	18.0 Months	\$36.67
200 Madison Avenue	P19	15,075	\$63.00	\$0.00	17.0 Months	\$57.16
200 Madison Avenue	P21	6,300	\$62.00	\$140.00	.0 Months	\$34.00
31 West 52nd Street	E18-19	54,095	\$78.00	\$175.00	27.0 Months	\$62.68
292 Madison Avenue	E16	6,035	\$70.00	\$35.00	6.0 Months	\$56.00
295 Madison Avenue	P7	2,500	\$58.00	\$0.00	6.0 Months	\$52.20
295 Madison Avenue	P11	500	\$69.60	\$0.00	.0 Months	\$69.60
295 Madison Avenue	P17	1,250	\$56.00	\$0.00	2.0 Months	\$51.94
295 Madison Avenue	E27	3,900	\$61.00	\$60.00	6.0 Months	\$48.93
295 Madison Avenue	E35	3,900	\$64.50	\$60.00	3.0 Months	\$51.38
295 Madison Avenue	E38	3,900	\$64.42	\$60.00	8.0 Months	\$54.75
295 Madison Avenue	E39	3,800	\$59.00	\$0.00	.0 Months	\$59.00
311 West 43rd Street	E8-9	24,814	\$60.00	\$0.00	23.0 Months	\$56.62
360 Lexington Avenue	E2	14,405	\$65.00	\$90.00	12.0 Months	\$53.18
120 West 45th Street	P23	4,394	\$70.56	\$5.00	.0 Months	\$69.31
130 West 42nd Street	E26	4,255	\$65.29	\$20.00	6.0 Months	\$56.52
110 East 42nd Street	P8	9,706	\$55.00	\$0.00	6.0 Months	\$49.50
110 East 42nd Street	P8	2,216	\$55.00	\$20.00	5.0 Months	\$47.85
19 West 44th Street	P2	12,273	\$64.00	\$0.00	6.0 Months	\$63.36
<b>Averages</b>		<b>13,402</b>	<b>\$67.15</b>	<b>\$66.03</b>	<b>8.5 Months</b>	<b>\$55.40</b>
<b>Subject Conclusion</b>			<b>\$60.00</b>	<b>\$60.00</b>	<b>12.0 Months</b>	<b>\$51.00</b>

Primary reliance has been placed on the net effective rent of the comparable leases.

## MARKET RENT CONCLUSIONS

The following chart provides the directly comparable leases utilized for the office market leasing assumption:

Comparable Reliance Summary							
#	Market Leasing Assumption	Most Comparable Leases	Minimum	Maximum	Average	Recent Leasing Avg.	Market Rent
1	Floors 2-11	Comparables 2, 4, 6, 7, 11, 12, 14	\$82.00	\$105.00	\$95.43	--	\$88.00
2	Floors 12-18	Comparables 1, 2, 4, 5, 7, 10, 15, 18	\$99.00	\$150.00	\$114.36	\$113.28	\$115.00
3	Floors 19-24	Comparables 1, 5, 10, 18	\$110.00	\$150.00	\$125.30	\$113.00	\$120.00
4	Floors 25-27	Comparables 1, 9, 13, 18	\$125.00	\$150.00	\$132.05	\$105.00	\$125.00
5	Floors 28-30	Comparables 1, 3, 8, 9, 13, 16, 17, 18	\$112.00	\$152.00	\$133.40	--	\$130.00

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- The comparable office rents ranged from \$82.00 to \$152.00 per square foot, averaging \$114.66 per square foot. This compares to the Newmark conclusions ranging from \$60.00 to \$130.00 per square foot, with an average of \$95.31 per square foot. The concluded rents are below the comparable leases in the marketplace due to the large floor plates

located within the base of the property and the rent associated with 1-11 West 39<sup>th</sup> Street. The average market rent adjusts to \$103.13 per square foot when excluding this space.

- The recent leases within the subject property exhibited contract rents ranging from \$105.00 to \$122.00 per square foot, with an average of \$110.75 per square foot, resulting in net effective rents averaging \$91.74 per square foot.
- The net effective rent of the comparable leases ranged from \$66.01 to \$149.47 per square foot, with an average of \$97.11 per square foot. This compares to the net effective rent for the office space within the subject property which range from \$51.00 to \$112.50 per square foot. The blended average net effective rent for the subject property is estimated at \$82.70 per square foot for the entire office space. When excluding the space associated with the 1-11 West 39<sup>th</sup> Street, the net effective rents increase to \$89.72 per square foot, which is supported by the comparable leases.

In addition to utilizing the comparable leases signed in the surrounding marketplace to determine the market leasing assumptions within this appraisal report, a comparison of the Newmark conclusions to the recently signed leases within the subject property have been outlined on the following chart:

Recent Leasing Summary vs. Market Leasing Assumption Comparison																
Market Leasing Assumption	Leased Space	No. of Leases	Average Lease Term (yrs.)	Market Lease Term	Contract Rent Summary			Free Rent Summary			Tenant Improvement Summary			Net Effective Rent Summary		
					Range	Average	Market	Range	Average	Market	Range	Average	Market	Range	Average	Market
Office (12-18)	22,363 SF	3	4.1 yrs.	10.0 yrs.	\$110.00 - \$122.00	\$113.28	\$115.00	4.5 - 5.0	4.7	12.0	\$0.00 - \$209.97	\$68.01	\$140.00	\$73.85 - \$97.93	\$88.23	\$94.50
Office (19-24)	16,428 SF	1	5.5 yrs.	10.0 yrs.	\$113.00	\$113.00	\$120.00	6.0	6.0	12.0	\$40.00	\$40.00	\$140.00	\$95.45	\$95.45	\$99.00
Office (25-27)	16,288 SF	1	11.6 yrs.	10.0 yrs.	\$105.00	\$105.00	\$125.00	19.0	19.0	12.0	\$0.00	\$0.00	\$140.00	\$92.81	\$92.81	\$103.50
<b>Total/Average</b>	<b>55,079 SF</b>	<b>5</b>	<b>5.9 yrs.</b>	<b>10.0 yrs.</b>		<b>\$110.75</b>	<b>\$119.45</b>		<b>7.8</b>	<b>12.0</b>		<b>\$39.54</b>	<b>\$140.00</b>		<b>\$91.74</b>	<b>\$98.50</b>

Overall, the recently signed leases are considered at market levels due to the below market concessions provided to the tenants.

The market leasing assumptions within this analysis are supported by the recent leases within the subject property, the recently signed leases within comparable properties in the surrounding marketplace, the excellent construction quality of the subject improvements, the unobstructed views of Bryant Park along the entire northern portion of the property, as well as the proximity of the property to transit centers, specifically Grand Central. Based on our review of the comparable office market rents previously outlined, the following market leasing assumptions have been applied for the subject office space. Primarily reliance was placed on the concluded net effective rents from the recently signed leases within the subject and the concluded assumptions on the following page are considered slightly above market levels:

Market Leasing Assumption Conclusions - Office						
Space / Building Type	Office Floors (2-11)	Office Floors (12-18)	Office Floors (19-24)	Office Floors (25-27)	Office Floors (28-30)	Office Floors (2-12) 39th Street
Market Rent (\$/SF/Yr)	\$88.00	\$115.00	\$120.00	\$125.00	\$130.00	\$60.00
Lease Structure	Mod. Gross	Mod. Gross	Mod. Gross	Mod. Gross	Mod. Gross	Mod. Gross
Lease Term	15 Years	10 Years	10 Years	10 Years	10 Years	10 Years
Escalations	\$10.00 Per Square Foot Increase Every 60 Months					10.0% Inc. Month 60
Probability of Tenant Retention*	60.00% / 65.00%	60.00% / 65.00%	60.00% / 65.00%	60.00% / 65.00%	60.00% / 65.00%	60.00% / 65.00%
Months Down Time - New Tenant**	12.00 / 8.00 mos.	12.00 / 8.00 mos.	12.00 / 8.00 mos.	12.00 / 8.00 mos.	12.00 / 8.00 mos.	12.00 / 8.00 mos.
Rent Concession (New/Renewal)	14 mos./7 mos.	12 mos./6 mos.	12 mos./6 mos.	12 mos./6 mos.	12 mos./6 mos.	12 mos./6 mos.
TI Allowance \$/SF - (New/Renewal)***	\$150.00/\$100.00	\$140.00/\$105.00	\$140.00/\$105.00	\$140.00/\$105.00	\$140.00/\$105.00	\$60.00/\$45.00
Leasing Commission - (New/Renewal)	3.50% / 1.75%	4.00% / 2.00%	4.00% / 2.00%	4.00% / 2.00%	4.00% / 2.00%	4.00% / 2.00%
Net Effective Rents	\$81.16	\$94.50	\$99.00	\$103.50	\$108.00	\$51.00

\*Due to uncertainty surrounding the potential recession and lingering effects from COVID-19 on the Real Estate market, the Downtime for the initial three years has been assumed to be 12 months, followed by 8 months thereafter.

\*\*As noted above, there is continued pressure on the commercial Real Estate market; therefore, the renewal probability for the initial three years has been reduced to 60%, followed by 65% thereafter.

\*\*\*The physical occupancy has yet to resume pre-pandemic levels and the market is still reacting to the issues presented by COVID-19. A known fundamental shift due to the pandemic by commercial landlords relates to the build-out expectations by tenants. This issue continues to persist given the current economic climate based on the high interest rate environment and pending recession. Therefore, the work allowance for renewal leases has been increased to 75% of new leases, which is above the traditional underwritten rate of 50% for the initial three years of the analysis period. Thereafter, the assumption has been adjusted to reflect the pre-COVID assumption of 50% of new improvement allowances. After the first generation rollover and subsequent lease-up of the space, the tenant improvement allowance has been reduced to \$110.00 per square foot for floors 12-30 within this appraisal report.

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## MARKET RENT CONCLUSION COMMENTS

We interviewed leasing brokers familiar with the subject property. The brokers indicated that base rents generally range between \$75.00 and \$150.00 per square foot, modified gross, for standard Class A office space.

## LEASE STRUCTURE

We have assumed that future leases in the subject property will be on a modified gross basis. Tenants will be responsible for operating expenses and/or real estate taxes over a base year amount billed either monthly or semi-annually. Furthermore, we have assumed tenants will be responsible for a \$10.00 per square foot rent increase every 60 months throughout their lease term for 452 Fifth Avenue, and a 10.0% increase in year 6 for 1-11 East 39<sup>th</sup> Street.

## RETAIL MARKET RENT ANALYSIS

The subject property contains traditional multi-level retail selling space located along Fifth Avenue. The retail space is divided into three separate suites, with two opposing corner suites and one-in-line suite. The retail suites are currently leased to two retail tenants and as part of our estimate of market rent for the subject property, we analyzed actual recent leases from comparable buildings. We also interviewed leasing brokers for their opinion of market rent. The rent comparables summarized on the following pages were chosen based upon similar location, age, and utility. The following table provides a breakout of the retail suites located within the subject property.

<b>Retail Contract Rent Summary</b>				
<b>Tenant</b>	<b>Suite #</b>	<b>Total Area</b>	<b>Contract Rent</b>	<b>Contract Rent/SF</b>
<b>Northwest Corner: West 39th Street</b>				
Staples East	Grade-01	5,731	\$2,289,131	\$399.43
Staples East	Mezz-01	11,926	\$0	\$0.00
<b>Suite Total/Average:</b>		<b>17,657</b>	<b>\$2,289,131</b>	<b>\$129.64</b>
<b>Northwest Corner: West 40th Street</b>				
HSBC Bank USA > Vacate	Grade-03	7,667	\$3,559,048	\$464.20
HSBC Bank USA > Vacate	Cellar-03	18,127	\$906,684	\$50.02
HSBC Bank USA	S-Cellar-1	11,825	\$591,250	\$50.00
HSBC Bank USA	S-Cellar-2	19,270	\$963,500	\$50.00
<b>Suite Total/Average:</b>		<b>56,889</b>	<b>\$6,020,482</b>	<b>\$105.83</b>
<b>Fifth Avenue: In Line</b>				
To-Be-Leased	Grade-02	5,865	\$0	\$0.00
<b>Suite Total/Average:</b>		<b>5,865</b>	<b>\$0</b>	<b>\$0.00</b>
<b>Total Occupied Retail</b>		<b>74,546</b>	<b>\$8,309,613</b>	<b>\$111.47</b>
<b>Total Vacant Retail</b>		<b>5,865</b>	<b>\$0</b>	<b>\$0.00</b>
<b>Total Retail</b>		<b>80,411</b>	<b>\$8,309,613</b>	<b>\$103.34</b>

*Compiled by Newmark*







In estimating retail market rents for the subject property, we analyzed actual recent leases from comparable buildings. We also interviewed leasing brokers for their opinion of market rent. The rent comparables summarized on the following pages were chosen based upon similar location, age, and utility.

Retail Rent Comparable Map



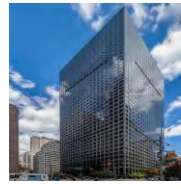

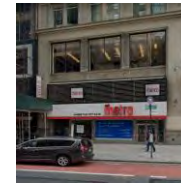


Subject	10 Bryant Park
Comparable 1	330 Madison Avenue
Comparable 2	515 Madison Avenue
Comparable 3	1100 Avenue of the Americas
Comparable 4	535 Madison Avenue
Comparable 5	437 Fifth Avenue
Comparable 6	980 Avenue of the Americas
Comparable 7	1166 Avenue of the Americas
Comparable 8	600 Fifth Avenue
Comparable 9	966 Avenue of the Americas
Comparable 10	445 Fifth Avenue
Comparable 11	1140 Avenue of the Americas



RETAIL LEASE COMPARABLES

Retail Rent Comparable Summary						
	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
						
Address	452 Fifth Avenue	330 Madison Avenue	515 Madison Avenue	1100 Avenue of the Americas	535 Madison Avenue	437 Fifth Avenue
Cross Streets	B/w East 39th & 40th Streets	Between East 42nd St and East 43rd St	NEC of Madison Ave	NEC 42nd St & Avenue of the Americas	East 54th St & East 55th St	SEC East 39th St & Fifth Ave
Neighborhood City, State	Bryant Park Manhattan, NY	Grand Central Manhattan, NY	Midtown Manhattan, NY	Bryant Park Manhattan, NY	Plaza District Manhattan, NY	Grand Central District Manhattan, NY
<b>Lease Details</b>						
Tenant Name		Eton	Zadig & Voltaire	Bank of America	European Watch Brand	Medrite Urgent Care
Leased Area Summary		Grd. Fl. 2,900 SF	Grd. Fl. 2,108 SF LL 1,555 SF	Grd. Fl. 5,724 SF LL 8,280 SF	Grd. Fl. 970 SF	Grd. Fl. 2,300 SF
<b>Total Leased Area (SF)</b>			<b>Total 3,663 SF</b>	<b>Total 14,004 SF</b>		
Lease Type		Mod. Gross	Mod. Gross	Mod. Gross	Mod. Gross	Mod. Gross
Lease Start (Year - Quarter)		2023-2	2023-1	2022-3	2022-3	2022-3
Lease Term (mos.)		120.0 mos.	126.0 mos.	237.0 mos.	60.0 mos.	120.0 mos.
<b>Rent Summary</b>						
Rent by Floor (\$/SF)		Grd. Fl. \$300.00	Grd. Fl. \$310.65 LL \$50.00	Grd. Fl. \$766.53 LL \$150.00	Grd. Fl. \$310.00	Grd. Fl. \$182.61
<b>Blended Average Rent (\$/SF)</b>			<b>Avg. \$200.00</b>	<b>Avg. \$402.00</b>		
Total Annual Rent		\$870,000	\$732,600	\$5,629,608	\$300,700	\$420,000
Rent Steps		% Annual inc.	% Annual inc.	3% Annual Increases	\$310 PSF base rent plus percentage rent	% Annual Inc.
<b>Concessions</b>						
Free Rent (mos.)		0.0 mos.	6.0 mos.	11.0 mos.	0.0 mos.	6.0 mos.
Tenant Improvements (\$/SF)		\$0.00	\$0.00	\$101.40	\$0.00	\$0.00

Compiled by Newmark

Retail Rent Comparable Summary							
Subject	Comparable 6	Comparable 7	Comparable 8	Comparable 9	Comparable 10	Comparable 11	
							
Address	452 Fifth Avenue	980 Avenue of the Americas	1166 Avenue of the Americas	600 Fifth Avenue	966 Avenue of the Americas	445 Fifth Avenue	1140 Avenue of the Americas
Cross Streets	B/w East 39th & 40th Streets	West 36 St & West 37 St	West 45 St & West 46 St	West 48 St & West 49 St	West 35 St & West 36 St	NEC 39th Street	West 45 St & West 44 St
Neighborhood	Bryant Park	Bryant Park	Midtown	Fifth Avenue	Bryant Park	Bryant Park	Midtown
City, State	Manhattan, NY	Manhattan, NY	Manhattan, NY	Manhattan, NY	Manhattan, NY	Manhattan, NY	Manhattan, NY
<b>Lease Details</b>							
Tenant Name	Sushi & Co	Ground Central	Alo Yoga	Pollo Compero	Brickworks	City National Bank	
Leased Area Summary	Grd. Fl. 920 SF	Grd. Fl. 1,400 SF	Grd. Fl. 5,089 SF LL 4,402 SF	Grd. Fl. 1,800 SF LL 1,800 SF 2nd Fl. 1,800 SF	Grd. Fl. 3,615 SF LL 3,625 SF 2nd Fl. 8,931 SF	Grd. Fl. 3,378 SF	
<b>Total Leased Area (SF)</b>			<b>Total 9,491 SF</b>	<b>Total 5,400 SF</b>	<b>Total 16,171 SF</b>		
Lease Type	Mod. Gross	Mod. Gross	Mod. Gross	Mod. Gross	Mod. Gross	Mod. Gross	
Lease Start (Year - Quarter)	2022-2	2022-2	2022-1	2021-4	2021-1	2020-3	
Lease Term (mos.)	120.0 mos.	120.0 mos.	84.0 mos.	120.0 mos.	120.0 mos.	120.0 mos.	
<b>Rent Summary</b>							
Rent by Floor (\$/SF)	Grd. Fl. \$417.00	Grd. Fl. \$92.86	Grd. Fl. \$608.65 LL \$70.00	Grd. Fl. \$225.00 LL \$25.00 2nd Fl. \$75.00	Grd. Fl. \$121.59 LL \$25.00 2nd Fl. \$75.00	Grd. Fl. \$525.00	
<b>Blended Average Rent (\$/SF)</b>			<b>Avg. \$358.82</b>	<b>Avg. \$108.33</b>	<b>Avg. \$74.21</b>		
Total Annual Rent	\$383,640	\$130,000	\$3,405,560	\$585,000	\$1,200,000	\$1,773,450	
Rent Steps	% Annual Inc.	3.0% Annual Inc.	3.0% Annual Inc.	% Annual Inc.	% Annual Inc.	Yr: 5-10: \$575 PSF	
<b>Concessions</b>							
Free Rent (mos.)	9.0 mos.	6.0 mos.	10.0 mos.	5.0 mos.	6.0 mos.	6.0 mos.	
Tenant Improvements (\$/SF)	\$0.00	\$0.00	\$237.07	\$16.00	\$75.00	\$45.00	

Compiled by Newmark

## RETAIL MARKET RENT CONCLUSIONS

In determining the subject’s market rent, we have researched recent leases within comparable properties located throughout the subject’s retail submarket. We have appropriately accounted for the subject’s quality and condition when making our estimate of market rents for the subject property.

The comparable retail leases ranged from \$92.86 to \$766.53 per square foot, with an average of \$350.90 per square foot for ground floor space. The comparables that were signed with lower-level space contained allocated rents ranging from \$25.00 to \$150.00 per square foot, averaging \$64.00 per square foot. Moreover, the comparables that were signed with above grade retail space exhibited allocated rents averaging \$75.00 per square foot. Based on the quality, utility and location of the comparable leases, the following chart provides the directly comparable leases utilized for each market leasing assumption within this appraisal report.

Comparable Reliance Summary						
#	Market Leasing Assumption	Most Comparable Leases	Minimum	Maximum	Average	Market Rent
1	Retail (Corner 39Th)	Comparables 1, 2, 9, 10	\$121.59	\$310.65	\$239.31	\$225.00
2	Retail (Midblock)	Comparables 5, 6, 7, 9	\$92.86	\$417.00	\$229.37	\$175.00
3	Retail (Corner 40Th)	Comparables 1, 2, 4	\$300.00	\$310.65	\$306.88	\$300.00
4	Retail (Mezz)	All Comparables	\$75.00	\$75.00	\$75.00	\$75.00
5	Lower Level (Storage / Vault)	All Comparables	\$25.00	\$150.00	\$64.00	\$25.00 - \$55.00
6	Retail (Cellar)	All Comparables	\$25.00	\$150.00	\$64.00	\$70.00

Compiled by Newmark

Based on our analysis of the market and the utility of the retail space located within the subject property, the concluded market leasing assumptions are further outlined on the following chart:

Market Leasing Assumption Conclusions - Retail							
Space / Building Type	Retail (Corner 39th Street)	Retail (Midblock 5th Avenue)	Retail (Corner 40th Street)	Retail (Mezz.)	Retail (Lower Level)	Retail (Vault)	Storage (Lower Level)
Market Rent (\$/SF/Yr)	\$225.00	\$175.00	\$300.00	\$75.00	\$70.00	\$55.00	\$25.00
Lease Structure	Mod. Gross	Mod. Gross	Mod. Gross	Mod. Gross	Mod. Gross	Mod. Gross	None
Lease Term	10 Years	10 Years	10 Years	10 Years	10 Years	10 Years	10 Years
Escalation	3.0% Increase Per Annum						
Probability of Tenant Retention*	60% / 65%	60% / 65%	60% / 65%	60% / 65%	60% / 65%	60% / 65%	60% / 65%
Months Down Time - New Tenant**	12.0 / 8.0 Mos.	12.0 / 8.0 Mos.	12.0 / 8.0 Mos.	12.0 / 8.0 Mos.	12.0 / 8.0 Mos.	12.0 / 8.0 Mos.	12.0 / 8.0 Mos.
Rent Concession (New/Renewal)	10 / 5 Mos.	10 / 5 Mos.	10 / 5 Mos.	10 / 5 Mos.	10 / 5 Mos.	10 / 5 Mos.	6 / 3 Mos.
Leasing Commissions (New/Renewal)	4.00% / 2.00%	4.00% / 2.00%	4.00% / 2.00%	4.00% / 2.00%	4.00% / 2.00%	4.00% / 2.00%	4.00% / 2.00%
TI Allowance \$/SF - (New/Renewal)	\$100.00 / \$75.00	\$100.00 / \$75.00	\$100.00 / \$75.00	\$75.00 / \$55.00	\$75.00 / \$55.00	None	None

\*Due to uncertainty surrounding the COVID-19 virus and impact on the Real Estate market, the renewal probability for the initial three years has been assumed to be 60%, followed by 65% thereafter.

\*\*Due to uncertainty surrounding the COVID-19 virus and impact on the Real Estate market, the Downtime for the initial three years has been assumed to be 12 months, followed by 8 months thereafter.

\*\*\*Due to uncertainty surrounding the COVID-19 virus and impact on the Real Estate market, the increase of TI Allowance to 75% of first generation TI's for retail for the first 36 months of the cash flow is considered reasonable until the full impact of the virus on renewal costs is realized.

Compiled by Newmark

## MARKET RENT CONCLUSION COMMENTS

Leasing brokers familiar with the subject property have been interviewed in order to ascertain their indication of rents applicable to the subject property. The brokers indicated that base ground

floor retail within this area of Manhattan generally range from \$150 to \$400 per square foot modified gross, depending on the location, utility and size of the retail suite.

### LEASE TERM CONCLUSION COMMENTS

The existing retail leases within the subject property exhibit terms ranging from 15.01 to 15.09 years. The comparable retail leases exhibited retail lease terms ranging from 5.0 to 19.8 years, with an average of 10.2 years. Conversations with brokers familiar with the subject property indicate that typical retail leases in the market are signed with 5 to 15-year lease terms, depending on the size of the tenant. Within this analysis, we have assumed prospective tenants will sign a 10-year lease.

### LEASE STRUCTURE

This analysis assumes that future retail leases in the subject property will be on a modified gross basis. Tenants will be responsible for their pro-rate share of real estate tax increases over a base year amount billed monthly. Furthermore, tenants will be responsible for a 3.00% increase in base contract rents every year, in lieu of an operating expense reimbursement.

According to our discussions with brokers active in the Manhattan retail market, the initial percentage rent clauses witnessed since March 2020 are being phased out, as surrounding commercial tenants return to work. Leasing activity and inquiries have resumed, and tenants are being offered additional concessions ranging from 6 to 24 months to entice leasing as the city returns to pre-COVID levels. Tenants that contain the phase-in structure with percentage rent clauses are being negotiated with no concessions, as landlords see these as adequate concessions to rent. Current leases in negotiation throughout the surrounding submarket have been structured with annual percent rent increases that are more in-line with pre-COVID levels, generally ranging from 2.50% to 3.00%, or increases every 60 months for terms that exceed 10 years in length. Within this analysis, we have assumed that prospective traditional ground floor retail tenants will be responsible for 3.00% increases annually in lieu of an operating expense reimbursement.

### POTENTIAL GROSS RENT

An overview of the total projected market rent, and the contract to market analysis for the existing leases negotiated within the subject property is further highlighted on the following page:

Total Projected Gross Rent								
Suite	Tenant	Rentable Area	Yr. 1 Contract Rent		Yr. 1 Market Rent*		Contract as % of Market	Total Projected Gross Rent**
			\$/SF/Yr	Annual	\$/SF/Yr	Annual		
<b>Occupied Area</b>								
S-Cellar-1	HSBC Bank USA	11,825	\$50.00	\$591,250	\$55.00	\$650,375	90.91%	\$591,250
S-Cellar-2	HSBC Bank USA	19,270	\$50.00	\$963,500	\$55.00	\$1,059,850	90.91%	\$963,500
S-Cellar-3	HSBC Bank USA > Vacate	9,359	\$35.00	\$327,565	\$25.00	\$233,975	140.00%	\$327,565
Cellar-01	HSBC Bank USA > Vacate	1,081	\$35.00	\$37,835	\$25.00	\$27,025	140.00%	\$37,835
Cellar-02	HSBC Bank USA > Vacate	1,671	\$50.02	\$83,581	\$25.00	\$41,775	200.07%	\$83,581
Cellar-03	HSBC Bank USA > Vacate	18,127	\$50.02	\$906,684	\$70.00	\$1,268,890	71.45%	\$906,684
Cellar-04	HSBC Bank USA > Vacate	1,052	\$35.00	\$36,820	\$25.00	\$26,300	140.00%	\$36,820
Cellar-06	HBK New York	500	\$56.50	\$28,250	\$25.00	\$12,500	226.00%	\$28,250
Mezz-01	Staples East	11,926	\$0.00	\$0	\$75.00	\$894,450	0.00%	\$0
Grade-01	Staples East	5,731	\$399.43	\$2,289,131	\$225.00	\$1,289,475	177.52%	\$2,289,131
Grade-03	HSBC Bank USA > Vacate	7,667	\$464.20	\$3,559,048	\$300.00	\$2,300,100	154.73%	\$3,559,048
0200	HSBC Bank USA > Vacate	7,025	\$77.00	\$540,925	\$88.00	\$618,200	87.50%	\$540,925
0201 - 1W	HSBC Bank USA > Vacate	13,225	\$77.00	\$1,018,325	\$60.00	\$793,500	128.33%	\$1,018,325
0300	HSBC Bank USA > Vacate	41,132	\$77.00	\$3,167,164	\$88.00	\$3,619,616	87.50%	\$3,167,164
0301 - 1W	HSBC Bank USA > Vacate	13,247	\$77.00	\$1,020,019	\$60.00	\$794,820	128.33%	\$1,020,019
0400	HSBC Bank USA > Vacate	41,460	\$77.00	\$3,192,420	\$88.00	\$3,648,480	87.50%	\$3,192,420
0401 - 1W	HSBC Bank USA > Vacate	13,197	\$77.00	\$1,016,169	\$60.00	\$791,820	128.33%	\$1,016,169
0500	HSBC Bank USA > Vacate	41,323	\$77.00	\$3,181,871	\$88.00	\$3,636,424	87.50%	\$3,181,871
0501 - 1W	HSBC Bank USA > Vacate	13,185	\$77.00	\$1,015,245	\$60.00	\$791,100	128.33%	\$1,015,245
0600	HSBC Bank USA > Vacate	41,247	\$77.00	\$3,176,019	\$88.00	\$3,629,736	87.50%	\$3,176,019
0601 - 1W	HSBC Bank USA > Vacate	13,241	\$77.00	\$1,019,557	\$60.00	\$794,460	128.33%	\$1,019,557
0700	HSBC Bank USA > Vacate	40,686	\$77.00	\$3,132,822	\$88.00	\$3,580,368	87.50%	\$3,132,822
0701 - 1W	HSBC Bank USA > Vacate	12,455	\$77.00	\$959,035	\$60.00	\$747,300	128.33%	\$959,035
0800	HSBC Bank USA > Vacate	41,604	\$77.00	\$3,203,508	\$88.00	\$3,661,152	87.50%	\$3,203,508
0801 - 1W	HSBC Bank USA > Vacate	12,399	\$77.00	\$954,723	\$60.00	\$743,940	128.33%	\$954,723
0900	HSBC Bank USA > Vacate	29,448	\$77.00	\$2,267,496	\$88.00	\$2,591,424	87.50%	\$2,267,496
0901 - 1W	HSBC Bank USA > Vacate	12,390	\$77.00	\$954,030	\$60.00	\$743,400	128.33%	\$954,030
1000	HSBC Bank USA > Vacate	37,845	\$77.00	\$2,914,065	\$88.00	\$3,330,360	87.50%	\$2,914,065
1001 - 1W	HSBC Bank USA > Vacate	12,388	\$77.00	\$953,876	\$60.00	\$743,280	128.33%	\$953,876
1100	HSBC Bank USA > Vacate	16,938	\$77.00	\$1,304,226	\$88.00	\$1,490,544	87.50%	\$1,304,226
1101 - 1W	HSBC Bank USA > Vacate	11,760	\$77.00	\$905,520	\$60.00	\$705,600	128.33%	\$905,520
1200	Novartis	15,865	\$110.00	\$1,745,150	\$115.00	\$1,824,475	95.65%	\$1,745,150
1201 - 1W	HSBC Bank USA > Vacate	11,716	\$77.00	\$902,132	\$60.00	\$702,960	128.33%	\$902,132
1400	Novartis	388	\$110.00	\$42,680	\$115.00	\$44,620	95.65%	\$42,680
1401	Icon Infrastructure North America	6,110	\$122.00	\$745,420	\$115.00	\$702,650	106.09%	\$745,420
1402	Baker & McKenzie	8,127	\$55.00	\$446,985	\$115.00	\$934,605	47.83%	\$446,985
1500	Baker & McKenzie	16,263	\$79.00	\$1,284,777	\$115.00	\$1,870,245	68.70%	\$1,284,777
1600	Baker & McKenzie	16,263	\$79.00	\$1,284,777	\$115.00	\$1,870,245	68.70%	\$1,284,777
1700	Baker & McKenzie	16,267	\$79.00	\$1,285,093	\$115.00	\$1,870,705	68.70%	\$1,285,093
1800	Baker & McKenzie	16,275	\$79.00	\$1,285,725	\$115.00	\$1,871,625	68.70%	\$1,285,725
1900	Baker & McKenzie	16,314	\$79.00	\$1,288,806	\$120.00	\$1,957,680	65.83%	\$1,288,806
2000	Baker & McKenzie	16,294	\$79.00	\$1,287,226	\$120.00	\$1,955,280	65.83%	\$1,287,226
2101	Upper 90 Capital Management and One CC Software	10,338	\$23.22	\$240,000	\$120.00	\$1,240,560	19.35%	\$240,000
2102	Converium Capital	2,536	\$23.66	\$60,000	\$120.00	\$304,320	19.72%	\$60,000
2103	452 Fifth Owners	3,554	\$96.17	\$341,788	\$120.00	\$426,480	80.14%	\$341,788
2200	HBK New York	16,428	\$113.00	\$1,856,364	\$120.00	\$1,971,360	94.17%	\$1,856,364
2300	Haitong International Securities	10,248	\$112.00	\$1,147,776	\$120.00	\$1,229,760	93.33%	\$1,147,776
2301	SHPE Living > Vacate	6,180	\$19.42	\$120,000	\$120.00	\$741,600	16.18%	\$120,000
2400	NCH Capital	16,428	\$98.00	\$1,609,944	\$120.00	\$1,971,360	81.67%	\$1,609,944
2500	Lombard Odier Asset Mgt	16,288	\$105.00	\$1,710,240	\$125.00	\$2,036,000	84.00%	\$1,710,240
2800	Tilden Park Capital Management	16,140	\$115.00	\$1,856,100	\$130.00	\$2,098,200	88.46%	\$1,856,100
2900	Capital Dynamics	16,298	\$106.56	\$1,736,715	\$130.00	\$2,118,740	81.97%	\$1,736,715
3001	Varadero Capital	7,636	\$111.00	\$847,596	\$130.00	\$992,680	85.38%	\$847,596
3002	Triangle Capital	7,054	\$115.00	\$811,210	\$130.00	\$917,020	88.46%	\$811,210
<b>Total Occupied</b>		<b>823,414</b>	<b>\$83.38</b>	<b>\$68,657,183</b>	<b>\$93.41</b>	<b>\$76,913,409</b>	<b>89.27%</b>	<b>\$68,657,183</b>
<b>Vacant Area</b>								
Cellar-05	To-Be-Leased	3,639			\$25.00	\$90,975		\$90,975
Grade-02	To-Be-Leased	5,865			\$175.00	\$1,026,375		\$1,026,375
2600	To-Be-Leased	16,291			\$125.00	\$2,036,375		\$2,036,375
2700	To-Be-Leased	16,130			\$125.00	\$2,016,250		\$2,016,250
<b>Total Vacant Space</b>		<b>41,925</b>			<b>\$123.31</b>	<b>\$5,169,975</b>		<b>\$5,169,975</b>
<b>Overall Total</b>		<b>865,339</b>			<b>\$94.86</b>	<b>\$82,083,384</b>		<b>\$73,827,158</b>

\*Based on re-measured square footage

\*\*The total projected gross rent estimate for year 1 is not in line with the figures presented within the Discounted Cash Flow and Direct Capitalization analyses due to contractual rent increases.

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Based on the market leasing assumptions estimated herein, the current contract rents for the existing tenants within the subject are considered to be 89.27% of market levels, which is considered below market. This is largely impacted by the recent office leases that have been signed within the subject property. The current in-place office rent averages \$81.38 per square foot, which compares to the recently signed office leases within the subject property which average \$110.75 per square foot. Overall, it is anticipated that the contract rents will continue to escalate to be more in line with the estimated market leasing assumptions based on the recently signed leases.

## MARKET LEASING ASSUMPTIONS

### RENEWAL PROBABILITY

Traditionally, a market-oriented renewal probability was underwritten at a minimum of 65% and in most cases would exceed this threshold depending on the historical occupancy of a building. However, in consideration of the future impact of COVID-19 may have on the investor activity and underwriting models, we have decreased the renewal probability to 60% to account for the pressure of COVID-19 will have on the market. Our conclusion has been derived based on conversations with active market participants who believe a discount to the market-oriented renewal probability is warranted in light of recent events.

We have assumed a 60% probability of renewal (signing new lease) and 40% probability of turnover (allow the lease to expire and vacate the property) upon expiration of each retail and office lease term for the first three years of the analysis period. Commencing in year 4, the renewal probability has been adjusted to 65%. These assumptions are based on retention rates quoted by owners and managers of competitive properties.

### DOWNTIME CONCLUSION

The downtime between lease terms estimates the period needed to identify a prospective office tenant and the necessary timeframe for the construction period to build-out a tenant space. Based on our review of the market and discussions with active market participants throughout New York City, this analysis has assumed a downtime conclusion of 12 months for the initial three years of the analysis period, and 8 months thereafter. The increased downtime considers the economic pressure of a pending recession and the lasting impacts caused by the COVID-19 pandemic, as employers continue to monitor space needs.

- **HSBC:** Within this analysis, the downtime conclusion has been overwritten to 24 months due to the overall size of the tenant. The additional downtime will allow for the owner to renovate the property and enhance the space to current market standards.

### TENANT IMPROVEMENT ALLOWANCES

The tenant improvement allowance conclusion was previously outlined within the office and retail lease comparable section of this appraisal report. As landlords continue to enhance concessions

to retain tenants and keep occupancy rates high to combat lingering market pressures caused by hybrid and work from home competition caused by COVID-19, we have increased the renewal tenant improvement allowance for the office and retail space to reflect  $\pm 75\%$  of the concluded market leasing assumption for first generation leases. This is an increase from a market-oriented rate of 50% and properly considers the lingering availability issues that were initially a result of COVID, which has remained above market due to hybrid working models and sub-lease availability. Net effective rents have been impaired as landlords understand tenant retention will most likely become more expensive as the market continues to incentivize leasing with high improvement allowances and by pre-building space. The retail market leasing assumptions inclusion of a tenant improvement allowance addresses market pressures that were exacerbated throughout the COVID-19 pandemic, whereby landlords are more receptive to building out space for retailers. However, landlords are beginning to pull back on above market incentives and atypical lease structures for retail tenants due to strong leasing activity throughout Manhattan the retail market, indicating that lease terms and market conditions are normalizing.

### LEASING COMMISSIONS

The chart on the following page details the projected leasing commission schedules based on a 5-year, 10-year, 15-year and 20-year leasing term. These assumptions are consistent with typical commission schedules quoted by Newmark as well as every major New York City leasing brokerage firm and vary depending on the length of the term. It should be noted that commission schedules are traditionally higher for new tenants than renewal tenants, as an override is not included within this schedule due to the tenant's occupancy within the building. A new tenant will typically result in the full commission amount due, whereas a renewing tenant typically results in half. Furthermore, the chart on the following page details the full commission schedule, properly taking into consideration the commission schedule for the exclusive leasing agent, along with the projected override for an outside broker.

The standard New York City office building owner employs exclusive leasing agents who receive a commission, in addition to the commission payable to an outside broker. Based on the existing size, quality, and leasing profile of the building, it is our opinion that the ownership would employ an exclusive agent. Therefore, the chart on the following page outlines the full commission on each lease, factoring in that 50% for all new leases would be orchestrated by an outside broker; with the remainder of the lease attributed to the exclusive leasing agent. Assuming this 50% override, each new lease would attribute a commission expense of 125% of the standard rate. The calculation employed is as follows:

- 50% (override) X 50% (outside broker) = 25%
- Total Commission To Be Paid = 125%

Newmark Commission Schedule					
Lease Term	Years	Full Commission	Override Commission	Total Commission @ 100.0% Override Probability	Renewal Commission @50%
	1	5.00%	1.25%	6.25%	3.13%
	2	4.00%	1.00%	5.00%	2.50%
	3	3.50%	0.88%	4.38%	2.19%
	4	3.50%	0.88%	4.38%	2.19%
	5	3.50%	0.88%	4.38%	2.19%
<b>5 Year Total</b>	<b>Total</b>	<b>19.50%</b>	<b>4.88%</b>	<b>24.38%</b>	<b>12.19%</b>
<b>5 Year Average</b>	<b>Avg.</b>	<b>3.90%</b>	<b>0.98%</b>	<b>4.88%</b>	<b>2.44%</b>
	6	2.50%	0.63%	3.13%	1.56%
	7	2.50%	0.63%	3.13%	1.56%
	8	2.50%	0.63%	3.13%	1.56%
	9	2.50%	0.63%	3.13%	1.56%
	10	2.50%	0.63%	3.13%	1.56%
<b>10 Year Total</b>	<b>Total</b>	<b>32.00%</b>	<b>8.00%</b>	<b>40.00%</b>	<b>20.00%</b>
<b>10 Year Average</b>	<b>Avg.</b>	<b>3.20%</b>	<b>0.80%</b>	<b>4.00%</b>	<b>2.00%</b>
	11	2.00%	0.50%	2.50%	1.25%
	12	2.00%	0.50%	2.50%	1.25%
	13	2.00%	0.50%	2.50%	1.25%
	14	2.00%	0.50%	2.50%	1.25%
	15	2.00%	0.50%	2.50%	1.25%
<b>15 Year Total</b>	<b>Total</b>	<b>42.00%</b>	<b>10.50%</b>	<b>52.50%</b>	<b>26.25%</b>
<b>15 Year Average</b>	<b>Avg.</b>	<b>2.80%</b>	<b>0.70%</b>	<b>3.50%</b>	<b>1.75%</b>
	16	2.00%	0.50%	2.50%	1.25%
	17	2.00%	0.50%	2.50%	1.25%
	18	2.00%	0.50%	2.50%	1.25%
	19	2.00%	0.50%	2.50%	1.25%
	20	2.00%	0.50%	2.50%	1.25%
<b>20 Year Total</b>	<b>Total</b>	<b>52.00%</b>	<b>13.00%</b>	<b>65.00%</b>	<b>32.50%</b>
<b>20 Year Average</b>	<b>Avg.</b>	<b>2.60%</b>	<b>0.65%</b>	<b>3.25%</b>	<b>1.63%</b>

Compiled by Newmark

## MARKET RENT GROWTH ASSUMPTIONS

### OFFICE RENT GROWTH ANALYSIS

The concluded rent growth assumptions have been determined based on discussions with Newmark's leasing brokerage group, along with owners, developers and investment managers who specialize in office building leasing, acquisitions, and developments throughout New York City. Leasing activity prior to the onset of COVID-19 was robust, setting records at 49.6 million square feet in 2019 or 16.8% above the previous year's record. However, the office market was brought to a halt in March of 2020, due to the safety measures offices were closed and a majority of the US population was forced to work from home.

The return to work from the office has been sluggish, as there has been many attempts throughout 2022 for employees to get back to the office. However, the physical occupancy of New York City has increased in excess of 60% in New York City, which is the highest percentage since March 2020. Office occupancy has been driven by the financial sector as tech occupancy continues to lag behind. While the average weekly figures are around the 65.0% threshold, building managers indicate that occupancy rates spike on Tuesday through Thursday, which average between 70% to 90%, with Monday starting to gain more momentum and Friday continues to lag significantly behind.

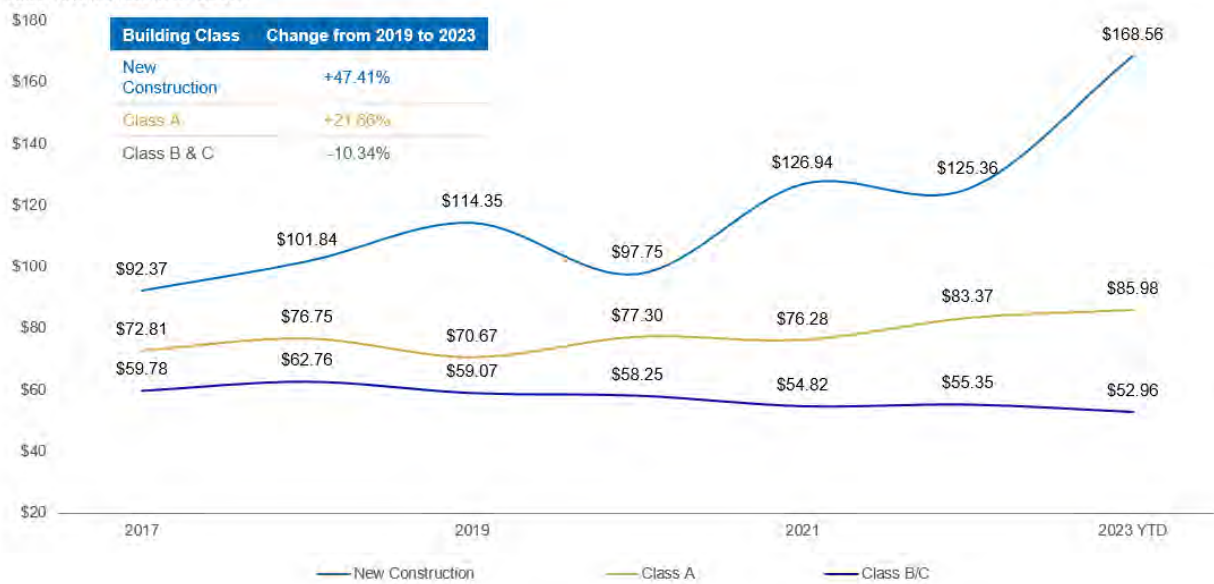
The national unemployment rate currently remains strong, as of April 2023 at 3.4%, despite many companies who have started lay-offs. Unemployment indicators continue to remain stable, but inflation remains a paramount concern. The national consumer price index (CPI) has increased 4.98% year-over-year, as of the latest CPI print for the month of April 2023. In order to combat inflation and return to the Fed's inflation target of 2.0%, the Fed has increased the Federal Funds Rate by a total of 500-basis points during 2022 and into 2023, bringing the Federal Fund Rate to 5.00%-5.25%. The Fed has signaled towards a pause in rate hikes; however, remains committed to their goal of reducing inflation. The rate increases over the course of 2022 and into 2023 has led to a steep decline in activity within the capital markets. The New York City seasonally adjusted unemployment rate continues to hover above the national rate as of March 2023, sitting at 5.4% and remaining unchanged from February, exhibiting a decrease of 0.9% from March 2022.

Tenants' preferences have shifted since the beginning of the pandemic and are still evident today, as tenants search for buildings that are fully amenitized, offer pre-built suites, and are centrally located to large transportation hubs such as Penn Station and Grand Central. Flight to quality transactions drove increases in taking and net effective rents across Manhattan.

While building owners throughout New York City have increased concession packages, many developers and investors of Class A buildings are considering near-term growth in rent assumptions. The bifurcation in the market between Class A and Class B buildings is evident, as taking rent growth accelerated in trophy assets, ahead of other Class A properties, while Class B and C properties declined.

New construction and Class A assets witnessed increase in taking rents from 2019 to 2022, increasing 47.41% and 21.66%, respectively. New construction has witnessed exponential growth since the onset of Covid-19 and is expected to continue increasing, due to the demand of tenants within the marketplace to move to high quality assets. Class B/C assets remain unfavorable by tenants within the market, evidenced by the continual decline in taking rents over the previous seven years. Furthermore, the following chart highlights the continued flight to quality within the marketplace:

BASE TAKING RENTS BY CLASS



Flight to Quality Base Rent Comparison

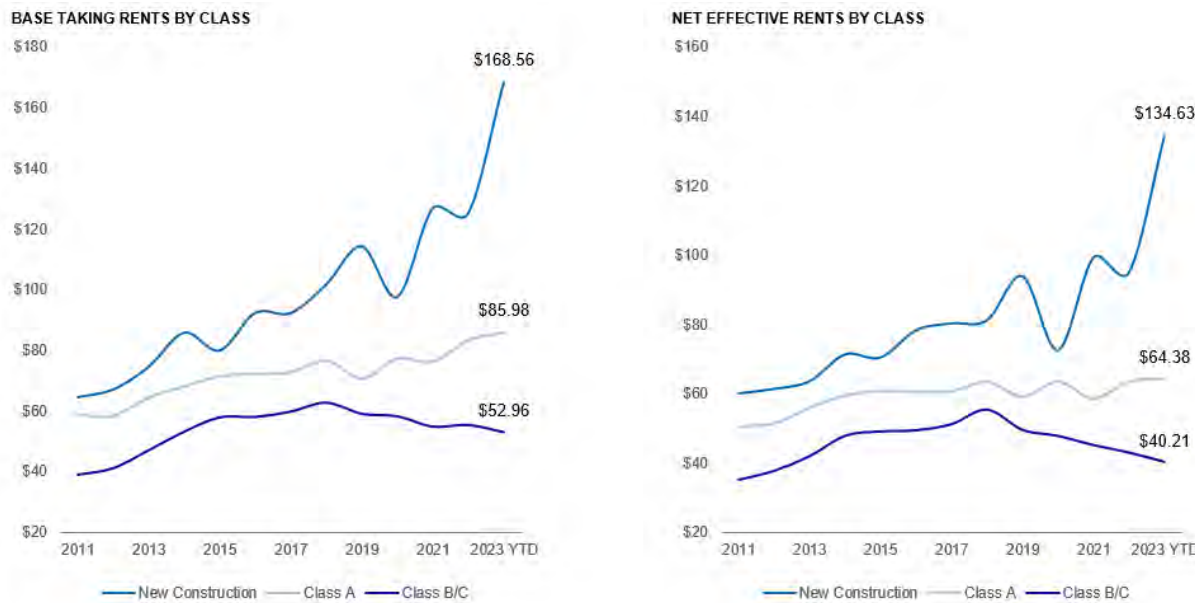
The first quarter of 2023 leasing activity closed at 6.6 million square feet, an increase of 11.86% quarter-over-quarter. Leasing activity in 2022 was the strongest year since the start of the pandemic, with over 31.56 million square feet signed during 2022, an increase of 19.55% year-over-year or a 5.1 million square foot increase. The tech industry previously led the market in terms of leasing; however, the market is currently driven by Financial, Insurance, and Real Estate tenants.

Tech companies have been conducting massive layoffs to right size headcounts after a hiring binge during the pandemic. The continued rise of artificial intelligence has warranted a significant capital investment from several large Technology companies, which are focused on adopting the technology and the overall impact of on future profits. In efforts to remain competitive in the “artificial intelligence race,” tech companies have started a new wave of hiring to expand this service line. It is uncertain the impacts this will have on the space requirements to service Artificial Intelligence platforms and Learning Language Models (LLM’s). The industry continues to prioritize flexible or hybrid working models to retain talent and competitive benefits. However, it is important to note this increase in hiring as it may have a positive impact on the office market.

MANHATTAN MARKET FUNDAMENTALS

Taking rents and net effective rents both increased significantly throughout the pandemic despite negative market sentiment. This is attributed to the leasing activity that has occurred within Class A properties, which accounted for 68.3% of annual leasing activity. As tenants within the market continue to gravitate towards higher quality space. The gap between base rents and net effective rents also widened as concessions have reached a historical high; furthermore, concessions are anticipated to remain high, as tenants are expecting pre-built space that is up to current market

standards. The cost to pre-build space is traditionally a set number. This figure is not impacted by the respective rental rate or building class. Therefore, buildings of lesser quality or which exhibit lower asking rents are impacted by pre-built costs at a disproportionate level, resulting in a meaningful change in return expectations by investors for Class B and Class C properties. Further comprising returns is the length of leases, which remain virtually unchanged. As such, net effective rents continue to decline. Landlords are significantly more competitive with concessions to incentivize leasing to combat above market availability concerns. The following chart outlines base taking rent and net effective rent compared to work allowance and free rent.



Note: Rents are based on direct deals with 5+ year term.  
Source: Newmark Research

Manhattan Market Fundamentals

AMENITY CENTERS

The space demand for tenants is constantly evolving, and tenants are targeting excellent quality assets that offer amenities as evidenced by the following properties: 375 Park Avenue (The Seagram Building), 390 Park Avenue (Lever House), and 767 Fifth Avenue (The GM Building). 375 Park Avenue recently completed the construction of their amenity center dubbed “The Playground” offering the following perks to their tenants: basketball court, squash court, fitness center, yoga studio, lounge, rock-climbing, amphitheater, on-site parking, and world-famous dining options. However, it is important to note that The Seagram building is within a league of its own and tenants in the marketplace are not demanding amenities of this scale. Tenants are often searching for either a fitness facility, a lounge for their employees, a café for the tenants and outdoor space.

KEY TAKEAWAYS

- On the supply side, landlords need to differentiate their product against the competition—this was happening before Covid but accelerated during the pandemic.
- On the demand side, the amenities offered (fitness/sport, food/beverage, hospitality, outdoor space) and the quality of space helps to attract and retain a talented workforce.
- Buildings with high end amenity centers generate a 21.8% premium in taking rents and an increase in leasing activity.
- The average taking rent premium for deals with private outdoor space is 24.4% higher than a comparable deal without it in the same building.

21.8% premium in taking rents over the submarket average in the buildings that add full amenity centers



TOP MODERN AMENITIES



**Full-Service Conference Center**  
Food and beverage catering, high-end audio-visual equipment & support, virtual connectivity system, event programming, vendor management



**Gym & Sport Activity Spaces**  
Fitness center, yoga, climbing wall, basketball, golf simulator, billiards, table tennis



**Artisanal Food & Beverage**  
Ranges from coffee to grab-and-go to food hall to hospitality spaces



**Communal Outdoor Space**  
Inspiring workspaces, events, networking

FULL AMENITY CENTERS



BUILDINGS ADDING AMENITIES

<b>Underway</b> 375 Park Avenue 767 Fifth Avenue 295 Fifth Avenue	360 Park Avenue South 5 Times Square 590 Madison Avenue	825 Third Avenue 425 Park Avenue	<b>Future</b> 1301 Ave. of the Americas 111 Wall Street 9 West 57th Street	1251 Ave. of the Americas 277 Park Avenue 125 West 57th Street	0 Irving 2 Penn Plaza	<b>Future/Planning Stages</b> 40 West 57th Street 390 Park Avenue 120 Park Avenue
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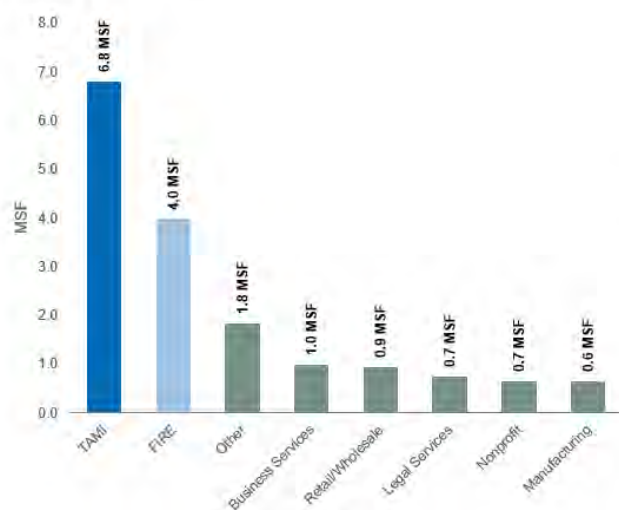
Source: Newmark Research

Amenities Overview

SUBLEASE MARKET

As of the first quarter of 2023, 22.8 million square feet of sublease space is currently available, with an additional an additional 0.9 million square feet planned to come to the market, bringing the anticipated total to 23.7 million square feet. The first quarter exhibited an increase of 1.7 million square feet of sublease space, a majority of the sublease space is located within the Midtown market, with 12.7 million square feet on the market as of the first quarter of 2023. TAMI tenants account for 40.9% of the sublease space available on the market, as the industry continues to allow their employees the ability to work from home, leading to companies reevaluating their office requirements as a result of the COVID-19 pandemic. Furthermore, during the first quarter of 2023, Twitter added 300,000 square feet of space to the sublease market. The following charts illustrate the amount of sublease space delineated by industry and the steep increase of sublease space added to the market following the COVID-19 pandemic.

SUBLEASE SPACE



Note: Spikes owing to market anomalies, but subject to change  
Source: Newmark Research

**Manhattan Sublease Space Tracker**

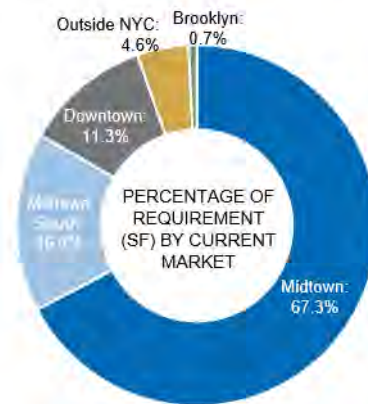
**CHANGES IN DEMAND**

Since December of 2020 the New York City market has witnessed an increase of 59 tenants active within the market, as of March 2023, 310 tenants are active within the market. Financial, Insurance, and Real Estate tenants lead the marketplace in terms of tenant requirements, significantly outsize TAMI and Legal Services tenants. TAMI growth and expansion was largely the fundamental driver of absorption throughout the previous cycle for Manhattan office market. This sector experienced unprecedented growth resulting that directly benefited real estate, as future growth potential was synonymous with real estate space needs. However, this industry is very sensitive to the current interest rate environment, as the inherit value of the company was largely tied to future projections. With borrowing rates continuing to increase, layoffs were announced imminently, and expansion space was no longer needed. This sector is the leading remote working industry in the marketplace, and TAMI tenants continue to reassess their office space needs to retain talent from benefits offered by competitors and to save on costs. Furthermore, as FIRE tenants have continued to return to the office, the tenant requirement remains in line with the continual push to return to the office for their respective industry. This is further outlined on the following chart:

TOTAL SQUARE FOOTAGE OF ACTIVE REQUIREMENTS (MSF)



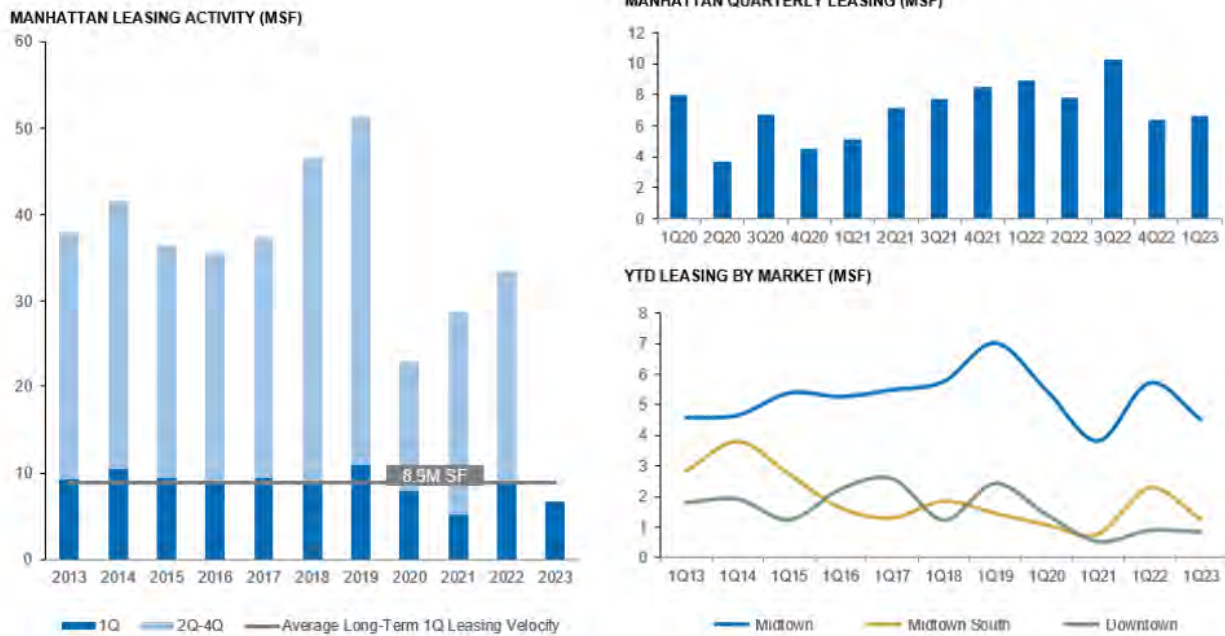
TENANT REQUIREMENTS BY INDUSTRY (MSF)



Source: Newmark Research

Changes in Demand & Active Tenants in The Market

First quarter activity reached 6.6 million square feet, an increase of 4.5% quarter-over-quarter; however, remaining 25.4% below first quarter 2022 activity. Manhattan’s long-term annual leasing velocity has averaged 8.9 million square feet yearly. As evidenced by the following chart, leasing activity has remained below the first quarter average. Leasing by market has continued to be dominated by the Midtown market, as this market is within close proximity to major transportation hubs i.e., Grand Central and Penn Station, and the location of the newest Class A and Trophy office buildings.



Source: Newmark Research

Annual Leasing Activity

**MARKET PARTICIPANTS**

We have relied on conversations with active market participants and underwriters for recent office sale transactions to establish the projected market rent growth rates concluded within our analysis to better understand the current market and the outlook of investors acquiring office buildings throughout Manhattan. The fourth quarter of 2021 and first half of 2022 were the strongest quarters for office investment in Manhattan, accounting for approximately half of the investment volume in both 2021 and 2022. First quarter 2023 investment volume has declined significantly when compared to the two strong quarters previously mentioned, as investment volume within the market has decreased 90.31% year-over-year. Furthermore, investment within office is expected to remain relatively low as the capital markets have slowed down significantly due to the high interest rate environment. The expectations by many economists and market participants is that a recovery will not be seen until 2024. As a result, capital market activity in New York City office product has slowed dramatically over the year; however, it is important to mention that approximately \$16 billion in loans secured by New York City commercial properties are projected to mature in 2023. Due to the illiquidity within the market, there are no lenders for office today, however, the recapitalization of assets is to be the predominant activity witnessed during the year. This will be advantageous strategy within the market and will further reduce the systemic risk that may arise from a fire sale of assets, as banks will not be forced to sell for a number lower than what they are marked at. Furthermore, new loan originations will be more favorable during this period given the current macro environment, and high interest rates, the competition is low, therefore underwriting will be more reflective of market standards. Moreover, a significant amount of “cash” buyers are on the sideline waiting to purchase properties at a

relatively attractive basis, with the opportunity for a favorable loan and competitive interest in 24 to 36 months.

We have interviewed market participants who provided internal feedback regarding New York City rent growth expectations. Most investors are currently underwriting rent increases above the concluded long-term market rent growth of 3.0% per annum with no growth during the initial year of their projected cash flows. Buyers in the marketplace believe rents will continue to be flat over the near term for Class B buildings while many investors are expecting moderate increasing rents beginning next year for trophy and Class A properties. Some investors and advisors recently underwriting moderate rent growth of 4.0% in the initial years for the best office buildings based the accelerated flight to quality in trophy buildings and increasing office rents. The following chart provides an overview based on our discussions:

Market Rent Growth Survey - Excellent Quality Class A/Trophy Buildings				
Respondent	Title	Outlook	Near Term Forecast	Long Term Forecast
Asset Manager	Vice President	Moderate	3% Year 1	3.5% Average
NYC & Global Economist	Senior Managing Director	Flat	3% Year 1	3.0% Average
Owner	Executive Managing Director	Flat	3% 1 Year, 4% Year 3	3.5% Average
Asset Manager	Executive Vice President	Moderate	3% Year 1	3.5% Average
Developer/Owner	Senior Vice President	Moderate	3% Year 1	3.0% Average
Head of Economic Research	Managing Director	Moderate	3% Year 1	3.0% Average
Capital Markets Professional	Managing Director	Moderate	3% 1 Year, 3.5% Year 2	3.5% Average
Chief Economist	Executive Vice President	Flat	3% Year 1	3.0% Average
Developer/Owner	Vice President	Moderate	3% Year 1 / 3.5% Yr 3	3.5% Average
Capital Markets Professional	Managing Director	Flat	3% Year 1	4.0% Average
Asset Manager	Vice President	Moderate	3% Year 1	3.5% Average
Asset Manager	Executive Vice President	Moderate	3% Year 1	3.0% Average
Newmark NYC Research	Senior Managing Director	Moderate	3% Year 1	3.9% Average

Compiled by Newmark

Market Rent Growth Survey - Average to Good Quality Class A & B/C Buildings				
Respondent	Title	Outlook	Near Term Forecast	Long Term Forecast
Asset Manager	Vice President	Flat	3% Year 1	3.0% Average
Capital Markets Professional	Managing Director	Flat	3% Year 1	3.0% Average
Developer/Owner	Executive Managing Director	Flat	Zero 2 Years	3.0% Average
Asset Manager	Executive Vice President	Flat	Zero 1 Year	3.0% Average
Developer/Owner	Vice President	Moderate	Zero 2 Years	3.0% Average
Capital Markets Professional	Managing Director	Flat	3% Year 1	3.0% Average
Head of Economic Research	Managing Director	Moderate	3% Year 1	3.0% Average
Chief Economist	Vice President	Flat	Zero 2 Years	3.0% Average
NYC & Global Economist	Senior Managing Director	Flat	Zero 2 Years	3.0% Average
Developer/Owner	Senior Vice President	Moderate	Zero 1 Year	3.0% Average
Asset Manager	Executive Vice President	Flat	Zero 2 Years	3.0% Average
Newmark NYC Research	Senior Managing Director	Flat	Zero 2 Years	3.0% Average

Compiled by Newmark

The individuals surveyed indicated there is uncertainty within the New York City commercial real estate (CRE) market. Although, Excellent quality Class A and Trophy assets remain relatively segregated from the rest of the market, as evidenced by the low direct vacancy rates of 6.4% for Excellent quality Class A and Trophy buildings. Furthermore, rents have continued to increase as a result of the increased demand, thus, supporting near term forecasts. Due to the lack of demand within the market for good quality Class A and B office buildings, the near-term forecast remains uncertain, therefore rents are not anticipated to grow as evidenced by most individuals within the market.

## CONCLUSIONS

Newmark Valuation & Advisory and Capital Markets has been involved with several transactions since the first quarter of 2020, which have been underwritten utilizing near term rent growth for Class A buildings. Conversely, Class B office buildings are still being underwritten with flat growth during the initial years of the investment holding period. As evidenced by the leasing and transactional data, there is a bifurcation in the market, with a large concentration of leasing and investment capital being directed towards Trophy and Class A office space. As buyers and sellers traditionally set the market, this is only market knowledge we can extract to understand a buyer's expectations when investing in a property such as the subject property. Our projections have been verified by several owners, developers and leasing agents that are very intimate with the New York City market. A rental growth rate of 3.0% annually Class A buildings has been well documented throughout the appraisal report and is further supported by the historical trends that have impacted the market for several quarters. Conversely, rent growth for Class B office buildings will commence at 3.0% in year two of the investment holding period.

Several market participants are analyzing prior recession recovery trends to adjust their outlook on the prospective market. A key metric that is traditionally tracked is the Consumer Price Index (CPI), which rose by 4.98% year-over-year. When compared to CPI metrics from 2000 to 2022, the average increase has been significantly less, with an average growth of 3.18%. To assume prime, investment grade real estate within New York City will appreciate in concert with CPI is considered passive to several investors in the marketplace. The following chart analyzes the asking rents for Manhattan and the subject's market and submarket since 2010, and the variance between rent inflation and CPI.

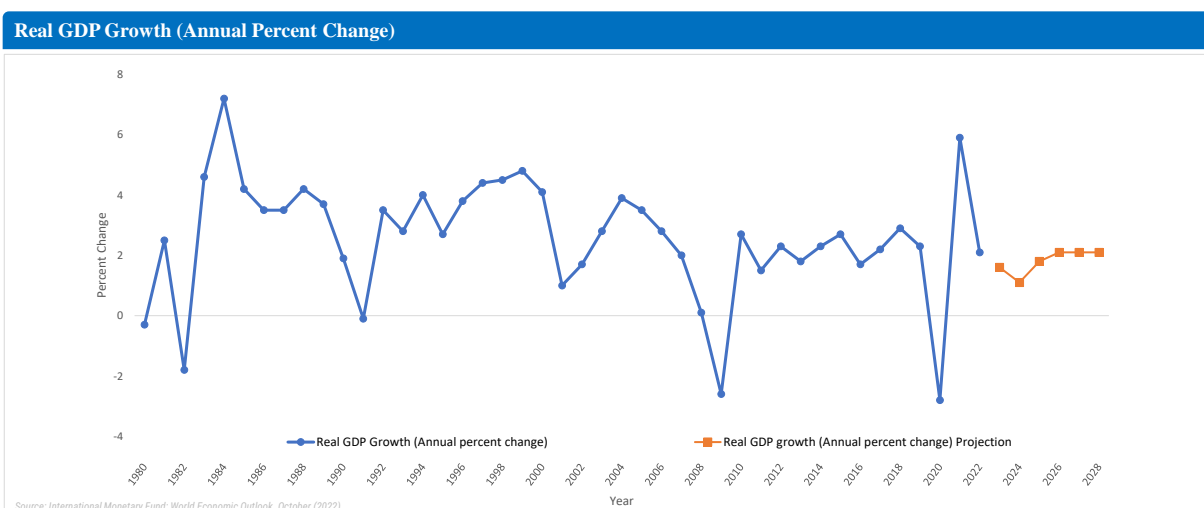
Average Annual Growth Rate - Office Rents (2012-2022)	
Market	Rent Growth
Manhattan	2.38%
Midtown	1.34%
Grand Central	1.55%
Subject Annual Growth Projections	3.00%
20 Year Consumer Price Index (CPI)	3.16%

Within this analysis, we have applied a 3.00% annual office rent growth rate throughout the analysis period. This assumption appears reasonable and competitive with investor trends and analytics surveyed for the Class A New York City market.

### RETAIL MARKET RENT GROWTH ASSUMPTIONS

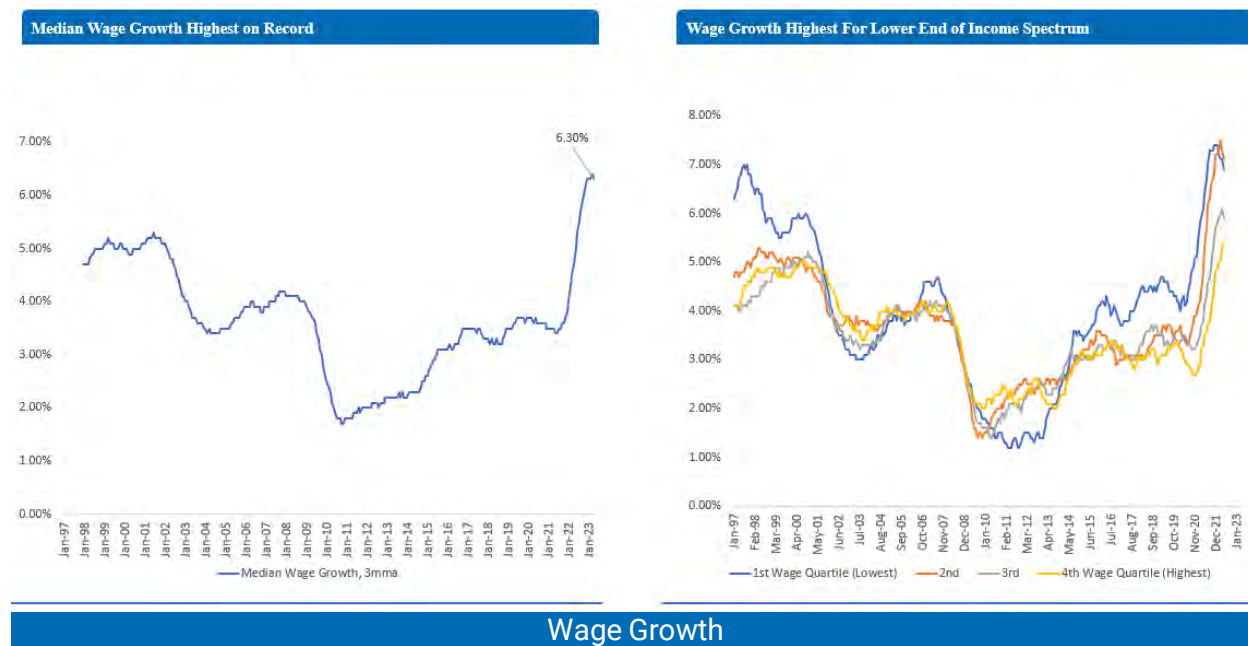
As a foundation for our assumptions, we have interviewed several market participants that specialize in retail leasing in the Manhattan marketplace. Based on our discussions with active market participants, retail growth rates will be highly influenced by Gross Domestic Product (GDP) and Gross Domestic Income (GDI) over the next few years. While the respective economic factors are showing signs of recovery, the many brokers and capital market professionals are anticipating no growth for retail space until availability concerns continue to diminish.

The following image illustrates the annual percentage change in Real (GDP) growth over the period of 1980 to 2022, along with a forecast for the years 2023 through 2028. The data demonstrates that Real (GDP) experienced a significant decline during major crises, such as the 2007-2008 financial crisis and the COVID-19 pandemic in 2020. However, the United States rebounded quickly, with a robust economy driven by a massive injection of funds through government support. During the second quarter of 2022, the FED imposed a series of rate hikes in order to cool down the economy, raising the Fed Funds rate to a target of 5.00% to 5.25%. The above market increase to the federal funds rate has been employed to limit consumer spending and address the overheating economy, while aiming to regain control of the skyrocketing inflation. The International Monetary Fund (IMF) predicts a slight decrease in Real GDP growth for 2023, followed by stabilization throughout 2028, as the economy resets after the FED continues to tighten the economy.



The Consumer Price Index experienced a year-over-year increase of 9.53% in 2022, furthermore, CPI has increased 4.93% year-over-year for the month of April. Indicating that prices for goods

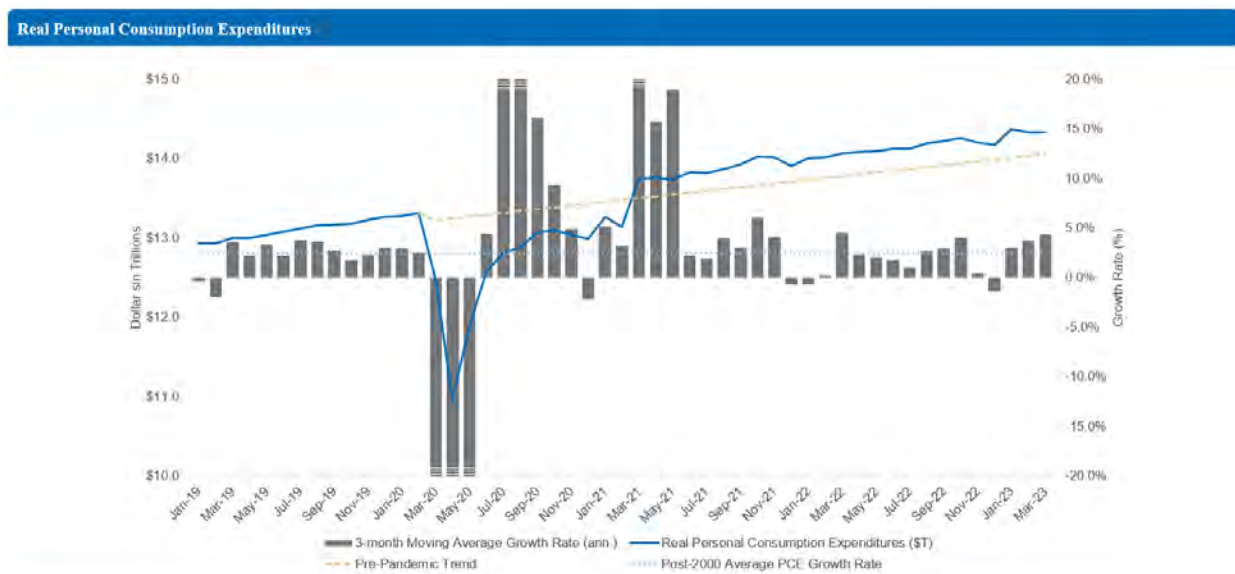
and services has risen significantly. While it may be logical to assume that this would cause consumers to reduce their spending on non-essential goods and focus on essentials, there are various factors that influence spending patterns, including income, employment, and consumer confidence. Due to rapid inflation, the United States has seen the fastest wage growth in decades, with lower-income workers and those without a college degree experiencing the greatest wage growth. As shown in the following chart, wages have increased dramatically over the past couple years:



The above data highlights the exponential growth of wages in the past few years, indicating a significant increase in income. In addition, the employment sector has been performing exceptionally well, with the economy adding jobs, albeit at a slower pace than in 2020, but still above the pre-pandemic average. The national unemployment rate was reported at 3.4% in April 2023, and there is an average of 0.6 unemployed persons per job opening, further confirming the robust state of the job market. As a result of rapid inflation, the United States has witnessed the fastest wage growth in decades, and the job market remains resilient as unemployment remains low.

Despite the high levels of inflation, consumer spending in the United States has not declined and remains above the pre-pandemic trend; however, a steady decline is being observed in the various statistics reported. The increase in real personal consumption since March of 2021 has outpaced the pre-pandemic trend, which can be attributed to the significant wage growth which continued to assist the strong job market. However, the increase of wage growth correlates to the rapid inflation as the Consumer Price Index increased by 9.53% in 2022 and has increased 4.93% year-over-year during the month of April 2023. While the Federal Reserve remains strong on their agenda to reduce inflation back to their target of 2.00% to 2.50%, consumer spending will most

likely be disrupted as disposable income is anticipated to diminished sharply, as consumers preferences will shift towards household consumption needs. For an overview of real personal consumption expenditures, refer to the following chart:



Source: U.S. Bureau of Economic Analysis, Newmark Research

Manhattan retail leasing continues to improve as the first quarter of 2023 recorded a 17.1% increase year-over-year. The first quarter of 2023 recorded 955,907 square feet of space leased, which is above the 10-year first quarter leasing average of 814,000 square feet. Brokers believe that retail rents will continue to be underwritten assuming no rent growth for the interim, until the market continues to absorb space and sustain current availability concerns with a recession pending. Therefore, we have assumed the growth rate for the retail market rent will remain flat for the first three years of the analysis period, which addresses the concerns of a potential recession and a decline in consumer spending. Thereafter, we have assumed that retail market rent growth will resume the previous 3.0% per annum increases for the remainder of the holding period.

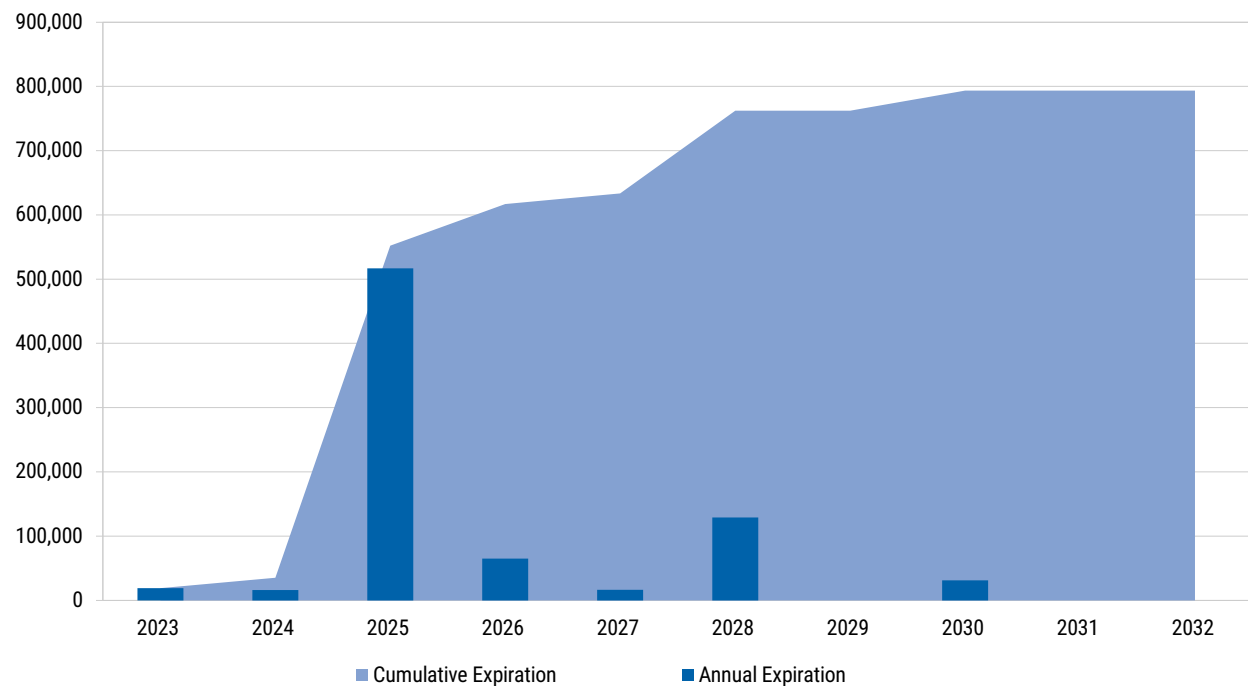
### LEASE EXPIRATION ANALYSIS

A lease expiration schedule for the existing tenants is shown in the following table.

Existing Lease Expiration											
Year No.	Calendar Year	No. of Suites	SF Expiring	% of Total	Cumulative SF	% of Total SF	Rent At Expiration	WTD. AVG Contract Rent	% of Total Rent	Cumulative Expired Rent	
1	2023	3	19,054	2.20%	19,054	2.20%	\$420,066	\$22.05	0.61%	0.61%	
2	2024	1	16,140	1.87%	35,194	4.07%	\$1,856,100	\$115.00	2.69%	3.30%	
3	2025	27	516,868	59.73%	552,062	63.80%	\$41,750,684	\$80.78	60.46%	63.75%	
4	2026	7	64,898	7.50%	616,960	71.30%	\$7,472,484	\$115.14	10.82%	74.57%	
5	2027	1	16,428	1.90%	633,388	73.20%	\$1,609,944	\$98.00	2.33%	76.91%	
6	2028	10	128,841	14.89%	762,229	88.08%	\$10,793,423	\$83.77	15.63%	92.53%	
7	2029	0	0	0.00%	762,229	88.08%	\$0	\$0.00	0.00%	92.53%	
8	2030	2	31,095	3.59%	793,324	91.68%	\$1,710,225	\$55.00	2.48%	95.01%	
9	2031	0	0	0.00%	793,324	91.68%	\$0	\$0.00	0.00%	95.01%	
10	2032	0	0	0.00%	793,324	91.68%	\$0	\$0.00	0.00%	95.01%	
	Vacant	4	41,925	4.84%							
	Mgmt.	0	0	0.00%							

Expiration Through 2032				
Cumulative Expiration	793,324	91.68%	\$65,612,926	95.01%
Annual Average	79,332	9.17%	\$6,561,293	9.50%

Compiled by Newmark



Over the assumed 10-year holding period, all of the existing tenants are anticipated to rollover to market, averaging 9.17% per annum. A majority of the rollover risk is concentrated to the fourth year of the analysis period, when HSBC lease expires and will vacate the property. The tenant anchors the property leasing 516,868 square feet of office, retail and storage. The above market lease-up risk associated with the planned vacancy from the anchor tenant has impacted the

selected investment rates and above market downtime needed in order to release the HSBC block.

### VACANCY AND COLLECTION LOSS ANALYSIS

The average occupancy over the 10-year holding period, exclusive of the projected rollover, is estimated within this analysis at 85.17%. The following chart details the subject's average occupancy over the analysis period for the As Is approach to value.

Average Occupancy Over Holding Period						
Year	Date	Average Occupied SF	Annual Remeasured SF	Occupancy	Vacancy & Collection	Average Occupancy
1	2023	812,760	865,339	93.92%	3.00%	90.92%
2	2024	811,579	865,339	93.79%	3.00%	90.79%
3	2025	338,142	865,339	39.08%	3.00%	36.08%
4	2026	384,898	865,339	44.48%	3.00%	41.48%
5	2027	834,781	865,339	96.47%	3.00%	93.47%
6	2028	849,332	865,339	98.15%	3.00%	95.15%
7	2029	855,756	865,339	98.89%	3.00%	95.89%
8	2030	857,565	865,339	99.10%	3.00%	96.10%
9	2031	865,339	865,339	100.00%	3.00%	97.00%
10	2032	865,339	865,339	100.00%	3.00%	97.00%
<b>Average Over Holding Period " As Is"</b>				<b>86.39%</b>		<b>83.39%</b>

*Compiled by Newmark*

Within this analysis, a 0.0% collection loss has been applied to HSBC, while all remaining tenants received a 3.00% collection loss adjustment. The collection loss will fluctuate upon vacancy of HSBC lease expiration, which will increase to the market-oriented rate of 3.0%. When applying the vacancy rate to the projected downtime, the average occupancy adjusts to 83.39%, which is anticipated to increase to 96.50% once the property achieves economic stabilization in year 7 of the investment holding period. This level of stabilized occupancy is within the range of comparable office properties surrounding the subject and the implied occupancy rate is considered reflective of current market standards.

As a result of the planned stabilized occupancy modelled herein, a 3.00% vacancy and collection loss has been utilized within the direct capitalization method. As additional support, we have surveyed the subject's surrounding marketplace in order to ascertain vacancy rates witnessed within the market, which have been highlighted on the following page:

**Occupancy Conclusions**

Manhattan	86.90%
Midtown	87.90%
Grand Central	87.46%
Bryant Park	93.20%
Competitive Survey	90.39%
Direct Competition	94.29%
<u>Subject Property's Current Occupancy</u>	<u>95.16%</u>
Subject Property's Stabilized Implied Occupancy - As Is	83.39%
Lease-up Period (Months)	18 mos.

*Source: Newmark Valuation & Advisory*

OPERATING EXPENSE HISTORY

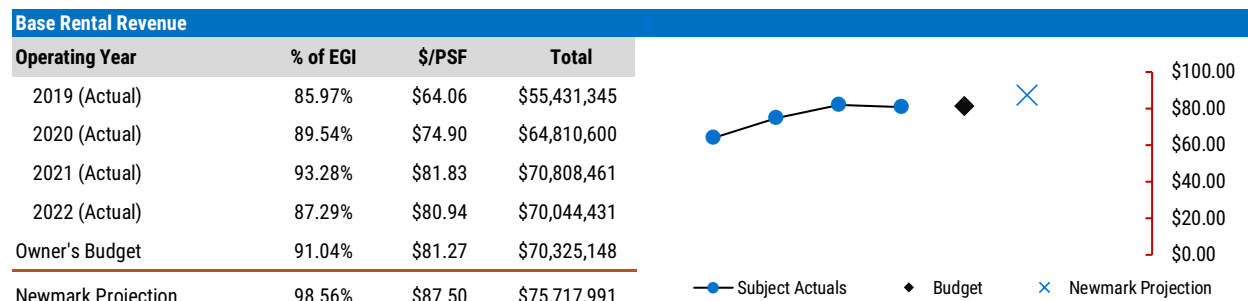
Operating Expense History and Projections												
	Actual CY 2019		Actual CY 2020		Actual CY 2021		Actual CY 2022		Owners CY 2023 Budget		Newmark FY 2024 Projection	
	Total	\$/SF	Total	\$/SF	Total	\$/SF	Total	\$/SF	Total	\$/SF	Total	\$/SF
<b>Commercial Revenue</b>												
Base Rental Revenue	\$55,431,345	\$64.06	\$64,810,600	\$74.90	\$70,808,461	\$81.83	\$70,044,431	\$80.94	\$70,325,148	\$81.27	\$75,331,243	\$87.05
Absorption & Turnover Vacancy	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00	(\$6,424,067)	(\$7.42)
Base Rent Abatements	\$0	\$0.00	(\$312,450)	(\$0.36)	(\$1,473,216)	(\$1.70)	(\$999,381)	(\$1.15)	(\$5,341,620)	(\$6.17)	(\$2,476,395)	(\$2.86)
Real Estate Tax Reimbursements	\$6,985,666	\$8.07	\$6,759,155	\$7.81	\$5,542,609	\$6.41	\$5,231,239	\$6.05	\$5,668,647	\$6.55	\$4,461,566	\$5.16
Operating Expense Reimbursements	\$7,895,933	\$9.12	\$6,695,241	\$7.74	\$5,059,814	\$5.85	\$4,140,583	\$4.78	\$3,856,066	\$4.46	\$3,646,753	\$4.21
Tenant Electric Income	\$1,115,555	\$1.29	\$1,078,668	\$1.25	\$1,122,812	\$1.30	\$1,276,633	\$1.48	\$1,554,000	\$1.80	\$1,596,705	\$1.85
Other Income	\$36,173	\$0.04	\$111,350	\$0.13	\$389,767	\$0.45	\$122,011	\$0.14	\$1,180,160	\$1.36	\$115,115	\$0.13
Potential Gross Income	\$71,464,672	\$82.59	\$79,142,564	\$91.46	\$81,450,247	\$94.13	\$79,815,516	\$92.24	\$77,242,401	\$89.26	\$76,250,921	\$88.12
Vacancy and Collection Loss	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00	(\$870,012)	(\$1.01)
<b>Effective Gross Income</b>	<b>\$71,464,672</b>	<b>\$82.59</b>	<b>\$79,142,564</b>	<b>\$91.46</b>	<b>\$81,450,247</b>	<b>\$94.13</b>	<b>\$79,815,516</b>	<b>\$92.24</b>	<b>\$77,242,401</b>	<b>\$89.26</b>	<b>\$75,380,908</b>	<b>\$87.11</b>
<b>Operating Expenses</b>												
Payroll and Related	\$4,701,430	\$5.43	\$4,157,070	\$4.80	\$4,427,611	\$5.12	\$4,416,060	\$5.10	\$5,307,572	\$6.13	\$5,219,491	\$6.03
Utilities	\$2,914,635	\$3.37	\$2,364,927	\$2.73	\$2,469,196	\$2.85	\$2,741,642	\$3.17	\$2,772,070	\$3.20	\$2,674,936	\$3.09
Repairs and Maintenance	\$3,839,265	\$4.44	\$4,380,357	\$5.06	\$3,993,663	\$4.62	\$2,068,461	\$2.39	\$3,528,687	\$4.08	\$3,500,000	\$4.04
Cleaning	\$2,935,147	\$3.39	\$2,320,471	\$2.68	\$2,275,633	\$2.63	\$2,755,219	\$3.18	\$3,244,369	\$3.75	\$3,200,631	\$3.70
Insurance	\$530,521	\$0.61	\$594,024	\$0.69	\$597,262	\$0.69	\$574,051	\$0.66	\$618,019	\$0.71	\$625,000	\$0.72
General and Administrative	\$645,907	\$0.75	\$605,943	\$0.70	\$503,615	\$0.58	\$560,463	\$0.65	\$688,662	\$0.80	\$700,000	\$0.81
Management Office Rent	\$333,438	\$0.39	\$341,774	\$0.39	\$341,774	\$0.39	\$341,773	\$0.39	\$341,774	\$0.39	\$0	\$0.00
Management Fee	\$279,996	\$0.32	\$279,996	\$0.32	\$279,996	\$0.32	\$266,164	\$0.31	\$272,025	\$0.31	\$562,470	\$0.65
Total Operating Expenses (No RE Taxes)	\$16,180,339	\$18.70	\$15,044,562	\$17.39	\$14,888,750	\$17.21	\$13,723,833	\$15.86	\$16,773,178	\$19.38	\$16,482,528	\$19.05
Real Estate Taxes	\$15,397,747	\$17.79	\$16,928,157	\$19.56	\$16,471,291	\$19.03	\$16,450,314	\$19.01	\$18,141,829	\$20.96	\$16,866,377	\$19.49
Marketing	\$0	\$0.00	\$88,063	\$0.10	\$93,088	\$0.11	\$138,231	\$0.16	\$1,534,000	\$1.77	\$562,470	\$0.65
<b>Total Operating Expenses</b>	<b>\$31,578,086</b>	<b>\$36.49</b>	<b>\$31,972,719</b>	<b>\$36.95</b>	<b>\$31,360,041</b>	<b>\$36.24</b>	<b>\$30,174,147</b>	<b>\$34.87</b>	<b>\$34,915,007</b>	<b>\$40.35</b>	<b>\$33,348,905</b>	<b>\$38.54</b>
Operating Expense Ratio	44.19%		40.40%		38.50%		37.80%		45.20%		44.24%	
<b>Net Operating Income</b>	<b>\$39,886,586</b>	<b>\$46.09</b>	<b>\$47,169,845</b>	<b>\$54.51</b>	<b>\$50,090,206</b>	<b>\$57.89</b>	<b>\$49,641,369</b>	<b>\$57.37</b>	<b>\$42,327,394</b>	<b>\$48.91</b>	<b>\$42,032,003</b>	<b>\$48.57</b>

Compiled by Newmark

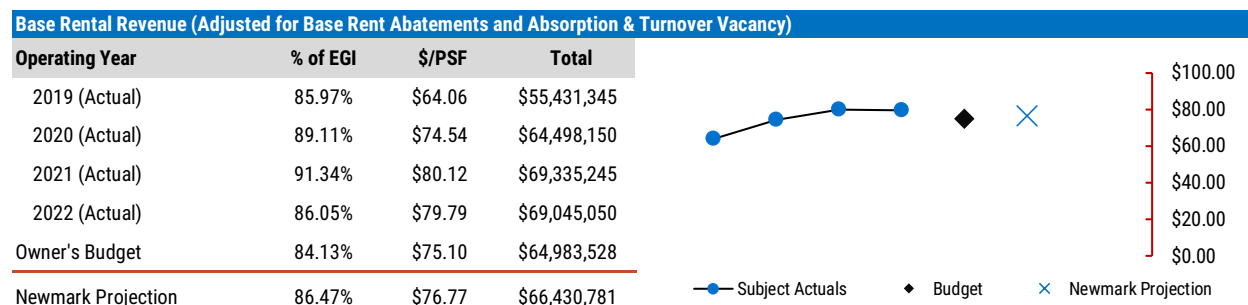
## REVENUE DISCUSSION

### BASE RENTAL REVENUE

The historical, budgeted and Newmark projection of the subject’s Base Rental Revenue is highlighted on the following chart:



The difference between the historic and budgeted income and expenses for base rental revenue and the Newmark projection can be attributed to Newmark’s assumed Absorption & Turnover Vacancy and Base Rent Abatement, which will exclude income attributed to vacant space. An overview of the adjusted historic and budgeted figures has been provided on the following chart:



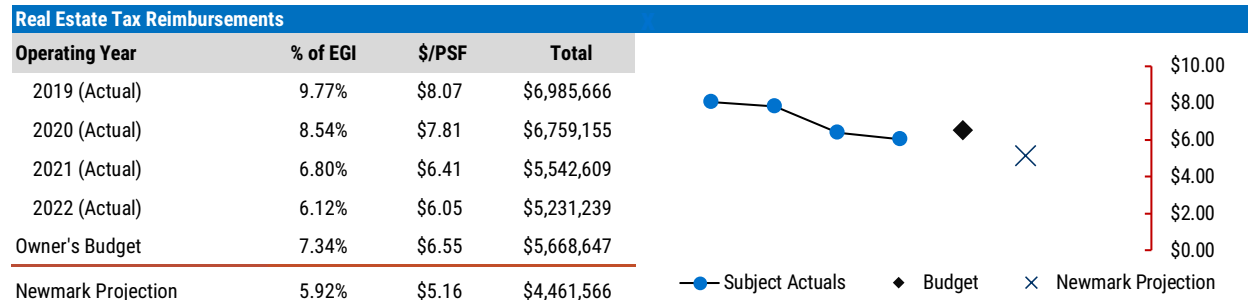
The 2023 budget and Newmark estimates are below the 2020 through 2022 actual operations of the property due to recent lease expirations with Man Investments Holdings, Pressprich, UIPath, Wood McKenzie and Highcape Partners Management vacating the property which accounted for approximately \$9.0 million of revenue loss and primarily contributes to the decline in revenue estimated within our analysis.

### EXPENSE REIMBURSEMENT INCOME

The subject’s existing leases are structured on a modified gross basis and tenants are responsible for their pro-rata share of real estate taxes and operating expenses over a base year amount, along with sub-metered electric charges. Additional directly billed charges for overtime HVAC and freight elevator charges are billed to the tenants.

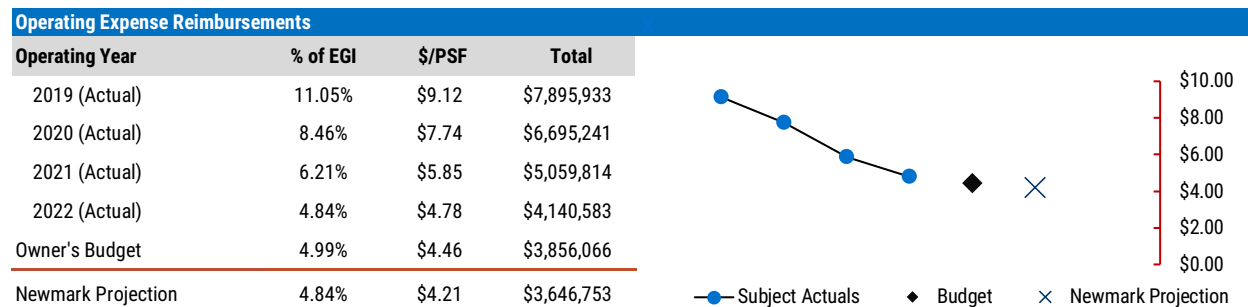
**REAL ESTATE TAX REIMBURSEMENTS**

Real estate tax increases over a base tax year amount billed monthly for new tenants. An overview of the historical operations of the property, and the 2023 budget for the Real Estate Tax Reimbursement has been compared to the Newmark estimate on the following chart:



**OPERATING EXPENSE REIMBURSEMENTS**

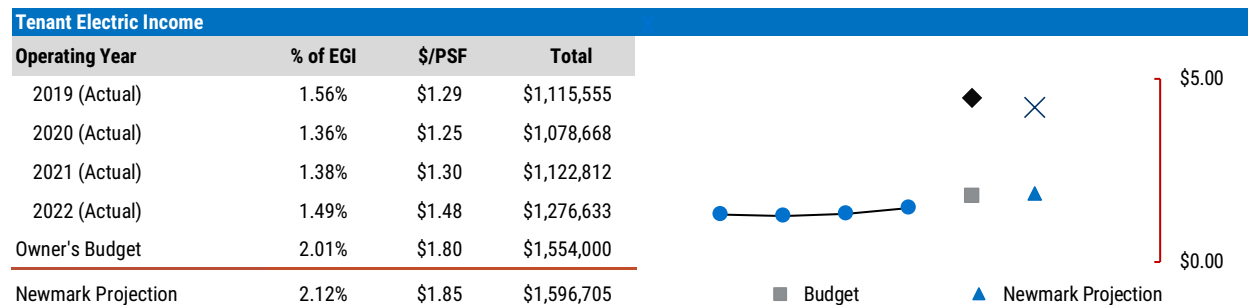
Operating Expenses are billed monthly for new tenants. An overview of the historical operations of the property, and the 2023 budget for the Operating Expense Reimbursements has been compared to the Newmark estimate on the following chart:



As previously addressed, the recent vacancy of several office tenants has resulted in the decrease operating expense reimbursement underwritten by Newmark, which aligns with the 2023 budget provided.

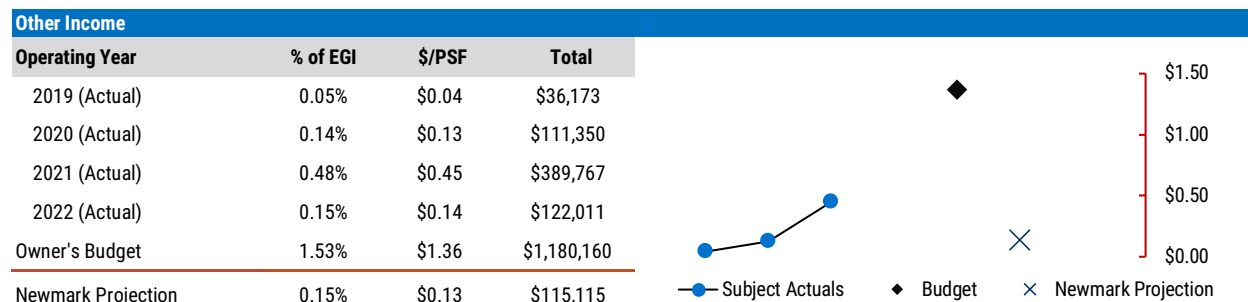
**TENANT ELECTRIC INCOME**

New and existing tenants will be responsible for sub-metered electric charges, with a few tenants that are responsible for rent inclusion charges. An overview of the historical operations of the property, and the 2023 budget for the Tenant Electric Income has been compared to the Newmark estimate on the following page:



**OTHER INCOME**

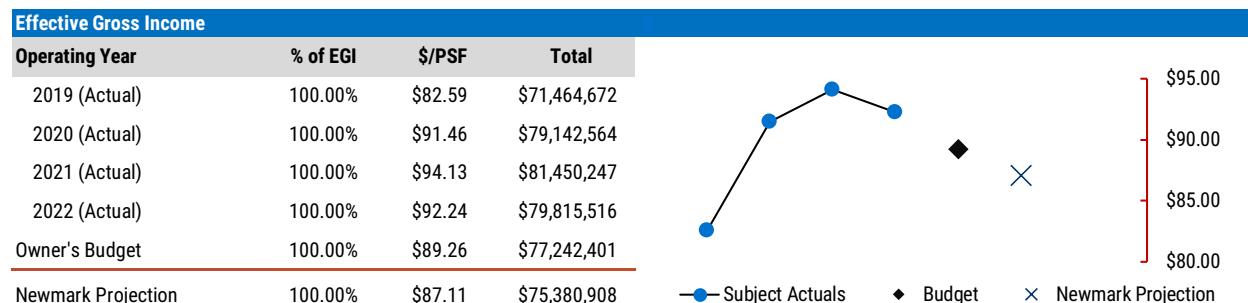
Historically, the subject property has received other income from various one-time operating expenses that are directly reimbursed by the existing tenants. Based on our review of the documents provided and comparable properties in the marketplace, the other income is reflective of market and should be considered as contractual revenue. The expenses include Late Fees, Tenant Work Order (TWO) Revenue, Overtime Freight Elevator Fees, and other miscellaneous income. An overview of the historical operations of the property, and the 2023 budget for the Other Income has been compared to the Newmark estimate on the following chart:



Historically, the owner has received several one-time reimbursements by the tenants for lease termination charges, rent deferrals and landlord work amortization charges. These income line items are not considered contractual, and have been excluded from this analysis.

**EFFECTIVE GROSS INCOME**

An overview of the historical operations of the property, and the 2023 budget for the Effective Gross Income has been compared to the Newmark estimate, which has been outlined on the following chart:



As previously mentioned, the recent vacancy of Man Investments Holdings, Pressprich, UIPath, Wood McKenzie, and Highcape Partners Management has had an impact on the performance of the property and previously accounted for approximately \$9.0 million of revenue. This has impacted the projected effective gross revenue and an estimate in-line with the owner’s budget is considered warranted.

### OPERATING EXPENSE ANALYSIS

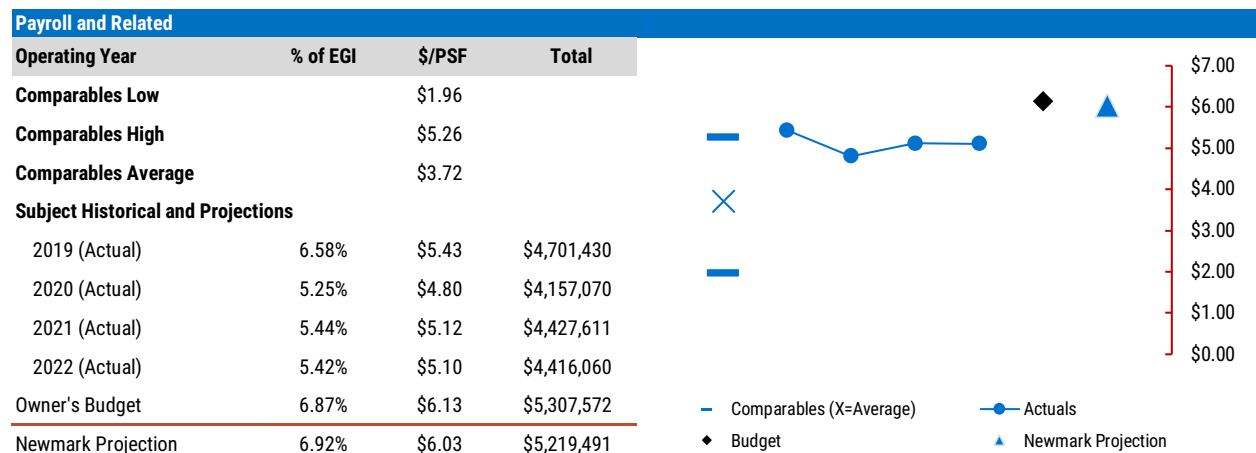
Expense Comparable Analysis														
	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6	Comp 7	Comp 8	Subject	Subject	Subject	Subject	Subject	Subject As Is
Address	425 Park Avenue (Park Avenue)	11 Times Square (Times Square)	1301 Avenue of the Americas (Plaza District)	205 East 42nd Street (Grand Central)	1251 Avenue of the Americas (South Ave. / Rock Center)	1285 Avenue of the Americas (Sixth Ave. / Rock Center)	300 Madison Avenue (Grand Central)	787 Seventh Avenue (Westside)						
Rentable Area (SF)	705,243	1,063,402	1,771,975	525,095	2,418,926	1,790,570	1,150,027	1,766,852						
Year Built	2021	2007	1985	1929 / 1994	1970 / 2021	1961 / 2013	2019	1985 / 2020						
Expense Year	Budget FY 2023	Budget CY 2023	Budget CY 2022	Budget FY 2023	Budget FY 2023	Budget FY 2023	Budget CY 2023	Budget FY 2023						
Expenses (\$/SF)	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6	Comp 7	Comp 8	Actual CY 2019	Actual CY 2020	Actual CY 2021	Actual CY 2022	Owners CY 2023 Budget	Newmark FY 2024 Projection
Payroll and Related	\$4.00	\$2.01	\$3.87	\$4.84	\$4.03	\$3.80	\$5.26	\$1.96	\$5.43	\$4.80	\$5.12	\$5.10	\$6.13	\$6.03
Utilities	\$2.87	\$4.43	\$0.86	\$3.87	\$4.05	\$4.74	\$2.67	\$2.43	\$3.37	\$2.73	\$2.85	\$3.17	\$3.20	\$3.09
Repairs and Maintenance	\$4.87	\$7.37	\$3.33	\$2.20	\$4.19	\$1.89	\$2.42	\$3.87	\$4.44	\$5.06	\$4.62	\$2.39	\$4.08	\$4.04
Cleaning	\$5.52	\$6.16	\$4.94	\$3.67	\$3.61	\$2.72	\$2.56	\$2.24	\$3.39	\$2.68	\$2.63	\$3.18	\$3.75	\$3.70
Insurance	\$3.26	\$1.21	\$0.71	\$1.42	\$0.20	\$0.54	\$0.97	\$2.04	\$0.61	\$0.69	\$0.69	\$0.66	\$0.71	\$0.72
General and Administrative	\$1.10	\$1.68	\$3.88	\$2.11	\$1.31	\$1.20	\$0.33	\$2.07	\$0.75	\$0.70	\$0.58	\$0.65	\$0.80	\$0.81
Management Fee*	\$2.71	\$0.84	\$1.61	\$1.56	\$0.84	\$1.88	\$2.56	\$2.14	\$0.71	\$0.72	\$0.72	\$0.70	\$0.71	\$0.65
<b>Operating Expenses (\$/SF)</b>	<b>\$24.33</b>	<b>\$23.69</b>	<b>\$19.19</b>	<b>\$19.67</b>	<b>\$18.23</b>	<b>\$16.78</b>	<b>\$16.77</b>	<b>\$16.74</b>	<b>\$18.70</b>	<b>\$17.39</b>	<b>\$17.21</b>	<b>\$15.86</b>	<b>\$19.38</b>	<b>\$19.05</b>
Real Estate Taxes	\$27.54	\$17.59	\$24.21	\$19.67	\$21.56	\$20.82	\$24.31	\$20.51	\$17.79	\$19.56	\$19.03	\$19.01	\$20.96	\$19.49
<b>Total Expenses (\$/SF)</b>	<b>\$76.79</b>	<b>\$41.28</b>	<b>\$43.40</b>	<b>\$44.83</b>	<b>\$39.79</b>	<b>\$37.60</b>	<b>\$41.08</b>	<b>\$37.25</b>	<b>\$36.49</b>	<b>\$36.95</b>	<b>\$36.24</b>	<b>\$34.87</b>	<b>\$40.35</b>	<b>\$38.54</b>

\*Management fee for the subject property includes the owner's management office rent expense.

Compiled by Newmark

### PAYROLL AND RELATED

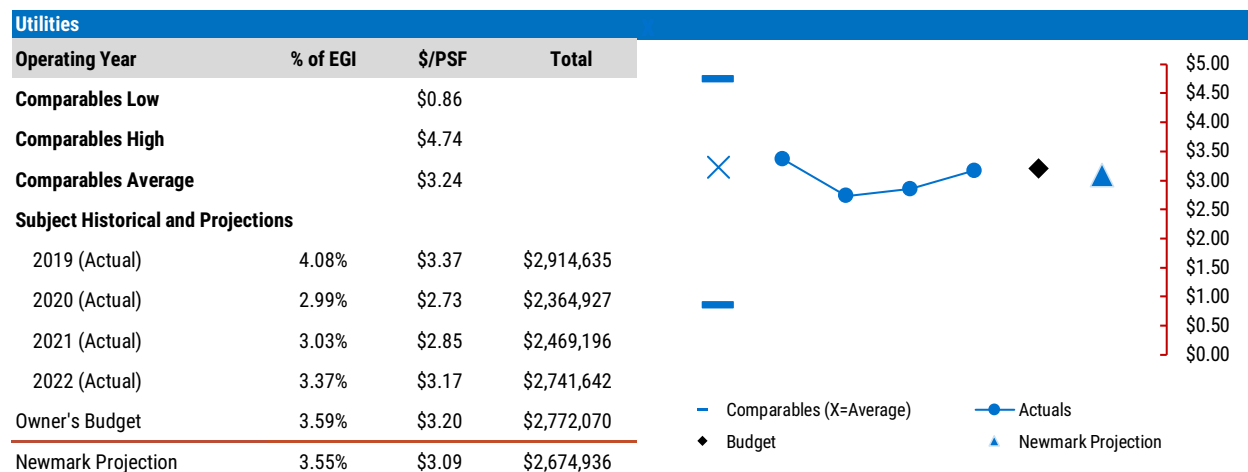
This expense includes wages and benefits covering employees of the building including union staffing and nonunion salaries and benefits of the administrative personnel. An overview of the comparable operating expenses, the historical operations of the property and the 2023 budget for this expense has been compared to the Newmark estimate, which has been further highlighted on the following page:



### UTILITIES

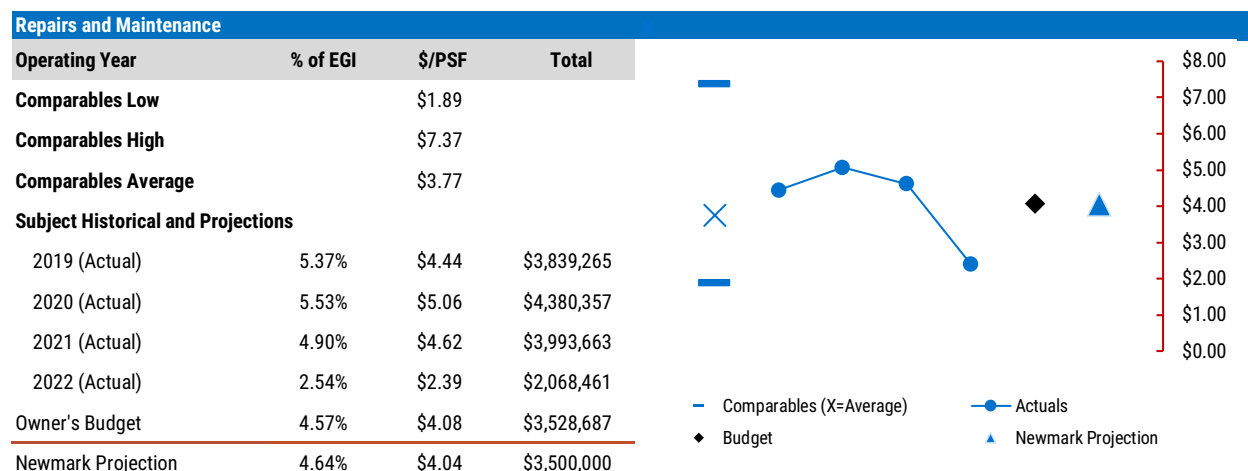
This expense category includes expenses for tenant electric, heat/steam, water and sewer charges and other utilities. Utilities are generally property specific and vary considerably from property to property in the subject’s market based on the utilities paid by the tenant and the owner, and the efficiency of the HVAC systems. The subject tenants are sub-metered for electric, and

the electric expense is netted out by the reimbursements for each tenant. The utility expense reflected in this analysis represents the net amount for the property. An overview of the comparable operating expenses, the historical operations of the property and the 2023 budget for this expense has been compared to the Newmark estimate, which has been further highlighted on the following page:



### REPAIRS AND MAINTENANCE

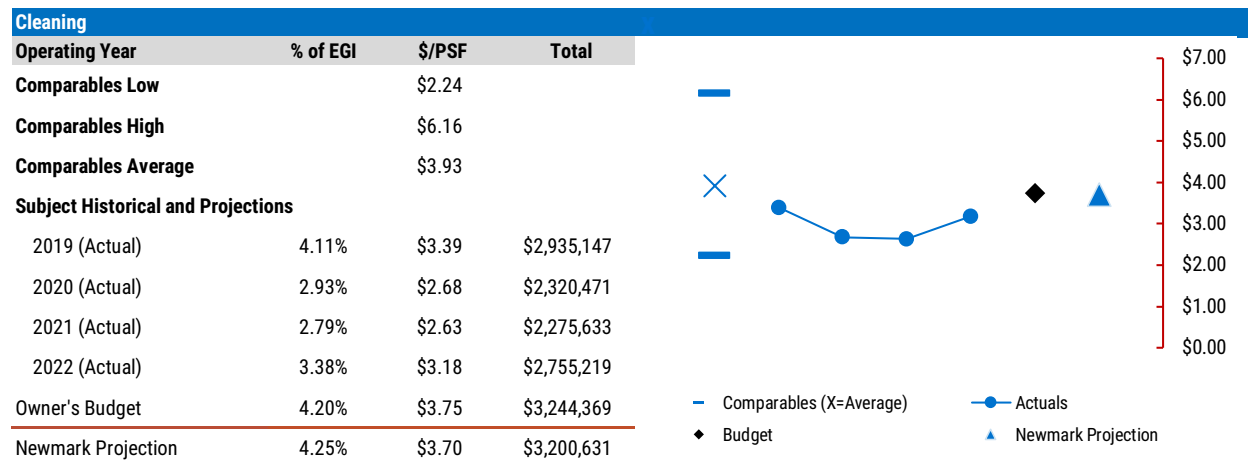
This expense category includes all expenses incurred for general repairs and maintenance, including HVAC, electrical, plumbing, safety systems and pest control/exterminating. This expense also typically includes all outside maintenance service contracts and the cost of maintenance and repairs supplies. An overview of the comparable operating expenses, the historical operations of the property and the 2023 budget for this expense has been compared to the Newmark estimate, which has been further highlighted on the following chart:



### CLEANING

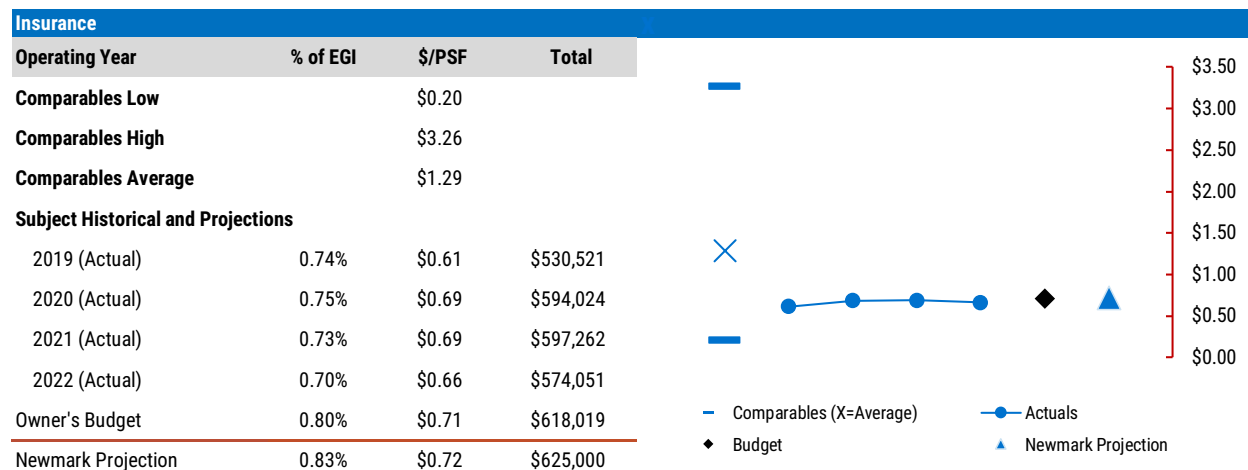
This expense category includes all expenses incurred for cleaning the entire property, including both tenant spaces and common areas. An overview of the comparable operating expenses, the

historical operations of the property and the 2023 budget for this expense has been compared to the Newmark estimate, which has been further highlighted on the following page:



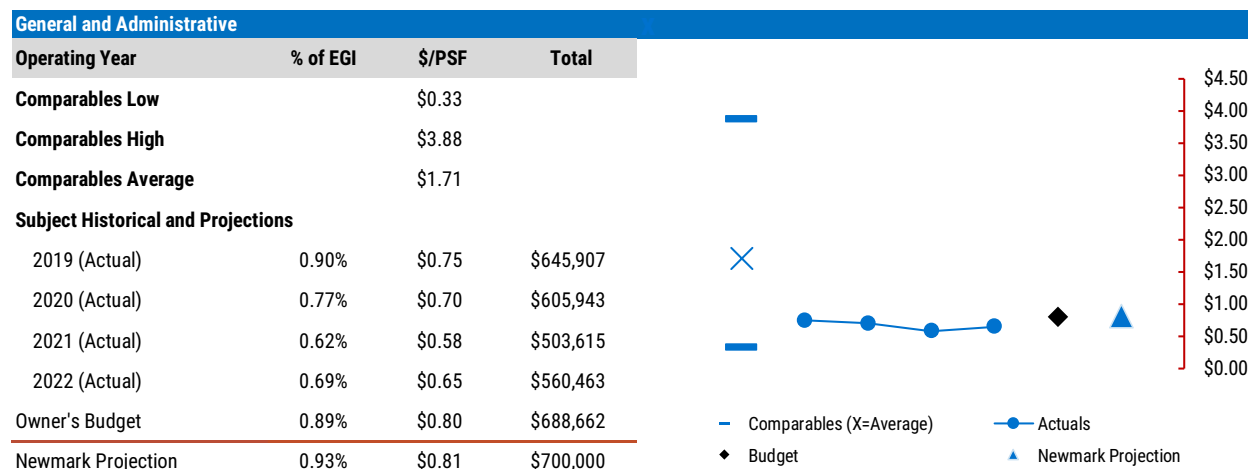
### INSURANCE

Insurance expenses typically include fire and extended coverage and owner’s liability coverage. An overview of the historical statements, the owner’s projected budget, the expense comparable ranges and Newmark estimate for this expense is further highlighted on the following chart:



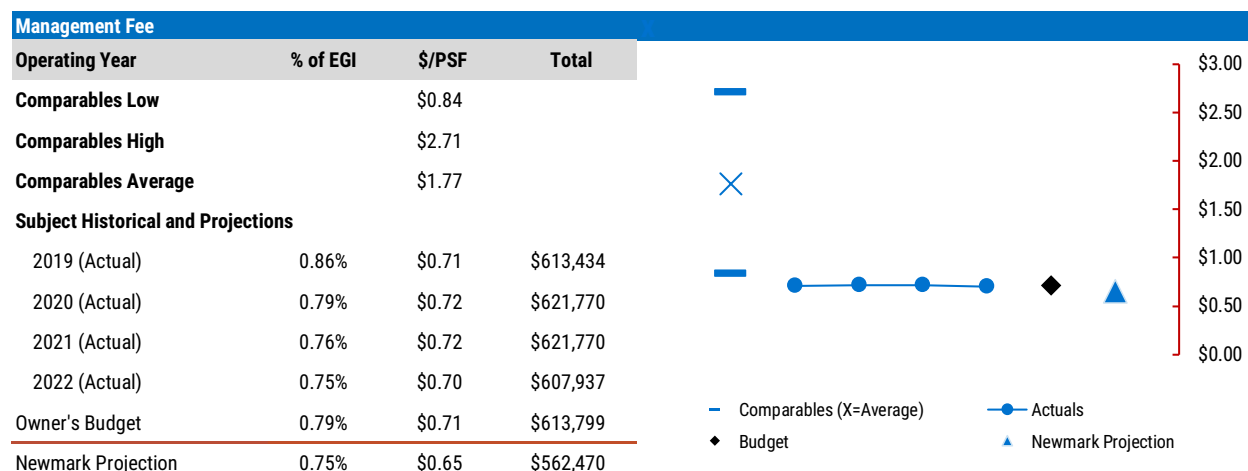
### GENERAL AND ADMINISTRATIVE

This expense includes costs for general and administrative expenses related to operating an office building including security, legal and professional fees. Administrative and general also includes telephone, audit and other related expenses. An overview of the comparable operating expenses, the historical operations of the property and the 2023 budget for this expense has been compared to the Newmark estimate, which has been further highlighted on the following page:



### MANAGEMENT FEE AND MANAGEMENT OFFICE RENT

For the management fee, we have applied a rate that is quoted by brokerage and management firms in New York City including Newmark. The management fee per square foot typically charged by third party managers is based on the size of the property and excludes profit.

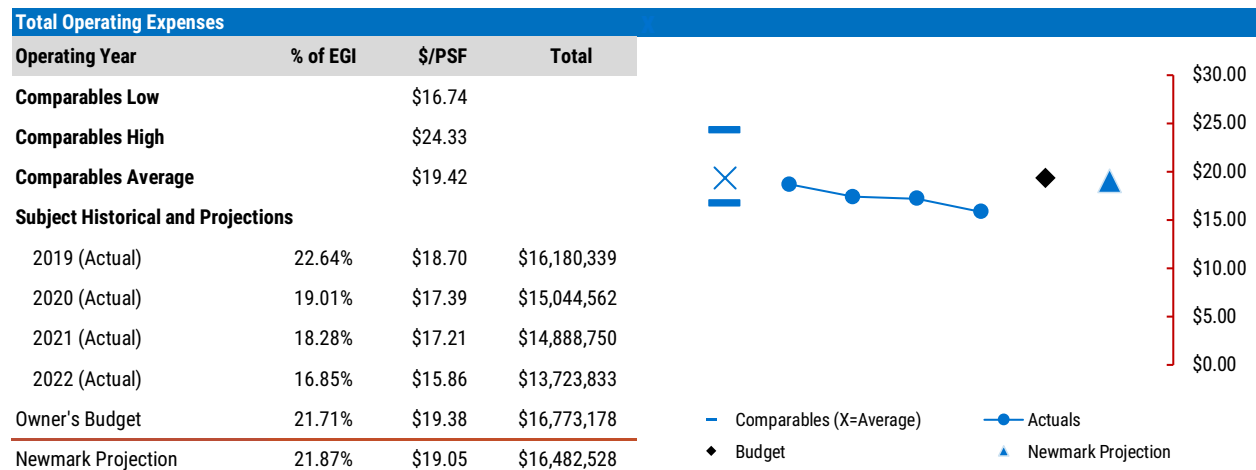


The owner currently is responsible for a management fee, which traditionally averages \$0.32 per square foot, along with a management office rent. The Management Office Rent is an expense utilized to off-set any revenue that is received from the owner-user occupancy which leases a portion of the space on the 21<sup>st</sup> floor. Newmark has considered the current operations of the property and estimated a management fee at \$0.65 per square foot, which is standard in the New York City marketplace assuming third-party management.

### REAL ESTATE TAXES

The real estate tax projections were presented previously in this appraisal report.

### TOTAL OPERATING EXPENSES



The comparable operating expenses utilized within this analysis ranged from \$16.74 to \$24.33 per square foot, with an average of \$19.42 per square foot. The subject’s historical operating expenses ranged from \$17.00 to \$18.70 pr square foot, with an average of \$17.79 per square foot.

This compares to the owner’s budget of \$19.38 per square foot, which is considered to be reflective of current market levels. Based on our review of the comparable operating expenses in the surrounding marketplace, the historical operations and the 2023 budget, the Newmark projections within this appraisal report are estimated to be \$19.05 per square foot. The Newmark estimate is considered reflective of current market standards and has placed primary reliance on the comparable office properties in the surrounding marketplace.

### DIRECT CAPITALIZATION

The national and global economies remain in a period of price discovery as aggressive interest rate changes are having a significant impact on the commercial real estate market. The Federal Reserve has raised the Federal Funds Rate to a range of 5.00% to 5.25%. Rate hikes were planned to occur throughout 2023; however, due to concerns about uncertainty in the global financial system spurred by a string of destabilizing bank failures, rate hikes were paused in June of 2023. While future rate hikes are being priced in by market participants throughout the remainder of 2023, this is speculative as of the date of value and may not occur if the Consumer Price Index (CPI) continues to revert closer to the target rate of 2.0%.

The impacts to both the residential and commercial real estate markets have been material as borrowing costs have increased significantly. “Rescue equity” has been observed replacing some of the capital shortfalls as values decline and cost of debt rises. Further, negative leverage is occurring as mortgage rates trend above capitalization rates and this is unsustainable. Transactions have slowed, deals have stalled, and there has been a lack of current data points

which has reduced clarity with respect to price discovery and valuations. The majority of investors surveyed by PwC expect capitalization rates to increase over the next six months.

Real Capital Analytics reported in their January 2023 Capital Trends publication that “Mortgage rates climbed in 2022 to hit the 6.4% level for commercial properties and 5.5% for apartments in the fourth quarter. Capitalization rates are still generally lower than these rates, with only minimal increases from a year ago for most sectors.” This is direct evidence of negative leverage although there remains sales activity in spite of that trend.

The increase in base interest rates directly affects financing rates. Various debt sources are quoting and achieving mortgage interest rates of 6% and above with bank financing commonly at 7% and above. This is creating a situation where debt coverage ratios are too low based on existing cash flows and this, in turn, is forcing lower leverage and greater equity positions. Where stress testing is employed, the higher stressed rates also tend to force lower leverage. Equity funds generally carry higher rates of return than debt and this translates to higher capitalization rates as well.

Based on our review of the historical performance for New York City office transactions, capitalization rates compared to interest rate volatility are dislocated. Capitalization rates have historically lagged interest rate volatility, as properties under contract usually incorporate out-of-date data at the time the transaction closes. Moreover, it is common in the marketplace for the debt to transact with the real estate in times of elevated interest rates. However, any correlation between increasing interest rates resulting in higher capitalization rates can be attributed to the availability of capital, which becomes increasingly more selective in a high interest rate environment. There remains significant dry powder from prospective investors, particularly in the closed-end fund space, which investors may choose to deploy on the credit and equity side as interest rates begin to stabilize. As such, investment rates are generally impacted by a respective investor pool and their risk appetite for a specified property type, rather than utilizing the spread of current interest rates to determine the respective capitalization rate. Based on current recessionary fears and uncertainty surrounding inflation, risk aversion has risen sharply since the beginning of 2022 as reflected by the widening spreads between risk-free rates and a range of financial instruments: credit, equities, and real estate returns.

Most investors surveyed by PwC expect capitalization rates to continue to increase over the first six months of 2023. The following subsections represent different techniques for deriving an overall capitalization rate.

Comparable Going-In Capitalization Rates							
Property Name	Date	Rentable Area	\$/SF	Occupancy (%)	Cap Rate	Adjusted Cap Rate	
1	245 Park Avenue	July 2023	1,779,367	\$1,124	84.9%	4.77%	--
2	4 Bryant Park	July 2023	173,301	\$1,168	100.0%	4.00%	4.50%
3	16 Madison Square Park West	July 2023	306,042	\$1,236	77.0%	3.50%	4.75%
4	126 East 56th Street (a.k.a. Tower 56)	April 2023	186,884	\$605	83.2%	4.61%	5.15%
5	1330 Avenue of the Americas	November 2022	534,062	\$599	80.4%	4.16%	4.75%
6	450 Park Avenue	June 2022	333,715	\$1,333	77.0%	3.99%	4.83%
7	645 Madison Avenue	May 2022	163,513	\$1,365	58.4%	0.58%	4.70%
8	320 Park Avenue	February 2022	765,000	\$980	90.6%	3.40%	4.25%
9	441 Ninth Avenue	December 2021	697,958	\$1,504	71.4%	2.56%	4.25%
Additional Comparable Transactions							
10	200 Fifth Avenue 885 Third Avenue	October 2022	857,873	\$1,399	92.0%	3.95%	4.75%
11	(Memorial Sloan Kettering Condominium)	December 2022	414,317	\$846	100.0%	4.44%	4.76%
12	550 Washington Street	April 2022	1,257,529	\$1,607	100.0%	4.48%	4.48%
13	One Manhattan West	March 2022	2,080,376	\$1,370	98.7%	4.46%	3.95%
14	One Madison Avenue	January 2022	1,392,565	\$1,652	0.0%	4.30%	4.50%
15	1177 Avenue of the Americas	October 2021	1,024,733	\$838	80.9%	4.42%	4.10%
<b>Range</b>					<b>0.58% - 4.77%</b>		<b>3.95% - 5.15%</b>
<b>Cap Rate Conclusion From Sales</b>							<b>5.00%</b>

Compiled by Newmark

The overall capitalization rates indicated by the improved sales provide a credible range of capitalization rates to be expected for the subject property. The Direct Capitalization method has been utilized to determine the As Is market value. The comparable capitalization rates ranged from 0.58% to 4.77%, with an average of 3.84%. The sales within the lower end of the range exhibited capitalization rates reflected properties that were leased at below market levels and projected to be released at higher market levels upon the expiration of the existing leases. Conversely, capitalization rates towards the higher end of the range are reflective of properties that were leased slightly above market levels, or future risk was anticipated by the purchaser at the time of sale.

The capitalization rates were adjusted for certain cash flow changes that would reflect a different capitalization rate than what has been reported at the time of sale. Examples include abated compared to unabated net operating income, above market income for tenants that were known to be vacating at the time of sale, or prospective contractual income that would impact the net operating income underwritten within the initial years of a transaction. The amendments to the comparable sales for the adjusted capitalization rates mirror the amendments that are applied to the subject property within this appraisal report. The amendments consist of abating the base rental income to reflect a stabilized potential gross revenue, adjusted real estate taxes and operating expenses to reflect stabilized amounts, with the present market value of tax savings and / or leasing and capital costs as below the line adjustments after capitalizing a stabilized net operating income. Therefore, the adjusted capitalization rates ranged from 3.95% to 5.15%, with an average of 4.55%.

- As indicated by the transactions, the adjusted capitalization rates that investors are targeting yields for continue to trend above 5.00%. Although capitalization rates remain

competitive, the selected rate largely depends on the quality of the property and the tenancy located within the building.

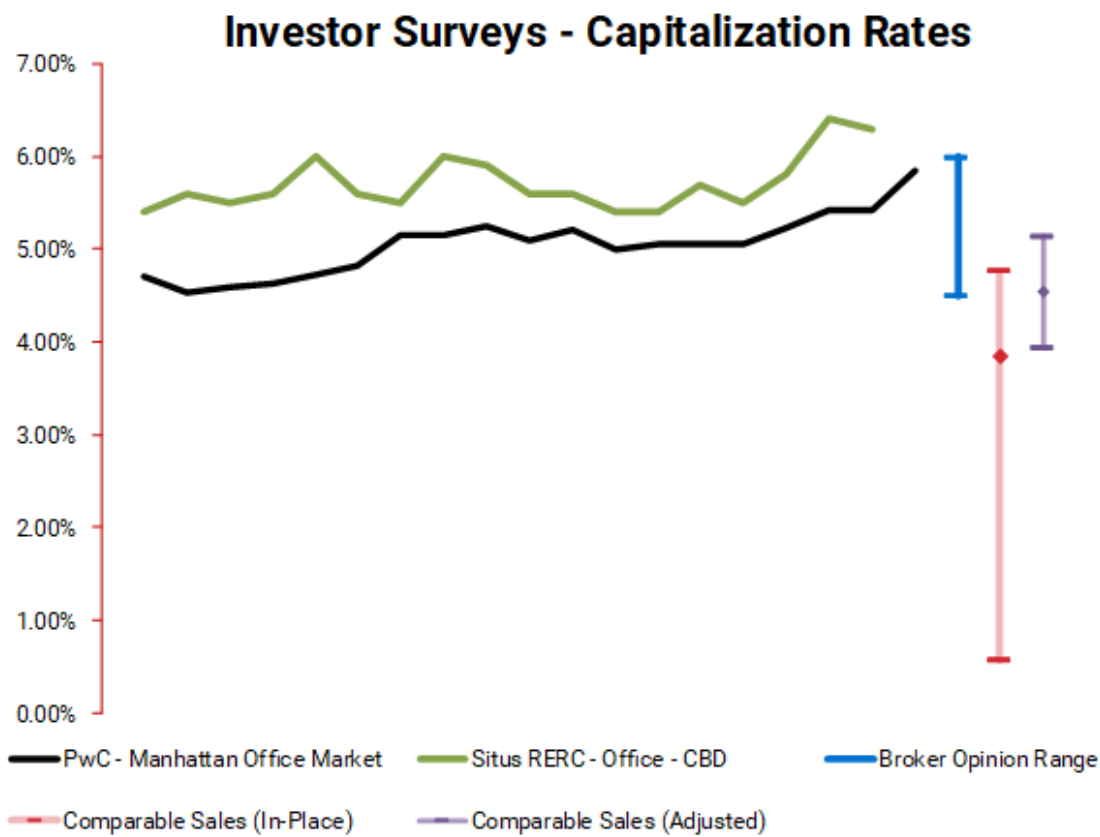
- There continues to be a dearth of transactions in the marketplace due to challenging economic conditions. Moreover, there is limited evidence to support a fundamental shift in pricing for trophy quality real estate, as tenants and investors continue to find unique opportunities such as the subject property.
- Due to the lack of comparable recent transactions that represent pricing adjustments to account for the increased cost of debt, we have placed primary reliance on surveys of market professionals. As further discussed, we have further analyzed the comparable sales presented above utilizing quoted adjustments within PwC and Situs RERC investor surveys to understand real time impacts of interest rate increases.

### MARKET PARTICIPANTS

In deriving an appropriate overall capitalization rate for the subject, market participants were interviewed and consulted within gathering applicable information. The following charts detail the investor surveys for assets similar to the subject property.

Investor Surveys - Capitalization Rates				
Source	Period	Low	High	Average
PwC - Manhattan Office Market	Q2 2023	4.50%	7.00%	5.85%
Situs RERC - Office - CBD	Q1 2023	5.50%	7.50%	6.30%
Newmark V&A Market Survey - Class A	Q1 2023	-	-	5.00%
Newmark V&A Market Survey - Class B	Q1 2023	-	-	5.50%
Broker Opinions		4.50%	6.00%	
Comparable Sales (In-Place)		0.58%	4.77%	3.84%
Comparable Sales (Adjusted)		3.95%	5.15%	4.55%

*Compiled by Newmark*



- The most current survey data indicates that going-in capitalization rates range from 4.00% to 7.50%, averaging 5.85% and 6.30%, respectively. Furthermore, the Newmark V&A Market Survey concluded to an average of 5.00% for Class A properties.
- Respondents indicated a range for stabilized properties similar to the subject from 4.50% to 6.00%. However, it should be noted that the rates are anecdotal, as transactional volume is below market levels and price discovery continues to remain compromised due to the current interest rate environment.

In order to accurately analyze current investor surveys, we have further delineated the average capitalization rates into three historic periods: Pre-COVID (Q4 2018 – Q1 2020), Post-COVID with Near-Zero Federal Funds Rate (Q2 2020 – Q2 2022) and Interest Rate Hike Period (Q3 2022 – Q2 2023) on the following chart.

Investor Survey Trends Summary										
PwC - Manhattan Office Market										
	Discount Rate			Overall Cap Rate			Terminal Cap Rate			Cap Rate
	Range	Average	Change	Range	Average	Change	Range	Average	Change	Spread
Pre-COVID (Q4 2018 - Q1 2020)	6.38% - 6.90%	6.58%		4.53% - 4.82%	4.66%		5.15% - 5.25%	5.20%		53 bps
Post-COVID Near Zero Fed Rates (Q2 2020 - Q2 2022)	6.40% - 6.60%	6.51%	-7 bps	5.00% - 5.25%	5.11%	45 bps	5.33% - 5.68%	5.47%	28 bps	36 bps
Interest Rate Hike Period (Q3 2022 - Q2 2023)	6.80% - 7.03%	6.95%	44 bps	5.23% - 5.85%	5.49%	37 bps	5.65% - 6.08%	5.82%	35 bps	34 bps
Situs RERC - Office - CBD										
	Discount Rate			Overall Cap Rate			Terminal Cap Rate			Cap Rate
	Range	Average	Change	Range	Average	Change	Range	Average	Change	Spread
Pre-COVID (Q4 2018 - Q1 2020)	7.20% - 7.90%	7.47%		5.40% - 6.00%	5.62%		6.00% - 6.60%	6.30%		68 bps
Post-COVID Near Zero Fed Rates (Q2 2020 - Q2 2022)	6.80% - 7.40%	7.08%	-39 bps	5.40% - 6.00%	5.62%	1 bps	5.90% - 6.50%	6.17%	-13 bps	54 bps
Interest Rate Hike Period (Q3 2022 - Q2 2023)	7.00% - 7.50%	7.27%	19 bps	5.80% - 6.40%	6.17%	54 bps	6.30% - 6.80%	6.57%	40 bps	40 bps

As indicated by the statistics presented above, investors initially underwrote more onerous adjustments to investment rates following the onset of the COVID-19 pandemic as compared to the rates following the aggressive interest rate hike environment. Following the interest hikes implemented by the Federal Funds Rate throughout 2022, investors surveyed indicated that capitalization rates for Manhattan Office properties (5.36%, or a 25-basis point change) increased approximately 23 basis points lower than participants surveyed for National properties (6.17%, or a 54-basis point change). The data indicates investors may have implemented an overcorrection to account for the potential risk of COVID-19 when compared to the national data. Manhattan has historically been viewed as a “safe” market for investors, and the surveys presented above indicate that quoted participants have conviction in the Manhattan marketplace, despite current interest rate pressures and potential negative leverage.

As previously mentioned, there has been limited sale activity within the Manhattan marketplace following the interest rate hikes. As a result, we have further analyzed the sales that occurred pre-COVID and during the period with near-zero interest rates by applying the average investor survey changes throughout this time period. It should be noted that Situs RERC’s survey is representative of national CBD trends and does not properly identify the premium associated with the Manhattan marketplace. Moreover, the PWC survey does not bifurcate by building class, tenancy type and location. As such, the survey trends represent general investment rate trends, and further analysis regarding the subject property specific adjustments has been provided within the following section.

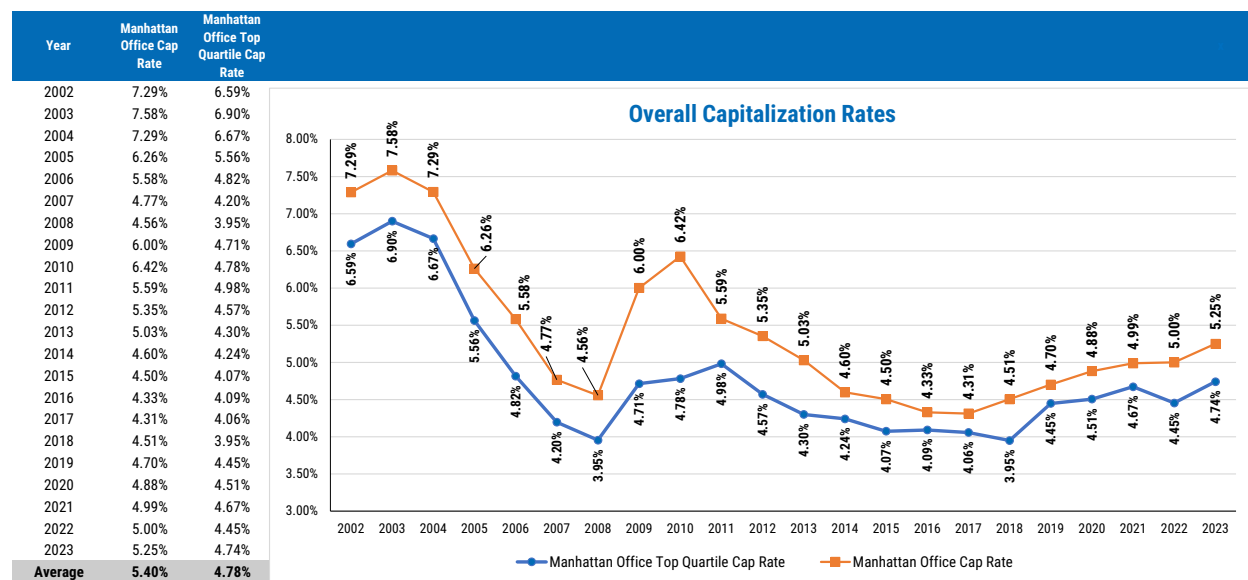
In general, investors surveyed indicated that capitalization rates increased between 25 and 75 basis points following the onset of COVID-19, despite the Federal Reserve decreasing the interest rate to a range between 0.00% to 0.25%. The second quarter of 2022 was impacted by interest rate hikes to address above market inflationary concerns, a policy change that has persisted into 2023. Since this period of time, Investors surveyed by PWC regarding the Manhattan Office Market generally stated that capitalization rates increased between a nominal 5 basis points up to approximately 100 basis points. This indicates that investors over-corrected underwriting and returns assumptions at the onset of COVID-19, and a majority of the interest rate risk was inherently considered.

Applying the general increases to the comparable sales previously presented, the adjusted capitalization rates average of 4.76%. While this adjusted range does not accurately consider

current actual pricing metrics, as previously discussed, there have been virtually no recent transactions that would speak to current capitalization rates, and the investor survey adjustments provide the most up-to-date information available regarding current investor trends in the marketplace.

**HISTORICAL CAPITALIZATION RATES**

As additional support for the concluded capitalization rate, we have aggregated Manhattan Office Building Capitalization Rates and Top Quartile Capitalization Rates dating back to 2002 to witness trends from market cycles. Despite softening in the market experienced from 2017 to 2019, and the affects from the Great Financial Crisis, Manhattan overall capitalization rates continue to compress and remain cemented within the mid to low-5.0% range and the top quartile remains within the mid to high 4.0% range. Despite the perceived economic effects caused by COVID-19 and the subsequent interest rate environment, it is our overall opinion that the subject’s capitalization rate should remain competitive with the historical capitalization rates observed over the past 20-years. An overview of the average capitalization rates are further outlined on the following page:



\*Source: Newmark & Real Capital Analytics

As evidenced by the figures noted above, the long-term metrics for New York City office buildings support compressed capitalization rates throughout market cycles, and a 5.00% going-in capitalization rate is above historical market standards and properly considers the current interest rate environment and risk associated with the subject’s prospective cash flow.

**CAPITALIZATION RATE CONCLUSION**

Investors expect, and the data is showing, that capitalization rates are increasing. We have also heard of specific transaction examples including repricing of deals and simply offers at lower

levels owing to the increased cost of capital – not to mention other economic factors such as recession, supply chain, COVID-19, and global crises, etc.

It is important to acknowledge that the velocity of transactions in the marketplace has slowed substantially making it more difficult to determine the impact on capitalization rates. Brokers and capital markets professionals are reporting significant disconnects between buyers and sellers, as wide as 30%, which is reducing the transaction activity. In addition, various investor surveys and aggregate reporting data may not necessarily reflect investor attitudes today since data could be 2-3 months old or more. We have given significant reliance to our interviews with market participants. We have also taken the following into consideration in the selection of our concluded capitalization rate.

- Investors have become selective, cautious, and tentative as cost of capital has increased.
- Volatility in the market has led to the disconnect between buyers and sellers thus reducing transaction volume – both in number of sales and overall price volume.
- Although the number of transactions has dropped precipitously, market participants are saying that price discovery is demonstrating that values are trending lower.
- Negative leverage is present in the market, and this cannot be sustained for an extended period of time. If interest rates continue to rise, this could have an impact of property values. The Secured Overnight Financing Rate (SOFR), which replaced the London Interbank Offered Rate (LIBOR), as the market standard for floating rate loans in the marketplace, provides insight to the correlation between potential impact of negative leverage on a cash flow and required rates of return. According to Chatham Financial, a reputable Global Financial Risk Management Firm that surveys multiple Federal Reserve Presidents, Governors and other market participants, the current 1-month Term SOFR rate is expected to increase and peak in June 2023, subsequently declining to current levels by year-end 2023, and declining to 3.0% levels by year-end 2024. This indicates the cash-flow generating assets with enough excess Net Operating Income to exceed monthly interest payments and debt service coverage ratios, as well as weighted average remaining lease terms (WALT) that exceed 24 to 36 months are more likely to undertake negative leverage, with the assumption that future returns will account for any interim shortfall.
- Market participants actively acquiring properties in the current marketplace are entertaining properties that will generate above market returns. Our observations have concluded that going-in capitalization rates continue to remain compromised, as prospective purchasers remain sensitive to above market borrowing costs and lingering impacts of hybrid working models driving up availability rates. The investment rates extracted from underwriting models continue to observe terminal capitalization rates that are compressed by 50 to 150 basis points to the going-in capitalization rates, traditionally settling between 4.75% to 5.50%, along with rent growth assumptions exceeding 3.0%

annual escalations to increase target returns and IRR's that make acquisitions attractive in the current marketplace. A large majority of buyers in the marketplace are "Leveraged" buyers, who obtain loans to acquire real estate. However, cash buyers are still purchasing properties with competitive bids being submitted, as more sale opportunities that traditionally would not be offered softly enter the market for sale. Overall, capitalization rates have increased from their historical levels, and the market is still adjusting to current market conditions, specifically for Class B properties and transitional assets.

#### **Positive Attributes**

- The subject property is located within a desirable commercial location within the Grand Central office submarket of Midtown, one of the top performing office submarkets throughout Manhattan. The existing trophy product surrounding the subject property continues to achieve rents in excess of \$100.00 per square foot, which bodes well for the property and the near-term vacancy. The planned renovation is anticipated to assist in the re-leasing of the HSBC space. The owner has already received a significant amount of interest from prospective tenants to lease this portion of the property.
- The continued public and private investment throughout the subject's neighborhood as a result of the Midtown East Rezoning is anticipated to increase the overall investment activity throughout this area.
- Good quality and appeal commensurate with competing Class A properties in the submarket based on the rents achieved and LEED Gold certification of the building. Class A real estate continues to command competitive pricing, as transactional and leasing volume has been concentrated to Class A properties. This bodes well for the long-term viability of the property.
- The subject property is located adjacent to Bryant Park, with unobstructed views along the north side of the office tower. The above market light and air, along with the protected views of the surrounding area has been

#### **Negative Attributes**

- Continued FED Rate hikes could potentially result in rates eclipsing the 5.5% threshold, putting further pressure on price discovery and access to liquidity.
- The threat of an impending recession may impact all facets of real estate including leasing activity, rent growth, the cost of financing commercial product and the required returns from investors in the marketplace.
- The lease-up risk of the property and capital to be spent on re-tenanting the subject's planned vacancy of HSBC within the initial 3-years of the analysis period will reduce the building occupancy to 35.4%. As a result, additional downtime between leases has been modelled within this analysis in consideration of the planned vacancy and lease-up risk to be incurred.

considered when selecting the office market rents applied within this analysis.

- The recent leasing within the subject property at contract rents averaging \$110.75 per square foot indicates the premium in the marketplace the property continues to achieve based on the quality of the product and unobstructed views of Bryant Park.

### Capitalization Rate Conclusion

Going-In Capitalization Rate - As Is 5.00%

Compiled by Newmark

### ADJUSTMENTS TO VALUE

To develop and indication of the "As Is" Market Value for the subject, the present market value of the leasing and capital costs that are anticipated to occur through the first six years of the analysis period have been deducted from the initial value conclusion. The estimated present market value of the leasing costs is further outlined on the following chart:

PV of Lease Up Costs - 6 Years												
Leasing Related Cost	Year 1	PSF	Year 2	PSF	Year 3	PSF	Year 4	PSF	Year 5	PSF	Year 6	PSF
Absorption & Turnover Vacancy	\$6,424,067	\$7.42	\$5,141,904	\$5.94	\$45,825,032	\$52.96	\$42,798,851	\$49.46	\$4,024,185	\$4.65	\$2,207,007	\$2.55
Base Rent Abatements	\$2,476,395	\$2.86	\$6,516,665	\$7.53	\$1,726,986	\$2.00	\$8,143,985	\$9.41	\$45,386,439	\$52.45	\$12,329,597	\$14.25
Tenant Improvements	\$7,113,740	\$8.22	\$8,148,639	\$9.42	\$0	\$0.00	\$73,019,965	\$84.38	\$16,130,325	\$18.64	\$525,925	\$0.61
Leasing Commissions	\$632,325	\$0.73	\$3,088,813	\$3.57	\$0	\$0.00	\$23,830,142	\$27.54	\$4,217,769	\$4.87	\$217,689	\$0.25
Capital Expenditure	\$14,801,435	\$17.10	\$14,801,435	\$17.10	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
<b>Total Year Lease Up Costs</b>	<b>\$31,447,961</b>	<b>\$36.34</b>	<b>\$37,697,456</b>	<b>\$43.56</b>	<b>\$47,552,018</b>	<b>\$54.95</b>	<b>\$147,792,944</b>	<b>\$170.79</b>	<b>\$69,758,717</b>	<b>\$80.61</b>	<b>\$15,280,218</b>	<b>\$17.66</b>
6.75% Discount Factor	0.93677		0.87753		0.82205		0.77007		0.72137		0.67576	
<b>PV of Lease Up Costs</b>	<b>\$29,459,449</b>	<b>\$34.04</b>	<b>\$33,080,820</b>	<b>\$38.23</b>	<b>\$39,089,967</b>	<b>\$45.17</b>	<b>\$113,810,456</b>	<b>\$131.52</b>	<b>\$50,322,136</b>	<b>\$58.15</b>	<b>\$10,325,765</b>	<b>\$11.93</b>
<b>Rounded</b>	<b>\$29,500,000</b>	<b>\$34.09</b>	<b>\$33,100,000</b>	<b>\$38.25</b>	<b>\$39,100,000</b>	<b>\$45.18</b>	<b>\$113,800,000</b>	<b>\$131.51</b>	<b>\$50,300,000</b>	<b>\$58.13</b>	<b>\$10,300,000</b>	<b>\$11.90</b>
<b>Total Lease Up Costs</b>	<b>\$276,100,000</b>											

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## DIRECT CAPITALIZATION SUMMARY – MARKET VALUE AS IS

Direct Capitalization Summary			
		Nominal	\$/SF
Income		FY Ending 2024	
Base Rental Revenue		\$75,331,243	\$87.05
Absorption & Turnover Vacancy		\$0	\$0.00
Base Rent Abatements		\$0	\$0.00
<b>Scheduled Base Rent</b>		<b>\$75,331,243</b>	<b>\$87.05</b>
Real Estate Tax Reimbursements		\$4,461,566	\$5.16
Operating Expense Reimbursements		\$3,646,753	\$4.21
Tenant Electric Income		\$1,596,705	\$1.85
<b>Total Reimbursable Revenue</b>		<b>\$9,705,025</b>	<b>\$11.22</b>
Other Income		\$115,115	\$0.13
<b>Total Potential Gross Income</b>		<b>\$85,151,382</b>	<b>\$98.40</b>
Vacancy and Collection Loss	3.00%	(\$2,554,541)	(\$2.95)
<b>Effective Gross Income</b>		<b>\$82,596,841</b>	<b>\$95.45</b>
<b>Operating Expenses</b>			
Real Estate Taxes		\$16,866,377	\$19.49
Payroll and Related		\$5,219,491	\$6.03
Utilities		\$2,674,936	\$3.09
Repairs and Maintenance		\$3,500,000	\$4.04
Cleaning		\$3,200,631	\$3.70
Insurance		\$625,000	\$0.72
General and Administrative		\$700,000	\$0.81
Management Fee		\$562,470	\$0.65
<b>Total Expenses</b>	40.38%	<b>\$33,348,905</b>	<b>\$38.54</b>
<b>Net Operating Income</b>		<b>\$49,247,935</b>	<b>\$56.91</b>
Capitalization Rate		5.00%	
Indicated As If Stabilized Value by Direct Capitalization		\$984,958,705	\$1,138.23
Less: Base Rent Abatement & Capex		(\$276,100,000)	(\$319.07)
Less: Entrepreneurial Profit @ 15.0%		(\$41,415,000)	(\$47.86)
Adjusted Value by the Direct Capitalization		\$667,443,705	\$771.31
<b>Rounded</b>		<b>\$665,000,000</b>	<b>\$768.48</b>

Compiled by Newmark

## DISCOUNTED CASH FLOW ANALYSIS

### INTRODUCTION

Argus Enterprise (AE) software was used to develop a projection of periodic cash flows from the property over an anticipated investment holding period based on leases in place and anticipated changes in market rent and operating expenses.

This analysis considers current market conditions and typical assumptions of market participants concerning future trends as summarized in the following table.

Discounted Cash Flow Assumptions											
General Assumptions											
Argus Start Date	June 1, 2023										
Date of Value "As Is"	May 31, 2023										
Holding Period	10 Years ("As Is")										
Reversion Year	11th Year ("As Is")										
Market Leasing Assumptions (MLA)	Rentable Area (SF)	Market Rent (\$ / SF)	Lease Term	Lease Type	Downtime	Free Rent (New/Renewal)	Escalations	Renewal Prob.	Tenant Improvements (New/Renewal)	Leasing Commissions (New/Renewal)	Net Effective Rent
Storage	17,302	\$25.00	10 yrs.	Gross	12 mos.	6 mos./3 mos.	3.0% Annual Inc.	60%	None	4.00% / 2.00%	
Retail (Vault)	31,095	\$55.00	10 yrs.	Modified Gross	12 mos.	10 mos./5 mos.	3.0% Annual Inc.	60%	None	4.00% / 2.00%	
Retail (Cellar)	18,127	\$70.00	10 yrs.	Modified Gross	12 mos.	10 mos./5 mos.	3.0% Annual Inc.	60%	\$75.00/\$55.00	4.00% / 2.00%	
Retail (Corner 39Th)	5,731	\$225.00	10 yrs.	Modified Gross	12 mos.	10 mos./5 mos.	3.0% Annual Inc.	60%	\$100.00/\$75.00	4.00% / 2.00%	
Retail (Midblock)	5,865	\$175.00	10 yrs.	Modified Gross	12 mos.	10 mos./5 mos.	3.0% Annual Inc.	60%	\$100.00/\$75.00	4.00% / 2.00%	
Retail (Corner 40Th)	7,667	\$300.00	10 yrs.	Modified Gross	12 mos.	10 mos./5 mos.	3.0% Annual Inc.	60%	\$100.00/\$75.00	4.00% / 2.00%	
Retail (Mezz)	11,926	\$75.00	10 yrs.	Modified Gross	12 mos.	10 mos./5 mos.	3.0% Annual Inc.	60%	\$75.00/\$55.00	4.00% / 2.00%	
Office (2-11)	338,708	\$88.00	15 yrs.	Modified Gross	12 mos.	14 mos./7 mos.	\$10.00 PSF Inc. Every 60 Mos.	60%	\$150.00/\$100.00	3.50% / 1.75%	\$81.16
Office (12-18)	95,558	\$115.00	10 yrs.	Modified Gross	12 mos.	12 mos./6 mos.	\$10.00 PSF Inc. Every 60 Mos.	60%	\$140.00/\$105.00	4.00% / 2.00%	\$94.50
Office (19-24)	98,320	\$120.00	10 yrs.	Modified Gross	12 mos.	12 mos./6 mos.	\$10.00 PSF Inc. Every 60 Mos.	60%	\$140.00/\$105.00	4.00% / 2.00%	\$99.00
Office (25-27)	48,709	\$125.00	10 yrs.	Modified Gross	12 mos.	12 mos./6 mos.	\$10.00 PSF Inc. Every 60 Mos.	60%	\$140.00/\$105.00	4.00% / 2.00%	\$103.50
Office (28-30)	47,128	\$130.00	10 yrs.	Modified Gross	12 mos.	12 mos./6 mos.	\$10.00 PSF Inc. Every 60 Mos.	60%	\$140.00/\$105.00	4.00% / 2.00%	\$108.00
Office (2-12) 39Th Street	139,203	\$60.00	10 yrs.	Modified Gross	12 mos.	12 mos./6 mos.	10.0% Inc. Every 5 Year	60%	\$60.00/\$45.00	4.00% / 2.00%	\$51.00
Growth Rates											
Market Rent Growth											
Office	3.00% - Per Annum										
Retail	0.00% - Years 1-3; 3.0% Thereafter										
Expense Growth											
	3.00% - Per Annum										
Financial Rate Assumptions											
As Is											
Vacancy & Collection Loss (%)*	16.61%										
Discount Rate	6.75%										
Terminal Capitalization Rate	5.25%										
Cost of Sale	4.00%										
Rounding Constant	\$5,000,000										

\*This assumption includes a constant 3.00% vacancy and collection loss throughout the analysis period, along with the estimated turnover and vacancy that will occur.

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The "Market Value As Is" for the subject property is May 31, 2023 and the analysis start date for the subject property utilizing the discounted cash flow analysis is June 1, 2023. The As Is value includes a forecast period of 11 years, and a holding period of 10 years.

### MARKET RENT AND EXPENSE GROWTH RATE

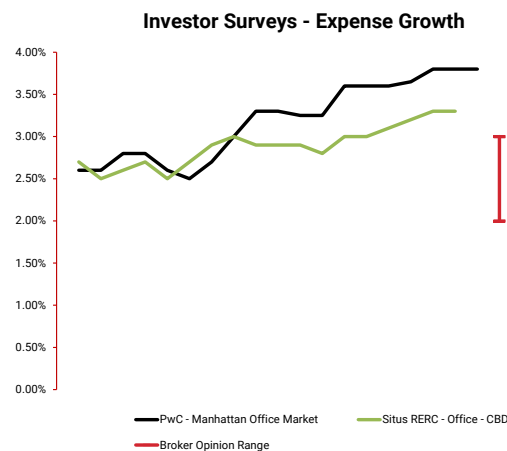
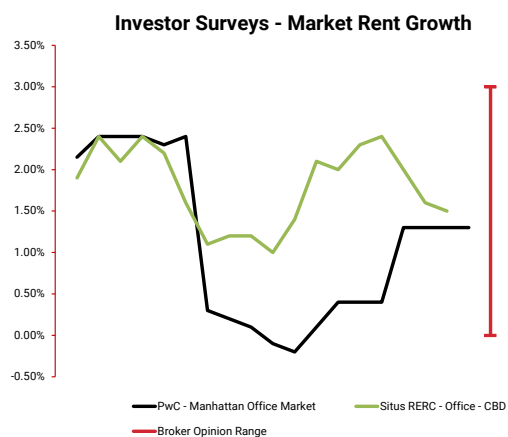
Investor Surveys - Market Rent Growth				
Source	Period	Low	High	Average
PwC - Manhattan Office Market	Q2 2023	0.00%	3.00%	1.30%
Situs RERC - Office - CBD	Q1 2023	0.00%	3.00%	1.50%
Newmark V&A Market Survey - Class A	Q1 2023	-	-	3.00%
Newmark V&A Market Survey - Class B	Q1 2023	-	-	3.00%
Broker Opinions		0.00%	3.00%	

Compiled by Newmark

**Investor Surveys - Expense Growth**

Source	Period	Low	High	Average
PwC - Manhattan Office Market	Q2 2023	1.00%	8.00%	3.80%
Situs RERC - Office - CBD	Q1 2023	2.00%	5.00%	3.30%
Newmark V&A Market Survey - Class A	Q1 2023	-	-	3.00%
Newmark V&A Market Survey - Class B	Q1 2023	-	-	3.00%
Broker Opinions		2.00%	3.00%	

Compiled by Newmark



- The respective surveys by PwC and RERC indicate that rent growth has been underwritten by investors in the marketplace to range from 0.00% to 3.00%, with averages of 1.30% and 1.50%, respectively.
- Within this analysis, rent growth has been modeled at 3.0% per annum for the office space. Retail rent has been modeled at 0.00% per annum for the first three years of the analysis period, followed by 3.0% per annum thereafter for the retail space.
- The current PwC survey indicates that participants responded with expectations of expense growth ranging from 1.00% to 8.00% with an average of 3.80%.
- The current Situs RERC survey indicated that participants responded with expectations of expense growth ranging from 2.00% to 5.00%. with an average of 3.30%.

Newmark is unable to verify if these expectations are long-term projections or whether they reflect investor sentiment on interim increases; however, given the “real-time” fluidity of this data it is likely these projections reflect the latter. As such, we have placed primary reliance on our review of underwriting models for recent transactions and properties currently on the market, along with projections utilized for models provided as part of appraisals conducted at Newmark. In addition, we have interviewed respondents active in the marketplace and based on our discussions with capital markets professionals and investors in the marketplace, operating expense growth generally range from 2.0% to 3.0% into perpetuity, following the necessary adjustments for the current economic climate (excluding R.E. taxes).

The Newmark conclusion of operating expenses has considered the impact inflation has had on the marketplace. Overall, the adjustments to increased labor costs and cleaning expenses post COVID-19 have been considered within our analysis, and an above market expense growth is not considered warranted.

### REPLACEMENT RESERVES

This additional expense category in the DCF accounts for the cost of periodic replacement of capital items such as the roof and HVAC system. While this expense is not appropriate in the direct capitalization analysis, as a result of consistency with capitalization rate data, it is used by investors in the DCF analyses. This expense is projected at \$0.50 per square foot, which takes into account the Climate Mobilization Act passed in April 2019, which sets limits on carbon emissions for buildings in New York City that contain over 25,000 square feet. Buildings will face punitive fines if they do not conform to these standards. The subject property complies with the Climate Mobilization Act. The replacement reserves consider any potential additional capital costs needed to ensure the subject complies with this law.

### FINANCIAL ASSUMPTIONS

As part of this analysis, we have interviewed several capital markets professionals regarding the current state of the economy and pricing for a variety of properties, specifically pertaining to location, tenancy profile and asset class, and the overall correlation to required returns to compensate for the increasing borrowing cost. These key metrics, tangible and intangible, are heavily scrutinized in today's economic climate as investors continue to monitor the required returns to compensate for the increasing borrowing cost and lingering "hybrid-working" concerns. According to market participants, the following property characteristics continue to command competitive pricing in the marketplace:

- Class A and B office buildings that continue to sign leases and exhibit a weighted average remaining lease term (WALT) exceeding 60 months, as Chatham Financial data anticipates interest rates to revert back to pre-pandemic levels by the second half of 2024. This will most likely benefit properties with long-term WALT as lenders will be more resilient to holding on to loans with in-place performing leases;
- Properties that are well located within proximity to mass transportation, such as Penn / Moynihan Station, Grand Central, Port Authority Bus Terminal, and properties that are surrounded by an arterial network of subways continue to experience their outsized percentage of leasing. This phenomenon is isolated to Class A and B properties that are competitively maintained and traditionally benefit owners that are willing to pre-build space to current market standards;
- Recently constructed and/or renovated properties continue to remain the most active properties, increasing rents significantly since the start of the pandemic. These properties have continued to attract long-term leases with investment grade credit tenancy or

Fortune 500 companies that exhibit above average pricing metrics and below market required returns. The ability to grow rents has absolved loan risk and capitalization rate increases due to the high interest rate environment;

- Properties that experience an above average physical occupancy have given investors and lenders the confidence to transact on a respective building, as market participants are hyper-focused on a building's ability to have workers interact with the real estate. The higher the daily physical employer count is for a property the more conviction market participants have in the viability of the product.
- Mark-to-market upside is no longer an anecdotal underwriting technique to attract prospective investors, as market participants will underwrite to the most recent economics achieved within a respective property. However, as recent leases suggest that a building has been re-priced, investment rates will continue to be compressed to compensate for below market income that will have the ability to be recaptured and re-released at higher rent levels. Building's that continue to appreciate the net operating income by signing market-oriented leases will benefit from competitive discount rates and inverted capitalization rates in relation to current interest rate pricing.
- Conversely, transitional properties that either require a large capital investment, have significant near-term rollover or consistent rollover have a limited buying pool, as the potential return spread between mortgage rates and real estate returns have compressed.

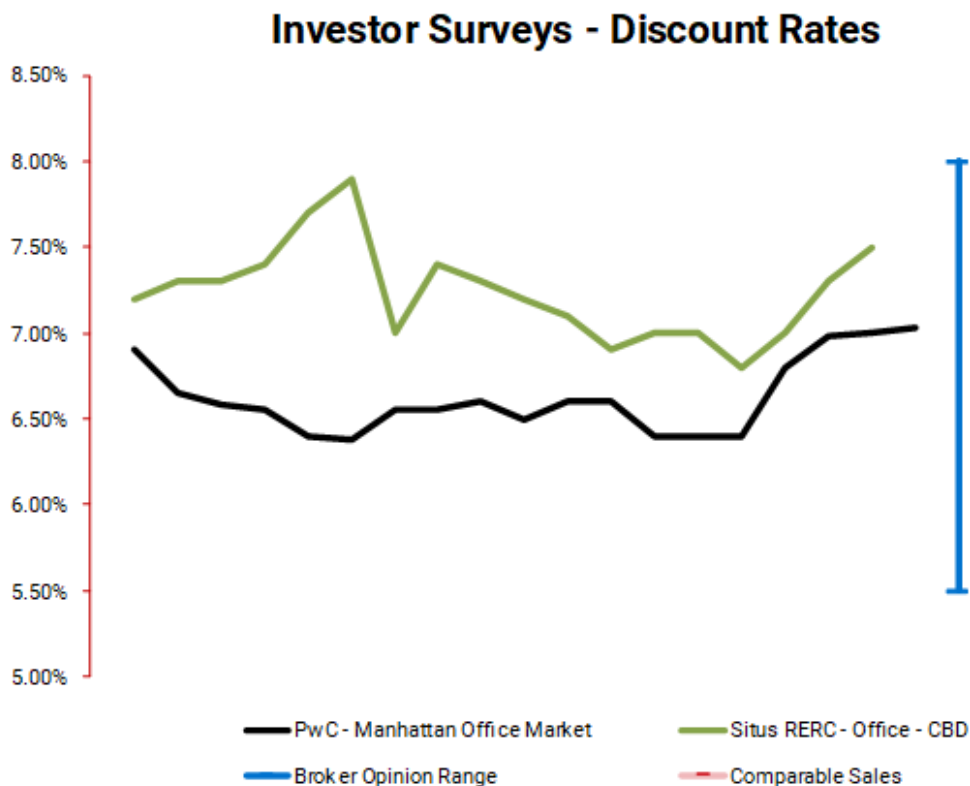
While owners continue to adjust underwriting models to account for inflation through the assumption that market rents will rise in excess of 5.0% over the next several years, brokers surveyed have indicated that there has been a fundamental shift in commercial real estate pricing. The reduced transaction volume currently witnessed within the debt and capital markets would suggest that there has been an adjustment to commercial pricing; however, the brevity of this adjustment is not clear due to the limited amount of recent data points in the marketplace. The spread between buyers and sellers continue to experience a difference in pricing, further elongating the price discovery period for the above market interest rate environment. Within this analysis, the investment rates utilized have been adjusted accordingly to account for the increased cost of borrowing, increasing the required returns from investors. The magnitude of this adjustment largely depends on the investment class that the property is situated in, which has been further discussed in the discount rate and terminal capitalization conclusions.

#### **DISCOUNT RATE DISCUSSION/CONCLUSION**

The appropriate discount rate applicable to the subject is concluded based by analyzing the expectations typically used by buyers and sellers in the marketplace. Published investor surveys, in concert with Newmark's survey of brokers and investors active in the local market form the foundation for the selection of the appropriate discount rate.

Investor Surveys - Discount Rates				
Source	Period	Low	High	Average
PwC - Manhattan Office Market	Q2 2023	6.00%	8.00%	7.03%
Situs RERC - Office - CBD	Q1 2023	6.70%	8.50%	7.50%
Newmark V&A Market Survey - Class A	Q1 2023	-	-	6.50%
Newmark V&A Market Survey - Class B	Q1 2023	-	-	7.00%
Broker Opinions		5.50%	8.00%	
Comparable Sales		5.50%	7.00%	6.00%

*Compiled by Newmark*



- The most current survey data indicates that discount rates range from 6.00% to 9.00%, averaging 7.00% and 7.30%, respectively. Rates have been increasing over the past year because of rising interest rates.
- Brokers in the marketplace indicated that a discount rate ranging from 5.50% to 8.00% could be expected for the subject.

In order to accurately analyze current investor surveys, we have further delineated the average capitalization rates into three historic periods: Pre-COVID (Q4 2018 – Q1 2020), Post-COVID with Near-Zero Federal Funds Rate (Q2 2020 – Q2 2022) and Interest Rate Hike Period (Q3 2022 – Q1 2023) on the following chart.

Investor Survey Trends Summary										
PwC - Manhattan Office Market										
	Discount Rate			Overall Cap Rate			Terminal Cap Rate			Cap Rate Spread
	Range	Average	Change	Range	Average	Change	Range	Average	Change	
Pre-COVID (Q4 2018 - Q1 2020)	6.38% - 6.90%	6.58%		4.53% - 4.82%	4.66%		5.15% - 5.25%	5.20%		53 bps
Post-COVID Near Zero Fed Rates (Q2 2020 - Q2 2022)	6.40% - 6.60%	6.51%	-7 bps	5.00% - 5.25%	5.11%	45 bps	5.33% - 5.68%	5.47%	28 bps	36 bps
Interest Rate Hike Period (Q3 2022 - Q1 2023)	6.80% - 7.00%	6.93%	42 bps	5.23% - 5.43%	5.36%	25 bps	5.65% - 5.80%	5.73%	26 bps	37 bps
Situs RERC - Office - CBD										
	Discount Rate			Overall Cap Rate			Terminal Cap Rate			Cap Rate Spread
	Range	Average	Change	Range	Average	Change	Range	Average	Change	
Pre-COVID (Q4 2018 - Q1 2020)	7.20% - 7.90%	7.47%		5.40% - 6.00%	5.62%		6.00% - 6.60%	6.30%		68 bps
Post-COVID Near Zero Fed Rates (Q2 2020 - Q2 2022)	6.80% - 7.40%	7.08%	-39 bps	5.40% - 6.00%	5.62%	1 bps	5.90% - 6.50%	6.17%	-13 bps	54 bps
Interest Rate Hike Period (Q3 2022 - Q1 2023)	7.00% - 7.50%	7.27%	19 bps	5.80% - 6.40%	6.17%	54 bps	6.30% - 6.80%	6.57%	40 bps	40 bps

As indicated by the statistics presented above, investors initially underwrote return metrics slightly lower for Manhattan office product following the onset of the COVID-19 pandemic. It should be noted that the decline in returns does not correlate to the initial decrease in interest rates to near-zero levels, as investors were uncertain of how the pandemic would impact the future of the office market. The FOMC has risen rates faster than any applicable period in history, resulting in investors underwriting Discount Rates on average between 20 and 80 basis points higher than the period where interest rates were effectively 0. It should be noted that the metrics presented above represent the **averages** of the surveys. As discussed further within the Discount Rate conclusion section, brokers surveyed have indicated that returns pricing for long-term leased, Class A and trophy assets have witnessed lower underwriting adjustments when compared to transitional, Class B/C office product, or low occupancy Class A office product, which have witnessed significantly larger underwriting adjustments.

Investor surveys are not traditionally reliable for the premium associated with New York City office buildings and do not segregate properties by building class. On the following chart, we have also considered the discount rates from the improved property sales, which are supported by the national investor surveys presented above.

<b>Comparable Discount Rates</b>						
	<b>Property Name</b>	<b>Date</b>	<b>Rentable Area</b>	<b>\$/SF</b>	<b>Occupancy (%)</b>	<b>IRR</b>
1	245 Park Avenue	July 2023	1,779,367	\$1,124	84.9%	6.25%
2	4 Bryant Park	July 2023	173,301	\$1,168	100.0%	5.50%
3	16 Madison Square Park West	July 2023	306,042	\$1,236	77.0%	5.50%
4	126 East 56th Street (a.k.a. Tower 56)	April 2023	186,884	\$605	83.2%	7.00%
5	1330 Avenue of the Americas	November 2022	534,062	\$599	80.4%	6.00%
6	450 Park Avenue	June 2022	333,715	\$1,333	77.0%	6.00%
7	645 Madison Avenue	May 2022	163,513	\$1,365	58.4%	6.25%
8	320 Park Avenue	February 2022	765,000	\$980	90.6%	5.75%
9	441 Ninth Avenue	December 2021	697,958	\$1,504	71.4%	6.00%
<b>Additional Comparable Transactions</b>						
10	200 Fifth Avenue	October 2022	857,873	\$1,399	92.0%	6.00%
	885 Third Avenue					
11	(Memorial Sloan Kettering Condominium)	December 2022	414,317	\$846	100.0%	6.00%
12	550 Washington Street	April 2022	1,257,529	\$1,607	100.0%	6.00%
13	One Manhattan West	March 2022	2,080,376	\$1,370	98.7%	5.50%
14	One Madison Avenue	January 2022	1,392,565	\$1,652	0.0%	6.00%
15	1177 Avenue of the Americas	October 2021	1,024,733	\$838	80.9%	6.25%
<b>Range</b>						<b>5.50% - 7.00%</b>
<b>Conclusion From Sales</b>						<b>6.75%</b>
<i>Compiled by Newmark</i>						

Discount rates have remained relatively stable to pre-COVID-19 levels largely due to the low interest rate environment that remained present through the first half of 2022. Despite risk associated with rising interest rates, the effect on commercial real estate appeared speculative, as transactions indicated that rates of return remained compressed for New York City real estate. Transactional data is often the best indication of pricing; however, the dearth of recent transactions limit the credibility of the sales referenced. As such, Newmark has continued to isolate key characteristics of the property and rely on broker conversations to determine the appropriate investment rates for the subject property.

- The discount rates for the comparable properties noted above ranged from 5.50% to 7.00%, with an average of 6.00%.
- The subject property consists of a 10 and part 30-story, plus three levels below grade Class A office buildings that is currently 95.16% leased to 2 retail tenants and 16 office tenants and located within the Grand Central office submarket of Midtown.
- The building currently has a LEED Gold Certification, which adds to the investment appeal of the property as tenants in the marketplace have shifted demand to buildings in-line with corporate ESG requirements.

- The location of the property adds to the investment appeal and investment rate selection based on the convenient location of the property within close proximity to all major transportation hubs (Grand Central, Penn Station / Moynihan Train Hall and Port Authority Bus Terminal). Tenants continue to seek long-term space needs that are located within close proximity to primary transportation centers.
- The subject contains unobstructed views of Bryant Park throughout the entire office component which allows the owner to command a premium in rents. The unobstructed views has been considered within the discount rate selection.
- The discount rate selection is above the range exhibited by the comparable sales and considers the above market interest rate environment currently impacting the commercial real estate market. The above market cost of debt has impacted capital market activity as buyers continue prospective buyers remain sidelined until properties have reached a new equilibrium. The current economic climate has impacted the investment rates selected for the subject property.
- The high interest rate environment impacting the commercial real estate market and the above market rollover that is anticipated to occur towards the residual years of the analysis period.
- New construction throughout Midtown and Midtown South has created increased competition and offers more efficient alternatives for tenants looking to lease new space. As previously discussed, the property has significant turnover and lease-up risk throughout the initial years of the analysis period due to the known vacancy of the anchor tenant, HSBC.

The compound annual growth of the net operating income for the subject property, excluding absorption, turnover vacancy and base rent abatements, of 1.95% per annum from year 1 of this analysis through the assumed holding period. The growth of the net operating income measures up-side potential, the potential risk associated with a properties cash flow maturation and is traditionally benchmarked against the 20-year consumer price index (CPI) growth, which has averaged 3.15%. While Net Operating Income growth in excess of this benchmark typically indicates below market revenue upside potential, this would traditionally warrant higher unlevered returns to account for risk associated with lack of stabilized income. Conversely, Net Operating Income Growth below the benchmark traditionally indicates market-oriented rental rate steps at rents reflect near market levels with a more stable tenancy profile. It should be noted that negative growth traditionally indicates above market rental rates, presenting additional risk consideration.

The subject's net operating income compound annual growth is approximately 113 basis points below the 20-year CPI benchmarks, which illustrates the limited growth anticipated to occur throughout the analysis period.

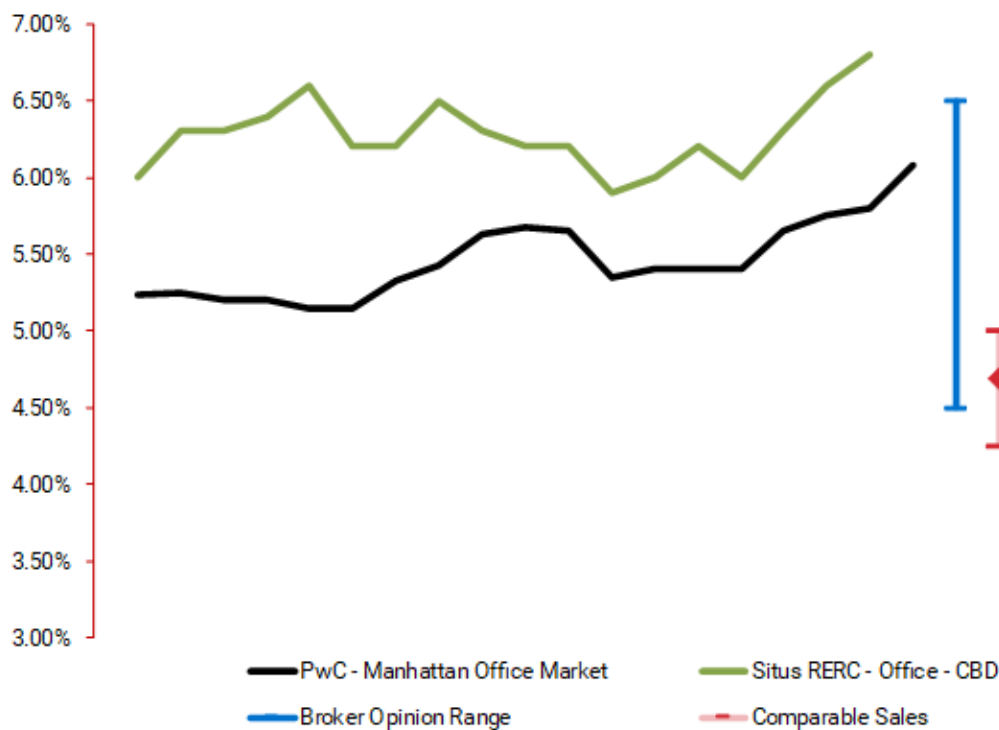
Based on our analysis, we have concluded to a discount rate of 6.75% for the As Is approach to value. The discount rate selection above the averages presented by the comparable sales is considered warranted based on the current interest rate environment, along with the risk of the subject’s cash flow and the limited buying pool for New York City commercial office buildings with above market vacancy.

**TERMINAL CAPITALIZATION RATE DISCUSSION/CONCLUSION**

Investor Surveys - Terminal Capitalization Rates				
Source	Period	Low	High	Average
PwC - Manhattan Office Market	Q2 2023	4.75%	7.00%	6.08%
Situs RERC - Office - CBD	Q1 2023	6.00%	8.00%	6.80%
Newmark V&A Market Survey - Class A	Q1 2023	-	-	5.25%
Newmark V&A Market Survey - Class B	Q1 2023	-	-	5.75%
Broker Opinions		4.50%	6.50%	
Comparable Sales		4.25%	5.00%	4.68%

*Compiled by Newmark*

**Investor Surveys - Terminal Capitalization Rates**



The chart on the following chart provides an overview of the terminal capitalization rates from improved property sales that were considered in our analysis.

Comparable Terminal Capitalization Rates and Holding Periods							
	Property Name	Date	Rentable Area	\$/SF	Occupancy %	Terminal Cap Rate	Holding Period (Years)
1	245 Park Avenue	July 2023	1,779,367	\$1,124	84.9%	5.00%	10 Years
2	4 Bryant Park	July 2023	173,301	\$1,168	100.0%	4.50%	13 Years
3	16 Madison Square Park West	July 2023	306,042	\$1,236	77.0%	4.50%	10 Years
4	126 East 56th Street (a.k.a. Tower 56)	April 2023	186,884	\$605	83.2%	5.00%	10 Years
5	1330 Avenue of the Americas	November 2022	534,062	\$599	80.4%	5.00%	11 Years
6	450 Park Avenue	June 2022	333,715	\$1,333	77.0%	4.25%	13 Years
7	645 Madison Avenue	May 2022	163,513	\$1,365	58.4%	4.75%	16 Years
8	320 Park Avenue	February 2022	765,000	\$980	90.6%	4.50%	17 Years
9	441 Ninth Avenue	December 2021	697,958	\$1,504	71.4%	4.50%	15 Years
Additional Comparable Transactions							
10	200 Fifth Avenue 885 Third Avenue	October 2022	857,873	\$1,399	92.0%	4.75%	15 Years
11	(Memorial Sloan Kettering Condominium)	December 2022	414,317	\$846	100.0%	5.00%	21 Years
12	550 Washington Street	April 2022	1,257,529	\$1,607	100.0%	4.50%	10 Years
13	One Manhattan West	March 2022	2,080,376	\$1,370	98.7%	4.50%	13 Years
14	One Madison Avenue	January 2022	1,392,565	\$1,652	0.0%	4.75%	19 Years
15	1177 Avenue of the Americas	October 2021	1,024,733	\$838	80.9%	4.75%	10 Years
<b>Range</b>						<b>4.25% - 5.00%</b>	<b>10 - 21 Years</b>
<b>Conclusion From Sales</b>						<b>5.25%</b>	

Compiled by Newmark

The terminal capitalization rate considers several key factors for a property and traditionally fluctuate based on the following: the office submarket location, the net operating income achieved during the terminal year of the cash flow and its relation to current market standards, the remaining WALT extending beyond the selected holding period, the spread of the terminal capitalization rate as compared to the implied going-in capitalization rate, along with overall class of the subject property. Market participants indicated that expectations for terminal capitalization rates have remained relatively stable despite the current economic climate. Investors are likely to underwrite inverted going-in capitalization rates when compared to terminal capitalization rates based on the above market concessions that are currently being underwritten, along with the above market downtime risk that persists as a result of COVID-19. In order to determine the appropriate capitalization rate, the following data points were analyzed by the data extracted from the improved property sales.

- The most current PWC and Situs RERC survey data for Office buildings indicate that terminal capitalization rates range from 4.75% to 8.00%, averaging 6.08% and 6.80%, respectively. Rates have been increasing over the past year because of rising interest rates.
- The improved property sales exhibited terminal capitalization rates ranging from 4.25% to 5.00%, with an average of 4.68%. The terminal capitalization rate selection applied within this appraisal report is 5.25%, which is above the average exhibited by the comparable properties and places greatest reliance on the current economic environment. Investors

are still targeting terminal capitalization rates to rebound to historical levels, as interest rates are projected to recover over the next 24 to 36 months, as evidenced by the FED's commentary of rate declines in 2023.

- Additional support for the selected terminal capitalization rate will come from analyzing the spread between the going-in or implied capitalization rates to the terminal capitalization rates referenced by the comparable sales. The office building sales exhibited capitalization rates ranging 0.58% to 4.77%, with an average of 3.84% and an adjusted average of 4.45%. The average spread between the terminal capitalization rates compared to the overall capitalization rates exhibited by the improved property sales was 84 basis points (13 basis points for the adjusted average). Based on our survey of market participants, investors are underwriting equivalent or inverted stabilized capitalized rates compared to terminal capitalization rates which considers the above market near-term cost of capital prior to exiting the respective investment. The positive spread between going in capitalization rates and terminal capitalization rates historically underwritten for office properties considered the risk related to time (market conditions). As such, a positive spread was most often observed when analyzing comparable commercial building sales. However, this relationship is currently dislocated from historic underwriting standards due to current market conditions and market participants accounting for above market risk related to liquidity and interest rates.
- Based on the subjects income characteristics that directly compete with a majority of the selected sales on the previous chart, the spread between the overall (OAR) and terminal capitalization rate selected herein is 25 basis points, when compared to the 5.00% capitalization rate applied within the Direct Capitalization Methodology. The above market capitalization rate considers the lease-up risk of the property upon vacancy of HSBC.
- Overall, the elevated capitalization rate that has been underwritten to consider future leasing costs, prospective vacancy concerns, and the impact return expectations is considered warranted. However, for investors utilizing a traditional holding period to acquire real estate, terminal capitalization rates continue to remain strong as buyers are targeting rate equilibrium over the next 24 to 36 months, which will ignite a capital event in a more competitive interest rate market at terminal capitalization rates that are in-line with comparable sales.

### **DISCOUNTED CASH FLOW ANALYSIS – RETROSPECTIVE MARKET VALUE “As Is”**

The cash flow projection is on the following page, which utilizes a holding period of 10 years and reversion in the 11<sup>th</sup> year. The cash flow exhibits a value matrix along with a matrix of rates of return over the projection period. The Argus cash flow is presented on the following page which commences on May 31, 2023.

452 Fifth Avenue												
Market Value "As Is" As Of May 31, 2023												
Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	CAGR
Month End	May-24	May-25	May-26	May-27	May-28	May-29	May-30	May-31	May-32	May-33	May-34	Over Hold
Base Rental Revenue	\$75,331,243	\$76,178,222	\$79,261,434	\$81,703,327	\$84,054,894	\$88,855,623	\$89,719,148	\$90,245,135	\$91,458,998	\$96,075,312	\$97,845,224	2.65%
Absorption & Turnover Vacancy	(\$6,424,067)	(\$5,141,904)	(\$45,825,032)	(\$42,798,851)	(\$4,024,185)	(\$2,207,007)	(\$1,373,112)	(\$495,655)	\$0	\$0	(\$1,203,101)	
Base Rent Abatements	(\$2,476,395)	(\$6,516,665)	(\$1,726,986)	(\$8,143,985)	(\$45,386,439)	(\$12,329,597)	(\$1,259,104)	(\$1,723,316)	\$0	\$0	(\$311,950)	
<b>Scheduled Base Rent</b>	<b>\$66,430,781</b>	<b>\$64,519,653</b>	<b>\$31,709,415</b>	<b>\$30,760,491</b>	<b>\$34,644,270</b>	<b>\$74,319,019</b>	<b>\$87,086,932</b>	<b>\$88,026,164</b>	<b>\$91,458,998</b>	<b>\$96,075,312</b>	<b>\$96,330,173</b>	<b>3.79%</b>
Real Estate Tax Reimbursements	\$4,461,566	\$4,218,874	\$1,396,435	\$1,515,166	\$680,134	\$206,054	\$384,366	\$447,298	\$1,159,615	\$3,056,894	\$5,076,152	
Operating Expense Reimbursements	\$3,646,753	\$3,954,079	\$1,481,261	\$1,725,462	\$3,417,344	\$3,303,029	\$3,851,590	\$4,417,990	\$5,038,999	\$5,630,040	\$6,133,170	
Tenant Electric Income	\$1,596,705	\$1,642,218	\$704,751	\$826,266	\$1,845,798	\$1,934,310	\$2,007,409	\$2,072,003	\$2,153,509	\$2,218,114	\$2,265,410	
<b>Total Reimbursable Revenue</b>	<b>\$9,705,025</b>	<b>\$9,815,171</b>	<b>\$3,582,447</b>	<b>\$4,066,893</b>	<b>\$5,943,277</b>	<b>\$5,443,393</b>	<b>\$6,243,365</b>	<b>\$6,937,291</b>	<b>\$8,352,124</b>	<b>\$10,905,049</b>	<b>\$13,474,732</b>	<b>3.34%</b>
Other Income	\$115,115	\$118,331	\$64,216	\$71,995	\$132,669	\$138,598	\$143,642	\$148,209	\$153,793	\$158,407	\$162,027	
<b>Potential Gross Income</b>	<b>\$76,250,921</b>	<b>\$74,453,155</b>	<b>\$35,356,078</b>	<b>\$34,899,378</b>	<b>\$40,720,216</b>	<b>\$79,901,011</b>	<b>\$93,473,940</b>	<b>\$95,111,664</b>	<b>\$99,964,915</b>	<b>\$107,138,768</b>	<b>\$109,966,932</b>	<b>3.73%</b>
Less: Vacancy & Collection Loss	(\$870,012)	(\$925,332)	(\$1,060,682)	(\$1,046,981)	(\$1,221,606)	(\$2,397,030)	(\$2,804,218)	(\$2,853,350)	(\$2,998,947)	(\$3,214,163)	(\$3,299,008)	
<b>Effective Gross Income</b>	<b>\$75,380,908</b>	<b>\$73,527,824</b>	<b>\$34,295,396</b>	<b>\$33,852,397</b>	<b>\$39,498,610</b>	<b>\$77,503,980</b>	<b>\$90,669,722</b>	<b>\$92,258,314</b>	<b>\$96,965,967</b>	<b>\$103,924,605</b>	<b>\$106,667,924</b>	<b>3.53%</b>
Per Square Foot	\$87.11	\$84.97	\$39.63	\$39.12	\$45.65	\$89.56	\$104.78	\$106.62	\$112.06	\$120.10	\$123.27	
<b>Operating Expenses</b>												
Real Estate Taxes	\$16,866,377	\$16,994,577	\$17,180,185	\$18,064,218	\$16,085,352	\$16,201,747	\$17,069,081	\$17,266,798	\$18,488,220	\$20,431,027	\$22,570,443	
Payroll and Related	\$5,219,491	\$5,374,214	\$4,766,369	\$4,987,591	\$5,912,534	\$6,115,739	\$6,310,956	\$6,503,692	\$6,713,881	\$6,915,298	\$7,107,754	
Utilities	\$2,674,936	\$2,754,604	\$2,597,815	\$2,700,104	\$3,022,479	\$3,121,194	\$3,218,487	\$3,316,102	\$3,420,279	\$3,522,888	\$3,623,904	
Repairs and Maintenance	\$3,500,000	\$3,605,000	\$3,713,150	\$3,824,545	\$3,939,281	\$4,057,459	\$4,179,183	\$4,304,559	\$4,433,695	\$4,566,706	\$4,703,707	
Cleaning	\$3,200,631	\$3,295,509	\$2,922,773	\$3,058,428	\$3,625,611	\$3,750,217	\$3,869,926	\$3,988,113	\$4,117,003	\$4,240,513	\$4,358,529	
Insurance	\$625,000	\$643,750	\$663,063	\$682,954	\$703,443	\$724,546	\$746,283	\$768,671	\$791,731	\$815,483	\$839,948	
General and Administrative	\$700,000	\$721,000	\$742,630	\$764,909	\$787,856	\$811,492	\$835,837	\$860,912	\$886,739	\$913,341	\$940,741	
Management Fee	\$562,470	\$579,344	\$596,725	\$614,627	\$633,065	\$652,057	\$671,619	\$691,768	\$712,521	\$733,896	\$755,913	
<b>Total Operating Expenses</b>	<b>\$33,348,905</b>	<b>\$33,967,998</b>	<b>\$33,182,709</b>	<b>\$34,697,376</b>	<b>\$34,709,621</b>	<b>\$35,434,451</b>	<b>\$36,901,371</b>	<b>\$37,700,614</b>	<b>\$39,564,070</b>	<b>\$42,139,152</b>	<b>\$44,900,939</b>	<b>3.02%</b>
Per Square Foot	\$38.54	\$39.25	\$38.35	\$40.10	\$40.11	\$40.95	\$42.64	\$43.57	\$45.72	\$48.70	\$51.89	
% of Effective Gross Income	44.24%	46.20%	96.76%	102.50%	87.88%	45.72%	40.70%	40.86%	40.80%	40.55%	42.09%	
<b>Net Operating Income</b>	<b>\$42,032,003</b>	<b>\$39,559,825</b>	<b>\$1,112,687</b>	<b>(\$844,979)</b>	<b>\$4,788,988</b>	<b>\$42,069,529</b>	<b>\$53,768,350</b>	<b>\$54,557,700</b>	<b>\$57,401,897</b>	<b>\$61,785,453</b>	<b>\$61,766,984</b>	<b>3.92%</b>
Per Square Foot	\$48.57	\$45.72	\$1.29	(\$0.98)	\$5.53	\$48.62	\$62.14	\$63.05	\$66.33	\$71.40	\$71.38	
<b>Leasing &amp; Capital Costs</b>												
Tenant Improvements	\$7,113,740	\$8,148,639	\$0	\$73,019,965	\$16,130,325	\$525,925	\$1,456,480	\$0	\$0	\$0	\$1,284,642	
Leasing Commissions	\$632,325	\$3,088,813	\$0	\$23,830,142	\$4,217,769	\$217,689	\$614,833	\$583,559	\$0	\$0	\$540,113	
Capital Reserves	\$432,670	\$445,650	\$459,019	\$472,790	\$486,973	\$501,583	\$516,630	\$532,129	\$548,093	\$564,536	\$581,472	
Marketing / Other	\$500,000	\$515,000	\$530,450	\$546,364	\$562,754	\$0	\$0	\$0	\$0	\$0	\$0	
Capital Expenditure	\$14,801,435	\$14,801,435	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
<b>Total Leasing &amp; Capital Costs</b>	<b>\$23,480,169</b>	<b>\$26,999,536</b>	<b>\$989,469</b>	<b>\$97,869,261</b>	<b>\$21,397,821</b>	<b>\$1,245,196</b>	<b>\$2,587,943</b>	<b>\$1,115,688</b>	<b>\$548,093</b>	<b>\$564,536</b>	<b>\$2,406,226</b>	
<b>Net Cash Flow</b>	<b>\$18,551,834</b>	<b>\$12,560,289</b>	<b>\$123,218</b>	<b>(\$98,714,239)</b>	<b>(\$16,608,833)</b>	<b>\$40,824,333</b>	<b>\$51,180,408</b>	<b>\$53,442,013</b>	<b>\$56,853,805</b>	<b>\$61,220,917</b>	<b>\$59,360,758</b>	<b>12.33%</b>

Additional KPIs												
Annual Overall Capitalization Rate	6.14%	5.78%	0.16%	-0.12%	0.70%	6.14%	7.85%	7.96%	8.38%	9.02%	9.02%	
Cash on Cash Return	2.71%	1.83%	0.02%	-14.41%	-2.42%	5.96%	7.47%	7.80%	8.30%	8.94%	8.67%	
Year over Year Growth (NOI)		-5.88%	-97.19%	-175.94%	-666.76%	778.46%	27.81%	1.47%	5.21%	7.64%	-0.03%	

Cash Flow Assumptions	
Valuation Scenario:	Market Value "As Is"
Cash Flow Start Date:	6/1/2023
Discount Rate:	6.75%
Terminal Cap Rate:	5.25%
Cost of Sale at Reversion	4.00%
Investment Holding Period:	10.0 Years
Analysis Projection Period:	11.0 Years
Square Footage (NRA)	865,339
Rounding Constant	\$5,000,000
<b>Indicated Market Value</b>	<b>\$685,000,000</b>

Valuation Matrix					
Terminal Cap	Internal Rate of Return				
	6.25%	6.50%	6.75%	7.00%	7.25%
4.75%	\$780,902	\$762,840	\$745,236	\$728,079	\$711,355
5.00%	\$746,860	\$729,589	\$712,756	\$696,349	\$680,357
5.25%	\$716,060	\$699,504	<b>\$683,368</b>	\$667,641	\$652,312
5.50%	\$688,060	\$672,155	\$656,653	\$641,543	\$626,815
5.75%	\$662,495	\$647,183	\$632,260	\$617,715	\$603,537

\*Values are presented as \$000's

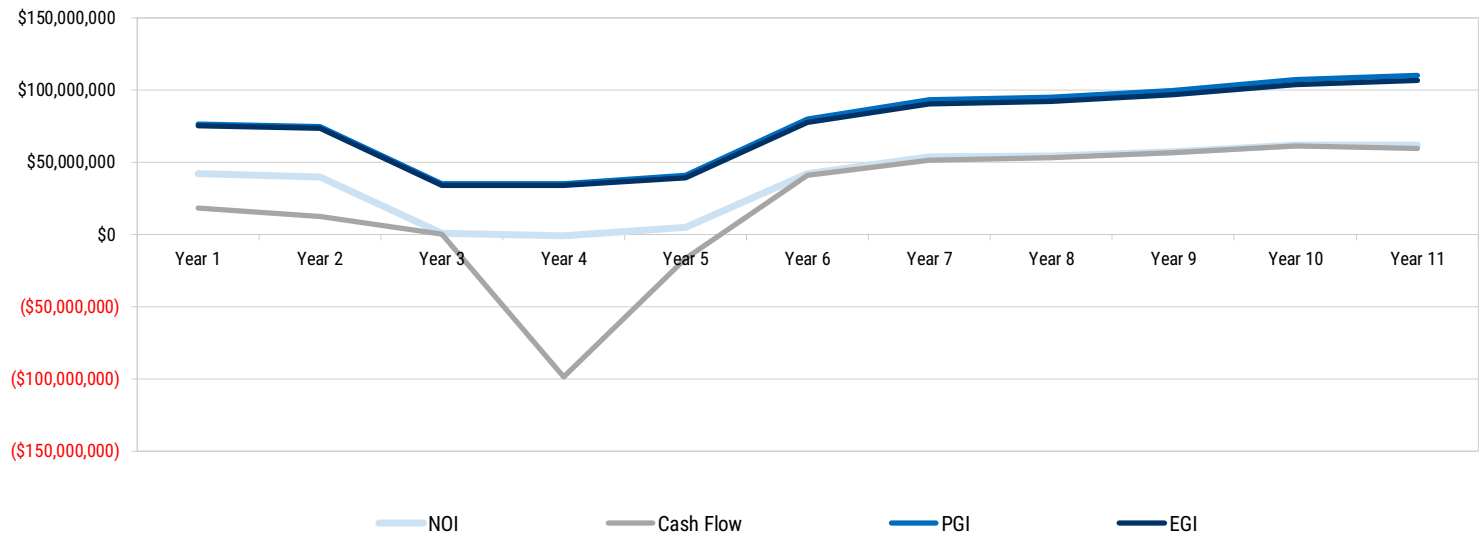
Compiled by Newmark

Discounted Cash Flow Summary				Growth Rates				
General Cash Flow Assumptions		Market Value "As Is"		Yr. 2	Yr. 3	Yr. 4	Yr. 5	
Valuation Scenario:		Market Value "As Is"		<b>Market Rent:</b>				
Cash Flow Start Date:	6/1/2023			Office	3.00%	3.00%	3.00%	3.00%
Investment Holding Period:	10.0 Years			Retail	0.00%	0.00%	3.00%	3.00%
Analysis Projection Period:	11.0 Years			Other Income	3.00%	3.00%	3.00%	3.00%
Rounding Constant	\$5,000,000			Expenses	3.00%	3.00%	3.00%	3.00%
Vacancy & Collection Loss*	16.61%			Leasing Costs	3.00%	3.00%	3.00%	3.00%
				Real Estate Taxes	0.76%	1.09%	5.15%	-10.95%
<b>Indicated Market Value</b>			<b>\$685,000,000</b>					

\*This assumption includes a constant 3.00% vacancy and collection loss throughout the analysis period, along with the estimated turnover and vacancy that will occur.

Capital Expenditures			Rates of Return			
			Low	Mid	High	
Replacement Reserves (\$/SF)		\$0.50	Internal Rate of Return:	6.25%	6.75%	7.25%
Near Term Capital Expenditures	Yr. 1	\$14,801,435	Terminal Capitalization Rate:	4.75%	5.25%	5.75%
	Yr. 2	\$14,801,435	Reversionary Sales Cost:	4.00%	4.00%	4.00%
	Yr. 3	\$0				
	Yr. 4	\$0				
	Yr. 5	\$0				

**Annual Cash Flow**



Compiled by Newmark

DCF Valuation Analysis								
Market Value "As Is" As Of May 31, 2023								
Year #	Year	Net Operating Income	Net Cash Flow	Discount Factor 6.75%	Discounted Cash Flows	Cash On Cash Return	Yield	Annual Overall Cap Rates
Year 1	May-2024	\$42,032,003	\$18,551,834	0.93677	\$17,378,767	2.71%	2.54%	6.14%
Year 2	May-2025	\$39,559,825	\$12,560,289	0.87753	\$11,022,088	1.84%	1.61%	5.78%
Year 3	May-2026	\$1,112,687	\$123,218	0.82205	\$101,291	0.02%	0.01%	0.16%
Year 4	May-2027	(\$844,979)	(\$98,714,239)	0.77007	(\$76,016,570)	-14.45%	-11.12%	-0.12%
Year 5	May-2028	\$4,788,988	(\$16,608,833)	0.72137	(\$11,981,183)	-2.43%	-1.75%	0.70%
Year 6	May-2029	\$42,069,529	\$40,824,333	0.67576	\$27,587,465	5.97%	4.04%	6.14%
Year 7	May-2030	\$53,768,350	\$51,180,408	0.63303	\$32,398,772	7.49%	4.74%	7.85%
Year 8	May-2031	\$54,557,700	\$53,442,013	0.59300	\$31,691,277	7.82%	4.64%	7.96%
Year 9	May-2032	\$57,401,897	\$56,853,805	0.55551	\$31,582,651	8.32%	4.62%	8.38%
Year 10	May-2033	\$61,785,453	\$61,220,917	0.52038	\$31,858,183	8.96%	4.66%	9.02%
<b>Present Value of Cash Flows:</b>					<b>\$95,622,740</b>		<b>13.99%</b>	<b>5.20%</b>
Reversion:	NOI:	Terminal Rate		Total	\$/SF			
Year 11	May-2034	\$61,766,984	5.25%	\$1,176,513,987	\$1,359.60			
Less: Cost of Sale			4.00%	\$47,060,559	\$54.38			
Reversion Value				\$1,129,453,428	\$1,305.21			
Discount Factor				0.520381				
<b>Present Value of Reversion:</b>					<b>\$587,745,741</b>	<b>\$679.21</b>	<b>86.01%</b>	
Compound Aggregate Growth Rates								
Reversion				6.22%				
Cash Flow				14.19%				
Total Present Value					\$683,368,481	\$789.71	100.00%	
<b>Rounded</b>					<b>\$685,000,000</b>	<b>\$791.60</b>	<b>100.00%</b>	

Compiled by Newmark

## INCOME CAPITALIZATION APPROACH CONCLUSION

Income Capitalization Approach - Indicated Value	
Market Value Premise	Retrospective As Is
As of Date:	May 31, 2023
Direct Capitalization	\$665,000,000
Discounted Cash Flow	\$685,000,000
Reconciled Value	\$685,000,000
Value per Square Foot	\$791.60

*Compiled by Newmark*

The concluded value by the Income Capitalization Approach is focused on the discounted cash flow analysis as this tracks best with investor actions for a property like the subject. The final value conclusion by this approach is more heavily weighted to the discounted cash flow analysis, because the direct capitalization approach does not adequately capture the short-term assumption adjustments made due to COVID-19 and anticipated vacancy over the initial months of the analysis period.

## RECONCILIATION OF VALUE

The values indicated by our analyses are as follows:

Market Value Indications	
Market Value Premise	Retrospective As Is
As of Date:	June 28, 2023
Cost Approach:	Not Used
Sales Comparison Approach:	\$680,000,000
Income Capitalization Approach:	\$685,000,000
Market Value Conclusion	\$685,000,000

*Compiled by Newmark*

### COST APPROACH

The Cost Approach has best applicability for properties with new or nearly new improvements. It is a summation approach in that the underlying land value is added to the depreciated replacement cost for the indicated value. In this case, the cost approach was not utilized due to the age of the improvements which results in significant depreciation thereby reducing the reliability of this approach.

### SALES COMPARISON APPROACH

The Sales Comparison Approach is focused on comparing the subject to sale and other market transactions with the aim to develop an indication of value that is founded on the theory of substitution. Basically, the intention is to determine value through considering the prices of properties which would be a substitute property to the subject. In this case, a selection of reasonably similar sales were obtained and the adjustment process was well founded by reasoning and direct evidence. Although this analysis is considered to be well founded and reliable, the subject property is an income producing property and the sales comparison approach, like the cost approach, is limited in its ability to directly consider the income levels of the subject and the sales. Accordingly, secondary weight is given to the sales comparison approach.

### INCOME CAPITALIZATION APPROACH

The subject property is a multi-tenant office property. It is distinctly an income producing property and this approach is specifically designed to address the value of such a property. Both direct capitalization and discounted cash flow analyses were developed. Market rent was well established by reasonably similar lease data. The property has a stable history and both income and expense estimates track with historical trends. Capitalization rates were developed from a number of sources including the sales used in the sales comparison approach. Discount and terminal capitalization rates were developed from investor surveys and market participant

data. In total, the income capitalization approach is considered to be most applicable to the subject and most reliable. This approach is given greatest weight for that reason.

**VALUE CONCLUSION**

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

Value Conclusions			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Retrospective Market Value "As Is"	Leased Fee	5/31/2023	\$685,000,000

*Compiled by Newmark*

**Extraordinary Assumptions and Hypothetical Conditions**

An extraordinary assumption is defined in USPAP as an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser’s opinions or conclusions. The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results.

- 1. None

A hypothetical condition is defined in USPAP as 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. The value conclusions are based on the following hypothetical conditions that may affect the assignment results.

- 1. None

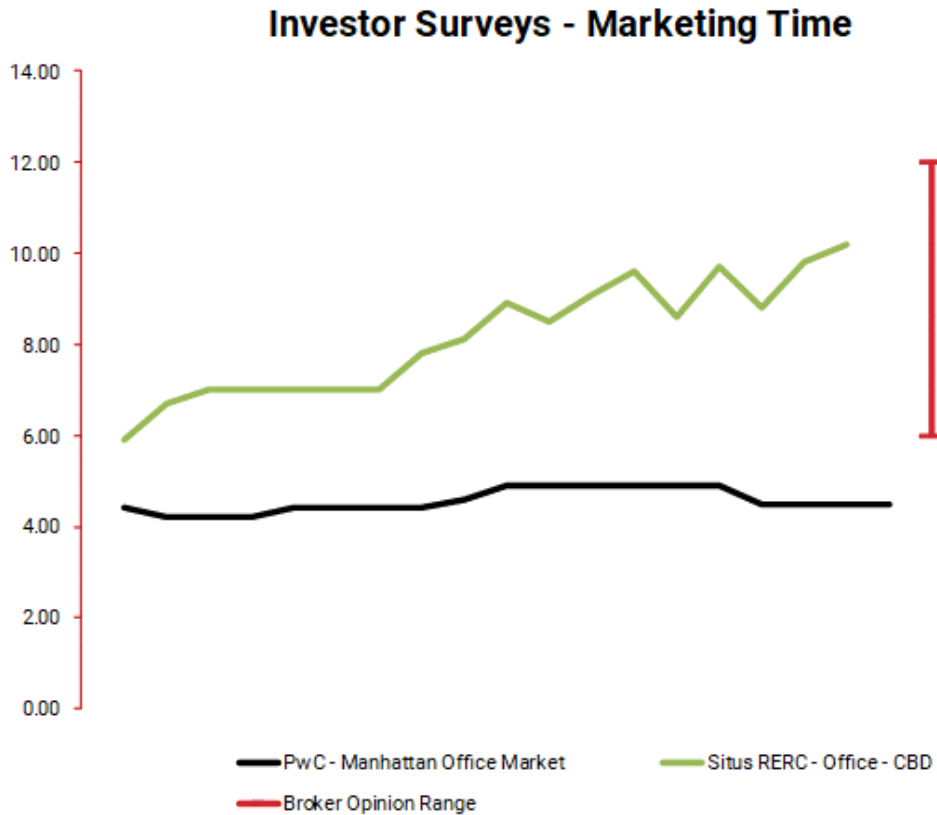
*Compiled by Newmark*

**MARKETING TIME**

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. Due to the rising cost of debt, it is likely owners hold on to properties longer until borrowing rates become more favorable. Recent sales transaction data for similar properties indicate that timing is more accelerated than the opinion quoted herein; however, supply and demand characteristics for the local Class A office buildings market are still reacting to current economic conditions based on the opinions of local market participants that were interviewed.

Investor Surveys - Marketing Time				
Source	Period	Low	High	Average
PwC - Manhattan Office Market	Q2 2023	1.0 Mos.	6.0 Mos.	4.5 Mos.
Situs RERC - Office - CBD	Q1 2023	-	-	10.2 Mos.
Newmark V&A Market Survey - Class A	Q1 2023	-	-	-
Newmark V&A Market Survey - Class B	Q1 2023	-	-	-
Broker Opinions		6.0 Mos.	12.0 Mos.	

*Compiled by Newmark*



Traditionally, marketing time in the Manhattan marketplace ranges from 6 to 9 months. However, in light of recent events and the rising cost of debt, we have adjusted the marketing period to a range of 6 to 12 months. Based on discussions with market participants, a global adjustment to marketing materials and investor outlook for assets throughout New York City is extended marketing periods as real estate markets and equity market aim for a correction by year-end 2023.

**EXPOSURE TIME**

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Exposure time is always presumed to precede the effective date of the appraisal. Based on our discussions with market participants, it is our opinion that the probable exposure time for the subject at the concluded market values stated previously is 6 to 12 months.

## ASSUMPTIONS AND LIMITING CONDITIONS

The Appraisal contained in this Report (herein "Report") is subject to the following assumptions and limiting conditions:

1. Unless otherwise stated in this report, title to the property which is the subject of this report (herein "Property") is assumed to be good and marketable and free and clear of all liens and encumbrances and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. No responsibility is assumed for the legal description, zoning, condition of title or any matters which are legal in nature or otherwise require expertise other than that of a professional real estate appraiser. This report shall not constitute a survey of the Property.
2. Unless otherwise stated in this report, it is assumed: that the improvements on the Property are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the Property and improvements conform to all applicable local, state, and federal laws, codes, ordinances and regulations including environmental laws and regulations. No responsibility is assumed for soil or subsoil conditions or engineering or structural matters. The Property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based, unless otherwise stated. The physical condition of the Property reflected in this report is solely based on a visual inspection as typically conducted by a professional appraiser not someone with engineering expertise. Responsible ownership and competent property management are assumed.
3. Unless otherwise stated in this report, this report did not take into consideration the existence of asbestos, PCB transformers or other toxic, hazardous, or contaminated substances or underground storage tanks, or the cost of encapsulation, removal or remediation thereof. Real estate appraisers are not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater or other potentially hazardous materials and substances may adversely affect the value of the Property. Unless otherwise stated in this report, the opinion of value is predicated on the assumption that there is no such material or substances at, on or in the Property.
4. All statements of fact contained in this report as a basis of the analyses, opinions, and conclusions herein are true and correct to the best of the appraiser's actual knowledge and belief. The appraiser is entitled to and relies upon the accuracy of information and material furnished by the owner of the Property or owner's representatives and on information and data provided by sources upon which members of the appraisal profession typically rely and that are deemed to be reliable by such members. Such information and data obtained from third party sources are assumed to be reliable and have not been independently verified. No warranty is made as to the accuracy of any of such information and data. Any material error in any of the said information or data could have a substantial impact on the conclusions of this Report. The appraiser reserves the right to amend conclusions reported if made aware of any such error.

5. The opinion of value stated in this report is only as of the date of value stated in this report. An appraisal is inherently subjective and the conclusions stated apply only as of said date of value, and no representation is made as to the effect of subsequent events. This report speaks only as of the date hereof.
6. Any projected cash flows included in the analysis are forecasts of estimated future operating characteristics and are predicated on the information and assumptions contained within this report. Any projections of income, expenses and economic conditions utilized in this report are not predictions of the future. Rather, they are estimates of market expectations of future income and expenses. The achievement of any financial projections will be affected by fluctuating economic conditions and is dependent upon other future occurrences that cannot be assured. Actual results may vary from the projections considered herein. There is no warranty or assurances that these forecasts will occur. Projections may be affected by circumstances beyond anyone's knowledge or control. Any income and expense estimates contained in this report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
7. The analyses contained in this report may necessarily incorporate numerous estimates and assumptions regarding Property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by the analysis will vary from estimates, and the variations may be material.
8. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraphs, several events may occur that could substantially alter the outcome of the estimates such as, but not limited to changes in the economy, interest rates, capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. In making prospective estimates and forecasts, it is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.
9. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. This report shall be considered only in its entirety. No part of this report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the Firm. Possession of this report, or a copy hereof, does not carry with it the right of publication.
11. Client and any other Intended User identified herein should consider this report and the opinion of value contained herein as only one factor together with its own independent considerations and underwriting guidelines in making any decision or investment or taking any action regarding the Property. Client agrees that Firm shall not be responsible in any way for any decision of Client or any Intended User related to the Property or for the advice or services provided by any other

advisors or contractors. The use of this report and the appraisal contained herein by anyone other than an Intended User identified herein, or for a use other than the Intended Use identified herein, is strictly prohibited. No party other than an Intended User identified herein may rely on this report and the appraisal contained herein.

12. Unless otherwise stated in the agreement to prepare this report, the appraiser shall not be required to participate in or prepare for or attend any judicial, arbitration, or administrative proceedings.
13. The Americans with Disabilities Act (ADA) became effective January 26, 1992. No survey or analysis of the Property has been made in connection with this report to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. No expertise in ADA issues is claimed, and the report renders no opinion regarding the Property's compliance with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
14. Acceptance and/or use of this report constitutes full acceptance of these Assumptions and Limiting Conditions and any others contained in this report, including any Extraordinary Assumptions and Hypothetical Conditions, and is subject to the terms and conditions contained in the agreement to prepare this report and full acceptance of any limitation of liability or claims contained therein.

## **ADDENDUM A**

### **GLOSSARY OF TERMS**

The following definitions are derived from The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015).

- ◆ **Absorption Period:** The actual or expected period required from the time a property, group of properties, or commodity is initially offered for lease, purchase, or use by its eventual users until all portions have been sold or stabilized occupancy has been achieved.
- ◆ **Absorption Rate:** 1) Broadly, the rate at which vacant space in a property or group of properties for sale or lease has been or is expected to be successfully sold or leased over a specified period of time. 2) In subdivision analysis, the rate of sales of lots or units in a subdivision.
- ◆ **Ad Valorem Tax:** A tax levied in proportion to the value of the thing(s) being taxed. Exclusive of exemptions, use-value assessment provisions, and the like, the property tax is an ad valorem tax. (International Association of Assessing Officers [IAAO])
- ◆ **Assessed Value:** The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value.
- ◆ **Cash Equivalency:** An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash or its equivalent.
- ◆ **Contract Rent:** The actual rental income specified in a lease.
- ◆ **Disposition Value:** The most probable price that a specified interest in property should bring under the following conditions: 1) Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market. 2) The property is subjected to market conditions prevailing as of the date of valuation. 3) Both the buyer and seller are acting prudently and knowledgeably. 4) The seller is under compulsion to sell. 5) The buyer is typically motivated. 6) Both parties are acting in what they consider to be their best interests. 7) An adequate marketing effort will be made during the exposure time. 8) Payment will be made in cash in US dollars (or the local currency) or in terms of financial arrangements comparable thereto. 9) 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. This definition can also be modified to provide for valuation with specified financing terms.
- ◆ **Effective Rent:** Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord.

- ◆ **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. See also **surplus land**.
- ◆ **Excess Rent:** The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties.
- ◆ **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.
- ◆ **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. See also **hypothetical condition**.
- ◆ **Fee Simple Estate:** 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.
- ◆ **Floor Area Ratio (FAR):** The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.
- ◆ **Frictional Vacancy:** The amount of vacant space needed in a market for its orderly operation. Frictional vacancy allows for move-ins and move-outs.
- ◆ **Full Service Lease:** See **gross lease**.
- ◆ **General Vacancy:** A method of calculating any remaining vacancy and collection loss considerations when using discounted cash flow (DCF) analysis, where turnover vacancy has been used as part of the income estimate. The combined effects of turnover vacancy and general vacancy relate to total vacancy and collection loss.
- ◆ **Going-Concern Premise:** One of the premises under which the total assets of a business can be valued; the assumption that a company is expected to continue operating well into the future (usually indefinitely).
- ◆ **Going Concern Value:** An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold

in aggregate; more accurately termed the market value of the going concern or market value of the total assets of the business.

- ◆ **Gross Building Area (GBA):** 1) 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. 2) Gross leasable area plus all common areas. 3) For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space.
- ◆ **Gross Lease:** A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called full-service lease.
- ◆ **Hypothetical Condition:** 1) A condition that is presumed to be true when it is known to be false. (Appraisal Institute: The Standards of Valuation Practice [SVP]) 2) A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. See also **extraordinary assumption**.
- ◆ **Intended Users:** 1) The party or parties the valuer intends will use the report. (SVP) 2) The client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser on the basis of communication with the client at the time of the assignment. (USPAP, 2016-2017 ed.)
- ◆ **Investment Value:** 1) The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. 2) The value of an asset to the owner or a prospective owner for individual investment or operational objectives. (International Valuation Standards [IVS])
- ◆ **Land-to-Building Ratio:** The proportion of land area to gross building area; one of the factors determining comparability of properties.
- ◆ **Lease:** A contract in which the rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.
- ◆ **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.
- ◆ **Lessee:** One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement.
- ◆ **Lessor:** One who conveys the rights of occupancy and use to others under a lease agreement.
- ◆ **Liquidation Value:** The most probable price that a specified interest in property should bring under the following conditions: 1) Consummation of a sale within a short time period. 2) The property is subjected to market conditions prevailing as of the date of valuation. 3) Both the buyer and seller are acting prudently and knowledgeably. 4) The seller is under extreme compulsion to sell. 5) The buyer is typically motivated. 6) Both parties are acting in what they consider to be their best interests. 7) A normal marketing effort is not possible due to the brief exposure time. 8) Payment will be made in cash in US dollars (or the local currency) or in terms of financial arrangements comparable thereto. 9) 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. This definition can also be modified to provide for valuation with specified financing terms.
- ◆ **Market Rent:** The most probable rent that a 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).
- ◆ **Market Value:** A type of value that is the major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined, such as the following. 1) The most widely accepted components of market value are incorporated in the following definition: The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress. 2) Market value is described, not defined, in the Uniform Standards of Professional Appraisal Practice (USPAP) as follows: A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of

such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal. <sup>2</sup>

- ◆ **Market Value of the Going Concern:** The market value of an established and operating business including the real property, personal property, financial assets, and the intangible assets of the business.
- ◆ **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.
- ◆ **Modified Gross Lease:** A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a double net lease, net net lease, partial net lease, or semi-gross lease.
- ◆ **Net Lease:** A lease in which the landlord passes on all expenses to the tenant. See also *gross lease; modified gross lease*.
- ◆ **Net Net Net Lease:** An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called NNN lease, triple net lease, or fully net lease.
- ◆ **Occupancy Rate:** 1) The relationship or ratio between the potential income from the currently rented units in a property and the income that would be received if all the units were occupied.  
2) The ratio of occupied space to total rentable space in a building.
- ◆ **Overage Rent:** The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakpoint sales volume.
- ◆ **Percentage Rent:** Rental income received in accordance with the terms of a percentage lease; typically derived from retail store and restaurant tenants and based on a certain percentage of their gross sales.

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<sup>2</sup> The actual definition of value used for this appraisal is contained within the body of the report. The definition of market value given above is general in viewpoint and is only provided for amplification.

- ◆ **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.
- ◆ **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.
- ◆ **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."
- ◆ **Shell Rent:** The typical rent paid for retail, office, or industrial tenant space based on minimal "shell" interior finishes (called vanilla finish or white wall finish in some areas). Usually the landlord delivers the main building shell space or some minimum level of interior build-out, and the tenant completes the interior finish, which can include wall, ceiling, and floor finishes, mechanical systems, interior electricity, and plumbing. Typically these are long-term leases with tenants paying all or most property expenses.
- ◆ **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. See also **excess land**.
- ◆ **Turnover Vacancy:** A method of calculating vacancy allowance that is estimated or considered as part of the potential income estimate when using discounted cash flow (DCF) analysis. As units or suites turn over and are available for re-leasing, the periodic vacancy time frame (vacancy window) to release the space is considered.
- ◆ **Usable Area:** 1) For office buildings, the actual occupiable area of a floor or an office space; computed by measuring from the finished surface of the office side of corridor and other permanent walls, to the center of partitions that separate the office from adjoining usable areas, and to the inside finished surface of the dominant portion of the permanent outer building walls. Sometimes called net building area or net floor area. See also floor

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area. 2) The area that is actually used by the tenants measured from the inside of the exterior walls to the inside of walls separating the space from hallways and common areas.

- ◆ **Use Value:** The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Use value may or may not be equal to market value but is different conceptually. See also **value in use**.
- ◆ **Value In Use:** The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. See also **use value**.
- ◆ **Value Indication:** A valuer's conclusion of value resulting from the application of an approach to value, e.g., the value indication by the sales comparison approach.

**ADDENDUM B**  
**COMPARABLE SALES DATA SHEETS**

**Comparable Office Improved Sale 1**



<b>Transaction</b>			
<b>Address</b>	245 Park Avenue	<b>Transaction Date</b>	Jul-23
<b>Submarket, City</b>	Grand Central, Midtown	<b>Price</b>	\$2,000,000,000
<b>State</b>	NY	<b>Price Per SF</b>	\$1,124.00
<b>Tax ID</b>		<b>Conditions of Sale</b>	
<b>Buyer</b>	Mori Trust	<b>Financing</b>	
<b>Seller</b>	245 Park Acquisition LLC c/o SL Green Realty Corp.	<b>Interest Conveyed</b>	Leased Fee
<b>Transaction Type</b>	Closed Sale	<b>Days on Market</b>	

<b>Land</b>			
<b>Acres</b>	1.9	<b>Topography</b>	
<b>Land Area</b>	81,337 SF	<b>Zoning</b>	
<b>Road Frontage</b>		<b>Flood Zone</b>	
<b>Shape</b>		<b>Encumbrance or Easement</b>	
<b>Utilities</b>		<b>Environmental Issues</b>	

<b>Improvements &amp; Financial Data</b>			
<b>Occupancy</b>	84.90%	<b>NOI</b>	\$95,456,000.00
<b>Rentable Area (SF)</b>	1,779,367 SF	<b>In-Place Capitalization Rate</b>	4.77%
<b>GBA</b>	1,779,367 SF	<b>Adjusted Capitalization Rate</b>	-
<b>Year Built</b>	1965 / 2000	<b>Terminal Capitalization Rate</b>	5.00%
<b>Stories</b>	45	<b>Discount Rate</b>	6.25%
<b>Investment Grade</b>	Class A	<b>Holding Period</b>	10 Years

**Comments**

This is the contract of sale of a 45-story, Class A office building located along the entire eastern block front of Park Avenue between East 46th and East 47th Streets within the Grand Central office submarket of Midtown. Based on our review of public documentation, the building initially sold in September 2022 for \$1,769,900,602, which reflected the existing debt encumbering the property, which was assigned to SL Green, who was a preferred equity investor. The current contract of sale represents an equity recapitalization for 49.5% interest in the property that is currently priced by the confidential buyer and SL Green at approximately at \$2,000,000,000, which reflects a 100% interest in the property. At the time of contract, the property was 84.9% leased. The owner benefits from a strong office component which is anchored by Societe Generale (520,831 SF), Houlihan Lokey (284,450 SF), Angelo Gordon (138,669 SF), Ares Capital (138,659 SF), and Cooperative Raboban (109,657 SF), accounting for 80.79% of the year one, projected base rental revenue. The existing vacancy within the subject property JP Morgan Chase (769,972 SF) and Major League Baseball (220,565 SF), which vacated the property in October 2022. SL Green intends to renovate the property to reposition the building as a Trophy office building, which is being underwritten by the investors that are part of this transaction. The redevelopment budget totals \$200,000,000, which will be utilized to enhancing the windows within the podium of the property, replenish the exterior facade, repositioning the Park Avenue and Lexington Avenue lobbies, creating access to Grand Central Terminal, renovating the Park Avenue public plaza and developing a robust amenity package for the existing and prospective tenants. The amenities will include a street facing food court adjacent to the Lexington Avenue lobby, a fitness and wellness center on the ground floor, a landscaped usable rooftop that will be known as Park in the Sky. Based on the net operating income achieved at the of sale, the property was purchased based on an overall capitalization rate of 4.75% at the time of sale.

**Comparable Office Improved Sale 2**



Transaction			
<b>Address</b>	4 Bryant Park	<b>Transaction Date</b>	Jul-23
<b>Submarket, City</b>	Sixth Avenue / Rockefeller Center,	<b>Price</b>	\$202,470,013
<b>State</b>	NY	<b>Price Per SF</b>	\$1,168.31
<b>Tax ID</b>		<b>Conditions of Sale</b>	
<b>Buyer</b>	Adams & Co.	<b>Financing</b>	
<b>Seller</b>	Confidential	<b>Interest Conveyed</b>	Leased Fee
<b>Transaction Type</b>	Closed Sale	<b>Days on Market</b>	

Land			
<b>Acres</b>	0.3	<b>Topography</b>	
<b>Land Area</b>	12,343 SF	<b>Zoning</b>	
<b>Road Frontage</b>		<b>Flood Zone</b>	
<b>Shape</b>		<b>Encumbrance or Easement</b>	
<b>Utilities</b>		<b>Environmental Issues</b>	

Improvements & Financial Data			
<b>Occupancy</b>	100.00%	<b>NOI</b>	\$8,098,800.50
<b>Rentable Area (SF)</b>	173,301 SF	<b>In-Place Capitalization Rate</b>	4.00%
<b>GBA</b>	173,301 SF	<b>Adjusted Capitalization Rate</b>	4.50%
<b>Year Built</b>	1919 / 2014-2018	<b>Terminal Capitalization Rate</b>	4.50%
<b>Stories</b>	12	<b>Discount Rate</b>	5.50%
<b>Investment Grade</b>	Class B	<b>Holding Period</b>	13 Years

**Comments**

This is the sale for an 8.0% minority interest in a 12-story, plus lower level, Class B office building known as 4 Bryant Park (1071 Avenue of the Americas) and is located within the Sixth Avenue / Rockefeller Center office submarket of Midtown. Due to the location of the property adjacent to Bryant Park, the office component features excellent views of the park throughout the building. According to our discussions with Adams & Co., they are buying out the remaining interest retained by the minority tenant in common (TIC). The minority interest is being purchased in conjunction with three other Class B office buildings. The building was most recently renovated from 2014 to 2018, whereby the owner invested approximately \$12,000,000 (\$68.95 PSF/GBA) on enhancements to the property, including: re-cladding the facade at the base of the building, new bathrooms on most office floors, a new roof, HVAC upgrades, elevator modernization, and a lobby repositioning. The property comprises 173,301 square feet of rentable area, and is 100% leased to three retail and ten office tenants. The office component accounts for 69% of the year one projected base rental revenue, and the existing tenants exhibit a weighted average remaining lease term of 63 months (5.22 years). The retail space is located along the ground, mezzanine, and lower levels of the property, which is entirely leased to Kinokuniya Book Stores of America (24,555 SF), Pret A Manger (3,849 SF), and Toho Shoji (1,901 SF), totaling 30,305 square feet. The retail tenants exhibit a weighted average remaining lease term of 60 months (5.03 years). The retail component benefits from the frontage and exposure directly facing Bryant Park, providing tenants with above average foot traffic levels. Based on the net operating income achieved at the time of sale, the property is being purchased based on an overall capitalization rate of 4.00%.

### Comparable Office Improved Sale 3



Transaction			
<b>Address</b>	16 Madison Square Park West	<b>Transaction Date</b>	Jul-23
<b>Submarket, City</b>	Flatiron / Union Square, Midtown	<b>Price</b>	\$378,122,792
<b>State</b>	NY	<b>Price Per SF</b>	\$1,235.53
<b>Tax ID</b>		<b>Conditions of Sale</b>	
<b>Buyer</b>	Adams & Co.	<b>Financing</b>	
<b>Seller</b>	Confidential	<b>Interest Conveyed</b>	Leased Fee
<b>Transaction Type</b>	Closed Sale	<b>Days on Market</b>	

Land			
<b>Acres</b>	0.5	<b>Topography</b>	
<b>Land Area</b>	22,188 SF	<b>Zoning</b>	
<b>Road Frontage</b>		<b>Flood Zone</b>	
<b>Shape</b>		<b>Encumbrance or Easement</b>	
<b>Utilities</b>		<b>Environmental Issues</b>	

Improvements & Financial Data			
<b>Occupancy</b>	77.00%	<b>NOI</b>	\$13,234,297.71
<b>Rentable Area (SF)</b>	306,042 SF	<b>In-Place Capitalization Rate</b>	3.50%
<b>GBA</b>	306,042 SF	<b>Adjusted Capitalization Rate</b>	4.75%
<b>Year Built</b>	1914 / 2012-2014	<b>Terminal Capitalization Rate</b>	4.50%
<b>Stories</b>	12	<b>Discount Rate</b>	5.50%
<b>Investment Grade</b>	Class B	<b>Holding Period</b>	10 Years

**Comments**  
This is the sale for a 12.0% minority interest in a 12-story, plus lower level, Class B office building known as 16 Madison Square Park (1115 Broadway) and is located within the Flatiron/Union Square office submarket of Midtown South. Due to the location of the property at the corner of Broadway and West 25th Street, adjacent to Madison Square Park, the office component benefits from unobstructed views of the park throughout the entirety of the building. According to our discussions with Adams & Co., they are buying out the remaining interest retained by the minority tenant in common (TIC). The minority interest is being purchased in conjunction with three other Class B office buildings. The building was most recently renovated from 2012 to 2014, whereby the ownership spent approximately \$14,000,000 (\$53.90 PSF/GBA) on enhancements to the property, including: Local Law 11 facade work, pre-building vacant office space, roof work, elevator modernization, and installing a new cooling tower. In addition, the owner intends to add an additional lobby entrance along East 25th Street for exclusive access to the tenants, which can create a building-within-a-building opportunity for prospective anchor tenants in the future. Furthermore, based on our discussions with the owner, a long-term benefit and value enhancement for the property would be the addition of a penthouse rooftop that encompasses the entire building envelope. While there were no plans in place for the roof at the time of sale, the inherent value potential was considered within the investment rates underwritten. The property comprises 306,042 square feet of rentable area and is 77% leased to two retail and seven office tenants. The office space features as the main income deriving component of the property which comprises 267,423 square feet and is 81% leased. The office tenants account for 91% of the year one base rental revenue and exhibit a weighted average remaining lease term of 75 months (6.23 years). The retail space within the property is located on the ground, mezzanine, and lower levels of the property, comprising 31,261 square feet of rentable area. At the time of sale, the retail space was 55% leased to Mexican Gastronomy (13,350 SF) and FG Kitchen & Bath (3,850 SF), exhibiting a weighted average remaining lease term of 161 months (13.46 years). Based on the net operating income achieved at the time of sale, the property is being purchased based on an overall capitalization rate of 3.50%, with a mark to market capitalization rate of 4.75%.

**Comparable Office Improved Sale 4**



Transaction			
<b>Address</b>	126 East 56th Street (a.k.a. Tower	<b>Transaction Date</b>	Apr-23
<b>Submarket, City</b>	Park Avenue, Midtown	<b>Price</b>	\$113,000,000
<b>State</b>	NY	<b>Price Per SF</b>	\$604.65
<b>Tax ID</b>		<b>Conditions of Sale</b>	
<b>Buyer</b>	T56 Owners, LLC c/o Sovereign Partners	<b>Financing</b>	
<b>Seller</b>	Tower 56 Real Estate Owner, LLC c/o Asian Realty Partners IV LLC	<b>Interest Conveyed</b>	Leased Fee
<b>Transaction Type</b>	Closed Sale	<b>Days on Market</b>	

Land			
<b>Acres</b>	0.1	<b>Topography</b>	
<b>Land Area</b>	6,025 SF	<b>Zoning</b>	
<b>Road Frontage</b>		<b>Flood Zone</b>	
<b>Shape</b>		<b>Encumbrance or Easement</b>	
<b>Utilities</b>		<b>Environmental Issues</b>	

Improvements & Financial Data			
<b>Occupancy</b>	83.20%	<b>NOI</b>	\$5,210,297.00
<b>Rentable Area (SF)</b>	186,884 SF	<b>In-Place Capitalization Rate</b>	4.61%
<b>GBA</b>	186,884 SF	<b>Adjusted Capitalization Rate</b>	5.15%
<b>Year Built</b>	1982	<b>Terminal Capitalization Rate</b>	5.00%
<b>Stories</b>	33	<b>Discount Rate</b>	7.00%
<b>Investment Grade</b>	Class A	<b>Holding Period</b>	10 Years

**Comments**  
 This is the sale for a 33-story, Class A office building located at 126 East 56th Street and known as Tower 56, within the Park Avenue office submarket of Midtown. At the time of the sale, the property was 82.91% leased to 32 office tenants. At the time of the sale, the seller was in the process of investing approximately \$1.06 million to convert the mezzanine level into an amenity center. The existing tenants exhibit an average remaining lease term of 36.3 months or 3.3 years. The property is anchored by Lanier Associates (18,223 SF), Invus Financial Advisors (9,491 SF), and Quest Partners (8,948 SF). The anchor office tenants account for 19.62% of the total net rentable area and 24.11% of the projected year one base rental revenue. Based on the nature of the acquisition, Pealmark will be retaining an undisclosed minority interest and the building has an implied value of \$125.0 million, as reported by the parties involved in the transaction. The in-place net operating income based on the sale price reflects a going-in capitalization rate of 4.61%, which adjusts to an abated capitalization rate of 5.15% when considering the adjusted equity price of \$125.0 million.

**Comparable Office Improved Sale 5**



Transaction			
<b>Address</b>	1330 Avenue of the Americas	<b>Transaction Date</b>	Nov-22
<b>Submarket, City</b>	Rockefeller Center, Midtown	<b>Price</b>	\$320,000,000
<b>State</b>	NY	<b>Price Per SF</b>	\$599.18
<b>Tax ID</b>		<b>Conditions of Sale</b>	
<b>Buyer</b>	1330 CE26 LLC c/o Empire Capital Holdings, CH Capital, Hakimian	<b>Financing</b>	
<b>Seller</b>	Blackstone Group & RXR	<b>Interest Conveyed</b>	Leased Fee
<b>Transaction Type</b>	Closed Sale	<b>Days on Market</b>	

Land			
<b>Acres</b>	0.5	<b>Topography</b>	
<b>Land Area</b>	21,606 SF	<b>Zoning</b>	
<b>Road Frontage</b>		<b>Flood Zone</b>	
<b>Shape</b>		<b>Encumbrance or Easement</b>	
<b>Utilities</b>		<b>Environmental Issues</b>	

Improvements & Financial Data			
<b>Occupancy</b>	80.43%	<b>NOI</b>	\$13,302,183.00
<b>Rentable Area (SF)</b>	534,062 SF	<b>In-Place Capitalization Rate</b>	4.16%
<b>GBA</b>	534,062 SF	<b>Adjusted Capitalization Rate</b>	4.75%
<b>Year Built</b>	1965	<b>Terminal Capitalization Rate</b>	5.00%
<b>Stories</b>	39	<b>Discount Rate</b>	6.00%
<b>Investment Grade</b>	Class A	<b>Holding Period</b>	11 Years

**Comments**  
 This is the sale for a 39 story, Class A office building located along the entire eastern blockfront of Avenue of the Americas between West 53rd and 54th Streets within the Sixth Avenue/Rockefeller Center office submarket of Midtown. At the time of sale, the property was 80% leased to 1 retail and 36 office tenants, along with a below grade parking garage leased to an operator. The existing tenants exhibit an average remaining lease term of 63 months, or 5.22 years. The office space is anchored by Knoll (59,562 SF), Silvercrest Asset Management (41,600 SF), Artisan Partners (20,558 SF), and Cornerstone (16,300 SF). The retail space was entirely leased long-term to Apple Bank through September 2040, which occupies 8,400 square feet along the ground floor and 4,900 square feet along the lower level which is utilized for storage purposes. The parking garage component contains 225 legal parking spaces across three levels below grade and comprises 69,822 square feet. The space is currently leased to ICON Parking, which will occupy the space through September 2027. The operator is responsible for a contract rent of approximately \$1.938 million, or \$8,614 per space. At the time of sale, the seller was in the process of commencing a five-year capital plan totaling \$16,991,432 which will be utilized for bathroom upgrades, common corridor restorations, exterior renovations, partial roof replacement and general base building work. It should be noted that the property is one of the only buildings along Avenue of the Americas that offers boutique floor plates with excellent views of Central Park and the surrounding New York City skyline throughout the entire property. Based on the net operating income at the time of sale, the property was acquired based on an overall capitalization rate of 4.09%.

**Comparable Office Improved Sale 6**



Transaction			
<b>Address</b>	450 Park Avenue	<b>Transaction Date</b>	Jun-22
<b>Submarket, City</b>	Park Avenue, Midtown	<b>Price</b>	\$445,000,000
<b>State</b>	NY	<b>Price Per SF</b>	\$1,333.47
<b>Tax ID</b>		<b>Conditions of Sale</b>	
<b>Buyer</b>	SL Green Realty Trust	<b>Financing</b>	
<b>Seller</b>	450 Property Owner US, LLC JV Oxford Properties & Crowne	<b>Interest Conveyed</b>	Leased Fee
<b>Transaction Type</b>	Closed Sale	<b>Days on Market</b>	

Land			
<b>Acres</b>	0.3	<b>Topography</b>	
<b>Land Area</b>	13,375 SF	<b>Zoning</b>	
<b>Road Frontage</b>		<b>Flood Zone</b>	
<b>Shape</b>		<b>Encumbrance or Easement</b>	
<b>Utilities</b>		<b>Environmental Issues</b>	

Improvements & Financial Data			
<b>Occupancy</b>	77.00%	<b>NOI</b>	\$17,750,000.00
<b>Rentable Area (SF)</b>	333,715 SF	<b>In-Place Capitalization Rate</b>	3.99%
<b>GBA</b>	333,715 SF	<b>Adjusted Capitalization Rate</b>	4.83%
<b>Year Built</b>	1972 / 1989 / 2006	<b>Terminal Capitalization Rate</b>	4.25%
<b>Stories</b>	33	<b>Discount Rate</b>	6.00%
<b>Investment Grade</b>	Class A	<b>Holding Period</b>	13 Years

**Comments**  
 This is the sale of a 33-story, Class A, trophy office building located at 450 Park Avenue within the Park Avenue office submarket of Midtown. The property is considered a unique offering along Park Avenue based on the boutique floor plates which average 10,800 square feet per floor, along with the above market light and air due to the location of the property along two bi-directional corridors (East 57th Street and Park Avenue). The property benefits from a strong office component, which was leased at an average contract rent of \$125.00 per square foot. Oxford Asset Management (31,014 SF), Banco Bradesco (21,822 SF), Muzinich (21,648 SF), BDT Capital Partners (21,557 SF), and Steadfast Financial (21,447 SF) are the largest tenants at this property. The office tenants contain an average remaining lease term of 73 months (6.1 years), and the building was receiving bids for the vacant space at contract rents ranging from \$100.00 to \$130.00 per square foot. Based on the in-place income at the time of sale, the property was purchased based on an overall capitalization rate of 3.99%, which was anticipated to increase to 4.83% by year three of the investment holding period.

## Comparable Office Improved Sale 7



Transaction			
<b>Address</b>	645 Madison Avenue	<b>Transaction Date</b>	May-22
<b>Submarket, City</b>	Plaza District, Midtown	<b>Price</b>	\$223,221,242
<b>State</b>	NY	<b>Price Per SF</b>	\$1,365.16
<b>Tax ID</b>		<b>Conditions of Sale</b>	
<b>Buyer</b>	Titan Golden Capital	<b>Financing</b>	
<b>Seller</b>	BLR Madison LLC (Fee) & East West Bank (Leasehold)	<b>Interest Conveyed</b>	Leasehold
<b>Transaction Type</b>	Closed Sale	<b>Days on Market</b>	

Land			
<b>Acres</b>	0.2	<b>Topography</b>	
<b>Land Area</b>	9,038 SF	<b>Zoning</b>	
<b>Road Frontage</b>		<b>Flood Zone</b>	
<b>Shape</b>		<b>Encumbrance or Easement</b>	
<b>Utilities</b>		<b>Environmental Issues</b>	

Improvements & Financial Data			
<b>Occupancy</b>	58.36%	<b>NOI</b>	\$1,284,800.00
<b>Rentable Area (SF)</b>	163,513 SF	<b>In-Place Capitalization Rate</b>	0.58%
<b>GBA</b>	163,513 SF	<b>Adjusted Capitalization Rate</b>	4.70%
<b>Year Built</b>	1971 / 2021	<b>Terminal Capitalization Rate</b>	4.75%
<b>Stories</b>	22	<b>Discount Rate</b>	6.25%
<b>Investment Grade</b>	Class A	<b>Holding Period</b>	16 Years

**Comments**  
The transaction represents the collapsed purchase price for the leasehold and leased fee interests located at 645 Madison Avenue. The property consists of a 22-story, Class A office building with multi-level retail space located along the southeast corner of East 59th Street, within the Plaza District office submarket of Midtown South. The property contains excellent frontage along the Madison Avenue retail corridor. The property was recently renovated in 2021, whereby the previous leasehold owner completed a \$16,725,964 renovation budget which was utilized to reconfigure the ground floor retail space, relocate the main office lobby from Madison Avenue to East 60th Street, general base building upgrades, and recladding the facade. The ground lease was acquired by Titan Global in 2021 for \$26,628,942, and the leased fee interest in the ground lease was acquired for \$196,592,300, resulting in a total purchase price of \$223,221,242. At the time of sale, the annual ground rent was \$9,784,800, which will remain flat through the lease expiration date in May 2048. At the time of sale, the building was 58.36% leased to 14 office tenants which is anchored by The Rothman Institute (21,461 SF), Basswood Partners (13,190 SF), Roc Capital Management (12,528 SF), and SNF USA (8,861 SF). The retail space was vacant at the time of sale and comprised 5,113 square feet along the ground floor, 7,836 square feet along the second floor, and 5,539 square feet within the lower level, totaling 18,938 square feet. The leasehold was previously owned by Friedland Properties and Nightingale, which were foreclosed on by East West Bank in 2021. Based on the collapsed ground lease, the existing economics are planned to increase to a stabilized 4.70% capitalization rate according to our knowledge of the transaction.

**Comparable Office Improved Sale 8**



Transaction			
<b>Address</b>	320 Park Avenue	<b>Transaction Date</b>	Feb-22
<b>Submarket, City</b>	Park Avenue, Midtown	<b>Price</b>	\$750,000,000
<b>State</b>	NY	<b>Price Per SF</b>	\$980.39
<b>Tax ID</b>		<b>Conditions of Sale</b>	
<b>Buyer</b>	Munich Reinsurance America, Inc	<b>Financing</b>	
<b>Seller</b>	Mutual Life of America	<b>Interest Conveyed</b>	Leased Fee
<b>Transaction Type</b>	Closed Sale	<b>Days on Market</b>	

Land			
<b>Acres</b>	0.7	<b>Topography</b>	
<b>Land Area</b>	30,625 SF	<b>Zoning</b>	
<b>Road Frontage</b>		<b>Flood Zone</b>	
<b>Shape</b>		<b>Encumbrance or Easement</b>	
<b>Utilities</b>		<b>Environmental Issues</b>	

Improvements & Financial Data			
<b>Occupancy</b>	90.60%	<b>NOI</b>	\$25,500,000.00
<b>Rentable Area (SF)</b>	765,000 SF	<b>In-Place Capitalization Rate</b>	3.40%
<b>GBA</b>	765,000 SF	<b>Adjusted Capitalization Rate</b>	4.25%
<b>Year Built</b>	1994 / 2021	<b>Terminal Capitalization Rate</b>	4.50%
<b>Stories</b>	35	<b>Discount Rate</b>	5.75%
<b>Investment Grade</b>	Class A	<b>Holding Period</b>	17 Years

**Comments**  
 This is the sale of a 25% minority interest of a 35-story, Class A office building located on the west side of Park Avenue between West 50th and West 51st Streets within the Park Avenue office submarket of Midtown. At the time of sale, the property was 90.6% leased to 7 retail and 15 office tenants. The seller, Mutual of America, structured a sale leaseback agreement to occupy 247,385 square feet or 32.29% of the rentable area at a base contract rent of \$70.00 per square foot for a period of 20-years. Raymond James also serves as an anchor tenant, and leases 135,000 square feet or 17.64% of the net rentable area. The property was undergoing a \$35.0 million renovation at the time of sale to reposition the existing lobby with a new entrance along Park Avenue and amenity offerings that will include a barista, grab and go food options, and access to the lower level building fitness center. Moreover, the renovations include the construction of an amenity center on the 16th floor with a wraparound outdoor terrace that can be utilized by all tenants. The amenity center will provide tenants the option to host events, book conference rooms and the joint venture has hired a third-party amenity provider to manage all bookings and daily food options. The purchase price was based on an overall year one capitalization rate 3.40%, which is anticipated to increase to 4.25% by year three.

**Comparable Office Improved Sale 9**



Transaction			
<b>Address</b>	441 Ninth Avenue	<b>Transaction Date</b>	Dec-21
<b>Submarket, City</b>	Far West Side, Midtown	<b>Price</b>	\$1,050,000,000
<b>State</b>	NY	<b>Price Per SF</b>	\$1,504.39
<b>Tax ID</b>		<b>Conditions of Sale</b>	
<b>Buyer</b>	CommonWealth Partners	<b>Financing</b>	
<b>Seller</b>	CBP 441 Ninth Avenue c/o Cove Property Group and Baupost Group	<b>Interest Conveyed</b>	Leased Fee
<b>Transaction Type</b>	Closed Sale	<b>Days on Market</b>	

Land			
<b>Acres</b>	0.9	<b>Topography</b>	
<b>Land Area</b>	39,640 SF	<b>Zoning</b>	
<b>Road Frontage</b>		<b>Flood Zone</b>	
<b>Shape</b>		<b>Encumbrance or Easement</b>	
<b>Utilities</b>		<b>Environmental Issues</b>	

Improvements & Financial Data			
<b>Occupancy</b>	71.40%	<b>NOI</b>	\$26,880,000.00
<b>Rentable Area (SF)</b>	697,958 SF	<b>In-Place Capitalization Rate</b>	2.56%
<b>GBA</b>	697,958 SF	<b>Adjusted Capitalization Rate</b>	4.25%
<b>Year Built</b>	1962 / 2020	<b>Terminal Capitalization Rate</b>	4.50%
<b>Stories</b>	25	<b>Discount Rate</b>	6.00%
<b>Investment Grade</b>	Class A	<b>Holding Period</b>	15 Years

**Comments**  
 This is the sale of a recently repositioned and expanded 25-story, plus lower level, Class A office building located along the entire eastern blockfront of Ninth Avenue between West 34th and West 35th Streets within the Far West Side office submarket of Midtown. The building is known as Hudson Commons (441 Ninth Avenue) and recently completed a redevelopment totaling \$201,374,772 (\$335.68 / GBA) in 2020. The property has achieved LEED Platinum and Wire Score Platinum accreditations. Additional amenities include 14 terraces that offer outdoor amenity space ranging from 300 to 14,000 square feet, an amenity center at the base of the building totaling 8,221 square foot, bike storage rooms, and a new proprietary blue-chip technology platform. In addition, the property includes an executive VIP parking garage totaling 15 legal parking spaces. The property comprises 697,958 square feet of net rentable area and was 70.0% leased at the time of sale. Peloton and Lyft serve as anchor office tenants within the property and leased the entire second through eleventh floors. The average contract rent for the two anchor tenants is \$91.00 per square foot, and the tenants contain an average remaining lease term of 150 months (12.50 years). At the time of sale, Peloton had expressed interest in expanding within the property. The seller acquired the property on December 9, 2016, from Group Health Incorporated (Grantor) for a purchase price of \$330,000,000. At the time of sale, the property was improved with an 8-story commercial building that was owner-user occupied by Emblem Health. Subsequent to the transaction, the seller commenced a repositioning of the former loft improvements and expanded the existing loft building with the addition of 17-stories. The seller will escrow all leasing and capital costs underwritten at the time of sale and the purchase price reflected herein represents the gross price utilized at the time of sale. Based on the net operating income of the property, the building was purchase based on an overall capitalization rate of 2.56%, which is anticipated to stabilize at 4.25% in year three of the investment holding period.

## **ADDENDUM C**

### **APPRAISER QUALIFICATIONS AND LICENSE**



# Douglas H. Larson

MRICS

*Executive Vice President  
Specialty Practice Leader – Office*

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## YEARS OF EXPERIENCE

# 25+

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## AREAS OF SPECIALTY

- Office
- Life Science
- Industrial
- Multifamily
- Complex Mixed-Use Assets
- Property Tax Appeals
- Arbitration Witness

Douglas Larson MRICS, joined Newmark Valuation & Advisory in 2017 and currently serves as an Executive Vice President in the company's New York headquarters. Douglas brings to his position over two decades of financial advisement, underwriting, asset management and valuation expertise. He has appraised several major urban office and retail properties on behalf of clients within the financial, investment banking, private wealth, and insurance industries. Douglas has successfully completed appraisals and consulting assignments for mortgage loan purposes, arbitrations, allocations, estates, and the acquisition, disposition and marketing of real estate.

Douglas is also the national Practice Leader for the Valuation & Advisory's Office Specialty Practice. He oversees a team of experts whose innovative, consulting-driven approach provides best-in-class valuation and consulting services for all properties belonging to the office asset class.

Prior to joining Newmark, Douglas served for 24 years as an Executive Director with Cushman & Wakefield's Valuation & Advisory group in New York where he managed the New York office building valuation team that provided valuation, underwriting and due diligence expertise to support the financing of major office and retail construction projects throughout the city. Clients included private equity firms, hedge funds, banks and other institutional investors. He also provided a number of consulting services, including preparation of appraisals; customized financial analyses; advising acquisition and disposition strategies; preparing market and location studies; and analyzing capital structures to identify short and long-term risks.

Douglas has performed valuation and analysis on a wide variety of property types, including Class A office buildings, high-street retail development projects, shopping centers, apartment buildings, manufacturing plants, warehouses and mixed-use projects. He has extensive experience with New York City office buildings and urban mixed-use properties. He has recently appraised over 500 major office buildings in Manhattan.

### Licenses and Designations

- Associate Member, Appraisal Institute Metropolitan New York Chapter
- Member, Royal Institution of Chartered Surveyors (MRICS)
- Certified general real estate appraiser, State of New York #46-39300

### Education

Douglas earned a Bachelor of Science degree from Arizona State University in business administration and economics.

UNIQUE ID NUMBER  
46000039300

State of New York  
Department of State  
DIVISION OF LICENSING SERVICES

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Control  
No. 1528766

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

EFFECTIVE DATE

MO. DAY YR.  
06 05 22

EXPIRATION DATE

MO. DAY YR.  
06 04 24

LARSON DOUGLAS H  
C/O NEWMARK KNIGHT FRANK  
125 PARK AVE  
NEW YORK, NY 10017



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



# Charles R. Looney

*Vice President*

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## YEARS OF EXPERIENCE

# 8+

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## AREAS OF SPECIALTY

Office  
Complex Mixed-Use Assets  
Retail Malls  
Feasibility Studies  
Financial Modeling  
Due Diligence  
Rent Arbitration

Charles R. Looney joined Newmark Valuation & Advisory in 2017 and currently serves as a Vice President. Based in the company's New York headquarters, Charles specializes in the valuation of various property types throughout Manhattan and New York City.

Prior to joining Newmark, Charles spent more than three years as an associate appraiser at Cushman & Wakefield, where he contributed to the valuation of property types that included trophy office buildings, retail condominiums, retail centers, vacant land, transferable development rights, historic and preservation easements, and existing and proposed investment properties located throughout New York City.

Since joining Newmark, Charles has completed valuations for several of the largest loans throughout New York City. Of the top ten largest finance loans recorded since 2018, Charles has completed valuations for 20 properties (which were asset classes that Charles specializes in) out of the 30 total deals. This activity resulted in a 67% market share for the largest loans closed since 2018, combining for over \$20.3 trillion of loan commitments.

### Professional Affiliations

– Practicing Affiliate, Appraisal Institute Metropolitan New York Chapter

### Education

Charles holds a Bachelor of Science degree from the Marist College School of Science.