Hertz Properties Group Limited

<u>פרק ב'</u>

הערכות שווי ליום 30 בספטמבר 2024 לנכסי החברה:

א. Gateway Center

ב. Bridgewater Place

ג. 909 Poydras Street

ד. Brookhollow Central (נכס אשר הזכויות בו משועבדות לטובת מחזיקי אגרות החוב (סדרה ב') של החברה)

RESTRICTED APPRAISAL REPORT

Gateway Center Complex

420 Fort Duquesne Boulevard, 603 Stanwix Street, 401 Liberty Avenue & 444 Liberty Avenue

Pittsburgh (Allegheny County), Pennsylvania, 15222

Office Building Complex
Bowery Report No. JOB-2400036487

REQUESTED BY

Shoshana Yavneh

Hertz Properties Group, Limited
15303 Ventura Boulevard, Suite 800
Sherman Oaks, CA 91403

DATE OF VALUE

September 30, 2024

PREPARED BY



Michelle Zell, MAI



Asher Robinson

bowery

61-63 Crosby Street, 3rd Floor
New York, NY 10012

December 23, 2024

Ms. Shoshana Yavneh
Hertz Properties Group, Limited
15303 Ventura Boulevard, Suite 800
Sherman Oaks, CA 91403

Re: Appraisal File No. JOB-2400036487
Office Building Complex
Gateway Center Complex
420 Fort Duquesne Boulevard, 603 Stanwix Street, 401 Liberty Avenue & 444 Liberty Avenue
Pittsburgh (Allegheny County), Pennsylvania 15222

Dear Ms. Yavneh:

In accordance with your request, we have completed a restricted appraisal of the Gateway Center, located at 420 Fort Duquesne Boulevard, 603 Stanwix Street, 401 Liberty Avenue & 444 Liberty Avenue in Pittsburgh (Allegheny County), Pennsylvania 15222 for the purpose of advancing an opinion of the fair value of the leased fee interest of the subject as of September 30, 2024. To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(b) of USPAP. In addition, this appraisal has been prepared in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement).

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

We confirm that we have given our full consent to the inclusion of Gateway Center appraisal as of September 30, 2024, in its entirety within Hertz Properties Group Limited (the "Company") financial statements and related information to be published by the Company for the Tel Aviv Stock exchange and for the Israeli Security Authority in 2024.

The subject, Gateway Center Complex, consists of four 20-story to 25-story, Class A multi-tenanted elevatored office buildings and two underground parking garages with capacities of 730 and 222 parking spaces. Ownership has made the decision to convert Building Three into a residential tower, and the current plans have 371 apartments and 1 retail space (Dollar Bank will remain in-place through the renovation). This decision allowed relocation clauses to be invoked to move all the tenants to spaces within the other three buildings. Approximately 130,000 square feet of space within Buildings One, Two, & Four is now/will be occupied by tenants from Building Three. The cost of the relocation plan is approximately $7 million, which is mostly comprised of moving expenses and build-out costs, and the building is expected to be vacated by the end of the year. We note that this project is nearing completion, with only a handful of tenants remaining in Building Three.

Gateway Center Complex contains 1,469,731± square feet of leasable area across all four buildings. The three remaining office buildings have 231 commercial units and are 83.56% occupied based on GLA (1,099,556 when Building 3 is excluded). The properties were originally built in the 1950s and 1960s and have had subsequent improvements throughout the years. Overall, the properties are in good condition, and Building Three will be in excellent condition following the proposed conversion. The conversion/relocation plan along with aggressive leasing after Gateway Health indicated it would be vacating its space has given/will give the complex stability. The largest seven office tenants, which all occupy 20,000+ square feet of space and account for over 30% of the leasable area, have a weighted average lease expiration of more than 11 years. Further, there are 24 tenants that occupy 10,000+ square feet of space (and account for more than 50% of the leasable area), and they have a weighted average lease expiration of nearly 9 years. Much of the uncertainty surrounding the office market is with lease turnover; however, the subject's current situation quells a considerable amount of the fear in the current market.

The properties are summarized in the table below:

Building	Address	Parcel No.	Site Area (Acres)	Floors	Leasable SF	Tenant Spaces	Occupancy
One	420 Fort Duquesne Boulevard			20	353,684	79	75.5%
Two	603 Stanwix Street	0001-C-00167-0000-01	5.60	20	320,224	98	86.6%
Three	401 Liberty Avenue			25	370,175	372	N/A
Four	444 Liberty Avenue	0001-C-00167-0000-00	1.25	22	425,648	54	88.0%
Total			**6.85**	**--**	**1,469,731**	**603**	**83.6%**
Garage	Liberty Avenue	0001-C-00200-0000-00	1.25	--	--		
Total			**8.10**		**1,469,731**		

We note that the Occupancy figure is based on a square footage of 1,099,556.

Ownership recently completed the addition of amenity space to Building Two at the ground floor and below grade for all of the complex's tenants use. The first floor contains a new men's room and women's room, tenant lounge, multi-purpose meeting room conference center and pre-function space. Below grade space includes a fitness center as well as men's and women's restrooms and locker rooms.

The subject properties are situated on three contiguous and non-contiguous tax parcels and are operated as a single property. All buildings and the parking garage are interconnected by a network of underground access tunnels. Buildings One, Two and Three are situated on a blockfront of Liberty Avenue, Stanwix Street and Fort Duquesne Boulevard while Building Four and the underground parking garage are located on the southwest corner of Liberty Avenue and Stanwix Street. All buildings are located in the Central Business District in the City of Pittsburgh in the State of Pennsylvania. The sites contains a total land area of 8.10± acres / 352,836± square feet and are located in a GT-D zoning district. They are identified on the City of Pittsburgh Tax Maps as Parcels 0001-C-00167-0000-01, 0001-C-00167-0000-00, & 0001-C-00200-0000-00.

The highest and best use of the Gateway Center Complex is as the current use as an office building complex and the conversion of Building Three into apartments. This conclusion is based on its zoning, physical characteristics, location, and forecasted economic conditions.

Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformance with the Standards of Professional Practice and Code of Professional Ethics of the Appraisal Institute, the Uniform Standard of Professional Appraisal Practice (USPAP), and with IFRS-13. After carefully considering all available information and factors affecting value, our opinion is:

Final Value Opinion

Value	Interest Appraised	Date of Value	Conclusion
Fair Value - Entire Complex	Leased Fee Interest	September 30, 2024	$113,000,000
Fair Value - Office Buildings (One, Two, & Four)	Leased Fee Interest	September 30, 2024	$102,000,000
Fair Value - Building Three	Leased Fee Interest	September 30, 2024	$11,000,000

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

We previously appraised the subject property for Hertz Properties Group with the same intended users and intended use with an effective date of December31, 2019, September 30, 2020, December 31, 2021, June 30, 2022, June 30, 2023, September 30, 2023, December 31, 2023, and March 31, 2024. We also provided a value update as of June 30, 2024. The prior appraisals were prepared under the Appraisal Report option of Standard Rule 2-2(a) or (b) of USPAP. We incorporate by reference the detailed description, subject photos, property analysis, neighborhood description, zoning, tax analysis, and highest and best use analysis included within this report and have updated the market analysis, income approach and value conclusion. To fully understand this updated appraisal report, the reader is advised to reference these sections of our prior appraisal report with a value date of December 31, 2019, September 30, 2020, December 31, 2021, June 30, 2022, June 30, 2023, September 30, 2023, December 31, 2023, March 31, 2024, and June 30, 2024.

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

- None.

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

- None.

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

Thank you for the opportunity to serve you.

Sincerely,

Michelle Zell, MAI
Senior Vice President
Certified General Real Estate Appraiser
PA License GA0004611
michelle.zell@boweryvaluation.com
(917) 533-3141

Asher Robinson
Vice President
asher.robinson@boweryvaluation.com
(865) 712-6612

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

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

Summary of Salient Facts & Conclusions

Subject Property	Office Building Complex Gateway Center Complex 420 Fort Duquesne Boulevard, 603 Stanwix Street, 401 Liberty Avenue & 444 Liberty Avenue Pittsburgh (Allegheny County), Pennsylvania 15222
Building Description	The subject, Gateway Center Complex, consists of four 20-story to 25-story, Class A multi-tenanted elevatored office buildings and two underground parking garages with capacities of 730 and 222 parking spaces. Ownership has made the decision to convert Building Three into a residential tower, and the current plans have 371 apartments and 1 retail space (Dollar Bank will remain in-place through the renovation).
Location	The subject are situated on three contiguous and non-contiguous tax parcels and are operated as a single property. All buildings and the parking garage are interconnected by a network of underground access tunnels. Buildings One, Two and Three are situated on a blockfront of Liberty Avenue, Stanwix Street and Fort Duquesne Boulevard while Building Four and the underground parking garage are located on the southwest corner of Liberty Avenue and Stanwix Street. All buildings are located in the Central Business District in the City of Pittsburgh in the State of Pennsylvania.
Parcels	0001-C-00167-0000-01, 0001-C-00167-0000-00, & 0001-C-00200-0000-00
Census Tract	201.00 & 201.00
Year Built	1952, 1953 & 1960 (Renovated 1985, 1992, 2000, & 2012)
Site Area	8.10± acres./ 352,836± square feet
Zoning	GT-D zones
Flood Hazard Status	According to National Flood Insurance Program Rate Map dated September 26, 2014 Community Panel #420063 - 42003C0334H, the subject is located within a Zone X500 & X flood zone.
Exposure Time	Between nine and twelve months
Property Rights Appraised	Leased Fee Interest
Date of Inspection	April 28, 2023 as part of a prior engagement. We did not inspect the subject as part of this engagement.
Date of Value	September 30, 2024
Date of Report:	November 27, 2024

Financial Indicators – Buildings One, Two, & Four

Financial Indicators	Total	Per SF-GLA
Average Rent PSF (Year 1 Cash Flow)	$17.40	
Effective Gross Income (Year 1 Cash Flow)	$18,542,809	$16.86
Stabilized Occupancy	83.1%	
Current Occupancy	83.6%	
Expense Ratio	68%	
Net Operating Income	$5,999,618	$5.46
Direct Capitalization Rate	9.00%	
Implied Going In Cap Rate	5.88%	
Terminal Capitalization Rate	9.00%	
Discount Rate	9.50%	
Direct Capitalization Approach Value	$100,000,000	$91
Discounted Cash Flow Approach Value	$102,000,000	$93

Financial Indicators – Building Three

	Total	Per SF-GBA	Per Unit
Sales Comparison Approach As Is	$11,000,000	$29.72	$29,650

Final Value Opinion

Value	Interest Appraised	Date of Value	Conclusion
Fair Value - Entire Complex	Leased Fee Interest	September 30, 2024	$113,000,000
Fair Value - Office Buildings (One, Two, & Four)	Leased Fee Interest	September 30, 2024	$102,000,000
Fair Value - Building Three	Leased Fee Interest	September 30, 2024	$11,000,000

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

- None.

The value conclusions are based on the following **Hypothetical Conditions**[4] that may affect the assignment results:

- None.

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

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

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

Table of Contents

Introduction 1
- Subject Exterior 1
- Property Identification 1
- SWOT Analysis 2
- Date of Value Opinion 2
- Purpose 2
- Identification of the Client 3
- Intended Users 3
- Intended Use 3
- Property Rights Appraised 3
- Property History 3
- Exposure Time 4
- General Assumptions 4
- Definition of Fair Value 4
- Scope of the Appraisal 5
- Geographic Competency 5
- Data Sources 5

Property Update 7

Property Valuation 8
- Buildings One, Two, and Four 8
- Building Three 25

Final Value Opinion 33

Certification 34

Addenda 35
- Glossary of Terms 35
- Provided Information 39
- Subject Property Photos 80
- CBD: Office Submarket Analysis 95
- Downtown Pittsburgh: Multifamily Submarket Analysis 101
- Investor Survey 107
- Qualifications 108
- License 110

Introduction

Subject Exterior

Gateway 2



Gateway 4



Property Identification

The subject, Gateway Center Complex, consists of four 20-story to 25-story, Class A multi-tenanted elevatored office buildings and two underground parking garages with capacities of 730 and 222 parking spaces.

Ownership has made the decision to convert Building Three into a residential tower, and the current plans have 371 apartments and 1 retail space (Dollar Bank will remain in-place through the renovation). This decision allowed relocation clauses to be invoked to move all the tenants to spaces within the other three buildings. Approximately 130,000 square feet of space within Buildings One, Two, & Four is now/will be occupied by tenants from Building Three. The cost of the relocation plan is approximately $7 million, which is mostly comprised of moving expenses and build-out costs. We note that this project is nearing completion, with only a handful of tenants remaining in Building Three.

Gateway Center Complex contains 1,469,731± square feet of leasable area across all four buildings. The three remaining office buildings have 231 commercial units and are 83.56% occupied based on GLA (1,099,556 when Building 3 is excluded). Gateway Center Complex are situated on three contiguous and non-contiguous tax parcels and are operated as a single property. All buildings and the parking garage are interconnected by a network of underground access tunnels. Buildings One, Two and Three are situated on a blockfront of Liberty Avenue, Stanwix Street and Fort Duquesne Boulevard while Building Four and the underground parking garage are located on the southwest corner of Liberty Avenue and Stanwix Street. All buildings are located in the Central Business District in the City of Pittsburgh in the State of Pennsylvania. The site contains a total land area of 8.10± acres / 352,836± square feet and are located in a GT-D zoning district. They are identified on City of Pittsburgh Tax Maps as Parcels 0001-C-00167-0000-01, 0001-C-00167-0000-00, & 0001-C-00200-0000-00.

SWOT Analysis

SWOT is an acronym for the internal and external (environmental) strengths, weaknesses, opportunities and threats facing the subject. We have identified the following:

Strengths/Opportunities:

- Subject has an even tenant mix with long lease term for larger tenants. The largest seven office tenants, which all occupy 20,000+ square feet of space and account for over 30% of the leasable area, have a weighted average lease expiration of more than 11 years. Further, there are 24 tenants that occupy 10,000+ square feet of space (and account for more than 50% of the leasable area), and they have a weighted average lease expiration of nearly 9 years.
- The subject has a brand new amenity space that is superior to most other Class A buildings in the area.
- 952 garage parking spaces (0.65 spaces per 1,000 square feet of leasable area) which is highly desirable for tenants and similar or higher than other office buildings.
- The design of buildings One, Two, & Three with their "plus sign" layout is advantageous for multi-family conversion as there is no concern with light/air requirements for apartments.

Weaknesses/Threats:

- The Pittsburgh CBD Class A office market is a weaker performing major metropolitan city in the county with low to moderate rent growth and somewhat high vacancy.
- Longer than expected economic disruption due to the pandemic.

Date of Value Opinion

The date of our valuation is September 30, 2024. Michelle Zell from Bowery Valuation inspected the asset and its environs on April 28, 2023 as part of a prior engagement. We did not inspect as part of this engagement. Asher Robinson did not inspect the asset.

Purpose

The purpose of the appraisal is to provide an opinion of the fair value of the leased fee interest of the subject property as of September 30, 2024, subject to the general underlying assumptions and limiting conditions cited herein, and in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). According to the International Financial Reporting Standard 13, Fair Value is defined as: "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

Identification of the Client

Hertz Investment Group, LLC has engaged us and is our client for this assignment.

Intended Users

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

We confirm that we have given our full consent to the inclusion of Gateway Center appraisal as of September 30, 2024, in its entirety within Hertz Properties Group Limited (the "Company") financial statements and related information to be published by the Company for the Tel Aviv Stock exchange and for the Israeli Security Authority in 2024.

Intended Use

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

Property Rights Appraised[5]

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

Property History

The current owner of record is Hertz Gateway Center LP per Allegheny County records. There have been no arm's length transactions within the past three years. We are not aware of any additional bids, offers or options to purchase for this asset.

Bowery Valuation previously appraised the subject property as of September 30, 2020 at a fair value of $209,500,000, as of December 31, 2021 at a fair value of $197,500,000, as of June 30, 2022 at a fair value of $191,500,000, as of June 30, 2023 at a fair value of $163 million, as of September 2023 at a fair value of $129 million, as of December 2023 at a fair value of $121,000,000, and as of March 31, 2024 and June 30, 2024 at a fair value of $119,000,000. Occupancy decreased from almost 80% in 2020 to 68% in 2022 (the last appraisal before ownership committed to the conversion of Building 3). These figures do not even account for the departure of Gateway Health from its ~190,000 square foot space. Gateway Health and Dollar Bank (who vacated 90,000 square feet in March 2021) occupied around 19% of the total leasable area. Ownership took this opportunity to assess the future of the complex and decided to convert Building Three into apartments. In the face of an uncertain office market, this accomplished/will accomplish two major things.

First, it allowed relocation clauses to be invoked for tenants within Building 3 and thus move about 130,000 square feet of tenants to within the other three buildings (many of these tenants even signed extensions beyond their current lease term). Coupling this with aggressive offerings to new tenants has boosted occupancy (within the remaining three office buildings) to ~84%.

Second, it will diversify the subject from simply an office center to a mixed-use complex. Investor sentiment around multi-family has been improving over the past few years and required returns are lower than office buildings. Furthermore, the combination of different uses has the potential to create a sense of community within the complex.

We note that without the decision to convert Building Three, the complex would likely be around 70% occupied and would have required us to increase the investment rates even further.

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

We have been informed that offers have been received for Building 3 in the $6 million to $18 million range. Given that the value of the shell is only a small percentage (roughly 10% to 15%) of the overall redevelopment budget, it is not unexpected to see a wide range of bids for the building. We believe our opinion value, which is comfortably within the range, is reasonable.

Exposure Time[6]

It is our opinion that a normal exposure time for the subject property is between nine months and twelve months. This conclusion is predicated on interviews with brokers and other real estate industry sources and on information obtained in the verification process. According to the PwC Real Estate Investor Survey 3Q 2024, the average marketing time for the national CBD office market is 9.8 months, in-line with last quarter's figure of 9.8 months and from 8.4 months three years ago. According to the same survey, the average market time for the national apartment is 6.8 months. The value reported herein presumes such an exposure time.

General Assumptions

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

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

- Technical Environmental Inspections: No Environmental Site Assessment report was provided in conjunction with this appraisal. If a report is commissioned and there are any environmental issues uncovered, they could affect our opinion of value reported. We recommend the services of a professional engineer for this purpose.
- Zoning Ordinances: We recommend an appropriately qualified land use attorney if a definitive determination of compliance is required.
- Building Inspections: We recommend a building engineer or professional property inspector for the inspection. Any immediate expenditures that a trained professional may determine are needed, could affect our opinion of value reported.
- Easements, Encroachments, and Restrictions: We know of no deed restrictions, private or public, that further limit the subject property's use. The research required to determine whether or not such restrictions exist, however, is beyond the scope of this appraisal assignment. Deed restrictions are a legal matter and only a title examination by an attorney or Title Company can usually uncover such restrictive covenants. Thus, we recommend a title search to determine if any such restrictions do exist.
- Building Health and Fire Codes: Our valuation assumes there are no known code violations.
- Estimates of gross building area and total leasable area were furnished by the owner and are specified in the "Data Sources" section of the Introduction. The provided gross building area of square feet above grade is sourced from the public record. The management company/ownership provided leasable area of 1,469,731 square feet. The opinions of value reported herein are based on the assumption that the data provided are the most recent and accurate. It has been verified to the best of our ability based on our use of client and/or borrower provided data and publicly available data.

Definition of Fair Value

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

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

When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value.

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

(a) the particular asset or liability being measured;

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

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

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

Scope of the Appraisal

Within the course of this assignment, we have:

- Inspected the full exterior and interior, common areas, and mechanical systems in April 2023 as part of a prior engagement.
- Researched and investigated the location in terms of its economic activity, development patterns, and future trends and related their impact on the market.
- Determined the highest and best use of the subject property based on an analysis of all relevant factors.
- Conducted a market survey of rent and vacancy levels of similar properties.
- Reviewed projected income and operating expenses for the subject property.
- Researched and analyzed similar retail/office rental, operating expense and tax comparables to determine the reasonableness of the existing income and expenses at the subject property.
- Projected the net operating income under both a one-year and 8-year stabilized operating period and applied a market-derived capitalization rate and competitive discount rate to develop an opinion of value for the office buildings by the income approach.
- Researched and analyzed sales of competitive assets and applied the techniques of the sales comparison approach in advancing an opinion of value.
- Advanced an opinion of the fair value of the identified interest.

Geographic Competency

As detailed above, in order to acquire geographic competency, the appraisers have researched the local market, examined supply and demand factors, economic and development activity, and interviewed local market participants and real estate brokers.

Data Sources

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

Data Sources

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

The subject photos were taken by Michelle Zell as of the date of inspection (April 28, 2023), which was part of a prior engagement.

Property Update

Since we last appraised the subject, there have been minimal changes to tenancy.

In terms of valuation, we have applied the following changes:

- Updated the rent roll to reflect the minor changes over the past 6 months. We note that the last tenant of significance without a final relocation agreement is Houston Harbaugh (currently occupies ~26,500 square feet of space within Building 3). The final agreement is expected soon and is likely to include a 3-year extension on its current term, which expires in 2031.
- We utilized a structural vacancy of 180,722 square feet (~16.4% of leasable area). This assumption only assumes speculative leases for tenants without final relocation agreements. No other lease-up is forecasted. Additionally, we added a 0.5% collection loss to the cash flow to bring the total vacancy and collection loss to roughly 17.0%. This is slightly higher than the previous appraisal, which reflects market conditions as well as the current status of the subject.
- We continued with our tempered our rent growth forecast (0% in Years 1 and 2 and 1% thereafter) to reflect the market data and evolving investor expectations. National surveys indicate market rent growth between 0% and 3% (averaging 1.13%) for CBD office properties over the next 12 months. The local data from CoStar continues to indicate that rent has plateaued in the area and will have limited growth in the future; therefore, we believe that the phased in rent growth back to 1% is reasonable. This was changed from the previous appraisal to reflect current market conditions.
- We updated the outstanding Unused TIs and Leasing Costs, which notably were ~$7.26 million lower than the previous appraisal.
- The property was reassessed in 2024, after a long appeal was finally won by ownership. This resulted in an approximate 25% reduction in the tax liability. We note that other prominent office buildings in the Pittsburgh CBD also won appeals and were reassessed at a lower value. Overall, about $200 million (from just 3 properties) was cut from the assessment roll and more is expected in the coming years. This has caused a budget crisis, especially for the school district, in the county. Therefore, it is highly likely there will be a countywide reassessment and/or a substantial change in the millage rates in order to rectify the budget issues. We accounted for this risk in our investment rates.
- We increased the discount rate 100 basis points and the terminal and going-in capitalizations rates by 50 basis points. While the investor surveys plateaued briefly in Q4 2023/Q1 2024, they returned to an upward trend in Q2 2024 and Q3 2024. Further, conversations with market participants revealed that institutional investors are largely focused on other asset types, and the market for $50+ million office buildings has an extremely limited number of bidders. This has caused low transaction to persist low and uncertainty remains.
- In prior appraisals, we valued Building Three using a residual analysis. However, in Q1 2024 we changed the methodology to a shell sales comparison approach for two reasons. First, there are several recent sales in the Midwest of similar office buildings that were purchased for residential conversion. These sales present a very tight range of values on a per square foot basis. Second, ownership has not updated their plans and/or forecasts in several quarters. The new methodology and new transaction data from the previous appraisal resulted in a slightly lower valuation of $11 million (vs. $13 million from Q1 2024).

The resulting value of $113,000,000 is about 5% lower that the Q1 2024 value of $119,000,000.

Property Valuation

Buildings One, Two, and Four

Base Commercial Income

Income is derived from multiple sources, including office rentals, retail rentals, parking garage and storage rentals, as well as expense reimbursements. The subject office complex comprises four separate rent rolls, although the facility is operated as a single entity. Most of the office space is leased to a variety of professions including law firms, financial service companies, and healthcare companies. The rent roll used in our analysis is shown in the addenda of the report.

Building One - One Gateway Center

This property rent roll contains office, retail and storage unit tenancies, with 79 total rentable units (353,684 leasable square feet). Office rental rates from the high-teens ($17.00) per square foot to $20.00 to $28.00± per square foot. The three largest tenants in this building include The Webb Law Firm, P.C. (50,000+ square feet), CBS Broadcasting (40,000+ square feet), and Williams Coulson Johnson Lloyd (15,000+ square feet). Smaller more typical spaces are leased from 1,500 square feet to 4,000 square feet. CBS recently signed an extension that began in May 2024, runs for 10+ years, and has a starting rent of $19 per square foot (10+% increase over current rents).

There are two retail spaces: Yinz Coffee (948 square feet) which is leased at ~$22 per square foot and L.J. Boss Company (1,013 square feet) which is leased at ~$14 per square foot. Lease terms vary, with a combination of shorter- and longer-term deals, including one-year rentals. Many office and retail leases have annual rental rate increases ($0.30 to $0.50 per square foot or percentage increases) while others have no rent increases. Most tenants pay a pro rata share of increases in real estate taxes and operating expenses above a base year. There is currently 86,668 square feet of office and storage space available for lease. Asking rent for office space is $24.50 per square foot with annual increases at 5 years or longer.

Building Two – Two Gateway Center

This property rent roll contains office, retail and storage unit tenancies, with 98 total rentable units (320,224 leasable square feet). Office rental rates vary, with current contract rents ranging from around $20.00 to $28.00 per square foot, with most clustering in the $20.00 to $24.00 per square foot range. The three largest tenants in this building include Babst Calland Clements & Zomnir (55,000+ square feet), Chicago Title Insurance (12,000+ square feet), Litchfield Cavo (14,000+ square feet), Adagio Health (14,000+ square feet) and Zenith American Solutions (14,000+ square feet). Smaller more typical spaces are leased from 1,500 square feet to 4,000 square feet.

There are four retail spaces: Mark's Barber Styling (878 square feet below grade) which is leased at ~$10 per square foot, Citizens Bank (5,556 square feet across two spaces) which is leased at ~$24 per square foot and Gateway Eye Associates (2,988 square feet) which leased at ~$30 per square foot. Lease terms vary, with a combination of shorter- and longer-term deals, including one-year rentals. Many office and retail leases have annual rental rate increases ($0.30 to $0.50 per square foot or percentage increases) while others have no rent increases. Most tenants pay a pro rata share of increases in real estate taxes and operating expenses above a base year. There is currently 43,008 square feet of office and storage space available for lease. Asking rent for office space is $24.50 per square foot with annual increases at 5 years or longer.

Building Four – Four Gateway Center

This property rent roll contains office, retail and storage unit tenancies, with 54 total rentable units (425,648 leasable square feet). Office rental rates vary, with current contract rents ranging from around $20.00 to $31.00 per square foot, with most clustering in the $23.00 to $27.00 per square foot, with one tenant over $30.00 per square foot. The three largest tenants in this building include Dickie, McCamey, & Chilcote (79,000+ square feet), Citizens Bank (57,000+ square feet), and Boston Consulting Group (26,000+ square feet). Smaller more typical spaces are leased from 5,000 square feet to 10,000 square feet.

There are two retail spaces: Platinum Restaurants (10,000+ square feet) which is leased at ~$30 per square foot and Yinz Coffee (330 square feet) which leases at ~$22 per square foot. Lease terms vary, with a combination of shorter- and longer-term deals, including one-year rentals. Many office and retail leases have annual rental rate increases ($0.30 to $0.50 per square foot or percentage increases) while others have no rent increases. Most tenants pay a pro rata share of increases in real estate taxes and operating expenses above a base year. There is currently 51,096 square feet of office and storage space available for lease. Asking rent for office space is $28 per square foot with annual increases at 5 years or longer.

For all subject buildings, electric charges are included in the rent and reimbursed under utilities as part of the operating expense pool. In terms of tenant improvements for all buildings, management typically offers new tenants between $25-$35 per square foot, complete gut/rebuilds to between $35-$85 per square foot, and renewals to range from $5-$15 per square foot. In total, the subject properties are 83.6% occupied with 180,772 square feet of vacant space.

Other Income

We note the property complex also generates reimbursement income from certain tenants which have clauses in their leases indicating they are responsible for increases in real estate taxes and operating expenses above a base year as well as additional income from a parking management agreement. Ownership is also able to sell power from the central plant to other properties, in addition to various other miscellaneous income. This income will be described in greater detail later on in the report.

We note that there are numerous additional miscellaneous income streams from parcel service companies or communication companies that have since expired and have not included. As compared to other miscellaneous income shown in the rent roll all other leases have expired more recently. Further, these miscellaneous income streams are considered nominal to the cash flow.

Market Lease Terms – Buildings One & Two

Office less than 5,000 SF			Office more than 5,000 SF		
	New Market	**Renewal Market**		**New Market**	**Renewal Market**
Renewal Probability		65%	Renewal Probability		65%
Market Rent	$23.00	$23.00	Market Rent	$23.00	$23.00
Months Vacant	9		Months Vacant	9	
Tenant Improvement	$35 PSF	$10 PSF	Tenant Improvement	$45 PSF	$15 PSF
Free Rent	3 months	None	Free Rent	3 months	None
Rent Changes	3% annual	3% annual	Rent Changes	3% annual	3% annual
Reimbursements	Modified Gross		Reimbursements	Modified Gross	
Term	5 years		Term	10 years	

Market Lease Terms – Building Four

Office less than 5,000 SF			Office more than 5,000 SF		
	New Market	**Renewal Market**		**New Market**	**Renewal Market**
Renewal Probability		65%	Renewal Probability		65%
Market Rent	$27.50	$27.50	Market Rent	$27.50	$27.50
Months Vacant	9		Months Vacant	9	
Tenant Improvement	$65 PSF	$10 PSF	Tenant Improvement	$75 PSF	$15 PSF
Free Rent	3 months	None	Free Rent	3 months	None
Rent Changes	3% annual	3% annual	Rent Changes	3% annual	3% annual
Reimbursements	Modified Gross		Reimbursements	Modified Gross	
Term	5 years		Term	10 years	

Unpaid Tenant Improvement Allowances & Leasing Commissions

We were provided with a list of unused tenant improvements and unpaid leasing commissions. From this list, we summarized the following outstanding tenant improvement allowances and leasing commissions:

Total Tenant Improvement/Leasing Commissions Summary

Building	Remaining To Pay
One	$1,439,966
Two	$1,284,488
Four	$8,753,900
Total	**$11,478,354**

We deduct the remaining costs over the next two years to reflect the reality of when these expenses will be incurred.

Market Lease Terms - Retail

Interior Retail			Exterior Ground Floor Retail		
	New Market	**Renewal Market**		**New Market**	**Renewal Market**
Renewal Probability		65%	Renewal Probability		65%
Market Rent	$15.00	$15.00	Market Rent	$25.00	$25.00
Months Vacant	9		Months Vacant	9	
Tenant Improvement	$0		Tenant Improvement	$0	
Free Rent	3 months	None	Free Rent	3 months	None
Rent Changes	3% annual	3% annual	Rent Changes	3% annual	3% annual
Reimbursements	Modified Gross	Modified Gross	Reimbursements	Modified Gross	Modified Gross
Term	5 years		Term	5 years	

Direct Capitalization Stabilized Income and Expenses

We note the pro forma is calculated by adding the current rents (excluding free rent) and expenses from the Year 1 cash flow.

Pro Forma – Year 1

Pro Forma	$	Per SF
Income		
Potential Commercial Income	$19,137,462	$17.40
Reimbursement Income	$844,281	$0.77
Total Other Revenue	$2,389,292	$2.17
Potential Gross Income	**$22,371,035**	**$20.35**
Effective Gross Income	**$22,371,035**	**$20.35**
Operating Expenses		
Real Estate Taxes	$1,139,044	$1.04
Insurance	$604,755	$0.55
Utilities	$3,628,535	$3.30
CAM	$109,955	$0.10
Cleaning and Janitorial	$1,869,244	$1.70
Repairs and Maintenance	$2,309,067	$2.10
Payroll	$494,800	$0.45
General, Admin & Misc	$549,777	$0.50
Security	$1,264,489	$1.15
Non-Pass Through OE	$109,955	$0.10
Management	$463,570	$0.42
Total Operating Expenses	**$12,543,191**	**$11.41**
Total Expenses Excluding RE Taxes	$11,404,147	$10.37
Net Operating Income	**$9,827,844**	**$8.94**
Operating Expense Ratio	56%	

Given the large amount of new leases with free rent periods, the subject will not be stabilized until Year 3. Therefore, we will utilize the following cash flow in our direct capitalization analysis and account for all the expenses (Years 1 through 3) to achieve stabilization.

Stabilized Pro Forma – Year 3

Pro Forma	**$**	**Per SF**
Income		
Potential Commercial Income	$21,252,721	$19.33
Reimbursement Income	$1,407,723	$1.28
Total Other Revenue	$2,501,668	$2.28
Total Commercial Reimbursement Income	**$25,162,112**	**$22.88**
Effective Gross Income	**$25,162,112**	**$22.88**
Operating Expenses		
Real Estate Taxes	$1,208,412	$1.10
Insurance	$641,584	$0.58
Utilities	$3,849,514	$3.50
CAM	$116,651	$0.11
Cleaning and Janitorial	$1,983,081	$1.80
Repairs and Maintenance	$2,449,690	$2.23
Payroll	$524,933	$0.48
General, Admin & Misc	$583,258	$0.53
Security	$1,341,496	$1.22
Non-Pass Through OE	$116,651	$0.11
Management	$656,256	$0.60
Total Operating Expenses	**$13,471,526**	**$12.25**
Total Expenses Excluding RE Taxes	$12,263,114	$11.15
Net Operating Income	**$11,690,586**	**$10.63**
Operating Expense Ratio	54%	

NOI Comparison

	2021	2022	2023	2024 Annualized	Bowery DCF Pro Forma - Year 1	Bowery DCF Pro Forma - Year 3
Income						
Rent	$21,997,671	$21,764,773	$18,968,660	$16,329,768	$19,137,462	$21,252,721
Reimbursements	$501,213	$882,271	$905,632	$948,844	$844,281	$1,407,723
Parking Income	$1,501,167	$1,708,302	$2,101,192	$2,151,772	$812,071	$828,394
Other Rental Income	$1,286,234	$1,394,875	$1,701,985	$1,620,499	$1,577,221	$1,673,274
Potential Gross Income	**$25,286,285**	**$25,750,221**	**$23,677,469**	**$21,050,883**	**$22,371,035**	**$25,162,112**
Less Vacancy						
Less Collection					-$93,180	-$124,817
Effective Gross Income	**$25,286,285**	**$25,750,221**	**$23,677,469**	**$21,050,883**	**$22,277,855**	**$25,037,295**
Operating Expenses						
Real Estate Taxes	$2,015,736	$2,042,834	$2,042,834	$1,933,391	$1,139,044	$1,208,412
Insurance	$409,673	$548,327	$548,327	$718,237	$604,755	$641,584
Utilities	$4,348,687	$4,711,227	$4,711,227	$4,843,321	$3,628,535	$3,849,514
Parking Expense	$0	$0	$0	$0	$0	$0
CAM	$106,778	$109,887	$109,887	$93,329	$109,955	$116,651
Cleaning and Janitorial	$2,804,364	$2,662,927	$2,662,927	$2,451,377	$1,869,244	$1,983,081
Repairs and Maintenance	$2,786,586	$3,102,874	$3,102,874	$3,009,712	$2,309,067	$2,449,690
Payroll	$1,003,335	$531,793	$531,793	$642,952	$494,800	$524,933
General, Admin & Misc	$456,276	$665,814	$665,814	$637,589	$549,777	$583,258
Security	$1,267,693	$1,489,641	$1,489,641	$1,700,312	$1,264,489	$1,341,496
Non-Pass Through OE	$816,329	$962,949	$962,949	$1,176,361	$109,955	$116,651
Management	$1,185,508	$1,180,387	$1,180,387	$732,269	$463,570	$656,256
Total Operating Expenses	**$17,200,965**	**$18,008,660**	**$18,008,660**	**$17,938,852**	**$12,543,191**	**$13,471,526**
Total Operating Expenses (Excl. Taxe	$15,185,229	$15,965,826	$15,965,826	$16,005,461	$11,404,147	$12,263,114
Net Operating Income	**$8,085,320**	**$7,741,561**	**$5,668,809**	**$3,112,031**	**$9,734,664**	**$11,565,769**
Operating Expense Ratio (excl. Taxes	60%	62%	67%	76%	51%	49%

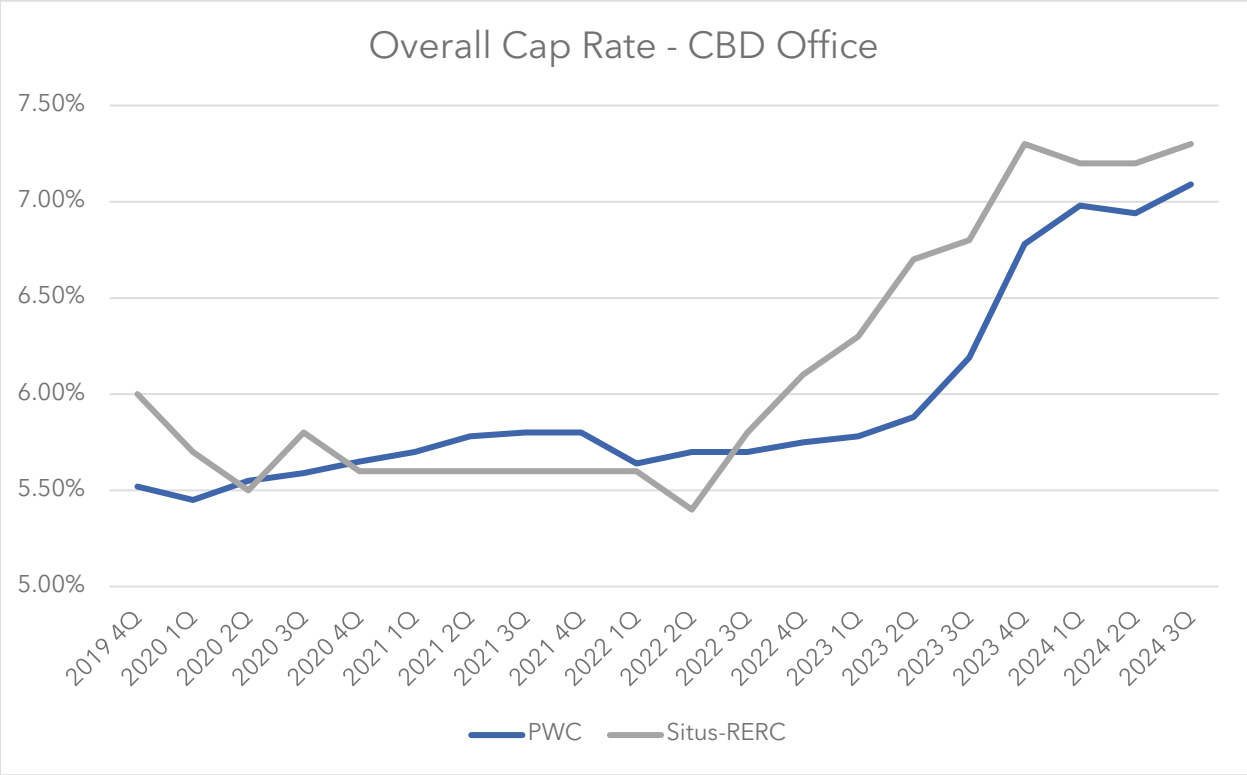
We note that the historical figures provided by ownership include the operation of Building Three. Bowery's Pro Forma cash flows exclude Building 3, which explains the large discrepancies across virtually all line items. The following table shows a comparison the expenses that are forecasted on a per square foot basis:

	2024 Annualized (PSF)	Bowery DCF Pro Forma - Year 1 (PSF)
Insurance	$0.49	$0.55
Utilities	$3.30	$3.30
CAM	$0.06	$0.10
Cleaning and Janitorial	$1.67	$1.70
Repairs and Maintenance	$2.05	$2.10
Payroll	$0.44	$0.45
General, Admin & Misc	$0.43	$0.50
Security	$1.16	$1.15

There are some minor variations in the cash flow year over year and into our DCF pro forma. The largest differences are with parking income and non-pass through operating expense however we have considered that some non-pass through expense in our parking income and thus the parking income is lower and the non-pass through operating expense is lower. We note that reserves in this case are observed to be a below the NOI line and are excluded from this chart.

Direct Capitalization

The following graph depicts the overall capitalization rates from PWC and Situs RERC over the past five years:



While required returns ebbed and flowed for a couple years after the onset of the pandemic, there has been a noticeable shift in investor expectations since the middle of 2022. Rates have risen between 100 and 200 basis points since the middle of 2022. While the rate of increase has slowed in 2024, rates have nonetheless continued higher. As can be seen in the following table, the going in cap rate is 7.00% to 7.50% (up from about 5.6% in 2022). Conversations with local and regional market participants indicated that there is still an appetite for investment in office; however, the continued uncertainty in new leasing as well as renewals is clearly causing investors to require significantly higher returns.

Comparable Capitalization Rates

Comparable Cap Rates Table

#	Address	Property Type	GBA	Year Built	Sale Date	Capitalization Rate
1	3905 Vincennes Road, Indianapolis, IN	Office	100,667	1987	7/31/2024	10.52%
2	6263 Poplar Avenue, Memphis, TN	Office	100,943	1973	6/24/2024	9.29%
3	Fair Oaks Plaza, Fairfax, VA	Office	183,810	1986	5/31/2024	8.00%
4	Bala Plaza, Bala Cynwyd, PA	Office/Retail	1,136,771	1967-1982	10/30/2023	8.62%
5	Normandale Lake Office Park, Bloomington, MN	Office	1,756,167	1983-2009	6/28/2022	7.10%
6	111 Monument Circle, Indianapolis, IN	Office	1,121,763	1990	2/2/2021	7.00%
					Avg	**8.42%**

We analyzed sales of comparable office assets and they exhibit overall capitalization rates from 7.00% to 10.52% with an average of 8.51%. The three larger assets are very similar to the subject (1+ million SF office complexes in similar cities); however, they occurred in 2021, 2022, and 2023 (a lower interest rate environment with lower required returns from investors). With a dearth of larger transactions in 2024, we included the smaller properties, which are in a different investor class, as a general indicator of where cap rates have moved.

Capitalization Rate Conclusion

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

In terms of its position within the market range, it is our view that an investor would accept a return towards the middle to high end of the range. The subject is located within an established downtown CBD location near the Pittsburgh waterfront, an area with moderate vacancy rates. The property also benefits from a good quality tenancy, long in place leases, and has been adequately maintained. Furthermore, the subject property is in good overall condition and has a high-quality tenancy and would attract institutional investor interest if marketed.

The largest seven office tenants, which all occupy 20,000+ square feet of space and account for over 30% of the leasable area, have a weighted average lease expiration of more than 11 years. Further, there are 24 tenants that occupy 10,000+ square feet of space (and account for more than 50% of the leasable area), and they have a weighted average lease expiration of nearly 9 years.. The predictability of the cash flow for the foreseeable future would allow investors to accept a lower return going-in.

We utilized structural vacancy in our analysis and consider that the building will never be fully occupied; however, the amenity space is expected to increase renewal rates and contract rents.

Further, we point to the sale of the Bala Plaza in Bala Cynwyd, PA (suburban Philadelphia), which sold in October 2023 with a reported capitalization rate of 8.62%. Considering the shift in interest rates as well as market sentiment over the past year, a higher cap rate would be expected if the property traded again.

The selected rate is about 150 basis points higher than the averages of the investor surveys. While the subject is certainly an institutional level asset, the premium is necessary due to the current economic disruption caused by the pandemic in Pittsburgh as well as the possibility of a tax reassessment or a mill rate increase.

Balancing these factors, it is our view that an 9.00% overall rate would be required by an investor. We note we deduct unused tenant improvements and leasing commissions, planned capital improvements, free rent, tenant improvements and leasing to a value in the direct capitalization approach. As previously mentioned, the subject is currently 84% occupied but has significant free and tenant improvement allowances over the next few years, as such we must account for all of the expenses to achieve stabilization (Years 1 through 3 of our cash flow):

Deductions

Unused TI / LC	-$11,478,354
Planned CapEx	-$449,840
Free Rent	-$5,838,716
TI	-$8,206,639
Leasing Commissions	-$2,211,993
Total Deductions	**-$28,185,542**

The value is calculated below:

Direct Capitalization Summary

	Date of Value	Value	Final Value (Rd)
NOI		$11,565,769	
OAR		9.00%	
Stabilized Value		$128,508,544	
Less Deductions		-$28,185,542	
Fair Value Via the Income Capitalization Approach	**September 30, 2024**	**$100,323,002**	**$100,000,000**

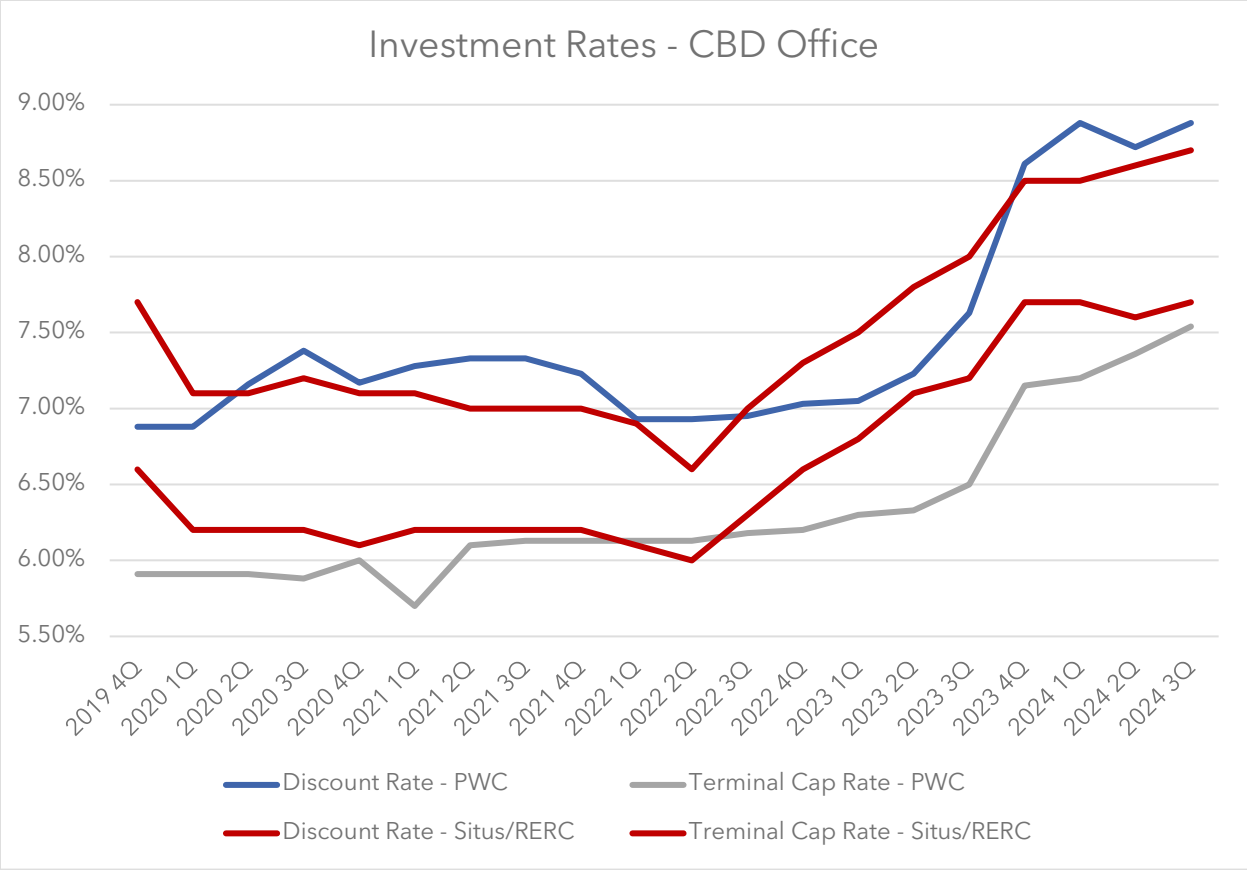
Sensitivity Analysis – Stabilized Cash Flow

			Cap Rate				
	% Difference		**-1.00%**	**-0.50%**	**0.00%**	**0.50%**	**1.00%**
		Cap Rate / NOI	**8.00%**	**8.50%**	**9.00%**	**9.50%**	**10.00%**
	-10%	**$10,409,192**	$102,000,000	$94,000,000	$87,000,000	$81,000,000	$76,000,000
	-5%	**$10,987,481**	$109,000,000	$101,000,000	$94,000,000	$87,000,000	$82,000,000
NOI	**0.0%**	**$11,565,769**	$116,000,000	$108,000,000	$100,000,000	$94,000,000	$87,000,000
	5%	**$12,144,057**	$124,000,000	$115,000,000	$107,000,000	$100,000,000	$93,000,000
	10%	**$12,722,346**	$131,000,000	$121,000,000	$113,000,000	$106,000,000	$99,000,000

Yield Capitalization Method/Discounted Cash Flow Analysis (DCF)

As previously mentioned, the Direct Capitalization method measures a single year's anticipated income in order to determine a property's value by applying an overall capitalization rate to a single year's income, while the Yield Capitalization method (also known as the Discounted Cash Flow method) considers a series of projected cash flows over a holding period, in this case, 8 years. A residual capitalization rate is applied to the projected Year 9 net operating income, to calculate the value of the property at the end of the holding period. An appropriate discount rate is applied to calculate the present value of the projected cash flow stream. The assumed discount rate considers risk, debt, and equity return requirements. This analysis relies on existing (or projected) income and market expenses in order to determine annual net operating income levels. The methods to determine an appropriate capitalization and discount rates include comparable sales, surveys and interviews. In this analysis, we apply a discount rate to calculate the present value of the projected cash flows over a holding period. We assume the subject is sold at the end of the holding period and apply a residual capitalization rate to the projected Year 10 net operating income.

The following graph depicts the discount rates and terminal capitalization rates from PWC and Situs RERC over the past five years:



There has been a noticeable shift in investor expectations since the middle of 2022. Rates have risen between 100 and 200 basis points since the middle of 2022. While the rate of increase has slowed in 2024, rates have nonetheless continued higher. The average terminal cap rate is 7.5% to 7.7% (up from about 6.2% in 2022) and the discount rate is 8.7% to 8.9% (up from about 7% in 2022). Conversations with local and regional market participants indicated that there is still an appetite for investment in office; however, the continued uncertainty in new leasing as well as renewals is clearly causing investors to require significantly higher returns.

Discounted Cash Flow Assumption

DCF Summary	
General	As Is
Start Date	September 30, 2024
Terms of Analysis	8 Years
Basis	Fiscal
Software	Argus Enterprise
Income Growth	0% (Years 1 & 2); 1% Thereafter
Expense Growth	3.00%
Inflation (CPI)	3.00%
Market Rent - Year 1	
Retail	$15-$25 PSF
Office	$23.00 - $27.500 PSF
Free Rent	3 months
Reimbursements	Modified Gross
Annual Escalation	3.00%
Tenant Improvements (New Tenants)	$0 retail; $35/$65 PSF or $45/$75 PSF office
Tenant Improvements (Renewals)	$0 retail; $10 PSF or $15 PSF office
Renewal Probability	65.00%
Leasing Commissions	6% new leases; 4% renewals
Lease Term (New Leases)	5 or 10 years
Lease Term (Renewal Leases)	Same as above
Downtime Between Leases	9 months
Outstanding TI/Leasing Costs	$11,478,354
Vacancy	16.4% total. Rather than apply a direct factor, 16.4% of the subject leasable office space will remain vacant over the holding period to serve as structural vacancy and collection loss.
Stabilized Occupancy	83.6%
Credit Loss	0.5%
Stabilized Occupancy (w/Credit Loss)	83.1%
Yield Rates	
Discount Rate	9.50%
Terminal Capitalization Rate	9.00%
Cost of Sale	2.00%
Capital Expenses (Remaining costs; Year 1)	$449,840

Discounted Cash Flow Conclusion

The 8-year projected cash flow for each building and discounted cash flow summary in total are presented on the following pages.

Building One - Cash Flow

For the Years Ending	Year 1 Sep-2025	Year 2 Sep-2026	Year 3 Sep-2027	Year 4 Sep-2028	Year 5 Sep-2029	Year 6 Sep-2030	Year 7 Sep-2031	Year 8 Sep-2032	Year 9 Sep-2033
Rental Revenue									
Potential Base Rent	$7,521,095	$7,573,351	$7,584,674	$7,711,235	$7,783,930	$7,905,914	$8,066,377	$8,196,970	$8,284,666
Absorption & Turnover Vacancy	-$2,186,059	-$1,978,271	-$2,146,978	-$2,039,984	-$2,180,116	-$2,065,684	-$2,086,504	-$2,244,209	-$2,429,888
Free Rent	-$88,548	-$3,824	-$56,328	-$35,028	-$68,217	-$21,212	-$28,343	-$67,953	-$121,243
Total Rental Revenue	$5,246,488	$5,591,256	$5,381,368	$5,636,223	$5,535,598	$5,819,018	$5,951,530	$5,884,808	$5,733,536
Other Tenant Revenue									
Total Expense Recoveries	$571,868	$651,913	$722,295	$807,991	$881,136	$974,741	$1,062,855	$1,130,395	$1,106,064
Total Other Tenant Revenue	$571,868	$651,913	$722,295	$807,991	$881,136	$974,741	$1,062,855	$1,130,395	$1,106,064
Total Tenant Revenue	$5,818,356	$6,243,169	$6,103,663	$6,444,214	$6,416,734	$6,793,759	$7,014,384	$7,015,203	$6,839,600
Other Revenue									
Other Rental / Sales Income	$539,128	$555,302	$571,961	$589,120	$606,793	$624,997	$643,747	$663,059	$682,951
Parking	$261,139	$263,750	$266,388	$269,052	$271,742	$274,460	$277,204	$279,976	$282,776
Total Other Revenue	$800,267	$819,052	$838,349	$858,171	$878,536	$899,457	$920,951	$943,036	$965,727
Potential Gross Revenue	$6,618,623	$7,062,221	$6,942,012	$7,302,386	$7,295,270	$7,693,216	$7,935,336	$7,958,239	$7,805,327
Credit Loss	-$33,093	-$35,311	-$34,710	-$36,512	-$36,476	-$38,466	-$39,677	-$39,791	-$39,027
Effective Gross Revenue	$6,585,530	$7,026,910	$6,907,302	$7,265,874	$7,258,793	$7,654,749	$7,895,659	$7,918,448	$7,766,301
Operating Expenses									
Real Estate Taxes	$350,405	$360,917	$371,745	$382,897	$394,384	$406,215	$418,402	$430,954	$443,883
Insurance	$196,263	$202,151	$208,215	$214,462	$220,896	$227,523	$234,348	$241,379	$248,620
Utilities	$1,177,580	$1,212,907	$1,249,295	$1,286,773	$1,325,377	$1,365,138	$1,406,092	$1,448,275	$1,491,723
CAM	$35,684	$36,755	$37,857	$38,993	$40,163	$41,368	$42,609	$43,887	$45,203
Janitorial	$606,632	$624,831	$643,576	$662,883	$682,770	$703,253	$724,350	$746,081	$768,463
R & M	$749,369	$771,850	$795,006	$818,856	$843,421	$868,724	$894,786	$921,629	$949,278
Employee Payroll & Benefits	$160,579	$165,396	$170,358	$175,469	$180,733	$186,155	$191,740	$197,492	$203,417
G & A	$178,421	$183,774	$189,287	$194,965	$200,814	$206,839	$213,044	$219,435	$226,018
Security	$410,369	$422,680	$435,360	$448,421	$461,874	$475,730	$490,002	$504,702	$519,843
Non-Pass OpEx	$35,684	$36,755	$37,857	$38,993	$40,163	$41,368	$42,609	$43,887	$45,203
Management Fees	$164,638	$175,673	$172,683	$181,647	$181,470	$191,369	$197,391	$197,961	$194,158
Total Operating Expenses	$4,065,624	$4,193,688	$4,311,239	$4,444,360	$4,572,064	$4,713,681	$4,855,373	$4,995,682	$5,135,810
Net Operating Income	$2,519,906	$2,833,222	$2,596,063	$2,821,514	$2,686,729	$2,941,069	$3,040,286	$2,922,766	$2,630,491
Leasing Costs									
Tenant Improvements	$990,085	$36,694	$613,892	$425,822	$880,959	$191,932	$303,006	$827,457	$1,785,047
Leasing Commissions	$422,120	$10,725	$211,073	$164,517	$347,932	$57,755	$79,496	$273,227	$669,841
Total Leasing Costs	$1,412,204	$47,418	$824,965	$590,338	$1,228,892	$249,688	$382,501	$1,100,684	$2,454,888
Capital Expenditures									
Unused TI/ LC	$719,983	$719,983	$0	$0	$0	$0	$0	$0	$0
CapEx	$31,635	$0	$0	$0	$0	$0	$0	$0	$0
Capital Reserve	$88,421	$91,074	$93,806	$96,620	$99,519	$102,504	$105,579	$108,747	$112,009
Total Capital Expenditures	$840,039	$811,057	$93,806	$96,620	$99,519	$102,504	$105,579	$108,747	$112,009
Total Leasing & Capital Costs	$2,252,244	$858,475	$918,771	$686,958	$1,328,410	$352,192	$488,081	$1,209,431	$2,566,897
Cash Flow Before Debt Service	$267,663	$1,974,747	$1,677,292	$2,134,556	$1,358,319	$2,588,877	$2,552,206	$1,713,335	$63,594

Building Two - Cash Flow

For the Years Ending	Year 1 Sep-2025	Year 2 Sep-2026	Year 3 Sep-2027	Year 4 Sep-2028	Year 5 Sep-2029	Year 6 Sep-2030	Year 7 Sep-2031	Year 8 Sep-2032	Year 9 Sep-2033
Rental Revenue									
Potential Base Rent	$6,843,143	$6,931,304	$7,036,513	$7,144,264	$7,209,310	$7,330,083	$7,417,851	$7,515,130	$7,640,322
Absorption & Turnover Vacancy	-$1,461,778	-$1,119,084	-$1,154,411	-$1,059,560	-$1,338,109	-$1,095,749	-$1,204,072	-$1,209,228	-$1,130,752
Free Rent	-$324,205	-$354,834	-$55,704	-$22,064	-$115,913	-$16,774	-$64,753	-$65,022	-$37,433
Total Rental Revenue	$5,057,159	$5,457,386	$5,826,398	$6,062,640	$5,755,287	$6,217,560	$6,149,025	$6,240,880	$6,472,136
Other Tenant Revenue									
Total Expense Recoveries	$249,235	$324,160	$374,133	$435,866	$462,909	$557,580	$611,710	$665,633	$734,918
Total Other Tenant Revenue	$249,235	$324,160	$374,133	$435,866	$462,909	$557,580	$611,710	$665,633	$734,918
Total Tenant Revenue	$5,306,394	$5,781,546	$6,200,530	$6,498,506	$6,218,196	$6,775,140	$6,760,736	$6,906,513	$7,207,054
Other Revenue									
Other Rental / Sales Income	$417,564	$430,091	$442,994	$456,283	$469,972	$484,071	$498,593	$513,551	$528,958
Parking	$236,610	$238,976	$241,366	$243,780	$246,217	$248,679	$251,166	$253,678	$256,215
Total Other Revenue	$654,174	$669,067	$684,360	$700,063	$716,189	$732,751	$749,760	$767,229	$785,172
Potential Gross Revenue	$5,960,568	$6,450,613	$6,884,890	$7,198,569	$6,934,385	$7,507,890	$7,510,495	$7,673,742	$7,992,226
Credit Loss	-$29,803	-$32,253	-$34,424	-$35,993	-$34,672	-$37,539	-$37,552	-$38,369	-$39,961
Effective Gross Revenue	$5,930,765	$6,418,360	$6,850,465	$7,162,576	$6,899,713	$7,470,351	$7,472,943	$7,635,373	$7,952,265
Operating Expenses									
Real Estate Taxes	$335,335	$345,395	$355,757	$366,430	$377,422	$388,745	$400,408	$412,420	$424,792
Insurance	$182,596	$188,074	$193,716	$199,528	$205,513	$211,679	$218,029	$224,570	$231,307
Utilities	$1,095,576	$1,128,443	$1,162,297	$1,197,165	$1,233,080	$1,270,073	$1,308,175	$1,347,420	$1,387,843
CAM	$33,199	$34,195	$35,221	$36,277	$37,366	$38,487	$39,641	$40,831	$42,055
Janitorial	$564,387	$581,319	$598,758	$616,721	$635,223	$654,279	$673,908	$694,125	$714,949
R & M	$697,184	$718,100	$739,643	$761,832	$784,687	$808,227	$832,474	$857,448	$883,172
Employee Payroll & Benefits	$149,397	$153,879	$158,495	$163,250	$168,148	$173,192	$178,388	$183,739	$189,252
G & A	$165,996	$170,976	$176,105	$181,388	$186,830	$192,435	$198,208	$204,154	$210,279
Security	$381,791	$393,245	$405,042	$417,193	$429,709	$442,600	$455,878	$469,555	$483,641
Management Fees	$148,269	$160,459	$171,262	$179,064	$172,493	$186,759	$186,824	$190,884	$198,807
Non Pass OpEx	$33,199	$34,195	$35,221	$36,277	$37,366	$38,487	$39,641	$40,831	$42,055
Total Operating Expenses	$3,786,929	$3,908,279	$4,031,516	$4,155,126	$4,267,837	$4,404,963	$4,531,574	$4,665,977	$4,808,152
Net Operating Income	$2,143,836	$2,510,081	$2,818,949	$3,007,449	$2,631,877	$3,065,388	$2,941,369	$2,969,396	$3,144,113
Leasing Costs									
Tenant Improvements	$2,776,391	$539,802	$598,654	$154,177	$1,509,777	$172,217	$692,252	$573,644	$312,290
Leasing Commissions	$206,384	$145,212	$203,449	$61,416	$607,216	$46,077	$181,617	$183,405	$103,960
Total Leasing Costs	$2,982,774	$685,014	$802,103	$215,593	$2,116,994	$218,295	$873,869	$757,049	$416,250
Capital Expenditures									
Unused TI/ LC	$642,244	$642,244	$0	$0	$0	$0	$0	$0	$0
CapEx	$183,973	$0	$0	$0	$0	$0	$0	$0	$0
Capital Reserves	$80,056	$82,458	$84,931	$87,479	$90,104	$92,807	$95,591	$98,459	$101,413
Total Capital Expenditures	$906,273	$724,702	$84,931	$87,479	$90,104	$92,807	$95,591	$98,459	$101,413
Total Leasing & Capital Costs	$3,889,047	$1,409,716	$887,035	$303,073	$2,207,098	$311,101	$969,460	$855,507	$517,663
Cash Flow Before Debt Service	-$1,745,211	$1,100,365	$1,931,914	$2,704,377	$424,779	$2,754,286	$1,971,909	$2,113,888	$2,626,450

Building Four - Cash Flow

For the Years Ending	Year 1 Sep-2025	Year 2 Sep-2026	Year 3 Sep-2027	Year 4 Sep-2028	Year 5 Sep-2029	Year 6 Sep-2030	Year 7 Sep-2031	Year 8 Sep-2032	Year 9 Sep-2033
Rental Revenue									
Potential Base Rent	$10,218,203	$11,402,073	$11,629,140	$11,880,673	$12,055,635	$12,190,122	$12,443,746	$12,743,967	$13,034,362
Absorption & Turnover Vacancy	-$1,797,140	-$1,445,851	-$1,696,216	-$1,375,640	-$1,623,522	-$1,550,277	-$1,551,006	-$1,507,077	-$1,445,812
Free Rent	-$3,322,293	-$1,546,406	-$86,574	-$46,730	-$81,088	-$52,301	-$46,789	-$26,453	$0
Total Rental Revenue	$5,098,769	$8,409,816	$9,846,349	$10,458,303	$10,351,026	$10,587,544	$10,845,952	$11,210,437	$11,588,550
Other Tenant Revenue									
Total Expense Recoveries	$23,178	$199,344	$311,295	$421,003	$519,921	$624,622	$715,613	$863,798	$1,029,654
Total Other Tenant Revenue	$23,178	$199,344	$311,295	$421,003	$519,921	$624,622	$715,613	$863,798	$1,029,654
Total Tenant Revenue	$5,121,947	$8,609,159	$10,157,644	$10,879,306	$10,870,946	$11,212,166	$11,561,564	$12,074,235	$12,618,204
Other Revenue									
Other Rental / Sales Income	$620,529	$639,145	$658,319	$678,069	$698,411	$719,363	$740,944	$763,172	$786,068
Parking	$314,322	$317,465	$320,640	$323,846	$327,085	$330,356	$333,659	$336,996	$340,366
Total Other Revenue	$934,851	$956,610	$978,959	$1,001,915	$1,025,496	$1,049,719	$1,074,603	$1,100,168	$1,126,433
Potential Gross Revenue	$6,056,798	$9,565,769	$11,136,603	$11,881,221	$11,896,442	$12,261,884	$12,636,167	$13,174,403	$13,744,637
Credit Loss	-$30,284	-$47,829	-$55,683	-$59,406	-$59,482	-$61,309	-$63,181	-$65,872	-$68,723
Effective Gross Revenue	$6,026,514	$9,517,941	$11,080,920	$11,821,815	$11,836,960	$12,200,575	$12,572,987	$13,108,531	$13,675,914
Operating Expenses									
Real Estate Taxes	$453,304	$466,903	$480,910	$495,338	$510,198	$525,504	$541,269	$557,507	$574,232
Insurance	$225,896	$232,673	$239,653	$246,843	$254,248	$261,875	$269,732	$277,824	$286,158
Utilities	$1,355,379	$1,396,040	$1,437,922	$1,481,059	$1,525,491	$1,571,256	$1,618,393	$1,666,945	$1,716,954
CAM	$41,072	$42,304	$43,573	$44,880	$46,227	$47,614	$49,042	$50,513	$52,029
Janitorial	$698,225	$719,172	$740,747	$762,969	$785,858	$809,434	$833,717	$858,729	$884,491
R & M	$862,514	$888,389	$915,041	$942,492	$970,767	$999,890	$1,029,887	$1,060,783	$1,092,607
Employee Payroll & Benefits	$184,824	$190,369	$196,080	$201,962	$208,021	$214,262	$220,690	$227,310	$234,130
G & A	$205,360	$211,521	$217,866	$224,402	$231,134	$238,069	$245,211	$252,567	$260,144
Security	$472,329	$486,499	$501,094	$516,127	$531,610	$547,559	$563,986	$580,905	$598,332
Management Fees	$150,663	$237,948	$277,023	$295,545	$295,924	$305,014	$314,325	$327,713	$341,898
Non Pass OpEx	$41,072	$42,304	$43,573	$44,880	$46,227	$47,614	$49,042	$50,513	$52,029
Total Operating Expenses	$4,690,638	$4,914,123	$5,093,482	$5,256,499	$5,405,706	$5,568,090	$5,735,292	$5,911,310	$6,093,002
Net Operating Income	$1,335,876	$4,603,818	$5,987,438	$6,565,316	$6,431,254	$6,632,485	$6,837,694	$7,197,221	$7,582,912
Leasing Costs									
Tenant Improvements	$1,085,486	$207,537	$1,358,098	$756,394	$929,961	$786,031	$803,234	$431,260	$0
Leasing Commissions	$419,501	$82,298	$511,231	$285,555	$401,406	$230,588	$285,915	$140,429	$0
Total Leasing Costs	$1,504,986	$289,835	$1,869,329	$1,041,950	$1,331,368	$1,016,619	$1,089,149	$571,689	$0
Capital Expenditures									
Unused TI/ LC	$4,376,950	$4,376,950	$0	$0	$0	$0	$0	$0	$0
CapEx	$234,232	$0	$0	$0	$0	$0	$0	$0	$0
Capital Reserves	$106,412	$109,604	$112,892	$116,279	$119,768	$123,361	$127,061	$130,873	$134,800
Total Capital Expenditures	$4,717,594	$4,486,554	$112,892	$116,279	$119,768	$123,361	$127,061	$130,873	$134,800
Total Leasing & Capital Costs	$6,222,580	$4,776,389	$1,982,221	$1,158,229	$1,451,135	$1,139,980	$1,216,210	$702,562	$134,800
Cash Flow Before Debt Service	-$4,886,704	-$172,572	$4,005,217	$5,407,087	$4,980,119	$5,492,506	$5,621,484	$6,494,659	$7,448,112

Total - Cash Flow

For the Years Ending	Year 1 Sep-2025	Year 2 Sep-2026	Year 3 Sep-2027	Year 4 Sep-2028	Year 5 Sep-2029	Year 6 Sep-2030	Year 7 Sep-2031	Year 8 Sep-2032	Year 9 Sep-2033
Rental Revenue									
Potential Base Rent	$24,582,441	$25,906,728	$26,250,327	$26,736,172	$27,048,875	$27,426,119	$27,927,974	$28,456,067	$28,959,350
Absorption & Turnover Vacancy	-$5,444,977	-$4,543,206	-$4,997,605	-$4,475,184	-$5,141,747	-$4,711,710	-$4,841,582	-$4,960,514	-$5,006,452
Free Rent	-$3,735,046	-$1,905,064	-$198,606	-$103,822	-$265,218	-$90,287	-$139,885	-$159,428	-$158,676
Total Rental Revenue	$15,402,416	$19,458,458	$21,054,115	$22,157,166	$21,641,911	$22,624,122	$22,946,507	$23,336,125	$23,794,222
Other Tenant Revenue									
Total Expense Recoveries	$844,281	$1,175,417	$1,407,723	$1,664,860	$1,863,966	$2,156,943	$2,390,178	$2,659,826	$2,870,636
Total Other Tenant Revenue	$844,281	$1,175,417	$1,407,723	$1,664,860	$1,863,966	$2,156,943	$2,390,178	$2,659,826	$2,870,636
Total Tenant Revenue	$16,246,697	$20,633,874	$22,461,837	$23,822,026	$23,505,876	$24,781,065	$25,336,684	$25,995,951	$26,664,858
Other Revenue									
Other Rental / Sales Income	$1,577,221	$1,624,538	$1,673,274	$1,723,472	$1,775,176	$1,828,431	$1,883,284	$1,939,782	$1,997,977
Parking	$812,071	$820,191	$828,394	$836,678	$845,044	$853,495	$862,029	$870,650	$879,357
Total Other Revenue	$2,389,292	$2,444,729	$2,501,668	$2,560,149	$2,620,221	$2,681,927	$2,745,314	$2,810,433	$2,877,332
Potential Gross Revenue	$18,635,989	$23,078,603	$24,963,505	$26,382,176	$26,126,097	$27,462,990	$28,081,998	$28,806,384	$29,542,190
Credit Loss	-$93,180	-$115,393	-$124,817	-$131,911	-$130,630	-$137,314	-$140,410	-$144,032	-$147,711
Effective Gross Revenue	$18,542,809	$22,963,211	$24,838,687	$26,250,265	$25,995,466	$27,325,675	$27,941,589	$28,662,352	$29,394,480
Operating Expenses									
Real Estate Taxes	$1,139,044	$1,173,215	$1,208,412	$1,244,665	$1,282,004	$1,320,464	$1,360,079	$1,400,881	$1,442,907
Insurance	$604,755	$622,898	$641,584	$660,833	$680,657	$701,077	$722,109	$743,773	$766,085
Utilities	$3,628,535	$3,737,390	$3,849,514	$3,964,997	$4,083,948	$4,206,467	$4,332,660	$4,462,640	$4,596,520
CAM	$109,955	$113,254	$116,651	$120,150	$123,756	$127,469	$131,292	$135,231	$139,287
Janitorial	$1,869,244	$1,925,322	$1,983,081	$2,042,573	$2,103,851	$2,166,966	$2,231,975	$2,298,935	$2,367,903
R & M	$2,309,067	$2,378,339	$2,449,690	$2,523,180	$2,598,875	$2,676,841	$2,757,147	$2,839,860	$2,925,057
Employee Payroll & Benefits	$494,800	$509,644	$524,933	$540,681	$556,902	$573,609	$590,818	$608,541	$626,799
G & A	$549,777	$566,271	$583,258	$600,755	$618,778	$637,343	$656,463	$676,156	$696,441
Security	$1,264,489	$1,302,424	$1,341,496	$1,381,741	$1,423,193	$1,465,889	$1,509,866	$1,555,162	$1,601,816
Management Fees	$463,570	$574,080	$620,968	$656,256	$649,887	$683,142	$698,540	$716,558	$734,863
Non Pass OpEx	$109,955	$113,254	$116,651	$120,150	$123,756	$127,469	$131,292	$135,231	$139,287
Total Operating Expenses	$12,543,191	$13,016,090	$13,436,237	$13,855,985	$14,245,607	$14,686,734	$15,122,239	$15,572,969	$16,036,964
Net Operating Income	$5,999,618	$9,947,121	$11,402,450	$12,394,279	$11,749,860	$12,638,942	$12,819,349	$13,089,383	$13,357,516
Leasing Costs									
Tenant Improvements	$4,851,962	$784,033	$2,570,644	$1,336,393	$3,320,697	$1,150,180	$1,798,492	$1,832,361	$2,097,337
Leasing Commissions	$1,048,005	$238,235	$925,753	$511,488	$1,356,554	$334,420	$547,028	$597,061	$773,801
Total Leasing Costs	$5,899,964	$1,022,267	$3,496,397	$1,847,881	$4,677,254	$1,484,602	$2,345,519	$2,429,422	$2,871,138
Capital Expenditures									
Unused TI/ LC	$5,739,177	$5,739,177	$0	$0	$0	$0	$0	$0	$0
CapEx	$449,840	$0	$0	$0	$0	$0	$0	$0	$0
Capital Reserves	$274,889	$283,136	$291,629	$300,378	$309,391	$318,672	$328,231	$338,079	$348,222
Total Capital Expenditures	$6,463,906	$6,022,313	$291,629	$300,378	$309,391	$318,672	$328,231	$338,079	$348,222
Total Leasing & Capital Costs	$12,363,871	$7,044,580	$3,788,027	$2,148,260	$4,986,643	$1,803,273	$2,673,751	$2,767,500	$3,219,360
Cash Flow Before Debt Service	-$6,364,252	$2,902,540	$7,614,423	$10,246,020	$6,763,217	$10,835,669	$10,145,599	$10,321,882	$10,138,156

Calculation of Reversionary Value

For each property, we have projected a sales and transfer cost of 2.0%. This consists of marketing, sales commissions and transfer taxes payable. The combined net operating income for Year 9 is $13,510,662 (we note that this NOI does not include free rent). Capped at 8.50%, the reversion sale price is $150,118,468. Deducting 2.0% for commissions, marketing and transfer taxes equals ($3,002,369). Subtracting the sales costs of $3,002,369 from the sale price of $150,118,468 indicates a net sale price of $147,116,099.

Reversionary Value

Building	Year 9 NOI	Terminal Cap Rate	Reversion Sale Price	Less Cost of Sale (2%)	Net Sale Proceeds
Building One	$2,747,509	9.00%	$30,527,874	$610,557	$29,917,317
Building Two	$3,180,241	9.00%	$35,336,016	$706,720	$34,629,296
Building Four	$7,582,912	9.00%	$84,254,578	$1,685,092	$82,569,486
Total	**$13,510,662**		**$150,118,468**	**$3,002,369**	**$147,116,099**

Cash Flow Summary

Analysis Period	Period Ending	Cash Flow Before Debt Service	Cash Flow @ 9.00%	Cash Flow @ 9.25%	Cash Flow @ 9.50%	Cash Flow @ 9.75%	Cash Flow @ 10.00%
Year 1	Sep-2025	-$6,364,252	-$5,838,763	-$5,825,402	**-$5,812,102**	-$5,798,863	-$5,785,684
Year 2	Sep-2026	$2,902,540	$2,443,010	$2,431,842	**$2,420,750**	$2,409,734	$2,398,793
Year 3	Sep-2027	$7,614,423	$5,879,732	$5,839,460	**$5,799,555**	$5,760,012	$5,720,829
Year 4	Sep-2028	$10,246,020	$7,258,539	$7,192,327	**$7,126,868**	$7,062,152	$6,998,170
Year 5	Sep-2029	$6,763,217	$4,395,627	$4,345,563	**$4,296,183**	$4,247,473	$4,199,426
Year 6	Sep-2030	$10,835,669	$6,460,955	$6,372,753	**$6,285,951**	$6,200,526	$6,116,453
Year 7	Sep-2031	$10,145,599	$5,549,990	$5,461,697	**$5,375,005**	$5,289,882	$5,206,296
Year 8	Sep-2032	$10,321,882	$5,180,205	$5,086,128	**$4,993,970**	$4,903,686	$4,815,234
Totals		$52,465,098	$31,329,295	$30,904,368	**$30,486,180**	$30,074,602	$29,669,517
Property Resale @ 9.00% Cap Rate		$147,116,099	$73,832,609	$72,491,758	**$71,178,240**	$69,891,437	$68,630,746
Total Unleveraged Present Value			$105,161,904	$103,396,126	**$101,664,420**	$99,966,039	$98,300,263
Rounded			**$105,000,000**	**$103,000,000**	**$102,000,000**	**$100,000,000**	**$98,000,000**
Per SqFt			$95	$94	**$93**	$91	$89

Cash Flow Summary

We note in Years 1 and 2 of the cash flow are relatively low. This is attributed to the downtime, limited assumed rent growth, and costs associated with the new leases. The cash flow stabilized in year three and reflects a more stabilized NOI in the remaining years as existing leases are assumed to rollover in a more typical manner. Overall, the cash flow is steadily increasing once it is stabilized.

Income Approach Value Conclusion – Buildings One, Two, & Four

The value summary of the Direct Capitalization and Discounted Cash Flow methods is presented below. The values derived by the two income valuation methods differ by 2.00%. Less reliance is placed on the results of the Direct Capitalization method since this method does not adequately reflect expected changes in income levels (especially with Gateway Health vacating) or future resale value at the end of the expected holding period. Additionally, the Discounted Cash Flow method most closely resembles the criteria and motivations of an investor of an income-producing asset such as the subject. Further, the presence of multiple tenants with staggered lease terms gives further credence to the results of the Discounted Cash Flow method. Therefore, we place sole weight on our yield capitalization analysis and our concluded value by the Income Approach is $102,000,000.

Value Summary

Approach	Interest Appraised	Date of Value	Conclusion
Direct Capitalization	Leased Fee Interest	September 30, 2024	$100,000,000
Discounted Cash Flow	Leased Fee Interest	September 30, 2024	$102,000,000
Conclusion	Leased Fee Interest	September 30, 2024	$102,000,000

Comparable Sales

With virtually no sales activity in the Pittsburgh market and limited transactions of similar properties anywhere in the country, we essentially excluded the use of the Sales Comparison Approach in the valuation of Buildings 1, 2, and 4. However, we do present the data for the comparable sales presented as capitalization rate comparables as additional support for our conclusion from the Income Approach:

#	Address	GBA	Year Built	Sale Date	Cap Rate	Occ. Rate	Sales Price	Sales Price PSF
1	3905 Vincennes Road, Indianapolis, IN	100,667	1987	7/31/2024	10.52%	94.70%	$8,400,000	$83
2	6263 Poplar Avenue, Memphis, TN	100,943	1973	6/24/2024	9.29%	89.00%	$10,263,000	$102
3	Fair Oaks Plaza, Fairfax, VA	183,810	1986	5/31/2024	8.00%	86.00%	$27,800,000	$151
4	Bala Plaza, Bala Cynwyd, PA	1,136,771	1967-1982	10/30/2023	8.62%	87.10%	$185,000,000	$163
5	Normandale Lake Office Park, Bloomington, MN	1,756,167	1983-2009	6/28/2022	7.10%	91.00%	$366,000,000	$208
6	111 Monument Circle, Indianapolis, IN	1,121,763	1990	2/2/2021	7.00%	83.00%	$192,500,000	$172
				Min	**7.00%**	**83.00%**	**$8,400,000**	**$83**
				Avg	**8.42%**	**88.47%**	**$131,660,500**	**$147**
				Max	**10.52%**	**94.70%**	**$366,000,000**	**$208**
	Gateway Center (One, Two, & Four)	**1,099,556**	**1952-1960**		**9.00%**	**83.56%**	**$102,000,000**	**$93**

We note that the subject is appropriately towards the low end of the range on a per square foot basis with its larger size and relatively low occupancy rate.

Building Three

Sales Comparison Approach

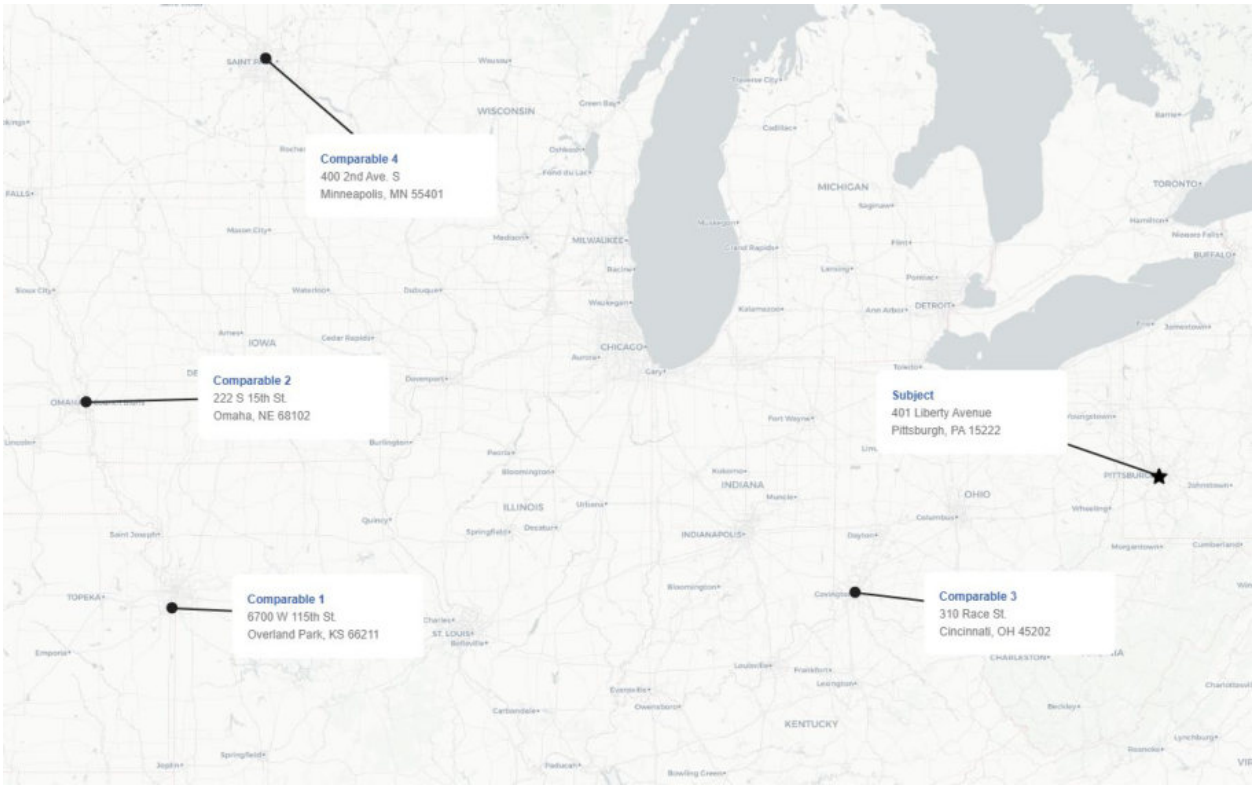
In the Sales Comparison Approach, an opinion of fair value is provided by comparing the subject property to transactions of competitive assets. A major premise is the principle of substitution which holds fair value is directly related to the prices of comparable properties as a knowledgeable investor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

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

We note that there has been a dearth of stabilized (newly constructed or renovated) larger residential buildings in the region; however, there have been several vacant/mostly vacant office properties that have traded within the past six to nine months with the intention of converting them to mixed-use or multi-family apartment buildings.

Unit of Comparison

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



Comparable Sales Summary

#	Address	Sale Date	SF	Sale Price	Price Per SF
1	6700 West 115th Street, Overland Park, KS 66211	Oct-24	242,430	$6,500,000	$27
2	Central Park Plaza, Omaha, NE 68102	Mar-24	491,348	$16,400,000	$33
3	310 Race Street, Cincinnati, OH	Dec-23	111,400	$4,100,000	$37
4	400 2nd Avenue South, Minneapolis, MN 55401	Jun-23	109,942	$3,500,000	$32

Comparable Sales Outlines

Comparable Sale 1



Sale No.	1
Location	6700 West 115th Street Overland Park, KS 66211
Parcel Number	NP63400003 0004
Site Area (Acres)	6.44
Gross Building Area (SF)	242,430
Property Description	This is the sale of a, Class-A suburban office building in Overland Park, KS. It was 26% occupied (by a single tenant with a lease expiriing in 2027) at the time of sale. New ownership intends to renovate the property by adding new amenities. Additioanlly, it was reported that a full or partial conversion to multifamily was being evaluated.

Sale Date	October 25, 2024
Year Built	2006
Grantor	SNH Medical Office Properties Trust
Grantee	BRAIN DEV 9, LLC
Sale Price	$6,500,000
Price Per SF	$27
NOI	Not Reported
Cap Rate	Not Reported
Document No.	2024015420 & 2024014336

Comparable Sale 2



Sale No.	2
Location	Central Park Plaza Omaha, NE 68102
Parcel Number	0311180005 & 0311210000
Site Area (Acres)	1.87
Gross Building Area (SF)	491,348
Property Description	This is the sale of the Central Park Plaza, which is currently a commercial office complex that features twin 15-story towers and a parking garage. It was reported that the buildings were largely empty at the time of sale, and the new owners are planning to redevelop the property into a 700 unit mixed-use development. Current plans include demolishing and replacing the parking garage and adding space that connects the two towers. A steakhouse located in the base of one of the office towers will remain in place. Construction will take place in three phases and is projected to be fully completed in 2027.
Sale Date	March 8, 2024
Year Built	1982
Grantor	222 S 15th Street ::C & 201 S 16th Street LLC
Grantee	TC Accomodator 336 LLC
Sale Price	$16,400,000
Price Per SF	$33
NOI	Not Reported
Cap Rate	Not Reported
Document No.	2024015420 & 2024014336

Comparable Sale 3



Sale No.	3
Location	310 Race Street Cincinnati, OH
Parcel Number	083-0001-0045-00,-0050-00,-0052-00,-0053-00,-0054-00,-0055-00
Site Area (Acres)	0.38
Gross Building Area (SF)	111,400
Property Description	This is the sale of a 12-story former office building that was vacant at the time of sale. The new owners are planning to convert the building into a 106 unit apartment building. The building was originally constructed by the H&S Pogue Company for use as a service building for its department stores.

Sale Date	December 21, 2023
Year Built	1948
Grantor	Drury Development Corp
Grantee	310 RACE STREET PARTNERS LLC
Sale Price	$4,100,000
Price Per SF	$37
NOI	Not Reported
Cap Rate	Not Reported
Document No.	2023-346849

Comparable Sale 4



Sale No.	4
Location	400 2nd Avenue South Minneapolis, MN 55401
Parcel Number	22-029-24-44-0030
Site Area (Acres)	0.36
Gross Building Area (SF)	109,942
Property Description	This is the sale of a 12-story office building. The seller is relocating its office and was looking to divest the property. The new owner has plans to redevelop the building into a roughly 140 unit apartment building.

Sale Date	June 7, 2023
Year Built	1929
Grantor	Old Republic National Title Insurance Company
Grantee	Finer Housing LLC
Sale Price	$3,500,000
Price Per SF	$32
NOI	Not Reported
Cap Rate	Not Reported
Document No.	18937/514

Comparable Sales Adjustment Grid

Sale No.	Subject	1	2	3	4
Address:	Three Gateway Center, Pittsburgh, PA 15222	6700 West 115th Street, Overland Park, KS 66211	Central Park Plaza, Omaha, NE 68102	310 Race Street, Cincinnati, OH	400 2nd Avenue South, Minneapolis, MN 55401
Sale Date:		10/25/2024	3/8/2024	12/21/2023	6/7/2023
No. SF		242,430	491,348	111,400	109,942
Sale Price		$6,500,000	$16,400,000	$4,100,000	$3,500,000
Price Per SF		**$27**	**$33**	**$37**	**$32**
Property Rights:	Leased Fee Interest	0%	0%	0%	0%
Financing Terms:	None	0%	0%	0%	0%
Conditions of Sale:	None	0%	0%	0%	0%
Market Conditions	September 30, 2024	0%	0%	0%	0%
Trended Price Per SF		**$27**	**$33**	**$37**	**$32**
Location:	Central Business District, Pittsburgh	5%	5%	5%	-5%
Size:		0%	0%	-5%	-5%
Utility:		0%	0%	0%	5%
Condition:	Average	0%	0%	0%	0%
Total Adjustments		**5%**	**5%**	**0%**	**-5%**
Adjusted Price Per SF		**$28**	**$35**	**$37**	**$30**
		Unadjusted			**Adjusted**
	Low	**$27**		**Low**	**$28**
	High	**$37**		**High**	**$37**
	Average	**$32**		**Average**	**$33**
	Median	**$33**		**Median**	**$33**

Property Rights Appraised The purpose of this adjustment is to account for differences in the property rights transferred with the sale. We are valuing the leased fee interest in the subject property; however, no adjustments were required as all of the sales (as well as the subject) have significant vacancy.

Financing Terms The purpose of adjusting for financing terms is to determine cash equivalent sale prices for the comparables in accordance with the definition of market value for this report. To the best of our knowledge, all of the comparables used in this analysis were accomplished with cash or market-oriented financing. Therefore, no adjustments were required.

Conditions of Sale Condition of sale refers to the motivations of the buyer and seller involved in a particular transaction. However, all comparables used in this analysis are considered to be "arm's-length" market transactions between both knowledgeable buyers and sellers on the open market. Therefore, no adjustments were required.

Market Conditions (Time) The purpose of this adjustment is to account for changes in market conditions. All comparables used in this analysis sold at a similar time; therefore, no adjustments were required.

Location The subject property is located in the CBD of Pittsburgh, PA. Comparables 1, 2, and 3 are located in Overland Park, KS, Omaha, NE, and Cincinnati, OH, which are smaller cities that do not have as high of apartment rents. Thus, upward adjustments were applied. Comparable 4 is located in Minneapolis, MN, which is a larger city that has better economics for apartments. Thus a downward adjustment was applied.

Utility The subject is a high-rise office property that is virtually vacant and a good candidate for conversion to apartments.

We have considered corner vs. mid-block location, unit and property finishes, onsite parking, tenant mix, signage, and floor area ratio within the scope of the utility adjustment. Based on these factors, the following adjustments were made to the comparables, while other minor differences were considered qualitatively in the sale value conclusion.

All of the comparable sales are similarly good candidates for conversion to apartments; however, comparable 4 does not feature parking and was adjusted upwards.

Size This adjustment accounts for the difference in size between each of the comparables and the subject property. We note that there is an inverse relationship between size and value per square foot such that smaller properties will sell for higher prices per square foot and vice versa. Comparables 3 and 4 warranted downward adjustments as they are significantly smaller than the subject.

Condition The subject property was constructed in 1952 and is ready for conversion. All of the sales are in similar condition; thus, no adjustments were necessary.

After adjustments, the comparable sales exhibited a range between $28 per square foot and $37 per square foot with an average of $33 per square foot and a median of $33 per square foot. All sales are a good indicator of value. Given the volatile market conditions, we have weighted the more recent sales in our analysis. Thus, considering the elements of comparison noted above, our opinion of fair value is $30 per square foot.

Value Opinion via the Sales Comparison Approach

	Date of Value	Value	Final Value (Rd)
Concluded Value Per SF		$30	
SF		370,175	
Fair Value via the Sales Comparison Approach	**September 30, 2024**	**$11,105,250**	**$11,000,000**

We have been informed that offers have been received for Building 3 in the $6 million to $18 million range. Given that the value of the shell is only a small percentage (roughly 10% to 15%) of the overall redevelopment budget, it is not unexpected to see a wide range of bids for the building. A seemingly insignificant change in market conditions has the most impact on the value of the shell. We believe that the bids for Building 3 offer further support for our opinion of value, which is comfortably within the range.

Final Value Opinion

After carefully considering all available information concerning the subject property and all apparent factors affecting value, it is the opinion of the appraisers that the fair value of the leased fee interest, as of September 30, 2024 is:

Final Value Opinion

Value	Interest Appraised	Date of Value	Conclusion
Fair Value - Entire Complex	Leased Fee Interest	September 30, 2024	$113,000,000
Fair Value - Office Buildings (One, Two, & Four)	Leased Fee Interest	September 30, 2024	$102,000,000
Fair Value - Building Three	Leased Fee Interest	September 30, 2024	$11,000,000

The value conclusions are subject to the following **Extraordinary Assumptions**[7] that may affect the assignment results. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions:

- None.

The value conclusions are based on the following **Hypothetical Conditions**[8] that may affect the assignment results:

- None.

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

[7] *The definition of Extraordinary Assumptions can be found in the Glossary of Terms, which is located in the Addenda.*

[8] *The definition of Hypothetical Conditions can be found in the Glossary of Terms, which is located in the Addenda.*

Certification

We certify to the best of our knowledge:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- We have performed services as an appraiser regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standard of Professional Practice of the Appraisal Institute, the Uniform Standards of Professional Appraisal Practice, and applicable state appraisal regulations.
- Michelle Zell has made a personal inspection of the property that is the subject of this report on 12/17/21. Asher Robinson has not made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.
- As of the date of this report, Michelle Zell, MAI has completed the continuing education program for Designated Members of the Appraisal Institute.
- We have experience in appraising properties similar to the subject, have acquired the necessary geographic competency, and are in compliance with the Competency Rule of USPAP.



Michelle Zell, MAI
Senior Vice President
Certified General Real Estate Appraiser
PA License GA004611
michelle.zell@boweryvaluation.com
(917) 533-3141



Asher Robinson
Vice President
asher.robinson@boweryvaluation.com
(865) 712-6612

Addenda

Glossary of Terms

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

As Is Market Value	The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date, according to the Interagency Appraisal and Evaluation Guidelines (Federal Deposit Insurance Corporation: 2010). Note: The use of the "as is" phrase is specific to appraisal regulations pursuant to FIRREA applying to appraisals prepared for regulated lenders in the United States.
Condominium	A multiunit structure, or a unit within such a structure, with a condominium form of ownership.
Deferred Maintenance	Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of the property, such as a broken window, a dead tree, a leak in the roof, or a faulty roof that must be completely replaced. These items are almost always curable.
Depreciation	A loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvements on the same date.
Direct Capitalization	A method used to convert an estimate of a single year's net operating income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. This technique employs capitalization rates and multipliers extracted from sales. Only the first year's income is considered. Yield and value change are implied, but not identified overall. This method is most useful when the property is already operating on a stabilized basis, according to The Appraisal of Real Estate, 14th Edition (Appraisal Institute: 2013).
Discounted Cash Flow	The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analysis specifics the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate.
Effective Date	(1) The date on which the appraisal or review applies. (2) In a lease document, the date upon which the lease goes into effect.
Effective Gross Income	The anticipated income from all operations of real property adjusted for vacancy and collection losses.
Entrepreneurial Profit	(1) A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses. (2) In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

Equity Dividend	The portion of net income that remains after debt service is paid; this is returned to the equity position.
Exposure Time	(1) The time a property remains on the market. (2) The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. Note: Exposure time is a retrospective.
Extraordinary Assumption	An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.
Fee Simple Interest	Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.
Financial Feasibility	An analysis to determine which of those uses deemed possible and legal can provide a net return to the owner of the site.
Gross Building Area	Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.
Highest and Best Use	(1) The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. (2) The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid, according to David Parker's International Valuation Standards (John Wiley & Sons, Ltd: 2016). (3) The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future, according to the Uniform Appraisal Standards for Federal Land Acquisitions (The Appraisal Foundation: 2016).
Hypothetical Condition	A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis.
Leased Fee Interest	The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.
Leasehold Interest	The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.
Legally Permissible Use	An investigation into existing zoning regulations, lease terms, and deed restrictions on the site to determine which uses are legally permitted.
Marketing Time	An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.
Market Rent	The most probable rent that property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).

Net Operating Income	The anticipated net income remaining after all operating expenses are deducted from effective gross income.
Net Rentable Area	For office or retail buildings, the tenant's pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based; calculated according to local practice.
Physically Possible Use	An analysis to determine those uses of the subject which can be deemed physically possible.
Potential Gross Income	The total potential income attributable to the real property at full occupancy before operating expenses are deducted. It may refer to the level of rental income prevailing in the market or that contractually determine by existing leases.
Property Rights Appraised	The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.
Prospective Opinion of Value	A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.
Replacement Costs	The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout.
Reproduction Costs	The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, super-adequacies, and obsolescence of the subject building.
Retrospective Value Opinion	A value opinion effective as of a specified historical date. The term retrospective does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion".
Reversion	A lump-sum benefit an investor expects to receive upon the termination of the investment.
Stabilized Income	(1) An estimate of income, either current or forecasted, that presumes the property is at stabilized occupancy. (2) The forecast of the subject property's yearly average income (or average- equivalent income) expected for the economic life of the subject property. (3) Projected income that is subject to change but has been adjusted to reflect an equivalent, stable annual income.

Stabilized Occupancy	(1) The occupancy of a property that would be expected at a particular point in time, considering its relative competitive strength and supply and demand conditions at the time, and presuming it is priced at market rent and has had reasonable market exposure. A property is at stabilized occupancy when it is capturing its appropriate share of market demand. (2) An expression of the average or typical occupancy that would be expected for a property over a specified projection period or over its economic life.
Yield Capitalization	The capitalization method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate. This method explicitly considers a series of cash flows (net income over a holding period) over time together with any reversion value or resale proceeds. Since this technique explicitly reflects the investment's income pattern, it is especially suited to multi-tenant properties with varying leasing schedules as well as properties that are not operating at stabilized occupancy, according to The Appraisal of Real Estate, 14th Edition (Appraisal Institute: 2013).

Provided Information

Gateway Center I&E 2023

PROJ: PB100 — Hertz Gateway Center, LP — 12 MONTH TRAILING INCOME STATEMENT — Hertz Gateway Center, LP — 01/23 to 12/23 — Accrual — Date: 2/7/2024 — Page: 1 — Time: 3:32 PM

	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023	Total
OPERATING INCOME													
Rental Income Gross	1,754,257	1,742,276	1,706,043	1,787,068	1,750,095	1,578,671	1,566,605	1,587,507	1,545,043	1,336,342	1,427,506	1,414,542	19,194,953
Rent Abatement	(68,782)	(72,378)	(58,869)	(81,764)	(39,161)	(19,888)	(3,478)	(43,063)	(69,219)	39,975	(56,226)	(53,439)	(526,293)
Operating Expense Recovery	79,609	81,659	79,652	79,749	130,604	151,035	54,765	54,807	51,527	46,693	47,816	47,716	905,632
Parking Income	150,282	141,764	170,264	155,227	191,239	181,507	200,183	184,377	164,707	207,332	169,071	185,239	2,101,192
Other Rental Income	120,980	84,662	90,008	43,311	56,717	90,505	233,038	243,595	135,615	71,277	97,932	58,851	1,326,492
Other Income	694	2,262	2,079	1,458	2,327	76,794	2,991	1,445	79,157	27,869	25,686	152,732	375,493
TOTAL OPERATING INCOME	2,037,039	1,980,245	1,988,177	1,985,049	2,091,821	2,058,624	2,054,104	2,028,668	1,906,830	1,729,487	1,711,784	1,805,642	23,377,468
OPERATING EXPENSES													
Cleaning and Janitorial	223,267	221,880	222,777	236,930	218,705	231,754	211,644	227,473	214,314	218,577	225,913	228,323	2,681,555
Repair & Maintenance	219,787	163,416	237,441	225,744	202,020	244,267	333,326	259,796	235,374	190,339	248,174	372,633	2,932,319
Utilities	479,729	436,093	404,315	360,877	281,504	298,969	513,643	442,565	339,421	309,123	417,088	409,027	4,692,355
CAM	2,842	2,338	9,101	9,692	9,740	12,043	9,014	9,239	9,014	10,279	8,788	18,034	110,124
Security	117,940	171,944	75,619	157,345	142,530	139,743	131,873	120,669	119,118	131,038	113,730	171,518	1,593,067
Employee Payroll	41,029	40,739	42,898	35,513	39,144	40,619	58,863	46,134	41,652	45,479	47,413	137,461	616,943
General and Administrative	51,282	47,154	46,813	50,237	50,619	58,481	46,146	47,016	54,977	45,435	46,004	107,785	651,951
Management Fee Expense	83,164	91,753	98,365	88,034	84,197	88,133	80,150	87,387	76,661	74,661	67,136	103,346	1,022,997
Property Taxes	170,236	170,236	171,257	180,577	171,123	172,713	170,577	172,146	170,577	170,577	170,577	44,540	1,935,133
Insurance	44,977	44,977	44,977	44,977	44,977	44,977	44,977	111,564	55,644	64,291	64,291	64,291	674,923
Other Operating Expenses	1,826	266	2,342	487	3,919	266	266	7,572	266	2,030	266	4,943	24,452
Non-Pass Operating Expenses	77,530	83,991	82,347	81,215	90,316	88,900	92,940	94,024	86,400	106,283	82,242	163,780	1,129,968
TOTAL OPERATING EXPENSES	1,513,609	1,474,788	1,438,252	1,471,628	1,338,794	1,420,867	1,693,420	1,625,595	1,403,419	1,368,111	1,491,623	1,825,681	18,065,787
NET OPERATING INCOME	523,431	505,457	549,925	513,420	753,027	637,758	360,684	403,072	503,411	361,376	220,160	(20,040)	5,311,682

Gateway Center I&E 2024

PROJ: PB100 — Hertz Gateway Center, LP — MONTHLY INCOME STATEMENT — As of September 30, 2024 — Date: 11/1/2024 — Page: 1 — Time: 6:26 PM

	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	Total
OPERATING INCOME													
Rental Income Gross	1,453,971	1,443,676	1,414,614	1,488,155	1,497,871	1,466,704	1,469,221	1,477,663	1,446,422	0	0	0	13,158,297
Rent Abatement	(62,662)	(61,593)	(60,761)	(100,819)	(125,027)	(125,027)	(125,027)	(125,027)	(125,027)	0	0	0	(910,971)
Operating Expense Recovery	46,703	46,116	48,667	46,038	40,658	38,324	666,821	(294,898)	73,205	0	0	0	711,633
Parking Income	175,501	161,125	172,198	175,944	197,511	169,999	193,513	195,493	172,546	0	0	0	1,613,829
Other Rental Income	161,264	103,762	32,664	6,086	56,034	208,632	288,622	223,029	118,006	0	0	0	1,198,099
Other Income	1,830	2,454	1,074	1,581	1,187	938	1,532	957	5,722	0	0	0	17,275
TOTAL OPERATING INCOME	1,776,608	1,695,539	1,608,456	1,616,985	1,668,234	1,759,570	2,494,681	1,477,217	1,690,873	0	0	0	15,788,162
OPERATING EXPENSES													
Cleaning and Janitorial	213,656	194,473	186,636	239,480	191,633	187,832	193,472	188,877	242,474	0	0	0	1,838,533
Repair & Maintenance	220,982	201,160	239,731	255,188	274,008	220,901	343,013	272,138	230,163	0	0	0	2,257,284
Utilities	559,591	494,899	338,932	308,659	281,985	389,415	527,000	431,598	300,412	0	0	0	3,632,491
CAM	1,825	1,188	8,290	8,527	9,811	14,736	8,174	8,771	8,344	0	0	0	69,667
Security	206,399	95,311	118,729	130,939	139,444	145,373	129,172	151,019	158,846	0	0	0	1,275,234
Employee Payroll	56,282	54,629	60,481	63,182	44,206	53,910	45,958	52,475	51,090	0	0	0	482,214
General and Administrative	50,652	45,706	65,995	48,499	47,925	68,364	47,083	56,230	47,738	0	0	0	478,192
Management Fee Expense	48,320	55,629	67,541	61,457	64,218	52,770	55,279	78,928	65,060	0	0	0	549,202
Property Taxes	170,723	170,577	137,851	161,371	168,781	161,298	161,517	158,962	158,962	0	0	0	1,450,043
Insurance	64,291	64,291	57,079	64,291	64,291	65,007	67,505	37,746	54,177	0	0	0	538,678
Other Operating Expenses	3,793	266	1,873	3,793	266	4,435	2,030	2,030	266	0	0	0	18,754
Non-Pass Operating Expenses	83,141	81,064	101,620	122,275	82,880	80,352	133,029	85,184	93,972	0	0	0	863,517
TOTAL OPERATING EXPENSES	1,679,655	1,459,191	1,384,758	1,467,662	1,369,450	1,444,395	1,713,233	1,523,959	1,411,506	0	0	0	13,453,807
NET OPERATING INCOME	96,953	236,348	223,698	149,323	298,784	315,175	781,448	(46,742)	279,367	0	0	0	2,334,355

Gateway Center Open Jobs

Database: R52999900001 | Project Cost Summary Report-AP Detail (Open Jobs) | Page: 1
Run for budget type: JCB| | Hertz Investment Group LLC | Date: 11/1/2024
Run for cost list: Cap| | For Period: 01/07 through 12/25 | Time: 3:49 PM
Run for journal entry types: A|

Cost Code	Occupant/Description	Original Budget	Approved Budget	Expensed to Date	Paid to Date	Retention Payable	Remaining To PAY	
TI/LC New and Expansions								
ENTITY: PB100	***Gateway Center One Gateway***							
JOB: PB100156	***The Webb Law Firm, P.C.***	***G1-1100 Webb Law 4A***						002278
PHASE: 1								
011000	TI New - Allowance/Turnkey	520,000.00	520,000.00	1,750.94	1,094.69	0.00	518,905.31	
012100	TI New - Other Landlord Common /	268,500.00	268,500.00	254,635.75	254,635.75	0.00	13,864.25	
012200	TI New - Sprinkers & Fire/Life/Safet	0.00	0.00	9,600.00	9,600.00	0.00	0.00	
015000	Leasing Commissions New	225,259.14	225,259.14	225,259.14	225,259.14	0.00	0.00	
019000	Tenant Reimbursments New	0.00	0.00	-809.00	-809.00	0.00	809.00	
JOB TOTALS:	The Webb Law Firm, P.C.	1,013,759.14	1,013,759.14	490,436.83	489,780.58	0.00	533,578.56	
JOB: PB100160	***Bordas & Bordas, PLLC***	***G1-1800 Bordas & Bordas 2A***						007669
PHASE: 1								
011000	TI New - Allowance/Turnkey	100,000.00	100,000.00	671,990.14	671,990.14	0.00	0.00	
011300	TI New - Specs and Planning	0.00	0.00	2,296.45	2,296.45	0.00	0.00	
012200	TI New - Sprinkers & Fire/Life/Safet	127,974.00	127,974.00	37,283.00	37,283.00	0.00	90,691.00	
015000	Leasing Commissions New	64,854.28	64,854.28	64,854.27	64,854.27	0.00	0.01	
JOB TOTALS:	Bordas & Bordas, PLLC	292,828.28	292,828.28	776,423.86	776,423.86	0.00	90,691.01	
JOB: pb100188	***Mutual of America Life Ins Co***	***G1-0973 Mutual of America 5A***						011594
PHASE: 1	***G1-0973 Mutual of America 5A***							
011000	TI New - Allowance/Turnkey	69,712.48	69,712.48	81,452.01	81,452.01	0.00	0.00	
011200	TI New - Move/Relocation	5,000.00	5,000.00	0.00	0.00	0.00	5,000.00	
012100	TI New - Other Landlord Common /	40,000.00	40,000.00	0.00	0.00	0.00	40,000.00	
012200	TI New - Sprinkers & Fire/Life/Safet	23,807.52	23,807.52	10,000.00	10,000.00	0.00	13,807.52	
015000	Leasing Commissions New	15,123.72	15,123.72	15,123.72	15,123.72	0.00	0.00	
JOB TOTALS:	Mutual of America Life Ins Co	153,643.72	153,643.72	106,575.73	106,575.73	0.00	58,807.52	
JOB: PB100193	***(AOPC)Administrative Office of PA C***	***G1-2025 AOPC JUDGE BECK 0L***						011857
PHASE: 1	***G1-2025 AOPC JUDGE BECK 0L***							
011000	TI New - Allowance/Turnkey	219,934.39	219,934.39	133,697.70	663.75	0.00	219,270.64	
011300	TI New - Specs and Planning	6,704.00	6,704.00	5,824.03	0.00	0.00	6,704.00	
012200	TI New - Sprinkers & Fire/Life/Safet	30,200.00	30,200.00	0.00	0.00	0.00	30,200.00	
015000	Leasing Commissions New	59,052.34	59,052.34	29,526.18	29,526.18	0.00	29,526.16	
JOB TOTALS:	(AOPC)Administrative Office of	315,890.73	315,890.73	169,047.91	30,189.93	0.00	285,700.80	
Total Gateway Center One Gateway		**1,776,121.87**	**1,776,121.87**	**1,542,484.33**	**1,402,970.10**	**0.00**	**968,777.89**	
ENTITY: PB101	***Gateway Center Two Gateway***							
JOB: PB101222	***Applied Technical Services LLC dba***	***G2-1350 ARCCA Inc. 4A***						011582
PHASE: 1	***G2-1350 ARCCA Inc. 4A***							
011000	TI New - Allowance/Turnkey	140,743.75	140,743.75	95,261.57	83,413.02	0.00	57,330.73	
011200	TI New - Move/Relocation	5,000.00	5,000.00	4,136.13	0.00	0.00	5,000.00	
011300	TI New - Specs and Planning	2,832.00	2,832.00	1,338.83	1,338.83	0.00	1,493.17	
012200	TI New - Sprinkers & Fire/Life/Safet	25,000.00	25,000.00	17,300.00	17,300.00	0.00	7,700.00	
JOB TOTALS:	Applied Technical Services LLC	173,575.75	173,575.75	118,036.53	102,051.85	0.00	71,523.90	
JOB: PB101224	***Morgan & Morgan Philadelphia PLLC***	***1725/1825 Morgan & Morgan***						011622

Database: R52999900001 | Project Cost Summary Report-AP Detail (Open Jobs) | Page: 2
Run for budget type: JCB| | Hertz Investment Group LLC | Date: 11/1/2024
Run for cost list: Cap| | For Period: 01/07 through 12/25 | Time: 3:49 PM
Run for journal entry types: A|

Cost Code	Occupant/Description	Original Budget	Approved Budget	Expensed to Date	Paid to Date	Retention Payable	Remaining To PAY	
PHASE: 1	***1725/1825 Morgan & Morgan***							
011000	TI New - Allowance/Turnkey	142,557.00	142,557.00	71,164.12	71,074.62	0.00	71,482.38	
011300	TI New - Specs and Planning	5,829.00	5,829.00	6,452.50	6,452.50	0.00	0.00	
012200	TI New - Sprinkers & Fire/Life/Safet	24,731.00	24,731.00	7,000.00	7,000.00	0.00	17,731.00	
015000	Leasing Commissions New	51,219.29	51,219.29	51,218.92	51,218.92	0.00	0.37	
JOB TOTALS:	Morgan & Morgan Philadelphia	224,336.29	224,336.29	135,835.54	135,746.04	0.00	89,213.75	
JOB: PB101229	***Wayman Irvin & McAuley, LLC***	***G2-1800 WAYMAN IRVIN 3A***						011789
PHASE: 1	***G2-1800 WAYMAN IRVIN 3A***							
011000	TI New - Allowance/Turnkey	299,160.95	299,160.95	223,351.34	3,230.16	0.00	295,930.79	
011200	TI New - Move/Relocation	8,000.00	8,000.00	0.00	0.00	0.00	8,000.00	
011300	TI New - Specs and Planning	8,075.25	8,075.25	11,595.25	10,649.75	0.00	0.00	
012200	TI New - Sprinkers & Fire/Life/Safet	33,180.00	33,180.00	25,600.00	0.00	0.00	33,180.00	
JOB TOTALS:	Wayman Irvin & McAuley, LLC	348,416.20	348,416.20	260,546.59	13,879.91	0.00	337,110.79	
Total Gateway Center Two Gateway		**746,328.24**	**746,328.24**	**514,418.66**	**251,677.80**	**0.00**	**497,848.44**	
ENTITY: PB103	***Gateway Center Four Gateway***							
JOB: PB103149	***Dickie McCamey & Chilcote PC***	***G4-1200 Dickie McCamey(L)***						011055
PHASE: 1								
011000	TI New - Allowance/Turnkey	8,370,495.00	8,370,495.00	7,569,882.61	7,562,169.67	0.00	808,325.33	
011300	TI New - Specs and Planning	7,971.90	7,971.90	7,971.90	7,971.90	0.00	0.00	
012000	TI New - Other Landlord Suite Rela	0.00	0.00	75,000.00	75,000.00	0.00	0.00	
012100	TI New - Other Landlord Common /	545,000.00	545,000.00	224,718.66	147,275.52	0.00	397,724.48	
015000	Leasing Commissions New	2,728,468.96	2,728,468.96	2,728,468.96	2,728,468.96	0.00	0.00	
JOB TOTALS:	Dickie McCamey & Chilcote PC	11,651,935.86	11,651,935.86	10,606,042.13	10,520,886.05	0.00	1,206,049.81	
JOB: PB103153	***LGA Partners LP***	***G4-1500 LGA***						011304
PHASE: 1	***G4-1500 LGA***							
011000	TI New - Allowance/Turnkey	1,442,100.00	1,442,100.00	1,631,353.18	1,631,353.18	0.00	0.00	
012000	TI New - Other Landlord Suite Rela	99,985.60	99,985.60	124,726.58	124,726.58	0.00	0.00	
012100	TI New - Other Landlord Common /	96,140.00	96,140.00	78,284.00	78,284.00	0.00	17,856.00	
015000	Leasing Commissions New	386,014.47	386,014.47	386,014.47	386,014.47	0.00	0.00	
JOB TOTALS:	LGA Partners LP	2,024,240.07	2,024,240.07	2,220,378.23	2,220,378.23	0.00	17,856.00	
JOB: PB103156	***Citizens Bank N.A.***	***G4-1800 CITIZENS BANK (G4)***						011384
PHASE: 1	***G4-1800 CITIZENS BANK (G4)***							
011000	TI New - Allowance/Turnkey	4,903,140.00	4,903,140.00	86,166.68	78,702.76	0.00	4,824,437.24	
011200	TI New - Move/Relocation	115,368.00	115,368.00	0.00	0.00	0.00	115,368.00	
011300	TI New - Specs and Planning	8,652.60	8,652.60	0.00	0.00	0.00	8,652.60	
012100	TI New - Other Landlord Common /	288,420.00	288,420.00	7,384.00	7,384.00	0.00	281,036.00	
015000	Leasing Commissions New	1,215,875.63	1,215,875.63	1,215,875.63	1,215,875.63	0.00	0.00	
JOB TOTALS:	Citizens Bank N.A.	6,531,456.23	6,531,456.23	1,309,426.31	1,301,962.39	0.00	5,229,493.84	
JOB: PB103160	***Urish Popeck & Co LLC***	***G4-1400 URISH POPECK 12A***						011431
PHASE: 1	***G4-1400 URISH POPECK 12A***							
011000	TI New - Allowance/Turnkey	220,000.00	220,000.00	205,546.64	48,718.06	0.00	171,281.94	
015000	Leasing Commissions New	57,956.60	57,956.60	57,956.60	57,956.60	0.00	0.00	

Database: R52999900001 | Project Cost Summary Report-AP Detail (Open Jobs) | Page: 3
Run for budget type: JCB| | Hertz Investment Group LLC | Date: 11/1/2024
Run for cost list: Cap| | For Period: 01/07 through 12/25 | Time: 3:49 PM
Run for journal entry types: A|

Cost Code	Occupant/Description	Original Budget	Approved Budget	Expensed to Date	Paid to Date	Retention Payable	Remaining To PAY	
JOB TOTALS:	Urish Popeck & Co LLC	277,956.60	277,956.60	263,503.24	106,674.66	0.00	171,281.94	
JOB: PB103167	***Citizens Bank N.A.***		***G4-0212 CITIZENS BANK STOR 1A***					011858
PHASE: 1	***G4-0212 CITIZENS BANK STOR 1A***							
011000	TI New - Allowance/Turnkey	0.00	0.00	0.00	0.00	0.00	0.00	
012400	TI New - ADA Restrooms	50,000.00	50,000.00	3,256.50	3,256.50	0.00	46,743.50	
015000	Leasing Commissions New	99,137.82	99,137.82	99,137.82	99,137.82	0.00	0.00	
019000	Tenant Reimbursments New	0.00	0.00	0.00	0.00	0.00	0.00	
JOB TOTALS:	Citizens Bank N.A.	149,137.82	149,137.82	102,394.32	102,394.32	0.00	46,743.50	
JOB: PB103168	***Urish Popeck & Co LLC***		***G4-1400 URISH POPECK 13A***					011431
PHASE: 1	***G4-1400 URISH POPECK 13A***							
011000	TI New - Allowance/Turnkey	666,477.00	666,477.00	0.00	0.00	0.00	666,477.00	
011200	TI New - Move/Relocation	30,000.00	30,000.00	0.00	0.00	0.00	30,000.00	
012100	TI New - Other Landlord Common /	25,273.00	25,273.00	0.00	0.00	0.00	25,273.00	
012200	TI New - Sprinkers & Fire/Life/Safet	76,250.00	76,250.00	0.00	0.00	0.00	76,250.00	
015000	Leasing Commissions New	106,233.85	106,233.85	0.00	0.00	0.00	106,233.85	
JOB TOTALS:	Urish Popeck & Co LLC	904,233.85	904,233.85	0.00	0.00	0.00	904,233.85	
Total Gateway Center Four Gateway		**21,538,960.43**	**21,538,960.43**	**14,501,744.23**	**14,252,295.65**	**0.00**	**7,575,658.94**	
TOTAL TI/LC New and Expansio		**24,061,410.54**	**24,061,410.54**	**16,558,647.22**	**15,906,943.55**	**0.00**	**9,042,285.27**	
TI/LC Renewals								
ENTITY: PB100	***Gateway Center One Gateway***							
JOB: PB100175	***CBS Broadcasting, Inc.***		***G1-0100 KDKA 2A Renewal***					011099
PHASE: 1								
021000	TI Renewal - Allowance/Turnkey	2,551,048.00	2,551,048.00	2,447,119.78	2,441,919.78	0.00	109,128.22	
025000	Leasing Commissions Renewal	364,786.43	364,786.43	586,295.84	586,295.84	0.00	0.00	
JOB TOTALS:	CBS Broadcasting, Inc.	2,915,834.43	2,915,834.43	3,033,415.62	3,028,215.62	0.00	109,128.22	
JOB: PB100192	***LitCon Group***		***G1-2075 LITCON GROUP 2A***					011826
PHASE: 1	***G1-2075 LITCON GROUP 2A***							
021000	TI Renewal - Allowance/Turnkey	74,502.24	74,502.24	179.00	0.00	0.00	74,502.24	
021100	TI Renewal - Furniture Allowance	7,000.00	7,000.00	0.00	0.00	0.00	7,000.00	
021300	TI Renewal - Specs and Planning	1,753.48	1,753.48	4,112.50	125.00	0.00	1,628.48	
022100	TI Renewal - Other Landlord Comm	40,000.00	40,000.00	0.00	0.00	0.00	40,000.00	
025000	Leasing Commissions Renewal	18,742.50	18,742.50	18,742.50	18,742.50	0.00	0.00	
JOB TOTALS:	LitCon Group	141,998.22	141,998.22	23,034.00	18,867.50	0.00	123,130.72	
JOB: PB100194	***Grenen & Birsic, P.C.***		***G1-0900 GRENEN & BIRSIC***					009568
PHASE: 1	***G1-0900 GRENEN & BIRSIC***							
021000	TI Renewal - Allowance/Turnkey	154,657.44	154,657.44	0.00	0.00	0.00	154,657.44	
021300	TI Renewal - Specs and Planning	5,103.63	5,103.63	0.00	0.00	0.00	5,103.63	
022100	TI Renewal - Other Landlord Comm	5,048.32	5,048.32	0.00	0.00	0.00	5,048.32	
022200	TI Renewal - Sprinkers & Fire/Life/S	74,120.00	74,120.00	0.00	0.00	0.00	74,120.00	

Database: R52999900001 | Project Cost Summary Report-AP Detail (Open Jobs) | Page: 4
Run for budget type: JCB| | Hertz Investment Group LLC | Date: 11/1/2024
Run for cost list: Cap| | For Period: 01/07 through 12/25 | Time: 3:49 PM
Run for journal entry types: A|

Cost Code	Occupant/Description	Original Budget	Approved Budget	Expensed to Date	Paid to Date	Retention Payable	Remaining To PAY	
JOB TOTALS:	Grenen & Birsic, P.C.	238,929.39	238,929.39	0.00	0.00	0.00	238,929.39	
Total Gateway Center One Gateway		**3,296,762.04**	**3,296,762.04**	**3,056,449.62**	**3,047,083.12**	**0.00**	**471,188.33**	
ENTITY: PB101	***Gateway Center Two Gateway***							
JOB: PB101200	***Babst Calland Clements&Zomnir***	***G2-0900 Babst***						008029
PHASE: 1								
021000	TI Renewal - Allowance/Turnkey	1,108,952.50	1,108,952.50	962,140.43	962,140.43	0.00	146,812.07	
025000	Leasing Commissions Renewal	727,086.69	727,086.69	727,086.69	727,086.69	0.00	0.00	
JOB TOTALS:	Babst Calland Clements&Zomr	1,836,039.19	1,836,039.19	1,689,227.12	1,689,227.12	0.00	146,812.07	
JOB: PB101214	***Zenith American Solutions Inc***	***G2-1500 ZENITH AMERICAN 10A***						011294
PHASE: 1	***G2-1500 ZENITH AMERICAN 10A***							
021000	TI Renewal - Allowance/Turnkey	647,524.00	647,524.00	862,114.33	862,114.33	0.00	0.00	
021200	TI Renewal - Move/Relocation	0.00	0.00	0.00	0.00	0.00	0.00	
022200	TI Renewal - Sprinkers & Fire/Life/S	82,585.00	82,585.00	88,700.00	62,950.00	0.00	19,635.00	
JOB TOTALS:	Zenith American Solutions Inc	730,109.00	730,109.00	950,814.33	925,064.33	0.00	19,635.00	
JOB: PB101221	***TrustPoint Translations LLC***	***G2-1379 TrustPoint One***						011459
PHASE: 1	***G2-1379 TrustPoint One***							
021000	TI Renewal - Allowance/Turnkey	45,634.35	45,634.35	44,404.04	44,404.04	0.00	1,230.31	
021200	TI Renewal - Move/Relocation	5,000.00	5,000.00	1,854.20	1,854.20	0.00	3,145.80	
021300	TI Renewal - Specs and Planning	1,329.74	1,329.74	0.00	0.00	0.00	1,329.74	
022200	TI Renewal - Sprinkers & Fire/Life/S	22,933.00	22,933.00	2,550.00	2,550.00	0.00	20,383.00	
025100	Leasing Commissions Renewal und	1,391.61	1,391.61	1,391.61	1,391.61	0.00	0.00	
JOB TOTALS:	TrustPoint Translations LLC	76,288.70	76,288.70	50,199.85	50,199.85	0.00	26,088.85	
JOB: PB101230	***The Commonwealth of PA***	***G2-1100 COMM. OF PA, DHS 0L***						008692
PHASE: 1	***G2-1100 COMM. OF PA, DHS 0L***							
021000	TI Renewal - Allowance/Turnkey	313,135.49	313,135.49	518.62	429.12	0.00	312,706.37	
021300	TI Renewal - Specs and Planning	4,753.31	4,753.31	21,614.88	0.00	0.00	4,753.31	
022100	TI Renewal - Other Landlord Comr	150,000.00	150,000.00	0.00	0.00	0.00	150,000.00	
022200	TI Renewal - Sprinkers & Fire/Life/S	125,760.00	125,760.00	0.00	0.00	0.00	125,760.00	
025000	Leasing Commissions Renewal	79,799.58	79,799.58	79,799.58	79,799.58	0.00	0.00	
JOB TOTALS:	The Commonwealth of PA	673,448.38	673,448.38	101,933.08	80,228.70	0.00	593,219.68	
JOB: pb101232	***Diversified Care Management LLC***	***G2-1626 DIVERSIFIED CARE 2A***						011831
PHASE: 1	***G2-1626 DIVERSIFIED CARE 2A***							
025100	Leasing Commissions Renewal und	884.47	884.47	0.00	0.00	0.00	884.47	
JOB TOTALS:	Diversified Care Management I	884.47	884.47	0.00	0.00	0.00	884.47	
JOB: PB101233	***H Fred Mercer LLC***	***G2-1778 H. FRED MERCER 7A***						011812
PHASE: 1	***G2-1778 H. FRED MERCER 7A***							
025100	Leasing Commissions Renewal und	177.60	177.60	177.60	177.60	0.00	0.00	
JOB TOTALS:	H Fred Mercer LLC	177.60	177.60	177.60	177.60	0.00	0.00	

Database: R52999900001 | Project Cost Summary Report-AP Detail (Open Jobs) | Page: 5
Run for budget type: JCB| | Hertz Investment Group LLC | Date: 11/1/2024
Run for cost list: Cap| | For Period: 01/07 through 12/25 | Time: 3:49 PM
Run for journal entry types: A|

Cost Code	Occupant/Description	Original Budget	Approved Budget	Expensed to Date	Paid to Date	Retention Payable	Remaining To PAY	
Total Gateway Center Two Gateway		**3,316,947.34**	**3,316,947.34**	**2,792,351.98**	**2,744,897.60**	**0.00**	**786,640.07**	
ENTITY: PB103	***Gateway Center Four Gateway***							
JOB: PB103131	***Allied Insurance Brokers***		***G4-0400 Allied Insurance***					002697
PHASE: 1								
021000	TI Renewal - Allowance/Turnkey	111,861.75	111,861.75	129.24	129.24	0.00	111,732.51	
022100	TI Renewal - Other Landlord Comm	79,190.00	289,663.00	252,308.00	252,308.00	0.00	37,355.00	
025000	Leasing Commissions Renewal	62,243.84	62,243.84	62,243.85	62,243.85	0.00	0.00	
JOB TOTALS:	Allied Insurance Brokers	253,295.59	463,768.59	314,681.09	314,681.09	0.00	149,087.51	
JOB: PB103137	***Gallagher Benefit Services, Inc.***		***G4-0805 Gallagher Benefit Svc***					004577
PHASE: 1								
021000	TI Renewal - Allowance/Turnkey	47,477.50	47,477.50	56,067.50	56,067.50	0.00	0.00	
022200	TI Renewal - Sprinkers & Fire/Life/S	1,400.00	1,400.00	8,355.00	8,355.00	0.00	0.00	
025000	Leasing Commissions Renewal	41,220.81	41,220.81	41,220.82	41,220.82	0.00	0.00	
029000	Tenant Reimbursments Renewal	0.00	0.00	-24,000.00	-24,000.00	0.00	24,000.00	
JOB TOTALS:	Gallagher Benefit Services, Inc	90,098.31	90,098.31	81,643.32	81,643.32	0.00	24,000.00	
JOB: PB103138	***STV Incorporated***		***G4-0800 STV Inc. 11A***					009279
PHASE: 1								
021000	TI Renewal - Allowance/Turnkey	137,905.27	137,905.27	0.00	0.00	0.00	137,905.27	
022200	TI Renewal - Sprinkers & Fire/Life/S	13,120.00	13,120.00	0.00	0.00	0.00	13,120.00	
025000	Leasing Commissions Renewal	66,397.84	66,397.84	66,397.83	66,397.83	0.00	0.01	
JOB TOTALS:	STV Incorporated	217,423.11	217,423.11	66,397.83	66,397.83	0.00	151,025.28	
JOB: pb103163	***Strassburger McKenna Gutnick***		***G4-2200 STRASSBURGER 9A***					000571
PHASE: 1	***G4-2200 STRASSBURGER 9A***							
021000	TI Renewal - Allowance/Turnkey	875,000.00	875,000.00	491,834.65	95,871.50	0.00	779,128.50	
022100	TI Renewal - Other Landlord Comm	75,000.00	75,000.00	0.00	0.00	0.00	75,000.00	
025000	Leasing Commissions Renewal	242,308.26	242,308.26	242,308.27	242,308.27	0.00	0.00	
JOB TOTALS:	Strassburger McKenna Gutnick	1,192,308.26	1,192,308.26	734,142.92	338,179.77	0.00	854,128.50	
Total Gateway Center Four Gateway		**1,753,125.27**	**1,963,598.27**	**1,196,865.16**	**800,902.01**	**0.00**	**1,178,241.29**	
TOTAL TI/LC Renewals		**8,366,834.65**	**8,577,307.65**	**7,045,666.76**	**6,592,882.73**	**0.00**	**2,436,069.69**	
Building Improvements - General								
ENTITY: PB100	***Gateway Center One Gateway***							
JOB: PB100126			***G1 Lobby Reno Multi Tenant***					
PHASE: 1								
030000	Building Improvements - General	57,000.00	57,000.00	45,303.34	45,303.34	0.00	11,696.66	
JOB TOTALS:		57,000.00	57,000.00	45,303.34	45,303.34	0.00	11,696.66	
JOB: PB100142			***PB100 - 2019 Fire Alarm Upgrad***					
PHASE: 1								
030000	Building Improvements - General	75,000.00	75,000.00	55,061.52	55,061.52	0.00	19,938.48	

Database: R52999900001 | Project Cost Summary Report-AP Detail (Open Jobs) | Page: 6
Run for budget type: JCB| | Hertz Investment Group LLC | Date: 11/1/2024
Run for cost list: Cap| | For Period: 01/07 through 12/25 | Time: 3:49 PM
Run for journal entry types: A|

Cost Code	Occupant/Description	Original Budget	Approved Budget	Expensed to Date	Paid to Date	Retention Payable	Remaining To PAY
JOB TOTALS:		75,000.00	75,000.00	55,061.52	55,061.52	0.00	19,938.48
JOB: PB100185	***G1 HEAT EXCHANGER***						
PHASE: 1	***G1 HEAT EXCHANGER***						
030000	Building Improvements - General	30,138.00	30,138.00	30,976.00	30,976.00	0.00	0.00
JOB TOTALS:		30,138.00	30,138.00	30,976.00	30,976.00	0.00	0.00
Total Gateway Center One Gateway		**162,138.00**	**162,138.00**	**131,340.86**	**131,340.86**	**0.00**	**31,635.14**
ENTITY: PB101	***Gateway Center Two Gateway***						
JOB: PB101167	***PB101 2019 Fire Alarm Upgrade***						
PHASE: 1							
030000	Building Improvements - General	75,000.00	75,000.00	60,579.42	60,579.42	0.00	14,420.58
JOB TOTALS:		75,000.00	75,000.00	60,579.42	60,579.42	0.00	14,420.58
JOB: pb101218	***G2-16 & G2-20 LOBBY RENOS***						
PHASE: 1	***G2-16 & G2-20 LOBBY RENOS***						
030000	Building Improvements - General	114,000.00	114,000.00	40,316.75	40,316.75	0.00	73,683.25
JOB TOTALS:		114,000.00	114,000.00	40,316.75	40,316.75	0.00	73,683.25
JOB: PB101228	***G2 COMPRESSOR REPAIRS***						
PHASE: 1	***G2 COMPRESSOR REPAIRS***						
030000	Building Improvements - General	25,369.00	25,369.00	4,500.00	4,500.00	0.00	20,869.00
JOB TOTALS:		25,369.00	25,369.00	4,500.00	4,500.00	0.00	20,869.00
JOB: PB101231	***G2 ROOF RESTORATIONS***						
PHASE: 1	***G2 ROOF RESTORATIONS***						
030000	Building Improvements - General	75,000.00	75,000.00	75,000.00	0.00	0.00	75,000.00
JOB TOTALS:		75,000.00	75,000.00	75,000.00	0.00	0.00	75,000.00
Total Gateway Center Two Gateway		**289,369.00**	**289,369.00**	**180,396.17**	**105,396.17**	**0.00**	**183,972.83**
ENTITY: PB103	***Gateway Center Four Gateway***						
JOB: PB103144	***G4- Phase III FLS Upgrade 2021***						
PHASE: 1							
030000	Building Improvements - General	75,000.00	75,000.00	73,015.03	66,215.03	0.00	8,784.97
JOB TOTALS:		75,000.00	75,000.00	73,015.03	66,215.03	0.00	8,784.97
JOB: PB103148	***G4-LL Fire Alarm Upgrades***						
PHASE: 1							
030000	Building Improvements - General	75,000.00	75,000.00	65,336.00	65,336.00	0.00	9,664.00
JOB TOTALS:		75,000.00	75,000.00	65,336.00	65,336.00	0.00	9,664.00
JOB: PB103154	***WALL AT PEDESTRIAN BRIDGE***						
PHASE: 1	***WALL AT PEDESTRIAN BRIDGE***						

Database: R52999900001 | Project Cost Summary Report-AP Detail (Open Jobs) | Page: 7
Run for budget type: JCB| | Hertz Investment Group LLC | Date: 11/1/2024
Run for cost list: Cap| | For Period: 01/07 through 12/25 | Time: 3:49 PM
Run for journal entry types: A|

Cost Code	Occupant/Description	Original Budget	Approved Budget	Expensed to Date	Paid to Date	Retention Payable	Remaining To PAY
030000	Building Improvements - General	49,428.00	49,428.00	29,428.00	29,428.00	0.00	20,000.00
JOB TOTALS:		49,428.00	49,428.00	29,428.00	29,428.00	0.00	20,000.00
JOB: PB103158	***G4 VACUUM CONDENSATE UNIT***						
PHASE: 1	***G4 VACUUM CONDENSATE UNIT***						
030000	Building Improvements - General	50,283.45	50,283.45	0.00	0.00	0.00	50,283.45
JOB TOTALS:		50,283.45	50,283.45	0.00	0.00	0.00	50,283.45
JOB: PB103164	***G4-LL & PH BAS CONVERSION***						
PHASE: 1	***G4-LL & PH BAS CONVERSION***						
030000	Building Improvements - General	114,389.00	114,389.00	37,553.62	1,134.44	0.00	113,254.56
JOB TOTALS:		114,389.00	114,389.00	37,553.62	1,134.44	0.00	113,254.56
JOB: PB103166	***G4 DOCK ROLL DOOR REPLACEMENT***						
PHASE: 1	***G4 DOCK ROLL DOOR REPLACEMENT***						
030000	Building Improvements - General	32,245.00	32,245.00	32,245.00	0.00	0.00	32,245.00
JOB TOTALS:		32,245.00	32,245.00	32,245.00	0.00	0.00	32,245.00
Total Gateway Center Four Gateway		**396,345.45**	**396,345.45**	**237,577.65**	**162,113.47**	**0.00**	**234,231.98**
TOTAL Building Improvements		**847,852.45**	**847,852.45**	**549,314.68**	**398,850.50**	**0.00**	**449,839.95**
GRAND TOTALS		**33,276,097.64**	**33,486,570.64**	**24,153,628.66**	**22,898,676.78**	**0.00**	**11,928,194.91**

Gateway Center Rent Roll 09.2024

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
One Gateway Center
9/30/2024

Page: 1
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
New, Expansion and Future Renewal Leases													
PB100 0973	Mutual of America Life Ins Co	11/1/2024	5/31/2029	2,672	5,344.00	24.00	New Lease						
										BRA	11/1/2024	-5,344.00	-24.00
										BRA	2/1/2025	0.00	0.00
										BRO	11/1/2024	5,344.00	24.00
										BRO	7/1/2025	5,450.88	24.48
										BRO	7/1/2026	5,559.90	24.97
										BRO	7/1/2027	5,671.10	25.47
										BRO	7/1/2028	5,784.52	25.98
										BRO	7/1/2029	5,900.21	26.50
PB100 2025	(AOPC)Administrative Office of PA Cc	10/1/2024	1/31/2034	3,525	8,078.13	27.50	New Lease						
										BRO	10/1/2024	8,078.13	27.50
										BRO	10/1/2025	8,239.69	28.05
										BRO	10/1/2026	8,404.48	28.61
										BRO	10/1/2027	8,572.57	29.18
										BRO	10/1/2028	8,744.02	29.77
										BRO	10/1/2029	8,918.90	30.36
										BRO	10/1/2030	9,097.28	30.97
										BRO	10/1/2031	9,279.23	31.59
										BRO	10/1/2032	9,464.81	32.22
										BRO	10/1/2033	9,654.11	32.87
Vacant Suites													
PB100 0003	Vacant			325									
PB100 0005	Vacant			185									
PB100 0006	Vacant			703									
PB100 0010	Vacant			158									
PB100 0029	Vacant			168									
PB100 0030	Vacant			1,596									
PB100 0031	Vacant			391									
PB100 0038	Vacant			240									
PB100 0175	Vacant			387									
PB100 0200	Vacant			3,783									

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
One Gateway Center
9/30/2024

Page: 2
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
PB100 0300	Vacant			3,886									
PB100 0325	Vacant			3,600									
PB100 0350	Vacant			7,443									
PB100 0403	Vacant			1,298									
PB100 0475	Vacant			3,769									
PB100 0600	Vacant			3,885									
PB100 0625	Vacant			11,082									
PB100 0700	Vacant			3,063									
PB100 0705	Vacant			248									
PB100 0715	Vacant			246									
PB100 0721	Vacant			328									
PB100 0750	Vacant			3,143									
PB100 0775	Vacant			4,073									
PB100 0800	Vacant			10,779									
PB100 0856	Vacant			464									
PB100 0878	Vacant			616									
PB100 0882	Vacant			1,147									
PB100 0899	Vacant			2,033									
PB100 0956	Vacant			919									
PB100 0973	Vacant			2,672									
PB100 0975	Vacant			2,878									
PB100 1025	Vacant			7,424									

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
One Gateway Center
9/30/2024

Page: 3
Date: 10/15/2024
Time: 6:32 PM

Bldg Id	Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
PB100	1475	Vacant			3,855									
PB100	1575	Vacant			3,189									
PB100	1775	Vacant			3,736									
PB100	2025	Vacant			3,525									
Occupied Suites														
PB100	0001	Davies McFarland & Carroll LLC	11/1/2022	10/31/2028	500					445.84				
PB100	0002	CBS Broadcasting, Inc.	5/1/2024	8/31/2034	8,848	1,474.67	2.00	330.49			BRO	5/1/2025	1,504.16	2.04
											BRO	5/1/2026	1,534.06	2.08
											BRO	5/1/2027	1,564.38	2.12
											BRO	5/1/2028	1,595.12	2.16
											BRO	5/1/2029	1,626.57	2.21
											BRO	5/1/2030	1,660.19	2.25
											BRO	5/1/2031	1,694.53	2.30
											BRO	5/1/2032	1,727.06	2.34
											BRO	5/1/2033	1,762.32	2.39
											BRO	5/1/2034	1,799.09	2.44
PB100	0004	CBS Broadcasting, Inc.	5/1/2024	8/31/2034	3,398	566.33	2.00	126.78			BRO	5/1/2025	577.66	2.04
											BRO	5/1/2026	589.40	2.08
											BRO	5/1/2027	601.55	2.12
											BRO	5/1/2028	614.12	2.17
											BRO	5/1/2029	624.86	2.21
											BRO	5/1/2030	638.31	2.25
											BRO	5/1/2031	649.94	2.30
											BRO	5/1/2032	664.31	2.35
											BRO	5/1/2033	676.86	2.39
											BRO	5/1/2034	690.93	2.44
PB100	0007	Hertz Gateway Center, LP	9/1/2021	8/31/2026	1,107	1,107.00	12.00							
PB100	0009	ThomasGaitens PC	7/1/2024	7/31/2024	402					430.14				
PB100	0019	Houston Harbaugh, P.C.	4/1/2021	3/31/2031	481					514.67				
PB100	00NR17	MCIMetro Access Transmission Servi	11/1/2015	12/31/2024	0					417.91				
PB100	00XXLL	S.F. Adjustment - LL	1/1/2009	12/31/2050	4,995									
PB100	00XXX1	S.F. Adjustment - 1st Fl.	1/1/2009	12/31/2050	6,083									

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
One Gateway Center
9/30/2024

Page: 4
Date: 10/15/2024
Time: 6:32 PM

Bldg Id	Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
PB100	0100	CBS Broadcasting, Inc.	5/1/2024	8/31/2034	21,546	34,114.50	19.00	804.01			BRO	5/1/2025	34,796.79	19.38
											BRO	5/1/2026	35,492.72	19.77
											BRO	5/1/2027	36,202.58	20.16
											BRO	5/1/2028	36,926.63	20.57
											BRO	5/1/2029	37,665.16	20.98
											BRO	5/1/2030	38,418.47	21.40
											BRO	5/1/2031	39,186.84	21.83
											BRO	5/1/2032	39,970.57	22.26
											BRO	5/1/2033	40,769.98	22.71
											BRO	5/1/2034	41,557.29	23.15
PB100	0101	CBS Broadcasting, Inc.	5/1/2024	8/31/2034	9,782	15,488.17	19.00	365.16			BRO	5/1/2025	15,797.93	19.38
											BRO	5/1/2026	16,113.89	19.77
											BRO	5/1/2027	16,436.17	20.16
											BRO	5/1/2028	16,764.89	20.57
											BRO	5/1/2029	17,100.19	20.98
											BRO	5/1/2030	17,442.19	21.40
											BRO	5/1/2031	17,791.03	21.83
											BRO	5/1/2032	18,146.86	22.26
											BRO	5/1/2033	18,509.79	22.71
											BRO	5/1/2034	18,867.23	23.15
PB100	0185	Yinz Coffee	12/1/2021	11/30/2031	948	1,696.92	21.48	143.19			BRA	12/1/2024	-1,766.44	-22.36
											BRA	4/1/2025	0.00	0.00
											BRR	12/1/2024	1,730.89	21.91
											BRR	12/1/2025	1,766.44	22.36
											BRR	12/1/2026	1,801.20	22.80
											BRR	12/1/2027	1,837.54	23.26
											BRR	12/1/2028	1,873.88	23.72
											BRR	12/1/2029	1,911.01	24.19
											BRR	12/1/2030	1,949.72	24.68
PB100	0195	L.J. Boss Company	2/1/2024	1/31/2025	1,013	1,500.00	17.77	153.67						
PB100	01FEDX	Federal Express Corporation	10/1/2020	12/30/2030	0					41.67				
PB100	0225	CBS Broadcasting, Inc.	5/1/2024	8/31/2034	5,964	9,443.00	19.00	222.13			BRO	5/1/2025	9,631.86	19.38
											BRO	5/1/2026	9,824.50	19.77
											BRO	5/1/2027	10,020.99	20.16
											BRO	5/1/2028	10,221.41	20.57
											BRO	5/1/2029	10,425.83	20.98
											BRO	5/1/2030	10,634.35	21.40
											BRO	5/1/2031	10,847.04	21.83
											BRO	5/1/2032	11,063.98	22.26

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
One Gateway Center
9/30/2024

Page: 5
Date: 10/15/2024
Time: 6:32 PM

Bldg Id	Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
											BRO	5/1/2033	11,285.26	22.71
											BRO	5/1/2034	11,503.19	23.15
PB100	0226	CBS Broadcasting, Inc.	5/1/2024	8/31/2034	3,374	5,342.17	19.00	125.69			BRO	5/1/2025	5,449.01	19.38
											BRO	5/1/2026	5,557.99	19.77
											BRO	5/1/2027	5,669.15	20.16
											BRO	5/1/2028	5,782.53	20.57
											BRO	5/1/2029	5,898.18	20.98
											BRO	5/1/2030	6,016.15	21.40
											BRO	5/1/2031	6,136.47	21.83
											BRO	5/1/2032	6,259.20	22.26
											BRO	5/1/2033	6,384.38	22.71
											BRO	5/1/2034	6,507.67	23.15
PB100	0250	The Webb Law Firm, P.C.	6/1/2023	5/31/2033	3,250	6,229.17	23.00	121.83			BRO	6/1/2025	6,353.75	23.46
											BRO	6/1/2026	6,481.04	23.93
											BRO	6/1/2027	6,611.04	24.41
											BRO	6/1/2028	6,743.75	24.90
											BRO	6/1/2029	6,879.17	25.40
											BRO	6/1/2030	7,017.29	25.91
											BRO	6/1/2031	7,158.13	26.43
											BRO	6/1/2032	7,301.67	26.96
PB100	0275	The Webb Law Firm, P.C.	6/1/2023	5/31/2033	3,670	7,034.16	23.00	137.61			BRO	6/1/2025	7,174.85	23.46
											BRO	6/1/2026	7,318.59	23.93
											BRO	6/1/2027	7,465.39	24.41
											BRO	6/1/2028	7,615.25	24.90
											BRO	6/1/2029	7,768.16	25.40
											BRO	6/1/2030	7,924.14	25.91
											BRO	6/1/2031	8,083.17	26.43
											BRO	6/1/2032	8,245.26	26.96
PB100	0400	E.R. Munro and Company	8/1/2017	7/31/2027	9,862	18,515.91	22.53	1,789.90						
PB100	0500	Steele Schneider LLC	8/1/2019	11/30/2024	3,885	6,798.75	21.00	453.66						
PB100	0525	Gleason & Associates, P.C.	2/1/2024	1/31/2025	7,272	14,241.00	23.50	720.86						
PB100	0575	Marks O'Neill O'Brien Doherty & Kelly	2/19/2023	6/30/2029	3,798	7,121.25	22.50	212.17			BRO	3/1/2025	7,263.68	22.95
											BRO	3/1/2026	7,408.95	23.41
											BRO	3/1/2027	7,557.13	23.88
											BRO	3/1/2028	7,708.27	24.35
											BRO	3/1/2029	7,862.44	24.84
PB100	05NRA	Gleason & Associates, P.C.	2/1/2024	1/31/2025	0					66.34				

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
One Gateway Center
9/30/2024

Page: 6
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
PB100 0725	Innovative Benefits Consulting	8/1/2023	8/31/2026	3,612	7,061.46	23.46	309.09			BRO	8/1/2025	7,202.69	23.93
										BRO	8/1/2026	7,346.74	24.41
PB100 0752	Marbury Asset Management LLC	9/1/2023	8/31/2026	254	464.10	21.93	18.46			BRO	9/1/2025	473.38	22.36
PB100 0900	Grenen & Birsic, P.C.	1/1/2020	12/31/2024	8,498	16,287.83	23.00	992.08						
PB100 1000	Davies McFarland & Carroll LLC	11/1/2022	10/31/2028	7,557	13,854.50	22.00	552.25			BRO	11/1/2026	14,131.59	22.44
										BRO	11/1/2027	14,414.98	22.89
PB100 1100	The Webb Law Firm, P.C.	6/1/2023	5/31/2033	14,981	28,713.60	23.00	561.56			BRO	6/1/2025	29,287.86	23.46
										BRO	6/1/2026	29,874.62	23.93
										BRO	6/1/2027	30,473.86	24.41
										BRO	6/1/2028	31,085.58	24.90
										BRO	6/1/2029	31,709.80	25.40
										BRO	6/1/2030	32,346.49	25.91
										BRO	6/1/2031	32,996.70	26.43
										BRO	6/1/2032	33,657.33	26.96
PB100 1200	The Webb Law Firm, P.C.	6/1/2023	5/31/2033	14,890	28,539.16	23.00	558.15			BRO	6/1/2025	29,109.95	23.46
										BRO	6/1/2026	29,693.14	23.93
										BRO	6/1/2027	30,288.74	24.41
										BRO	6/1/2028	30,896.75	24.90
										BRO	6/1/2029	31,517.16	25.40
										BRO	6/1/2030	32,149.99	25.91
										BRO	6/1/2031	32,795.22	26.43
										BRO	6/1/2032	33,452.86	26.96
PB100 1300	The Webb Law Firm, P.C.	6/1/2023	5/31/2033	14,881	28,521.91	23.00	557.73			BRO	6/1/2025	29,092.35	23.46
										BRO	6/1/2026	29,675.19	23.93
										BRO	6/1/2027	30,270.43	24.41
										BRO	6/1/2028	30,878.07	24.90
										BRO	6/1/2029	31,498.11	25.40
										BRO	6/1/2030	32,130.55	25.91
										BRO	6/1/2031	32,775.40	26.43
										BRO	6/1/2032	33,432.64	26.96
PB100 1400	Totum Realty Advisors LLC	7/10/2023	11/30/2027	3,838	5,337.50	16.69	179.12			BRO	2/1/2025	5,837.50	18.25
										BRO	8/1/2025	6,003.00	18.77
										BRO	8/1/2026	6,172.45	19.30
										BRO	8/1/2027	6,347.50	19.85
PB100 1425	Henry H. Armstrong Assoc. Inc.	12/1/2023	12/31/2026	3,533	6,586.10	22.37	258.20			BRO	1/1/2026	6,771.58	23.00
PB100 1450	DeSisto, Schneeberger, Bould	6/1/2021	7/31/2026	3,655	6,971.92	22.89	375.11			BRO	8/1/2025	7,112.03	23.35
PB100 1500	Pion, Nerone, Girman, et al.	2/1/2022	1/31/2032	11,671	20,181.10	20.75	1,319.52			BRO	2/1/2025	21,153.69	21.75

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
One Gateway Center
9/30/2024

Page: 7
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
										BRO	2/1/2028	22,126.27	22.75
										BRO	2/1/2031	23,098.85	23.75
PB100 1600	Williams Coulson Johnson Lloyd	9/1/2018	8/31/2028	15,260	34,335.00	27.00	1,305.50			BRO	9/1/2025	34,970.83	27.50
										BRO	9/1/2026	35,606.67	28.00
										BRO	9/1/2027	36,242.50	28.50
PB100 1700	DRS Architects, Inc.	12/1/2021	11/30/2026	7,979	15,911.46	23.93	682.53			BRO	12/1/2024	16,230.62	24.41
										BRO	12/1/2025	16,556.43	24.90
PB100 1725	Andersen Tax LLC	7/1/2020	6/30/2027	3,533	6,695.04	22.74	412.47			BRO	7/1/2025	6,827.52	23.19
										BRO	7/1/2026	6,962.95	23.65
PB100 1800	Bordas & Bordas, PLLC	2/1/2021	8/31/2030	4,365	7,915.20	21.76	662.20			BRO	9/1/2026	8,075.25	22.20
										BRO	9/1/2027	8,235.30	22.64
										BRO	9/1/2028	8,398.98	23.09
PB100 1825	Bordas & Bordas, PLLC	3/1/2023	8/31/2030	3,533	6,406.51	21.76	533.99			BRO	9/1/2026	6,536.05	22.20
										BRO	9/1/2027	6,665.59	22.64
										BRO	9/1/2028	6,798.08	23.09
PB100 1850	Catanese Group	11/1/2023	10/31/2026	1,714	2,856.67	20.00	422.63						
PB100 1852	DHR International Inc	10/22/2023	8/31/2024	1,900	3,562.50	22.50	221.74						
PB100 1875	Bordas & Bordas, PLLC	2/1/2021	8/31/2030	3,736	6,774.61	21.76	566.59			BRO	9/1/2026	6,911.60	22.20
										BRO	9/1/2027	7,048.59	22.64
										BRO	9/1/2028	7,188.69	23.09
PB100 1900	Louis Plung & Company	5/1/2015	4/30/2025	15,222	31,078.25	24.50	3,755.19						
PB100 2000	The Monteverde Group LLC	2/1/2024	12/31/2028	4,367	6,600.00	18.14				BRO	2/1/2026	6,732.00	18.50
										BRO	2/1/2027	6,867.00	18.87
										BRO	2/1/2028	7,004.00	19.25
PB100 2050	Reschini Agency, Inc.	6/5/2020	10/31/2026	3,615	8,471.15	28.12	422.13			BRO	11/1/2024	8,639.85	28.68
										BRO	11/1/2025	8,811.56	29.25
PB100 2075	LitCon Group	6/1/2024	5/31/2029	3,675	7,503.13	24.50				BRO	6/1/2025	7,656.25	25.00
										BRO	6/1/2026	7,809.38	25.50
										BRO	6/1/2027	7,962.50	26.00
										BRO	6/1/2028	8,115.63	26.50
PB100 CCI	Cogent Communications, Inc.	7/1/2021	11/30/2025	0					734.26	OLF	12/1/2024	756.29	0.00
PB100 DQE	DQE Communications, LLC	5/1/2015	3/31/2025	0					809.05				
PB100 IPG	Infinity Promotions Group Pgh	11/18/2005	12/31/2050	0									
PB100 LFT	Lightower Fiber Networks II	8/1/2016	7/31/2026	0					1,026.44				

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
One Gateway Center
9/30/2024

Page: 8
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
										OLF	8/1/2025	1,067.50	0.00
PB100 MCW	Mark's Car Wash	1/1/2022	12/31/2023	0					150.00				
Totals:	Occupied Sqft:	72.51%	43 Units	256,447	431,301.70		20,373.39		4,636.32				
	Leased/Unoccupied Sqft:		0 Units	0									
	Vacant Sqft:	27.49%	36 Units	97,237									
	Total Sqft:		79 Units	353,684	431,301.70								

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
Two Gateway Center
9/30/2024

Page: 9
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
New, Expansion and Future Renewal Leases													
PB101 0030	Mark's Barber Styling	8/1/2030	7/31/2032	878	841.42	11.50	Renewal						
										BRO	8/1/2030	841.42	11.50
										BRO	8/1/2031	859.71	11.75
PB101 1100	The Commonwealth of PA	10/1/2024	9/30/2034	14,981	22,178.47	17.77	Renewal						
										BCP	10/1/2024	10,475.48	8.39
										BRO	10/1/2024	22,178.47	17.77
										BRO	10/1/2029	23,370.22	18.72
PB101 1800	Wayman Irvin & McAuley, LLC	11/1/2024	3/31/2026	4,365	7,947.94	21.85	New Lease						
										BRO	11/1/2024	7,947.94	21.85
										BRO	2/1/2025	8,107.99	22.29
PB101 1825	Morgan & Morgan Philadelphia PLLC	4/1/2025	5/31/2029	3,533	7,615.08	25.86	Renewal						
										BRO	4/1/2025	7,615.08	25.86
										BRO	3/1/2026	7,768.89	26.39
										BRO	3/1/2027	7,924.27	26.92
										BRO	3/1/2028	8,082.75	27.45
										BRO	3/1/2029	8,244.41	28.00
										RMI	4/1/2025	0.00	0.00
										RRT	4/1/2025	0.00	0.00
Vacant Suites													
PB101 0014	Vacant			734									
PB101 0018	Vacant			46									
PB101 0019	Vacant			96									
PB101 0031	Vacant			9,734									
PB101 00XXLL	Vacant			175									
PB101 0202	Vacant			593									
PB101 0205	Vacant			537									
PB101 0225	Vacant			3,463									
PB101 0295	Vacant			2,019									
PB101 0326	Vacant			745									
PB101 0327	Vacant			719									

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
Two Gateway Center
9/30/2024

Page: 10
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
PB101 0352	Vacant			355									
PB101 0356	Vacant			208									
PB101 0382	Vacant			578									
PB101 0390	Vacant			2,138									
PB101 0425	Vacant			3,600									
PB101 0453	Vacant			429									
PB101 0900	Vacant			3,884									
PB101 0975	Vacant			3,798									
PB101 1254	Vacant			118									
PB101 1270	Vacant			844									
PB101 1277	Vacant			804									
PB101 1280	Vacant			739									
PB101 1305	Vacant			573									
PB101 1309	Vacant			584									
PB101 1325	Vacant			3,610									
PB101 1400	Vacant			3,838									
PB101 1475	Vacant			3,778									
PB101 1654	Vacant			1,091									
PB101 1655	Vacant			405									
PB101 1782	Vacant			890									
PB101 1800	Vacant			4,365									
PB101 1876	Vacant			597									

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
Two Gateway Center
9/30/2024

Page: 11
Date: 10/15/2024
Time: 6:32 PM

Bldg Id	Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
PB101	1877	Vacant			282									
PB101	1950	Vacant			3,614									
PB101	2000	Vacant			4,367									
PB101	2025	Vacant			3,525									
PB101	2050	Vacant			3,615									
Occupied Suites														
PB101	0016	Hertz Investment Group Inc	1/1/2022	8/31/2026	3,444	6,701.45	23.35				MRE	1/1/2025	-6,833.47	-23.81
											MRE	1/1/2026	-6,971.23	-24.29
											MRR	1/1/2025	6,833.47	23.81
											MRR	1/1/2026	6,971.23	24.29
PB101	0020	K & M Law Group, Inc.	1/1/2023	7/31/2030	115					123.05				
PB101	0021	Industrial Appraisal Company	10/1/2023	9/30/2026	684					731.88				
PB101	0021A	Industrial Appraisal Company	10/1/2023	9/30/2026	2,396					126.61				
PB101	0022	Houston Harbaugh, P.C.	4/1/2021	3/31/2031	820					877.40				
PB101	0028	Citizens Bank of Pennsylvania	4/1/2022	3/31/2032	2,010	4,004.28	23.91	409.58			BRO	4/1/2025	4,084.25	24.38
											BRO	4/1/2026	4,165.78	24.87
											BRO	4/1/2027	4,248.93	25.37
											BRO	4/1/2028	4,334.38	25.88
											BRO	4/1/2029	4,420.90	26.39
											BRO	4/1/2030	4,509.82	26.92
											BRO	4/1/2031	4,599.26	27.46
PB101	0030	Mark's Barber Styling	4/1/2020	7/31/2030	878	731.67	10.00				BRO	8/1/2025	749.96	10.25
											BRO	8/1/2026	768.25	10.50
											BRO	8/1/2027	786.54	10.75
											BRO	8/1/2028	804.83	11.00
											BRO	8/1/2029	823.13	11.25
PB101	00BOX	United Parcel Service	1/1/2021	3/31/2027	0					41.67				
PB101	00FEDX	Federal Express Corporation	10/1/2020	12/31/2030	0					41.67				
PB101	00NR13	Hertz Gateway Center, LP	9/1/2021	8/31/2026	0	1,132.00								

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
Two Gateway Center
9/30/2024

Page: 12
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
PB101 00XXX1	S.F. Adjustment - 1st Fl.	1/1/2009	12/31/2050	335									
PB101 0100	Hertz Investment Group Inc	1/1/2022	8/31/2026	7,097	13,809.58	23.35				MRE	1/1/2025	-14,081.63	-23.81
										MRE	1/1/2026	-14,365.51	-24.29
										MRR	1/1/2025	14,081.63	23.81
										MRR	1/1/2026	14,365.51	24.29
PB101 0150	Eyetique LLC	8/1/2017	7/31/2027	2,988	7,537.23	30.27	606.75			BRO	8/1/2025	7,661.73	30.77
										BRO	8/1/2026	7,786.23	31.27
PB101 0175	Citizens Bank of Pennsylvania	4/1/2022	3/31/2032	3,546	7,063.48	23.90	719.68			BRO	4/1/2025	7,204.89	24.38
										BRO	4/1/2026	7,349.14	24.87
										BRO	4/1/2027	7,496.29	25.37
										BRO	4/1/2028	7,645.74	25.87
										BRO	4/1/2029	7,798.82	26.39
										BRO	4/1/2030	7,954.30	26.92
										BRO	4/1/2031	8,114.14	27.46
PB101 0222	St. Moritz Security Services, Inc.	5/1/2022	9/30/2024	2,759	4,690.30	20.40	451.51						
PB101 0250	Solvaire Technologies, LP	1/1/2022	12/31/2026	3,677	3,064.17	10.00							
PB101 0277	Hertz Gateway Center, LP	9/1/2021	8/31/2026	883	1,250.92	17.00							
PB101 0280	Hertz Gateway Center, LP	9/1/2021	8/31/2026	871	1,233.92	17.00							
PB101 02NRA	AT&T Local Services	12/11/2021	12/31/2026	0			30.00		1,908.46	OLF	1/1/2025	1,984.80	0.00
										OLF	1/1/2026	2,064.19	0.00
PB101 0300	Massa Law Group PC	3/1/2024	4/30/2027	3,885	7,242.29	22.37	63.46			BRO	5/1/2025	7,362.08	22.74
										BRO	5/1/2026	7,485.10	23.12
PB101 0348	Extra Mile Ed. Foundation	10/1/2020	9/30/2025	2,136	4,061.96	22.82	556.71			BRO	10/1/2024	4,142.06	23.27
PB101 0375	Clark and Chamberlin	10/1/2020	9/30/2027	3,111	5,846.09	22.55	584.64			BRO	10/1/2024	5,962.75	23.00
										BRO	10/1/2025	6,082.01	23.46
										BRO	10/1/2026	6,203.85	23.93
PB101 0376	Sigma Associates, Inc.	12/1/2023	11/30/2026	315	590.63	22.50	50.97						
PB101 0381	Eyetique LLC	8/10/2017	7/31/2027	739	1,679.38	27.27	151.54			BRO	8/1/2025	1,710.17	27.77
										BRO	8/1/2026	1,740.96	28.27
PB101 0400	Hertz Gateway Center, LP	1/1/2022	8/31/2026	7,655	14,895.35	23.35				MRE	1/1/2025	-15,188.80	-23.81
										MRE	1/1/2026	-15,495.00	-24.29
										MRR	1/1/2025	15,188.80	23.81
										MRR	1/1/2026	15,495.00	24.29
PB101 0460	Revenue Cycle Solutions, LLC	1/1/2022	8/31/2026	3,245	6,151.98	22.75	313.48						

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
Two Gateway Center
9/30/2024

Page: 13
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
										BRO	9/1/2025	6,219.58	23.00
PB101 04NRA	SerenaGroup, Inc.	7/1/2016	11/30/2025	0					66.34				
PB101 0500	Adagio Health, Inc.	11/1/2017	9/30/2028	14,955	27,517.20	22.08	1,955.40			BRO	10/1/2024	28,065.55	22.52
										BRO	10/1/2025	28,626.36	22.97
										BRO	10/1/2026	29,199.64	23.43
										BRO	10/1/2027	29,785.38	23.90
PB101 0600	Babst Calland Clements&Zomnir	1/1/2022	12/31/2033	14,967	27,402.08	21.97	1,446.00			BRO	1/1/2025	28,025.71	22.47
										BRO	1/1/2026	28,649.33	22.97
										BRO	1/1/2027	29,272.96	23.47
										BRO	1/1/2028	29,896.58	23.97
										BRO	1/1/2029	30,520.21	24.47
										BRO	1/1/2030	31,143.83	24.97
										BRO	1/1/2031	31,767.46	25.47
										BRO	1/1/2032	32,391.08	25.97
										BRO	1/1/2033	33,014.71	26.47
PB101 06NRA	Babst Calland Clements&Zomnir	1/1/2022	12/31/2033	0					55.64				
PB101 0700	Babst Calland Clements&Zomnir	1/1/2022	12/31/2033	14,967	27,402.08	21.97	1,446.00			BRO	1/1/2025	28,025.71	22.47
										BRO	1/1/2026	28,649.33	22.97
										BRO	1/1/2027	29,272.96	23.47
										BRO	1/1/2028	29,896.58	23.97
										BRO	1/1/2029	30,520.21	24.47
										BRO	1/1/2030	31,143.83	24.97
										BRO	1/1/2031	31,767.46	25.47
										BRO	1/1/2032	32,391.08	25.97
										BRO	1/1/2033	33,014.71	26.47
PB101 07NRA	Babst Calland Clements&Zomnir	1/1/2022	12/31/2033	0					55.29				
PB101 0800	Babst Calland Clements&Zomnir	1/1/2022	12/31/2033	14,967	27,402.08	21.97	1,446.00			BRO	1/1/2025	28,025.71	22.47
										BRO	1/1/2026	28,649.33	22.97
										BRO	1/1/2027	29,272.96	23.47
										BRO	1/1/2028	29,896.58	23.97
										BRO	1/1/2029	30,520.21	24.47
										BRO	1/1/2030	31,143.83	24.97
										BRO	1/1/2031	31,767.46	25.47
										BRO	1/1/2032	32,391.08	25.97
										BRO	1/1/2033	33,014.71	26.47
PB101 08NRA	Babst Calland Clements&Zomnir	1/1/2022	12/31/2033	0					55.29				
PB101 0925	Babst Calland Clements&Zomnir	1/1/2022	12/31/2033	7,285	13,337.62	21.97	703.82			BRO	1/1/2025	13,641.16	22.47

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
Two Gateway Center
9/30/2024

Page: 14
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
										BRO	1/1/2026	13,944.70	22.97
										BRO	1/1/2027	14,248.25	23.47
										BRO	1/1/2028	14,551.79	23.97
										BRO	1/1/2029	14,855.33	24.47
										BRO	1/1/2030	15,158.87	24.97
										BRO	1/1/2031	15,462.41	25.47
										BRO	1/1/2032	15,765.95	25.97
										BRO	1/1/2033	16,069.50	26.47
PB101 09NRA	Babst Calland Clements&Zomnir	1/1/2022	12/31/2033	0					66.34				
PB101 1000	Litchfield Cavo LLP	8/17/2018	3/31/2025	14,981	29,649.90	23.75	2,453.22						
PB101 1100	The Commonwealth of PA	3/1/2018	2/28/2023	14,981	31,125.19	24.93							
PB101 1200	Ifft & Palmer Associates, LLC	7/30/2018	10/31/2025	3,795	7,333.84	23.19	496.22			BRO	10/1/2024	7,491.96	23.69
PB101 1228	K & M Law Group, Inc.	1/1/2023	7/31/2030	4,474	9,309.51	24.97	1,194.49			BRO	8/1/2025	9,495.69	25.47
										BRO	8/1/2026	9,685.61	25.98
										BRO	8/1/2027	9,879.32	26.50
										BRO	8/1/2028	10,076.90	27.03
										BRO	8/1/2029	10,278.44	27.57
PB101 1264	CultureCures LLC	3/1/2023	6/30/2028	1,869	3,653.90	23.46	208.26			BRO	3/1/2025	3,726.97	23.93
										BRO	3/1/2026	3,801.51	24.41
										BRO	3/1/2027	3,877.54	24.90
										BRO	3/1/2028	3,955.09	25.39
PB101 1290	Law Offices of Joel Sansone	3/15/2018	8/31/2028	2,256	4,512.00	24.00	294.90			BRO	5/1/2026	4,700.00	25.00
PB101 1308	PA Educational Comm. Systems	6/1/2020	5/31/2025	1,165	2,417.38	24.90	304.01						
PB101 1312	SerenaGroup, Inc.	10/1/2015	11/30/2025	1,516	3,158.33	25.00	395.42			BRO	10/1/2024	3,221.50	25.50
PB101 1350	Applied Technical Services LLC dba A	7/1/2024	2/28/2027	3,655	7,005.42	23.00	477.95			BRO	5/1/2025	7,157.71	23.50
										BRO	5/1/2026	7,310.00	24.00
PB101 1379	TrustPoint Translations LLC	11/15/2023	11/30/2026	843	1,894.64	26.97	140.08			BRO	12/1/2024	1,932.54	27.51
										BRO	12/1/2025	1,971.19	28.06
PB101 1382	Pancoast Staffing Services, Inc.	6/17/2022	12/31/2028	1,385	2,501.59	21.67	220.58			BRO	1/1/2025	2,551.17	22.10
										BRO	1/1/2026	2,603.08	22.55
										BRO	1/1/2027	2,654.98	23.00
										BRO	1/1/2028	2,708.03	23.46
PB101 1399	Ceisler Media & Issue Advocacy	10/1/2022	3/31/2030	1,550	3,229.17	25.00	331.22			BRO	10/1/2024	3,293.75	25.50
										BRO	10/1/2025	3,359.63	26.01

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
Two Gateway Center
9/30/2024

Page: 15
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
										BRO	10/1/2026	3,426.82	26.53
										BRO	10/1/2027	3,495.35	27.06
										BRO	10/1/2028	3,565.26	27.60
										BRO	10/1/2029	3,636.57	28.15
PB101 13NRA	K & M Law Group, Inc.	1/1/2023	7/31/2030	0					66.34				
PB101 1450	Industrial Appraisal Company	10/1/2023	9/30/2026	7,265	12,562.40	20.75	1,189.72			BRO	10/1/2024	12,813.64	21.16
										BRO	10/1/2025	13,069.92	21.59
PB101 1500	Zenith American Solutions Inc	10/17/2023	9/30/2028	14,860	26,005.00	21.00	1,647.10			BRA	10/1/2024	-100.83	-0.08
										BRA	10/1/2025	-105.42	-0.09
										BRA	10/1/2026	-110.00	-0.09
										BRA	10/1/2027	-114.58	-0.09
										BRA	10/1/2028	0.00	0.00
										BRO	10/1/2024	27,243.33	22.00
										BRO	10/1/2025	28,481.67	23.00
										BRO	10/1/2026	29,720.00	24.00
										BRO	10/1/2027	30,958.33	25.00
PB101 1600	Wilbraham Lawler & Buba	1/1/2023	2/28/2031	5,469	10,938.00	24.00	1,123.40			BRO	3/1/2026	11,156.76	24.48
										BRO	3/1/2027	11,379.90	24.97
										BRO	3/1/2028	11,607.49	25.47
										BRO	3/1/2029	11,839.64	25.98
										BRO	3/1/2030	12,076.44	26.50
PB101 1626	Diversified Care Management LLC	7/1/2024	6/30/2025	966	1,842.65	22.89	96.41						
PB101 1627	Cedarhurst Associates LLC	10/16/2023	2/28/2031	842	1,719.08	24.50				BRO	11/1/2024	1,753.47	24.99
										BRO	11/1/2025	1,788.53	25.49
										BRO	11/1/2026	1,824.30	26.00
										BRO	11/1/2027	1,860.79	26.52
										BRO	11/1/2028	1,898.01	27.05
										BRO	11/1/2029	1,935.97	27.59
										BRO	11/1/2030	1,974.69	28.14
PB101 1640	Cigna Health and Life Insurance Co	6/6/2022	5/31/2027	1,738	3,646.90	25.18	170.40			BRO	6/1/2025	3,719.32	25.68
										BRO	6/1/2026	3,793.19	26.19
PB101 1673	Selective Insurance	6/1/2021	5/31/2026	2,118	4,121.28	23.35	204.62			BRO	6/1/2025	4,204.23	23.82
PB101 1679	John W Giltinan Esquire PC	12/1/2022	1/31/2029	2,631	4,878.31	22.25	439.20			BRO	2/1/2025	4,976.98	22.70
										BRO	2/1/2026	5,075.64	23.15
										BRO	2/1/2027	5,176.49	23.61
										BRO	2/1/2028	5,279.54	24.08
PB101 1700	PACE and Poise Foundation	7/1/2020	6/30/2030	4,365	7,482.34	20.57	709.44			BRO	7/1/2025	7,631.48	20.98

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
Two Gateway Center
9/30/2024

Page: 16
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
										BRO	7/1/2026	7,784.25	21.40
										BRO	7/1/2027	7,940.86	21.83
										BRO	7/1/2028	8,097.08	22.26
										BRO	7/1/2029	8,260.76	22.71
PB101 1725	Morgan & Morgan Philadelphia PLLC	5/1/2024	5/31/2029	3,533	8,266.00	28.08				BRO	5/1/2025	8,431.32	28.64
										BRO	5/1/2026	7,768.89	26.39
										BRO	5/1/2027	7,924.27	26.92
										BRO	5/1/2028	8,082.76	27.45
										BRO	5/1/2029	8,244.41	28.00
PB101 1750	MDS Energy Development	5/1/2021	5/31/2026	3,614	7,206.92	23.93	472.72			BRO	6/1/2025	7,351.48	24.41
PB101 1776	EQT Federal Credit Union	9/1/2020	8/31/2025	850	1,725.50	24.36	138.10						
PB101 1778	H Fred Mercer LLC	6/1/2024	5/31/2026	187	370.00	23.74	31.17						
PB101 1799	Adecco USA, Inc.	6/1/2022	6/30/2025	1,809	3,652.67	24.23	388.99						
PB101 17NRA	PACE and Poise Foundation	7/1/2020	6/30/2030	0					62.00				
PB101 1825	Great Lakes Behavioral Research Inst	2/1/2020	3/31/2025	3,533	7,170.44	24.35	574.16						
PB101 1850	Xpyria Investment Advisors, Inc.	5/1/2019	7/31/2029	3,614	7,935.74	26.35	592.99			BRO	5/1/2025	8,011.03	26.60
										BRO	5/1/2028	8,161.62	27.10
PB101 1899	Truist Bank	2/1/2022	1/31/2027	2,857	5,449.73	22.89	275.47			BRO	2/1/2025	5,559.25	23.35
										BRO	2/1/2026	5,668.76	23.81
PB101 1900	Chicago Title Insurance Co.	1/1/2023	10/31/2028	11,608	21,281.33	22.00	1,284.54			BRO	11/1/2024	21,706.96	22.44
										BRO	11/1/2025	22,141.10	22.89
										BRO	11/1/2026	22,583.92	23.35
										BRO	11/1/2027	23,035.60	23.81
PB101 2075	HNTB Corporation	7/1/2022	9/30/2027	3,675	7,009.70	22.89	51.92			BRO	7/1/2025	7,149.89	23.35
										BRO	7/1/2026	7,292.89	23.81
										BRO	7/1/2027	7,438.74	24.29
PB101 CBP	Citizens Bank of Pennsylvania	7/1/2011	3/31/2017	0									
PB101 CCES	Consolidated Communications	8/15/2016	7/31/2021	0					844.14				
PB101 CCI	Cogent Communications, Inc.	7/1/2021	11/30/2025	0					734.26	OLF	12/1/2024	756.29	0.00
PB101 COM	Comcast Cable Communications Mgm	7/1/2021	6/30/2024	0									
PB101 DQE	DQE Communications, LLC	8/1/2023	11/30/2028	0					848.48	OLF	12/1/2024	873.94	0.00

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
Two Gateway Center
9/30/2024

Page: 17
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
										OLF	12/1/2025	900.16	0.00
										OLF	12/1/2026	927.16	0.00
										OLF	12/1/2027	954.97	0.00
										OLF	12/1/2028	983.62	0.00
										OLF	12/1/2029	1,013.13	0.00
										OLF	12/1/2030	1,043.52	0.00
PB101 MCI	MCIMetro Access Transmission Servi	11/1/2015	12/31/2024	0					417.91				
Totals:	Occupied Sqft:	77.68%	58 Units	248,734	463,802.60		26,842.24		7,122.77				
	Leased/Unoccupied Sqft:		0 Units	0									
	Vacant Sqft:	22.32%	38 Units	71,490									
	Total Sqft:		96 Units	320,224	463,802.60								

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
Three Gateway Center
9/30/2024

Page: 18
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Future Rent Increases Date	Future Rent Increases Monthly Amount	Future Rent Increases PSF
Vacant Suites													
PB102 0035	Vacant			5,724									
PB102 0036	Vacant			1,614									
PB102 0039	Vacant			255									
PB102 0040	Vacant			91									
PB102 0041	Vacant			86									
PB102 0043	Vacant			644									
PB102 0044	Vacant			160									
PB102 0125	Vacant			10,021									
PB102 0200	Vacant			3,897									
PB102 0225	Vacant			3,611									
PB102 0250	Vacant			2,906									
PB102 0254	Vacant			362									
PB102 0279	Vacant			350									
PB102 0290	Vacant			3,398									
PB102 0300	Vacant			14,821									
PB102 0400	Vacant			3,900									
PB102 0427	Vacant			745									
PB102 0430	Vacant			1,014									
PB102 0448	Vacant			1,839									
PB102 0450	Vacant			3,586									
PB102 0475	Vacant			3,737									

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
Three Gateway Center
9/30/2024

Page: 19
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Future Rent Increases Date	Future Rent Increases Monthly Amount	Future Rent Increases PSF
PB102 0500	Vacant			3,885									
PB102 0527	Vacant			1,038									
PB102 0530	Vacant			756									
PB102 0540	Vacant			1,804									
PB102 0550	Vacant			3,586									
PB102 0575	Vacant			3,801									
PB102 0600	Vacant			3,885									
PB102 0625	Vacant			3,610									
PB102 0650	Vacant			3,586									
PB102 0675	Vacant			3,801									
PB102 0700	Vacant			14,882									
PB102 0800	Vacant			14,882									
PB102 0900	Vacant			14,882									
PB102 1000	Vacant			14,896									
PB102 1100	Vacant			14,896									
PB102 1200	Vacant			14,805									
PB102 1301	Vacant			1,031									
PB102 1306	Vacant			1,000									
PB102 1321	Vacant			1,811									
PB102 1325	Vacant			2,930									
PB102 1327	Vacant			676									
PB102 1352	Vacant			440									

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
Three Gateway Center
9/30/2024

Page: 20
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
PB102 1355	Vacant			687									
PB102 1373	Vacant			2,441									
PB102 1375	Vacant			3,780									
PB102 1400	Vacant			3,842									
PB102 1425	Vacant			3,606									
PB102 1452	Vacant			509									
PB102 1455	Vacant			1,054									
PB102 1460	Vacant			2,005									
PB102 1480	Vacant			1,679									
PB102 1499	Vacant			2,101									
PB102 1500	Vacant			11,172									
PB102 1529	Vacant			465									
PB102 1543	Vacant			3,141									
PB102 1600	Vacant			3,987									
PB102 1651	Vacant			1,291									
PB102 1652	Vacant			2,295									
PB102 1675	Vacant			3,769									
PB102 1726	Vacant			1,078									
PB102 1729	Vacant			1,129									
PB102 1740	Vacant			1,478									
PB102 1750	Vacant			3,586									
PB102 1775	Vacant			2,886									

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
Three Gateway Center
9/30/2024

Page: 21
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
PB102 1800	Vacant			14,907									
PB102 1900	Vacant			7,796									
PB102 1952	Vacant			778									
PB102 1953	Vacant			751									
PB102 1965	Vacant			2,057									
PB102 2000	Vacant			15,067									
PB102 2150	Vacant			3,586									
PB102 2300	Vacant			4,105									
PB102 2326	Vacant			739									
PB102 2353	Vacant			1,254									
PB102 2354	Vacant			2,332									
PB102 2500	Vacant			3,468									
Occupied Suites													
PB102 0037	Babst Calland Clements&Zomnir, P.C.	4/1/2020	12/31/2028	1,993			191.34		1,405.55				
PB102 0038	Urish Popeck & Co.,	3/1/2020	11/30/2024	224					239.68				
PB102 00FEDX	Federal Express Corporation	10/1/2020	12/31/2030	0					16.67				
PB102 00XXX1	S.F. Adjustment - 1st Fl.	1/1/2009	12/31/2050	534									
PB102 0175	Dollar Bank	4/1/2021	3/31/2031	3,066	10,575.15	41.39	5.73			BRR	4/1/2025	10,784.86	42.21
										BRR	4/1/2026	11,001.83	43.06
										BRR	4/1/2027	11,221.56	43.92
										BRR	4/1/2028	11,446.40	44.80
										BRR	4/1/2029	11,673.80	45.69
										BRR	4/1/2030	11,908.86	46.61
PB102 02NRA	AT&T Local Services	12/11/2021	12/31/2026	0			30.00		2,181.34	OLF	1/1/2025	2,268.59	0.00
										OLF	1/1/2026	2,359.34	0.00
PB102 13NRA	Crown Castle Fiber LLC	2/1/2022	1/31/2032	0					973.44				

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
Three Gateway Center
9/30/2024

Page: 22
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
										OLF	2/1/2025	1,012.38	0.00
										OLF	2/1/2026	1,052.80	0.00
										OLF	2/1/2027	1,094.91	0.00
										OLF	2/1/2028	1,138.71	0.00
										OLF	2/1/2029	1,184.26	0.00
										OLF	2/1/2030	1,231.63	0.00
										OLF	2/1/2031	1,280.90	0.00
PB102 1625	CW Breitsman Associates, LLC	1/1/2021	12/31/2021	3,624	6,493.00	21.50	160.61						
PB102 1700	Wayman Irvin & McAuley, LLC	2/1/2021	3/31/2026	4,938	8,991.28	21.85	9.57			BRO	2/1/2025	9,172.34	22.29
PB102 1925	Klink & Company, Inc.	1/27/2017	3/31/2027	3,685	8,125.43	26.46	16.79			BRO	1/27/2025	8,278.97	26.96
										BRO	1/27/2026	8,432.51	27.46
PB102 2100	Houston Harbaugh, P.C.	4/1/2021	3/31/2031	11,481	23,605.98	24.67	22.24			BRO	4/1/2025	24,078.09	25.17
										BRO	4/1/2026	24,559.66	25.67
										BRO	4/1/2027	25,050.85	26.18
										BRO	4/1/2028	25,551.87	26.71
										BRO	4/1/2029	26,062.90	27.24
										BRO	4/1/2030	26,584.16	27.79
PB102 2200	Houston Harbaugh, P.C.	4/1/2021	3/31/2031	15,067	30,979.12	24.67	29.19			BRO	4/1/2025	31,598.70	25.17
										BRO	4/1/2026	32,230.67	25.67
										BRO	4/1/2027	32,875.29	26.18
										BRO	4/1/2028	33,532.79	26.71
										BRO	4/1/2029	34,203.45	27.24
										BRO	4/1/2030	34,887.52	27.79
PB102 2325	Staunton and Grantmakers	7/1/2021	6/30/2028	2,716	5,284.88	23.35	5.27			BRO	7/1/2025	5,391.26	23.82
										BRO	7/1/2026	5,499.90	24.30
										BRO	7/1/2027	5,610.80	24.79
PB102 2378	Mutual of America Life Ins. Co	6/1/2022	5/31/2023	3,713	7,116.58	23.00	16.91						
PB102 2400	Urish Popeck & Co.,	3/1/2020	11/30/2024	11,129	23,593.48	25.44	53.43						
PB102 2450	Urish Popeck & Co.,	3/1/2020	11/30/2024	3,540	7,504.80	25.44	17.00						
PB102 24NRA	Urish Popeck & Co.,	3/1/2020	11/30/2024	0					66.34				
PB102 CCES	Consolidated Communications	12/1/2019	11/30/2024	0					844.14				
PB102 CCI	Cogent Communications, Inc.	7/1/2021	11/30/2025	0			50.00		734.26	OLF	12/1/2024	756.29	0.00
PB102 DQE	DQE Communications, LLC	5/1/2015	3/31/2025	0					809.05				

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
Three Gateway Center
9/30/2024

Page: 23
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
PB102 MCI	MCIMetro Access Transmission Servi	11/1/2015	12/31/2024	0					417.91				
Totals:	Occupied Sqft:	17.75%	13 Units	65,710	132,269.70		608.08		7,688.38				
	Leased/Unoccupied Sqft:		0 Units	0									
	Vacant Sqft:	82.25%	77 Units	304,465									
	Total Sqft:		90 Units	370,175	132,269.70								

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
Four Gateway Center
9/30/2024

Page: 24
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
New, Expansion and Future Renewal Leases													
PB103 0120	Dickie McCamey & Chilcote PC	4/1/2025	3/31/2041	4,975	12,035.35	29.03	New Lease						
										BRA	4/1/2025	-12,035.35	-29.03
										BRA	4/1/2026	0.00	0.00
										BRO	4/1/2025	12,035.35	29.03
										BRO	4/1/2027	12,275.81	29.61
										BRO	4/1/2028	12,524.56	30.21
										BRO	4/1/2029	12,773.31	30.81
										BRO	4/1/2030	13,030.35	31.43
										BRO	4/1/2031	13,291.54	32.06
										BRO	4/1/2032	13,556.88	32.70
										BRO	4/1/2033	13,826.35	33.35
										BRO	4/1/2034	14,104.13	34.02
										BRO	4/1/2035	14,386.04	34.70
										BRO	4/1/2036	14,672.10	35.39
										BRO	4/1/2037	14,966.46	36.10
										BRO	4/1/2038	15,264.96	36.82
										BRO	4/1/2039	15,571.75	37.56
										BRO	4/1/2040	15,882.69	38.31
PB103 0212	Citizens Bank N.A.	11/1/2024	12/31/2035	5,819	12,122.92	25.00	Renewal						
										BRA	11/1/2024	-2,822.65	-5.82
										BRO	11/1/2024	12,122.92	25.00
										BRO	1/1/2026	12,365.38	25.50
										BRO	1/1/2027	12,612.68	26.01
										BRO	1/1/2028	12,864.94	26.53
										BRO	1/1/2029	13,122.23	27.06
										BRO	1/1/2030	13,384.68	27.60
										BRO	1/1/2031	13,652.37	28.15
										BRO	1/1/2032	13,925.42	28.72
										BRO	1/1/2033	14,203.93	29.29
										BRO	1/1/2034	14,488.01	29.88
										BRO	1/1/2035	14,777.77	30.47
PB103 0900	Dickie McCamey & Chilcote PC	4/1/2025	3/31/2041	18,686	45,204.55	29.03	New Lease						
										BRA	4/1/2025	-45,204.55	-29.03
										BRA	4/1/2026	0.00	0.00
										BRO	4/1/2025	45,204.55	29.03
										BRO	4/1/2027	46,107.71	29.61
										BRO	4/1/2028	47,042.01	30.21
										BRO	4/1/2029	47,976.31	30.81
										BRO	4/1/2030	48,941.75	31.43
										BRO	4/1/2031	49,922.76	32.06
										BRO	4/1/2032	50,919.35	32.70
										BRO	4/1/2033	51,931.51	33.35

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
Four Gateway Center
9/30/2024

Page: 25
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
										BRO	4/1/2034	52,974.81	34.02
										BRO	4/1/2035	54,033.68	34.70
										BRO	4/1/2036	55,108.13	35.39
										BRO	4/1/2037	56,213.72	36.10
										BRO	4/1/2038	57,334.88	36.82
										BRO	4/1/2039	58,487.18	37.56
										BRO	4/1/2040	59,655.06	38.31
PB103 1000	Dickie McCamey & Chilcote PC	4/1/2025	3/31/2041	18,686	45,204.55	29.03	New Lease						
										BRA	4/1/2025	-45,204.55	-29.03
										BRA	4/1/2026	0.00	0.00
										BRO	4/1/2025	45,204.55	29.03
										BRO	4/1/2027	46,107.71	29.61
										BRO	4/1/2028	47,042.01	30.21
										BRO	4/1/2029	47,976.31	30.81
										BRO	4/1/2030	48,941.75	31.43
										BRO	4/1/2031	49,922.76	32.06
										BRO	4/1/2032	50,919.35	32.70
										BRO	4/1/2033	51,931.51	33.35
										BRO	4/1/2034	52,974.81	34.02
										BRO	4/1/2035	54,033.68	34.70
										BRO	4/1/2036	55,108.13	35.39
										BRO	4/1/2037	56,213.72	36.10
										BRO	4/1/2038	57,334.88	36.82
										BRO	4/1/2039	58,487.18	37.56
										BRO	4/1/2040	59,655.06	38.31
PB103 1105	Dickie McCamey & Chilcote PC	4/1/2025	3/31/2041	11,361	27,484.15	29.03	New Lease						
										BRA	4/1/2025	-27,484.15	-29.03
										BRA	4/1/2026	0.00	0.00
										BRO	4/1/2025	27,484.15	29.03
										BRO	4/1/2027	28,033.27	29.61
										BRO	4/1/2028	28,601.32	30.21
										BRO	4/1/2029	29,169.37	30.81
										BRO	4/1/2030	29,756.35	31.43
										BRO	4/1/2031	30,352.81	32.06
										BRO	4/1/2032	30,958.73	32.70
										BRO	4/1/2033	31,574.11	33.35
										BRO	4/1/2034	32,208.44	34.02
										BRO	4/1/2035	32,852.23	34.70
										BRO	4/1/2036	33,505.48	35.39
										BRO	4/1/2037	34,177.68	36.10
										BRO	4/1/2038	34,859.34	36.82
										BRO	4/1/2039	35,559.93	37.56
										BRO	4/1/2040	36,269.99	38.31
PB103 1200	Dickie McCamey & Chilcote PC	4/1/2025	3/31/2041	18,686	45,204.55	29.03	New Lease						

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
Four Gateway Center
9/30/2024

Page: 26
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
										BRA	4/1/2025	-45,204.55	-29.03
										BRA	4/1/2026	0.00	0.00
										BRO	4/1/2025	45,204.55	29.03
										BRO	4/1/2027	46,107.71	29.61
										BRO	4/1/2028	47,042.01	30.21
										BRO	4/1/2029	47,976.31	30.81
										BRO	4/1/2030	48,941.75	31.43
										BRO	4/1/2031	49,922.76	32.06
										BRO	4/1/2032	50,919.35	32.70
										BRO	4/1/2033	51,931.51	33.35
										BRO	4/1/2034	52,974.81	34.02
										BRO	4/1/2035	54,033.68	34.70
										BRO	4/1/2036	55,108.13	35.39
										BRO	4/1/2037	56,213.72	36.10
										BRO	4/1/2038	57,334.88	36.82
										BRO	4/1/2039	58,487.18	37.56
										BRO	4/1/2040	59,655.06	38.31
PB103 1400	Urish Popeck & Co LLC	11/1/2024	11/30/2026	18,427	39,234.15	25.55	New Lease						
										BRA	11/1/2024	-9,135.87	-5.95
										BRA	12/1/2024	0.00	0.00
										BRO	11/1/2024	39,234.15	25.55
										BRO	12/1/2024	39,848.39	25.95
										BRO	12/1/2025	40,646.89	26.47
PB103 1800	Citizens Bank N.A.	11/1/2024	12/31/2035	19,228	44,064.17	27.50	New Lease						
										BRA	11/1/2024	-44,064.17	-27.50
										BRA	1/1/2026	0.00	0.00
										BRO	11/1/2024	44,064.17	27.50
										BRO	1/1/2027	44,945.45	28.05
										BRO	1/1/2028	45,844.36	28.61
										BRO	1/1/2029	46,761.25	29.18
										BRO	1/1/2030	47,701.46	29.77
										BRO	1/1/2031	48,650.40	30.36
										BRO	1/1/2032	49,623.41	30.97
										BRO	1/1/2033	50,615.88	31.59
										BRO	1/1/2034	51,628.19	32.22
										BRO	1/1/2035	52,660.76	32.87
										OFC	11/1/2024	750.00	0.47
										OFC	11/1/2025	765.00	0.48
										OFC	11/1/2026	780.30	0.49
										OFC	11/1/2027	795.91	0.50
										OFC	11/1/2028	811.83	0.51
										OFC	11/1/2029	828.07	0.52
										OFC	11/1/2030	844.63	0.53
										OFC	11/1/2031	861.52	0.54

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
Four Gateway Center
9/30/2024

Page: 27
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
										OFC	11/1/2032	878.75	0.55
										OFC	11/1/2033	896.33	0.56
										OFC	11/1/2034	914.26	0.57
										OFC	11/1/2035	932.55	0.58
PB103 1900	Citizens Bank N.A.	11/1/2024	12/31/2035	19,228	44,064.17	27.50	New Lease						
										BRA	11/1/2024	-44,064.17	-27.50
										BRA	1/1/2026	0.00	0.00
										BRO	11/1/2024	44,064.17	27.50
										BRO	1/1/2027	44,945.45	28.05
										BRO	1/1/2028	45,844.36	28.61
										BRO	1/1/2029	46,761.25	29.18
										BRO	1/1/2030	47,701.46	29.77
										BRO	1/1/2031	48,650.40	30.36
										BRO	1/1/2032	49,623.41	30.97
										BRO	1/1/2033	50,615.88	31.59
										BRO	1/1/2034	51,628.19	32.22
										BRO	1/1/2035	52,660.76	32.87
PB103 2000	Citizens Bank N.A.	11/1/2024	12/31/2035	19,228	44,064.17	27.50	New Lease						
										BRA	11/1/2024	-44,064.17	-27.50
										BRA	1/1/2026	0.00	0.00
										BRO	11/1/2024	44,064.17	27.50
										BRO	1/1/2027	44,945.45	28.05
										BRO	1/1/2028	45,844.36	28.61
										BRO	1/1/2029	46,761.25	29.18
										BRO	1/1/2030	47,701.46	29.77
										BRO	1/1/2031	48,650.40	30.36
										BRO	1/1/2032	49,623.41	30.97
										BRO	1/1/2033	50,615.88	31.59
										BRO	1/1/2034	51,628.19	32.22
										BRO	1/1/2035	52,660.76	32.87
Vacant Suites													
PB103 0045	Vacant			1,204									
PB103 0050	Vacant			172									
PB103 0051	Vacant			261									
PB103 0052	Vacant			358									
PB103 0053	Vacant			299									
PB103 0054	Vacant			342									

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
Four Gateway Center
9/30/2024

Page: 28
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
PB103 0061	Vacant			908									
PB103 0101	Vacant			330									
PB103 0120	Vacant			4,725									
PB103 0205	Vacant			1,541									
PB103 0212	Vacant			5,819									
PB103 0240	Vacant			11,036									
PB103 0308	Vacant			1,375									
PB103 0425	Vacant			3,167									
PB103 0614	Vacant			284									
PB103 0618	Vacant			184									
PB103 0619	Vacant			470									
PB103 0623	Vacant			612									
PB103 0624	Vacant			417									
PB103 0625	Vacant			1,140									
PB103 0750	Vacant			4,868									
PB103 0900	Vacant			18,686									
PB103 1000	Vacant			14,207									
PB103 1040	Vacant			4,479									
PB103 1105	Vacant			11,361									
PB103 1200	Vacant			18,686									
PB103 1305	Vacant			2,900									
PB103 1400	Vacant			18,427									

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
Four Gateway Center
9/30/2024

Page: 29
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
PB103 1700	Vacant			19,228									
PB103 1800	Vacant			19,228									
PB103 1900	Vacant			19,228									
PB103 2000	Vacant			19,228									
Occupied Suites													
PB103 0046	Strassburger McKenna Gutnick	6/1/2024	5/31/2025	614					328.56				
PB103 0048	Eddie Merlots LLC (sii to Platinum Res	4/22/2014	4/30/2029	1,380									
PB103 0059	Hertz Gateway Center, LP	9/1/2021	8/31/2026	817	817.00	12.00							
PB103 0060	The Boston Consulting Group, Inc.	4/1/2022	6/30/2027	6,958									
PB103 00BOX	United Parcel Service	1/1/2021	3/31/2027	0					41.67				
PB103 00FEDX	Federal Express Corporation	10/1/2020	12/31/2030	0					16.67				
PB103 00NR04	AT&T Local Services	12/11/2021	12/31/2026	0			30.00		2,496.64	OLF	1/1/2025	2,596.50	0.00
										OLF	1/1/2026	2,700.36	0.00
PB103 0100	Eddie Merlots LLC (sii to Platinum Res	4/22/2014	4/30/2029	9,086	25,232.51	33.32	3,848.78						
PB103 0102	Yinz Coffee	12/1/2021	11/30/2031	330	590.70	21.48	65.39			BRA	12/1/2024	-602.53	-21.91
										BRA	4/1/2025	0.00	0.00
										BRR	12/1/2024	602.53	21.91
										BRR	12/1/2025	614.90	22.36
										BRR	12/1/2026	627.00	22.80
										BRR	12/1/2027	639.65	23.26
										BRR	12/1/2028	652.30	23.72
										BRR	12/1/2029	665.23	24.19
										BRR	12/1/2030	678.70	24.68
PB103 0110	Eddie Merlots (sii to Platinum Restaur	4/22/2014	4/30/2029	1,930	5,358.99	33.32	817.54						
PB103 02NRC	Yinz Coffee	8/1/2023	11/30/2031	0					115.91				
PB103 0300	Wade Trim Ohio Inc	7/1/2023	1/31/2030	10,529	26,295.85	29.97	905.27			BRO	7/1/2025	26,821.77	30.57
										BRO	7/1/2026	27,358.20	31.18
										BRO	7/1/2027	27,905.37	31.80

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
Four Gateway Center
9/30/2024

Page: 30
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
										BRO	7/1/2028	28,463.47	32.44
										BRO	7/1/2029	29,032.74	33.09
PB103 0305	Metz Lewis Brodman Must O'Keefe LL	9/1/2023	3/31/2036	1,185					604.35	OLF	9/1/2025	616.44	6.24
										OLF	9/1/2026	628.77	6.37
										OLF	9/1/2027	641.34	6.49
										OLF	9/1/2028	654.17	6.62
										OLF	9/1/2029	667.25	6.76
										OLF	9/1/2030	680.60	6.89
										OLF	9/1/2031	694.21	7.03
										OLF	9/1/2032	708.09	7.17
										OLF	9/1/2033	722.25	7.31
										OLF	9/1/2034	736.70	7.46
										OLF	9/1/2035	751.43	7.61
PB103 0310	Young & Rubicam, LLC	5/1/2021	4/30/2026	5,597	12,826.46	27.50	1,114.00			BRO	5/1/2025	13,059.67	28.00
PB103 0400	Allied Insurance Brokers	1/1/2020	12/31/2024	9,963	22,001.63	26.50	973.51						
PB103 0405	LGA Partners LP	1/6/2024	10/31/2034	966					805.00	OSR	11/1/2024	821.10	10.20
										OSR	11/1/2025	837.52	10.40
										OSR	11/1/2026	854.27	10.61
										OSR	11/1/2027	871.36	10.82
										OSR	11/1/2028	888.79	11.04
										OSR	11/1/2029	906.56	11.26
										OSR	11/1/2030	924.69	11.49
										OSR	11/1/2031	943.19	11.72
										OSR	11/1/2032	962.05	11.95
										OSR	11/1/2033	981.29	12.19
PB103 0414	Reliance Standard Life Ins.	12/1/2018	11/30/2023	4,590	10,136.25	26.50	448.57						
PB103 0500	Grossman Yanak & Ford LLP	5/1/2024	9/30/2030	18,686	30,807.80	19.78				BRA	11/1/2024	0.00	0.00
										BRO	4/1/2025	35,309.00	22.68
										BRO	4/1/2026	36,890.00	23.69
										BRO	4/1/2027	40,177.89	25.80
										BRO	4/1/2028	40,981.45	26.32
										BRO	4/1/2029	41,801.08	26.84
										BRO	4/1/2030	42,642.08	27.38
PB103 0600	ArcelorMittal Tubular Products	12/1/2021	11/30/2026	7,657	14,797.15	23.19	1,279.57			BRO	12/1/2024	14,956.67	23.44
										BRO	12/1/2025	15,116.19	23.69
PB103 0605	Cowden Associates, Inc.	10/1/2021	9/30/2031	7,922	14,395.44	21.81	1,443.82			BRO	10/1/2024	14,681.49	22.24
										BRO	10/1/2025	14,973.75	22.68
										BRO	10/1/2026	15,278.45	23.14

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
Four Gateway Center
9/30/2024

Page: 31
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
										BRO	10/1/2027	15,583.14	23.60
										BRO	10/1/2028	15,894.06	24.08
										BRO	10/1/2029	16,211.20	24.56
										BRO	10/1/2030	16,534.55	25.05
PB103 0700	Gatesman, Inc.	4/9/2018	10/31/2028	13,818	31,090.50	27.00	1,773.34			BRO	5/1/2025	31,942.61	27.74
										BRO	5/1/2026	32,817.76	28.50
										BRO	5/1/2027	33,715.92	29.28
										BRO	5/1/2028	34,648.64	30.09
PB103 0800	STV Incorporated	4/1/2020	3/31/2025	8,506	19,181.03	27.06	1,251.80						
PB103 0805	Gallagher Benefit Services, Inc.	11/1/2019	12/31/2024	7,954	17,233.67	26.00	1,170.62			BRO	11/1/2024	17,578.34	26.52
PB103 0825	Zions First National Bank	9/28/2023	12/31/2028	2,226	4,730.25	25.50	284.55			BRO	1/1/2025	4,824.86	26.01
										BRO	1/1/2026	4,921.32	26.53
										BRO	1/1/2027	5,019.63	27.06
										BRO	1/1/2028	5,119.80	27.60
PB103 08NRD	ArcelorMittal Tubular Products	12/1/2021	11/30/2026	0					149.80				
PB103 1100	Colcom Foundation	5/24/2021	5/31/2029	7,325	16,517.88	27.06	1,457.51			BRO	6/1/2025	16,847.50	27.60
										BRO	6/1/2026	17,183.23	28.15
										BRO	6/1/2027	17,531.17	28.72
										BRO	6/1/2028	17,879.10	29.29
PB103 1300	American Heart Association	1/1/2016	7/31/2026	7,657	15,869.13	24.87	1,046.19			BRO	8/1/2025	16,437.03	25.76
PB103 1325	American Heart Association	1/1/2016	7/31/2026	2,238	4,638.26	24.87	305.63			BRO	8/1/2025	4,804.24	25.76
PB103 1340	McGrath McCall, P.C.	12/1/2023	1/31/2030	5,632	13,878.19	29.57	483.27			BRA	2/1/2025	0.00	0.00
										BRO	2/1/2025	13,141.33	28.00
										BRO	2/1/2026	13,376.00	28.50
										BRO	2/1/2027	13,610.66	29.00
										BRO	2/1/2028	13,845.33	29.50
										BRO	2/1/2029	14,080.00	30.00
PB103 1500	LGA Partners LP	11/1/2023	10/31/2034	19,228	48,936.00	30.54				BRA	11/1/2024	0.00	0.00
										BRO	11/1/2025	49,942.26	31.17
										BRO	11/1/2026	50,941.11	31.79
										BRO	11/1/2027	51,959.93	32.43
										BRO	11/1/2028	52,999.13	33.08
										BRO	11/1/2029	54,059.11	33.74
										BRO	11/1/2030	55,140.29	34.41
										BRO	11/1/2031	56,243.10	35.10
										BRO	11/1/2032	57,367.96	35.80

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
Four Gateway Center
9/30/2024

Page: 32
Date: 10/15/2024
Time: 6:32 PM

Bldg Id	Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
											BRO	11/1/2033	58,515.32	36.52
PB103	1600	The Boston Consulting Group, Inc.	4/1/2022	6/30/2027	19,228	38,167.58	23.82	2,626.84			BRO	4/1/2025	38,920.68	24.29
											BRO	4/1/2026	39,705.82	24.78
											BRO	4/1/2027	40,506.99	25.28
PB103	2100	Metz Lewis Brodman Must O'Keefe LL	4/1/2024	3/31/2036	19,228	40,058.33	25.00				BRA	4/1/2025	0.00	0.00
											BRO	4/1/2026	49,234.50	30.73
											BRO	4/1/2027	50,219.19	31.34
											BRO	4/1/2028	51,223.57	31.97
											BRO	4/1/2029	52,248.05	32.61
											BRO	4/1/2030	53,293.01	33.26
											BRO	4/1/2031	54,358.87	33.92
											BRO	4/1/2032	55,446.04	34.60
											BRO	4/1/2033	56,554.06	35.29
											BRO	4/1/2034	57,686.06	36.00
											BRO	4/1/2035	58,839.79	36.72
PB103	2200	Strassburger McKenna Gutnick	6/1/2024	5/31/2034	19,228	37,891.67	23.65				BRO	6/1/2025	37,915.00	23.66
											BRO	6/1/2026	38,672.83	24.14
											BRO	6/1/2027	39,446.67	24.62
											BRO	6/1/2028	40,234.91	25.11
											BRO	6/1/2029	41,039.14	25.61
											BRO	6/1/2030	41,857.73	26.12
											BRO	6/1/2031	42,692.35	26.64
											BRO	6/1/2032	43,557.35	27.18
											BRO	6/1/2033	44,420.68	27.72
PB103	CCI	Cogent Communications, Inc.	7/1/2021	11/30/2025	0					734.26	OLF	12/1/2024	756.29	0.00
PB103	CLC	CenturyLink Communications, LLC	2/1/2020	11/30/2024	0					675.29				
PB103	DQE	DQE Communications, LLC	1/1/2013	12/31/2022	0					820.66				
PB103	FTN	Crown Castle Fiber LLC	8/1/2021	7/31/2026	0					800.00				
PB103	MCI	MCIMetro Access Transmission Servi	11/1/2015	12/31/2024	0					417.91				
Totals:		Occupied Sqft:	51.80%	28 Units	220,478	451,452.27		21,326.20		8,006.72				
		Leased/Unoccupied Sqft:		0 Units	0									
		Vacant Sqft:	48.20%	32 Units	205,170									
		Total Sqft:		60 Units	425,648	451,452.27								

Database: R52999900001
Bldg Status: Active only
PB100 Hertz Gateway Center, LP

Rent Roll
Refrigeration Plant
9/30/2024

Page: 33
Date: 10/15/2024
Time: 6:32 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
Total Hertz Gateway Center, LP:													
	Occupied Sqft:	53.84%	142 Units	791,369	1,478,826.27		69,149.91		27,454.19				
	Leased/Unoccupied Sqft:		0 Units	0									
	Vacant Sqft:	46.16%	183 Units	678,362									
	Total Sqft:		325 Units	1,469,731	1,478,826.27								
Grand Total:													
	Occupied Sqft:	53.84%	142 Units	791,369	1,478,826.27		69,149.91		27,454.19				
	Leased/Unoccupied Sqft:		0 Units	0									
	Vacant Sqft:	46.16%	183 Units	678,362									
	Total Sqft:		325 Units	1,469,731	1,478,826.27								

Subject Property Photos

All subject photos were taken on the date of inspection or from a previous inspection in December 2019.

Four Gateway Center



Gateway Center



Three Gateway Center



Gateway Center



Street Scene



Street Scene



Street Scene



Street Scene



Street Scene



Gateway Center Parking Garage Exterior Entrance



Gateway Center Parking Garage



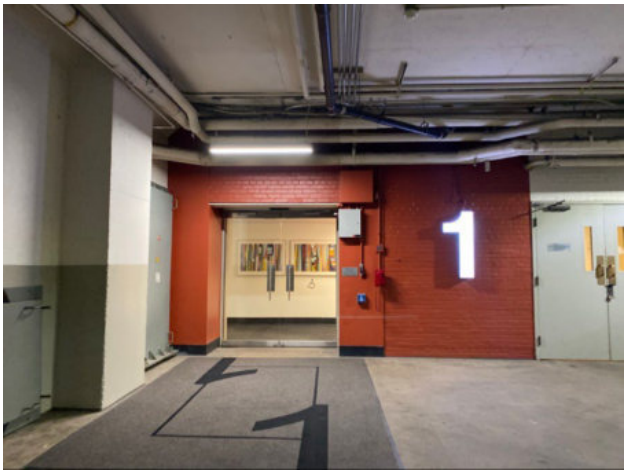
Gateway Center Parking Garage



Gateway Center Parking Garage



Gateway Center Parking Garage Interior Entrance



Four Gateway Center Exterior Entrance



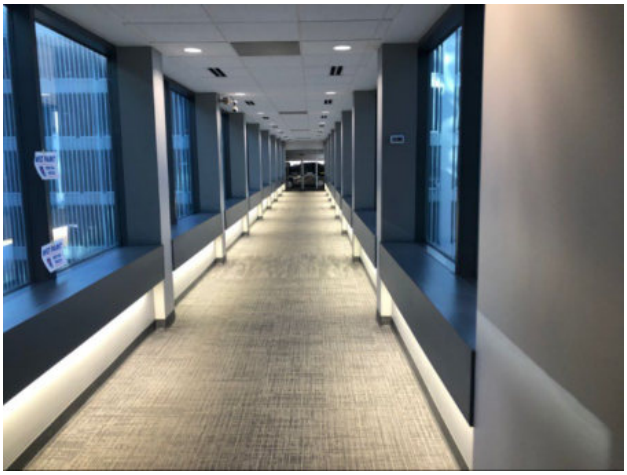
Four Gateway Center Exterior Entrance



Four Gateway Center Exterior Entrance



Four Gateway Center Hallway



Gateway Center Plaza



Gateway Center Plaza



Gateway Center Plaza



Two Gateway Center Exterior Entrance



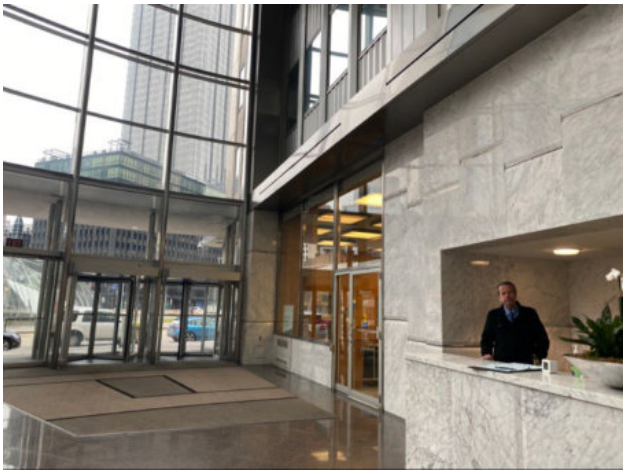
Two Gateway Center Typical Elevator Bank



Two Gateway Center Typical Elevator Bank



Two Gateway Center Lobby



Two Gateway Center Lobby



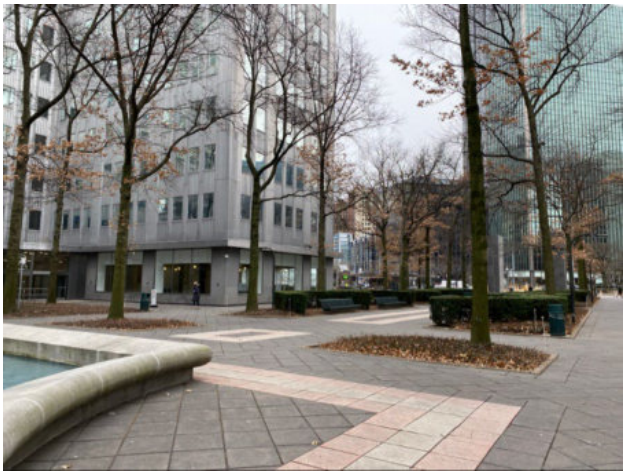
Gateway Center Entrance



Gateway Center Entrance



Gateway Center Plaza



Gateway Center Plaza



Gateway Center Typical Renovated Bathroom



Gateway Center Typical Renovated Bathroom



Future Amenity Space



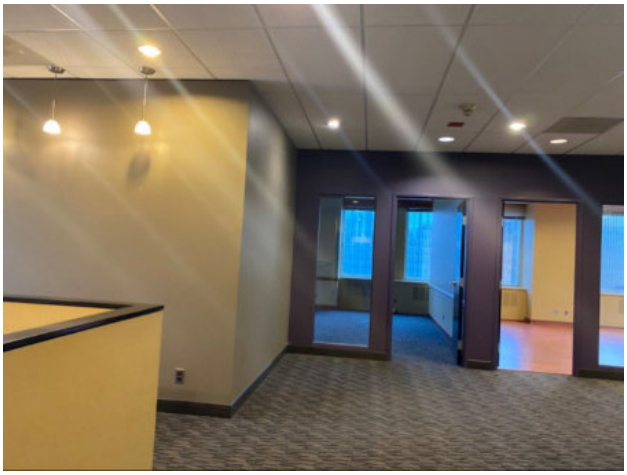
Typical Office Space



Typical Office Space



Typical Office Space



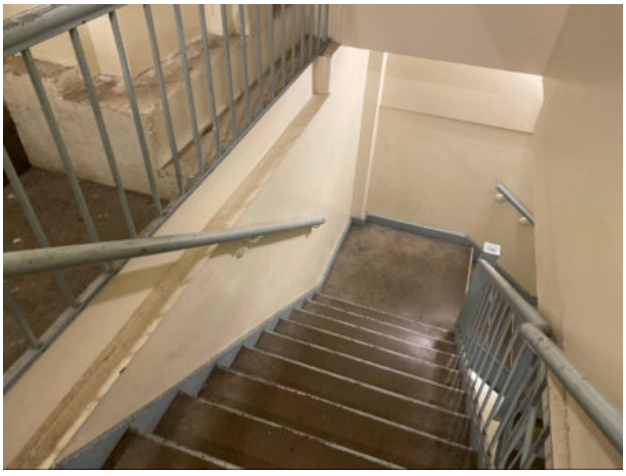
Typical Office Space



Typical Office Space



Typical Stairwell



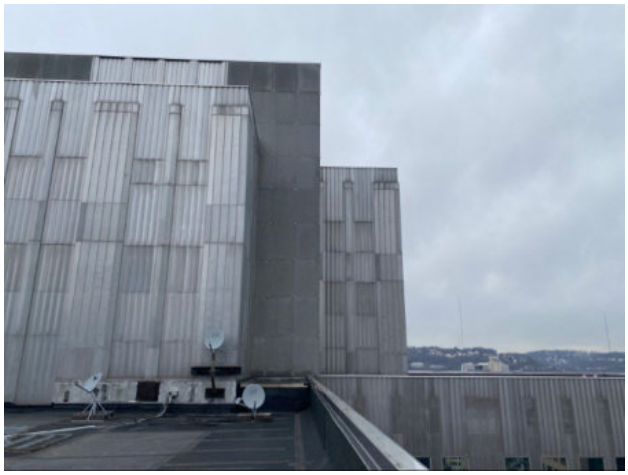
Typical Stairwell



Gateway Center Roof



Gateway Center Roof



Elevator Room



Elevator Room



Elevator Room



Typical Office Space Hallway



Typical Office Space



Typical Office Space



Typical Office Space



Typical Office Space



One Gateway Center Lobby



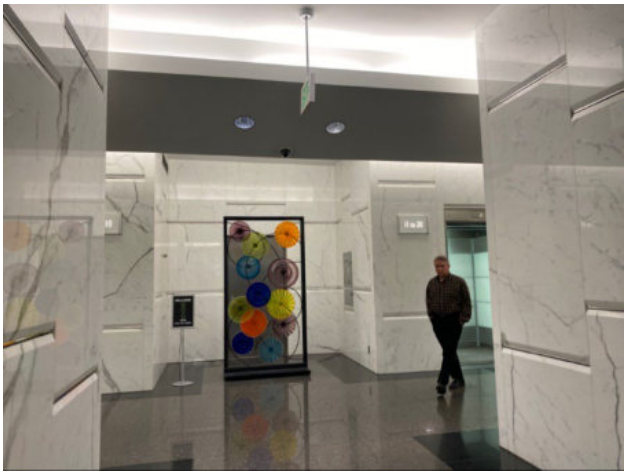
One Gateway Office Entrance



One Gateway Center Lobby



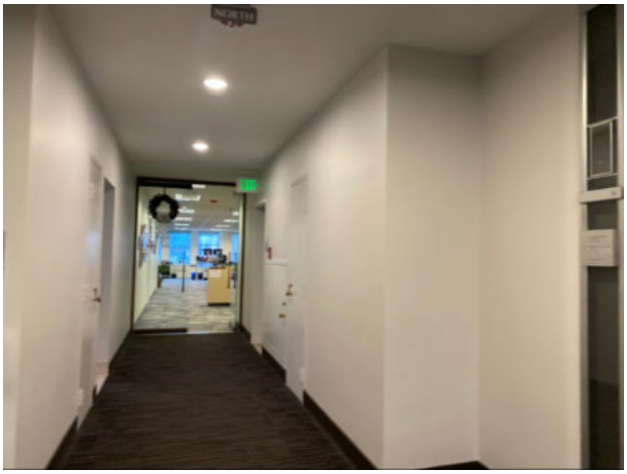
One Gateway Center Lobby



Typical Office Space



Typical Office Space



Typical Vacant Office Space



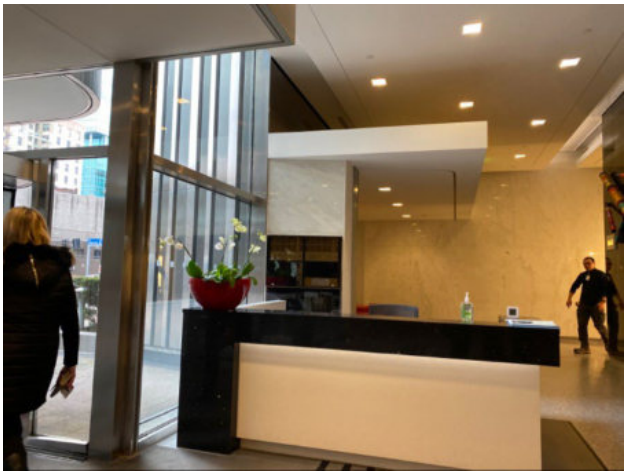
Typical Vacant Office Space



Retail Entrance Interior



Four Gateway Center Lobby



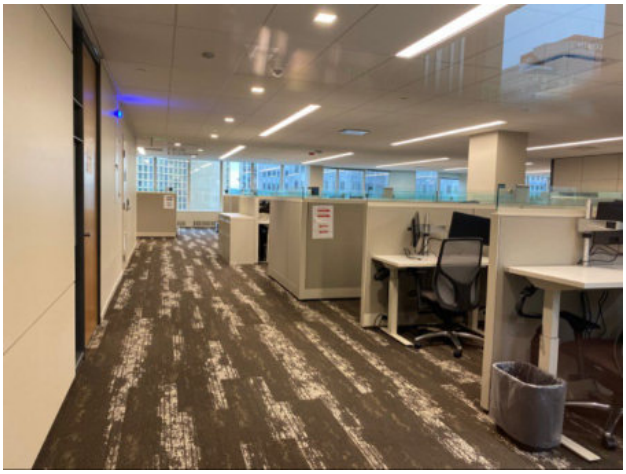
Four Gateway Center Elevator Bay



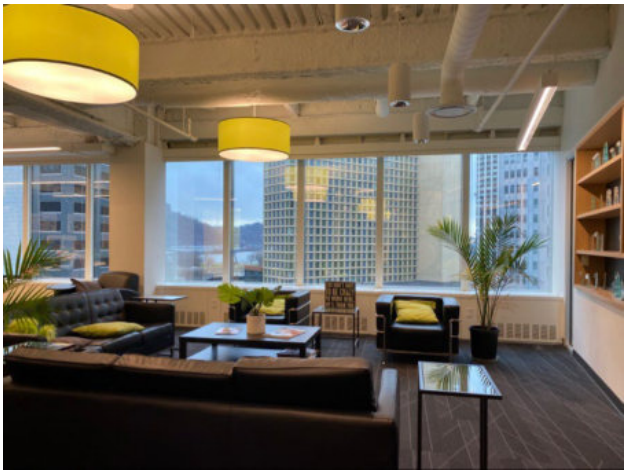
Typical Gateway Center Elevator Bay



Typical Office Space



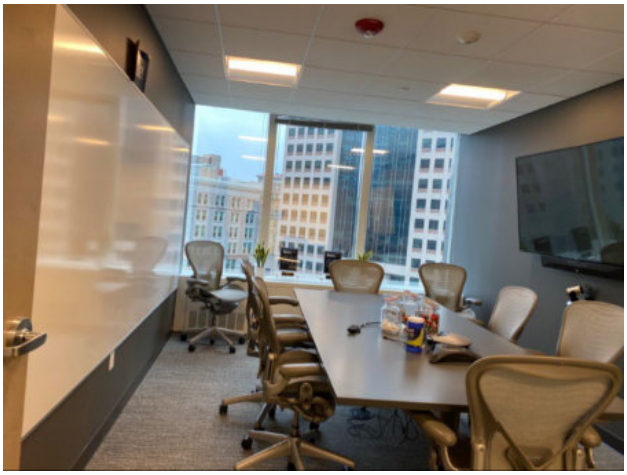
Typical Office Space



Typical Office Space



Typical Office Space



Mechanicals



Mechanicals



Mechanicals



Mechanicals



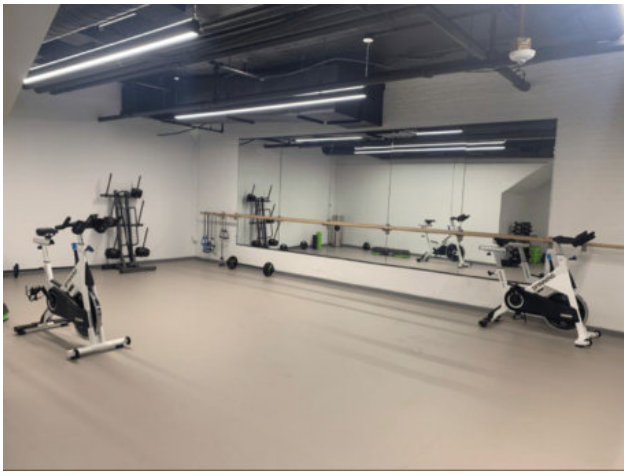
Mechanicals



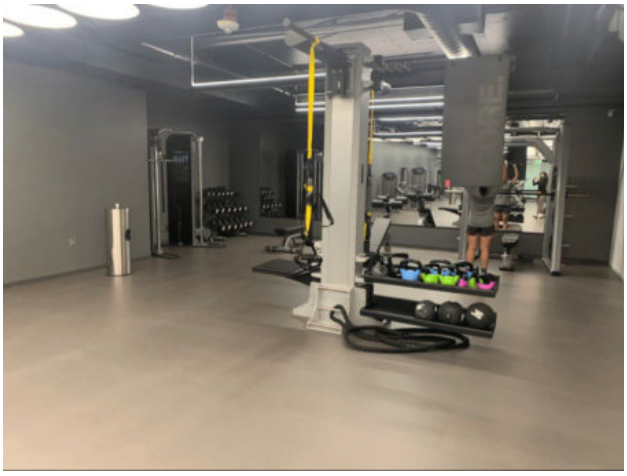
Mechanicals



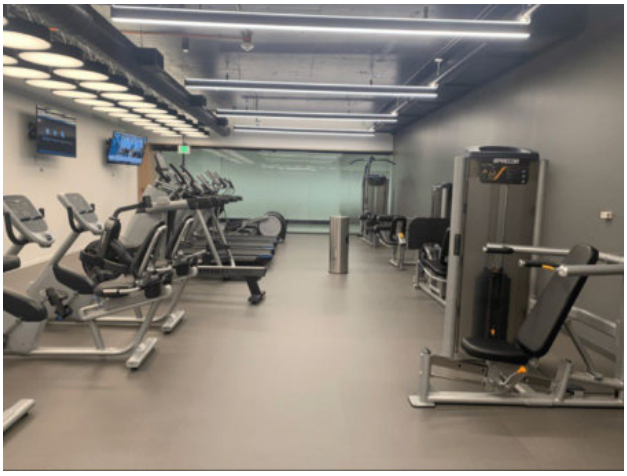
Amenity Space



Amenity Space



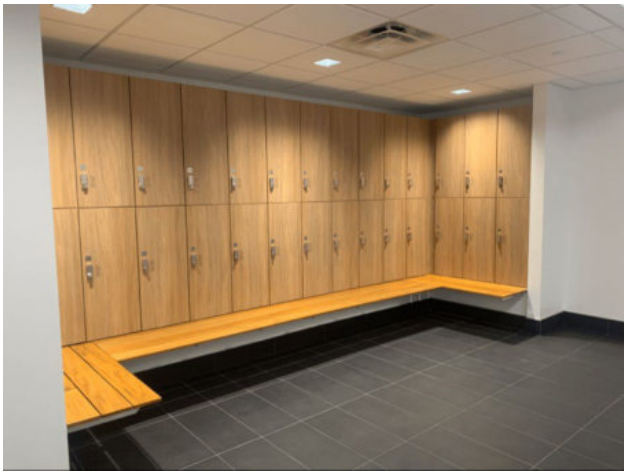
Amenity Space



Amenity Space



Amenity Space



Amenity Space



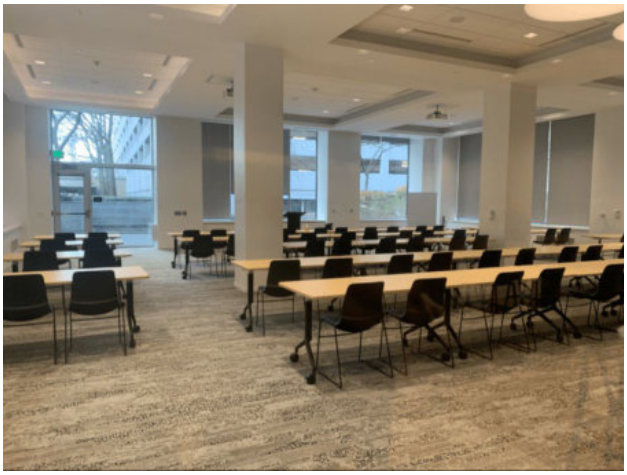
Amenity Space



Amenity Space



Amenity Space



Amenity Space

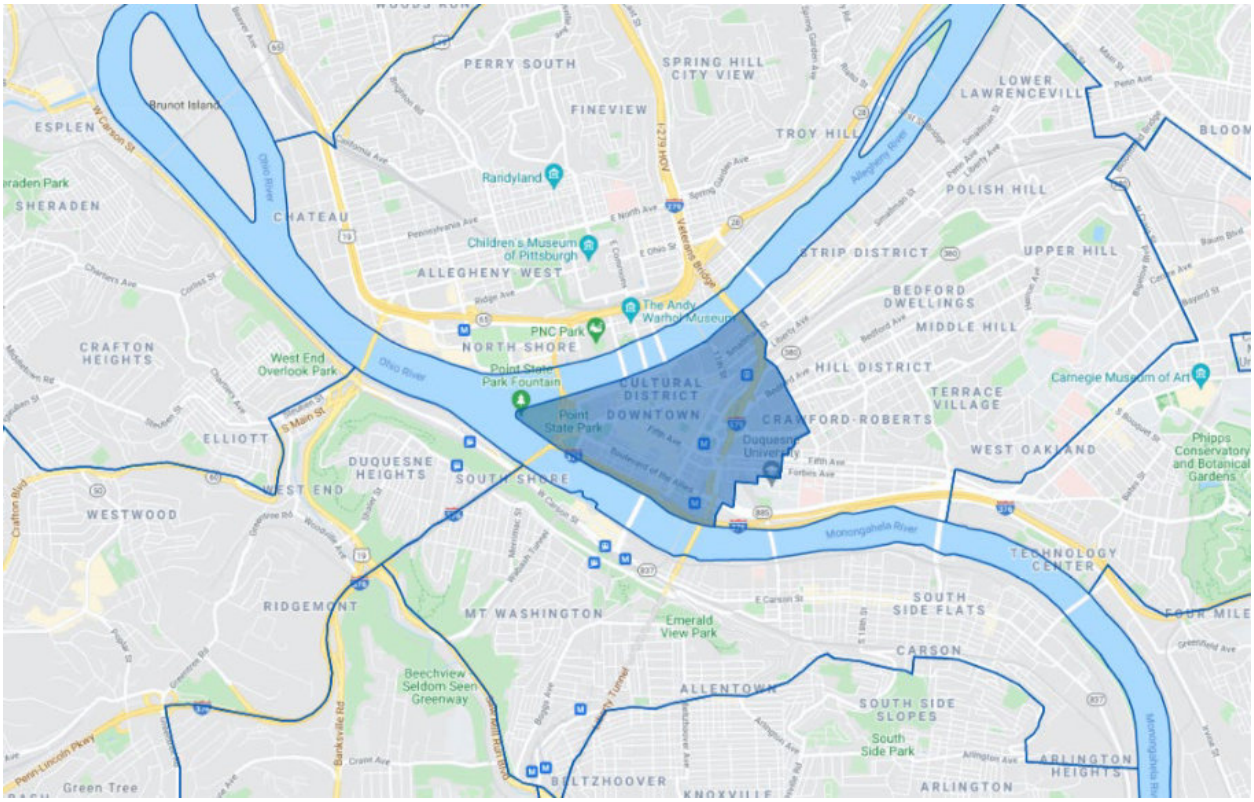


Amenity Space



CBD: Office Submarket Analysis

The information contained in this report was provided using 2024 Q3 CoStar data for the CBD Office Submarket ("Submarket") located in the Pittsburgh Market ("Market").



Overview

The subject property is in the CBD Submarket of the Pittsburgh Market, defined in the map above. This Submarket accounts for 23.6% of the Markets total inventory with 34 million square feet. In the CBD Submarket, demand has softened over the past year, leading to rising vacancy rates. Despite this, rents are up 0.2% over the past year after increasing 0.3% in the latest quarter. With softening fundamentals, values decreased in the past quarter and -3.9% yoy, ultimately decreasing to $114/square feet.

Sector Fundamentals

	CBD	YoY	QoQ	Pittsburgh	YoY	QoQ
Market Rent/SF	$26.9	0.2%	0.3%	$22.38	0.6%	0.2%
Vacancy Rate	15.56%	113 bps	45 bps	11.36%	11 bps	-27 bps
Availability Rate	17.3%	-224 bps	-97 bps	13.8%	-75 bps	-30 bps
Net Absorption SF	-154,149	-831.0%	-30.4%	393,612	500.2%	51.0%
Asset Value/SF	$114	-3.9%	-0.8%	$110	-3.7%	-0.3%
Market Cap Rate	10.57%	35 bps	4 bps	10.79%	34 bps	1 bps
Transaction Count	0	NA	NA	53	18%	-18%
Sales Volume	$0	NA	NA	$40,335,816	15%	-22%

The table below presents historical performance of key indicators for office space in the Submarket including inventory & construction levels, net absorption, vacancy & availability, rental rates, pricing, and cap rates.

Historical Office Performance: CBD Submarket

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
2024 Q3	33,954,606	488,640	NA	-384,505	15.6%	17.3%	$26.90	$112	10.57%
2024 Q2	33,954,606	488,640	NA	-246,914	15.1%	18.2%	$26.83	$113	10.53%
2023	33,954,606	488,640	NA	-815,329	14.7%	19.0%	$26.70	$114	10.40%
2022	33,954,606	488,640	-150,000	-166,528	12.3%	15.3%	$26.77	$127	9.39%
2021	34,104,606	488,640	-2,200	-454,044	12.2%	14.8%	$26.39	$133	8.61%
2020	34,106,806	0	-32,000	30,220	10.9%	13.5%	$26.32	$128	8.82%
2019	34,138,806	0	-7,500	-381,296	11.0%	13.1%	$26.63	$124	9.02%
2018	34,146,306	0	-10,578	-504,133	9.9%	12.0%	$26.20	$122	8.78%
2017	34,156,884	0	-12,385	51,296	8.5%	12.5%	$25.25	$118	8.62%
2016	34,169,269	0	166,500	-88,765	8.7%	12.4%	$24.60	$122	8.13%
2015	34,002,769	166,500	398,652	635,016	8.0%	12.0%	$23.71	$124	7.90%
2014	33,604,117	966,500	275,628	548,479	8.8%	12.7%	$23.64	$123	7.80%

Supply & Demand

The Submarket has 34 million square feet of office space, and developers have added, net of demolitions, 350.5k square feet over the past ten years, increasing inventory by 1.0% during that time. Demand has not been able to keep up with supply over the past decade and vacancy rates have expanded from the rate of 8.8% to 15.6%.

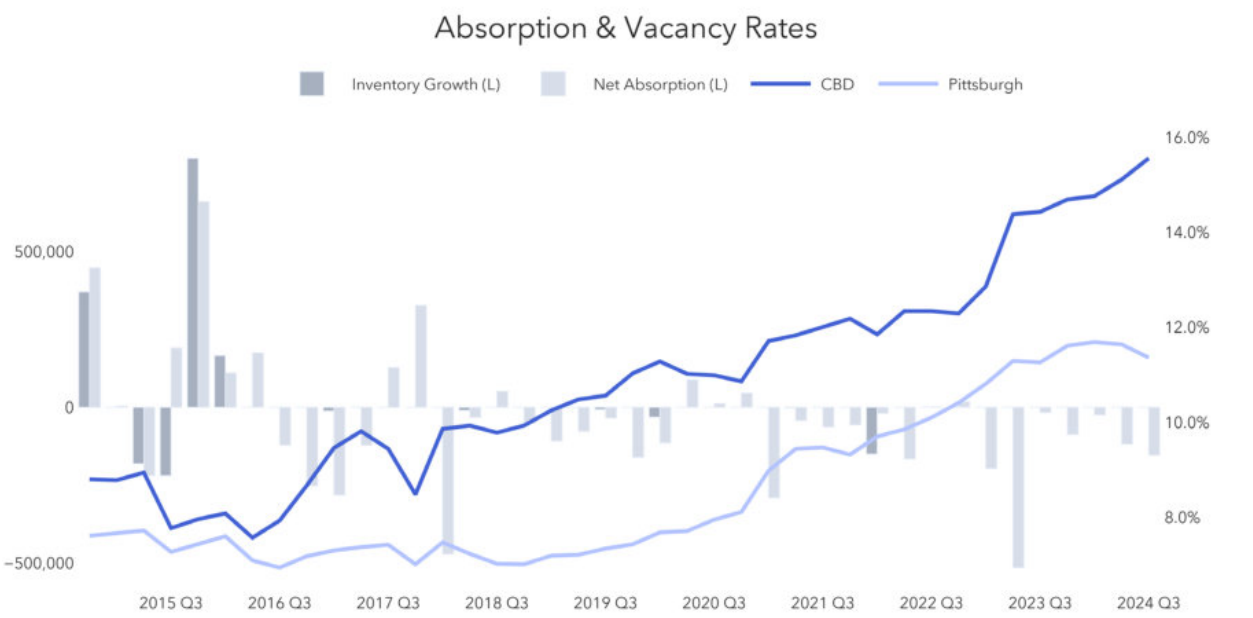
Absorption improved over the past year, but vacancy rates increased 113 bps over the past year from 14.4% to 15.6%Vacancy rates remain above the 10-year average of 10.9%, and above the Market average by 420 bps. With 154.1k square feet vacated in 2024 Q3, vacancy rates have increased 45 bps over the past quarter. In the third quarter, office tenants in the Submarket vacated 154.1k square feet, a decrease from the -118.2k square feet vacated in 2024 Q2, and also down from the -16.6k square feet vacated in the same quarter last year.

An additional factor contributing to weak demand trends in the submarket is its aging office inventory. Prior to the pandemic, tenants such as SAP, Honeywell and the Post Gazette left the submarket in favor of more modern supply in neighboring areas like the Strip District, Oakland and the North Shore. Some of the more notable move-outs include GNC and the Allegheny Technology Institute which announced they would be vacating the CBD for the Strip District.

Several renewals also represented the largest leases signed. Law firm Strassburger McKenna Gutnick & Gefsky renewed its lease for 19,200 SF in 23Q2 and Broadridge renewed its 16,3,000-SF lease in the same quarter.

Vacancy Rates

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	24 Q2	24 Q3
National	10.7%	10.1%	9.7%	9.6%	9.3%	9.3%	10.7%	11.8%	12.3%	13.4%	13.8%	13.8%
Market	7.6%	7.4%	7.2%	7.0%	7.0%	7.4%	8.1%	9.3%	10.4%	11.6%	11.6%	11.4%
Submarket	8.8%	8.0%	8.7%	8.5%	9.9%	11.0%	10.9%	12.2%	12.3%	14.7%	15.1%	15.6%
Class A	7.9%	7.5%	8.7%	8.6%	10.8%	11.9%	11.5%	11.9%	12.5%	15.1%	15.5%	16.5%
Class B	11.5%	9.7%	9.2%	9.4%	8.9%	9.8%	10.0%	14.5%	13.4%	12.8%	13.2%	12.9%
Class C	6.2%	6.0%	5.4%	2.7%	4.4%	6.2%	7.6%	4.8%	4.8%	18.0%	19.2%	16.3%



Source: CoStar

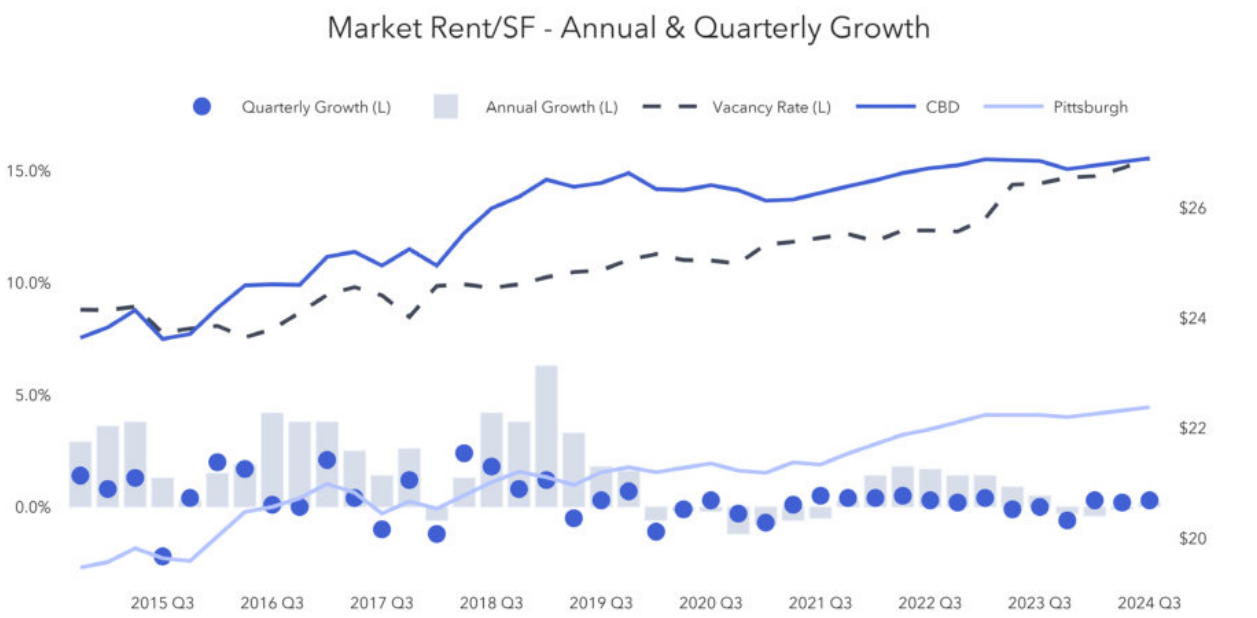
Rents

At $26.90/SF, rents in the CBD Submarket are roughly 20% higher than the Market average of $22.38/SF. Rents vary throughout the Submarket. Class A space is at a premium with a rate of $30.35/SF, followed by $19.66/SF for Class B and $17.41/SF for Class C space. Rents are notably higher for trophy assets and recently renovated assets, such as One Oxford Center where space is advertised at $35/SF.

Market Rents

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	24 Q2	24 Q3
National	$28.93	$30.59	$31.61	$32.49	$33.58	$34.94	$34.35	$34.58	$35.03	$35.38	$35.58	$35.63
Market	$19.47	$19.59	$20.73	$20.67	$21.21	$21.29	$21.23	$21.54	$22.10	$22.20	$22.33	$22.38
Submarket	$23.64	$23.71	$24.60	$25.25	$26.20	$26.63	$26.32	$26.39	$26.77	$26.70	$26.83	$26.90
Class A	$26.93	$26.86	$27.69	$29.06	$29.75	$30.47	$30.14	$30.00	$30.33	$30.14	$30.26	$30.35
Class B	$16.69	$17.16	$18.12	$17.13	$18.79	$18.66	$18.29	$18.84	$19.26	$19.46	$19.63	$19.66
Class C	$14.76	$14.81	$16.20	$15.42	$16.32	$15.77	$15.98	$16.32	$17.17	$17.33	$17.39	$17.41

Prior to the pandemic, the CBD Office Submarket experienced softening rent growth. In 2019 Q4, annual rent growth in the Submarket softened below the previous quarter, and was below the historical average, with annual growth of 1.6%. In 2020 Q2, quarterly rent growth reached -0.1%. By the end of 2020, rents had fallen 1.2% from the 2019 Q4 rent level of $26.63/SF. From 2019 Q4 to 2021 Q4, rents decreased 0.9%. Quarterly rent growth in 2024 Q3 increased 0.3%, pushing annual growth to 0.2%.

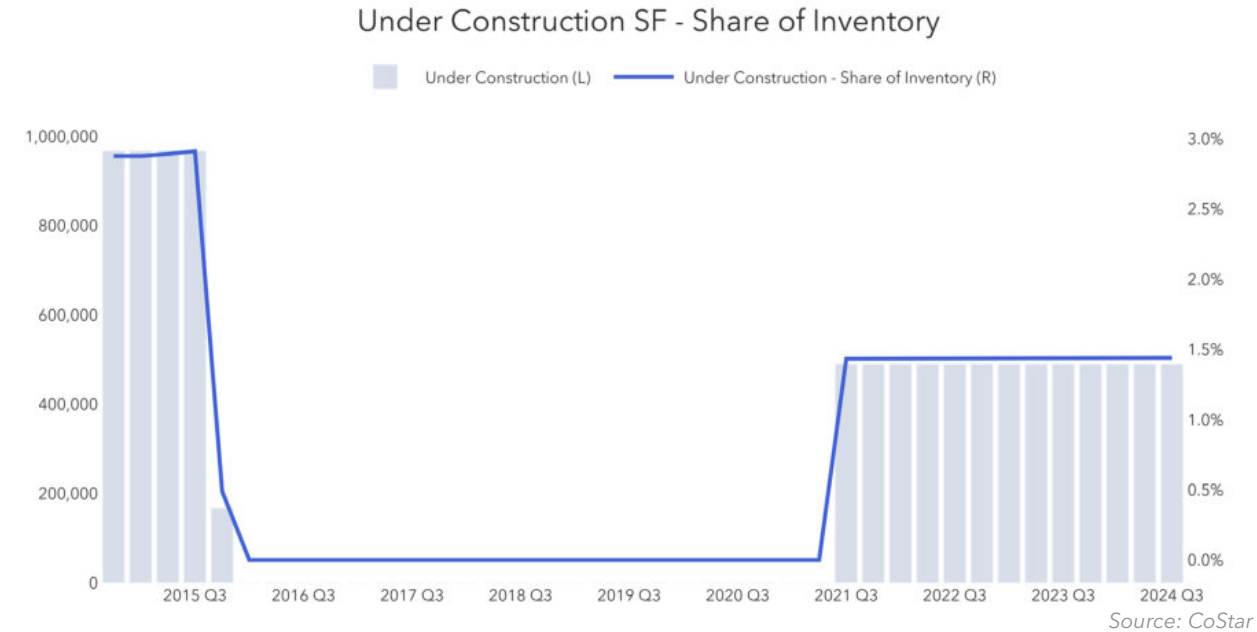


Source: CoStar

Construction & Future Supply

Data from CoStar indicates that developers have been inactive for much of the past ten years. In fact, they have added just 1.3 million square feet to the Submarket during that time period. Developers have also removed Office space for higher and better use, removing 616k square feet. Developers remain active in the Submarket despite elevated construction and debt costs. In fact, developers are currently active with 488.6k square feet, or the equivalent of 1.4% of existing inventory, underway.

Construction activity accelerated thanks to one large project. FNB Financial Center in downtown's Lower Hill neighborhood is the largest delivery in recent months. The Buccini/Pollin Group developed the 26-story, 470,000-SF tower to consolidate FNB's regional headquarters operations. The bank will occupy about half of the tower's office space.



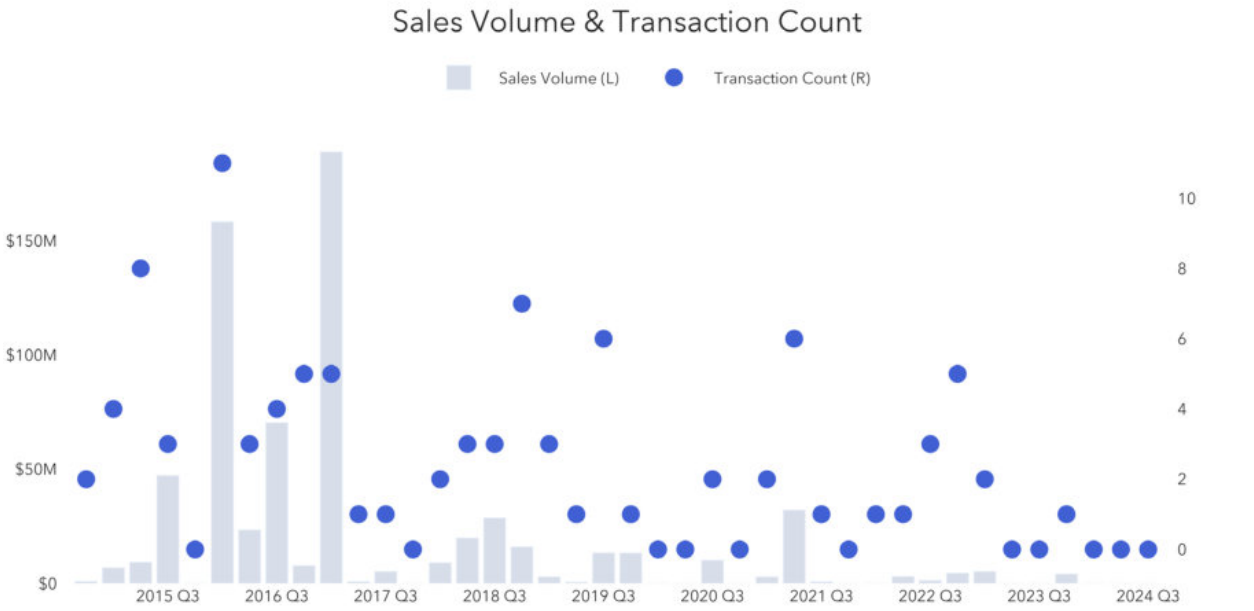
Source: CoStar

Capital Markets

Investors have not been very active in the market over the past three years and few transactions have occurred. During that time, investors have closed on average 7 transactions per year with an annual average sales volume of $17.8 million. Over the past year, there was 1 closed transaction across 42k square feet, for a total sales volume of $4.1 million. As of 2024 Q3, CoStar data indicates there were no transactions in the quarter, compared to no sales volume in the previous quarter.

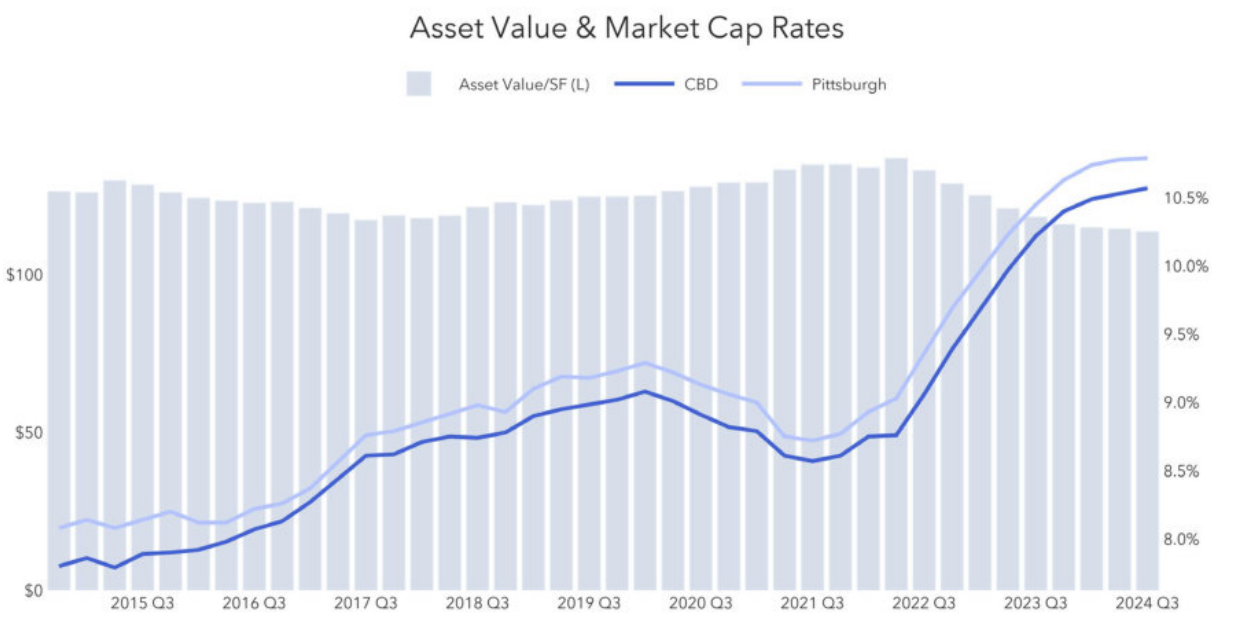
In 23Q4, local nonprofit organization Greenwood Plan acquired The Pitt Building in downtown Pittsburgh in December for $4.1 million ($97/SF). The 42,000-SF building was 60% vacant at the time of sale, and the buyer plans to convert the property into a business incubator, as well as a co-working and community space.

In 23Q1, the Victory Building traded hands for $2 million. The Pittsburgh Cultural Trust acquired the asset from Catholic Charities USA. The buyer was motivated to purchase the building due to their interest in preserving cultural and historical buildings in the Pittsburgh area. Also, in 23Q1, PNC Financial Services Group purchased The Roberts Building for $1.3 million ($95/SF). The Urban Redevelopment Authority of Pittsburgh sold the property, which was fully leased at the time of sale. The property was fully leased at the time of sale.



Source: CoStar

Market pricing, based on the estimated price movement of all properties in the Submarket, is currently $114/SF. Values have compressed 3.9% over the past year and continued to fall in the past quarter, decreasing 0.8% in 2024 Q3. Capitalization rates increased 35 bps over the past year to 10.6% and increased 4 bps in Q3. Despite recent rate cuts, elevated rates and the subsequent cost of debt will weigh on both investment activity and pricing going forward. However, investors are taking advantage of the drop in office values, acquiring very well located properties.



Source: CoStar

Outlook

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

Office market conditions in the CBD Submarket indicate that despite no new additions to the inventory, demand has fallen, expanding vacancy rates. With vacancy rates expanding, quarterly rent growth increased 0.3%, increasing annual growth to just 0.2%.

Looking ahead, negative net absorption and rising vacancy will continue to place downward pressure on rents. Rent growth in Pittsburgh continues to decelerate through 2024. And while rent growth begins to accelerate again in 2025 as vacancy stabilizes, it remains in negative territory over the near term.

Downtown Pittsburgh: Multifamily Submarket Analysis

The information contained in this report was provided using 2024 Q3 CoStar data for the Downtown Pittsburgh Multifamily Submarket ("Submarket") located in the Pittsburgh Market ("Market").



Overview

The subject property is in the Downtown Pittsburgh Submarket of the Pittsburgh Market, defined in the map above. This Submarket accounts for 11.4% of the Markets total inventory with 12.1k units. The U.S. multifamily market continued a strong rebound in demand through the third quarter of 2024, bringing year-to-date demand to 458,000 units, the strongest total since 2021. Additionally, overall rent growth appears to have stabilized and may be on the cusp of beginning to expand. Rent growth held steady during the third quarter. After two tough years, the multifamily capital markets sector has begun to regain stability. Throughout late spring and into the fall, multifamily prices have, in fact, remained stable. In the Downtown Pittsburgh Submarket, demand has slowed in 2024 Q3, but vacancy rates are down compared to the same time last year. With demand softening, rents contracted 2.1% in 2024 Q3 although rents are up 2.0% over the past year. With softening fundamentals, values decreased in the past quarter and -9.4% yoy, ultimately decreasing to $209,661/unit.

Sector Fundamentals

	Downtown Pittsburgh	YoY	QoQ	Pittsburgh	YoY	QoQ
Market Rent/Unit	$1,806	2.0%	-2.1%	$1,336	2.5%	-0.6%
Vacancy Rate	8.99%	-121 bps	80 bps	5.62%	-35 bps	-29 bps
Net Absorption Units	130	0.8%	-38.7%	545	-6.2%	-12.1%
Asset Value/Unit	$209,661	-9.4%	-2.6%	$125,660	-1.4%	-0.5%
Market Cap Rate	7.24%	50 bps	5 bps	8.18%	36 bps	4 bps
Transaction Count	0	NA	-100%	7	-53%	-50%
Sales Volume	$0	NA	NA	$5,969,276	-67%	-93%

The table below presents historical performance of key indicators for multifamily space in the Submarket including inventory & construction levels, net absorption, vacancy & availability, rental rates, pricing, and cap rates.

Historical Multifamily Performance: Downtown Pittsburgh Submarket

Period	Inventory Units	Under Construction Units	Net Delivered Units 12 Mo	Absorption Units 12 Mo	Vacancy Rate	Market Effective Rent/Unit	Asset Value/Unit	Market Cap Rate
2024 Q3	12,062	688	355	464	9.0%	$1,806	$209,661	7.24%
2024 Q2	11,815	935	108	463	8.2%	$1,845	$215,153	7.20%
2023	11,707	747	377	302	10.5%	$1,727	$214,940	7.07%
2022	11,330	761	617	705	10.2%	$1,770	$268,179	5.98%
2021	10,713	1,023	834	999	11.5%	$1,687	$303,011	5.42%
2020	9,879	1,368	561	105	14.2%	$1,571	$289,809	5.80%
2019	9,318	1,423	366	457	10.1%	$1,642	$292,325	6.09%
2018	8,952	680	364	262	11.5%	$1,591	$287,519	6.20%
2017	8,588	504	169	356	10.8%	$1,542	$254,505	6.52%
2016	8,419	186	770	520	13.2%	$1,533	$249,186	6.57%
2015	7,649	921	500	531	11.3%	$1,512	$263,388	6.57%
2014	7,149	800	279	222	12.5%	$1,471	$264,342	6.69%

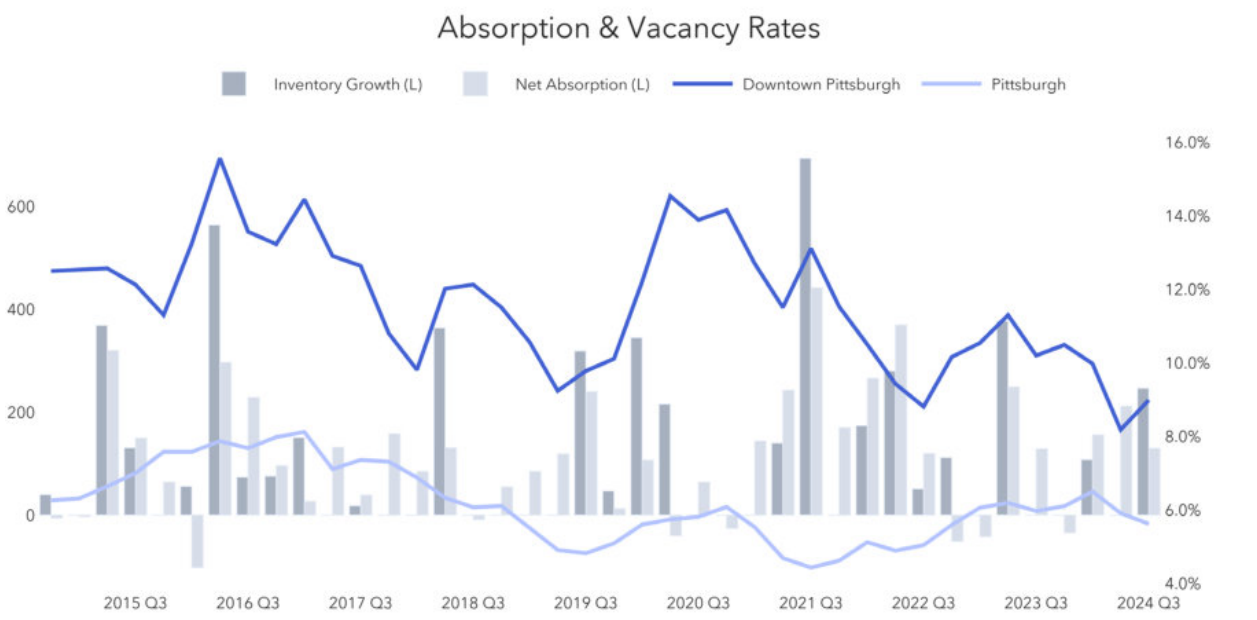
Supply & Demand

The Submarket has 12.1k units of multifamily space, and developers have added, net of demolitions, 4.9k units over the past ten years, increasing inventory by 68.7% during that time. Despite an increase in supply over the past ten years, absorption levels have outpaced it, and vacancy rates are lower than they were a decade ago, compressing from 12.5% to 9.0%. Limited deliveries in recent months and a rebound in net absorption pushed vacancy down at a faster rate in Downtown Pittsburgh compared to the market overall.

Despite an increase in inventory levels over the past year, demand has outpaced it, and vacancy rates have compressed 121 bps over the past year from 10.2% to 9.0%, remaining below the 10-year average of 11.6%, and above the Market average by 337 bps. With 130 units absorbed in 2024 Q3, vacancy rates have increased 80 bps over the past quarter. In the third quarter, multifamily tenants in the Submarket absorbed 130 units, a decrease from the 212 units absorbed in 2024 Q2, but an improvement from the 129 units absorbed in the same quarter last year.

Vacancy Rates

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	24 Q2	24 Q3
National	6.3%	6.2%	6.5%	6.8%	6.5%	6.6%	6.7%	5.0%	6.5%	7.7%	7.9%	7.8%
Market	6.3%	7.6%	8.0%	7.3%	6.1%	5.1%	6.1%	4.6%	5.6%	6.1%	5.9%	5.6%
Submarket	12.5%	11.3%	13.2%	10.8%	11.5%	10.1%	14.2%	11.5%	10.2%	10.5%	8.2%	9.0%
Class A	24.5%	19.5%	20.9%	16.2%	15.2%	15.8%	19.1%	14.6%	10.3%	10.9%	5.9%	8.3%
Class B	8.2%	8.0%	9.9%	7.3%	11.0%	5.9%	11.7%	10.7%	11.7%	11.1%	11.0%	10.4%
Class C	6.9%	6.1%	5.8%	7.3%	5.6%	7.5%	9.2%	6.3%	5.7%	7.7%	7.3%	7.2%



Source: CoStar

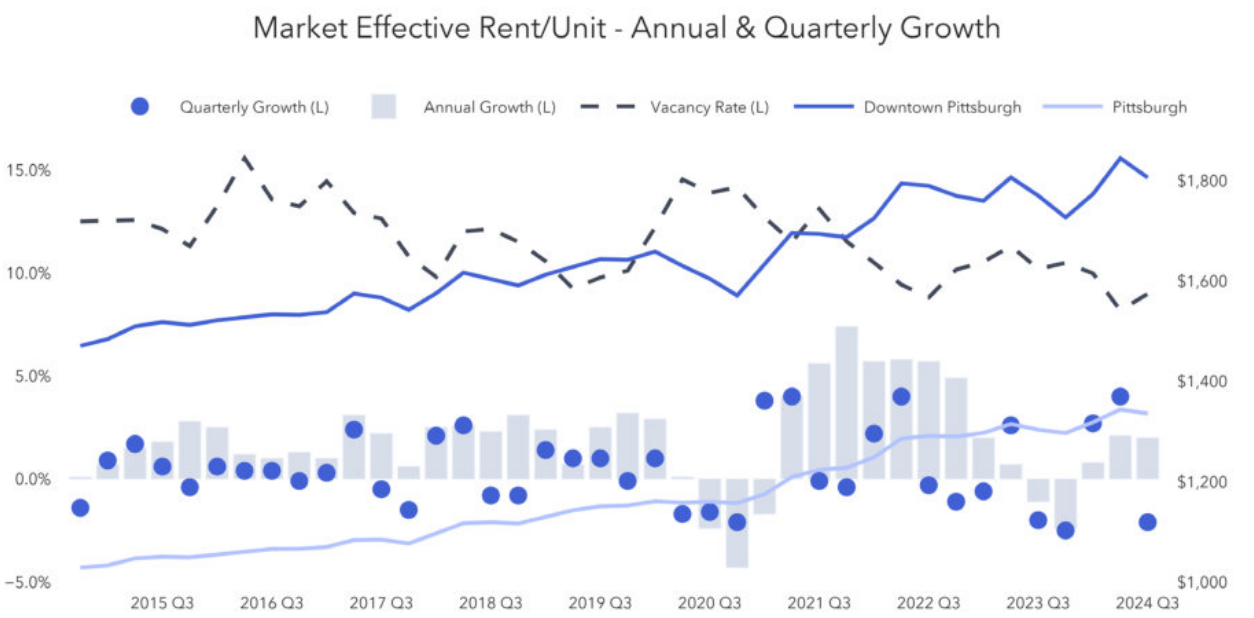
Rents

At $1,806/unit, rents in the Downtown Pittsburgh Submarket are roughly 35% higher than the Market average of $1,336/unit. Downtown Pittsburgh boasts the highest rents in the market, reflecting an outsized share of new units in recent years. Rents vary throughout the Submarket and are highest in the Strip District neighborhood, where asking rents average over $2,100/month, or 24% above the submarket average. Class A apartment units are a premium with an average effective rent rate of $1,929/unit, followed by $1,786/unit for Class B and $1,302/unit for Class C units. Rents in the Submarket have increased 2.3% per annum over the past decade, falling short of the Market, where rents increased 3.0% per annum during that time.

Market Rents

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	24 Q2	24 Q3
National	$1,237	$1,289	$1,320	$1,353	$1,398	$1,446	$1,458	$1,612	$1,677	$1,690	$1,725	$1,716
Market	$1,029	$1,049	$1,066	$1,077	$1,117	$1,153	$1,157	$1,228	$1,290	$1,297	$1,344	$1,336
Submarket	$1,471	$1,512	$1,533	$1,542	$1,591	$1,642	$1,571	$1,687	$1,770	$1,727	$1,845	$1,806
Class A	$1,631	$1,665	$1,668	$1,680	$1,731	$1,766	$1,715	$1,810	$1,896	$1,841	$1,952	$1,929
Class B	$1,422	$1,465	$1,493	$1,507	$1,547	$1,617	$1,531	$1,652	$1,748	$1,727	$1,847	$1,786
Class C	$907	$984	$1,053	$1,035	$1,112	$1,156	$1,054	$1,252	$1,258	$1,179	$1,323	$1,302

Prior to the pandemic, the Downtown Pittsburgh Multifamily Submarket experienced improving rent growth. In 2019 Q4, annual rent growth in the Submarket accelerated above the previous quarters yoy growth rate, and was above the historical average, with annual growth of 3.2%. In 2020 Q2, quarterly rent growth fell to -1.7%. By the end of 2020, rents had fallen 4.3% from the 2019 Q4 rent level of $1,642/unit. From 2019 Q4 to 2021 Q4, rents increased 2.7%. Quarterly rent growth in 2024 Q3 contracted by -2.1%, with annual growth slowing to 2.0%.

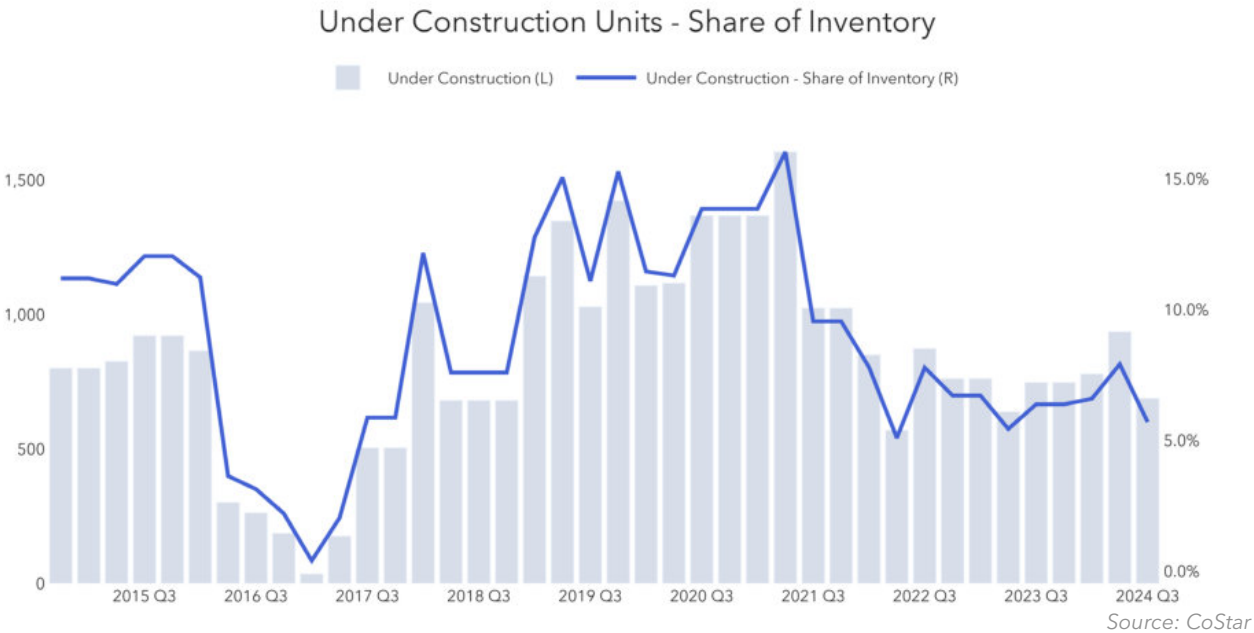


Source: CoStar

Construction & Future Supply

Developers have been active for much of the past ten years. In fact, they have added 5k units to the Submarket over that time, expanding inventory by 68.7%. The largest project to deliver over the past year is The Park at Southside Works, which added 247 units to the submarket in July. The project is the latest residential addition to Southside Works, a sprawling entertainment, retail, office, and residential complex built on a former steel mill site.

Developers remain active in the Submarket, but elevated construction and debt costs have slowed the pipeline with 688 units, or the equivalent of 5.7% of existing inventory, underway. The largest project underway is Livewell in the Market Square neighborhood. The project is slated to deliver 253 units in late 2024. Just north of Livewell, Washington, DC-based developer is converting a former warehouse at 642 Fort Duquesne Blvd. into 140 residential units.



Source: CoStar

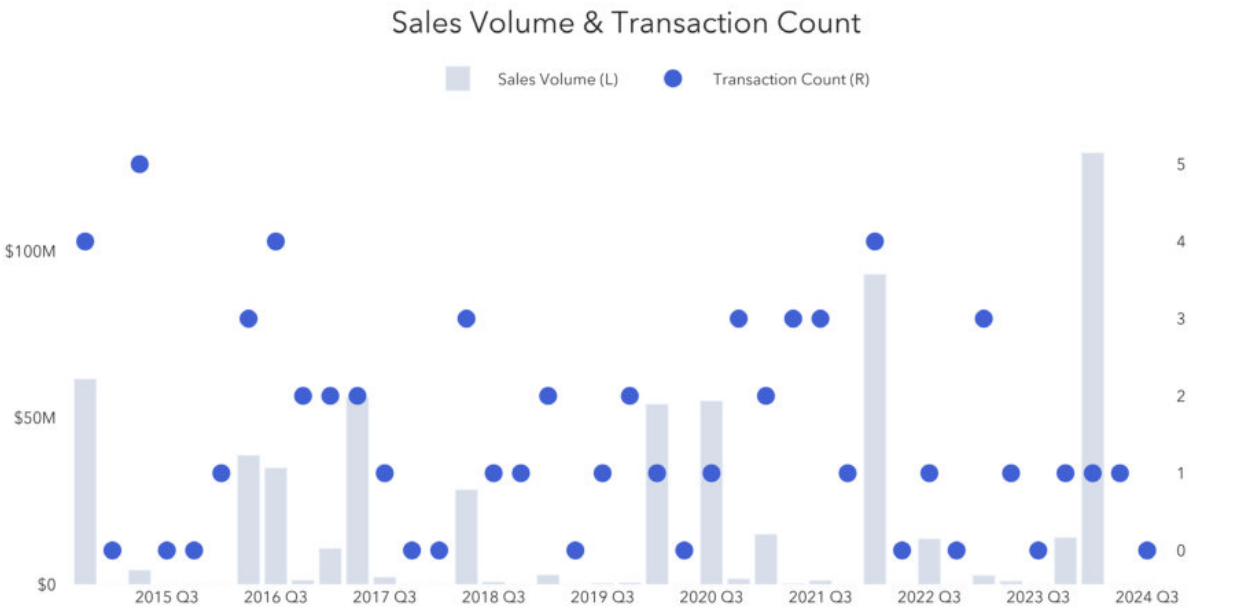
Capital Markets

Investors have not been very active in the market over the past three years and few transactions have occurred. Going back three years, investors have closed on average 6 transactions per year with an annual average sales volume of $46.8 million.

Over the past decade, deals closing between $10 million and $30 million have not been uncommon. However, the impacts of high interest rates are felt most among deals within this range, and only one transaction above $10 million was recorded over the past 12 months. Most of the top sales in recent months ranged between $1 million and $4 million. Over the past year, there were 3 closed transactions across 523 units, for a total sales volume of $143.5 million.

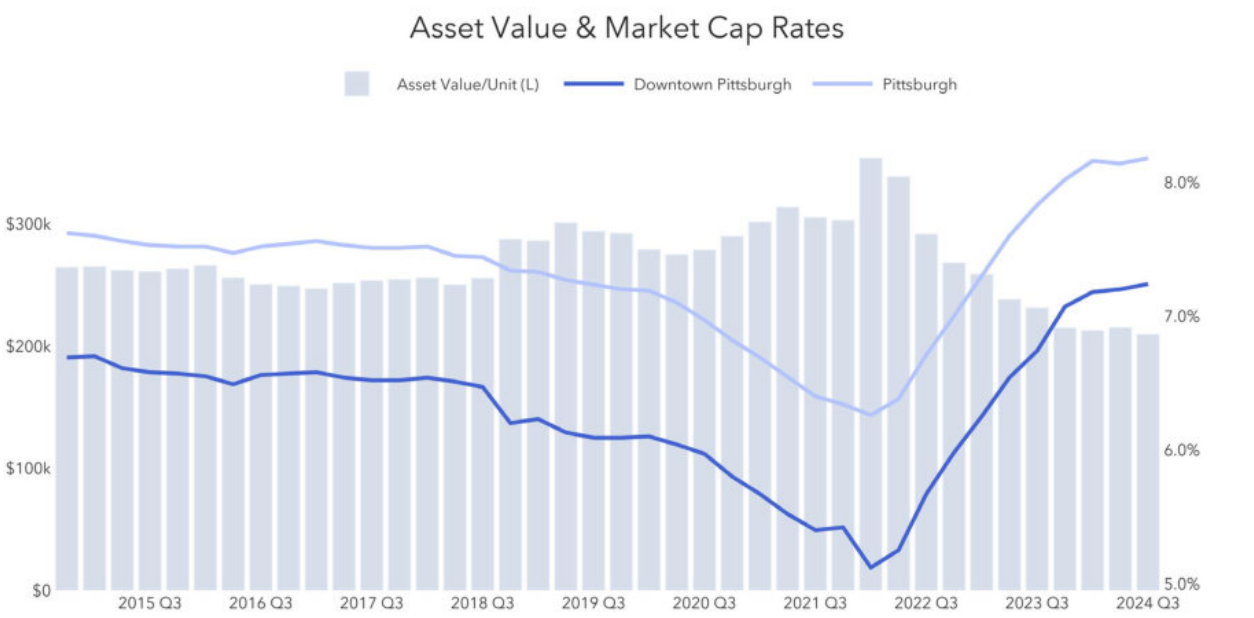
In January, Cleveland-based developer NRP Group sold the leasehold interest to The District apartments to Camp Eight Capital for $129.5 million. The property delivered in 2021 and was over 95% occupied at the time of sale. The deal closed at a 6.1% cap rate.

Deals in Downtown Pittsburgh are concentrated in the South Side Flats neighborhood. Activity accelerated somewhat in 23Q4, supported by one deal. In November, The Residences at South High traded for $14 million ($184,200/unit). California-based FPA Multifamily purchased the asset from local seller McKinney Properties. The property was 80% occupied at the time of sale. FPA Multifamily also acquired The Flats at Southside Works in late 2022 for $13.6 million ($164,000/unit). SomeraRoad Holdings sold the property, which was fully leased at the time of sale, at a 4.75% cap rate.



Source: CoStar

Market pricing, based on the estimated price movement of all properties in the Submarket, is currently $209,661/unit. Values have compressed 9.4% over the past year and continued to fall in the past quarter, decreasing 2.6% in 2024 Q3. Capitalization rates increased 50 bps over the past year to 7.2% and increased 5 bps in Q3. There is still quite a bit of dry powder available. With recent rate cuts and improving fundamentals, investment activity is expected to pick up in Q4, a trend that typically occurs to end the year.



Source: CoStar

Outlook

Multifamily market conditions in the Downtown Pittsburgh Submarket indicate growing demand that has outpaced an increase in inventory. With positive absorption, vacancy rates have compressed over the past year. With vacancy rates compressing, quarterly rent growth contracted by -2.1%, softening annual growth to 2.0%. Looking ahead to the near term, it is likely that tenants remain active, although the Submarket will experience upward pressure from the active pipeline. With softening fundamentals amidst elevated debt costs, values will likely decline, although rate cuts over the 2nd half of the year could fuel investor demand and competition.

Investor Survey

PWC

NATIONAL CBD OFFICE MARKET

Third Quarter 2024

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	6.50% – 12.00%	6.50% – 12.00%	6.50% – 10.00%	6.00% – 10.50%	5.25% – 10.00%
Average	8.88%	8.72%	7.63%	7.33%	6.86%
Change (Basis Points)		+ 16	+ 125	+ 155	+ 202
OVERALL CAP RATE (OAR)[a]					
Range	5.00% – 9.50%	5.00% – 9.50%	4.25% – 8.50%	4.25% – 8.25%	3.75% – 7.50%
Average	7.09%	6.94%	6.19%	5.80%	5.52%
Change (Basis Points)		+ 15	+ 90	+ 129	+ 157
RESIDUAL CAP RATE					
Range	5.50% – 10.00%	5.50% – 10.00%	5.00% – 9.00%	4.75% – 8.25%	5.00% – 7.50%
Average	7.54%	7.36%	6.50%	6.13%	5.91%
Change (Basis Points)		+ 18	+ 104	+ 141	+ 163
MARKET RENT CHANGE[b]					
Range	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	0.00% – 5.00%
Average	1.13%	1.25%	1.38%	1.00%	2.41%
Change (Basis Points)		– 12	– 25	+ 13	– 128
EXPENSE CHANGE[b]					
Range	0.00% – 4.00%	0.00% – 4.00%	2.00% – 4.00%	2.00% – 3.00%	2.00% – 3.00%
Average	2.63%	2.63%	3.13%	2.88%	2.77%
Change (Basis Points)		0	– 50	– 25	– 14
MARKETING TIME[c]					
Range	3 – 15	3 – 15	3 – 15	3 – 12	2 – 12
Average	9.8	9.8	9.8	8.4	5.6
Change (▼, ▲, =)		=	=	▲	▲
FORECAST VALUE CHANGE[d]					
Range	(25.0%) – 1.0%	(25.0%) – 1.0%	(20.0%) – 5.0%	(15.0%) – 2.0%	(5.0%) – 15.0%
Average	(7.7%)	(6.7%)	(5.7%)	(4.0%)	2.8%
Change (▼, ▲, =)		▼	▼	▼	▼

a. Rate on unleveraged, all-cash transactions b. Year-one rate of change c. In months d. Over next 12 months

Source: PwC Investor Survey; survey conducted by PwC during July 2024

Qualifications

Michelle Zell, MAI

Senior Vice President

Experience

Michelle Zell is a Senior Vice President at Bowery Valuation, who joined the firm in October 2019. She has worked in the real estate appraisal industry for 19 years.

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

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

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

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

Education

Cornell University	Bachelor of Science
Emory University	Master of Public Health

Certifications & Professional Designations

Appraisal Institute	MAI, Designated Member Currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members.	
Certified General Real Estate Appraiser	New York (46-49921) Louisiana (G4507) Pennsylvania (GA004611)	Georgia (CG404989) Texas (TX 1380938G) Florida (RZ4135)

Publications

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

Asher Robinson

Vice President

Experience

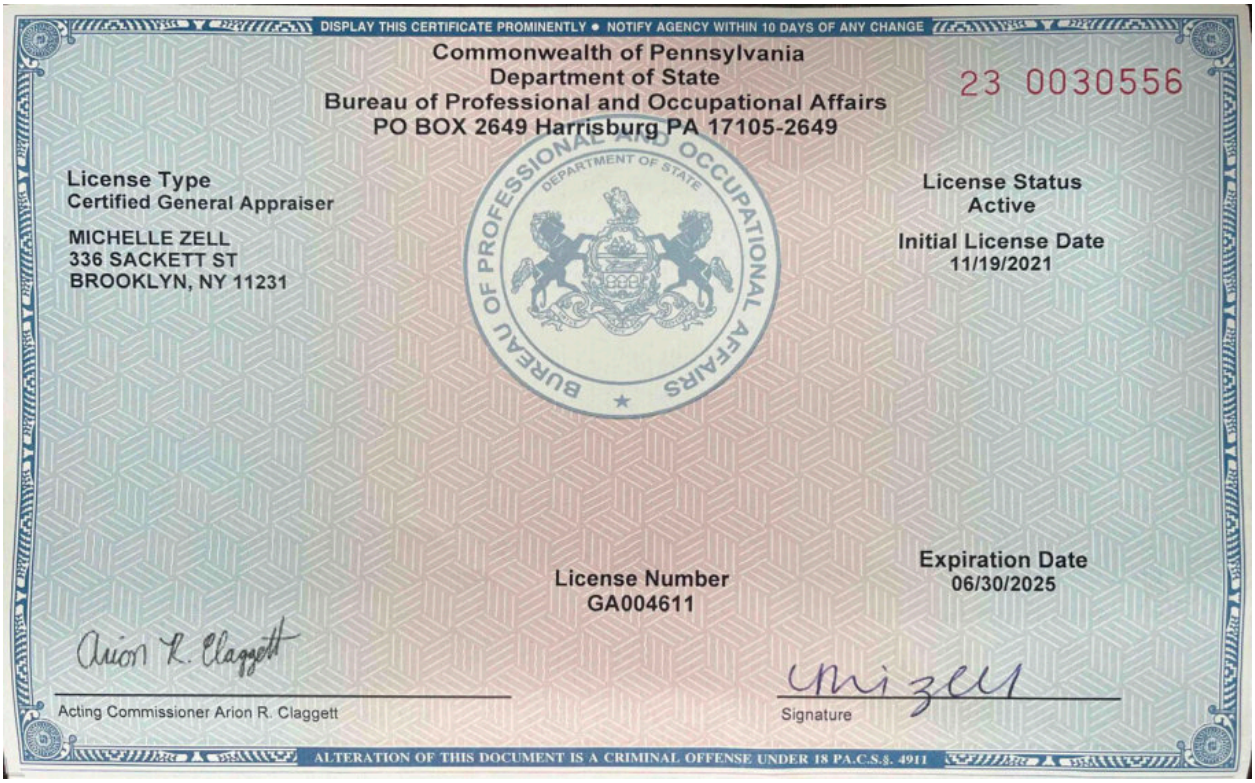
Asher Robinson is a Vice President at Bowery Valuation who joined the firm in September 2020. He has worked in the real estate appraisal industry since 2012 and has appraised a wide variety of property types including multi-unit residential, office, industrial, retail centers, mixed-use properties, and development sites in around the New York City metropolitan area as well as Arkansas, California, Connecticut, Maine, Maryland, Massachusetts, Minnesota, Mississippi, Missouri, New Jersey, Ohio, Pennsylvania, Rhode Island, Washington, and Wisconsin.

Before joining Bowery, Mr. Robinson served as a senior appraiser at BBG/Leitner Group based in New York City.

Education

University of Florida, Warrington College of Business	Dean's List Bachelor of Science in Finance and Information Systems

License



DISPLAY THIS CERTIFICATE PROMINENTLY • NOTIFY AGENCY WITHIN 10 DAYS OF ANY CHANGE

Commonwealth of Pennsylvania
Department of State
Bureau of Professional and Occupational Affairs
PO BOX 2649 Harrisburg PA 17105-2649

23 0030556

License Type
Certified General Appraiser

MICHELLE ZELL
336 SACKETT ST
BROOKLYN, NY 11231

License Status
Active

Initial License Date
11/19/2021

License Number
GA004611

Expiration Date
06/30/2025

Acting Commissioner Arion R. Claggett

Signature

ALTERATION OF THIS DOCUMENT IS A CRIMINAL OFFENSE UNDER 18 PA.C.S.§. 4911

bowery

APPRAISAL REPORT

Bridgewater Place

333 Bridge Street NW

Grand Rapids, Michigan, 49504

Class A Office Building
Bowery Report No. JOB-2400036480

REQUESTED BY

Shoshana Yavneh

Hertz Properties Group, Limited
15303 Ventura Boulevard, Suite 800
Sherman Oaks, CA 91403

DATE OF VALUE AS IS

September 30, 2024

PREPARED BY



Maren Lewis, MAI



Michelle Zell, MAI



Brandon Goodman, MAI

bowery

61-63 Crosby Street, 3rd Floor
New York, NY 10010

November 27, 2024

Ms. Shoshana Yavneh
Hertz Properties Group, Limited
15303 Sherman Oaks Boulevard, Suite 800
Sherman Oaks, CA 91403

Re: Appraisal File No. JOB-2400036480
Bridgewater Place
Class A Office Building
333 Bridge Street NW
Grand Rapids, Michigan 49504

Dear Ms. Yavneh:

In accordance with your request, we have completed an appraisal of 333 Bridge Street NW in Grand Rapids, Michigan 49504 for the purpose of advancing an opinion of the fair value of the leased fee interest of the subject as of September 30, 2024. To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. In addition, this appraisal has been prepared in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement).

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

We confirm that we have given our full consent to the inclusion of Bridgewater Place appraisal as of September 30, 2024, in its entirety within Hertz Properties Group Limited (the "Company") financial statements and related information to be published by the Company for the Tel Aviv Stock exchange and for the Israeli Security Authority in September 30, 2024.

The subject, 333 Bridge Street NW, consists of a 17-story multi-tenanted elevatored Class A office building. 333 Bridge Street NW contains 768,153± gross square feet, according to public record, and 353,356± square feet of leasable area. The remaining area is occupied by the garage. The property is 65.08% based on GLA across 46 tenant spaces. We note that some tenants occupy multiple units. It is noted that one of the subject's anchor tenants, Spectrum Health, downsized from 70,062 square feet to 14,294 square feet when its lease expired in February 2024, resulting in a decrease to the occupancy level. Further, the remaining space is occupied on a month-to-month basis, and according to ownership, the tenant is not expected to renew. For purposes of this analysis, we have marked this space as vacant, in addition to two other tenants that are also leasing space on a MTM basis, and not expected to renew (Dewpoint, Inc. and Legacy Office).

The property was built in 1994 and has had subsequent improvements throughout the years. Overall, the property is in good condition.

The subject property is located at the northeast corner of Bridge Street NW and Scribner Ave NW in the Grand Rapids neighborhood in the State of Michigan. The building is located north of the arts district which includes the Van Andel Music Center and the Gerald R Ford Museum, and across the river from the DeVos Performance Hall. The site contains a total land area of 3.204± acres / 139,566± square feet and are located in a TN-CC (Traditional Neighborhood - City Center) zoning district. It is identified on the Kent County Grand Rapids City Tax Maps as Parcel 411324451015.

The highest and best use of 333 Bridge Street NW is as the current use as a Class A office building. This conclusion is based on its zoning, physical characteristics, location, and forecasted economic conditions.

Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformance with the Standards of Professional Practice and Code of Professional Ethics of the Appraisal Institute, the Uniform Standard of Professional Appraisal Practice (USPAP). This appraisal is prepared in compliance with IFRS-13 as well as the Interagency Appraisal and Evaluation Guidelines dated December 2, 2010. After carefully considering all available information and factors affecting value, our opinion is:

Final Value Opinion

Value	Interest Appraised	Date of Value	Conclusion
Fair Value As Is	Leased Fee Interest	September 30, 2024	$27,500,000

Our value as of September 30, 2024 is $27,500,000 and this represents an 18.4% decrease since our last appraisal with a date of value of June 30, 2024. Since our last full appraisal of the property as of December 31, 2023, Spectrum's lease expired, and the tenant's planned downsizing took place. Ownership was able to execute a few new leases, although USI vacated its 14,980 sq foot space on the 4th floor. Further, Spectrum's remaining space 14,294 square feet of space is occupied on a MTM basis, and the tenant does not plan to renew. Similarly, Legacy Office and Dewpoint, Inc. are also MTM and not expected to renew, and thus we have marked these spaces as vacant. The effective occupancy level has dropped to 65.1%.. Slight changes to operating expense estimates were warranted due to updated Income & Expense statements. We do point out that the millage rate within the jurisdiction dropped, resulting in a decrease in property tax liability. Lastly, we note in our prior appraisal of the subject, ownership reported approximately $1.4 million in outstanding TI and leasing commissions to be paid out. This cost has now risen to nearly $2 million.

Based on conditions in the macro-office investment market, we increased the capitalization rate estimate by 50 basis points from our prior appraisal to 8.75%. This was based on inferior market conditions as reported by market participants, and our review of sales data and market trends. While the Federal Reserve voted in September 2024 to cut its benchmark interest rate, for the first time since 2020, by 50 basis points to 4.75% - 5.00%, it is still too early, and there is no data to suggest that this has caused a material change to the broader office investment market at this time.

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

- None.

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

- None.

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

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

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

61-63 Crosby Street, Floor 3
New York, NY 10012

Thank you for the opportunity to serve you.

Sincerely,



Maren Lewis, MAI
Senior Vice President
Certified General Real Estate Appraiser
MI License No. 1205078256
maren.lewis@boweryvaluation.com
(917) 748-5387

Summary of Salient Facts & Conclusions

Subject Property	Class A Office Building Bridgewater Place 333 Bridge Street NW Grand Rapids, Michigan 49504
Building Description	The subject, 333 Bridge Street NW, consists of a 17-story multi-tenanted elevatored Class A office building.
Location	The subject is located at the northeast corner of Bridge Street NW and Scribner Ave NW in the Grand Rapids neighborhood in the State of Michigan. The building is located north of the arts district which includes the Van Andel Music Center and the Gerald R Ford Museum, and across the river from the DeVos Performance Hall.
Parcel	411324451015
Census Tract	19.00
Year Built	1994
Site Area	3.204± acres./ 139,566± square feet
Zoning	TN-CC (Traditional Neighborhood - City Center) zones
Flood Hazard Status	According to National Flood Insurance Program Rate Map dated November 5, 1982 Community Panel #260106 - 2601060020C, the subject is located within flood Zones B, A9. Zone A9 is an area inundated by 100-year flooding
Exposure Time	Twelve months
Property Rights Appraised	Leased Fee Interest
Date of Inspection	July 28, 2023 as part of a prior engagement. We did not inspect as part of this engagement.
Date of Value	September 30, 2024
Date of Report:	November 27, 2024

Financial Indicators – As Is

Financial Indicators	**Total**	**Per SF-GLA**
Average Rent PSF	$20.97	
Effective Gross Income	$5,787,883	$16.38
Stabilized Occupancy	100%	
Current Occupancy	65.08%	
Expense Ratio	55%	
Net Operating Income	$2,575,915	$7.29
Direct Capitalization Rate	8.75%	
Direct Capitalization Approach Value	$27,500,000	$78
Sales Comparison Approach Value	$28,000,000	$79

Sales Comparison Approach Indicators	Total	Per SF-GLA
Number of Sales Used	5	
Sale Transaction Date Range	05/17/2022 to 09/05/2024	
Unadjusted Range PSF	$69-$122	
Adjusted Range PSF	$76-$117	
Sales Comparison Approach Value Conclusion	$28,000,000	$79

Final Value Opinion

Value	Interest Appraised	Date of Value	Conclusion
Fair Value As Is	Leased Fee Interest	September 30, 2024	$27,500,000

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

- None.

The value conclusions are based on the following **Hypothetical Conditions**[4] that may affect the assignment results:

- None.

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

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

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

Table of Contents

Introduction 1
Subject Exterior 1
Property Identification 1
SWOT Analysis 2
Date of Value Opinion 2
Purpose 2
Identification of the Client 2
Intended Users 2
Intended Use 3
Property Rights Appraised 3
Property History 3
Exposure Time 4
General Assumptions 4
Geographic Competency 5
Definition of Fair Value 5
Scope of the Appraisal 5
Data Sources 6
U.S. Economic and Commercial Real Estate Overview – 2024 Q3 7
Kent County Area Analysis 16
Neighborhood & Demographic Overview 23
Zoning Summary 28
Traditional Neighborhood – City Center Zone District (TN-CC) Summary 28
Conformity 29
Assessed Values & Real Estate Taxes 31
Assessments 31
Tax Rate 31
Tax Liability Forecast 32
Site Description 33
Flood Map 36
Building Description 37
Structural & Mechanical 37
Layout & Finishes 39
Condition & Maintenance 41
Summary 41
Market Analysis 42

Central Grand Rapids: Office Submarket Analysis 42
Highest & Best Use 48
Highest and Best Use As Vacant 48
As Improved 49
Appraisal Valuation Process 50
Income Capitalization Approach 51
Approach Applied 51
Base Commercial Income 51
Vacancy and Credit Loss 60
Operating Expense Analysis 61
Direct Capitalization Stabilized Income and Expenses 68
Sales Comparison Approach 72
Unit of Comparison 72
Comparable Sales 72
Reconciliation & Final Value Opinion 82
Certification 83
Addenda 85
Glossary of Terms 85
Provided Documents 89

Introduction

Subject Exterior



Property Identification

The subject, 333 Bridge Street NW, consists of a 17-story multi-tenanted elevatored Class A office building. 333 Bridge Street NW contains 768,153± gross square feet, according to public record, and 353,356± square feet of leasable area. The remaining area is occupied by the garage. The property is 65.08% based on GLA across 46 tenant spaces. We note that some tenants occupy multiple units. It is noted that one of the subject's anchor tenants, Spectrum Health, downsized from 70,062 square feet to 14,294 square feet when its lease expired in February 2024, resulting in a decrease to the occupancy level. Further, the remaining space is occupied on a month-to-month basis, and according to ownership, the tenant is not expected to renew. For purposes of this analysis, we have marked this space as vacant, in addition to two other tenants that are also leasing space on a MTM basis, and not expected to renew (Dewpoint, Inc. and Legacy Office).

The property was built in 1994 and has had subsequent improvements throughout the years. Overall, the property is in good condition.

SWOT Analysis

SWOT is an acronym for the internal and external (environmental) strengths, weaknesses, opportunities and threats facing the subject. We have identified the following:

Strengths/Opportunities:

- The subject has a diverse and solid tenant roster, with some long lease terms for larger tenants. The WALT is calculated at approximately 5.73 years.
- 1,358 garage parking spaces connected to the main office building while most downtown office buildings do not have as much off-street parking.
- This area in Grand Rapids has seen economic development and strong investor demand in other asset types, namely residential.

Weaknesses/Threats:

- Office users may require less total office area due to remote working conditions for some employees; however, this will be somewhat offset as the office area required per employee should increase as a result.
- Below-stabilized occupancy level at 71.1% due to recent, notable downsizing of anchor tenants.
- The Federal Reserve Board met from September 17 - 18 2024 and voted to cut its benchmark interest rate, for the first time since 2020, by 50 basis points to 4.75% - 5.00%. The FOMC has been holding its benchmark fed funds rate in a range between 5.25%-5.5% since it last hiked in July 2023. With the Fed's preferred inflation measure ("PCE") falling from 3.3% to 2.5% and the unemployment rate rising from 3.5% to 4.2%, the Fed is now shifting its focus towards stabilizing softening economic growth. The FOMC meets again in seven weeks, on November 7 - 8, with the Fed projecting another half point of rate cuts later this year, which would lower the central bank's policy rate to 4.4%.

Date of Value Opinion

The date of our valuation is September 30, 2024. Mueller inspected the asset and its environs on July 28, 2023 as part of a prior engagement. Michelle Zell, MAI and Brandon Goodman did not inspect the asset.

Purpose

The purpose of the appraisal is to provide an opinion of the As Is fair value of the leased fee interest of the subject property as of September 30, 2024, subject to the general underlying assumptions and limiting conditions cited herein, and in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). According to the International Financial Reporting Standard 13, Fair Value is defined as: "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

Identification of the Client

Hertz Investment Group, LLC has engaged us and is our client for this assignment.

Intended Users

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

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

Intended Use

The Intended Use of the report is to aid the Hertz Investment Group, LLC in the preparation of Financial Statements and a Prospectus, or additional Prospectuses, to be published with the Israeli Security Authority, and potentially, the United States Securities and Exchange Commission.

Property Rights Appraised[5]

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

Property History

The current owner of record is HERTZ GRAND RAPIDS ONE LLC per Kent County records. There have been no arm's length transactions within the past three years. We are not aware of any additional bids, offers or options to purchase for this asset.

Per information provided to our office by the Kent District of Columbia, title of the subject is held by Hertz Grand Rapids One, LLC, who purchased the subject property from GMAC Mortgage, on March 29, 2013, document number 4160042044, for a reported consideration of $26,500,000 or per $75.00/SF of improvements. The subject was purchased at below market levels for the following reasons:

- Purchased in 2013 after the asset was in bankruptcy for over 3 years and occupancy had fallen to 65%.

- 60 days after acquisition it was found that the court appointed Receiver (seller) failed to show $400,000 per year of parking income due to the property and also failed to calculate the operating expense pass through correctly resulting in another $300,000 of annual income. Sixty days after this asset was acquired out of bankruptcy, $700,000 of income was discovered.

- 36 months after this asset was acquired, it was leased it up to 86% and increased the NOI to over $3,500,000.

Ownership has provided an appraisal of the subject dated December 31, 2018 which we have reviewed. The value as of December 31, 2018 was $61,700,000. Overa the ensuing years, Bowery Valuation completed period appraisals of the subject property. The historical appraised values are summarized as follows:

Date of Value	Appraised Value
December 31, 2018 (*)	$61,700,000
December 31, 2019	$62,200,000
December 31, 2020	$63,600,000
December 31, 2021	$61,000,000
September 30, 2022	$61,500,000
June 30, 2023	$52,900,000
September 30, 2023	$39,200,000
December 31, 2023	$37,400,000
March 31, 2024	$35,000,000
June 30, 2024	$33,700,000
September 30, 2024	**$27,500,000**

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

(*) Based on appraisal provided by ownership; not performed by Bowery Valuation.

Bowery Valuation completed a full appraisal of the subject property with a date of value of December 31, 2023 and the concluded value opinion was $33,700,000. More recently, Bowery Valuation issued update letters in the 1st and 2nd quarters of 2024, with the most recent reported value being $33,700,000.

Our value as of September 30, 2024 is $27,500,000 and this represents an 18.4% decrease since our last appraisal with a date of value of June 30, 2024. Since our last full appraisal of the property as of December 31, 2023, Spectrum's lease expired, and the tenant's planned downsizing took place. Ownership was able to execute a few new leases, although USI vacated its 14,980 sq foot space on the 4th floor. Further, Spectrum's remaining space 14,294 square feet of space is occupied on a MTM basis, and the tenant does not plan to renew. Similarly, Legacy Office and Dewpoint, Inc. are also MTM and not expected to renew, and thus we have marked these spaces as vacant. The effective occupancy level has dropped to 65.1%.. Slight changes to operating expense estimates were warranted due to updated Income & Expense statements. We do point out that the millage rate within the jurisdiction dropped, resulting in a decrease in property tax liability. Lastly, we note in our prior appraisal of the subject, ownership reported approximately $1.4 million in outstanding TI and leasing commissions to be paid out. This cost has now risen to nearly $2 million.

Based on conditions in the macro-office investment market, we increased the capitalization rate estimate by 50 basis points from our prior appraisal to 8.75%. This was based on inferior market conditions as reported by market participants, and our review of sales data and market trends. While the Federal Reserve voted in September 2024 to cut its benchmark interest rate, for the first time since 2020, by 50 basis points to 4.75% - 5.00%, it is still too early, and there is no data to suggest that this has caused a material change to the broader office investment market at this time.

Exposure Time[6]

It is our opinion that a normal exposure time for the subject property is twelve months. This conclusion is predicated on interviews with brokers and other real estate industry sources and on information obtained in the verification process. According to the PwC Real Estate Investor Survey 3Q2024, the average marketing time for the National Suburban Office market is 9.6 months, up slightly from last quarter's figure of 9.5 months and 9.1 months one year ago. The value reported herein presumes such an exposure time. The difficulty in securing financing for office buildings yields longer exposure time.

General Assumptions

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

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

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

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

- Easements, Encroachments, and Restrictions: We know of no deed restrictions, private or public, that further limit the subject property's use. The research required to determine whether or not such restrictions exist, however, is beyond the scope of this appraisal assignment. Deed restrictions are a legal matter and only a title examination by an attorney or Title Company can usually uncover such restrictive covenants. Thus, we recommend a title search to determine if any such restrictions do exist.
- Building Health and Fire Codes: Our valuation assumes there are no known code violations.
- Estimates of gross building area and total leasable area were furnished by the owner and are specified in the "Data Sources" section of the Introduction. The provided gross building area of 768,153 square feet above grade is sourced from the public record. The management company/ownership provided leasable area of 353,356 square feet. The opinions of value reported herein are based on the assumption that the data provided are the most recent and accurate. It has been verified to the best of our ability based on our use of client and/or borrower provided data and publicly available data.

Geographic Competency

As detailed above, in order to acquire geographic competency, the appraisers have researched the local market, examined supply and demand factors, economic and development activity, and interviewed local market participants and real estate brokers.

Definition of Fair Value

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

When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value.

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

(a) the particular asset or liability being measured;

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

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

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

Scope of the Appraisal

Within the course of this assignment, we have:

- Inspected the full exterior and interior, common areas, and mechanical systems as part of a prior engagement. We did not inspect as part of this engagement.
- Researched and investigated the location in terms of its economic activity, development patterns, and future trends and related their impact on the market.
- Determined the highest and best use of the subject property based on an analysis of all relevant factors.
- Conducted a market survey of rent and vacancy levels of similar properties.
- Reviewed projected income and operating expenses for the subject property.

- Researched and analyzed similar retail/office rental, operating expense and tax comparables to determine the reasonableness of the existing income and expenses at the subject property.
- Projected the net operating income under a one-year stabilized operating period and applied a market-derived capitalization rate and competitive discount rate to develop an opinion of value by the income approach.
- Researched and analyzed sales of competitive assets and applied the techniques of the sales comparison approach in advancing an opinion of value.
- Advanced an opinion of the fair value of the identified interest.

Data Sources

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

Data Sources

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

The subject photos were taken by Mueller as of the date of inspection (July 28, 2023).

U.S. Economic and Commercial Real Estate Overview – 2024 Q3

This report contains data and commentary from the U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, U.S. Department of Housing and Urban Development, and CoStar. Data is through the 3rd quarter of 2024 unless otherwise noted.

Economic Overview and Outlook

Economic growth in the United States continues to run at a sturdy pace. After expanding solidly during the first half of the year, real GDP is shaping up to rise at a 3.2% quarterly annualized pace in Q3. Some near-term moderation appears in store as the lagged effects of tight monetary policy further feed through to households and businesses, but growth should remain resilient and eventually be energized by less restrictive monetary policy.

A less vulnerable financial position for households illustrated by recent upward revisions to the saving rate help better explain the remarkable staying power of the consumer recently. A moderation should still soon begin to set in; however, household finances standing on more secure footing and a firmer labor market outlook have led us to boost our near-term forecast for consumer spending.

September's strong employment report helps assuage concerns that a sharp deterioration in the labor market is imminent and suggests that conditions may hold up a bit better further down the line than our previous forecast had assumed. Payroll growth is forecasted to average 128K per month in Q4 compared to previous estimates of 105K. The upward trend in the unemployment rate since the start of the year is likely to resume, but peak in Q4 at a lower rate.

The process of reducing the federal funds target range kicked off at the September FOMC meeting with the delivery of a 50 basis point cut. Consensus is that two more rate cuts this year are possible, with 25 basis point reductions at both the November and December meetings likely to occur. Although the ride back to the FOMC's 2% target will continue to be bumpy, the conditions for additional progress remain largely in place. The headline PCE deflator should reach the Fed's 2% target in the near future. However, core inflation is likely to remain slightly above 2% until the second half of 2026.

GDP

Real gross domestic product (GDP) increased at an annual rate of 3.0 percent in the second quarter of 2024, according to the "third" estimate. In the first quarter, real GDP increased 1.6% (revised). The second-quarter increase in real GDP was the same as previously estimated in the "second" estimate released in August.

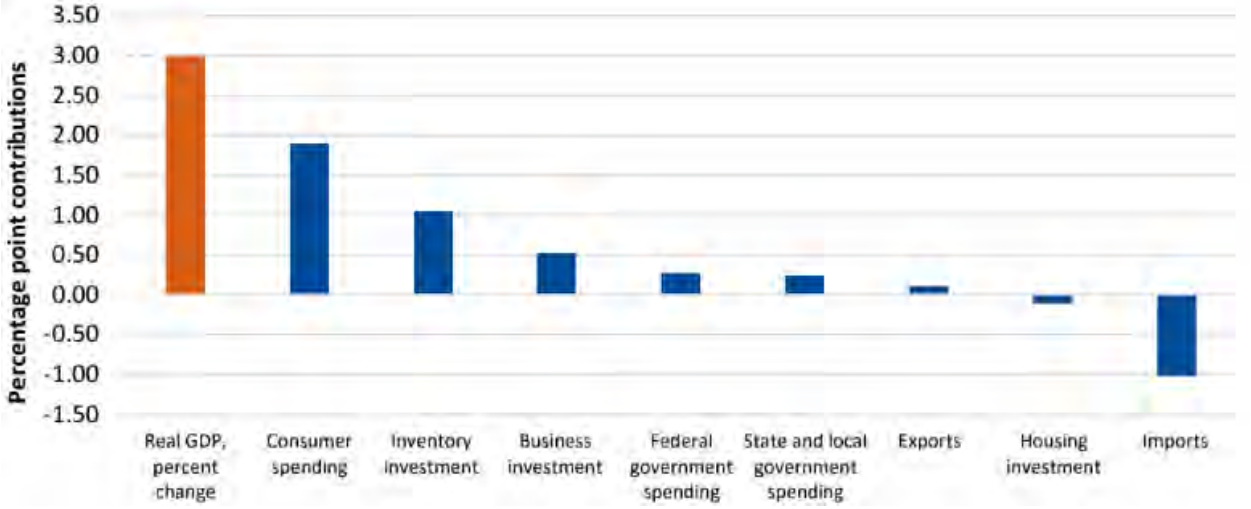
Economic growth in the United States continues to run at a sturdy pace. After expanding solidly during the first half of the year, real GDP is shaping up to rise at a 3.2% quarterly annualized pace in Q3. The effects of higher interest rates are still readily apparent, with nonresidential structures and residential investment setting up to remain as drags on headline growth. Elsewhere, however, most other major segments continue to perform relatively well. A strong rate of consumer spending continues to be the driving force behind overall growth, while business investment in equipment and intellectual property products looks to have strengthened in recent months. Looking ahead, some near-term moderation in real GDP growth appears in store as the lagged effects of tight monetary policy further feed through to households and businesses.

The increase in the second quarter primarily reflected increases in consumer spending, inventory investment, and business investment. Imports, which are a subtraction in the calculation of GDP, increased.

The increase in consumer spending reflected increases in both services and goods. Within services, the leading contributors to the increase were health care, transportation services, and housing and utilities. Within goods, the leading contributors to the increase were motor vehicles and parts and furnishings and durable household equipment.

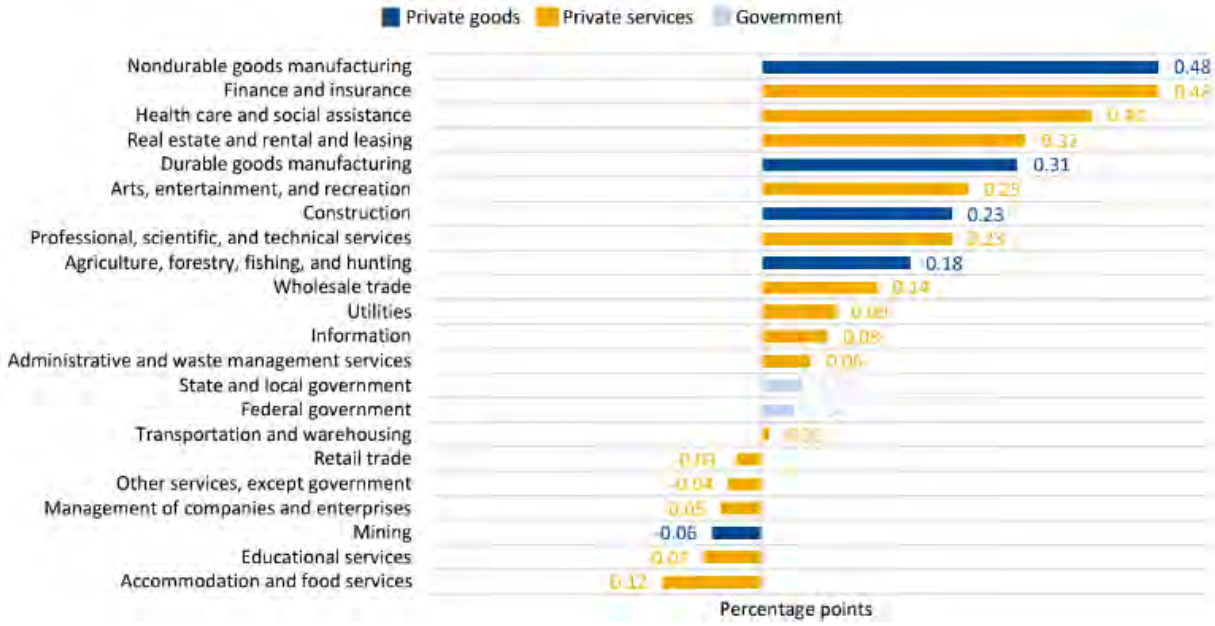
The increase in inventory investment was led by increases in retail trade and wholesale trade industries that were partly offset by a decrease in mining, utilities, and construction industries. The increase in business investment primarily reflected an increase in equipment (led by transportation equipment). Compared to the first quarter, the acceleration in real GDP in the second quarter primarily reflected an upturn in inventory investment and an acceleration in consumer spending that were partly offset by a downturn in housing investment.

Contributions to % Change in Real GDP, Q2



Source: U.S. Bureau of Economic Analysis

Contributions to % Change in Real GDP by Industry Group

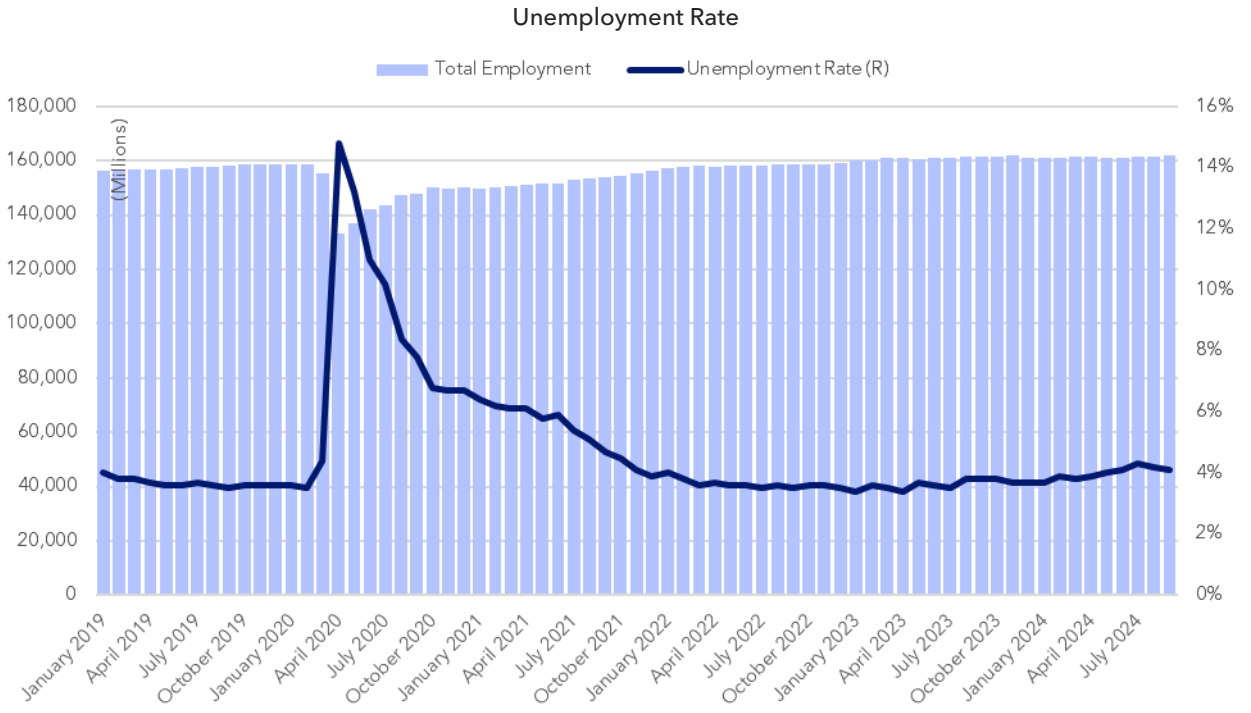


Source: U.S. Bureau of Economic Analysis

Labor Market

Nonfarm payrolls comfortably beat expectations and rose by 254K during September, and the pace of hiring was revised higher in the previous two months. What's more, the unemployment rate fell back to 4.1%. Although still up from 3.7% at the start of the year, the jobless rate has been in the 4.1%-4.3% range since June, which is low from a historical perspective and roughly in line with estimates of the natural rate of unemployment.

The three-month average of job growth has been declining since mid-2021. Meanwhile, initial, and continuing claims for unemployment benefits are drifting higher, and job openings have fallen below their pre-pandemic trend.



Source: Bureau of Labor Statistics

Inflation

Consumer price growth slowed to 2.4% on a year-ago basis in September, the slowest annual pace of inflation since February 2021. Core CPI inflation has risen at a 3.1% annualized pace over the past three months, slightly below the 3.3% year-ago pace.

At 4.8% year-over-year in September, services categories remain the laggard in terms of core inflation settling back down, but service providers should continue to benefit from more stable prices for goods inputs moving forward. Meantime, the ongoing softening in the jobs market and pickup in productivity growth are reducing inflationary forces from labor inputs–dynamics that will help limit goods and services inflation alike. Milder shelter inflation seems only to be a matter of time. All told, upward pressure on prices is dissipating, but a return to the Fed's target will require patience; with core PCE inflation hopefully reaching 2% in the fall of 2026.

Overall, the ride back to the FOMC's 2% target is likely to remain slow given less deflationary impulse from goods, food and energy prices moving forward. Still, the conditions for additional progress largely remain in place. Less intense demand and a softer labor market should keep a lid on price pressures, especially in the service sector. Further easing in shelter costs also remains highly probable given softer housing market conditions.

Residential

The adverse impacts of higher mortgage rates and increased home prices continue to reverberate across the housing market. The U.S. economy is still expanding, but home sales remain in a deep lull reminiscent of the aftermath of the Great Recession. A dip in mortgage rates as the Federal Reserve pivots to a less restrictive stance of monetary policy could improve affordability and provide a needed jolt to the residential sector.

Federal Reserve rate cuts brighten the outlook for residential investment, with lower financing costs likely to be supportive of both single-family and multifamily development in the coming years. Residential expenditures are expected to become a positive force on GDP by year-end, additional near-term weakness appears unavoidable. Private single-family construction outlays have dipped for three consecutive months as of August following a five-month downdraft in single-family permits. Multifamily outlays also continue to trend lower. Although apartment demand has firmed quite substantially, builders are still pulling back on new construction starts in an attempt to rightsize the supply-demand imbalance in the multifamily market. Home improvement outlays have picked up; however, broker's fees are likely to remain muted amid a sluggish pace of home sales. Looking past this quarter, mortgage rates should trend lower as the Fed continues its easing cycle, which would help to boost buyer demand and residential construction.

Residential Housing Metrics

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Real GDP, Percent Change	2.9	1.8	2.5	3.0	2.5	-2.2	5.8	1.9	2.5
Residential Investment, Percent Change	10.6	7.1	4.3	-0.7	-0.9	7.2	10.7	-9.0	-10.6
Nonfarm Payroll Change (Avg. Monthly)	226.4	193.9	175.9	190.3	165.7	-772.8	604	377	251
Unemployment Rate	5.3	4.9	4.4	3.9	3.7	8.1	5.4	3.6	3.6
Home Construction									
Total Housing Starts, in Thousands	1,111.9	1,173.7	1,202.9	1,250.0	1,289.9	1,379.6	1,601	1,553	1,420
Single-Family Starts, in Thousands	714.6	781.5	848.9	875.7	887.7	990.5	1,127	1,005	948
Multifamily Starts, in Thousands	397.3	392.2	354.0	374.3	402.2	389.1	474	548	472
Home Sales									
New & Existing Home Sales, in Thousands	5,751	6,011	6,123	5,957	6,022	6,461	6,891	5,667	4,753
New Home Sales, Single-Family, in Thousands	501	561	613	617	682	821	771	641	666
Total Existing Home Sales, in Thousands	5,250	5,450	5,510	5,340	5,340	5,640	6,120	5,026	4,087
Existing Single-Family Home Sales, in Thousands	4,646	4,838	4,892	4,742	4,765	5,066	5,413	4,480	3,659
Existing Condominium & Co-op Sales, in Thousands	608	614	619	601	579	578	707	546	428
Home Prices									
Median New Home, $ Thousands	294.2	307.8	323.1	326.4	321.5	336.9	397.1	457.8	428.6
Percent Change	2.0	4.6	5.0	1.0	-1.5	4.8	15.8	16.8	-6.4
Median Existing Single-Family Home, $ Thousands	223.9	235.5	248.8	261.6	274.6	300.2	357.1	392.8	394.1
Percent Change	7.2	5.2	5.6	5.1	5.0	9.3	19.0	10.0	0.3
S&P Case-Shiller National Home Price Index, Percent Change	4.5	5.1	5.8	5.8	3.4	6.1	17.1	14.8	2.4
Interest Rates - Annual Averages									
Federal Funds Target Rate	0.27	0.52	1.13	1.96	2.25	0.50	0.25	2.02	5.23
10-Year Treasury Note	2.14	1.84	2.33	2.91	2.14	0.89	1.45	2.95	3.96
Conventional 30-Year Fixed Rate, Commitment Rate	3.98	3.76	4.09	4.64	4.08	3.18	3.03	5.38	6.80

Source: Wells Fargo, Economics, U.S. Housing Forecast

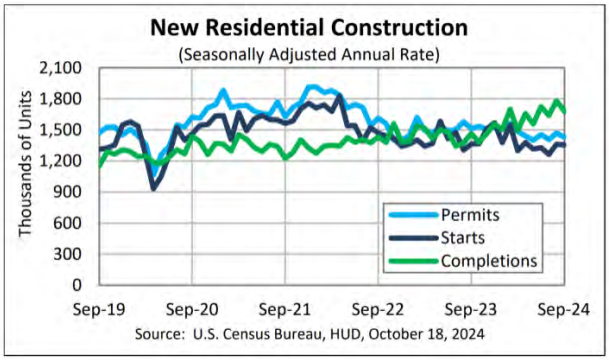
Privately-owned housing units authorized by building permits in September were at a seasonally adjusted annual rate of 1,428,000. This is 2.9% below the revised August rate of 1,470,000 and is 5.7% below the September 2023 rate of 1,515,000. Single-family authorizations in September were at a rate of 970,000; this is 0.3% above the revised August figure of 967,000. Authorizations of units in buildings with five units or more were at a rate of 398,000 in September.

Privately-owned housing starts in September were at a seasonally adjusted annual rate of 1,354,000. This is 0.5% (±13.0%)* below the revised August estimate of 1,361,000 and is 0.7% (±16.1%)* below the September 2023 rate of 1,363,000. Single-family housing starts in September were at a rate of 1,027,000; this is 2.7% (±13.4%)* above the revised August figure of 1,000,000. The September rate for units in buildings with five units or more was 317,000.

Privately-owned housing completions in September were at a seasonally adjusted annual rate of 1,680,000. This is 5.7% (±19.9%)* below the revised August estimate of 1,781,000 but is 14.6% (±11.9%) above the September 2023 rate of 1,466,000. Single-family housing completions in September were at a rate of 1,000,000; this is 2.7% (±7.8%)* below the revised August rate of 1,028,000. The September rate for units in buildings with five units or more was 671,000.

New Residential Construction





Source: U.S. Bureau of Economic Analysis

The Federal Reserve's 50 bps cut at the September FOMC meeting marks the beginning of the end of the worst CRE downturn since the Global Financial Crisis. Given inflation appears contained and strains are emerging in the labor market, the Fed is expected to follow with a string of rate cuts through the summer of 2025 in order to keep the economic expansion intact.

Lower interest rates are not a magic bullet, but less restrictive monetary policy lays the groundwork for a commercial real estate recovery. Decreased long-term interest rates appear to be easing upward pressure on cap rates and slowing declines in property valuations. Meanwhile, increased expectations for an economic soft-landing look to be giving capital the green-light to move off the sidelines. There's no shortage of obstacles ahead, especially when it comes to the office market. That said, reduced interest rates should prevent distress from spreading and shorten the hurdles coming down the road.

Multifamily

The U.S. multifamily market continued a strong rebound in demand through the third quarter of 2024, with 152,000 units absorbed. That brings the 12-month demand to 529,000 units, which is the strongest total since 2021. Demand was driven by stable economic growth, plus a continued slowing of renter households, making the jump to ownership, and creating fewer units to backfill. And while supply additions have outpaced demand over the past 11 quarters, the gap has closed significantly. In the third quarter, vacancy rates held steady at 7.8%.

Additionally, overall rent growth appears to have stabilized and may have hit an inflection point. Rent growth has held steady in the 1.0% range over the past four quarters but began increasing from 1.1% to 1.3% over the first two months of the third quarter.

Nevertheless, rent conditions at different price points show distinct results. Most new supply additions are concentrated at the Class A & B price point, contributing to the weakest rent growth observed at the market's upper echelon. In the second quarter, Class A & B properties recorded rent growth of 0.3%, and this segment is projected to remain the weakest for the foreseeable future. At the same time, mid and lower priced properties experienced rent growth that outpaced the overall average. The outlook for the remainder of the year indicates overall accelerating rent growth due to increasing demand and limited supply pressure in the Class C and below segments.

Market fundamentals are also highly varied depending on region. For the most part, Midwest and Northeast markets have experienced only moderate supply additions over the past two years, contributing to a more balanced multifamily sector in these regions. Consequently, they have exhibited the most favorable rent growth. At the same time, rent growth has been sluggish in the Sun Belt, with numerous markets reporting negative year-over-year rent growth.

Current projections indicate 611,000 completions for the year, which would be the highest total since the mid1980s. But almost 60% of projected deliveries have already hit the market so that deliveries will decline in the third and fourth quarters. If absorption can maintain the strong pace set year to date, supply and demand could be balanced in the third and fourth quarters. In that case, the overall market will have the opportunity to stabilize and possibly begin recovering by the end of 2024, with overall rent growth approaching 2.0%. Furthermore, the market will experience significant supply relief by next year when deliveries will fall by nearly 45% to 337,000 units.

National Multifamily Fundamentals

Period	Inventory Units	Under Construction Units	Net Delivered Units 12 Mo	Absorption Units 12 Mo	Vacancy Rate	Market Effective Rent/Unit	Asset Value/Unit	Market Cap Rate
2024 Q3	20,103,150	721,773	679,275	528,859	7.8%	$1,716	$229,820	6.18%
2024 Q2	19,924,588	843,057	658,815	446,030	7.9%	$1,725	$232,167	6.16%
2023	19,570,317	1,053,559	594,737	327,014	7.7%	$1,690	$238,350	6.01%
2022	18,975,620	1,129,287	449,554	147,494	6.5%	$1,677	$274,921	5.27%
2021	18,525,916	836,958	418,734	703,812	5.0%	$1,612	$294,567	4.87%
2020	18,107,178	720,841	458,942	402,707	6.7%	$1,458	$254,051	5.36%
2019	17,648,284	735,616	374,272	343,622	6.6%	$1,446	$243,048	5.71%
2018	17,274,269	674,721	366,539	387,181	6.5%	$1,398	$232,597	5.86%
2017	16,907,718	615,574	381,723	318,650	6.8%	$1,353	$224,894	5.94%
2016	16,525,986	616,363	332,230	259,675	6.5%	$1,320	$217,808	6.02%
2015	16,193,747	540,259	318,728	317,749	6.2%	$1,289	$211,782	6.03%
2014	15,875,769	484,029	286,036	256,534	6.3%	$1,237	$199,018	6.20%

Retail

Despite a sharp uptick in retailer bankruptcies and store closures, conditions within U.S. retail space markets remain historically tight heading into the final months of 2024.

Availability has held at a historically low level of just 4.7% for four consecutive quarters, while both tenants and brokerage representatives continue to report a lack of quality available space as a factor impacting the market. After four years of consecutive demand growth, many available spaces skew to the lower end of the quality spectrum, as nearly 40% of available space is rated Class C or below. In addition, less than 25% of available space was built this century, while nearly 60% is in areas with below average household incomes. Thus, tenants seeking newer, higher-quality space in affluent locations are finding few available options.

Supply-constrained conditions can be attributed to the lack of new development since the Great Financial Crises and steady growth in space demand following the pandemic. Net absorption totaled 4.2 million square feet during the third quarter, marking the sector's 15th consecutive quarter of positive demand formation. Increased demand for space is primarily being driven by tenants in the food services, grocery, fitness, experiential, and healthcare sectors.

While positive, demand formation has slowed considerably, and less space was filled over the past year (on a net basis) than in any year over the past decade except for 2021. This lower pace of demand growth is attributable to a lack of newly delivered preleased space and an uptick in store closures, which have risen to their highest level since 2020.

While store closures weigh on the current level of net absorption, they also provide much-needed supply for those tenants looking to expand. Market participants are reporting exceptionally strong backfill demand for spaces as they go dark, with some spaces able to secure rent increases of 40% or more. In addition, over half of the leases signed in the third quarter were for spaces that became available within the past six months, while nearly a third were for spaces that became available within the past three months.

The market is likely to continue to face a shortage of quality available space as the total amount of retail under construction fell to a new multi-decade low in the third quarter. Developers continue to report difficulty making new ground-up retail development deals pencil in today's cost environment at current rent levels. This dichotomy should support further rent gains for landlords and allow supply-constrained conditions to persist for the foreseeable future.

While moderating from the multi-decade high pace seen near the end of 2022, retail asking rents continue to rise at a healthy clip thanks to minimal availability and the significant boost in retail sales coming out of the pandemic. Rent increases remain strongest in Sun Belt markets experiencing substantial population and buying power growth. This has been especially true for smaller shop spaces along prime corridors. Conversely, rents remain below pre-pandemic peaks in many lower-tier malls as well as in high-cost coastal urban centers that rely significantly on spending from daytime office workers.

Looking forward, the retail sector is well-positioned to maintain fundamental stability for the foreseeable future. While concerns surrounding the financial health of the consumer and the impact of higher rates on spending are valid, the lack of new supply and shortage of quality available space should help keep retail fundamentals in balance for the foreseeable future.

National Retail Fundamentals

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
Q3	12,131,716,732	0	33,523,931	33,773,872	4.1%	NA	$25.38	$250	6.94%
Q2	12,126,301,422	48,673,548	38,238,697	40,417,540	4.1%	4.7%	$25.31	$249	6.92%
2023	12,108,170,670	58,600,524	41,459,662	50,728,368	4.0%	4.7%	$24.99	$246	6.91%
2022	12,066,618,206	62,570,168	21,137,292	73,665,320	4.1%	4.8%	$24.10	$239	6.86%
2021	12,045,286,770	55,921,860	20,656,777	75,501,568	4.6%	5.4%	$23.11	$228	6.89%
2020	12,024,512,039	52,657,452	43,926,758	-28,874,128	5.0%	6.4%	$22.32	$216	7.01%
2019	11,979,336,722	66,152,544	58,679,189	41,705,008	4.4%	5.8%	$21.88	$209	7.13%
2018	11,919,844,834	80,377,840	57,052,574	61,811,500	4.3%	5.9%	$21.33	$201	7.20%
2017	11,861,812,465	79,688,248	83,221,642	97,332,672	4.4%	6.1%	$20.80	$196	7.19%
2016	11,777,720,053	92,428,104	76,104,838	140,729,904	4.5%	6.3%	$20.22	$192	7.14%
2015	11,701,069,640	85,500,800	76,147,605	121,209,000	5.1%	7.0%	$19.74	$191	7.03%
2014	11,624,585,115	78,694,080	64,128,799	132,536,536	5.5%	7.3%	$19.20	$177	7.31%

Office

The office occupancy market is getting closer to its bottom but is still in an extended period of flux. After 23 million SF of negative absorption in the first quarter of 2024 brought the cumulative occupancy loss since the onset of COVID-19 to 210 million SF, demand has been flat for the past six months. However, the addition of 11 million SF of net new supply since April has pushed the vacancy rate up to a new record of 13.8%.

The demand picture remains complex. Daily attendance continues its slow, steady rise, and move-outs have clearly slowed. On the other hand, so has job growth. Payrolls in the major knowledge work sectors have risen less than 0.4% in the past year, a pace slow enough to engender caution among occupiers.

The response in the leasing market has been nuanced. So far this year, more lease deals are being done on a quarterly basis than was typical in the 2010s. However, these leases are about 20% smaller than the prepandemic average. Space consolidation is still occurring, with low headcount growth further serving to cap space requirements.

Meanwhile, the supply pipeline is diminishing rapidly. The 80.9 million square feet currently under construction is the lowest since 2013. With new starts also at a historical low, the pipeline will only shrink further in the years ahead. In the next five years, as occupiers face the expiration of 30% of the space they had leased before the pandemic, they will have fewer options. The house view is that more of them will choose to stay in place, with a meaningful number choosing to let go of at least some space due to lower per-worker demand.

Thus, vacancy is expected to rise further before plateauing in 2026. Rents should flatten out in the next 12 months before beginning a recovery driven by stabilizing demand and a dearth of relevant, competitive supply. Values for multi-tenanted, investment-grade buildings targeting traditional office tenants have fallen 40-45% from their peak and are likely to dip further as more liquidity leads to a final round of price discovery.

The risks to this outlook are balanced. With major employers such as Amazon expressing plans to return to a pre-pandemic office, the rise in attendance could accelerate. This could lead occupiers to hold onto more space, and some could expand even if headcounts do not grow appreciably.

On the other hand, despite the consensus expectation of an economic "soft landing," the risk of recession in the next 12-18 months remains. The resulting job losses would lead occupiers to eliminate excess space. Further, the recent stagnation of knowledge-oriented job growth amid a period of economic expansion underscores that layoffs among office-using occupiers are possible even absent a general recession.

National Office Fundamentals

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
Q3	8,488,210,592	0	22,259,612	-31,312,992	13.8%	NA	$35.58	$273	8.63%
Q2	8,483,273,789	87,478,216	25,468,835	-45,754,216	13.8%	16.6%	$35.54	$275	8.61%
2023	8,472,479,481	102,475,728	34,799,855	-63,652,356	13.4%	16.3%	$35.36	$281	8.48%
2022	8,437,655,656	128,425,216	42,680,062	-6,545,203	12.3%	15.5%	$35.01	$311	7.73%
2021	8,394,950,428	145,341,104	54,163,026	-41,043,232	11.8%	14.8%	$34.59	$331	7.09%
2020	8,340,718,856	154,920,992	49,468,660	-68,616,696	10.7%	14.3%	$34.37	$317	7.32%
2019	8,290,818,062	161,347,808	62,171,288	51,540,672	9.3%	12.0%	$34.95	$308	7.49%
2018	8,228,166,078	148,598,640	48,515,269	66,222,816	9.3%	12.1%	$33.60	$298	7.32%
2017	8,179,063,544	140,670,096	55,037,180	61,332,208	9.6%	12.5%	$32.51	$291	7.09%
2016	8,123,595,996	137,466,320	47,579,485	72,745,912	9.7%	12.9%	$31.62	$296	6.75%
2015	8,075,834,138	126,666,968	47,575,047	91,774,784	10.1%	13.4%	$30.61	$289	6.67%
2014	8,028,030,213	117,966,152	29,975,412	78,823,896	10.7%	13.8%	$28.94	$269	6.74%

Industrial

Nine consecutive quarters of U.S. industrial vacancy rate increases have clearly shifted market conditions more in tenants' favor and it could be another 12 to 18 months before owners have the leverage they need to raise rents at a more aggressive pace. However, there is also little sign that the industrial sector is caught in a tailspin. Prospects for a mid-2025 peak in vacancy, close to the 20-year average vacancy rate of 7%, are increasingly coming into view.

Trailing 12-month net absorption is at the lowest levels since 2012 but has stabilized in recent months after remaining positive amid declines in key economic drivers last year. Meanwhile, new leasing volume is rising and Amazon, the largest U.S. industrial tenant, is reaccelerating growth in its distribution center network following a significant rebound in its corporate profits.

There are other signs that a slow but steady recovery in tenant demand is getting underway. Real consumer goods spending has been on an upward path for more than one year as inflation subsides. Warehousing and storage employment has also risen in each of the past five months, after declining from mid-2022 through 2023. During 24Q3, the total square foot of industrial space listed as available for lease also rose at the slowest pace recorded in almost two years.

Oncoming new supply will likely push the national vacancy rate up further, but only for a few more quarters as the recent wave of record completions is on its last legs. Higher interest rates have caused construction starts on new industrial projects to plummet over the past two years. The volume of projects completing construction each quarter will remain elevated through late 2024 or early 2025 but has already begun to decline and will likely hit 10-year lows by late 2025, as an aftereffect of the 10-year low in groundbreakings hit in recent months.

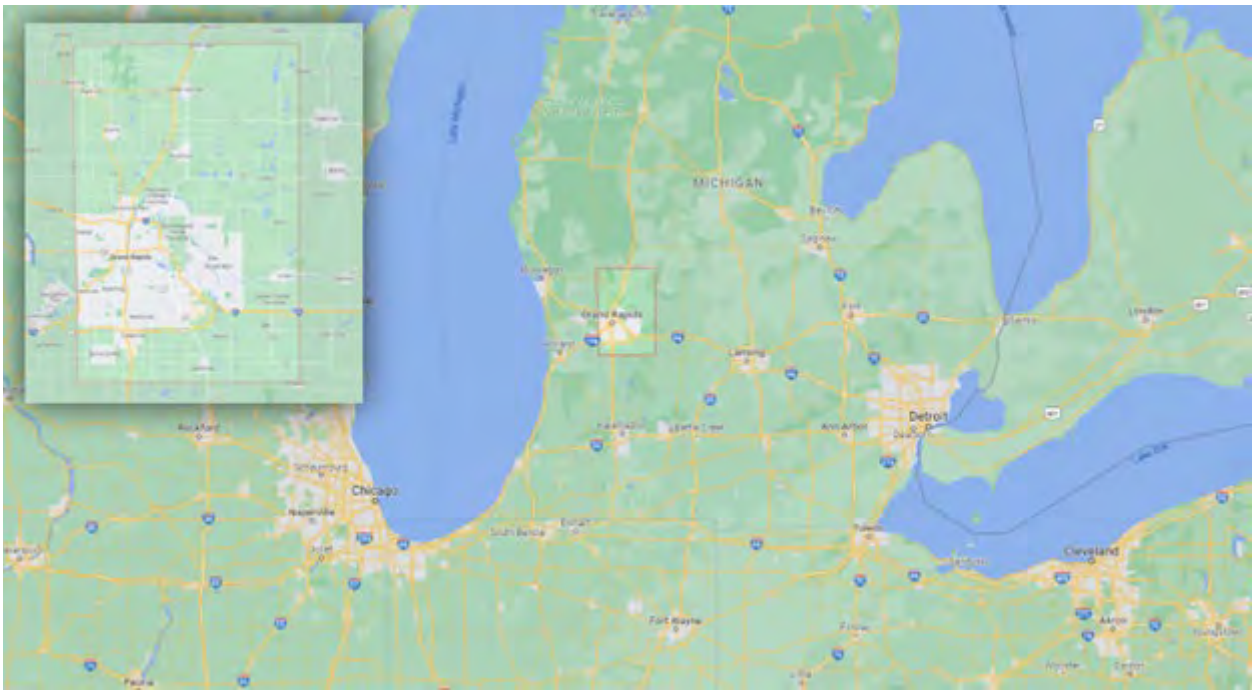
In response to rising vacancy, year-over-year rent growth has slowed to just under 3%. With supply additions likely to keep vacancy elevated in the near-term, all signs point to further deceleration, with 2024 rent growth on pace to register the slowest annual tally since 2012. However, there is potential for rent growth to reaccelerate late next year as the drop off in new construction completions coming in mid-2025 could set the stage for vacancies to begin tightening again. CoStar is tracking more than 20 large electric vehicle, battery, and semiconductor plants planning to open across the U.S. during 2024-26, and suppliers to these facilities will likely generate millions of square feet of absorption over that period. Any further declines in inflation and interest rates would also help to push homes sales and durable goods purchases higher, further bolstering the case for stronger industrial market performance by 2025-26.

National Industrial Fundamentals

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
Q3	19,164,158,898	340,589,088	429,186,884	112,591,872	6.6%	9.0%	$12.01	$148	7.47%
Q2	19,100,555,958	364,486,944	511,029,944	121,521,096	6.5%	8.9%	$12.01	$148	7.45%
2023	18,885,541,447	468,115,712	535,048,549	175,611,808	5.7%	8.1%	$11.82	$147	7.27%
2022	18,350,438,890	685,564,544	400,462,353	424,745,696	3.9%	6.7%	$11.02	$149	6.57%
2021	17,949,795,411	550,891,520	300,991,616	522,182,112	4.1%	6.1%	$10.03	$141	6.17%
2020	17,648,679,063	367,569,472	302,665,820	216,997,136	5.4%	7.4%	$9.21	$115	6.77%
2019	17,344,701,029	343,982,304	255,696,003	177,344,752	5.0%	7.0%	$8.69	$101	7.16%
2018	17,088,002,176	306,700,160	226,272,983	267,610,976	4.6%	7.0%	$8.22	$93	7.20%
2017	16,858,623,579	275,083,680	231,486,163	260,842,608	5.0%	7.4%	$7.76	$85	7.21%
2016	16,624,431,802	269,623,328	178,574,060	285,547,648	5.2%	8.0%	$7.33	$83	6.88%
2015	16,444,552,206	213,410,960	131,873,854	249,699,952	5.9%	9.1%	$6.93	$78	6.87%
2014	16,311,293,844	169,102,624	91,353,683	249,850,976	6.7%	9.9%	$6.57	$69	7.29%

Kent County Area Analysis

The following analysis includes pertinent aspects of the surrounding region as it pertains to the subject property. This report was compiled using data as of 2023 Q3 unless otherwise noted. Data is from a number of sources including the U.S. Bureau of Labor Statistics ("BLS"), the U.S. Bureau of Economic Analysis ("BEA"), and the U.S. Census Bureau.



Source: Google Maps

Kent County at a Glance

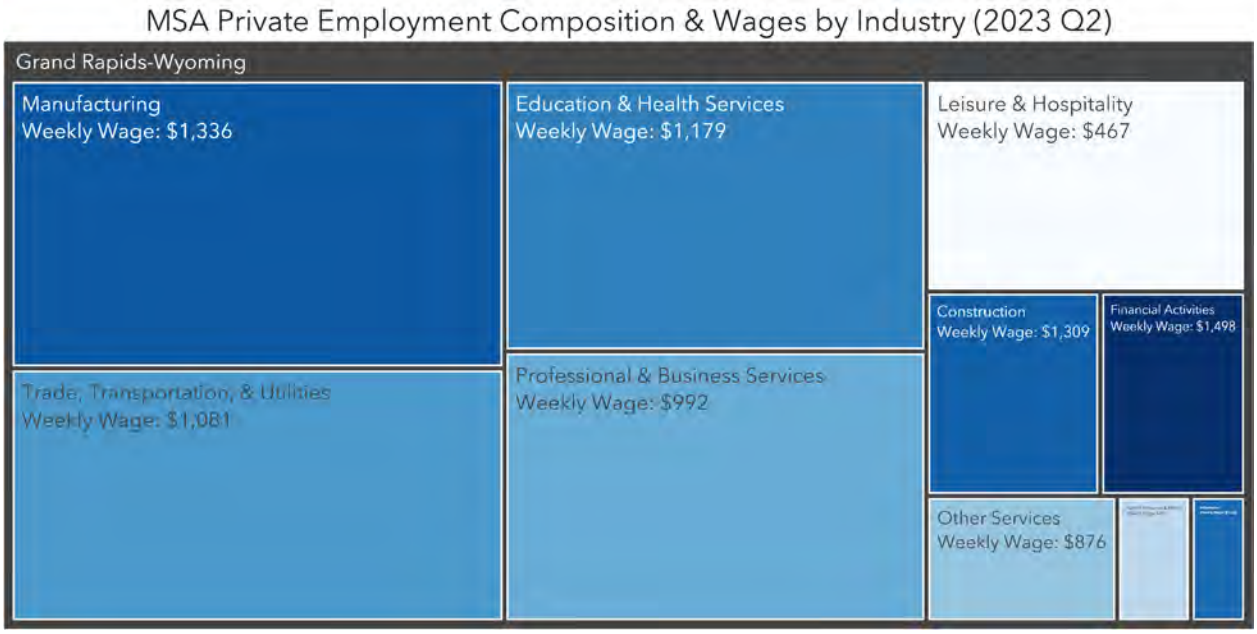
Kent County is located in the western portion of Michigan and is part of the Grand Rapids-Wyoming Metropolitan Statistical Area which also includes Barry, Montcalm, and Ottawa counties. Grand Rapids benefits from a growing healthcare industry that is a major driver for the local economy. Michigan Street is known as "Medical Mile," a cluster of hospitals and medical research centers along the northern edge of the central business district and just south of I-196, including Spectrum Health's Butterworth Hospital, Helen Devos Children's Hospital, and the Meijer Heart Center. Additionally, the metro's industrial sector has diversified in recent year and become more resistant to economic downturns. While the metro has long been home to manufacturers specializing in areas such as automobiles and furniture making, growth in areas like aerospace, brewing, and logistics have helped establish an identity for the market that continues to attract new businesses to the area. Housing options in Kent County range from urban apartments and condos to suburban homes and large estates. Retailers and businesses in the area include big-box stores, grocery stores, and local shops. There are several parks in the area, including Millennium Park and Fred Meijer Gardens & Sculpture Park, which offer residents access to outdoor recreation opportunities. The quality of life in Kent County is good, with a high standard of living, a growing job market, and access to outdoor recreation opportunities. The county is home to several golf courses, lakes, and parks. In addition, there are several schools and universities in the surrounding area, including Grand Valley State University and Calvin College. Kent County is served by several major roads, including U.S. Route 131, I-96, and M-6. There is a commuter rail service, Amtrak, that serves the area and provides daily service to Grand Rapids and other cities in the region. There is also a public transit bus system, The Rapid, that serves the area. The nearest major airport is Gerald R. Ford International Airport, which provides daily flights to several destinations in the United States and around the world.

Area Fundamentals

Attribute	County Level Value	5 Year Annualized Growth Rate	Relative to Baseline (MSA)
Employment	373,166	1.1%	Slower than MSA
GDP	$45.8 billion	2.1%	Slower than MSA
Population	659,083	0.3%	Slower than MSA
Per Capita Personal Income	$66,975	6.8%	Faster than MSA

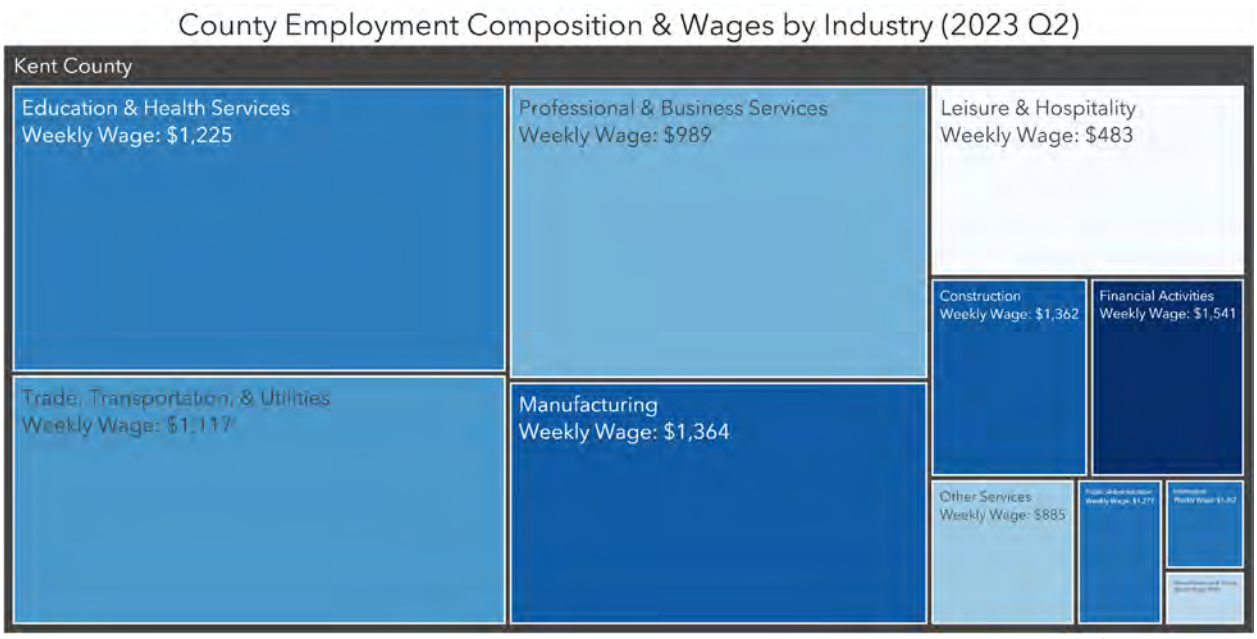
Labor Market Conditions

According to the latest data from the Q2 2023 Quarterly Census of Employment and Wages, Grand Rapids-Wyoming employed 541,142 private employees, with establishments in the Manufacturing, Trade, Transportation, & Utilities, and Education & Health Services industries accounting for the top three employers. These industries employ 114,963 (21.2%), 101,377 (18.7%), and 92,414 (17.0%) private sector workers in the Metro, respectively. Grand Rapids-Wyoming has an especially large share of workers in the Manufacturing industry. In fact, its 21.2% fraction of workers is 2.3 times higher than the National average.



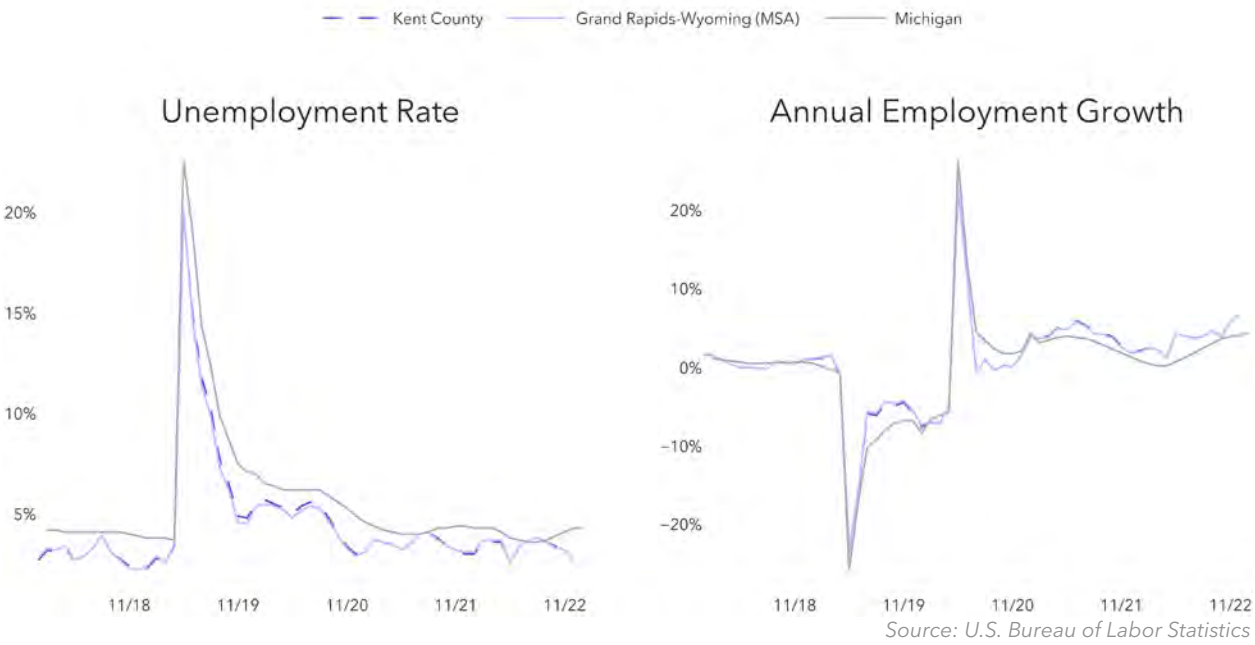
Source: U.S. Bureau of Labor Statistics

The latest data from the 2023 Q2 Quarterly Census of Employment and Wages, Kent County employed 420,862 employees. Establishments in the Education & Health Services, Trade, Transportation, & Utilities, and Professional & Business Services industries accounted for the top three employers. These industries employ 90,347 (21.4%), 79,013 (18.7%), and 78,426 (18.6%) workers in the County, respectively. Kent County has an especially large share of workers in the Manufacturing industry. In fact, its 15.4% fraction of workers is 1.8 times higher than the National average.



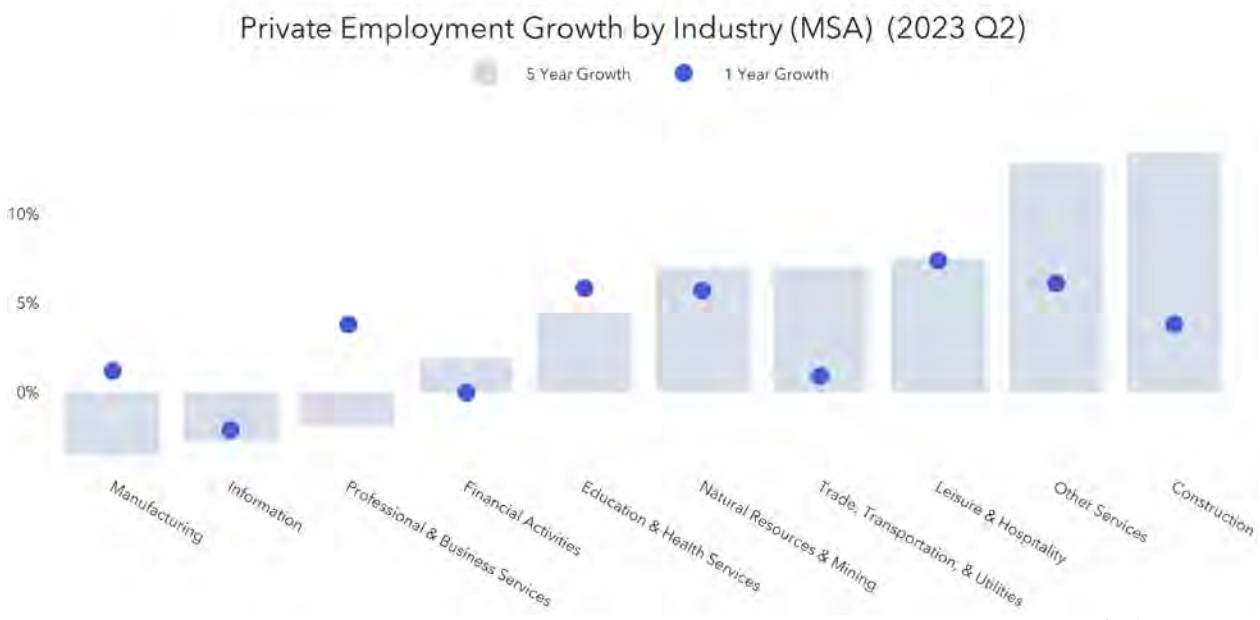
Source: U.S. Bureau of Labor Statistics

At the onset of the pandemic last spring, Kent County area employers shed 24.4% of their workforce, expanding the unemployment rate from 2.6% in February 2020 to 20.0% just two months later. The unemployment rate in Kent County has compressed over the past year to the current rate of 2.6%, equal to the Grand Rapids-Wyoming rate. As of 11/23, total employment is up 7% on a year-over-year basis. The unemployment rate is equal to its pre-pandemic level (Feb 2020) of 2.6%.



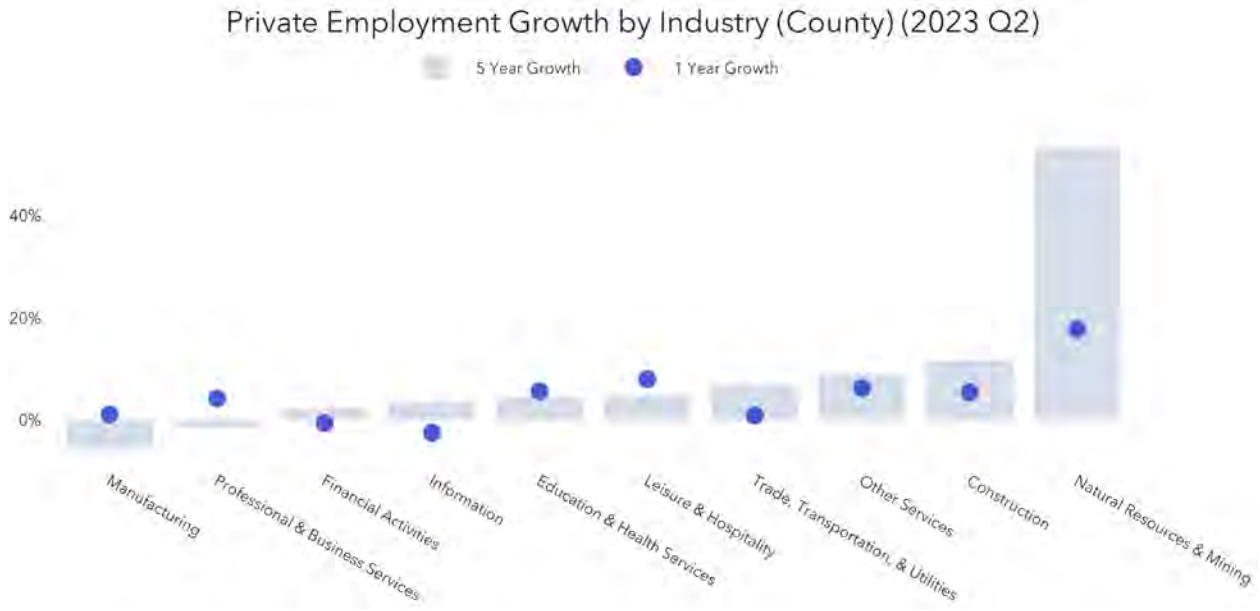
Source: U.S. Bureau of Labor Statistics

According to the latest data from the Q2 2023 Quarterly Census of Employment and Wages, Grand Rapids-Wyoming Metro has experienced private employment expand 3.1% (16,181) in total over the last five years. During that time, the Construction, Other Services, and Leisure & Hospitality industries saw the strongest growth, expanding 13.4%, 12.8%, and 7.5%, respectively. Meanwhile, the Manufacturing Industry has experienced employment collapse of 3.6% over the previous five years.



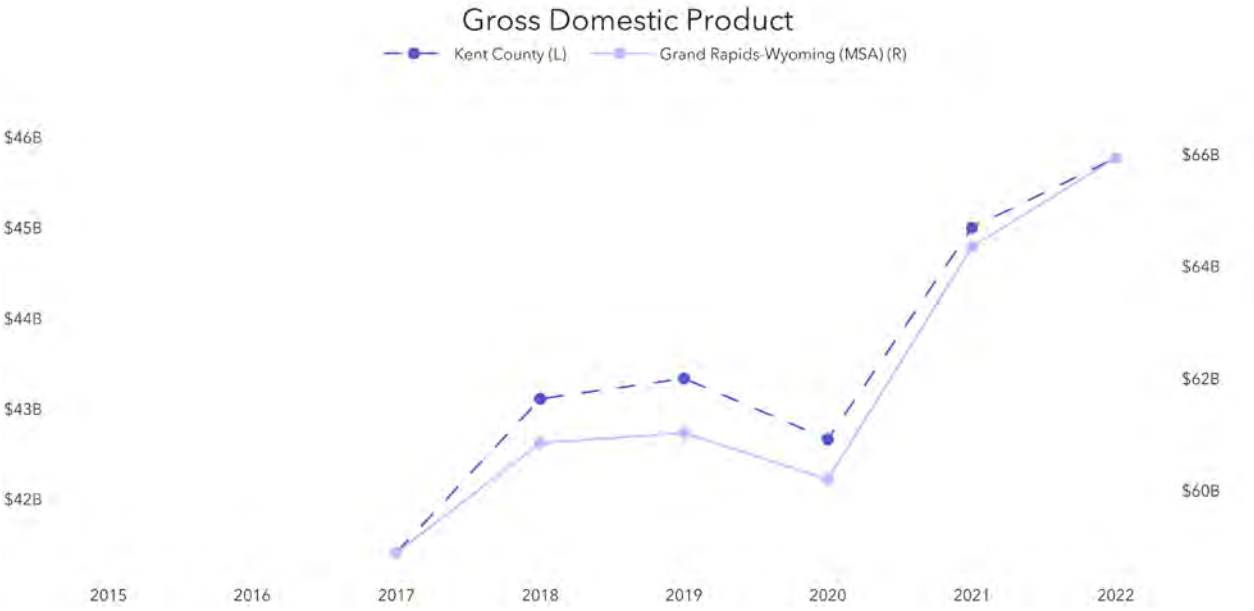
Source: U.S. Bureau of Labor Statistics

According to the latest data from the Q2 2023 Quarterly Census of Employment and Wages, Kent County has experienced private employment expand 2.8% (10,713) in total over the last five years. During that time, the Natural Resources & Mining, Construction, and Other Services industries saw the strongest growth, expanding 53.6%, 11.7%, and 9.1%, respectively. Meanwhile, the Manufacturing Industry has experienced employment collapse of 5.9% over the previous five years.



Source: U.S. Bureau of Labor Statistics

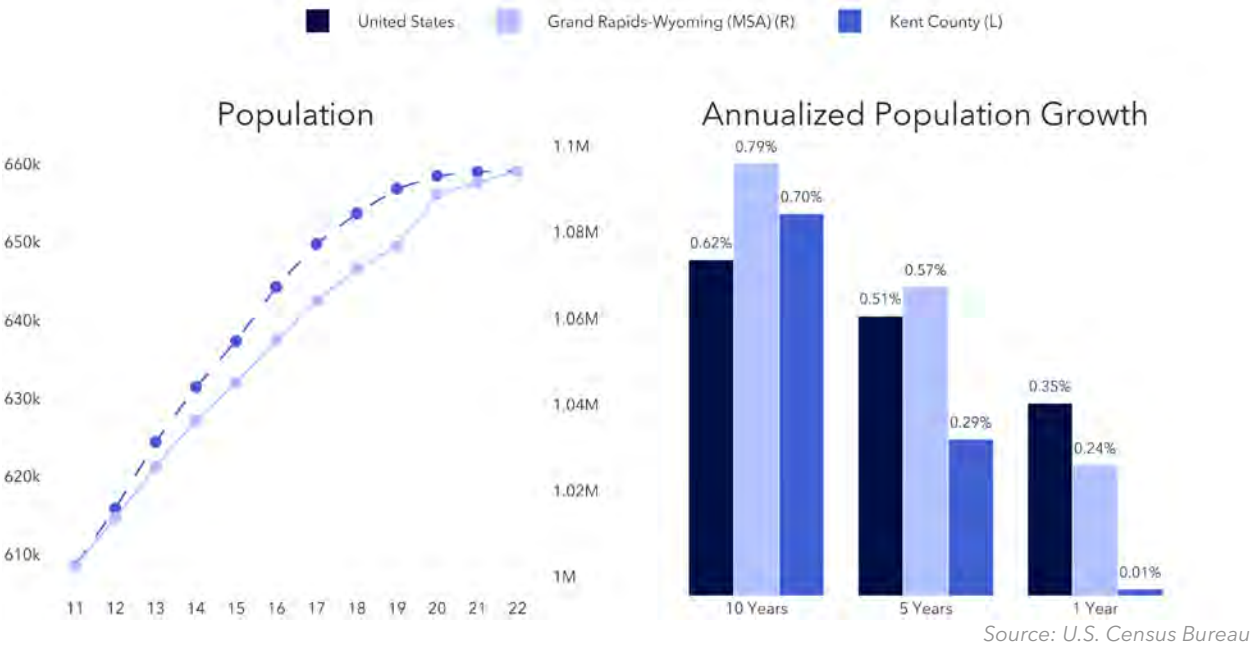
Economic Production



Source: U.S. Bureau of Economic Analysis

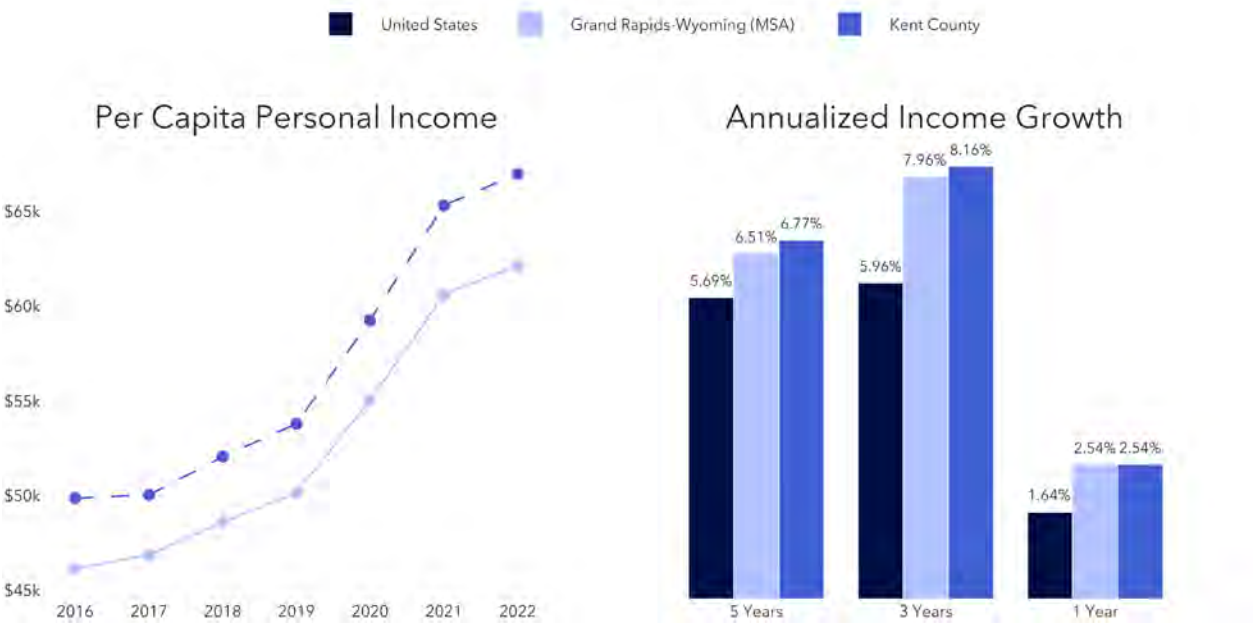
Demographics

Going back ten years, Kent County's population has expanded 0.7% per annum to the 2022 count of 659,083. Over the past five years, growth has declined, growing 0.3% per annum since 2017. This growth rate falls short of the Nation, which has expanded 0.5% per year over the last five years.



Source: U.S. Census Bureau

Going back five years, Kent County residents' per capita personal income has expanded 6.8% per annum to the 2022 level of $66,975. Over the past three years, growth has expanded, growing 8.2% per annum since 2019. This growth rate exceeds the Nation, which has expanded 6.0% per year over the last three years.



Source: U.S. Census Bureau

Infrastructure

Transportation Methods

I-96 runs along the northern and northeastern sides of the city, linking with Muskegon to the west, Lansing, and Detroit, Michigan, to the east. I-196, also named the Gerald R. Ford Freeway, runs east–west through the city, connecting to I-96 just east of Grand Rapids and I-94 in Benton Township. I-296, an unsigned route running concurrently with US 131 between I-96 and I-196.

Amtrak provides direct train service to Chicago from the passenger station via the Pere Marquette line. Freight service is provided by CN, CSX Transportation, and by a local short-line railroad, the Grand Rapids Eastern Railroad.

Public bus transportation is provided by the Interurban Transit Partnership, which brands itself as "The Rapid." Transportation is also provided by the DASH buses: the "Downtown Area Shuttle." These provide transportation to and from the parking lots in the city of Grand Rapids to various designated loading and unloading spots around the city.

The nearest major airport is Gerald R. Ford International Airport, which provides daily flights to several destinations in the United States and around the world.

Housing

In 2021, historically low mortgage rates, the desire for more space, and the ability for many to work from home, led to an increase in demand for housing. This, combined with historically low inventory levels, accelerated the growth in values, pushing the medium listing price in the US to a peak of $413,000 in June 2022. However, with persistent inflation, the Fed hiked interest rates at a record pace over the 2nd half of 2022 and for much of 2023, eroded housing affordability and dropping demand considerably. With demand decreasing, values have either declined or experienced limited growth. Demand has improved since though, with growth in values aided by limited inventory in some markets.

In Kent County, Realtor.com data points to continued growth in values over the past year. As of 12/2023, the median home list price sits at $379,900, an increase of 6.9% compared to an increase of 8.3% for the Grand Rapids-Wyoming Metro, and an increase of 1.0% across the Nation over the past year. With the recent sharp rise in mortgage rates, the county median list price has experienced a decrease of 0.7% over the past 3 months, compared to a decrease of 1.8% for the Grand Rapids-Wyoming Metro in the same period.



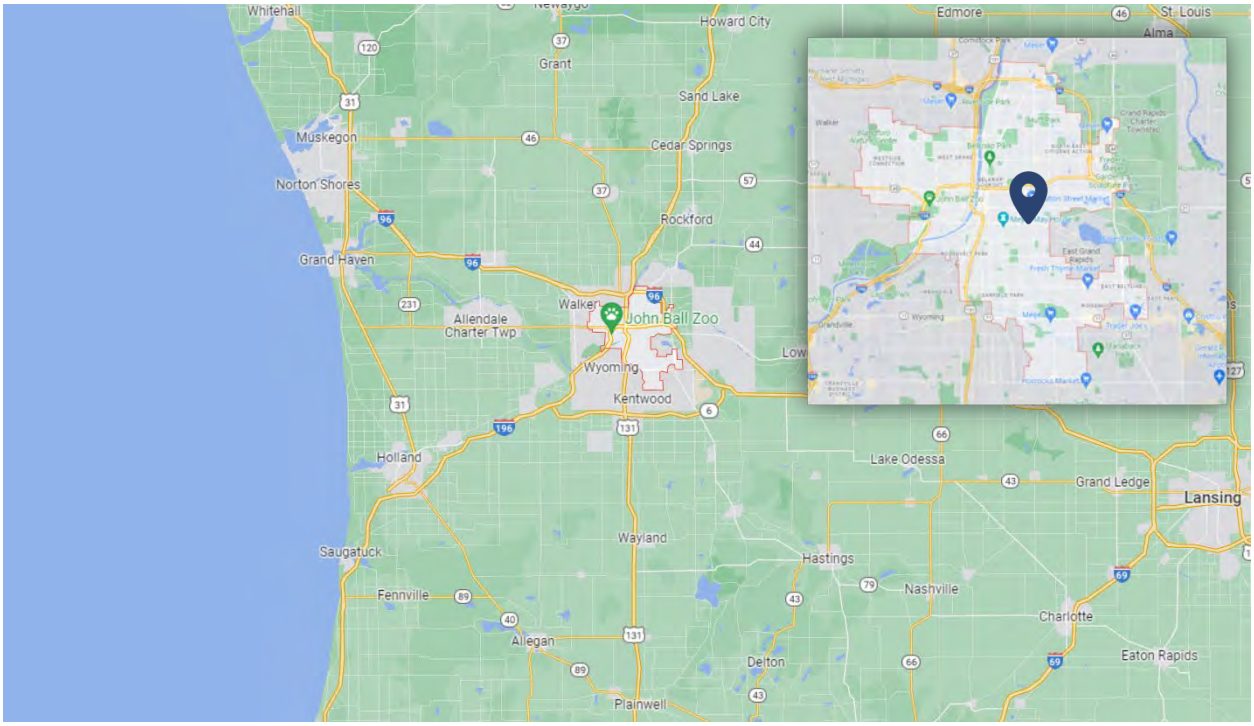
Source: Realtor.com

Outlook

The United States economy has recovered from the pandemic, but, with persistent levels of inflation, the Fed repeatedly reaffirmed its commitment to fighting inflation by raising rates, softening economic growth. While the economy remains strong, their actions have led to a slowdown in growth, setting the stage for a mild recession in 2024.

The current unemployment rate in Kent County of 2.6% is below its five-year average. By contrast, that rate is also below the state rate of 4.3%, and below the national rate of 3.7%. Kent County continues to experience population gains with one- and five-year annual growth rates of 0.0% and 0.3%. Despite its diversified economy, and its continuously growing population, when considering its negative GDP growth over the five years prior to the pandemic, the county faces a large hurdle before it can be well positioned for near- and long term growth.

Neighborhood & Demographic Overview



Source: Google Maps

Grand Rapids at a Glance

Grand Rapids is a city and county seat of Kent County in the U.S. state of Michigan. The second largest city in Michigan, Grand Rapids rests on the Grand River, about 30 miles east of Lake Michigan. It is the economic and cultural hub of West Michigan. The city and surrounding communities are economically diverse, based in the health care, information technology, automotive, aviation, and consumer goods manufacturing industries, among others. It offers a diverse range of housing options for both owners and renters and a growing restaurant and retail scene, along with plenty of outdoor recreational options. Grand Rapids is convenient to major highways and Gerald R. Ford International Airport, making for simple travels and commutes.

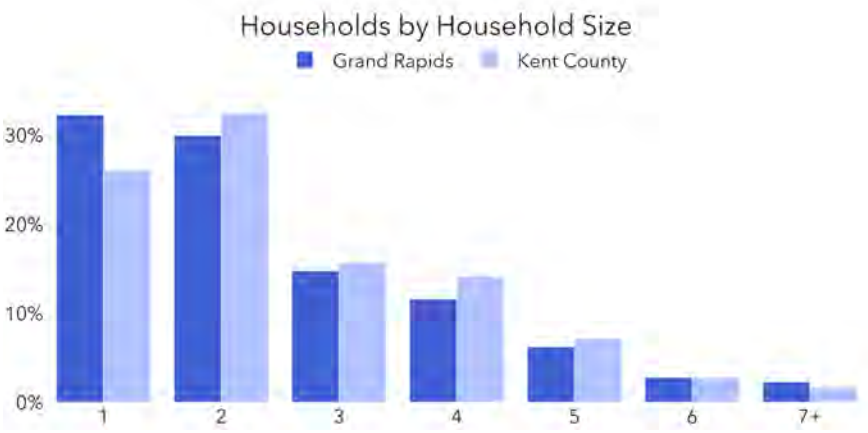
Population and Households

The following demographic profile, created with data from the U.S. Census Bureau, reflects the subject's municipality and market. As of the 2010 Census, Grand Rapids had a population of 188,040 people and 72,126 households. Preliminary 2020 Census data shows its population has grown by 0.6% per year to 198,917 residents.

Population and Household Growth

	Area	2010 Census	2020 Census	Annual % Change
Population	Grand Rapids	188,040	198,917	0.6%
	Kent County	602,622	657,974	0.9%
Households	Grand Rapids	72,126	79,854	1.1%
	Kent County	227,239	251,658	1.1%

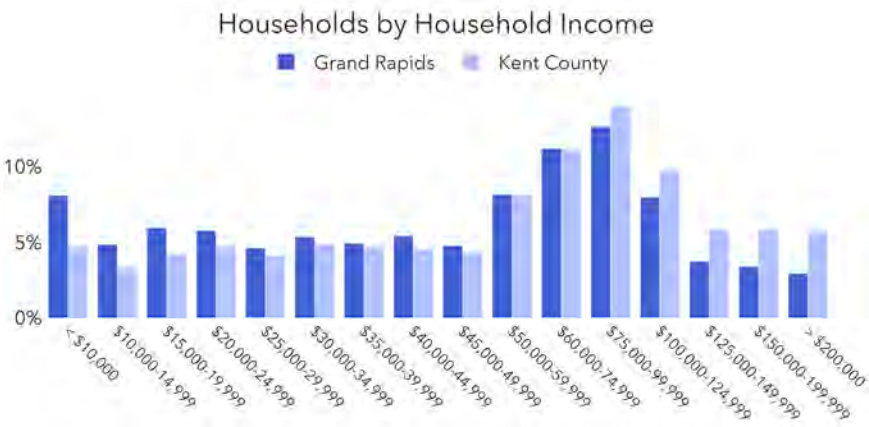
Households in Grand Rapids are, on average, smaller than those in Kent County. Households in Grand Rapids have an average size of 2.49 people, compared to 2.60 people in Kent County. The most common household size is 1 person compared to 2 people for Kent County.



Source: U.S. Census Bureau

Source: U.S. Census Bureau

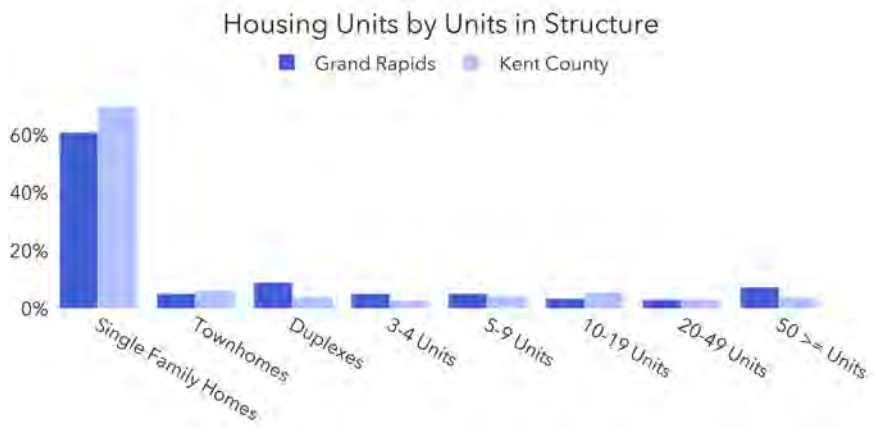
Households in Grand Rapids have a lower median income than those in Kent County. Households in Grand Rapids have a median income of $50,103, compared to $63,053 for households in Kent County. The chart below indicates the share of households by income brackets. In both Grand Rapids and Kent County, the most common household income is between $75k-99,999.



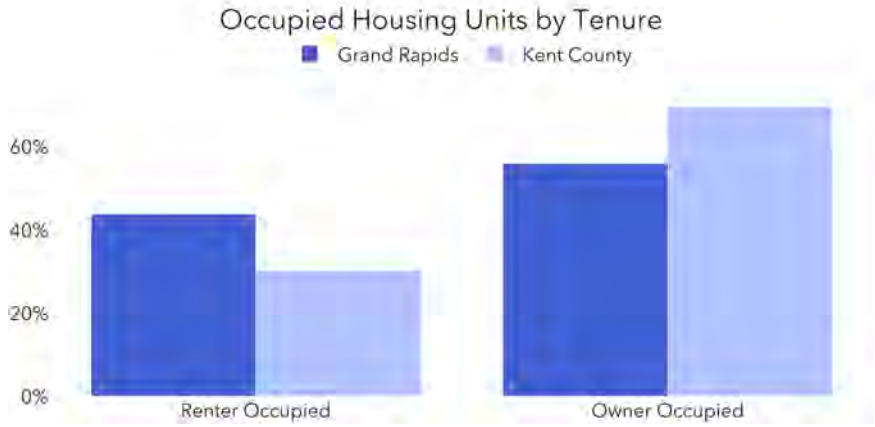
Source: U.S. Census Bureau

Housing

Single-family homes, followed by duplexes then properties with 50+ units account for the most common forms of housing in Grand Rapids. 56% of the housing units in Grand Rapids are occupied by their owner. This percentage of owner-occupation is lower than the Kent County level of 70%.

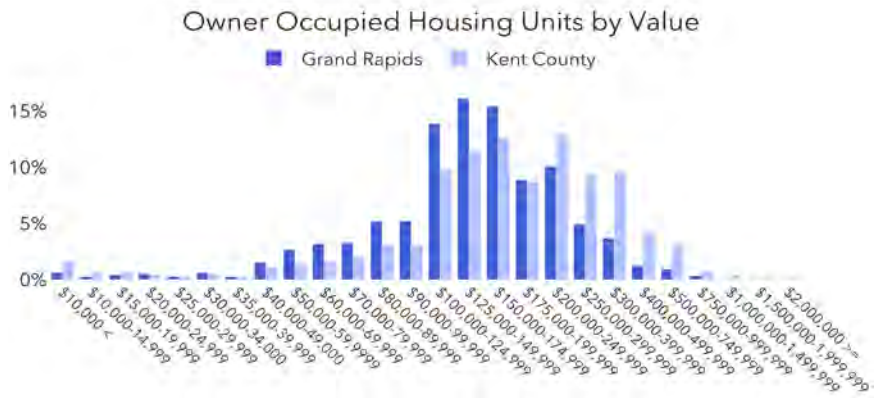


Source: U.S. Census Bureau



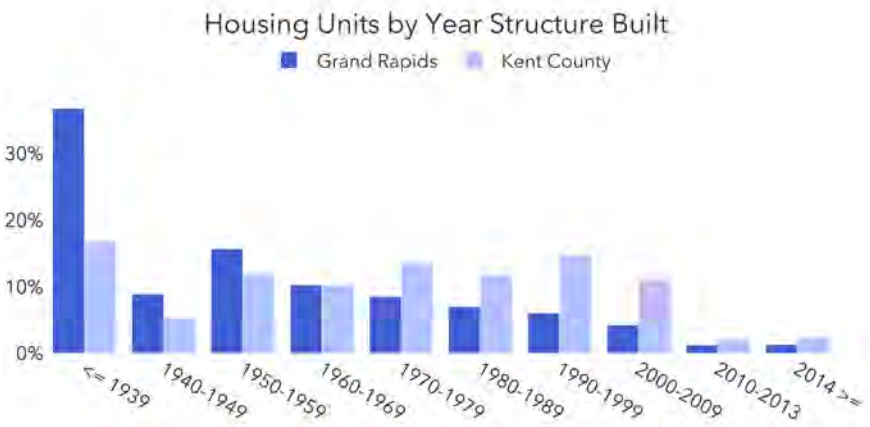
Source: U.S. Census Bureau

Homes in Grand Rapids have a median value of $143,400, compared to $173,700 for Kent County. In Grand Rapids, the most common home value is between $125k - $149k, compared to between $200k - $249k for Kent County.



Source: U.S. Census Bureau

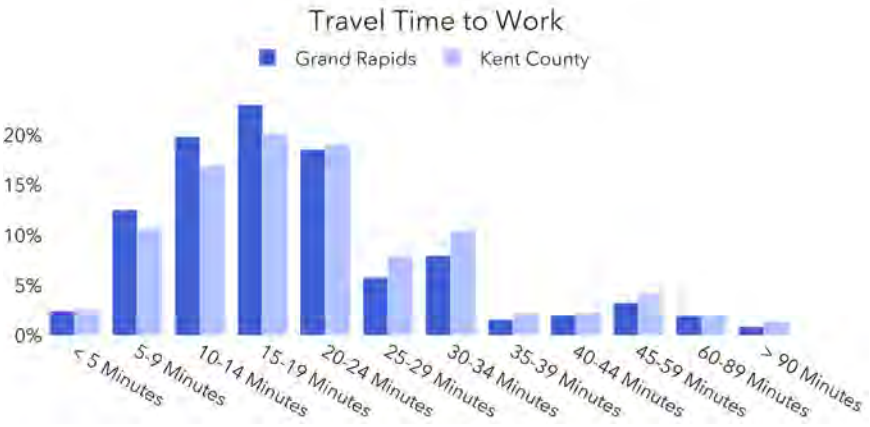
Homes in Grand Rapids have a median year built of 1953, compared to 1974 for Kent County. In both Grand Rapids and Kent County, the largest share of homes were built before WWII.



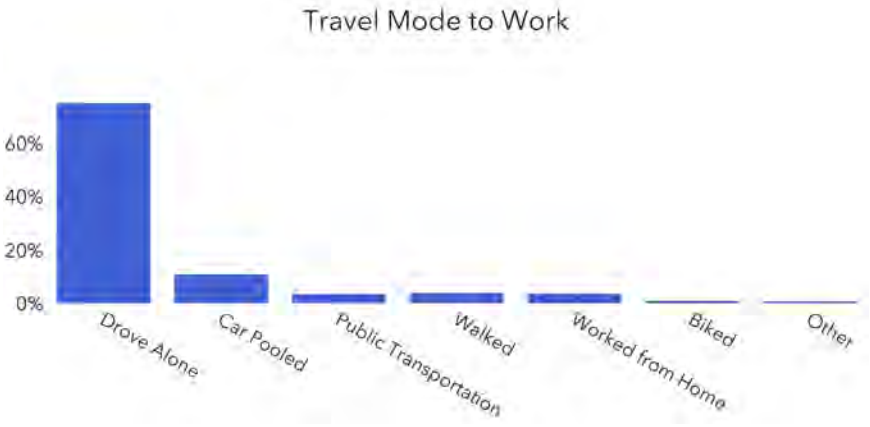
Source: U.S. Census Bureau

Transportation

In Grand Rapids, the majority of residents drive alone with 75% choosing to do so. The second most common method is carpooling with 11%. Commuters in Grand Rapids have a median commute time of about 17 minutes. In both Grand Rapids and Kent County, the most common commute time is between 15-19 minutes.



Source: U.S. Census Bureau



Source: U.S. Census Bureau

Transportation Methods

- I-96 runs along the northern and northeastern sides of the city, linking with Muskegon to the west and Lansing and Detroit, Michigan, to the east. I-196, also named the Gerald R. Ford Freeway, runs east–west through the city, connecting to I-96 just east of Grand Rapids and I-94 in Benton Township. I-296, an unsigned route running concurrently with US 131 between I-96 and I-196.
- Amtrak provides direct train service to Chicago from the passenger station via the Pere Marquette line.
- The Interurban Transit Partnership, which brands itself as The Rapid, provides public bus transportation. Transportation is also provided by the DASH buses: the "Downtown Area Shuttle." These provide transportation to and from the parking lots in the city of Grand Rapids to designated loading and unloading spots around the city. The area's Greyhound Bus terminal is integrated into the Central Station of the Rapid, simplifying transfers between Greyhound and local buses.
- Commercial air service to Grand Rapids is provided by Gerald R. Ford International Airport (GRR).

Conclusion

Grand Rapids is a city in Kent County, Michigan with access to interstate highways, public transportation, a diverse housing stock, recreational amenities, and businesses and retailers for everyday use. Grand Rapids has experienced moderate population growth over the past decade, a trend that will likely continue in the near-term.

Zoning Summary

Zoning Map



The property is located in the TN-CC (Traditional Neighborhood - City Center) zone district.

Traditional Neighborhood – City Center Zone District (TN-CC) Summary

TN-CC, Traditional Neighborhood–City Center Zone District (City Center)

1. The intent of this District is to maintain and enhance the vitality of downtown, reinforce its intense development pattern, provide compatible services near one another, allow diverse uses, and keep older, often historic, buildings in viable use. The compact development pattern of downtown establishes a pedestrian-oriented and transit-friendly environment. The City Center Zone District stresses pedestrian circulation, urban and civic design, protection of natural features, and encourages the reuse of existing buildings.

2. Placemaking Elements.

a. Attractive, affordable residential areas that contribute to the achieving a critical mass of commercial services, workplaces within walking distance, and reduced reliance on private vehicle travel.

b. Interesting and fun places to eat and socialize with a mixture of ages, social peers, co-workers, and families.

c. Well placed, functional, attractive, and sustainable open spaces, including outdoor cafes, seating areas, and public and private art installations, and other elements to create areas of recreation, rest, and refuge.

d. Improved mobility options downtown, and to reduce the need for on-site parking by encouraging alternative means of transportation, including use of mass transit, bicycle use and other traffic demand management options through the creation of appropriate density of development.

e. A comfortable and safe walking environment, with a high degree of transparency along pedestrian pathways that connect areas of interest.

f. Targeted Commercial Corridors to promote a concentration of retail and entertainment uses that will provide a more consistent shopping experience and enhance the ability of these uses to be financially successful.

g. Other elements related to the downtown that create healthy, attractive, safe, and fun areas that will attract new visitors, residents, and shoppers to the downtown.

Use Regulations

Permitted uses as of right include the following: dwellings, lodging, live-work, group living, accessory residential uses, educational uses, adult day care center, child care center, community center, community garden, government and institutional uses, hospital, clinic, medical center, rehabilitation center, related administrative offices, library, public, private and urban open government and institutional uses, religious, social service facility, youth center, arcade, amusement devices, gaming, pool hall, auditorium, cinema, concert hall, theater, banquet hall, boat house, marina, boat launch, bowling alley, skating rink, catering business, convention center, entertainment, live, health or athletic club, sports complex, lodging, short term, restaurant, outdoor seating, social or service club, studio for aerobics, dance, yoga, martial arts, music instruction, bank, credit union, entertainment/news media, general or professional uses, medical or dental offices, medical laboratory, copying, mailing, courier services, parcel receiving, shipping station, research uses, animal sales, services, day care, ATM, beauty and spa services, funeral home, mortuary, kennel, massage, photo finishing service, shoe repair, shoeshine parlor, tailor, dry cleaning, coin operated laundry, tattoo shop, piercing service, retail sales, alcohol sales, antique, second hand store, art studio, gallery, firearms sales -25,000 sf or more, outdoor activities, artisanal and creative industrial, commercial production of alcohol, baked goods or similar consumable products, bike-share facilities, car-share lots, inter-modal transportation facility, off-street surface parking, transit center or station, transit stop, wireless communication facilities.)

Parking Standards

There are no parking standards.

Conformity

Property Jurisdiction	**Grand Rapids, Michigan**
Existing Zoning Classification	TN-CC (Traditional Neighborhood - City Center)
Date of Existing Zoning Ordinance	2018
Special permitting or condition(s): (i.e., site plan approval, PUD, or other variance)	None known

	Required/ Permitted	**Actual**	**Complying Status**
Current Use	Commercial Uses	Office	Complying
Front Setback	None	Various	Complying
Rear Setback	None	Various	Complying
Side Setback	14 feet	Various	Complying
Maximum Height	None	17-story	Complying
Maximum FAR	None	5.5	Complying

The subject property has a gross building area of 768,153 square feet, according to public record. The subject property is complying with regard to bulk regulations. The subject property contains office uses which is conforming regarding the allowable uses. The subject also conforms to all parking regulations; thus the property is conforming to this zoning regulation.

Assessed Values & Real Estate Taxes



Assessments

333 Bridge Street NW is designated on the Kent County Tax Maps as Parcel 411324451015.

According to the tax assessor's office, new assessments are released in February while new tax rates are released in July and December. Taxes are due twice a year, in the summer and winter. According to the Treasury Office, the State Equalized Value represents 50% of what the state thinks the true cash value of the property is or what it would sell for on the market.

The State Equalized Value is $25,800,000, indicating a true cash value of $51,600,000. The State Equalized Value increases by a rate tied to market increases. The Taxable Value of the property is $17,214,086. The Taxable Value however, can only increase by 5% or inflation, whichever is lower, thus there is a spread between the taxable value and the State Equalized Value. Properties get reassessed every year in December. Upon sale, taxable values are "uncapped" meaning they can re-set to the State Equalized Value.

The current assessed values are as follows:

2024/2025 Assessed Values

Current Assessment:	**41-14-30-155-001**
Taxable Assessment	$17,214,086
State Equalized Value	$25,800,000

Tax Rate

The 2024 combined tax rate is 49.39520 per $1,000 for the year. The tax bills breaking out the mill rate is in the addenda.

Tax Liability Forecast

The applicable rate is applied to the assessment:

333 Bridge Street NW - Tax Liability Forecast (2024/2025)

Tax Year		2024/2025
Taxable Assessed Value		$17,214,086
Tax Rate	x	49.39520
Tax Liability		**$850,293**
Admin Fees		**$8,503**
Total Tax Liability		**$858,796**
Total Tax AV Per SF		**$49**

To provide a basis of comparison for this tax estimate, we have collected assessment data from other office buildings located within the subject's submarket. A summary of these assessments is included in the table below:

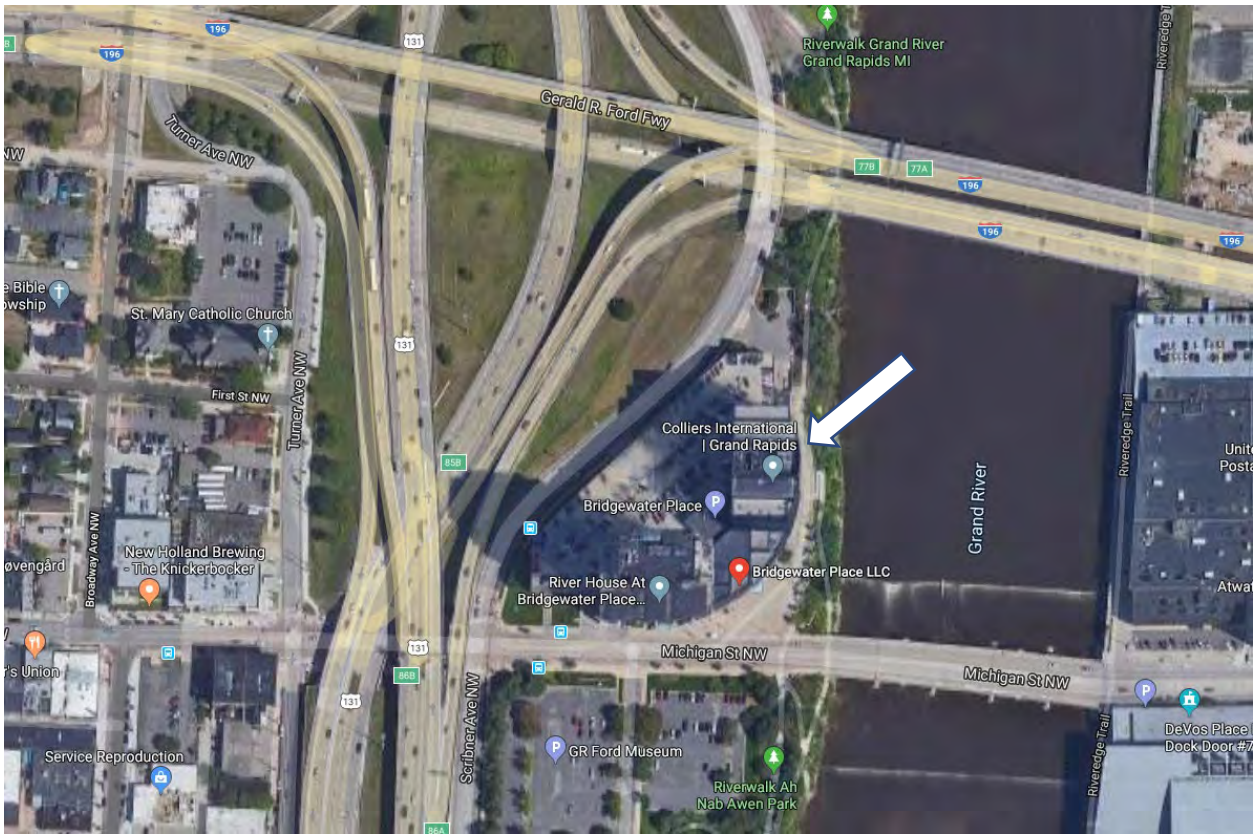
Competitive RE Tax Assessments

Comparable	Year Built / Renovated	Leasable SF	Tax Assessment Per SF
40 Pearl Street	1891/1999	148,764	$39
200 Ottawa Avenue NW	1950	139,120	$85
171 Monroe Avenue NW	1980	130,515	$56
99 Monroe Avenue NW	1985	158,463	$90
		Min	**$39**
		Avg	**$64**
		Max	**$90**
		Subject Parcel	**$49**

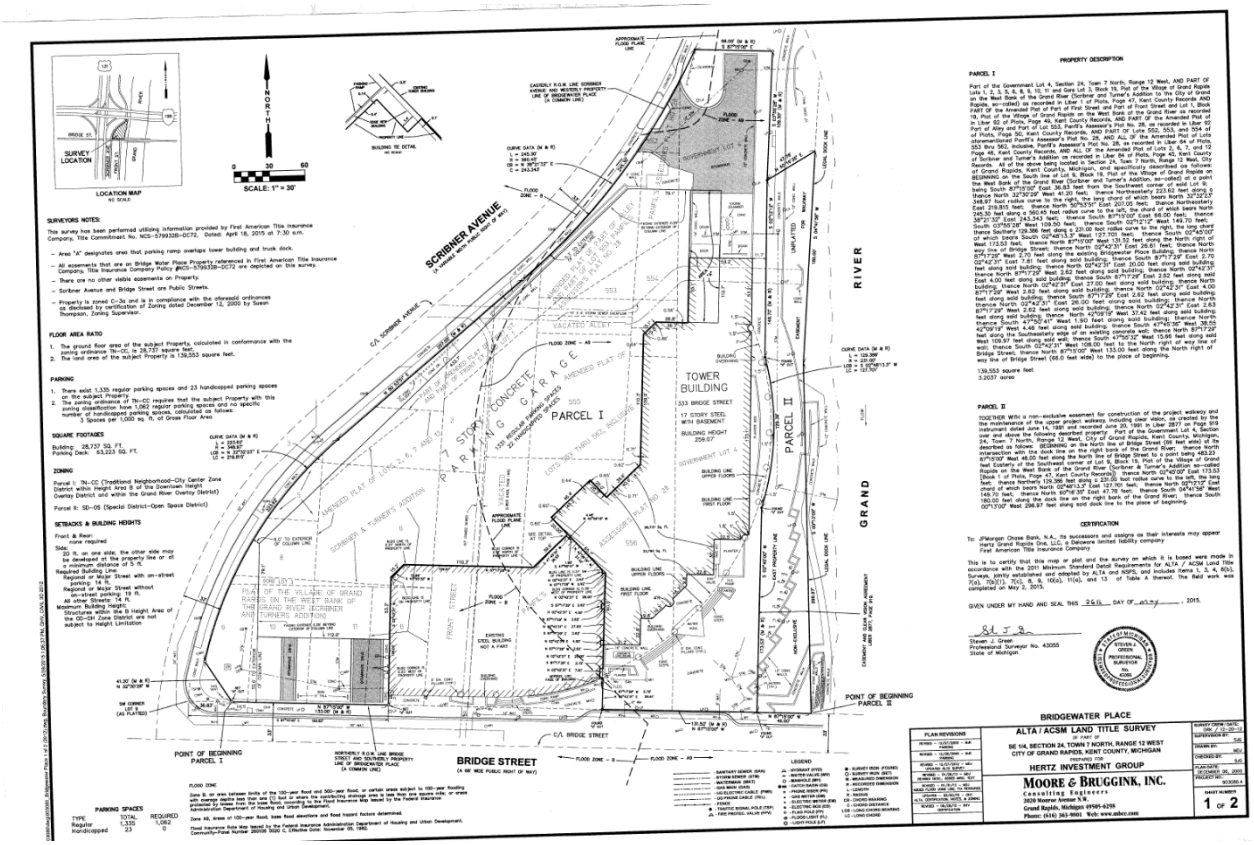
The comparables range from $39 to $90 per square foot and average $64 per square foot. The subject property's assessment of $49 per square foot falls within the range of assessed values, thus we apply the current liability in our analysis. We note it falls toward the lower end of the comparable range, but it is considered reasonable given the large size of the asset.

The reduction in the millage rate caused the tax burden to decrease from $892,870 to $858,796.

Site Description



Survey



Location	333 Bridge Street NW is located at the northeast corner of Bridge Street NW and Scribner Ave NW in the Grand Rapids neighborhood in the State of Michigan. Surrounding uses are office buildings, hotels, retail with commercial retail spaces located primarily along ground floor of larger buildings. The closest commercial corridor is Bridge St NW. The subject site is located on the northeast corner of Bridge Street NW and Scribner Avenue NW. The subject is surrounded by a highway to the west, a park to the south, the Grand River to the east, and IH 196 to the north.
Site Area	3.204± acres./ 139,566± square feet.
Shape	Irregular.
Frontage	

Street	Frontage (ft)
Scribner St NW	694.00
Bridge St NW	510.00

Topography	Generally level.
Drainage	Assumed adequate.
Access	The sites are accessed from Scribner St NW (694.0 feet) and Bridge St NW (510.0 feet). Direct vehicle access is provided by two curb cuts on the east line of Scribner Avenue NW and one additional curb cut from the north line of Bridge Street. Note that each of these curb cuts provide direct access to the parking garage which is located on the southwest side of the site. Visibility is considered to be good due to the site's location

	at the northeast corner of Bridge Street NW and Scribner Avenue NW.
Paving	All roads are paved with asphalt and are in satisfactory condition.
Street Drainage	Street drainage is collected by gravity into the local sewer storm system mains.
Street Lighting	Adequate.
Utilities & Services	Water/Sewer and Refuse – City Police & Fire Protection – City Gas & Electric – Grand Rapids Energy & Consumer's Energy
Hazardous Substances	We observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the services of a professional engineer for this purpose. The value reported within this report assumes there are no hazardous substances present on the site.
Flood Hazard Status	Located in "Zones B, A9" on the National Flood Insurance Program Rate Map dated November 5, 1982 Community Panel #260106 - 2601060020C. Zone A9-An area inundated by 100-year flooding. Zone B is an area between limits of the 100-year and 500-year flood; or certain areas subject to 100-year flooding with average depth less than one foot or where the contributing drainage area is less than one square mile. Properties located in A zones have mandatory flood insurance requirements.
Conclusion	The site is like others in the vicinity, and there are no negative external factors. The site is well laid-out and supports its current use as a corporate office property. Access and visibility are good, with entries from multiple directions.

Flood Map

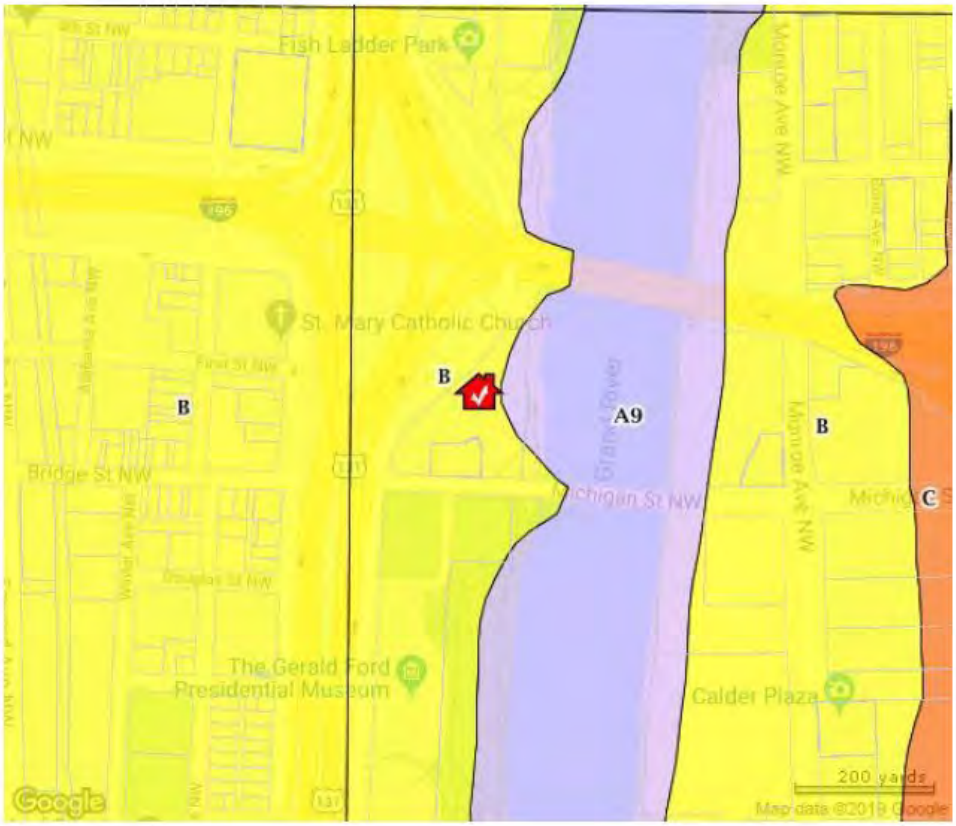
333 BRIDGE ST NW 1110, GRAND RAPIDS, MI 49504-5365

Report Date: 12/30/2019 **County:** KENT, MI

Flood Zone Code	Flood Zone Panel	Panel Date
A9	260106 - 2601060020C	11/05/1982
Special Flood Hazard Area (SFHA)	Within 250 ft. of multiple flood zones?	Community Name
In	Yes (B,A9)	GRAND RAPIDS

Flood Zone Description:

Zone A9-An area inundated by 100-year flooding



Building Description

The subject, 333 Bridge Street NW, consists of a 17-story multi-tenanted elevatored Class A office building. 333 Bridge Street NW contains 768,153± gross square feet, according to public record, and 353,356± square feet of leasable area. The remaining area is occupied by the garage. The property is 65.08% based on GLA across 46 tenant spaces. We note that some tenants occupy multiple units. It is noted that one of the subject's anchor tenants, Spectrum Health, downsized from 70,062 square feet to 14,294 square feet when its lease expired in February 2024, resulting in a decrease to the occupancy level. Further, the remaining space is occupied on a month-to-month basis, and according to ownership, the tenant is not expected to renew. For purposes of this analysis, we have marked this space as vacant, in addition to two other tenants that are also leasing space on a MTM basis, and not expected to renew (Dewpoint, Inc. and Legacy Office).

The property was built in 1994 and has had subsequent improvements throughout the years. Overall, the property is in good condition.

The subject reportedly recently underwent upgrades to the common area consisting of an elevator modernization project and escalator refurbishment, roof replacement, common area renovation and window replacement. The outstanding cost for such building improvements, including other items such as roof repair, parking ramp expansion, water pumps etc. was reported at $166,750.

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

Structural & Mechanical

Structural

Foundation	Concrete pier and beam and concrete slab.
Structural System	Steel frame/Masonry
Exterior Walls	Concrete panel, aluminum, and glass
Roof	Flat, metal frame and metal deck.
Doors	Primary entry doors are glass with metal frames. Side service doors are insulated metal in metal frames.
Height	17 stories

Mechanicals

Heating/ Cooling Systems/ Hot water	Chilled water boiler, packaged HVAC system. Building uses 4 one million BTU boilers to heat the building using hot water pipes and multiple fan coil units on each floor to force hot and cold air into the units. Building also uses centrifugal driver electric chillers as air conditioning. Cold air is dispersed the same way - forced air with cold water pipes and fan coil units. Both hot and cold air is forced from ceiling vents on every floor, and each unit is independently climate controlled.
Electric	Electrical is underground and is assumed to meet all applicable building codes; average commercial quality assumed. Backup generator.
Plumbing	PVC, copper, and iron for both buildings
Life Safety	Several fire extinguishers and heat and smoke detection alarms. Wet sprinklers are located throughout.

Layout & Finishes

Interior Layout & Finish

Lobby	The lobbies are in a contemporary style and are finished with decorative light fixtures, stone tiles, carpet. The lobby, escalators, and elevator banks are attractive and in good condition.
Office Interiors	Office interiors vary from tenant to tenant but typically feature carpeted, hardwood, tiled, acoustic tiled or painted ceilings, and painted or wallpapered walls or exposed brick walls. Lighting is provided by decorative fluorescent and incandescent fixtures. Office interiors are in good condition and appealing.
Stairwells	Steel frame, closed riser, concrete filled steel pan, metal handrails. There are multiple interior stairways in each building.
Elevator	8 elevators
Common Hallways	Common hallways feature carpeted/hardwood floors, painted walls, and acoustic tiled ceilings with recessed fluorescent fixtures in each building
Interior Walls	Wood paneling, wall paper, and painted textured drywall
Floor Covering	Vinyl tile, wood, finished concrete, laminate, carpet, and ceramic tile
Ceilings	Open to roof structure, suspended aluminum frame grid system, and painted and textured drywall in some areas
Lighting	Incandescent, strip fluorescent, recessed fluorescent, and recessed incandescent fixtures
Restrooms	Finishes include ceramic tile floors, painted walls, acoustic tiled ceilings with recessed fluorescent fixtures and porcelain fixtures. There are shared bathrooms located on each floor and are stacked.
Security	Cameras throughout and tenant key fob system
Parking	1,358 garage spaces, which reflects a parking ratio of 3.8 spaces/1,000 SF of GLA. This ratio is superior to office buildings within the submarket.
Loading Dock	One

Layout

Subject Net Rentable Area

#	Tenant	Unit	Type	Square Footage
1	Ascent Real Estate Group	0100	Office	476
2	Duston Shaffer	0105	Office	247
3	Teachers Insurance & Annuity	0110	Office	4,470
4	Hertz Tenant Lounge	0115	Office	763
5	Hertz Mgmt Space - Aerobics Room	0125B	Office	4,259
6	Hertz Grand Rapid Office	0130	Office	742
7	Legacy Offices LLC	200	Office	1,412
8	Ameriprise Holdings, Inc	205	Office	6,646
9	Hertz Mgmt Space	225	Office	4,133
10	Charlesbrook Protection Services LLC	230	Office	1,855
11	The Image Gallery (MTM)	235	Office	598
12	San Chez Express, LLC	240	Office	2,938
13	Spectrum Health	410	Office	3,727
14	Spectrum Health	0410B	Office	465
15	Spectrum Health	420	Office	2,451
16	Spectrum Health	0430	Office	7,651
17	Dewpoint, Inc	505	Office	5,562
18	Plunkett & Cooney	530	Office	11,002
19	New York Life	600	Office	11,610
20	Red Cedar Investment Mgmt	601	Office	4,218
21	Cole's Quality Foods Inc	710	Office	8,779
22	Grand Wealth Management	800	Office	5,403
23	PRCD Holdings LLC	810	Office	4,335
24	Answer Health Physician Organization	815	Office	7,670
25	Kreis Enderle Hudgins and Borsos PC	900	Office	8,010
26	Robert Half International	910	Office	5,844
27	MCImetro Access	0B02	Storage	1
28	Michigan Bell	0B06	Storage	1
29	Varnum	0B26	Storage	5,106
30	Robert W. Baid & Co	1000	Office	11,862
31	Colliers International	1010	Office	5,996
32	UBS Financial Services	1100	Office	3,096
33	Mark Gurley	1110	Office	672
34	Counseling Center of West Michigan	1120	Office	4,317
35	Ahead Inc.	1125	Office	3,151
36	Benchmark Risk Group, LLC	1126	Office	2,883
37	JD General Agency	1200	Office	17,598
38	JD General Agency	1300A	Office	5,530
39	JD General Agency	1300B	Office	3,406
40	Insight Global LLC	1301	Office	8,662
41	Varnum	1400	Office	17,598
42	Varnum	1500	Office	17,254
43	Varnum	1600	Office	17,254
44	Varnum	1700	Office	11,587
45	Vacant Office Space	Various	Office	102,116
Total				**353,356**

Functional Utility

From a utility standpoint, the subject property is well laid out and adequately accommodates its present utilization. The subject benefits from its desirable location in an active commercial area. The subject property is able to accommodate its existing office tenants. As mentioned previously, the current leasable area is 353,356 square feet. In terms of its functional appeal, there is good column spacing and adequate ceiling heights allowing the asset to compete effectively.

Condition & Maintenance

Condition

Based on our inspection, the current subject is in good condition. The subject is rated as good in regard to quality of construction for general office buildings within the immediate area. The interior amenities are equal to or better than those of competing properties of similar age, and comparable to many newer properties. The subject improvements are constructed in a manner that is comparative to alternative, directly competitive, substitute properties. Access and visibility are good due to the building's frontage at the northeast corner of Bridge Street NW and Scribner Avenue NW. The subject improvements are well designed and functional for their intended use as a general office building. Further, tenant spaces continue to get upgraded as roll over occurs. No items of deferred maintenance were observed or reported. Thus, the asset is in good condition relative to similar buildings in the area.

Remaining Economic Life

333 Bridge Street NW was originally constructed in 1994 and has been adequately maintained over the years with numerous capital expenditure projects occurring to extend the useful life of the asset. Similar buildings have a typical economic life of 60 years and we estimate the effective age to be 10 years, with a remaining economic life of 50 years. Future capital investment will serve to improve the asset productivity and extend its life during the holding period.

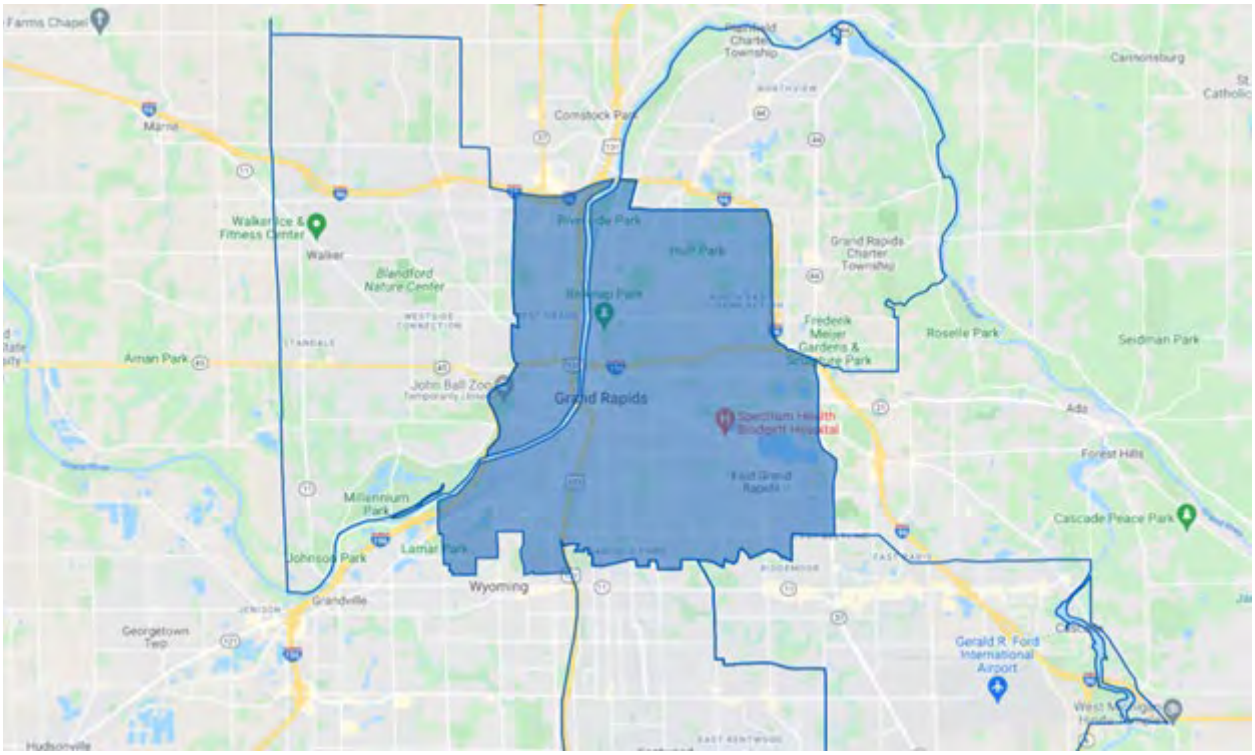
Summary

The information contained in the sections entitled "Site Description" and "Building Description" was obtained from our field inspection on July 28, 2023 as part of a prior engagement, information provided by ownership, CoStar, RealQuest, and zoning and assessment records.

Market Analysis

Central Grand Rapids: Office Submarket Analysis

The information contained in this report was provided using 2024 Q3 CoStar data for the Central Grand Rapids Office Submarket ("Submarket") located in the Grand Rapids Market ("Market").



Overview

The subject property is in the Central Grand Rapids Submarket of the Grand Rapids Market, defined in the map above. This Submarket accounts for 37.8% of the Markets total inventory with 16 million square feet. In the Central Grand Rapids Submarket, demand remains strong with vacancy rates down yoy and over the past quarter. With continued compression in vacancy rates, rents increased 0.4% in the latest quarter and are up 2.6% over the past year. Despite positive fundamentals, values decreased -2.4% over the past year after negative growth in the latest quarter, ultimately decreasing to $117/square feet.

Sector Fundamentals

	Central Grand Rapids	YoY	QoQ	Grand Rapids	YoY	QoQ
Market Rent/SF	$21.79	2.6%	0.4%	$20.8	2.6%	0.3%
Vacancy Rate	7.97%	-21 bps	-1 bps	6.36%	-69 bps	-35 bps
Availability Rate	8.1%	-80 bps	-16 bps	7.4%	-117 bps	-36 bps
Net Absorption SF	1,837	102.5%	-98.5%	146,261	504.8%	70.6%
Asset Value/SF	$117	-2.4%	-2.4%	$103	-2.6%	-2.6%
Market Cap Rate	10.69%	23 bps	13 bps	11.11%	29 bps	13 bps
Transaction Count	14	250%	180%	41	52%	86%
Sales Volume	$12,927,444	1,889%	65%	$38,220,728	270%	345%

The table below presents historical performance of key indicators for office space in the Submarket including inventory & construction levels, net absorption, vacancy & availability, rental rates, pricing, and cap rates.

Historical Office Performance: Central Grand Rapids Submarket

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
2024 Q3	16,020,991	0	60,467	86,669	8.0%	8.1%	$21.79	$117	10.69%
2024 Q2	16,020,991	0	60,467	11,156	8.0%	8.3%	$21.70	$120	10.55%
2023	15,960,524	41,669	338,913	397,231	6.8%	8.2%	$21.23	$118	10.59%
2022	15,621,611	352,652	256,000	325,705	7.4%	7.9%	$21.46	$132	9.54%
2021	15,365,611	506,000	89,404	-214,179	8.0%	8.4%	$20.85	$138	8.78%
2020	15,126,957	475,494	13,682	-207,110	6.1%	6.2%	$20.84	$144	8.72%
2019	15,113,275	393,320	318,508	328,739	4.6%	4.8%	$20.50	$139	8.92%
2018	14,794,767	298,508	23,425	122,905	4.8%	5.4%	$19.80	$136	8.69%
2017	14,771,342	65,600	152,146	237,522	5.5%	7.1%	$18.84	$136	8.37%
2016	14,619,196	197,800	-151,600	159,545	6.1%	7.0%	$17.58	$145	7.82%
2015	14,770,796	162,800	159,594	258,133	8.2%	9.3%	$16.86	$117	8.39%
2014	14,611,202	170,687	-144,827	-1,651	8.9%	12.6%	$16.82	$109	8.50%

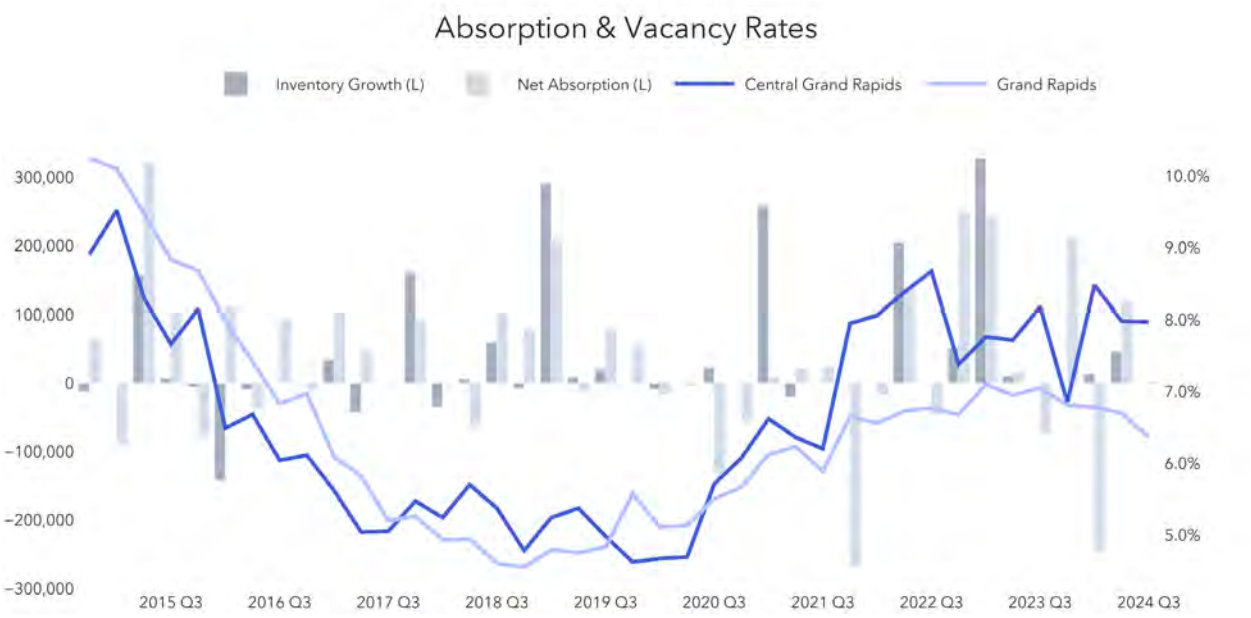
Supply & Demand

The Submarket has 16 million square feet of office space, and developers have added, net of demolitions, 1.4 million square feet over the past ten years, increasing inventory by 9.7% during that time. Despite an increase in supply over the past ten years, absorption levels have outpaced it, and vacancy rates are lower than they were a decade ago, compressing from 8.9% to 8.0%.

Despite falling demand and rising inventory levels, vacancy rates have compressed 21 bps over the past year from 8.2% to 8.0%. Vacancy rates remain above the 10-year average of 6.7%, and above the Market average by 161 bps. With 1.8k square feet absorbed in 2024 Q3, vacancy rates have compressed 1 bps over the past quarter. In the third quarter, office tenants in the Submarket absorbed 1.8k square feet, a decrease from the 119.9k square feet vacated in 2024 Q2, but an improvement from the -73.7k square feet vacated in the same quarter last year.

Vacancy Rates

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	24 Q2	24 Q3
National	10.7%	10.1%	9.7%	9.6%	9.3%	9.3%	10.7%	11.8%	12.3%	13.4%	13.8%	13.8%
Market	10.2%	8.7%	7.0%	5.3%	4.5%	5.6%	5.7%	6.7%	6.7%	6.8%	6.7%	6.4%
Submarket	8.9%	8.2%	6.1%	5.5%	4.8%	4.6%	6.1%	8.0%	7.4%	6.8%	8.0%	8.0%
Class A	11.2%	10.0%	11.5%	10.6%	5.2%	3.6%	5.3%	9.1%	11.8%	10.3%	16.4%	15.8%
Class B	11.1%	9.2%	7.8%	6.6%	6.7%	6.0%	8.3%	10.5%	8.1%	6.8%	7.2%	7.0%
Class C	5.3%	6.1%	1.8%	1.6%	1.8%	3.0%	3.0%	3.6%	3.9%	4.8%	4.2%	4.8%



Source: CoStar

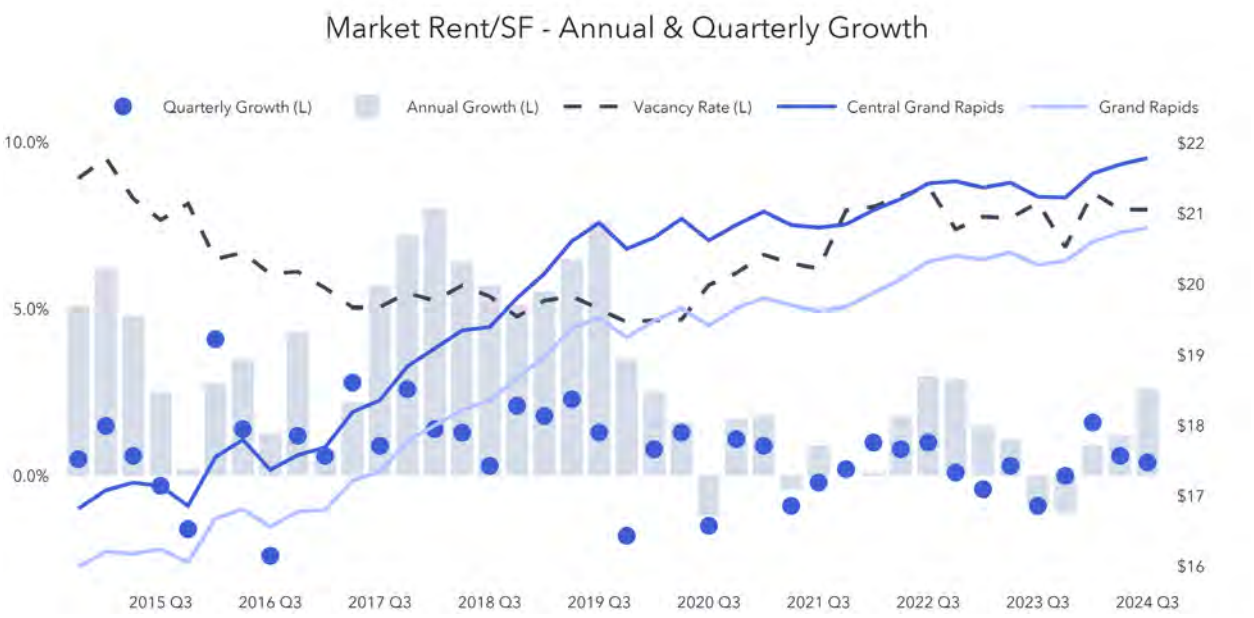
Rents

At $21.79/SF, rents in the Central Grand Rapids Submarket are roughly 5% higher than the Market average of $20.80/SF. Rents vary throughout the Submarket. Class A space is at a premium with a rate of $29.04/SF, followed by $20.52/SF for Class B and $19.42/SF for Class C space. Rents in the Submarket have increased 3.0% per annum over the past decade, falling short of the Market average, where rents increased 3.0% per annum during that time.

Market Rents

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	24 Q2	24 Q3
National	$28.93	$30.59	$31.61	$32.49	$33.58	$34.94	$34.35	$34.58	$35.03	$35.38	$35.58	$35.63
Market	$15.99	$16.06	$16.78	$17.78	$18.66	$19.25	$19.66	$19.68	$20.40	$20.33	$20.73	$20.80
Submarket	$16.82	$16.86	$17.58	$18.84	$19.80	$20.50	$20.84	$20.85	$21.46	$21.23	$21.70	$21.79
Class A	$21.99	$21.93	$23.30	$26.55	$26.94	$28.89	$28.77	$30.14	$29.53	$27.84	$28.96	$29.04
Class B	$16.17	$16.13	$16.64	$17.50	$18.80	$19.14	$19.57	$19.06	$19.97	$20.07	$20.40	$20.52
Class C	$14.73	$14.96	$15.62	$16.29	$17.08	$17.58	$18.06	$18.06	$18.94	$19.07	$19.37	$19.42

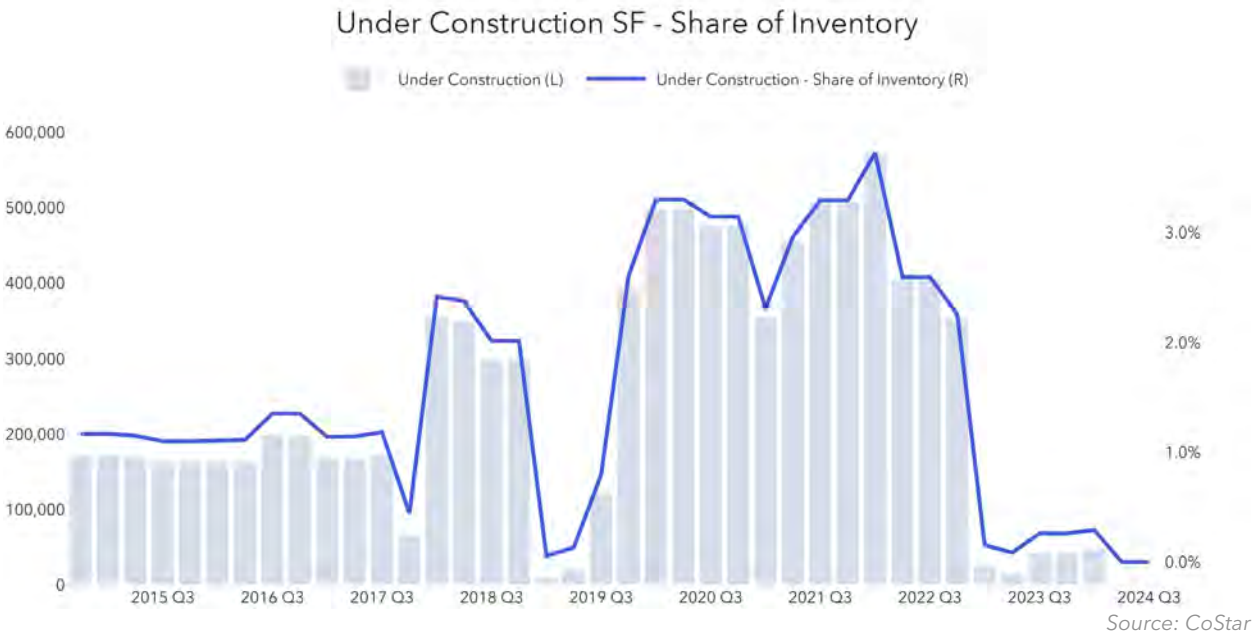
Prior to the pandemic, the Central Grand Rapids Office Submarket experienced softening rent growth. In 2019 Q4, annual rent growth in the Submarket softened below the previous quarter, and was below the historical average, with annual growth of 3.5%. In 2020 Q2, quarterly rent growth reached 1.3%. By the end of 2020, rents had increased 1.7% from the 2019 Q4 rent level of $20.50/SF. From 2019 Q4 to 2021 Q4, rents increased 1.7%. Quarterly rent growth in 2024 Q3 slowed to 0.4%, although annual growth increased to 2.6%.



Source: CoStar

Construction & Future Supply

Developers have been active for much of the past ten years. In fact, they have added 1.7 million square feet to the Submarket over that time, expanding inventory by 9.7%. Office tenants are expected to continue reevaluating their space needs, putting some upward pressure on vacancies, however, the empty pipeline should aid the sector, limiting sharp expansions in vacancy over the near term.

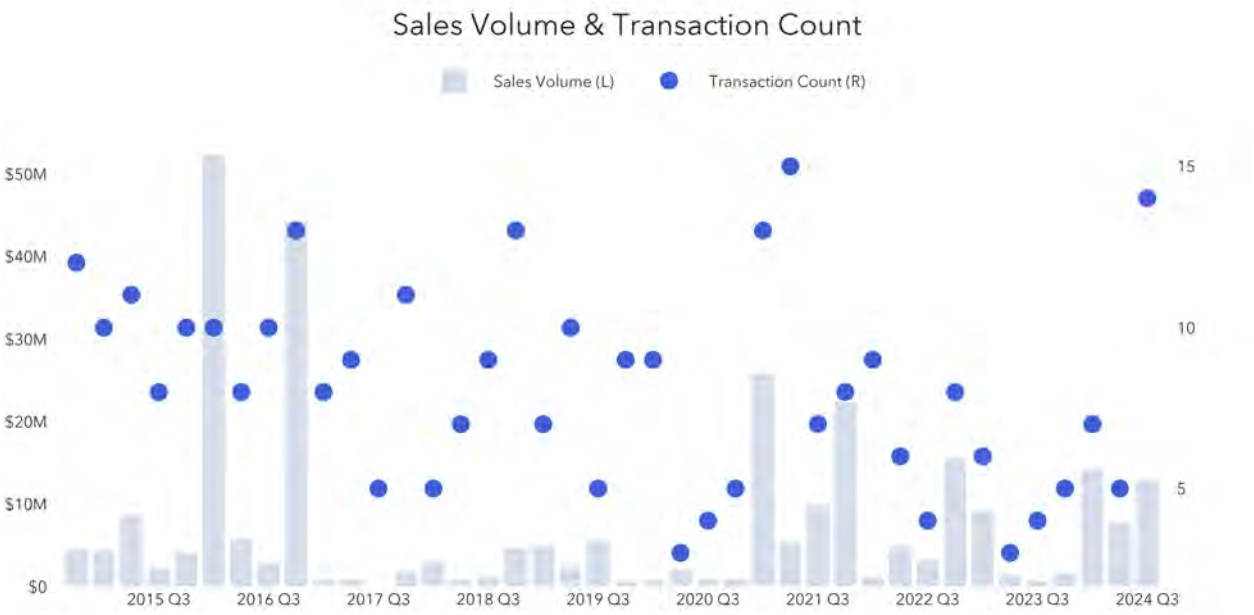


Source: CoStar

Capital Markets

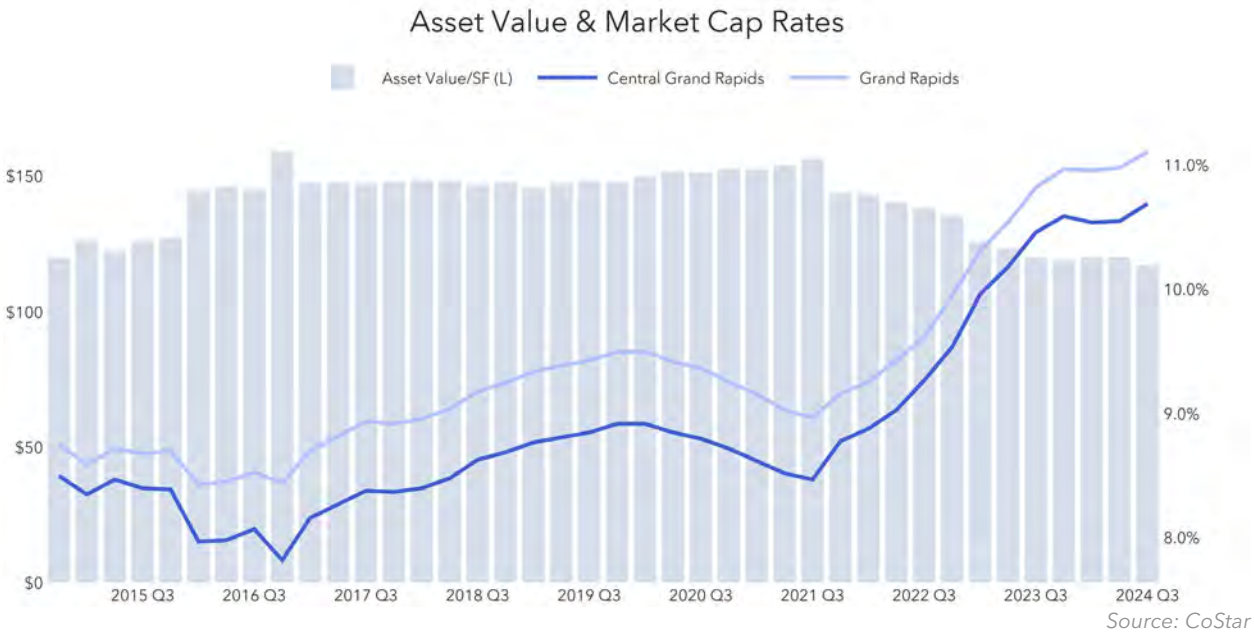
Investors have been active in the Submarket over the past three years. During that time, investors have closed on average 29 transactions per year with an annual average sales volume of $33.8 million. Over the past year, there were 31 closed transactions across 366k square feet, for a total sales volume of $36.6 million. As of 2024 Q3,

CoStar data indicates there were 14 transactions for a total sales volume of $12.9 million, compared to $7.8 million in the previous quarter.



Source: CoStar

Market pricing, based on the estimated price movement of all properties in the Submarket, is currently $117/SF. Values have compressed 2.4% over the past year and continued to fall in the past quarter, decreasing 2.4% in 2024 Q3. Capitalization rates increased 23 bps over the past year to 10.7% and increased 13 bps in Q3. Despite recent rate cuts, elevated rates and the subsequent cost of debt will weigh on both investment activity and pricing going forward. However, investors are taking advantage of the drop in office values, acquiring very well located properties.



Source: CoStar

Outlook

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

Office market conditions in the Central Grand Rapids Submarket indicate slowing demand and rising inventory levels, although vacancy rates have compressed over the past year. With vacancy rates compressing, quarterly rent growth slowed to 0.4%, with annual growth at 2.6%. Looking ahead to the near term, it is likely that tenants remain active, with absorption aided by an empty supply pipeline.

Highest & Best Use

In determining highest and best use, we have considered the current trends of supply and demand on the market, current zoning regulations and other possible restrictions, and neighboring land uses.

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

In estimating highest and best use, alternative uses[7], such as the legally permissible use, the physically possible use, the financially feasibility, and the highest and best use, are considered and tested for the subject site.

Highest and Best Use As Vacant

Legally Permissible

The subject property is in zones TN-CC (Traditional Neighborhood - City Center), which permits a variety of uses including commercial and residential uses as of right. No known zoning change is anticipated and there are no public or private deed restrictions that preclude development. This zoning district is not considered to impact the development potential of the site relative to commercial uses. Therefore, the subject is considered to be unrestricted from a legal standpoint.

Physically Possible

The site is of good size and has good street access. The lot spans 3.204 acres with good frontage on Scribner St NW (694.0 feet) and Bridge St NW (510.0 feet). All necessary utilities are available, and there are no apparent easements or encroachments that hinder or prevent development. The size falls within the range of improved sites in the area and is not considered to restrict the utility in relation to competing sites. Surrounding land uses are comprised primarily of office buildings. The site lies in the middle of a dense office district with a large daytime population that feeds retail, as well as a substantial residential population. From a development standpoint, the location within the Central Business District and proximity to other commercial uses suggest its utility for medium to high intensity office uses. There have also been multifamily developments in the area, indicating multifamily uses are physically possible. Public utilities and traffic carriers are provided and are adequate in capacity. The subject site is of ample size and configuration to support a large multi-tenant development. Any of the above legally permitted uses, therefore, are considered physically possible.

Financially Feasible

The subject is located within a predominantly commercial and residential district, in a community where there is sufficient demand for commercial and residential properties. Speculative development is limited in the area. With office vacancy rates hovering around 8%for the subject immediate market area, speculative development is not considered feasible at this time. Multifamily uses may also be financially feasible, however given the existing uses in the area are generally commercial, office may be more financially feasible.

Maximally Productive/ Highest and Best Use

All legally permissible, physically possible, and financially feasible uses of the site, as vacant, have been presented and examined. In conclusion, it is our opinion that the highest and best use of the subject site, as vacant, is to hold for development of a speculative office building until conditions improve. Build-to-suit development is also considered feasible.

Based on discussions with market participants and review of market reports

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

published by major brokerages, overall construction activity in the subject's submarket is down, while investment activity and volume has trended downward as well. Although market rents have remained steady, there is supply-side pressure due to elevated vacancy rates. Based on the foregoing, there is evident demand in the submarket for office product and, as such, our highest and best use conclusion is further supported.

As Improved

Legally Permissible

The subject property is in zone TN-CC (Traditional Neighborhood - City Center), which permits a variety of uses including commercial and residential uses as of right. The subject improvements are a permitted use in the TN-NC zoning district. No known zoning change is anticipated and there are no public or private deed restrictions that preclude development. The construction density exhibited by the improvements is compatible with similar competitive properties in the immediate neighborhood.

Physically Possible

The subject is currently improved with a 17-story class A office building with a total gross area of 768,153 square feet and a net rentable area of 353,356 square feet. The improvements were constructed in 1994, and is considered to be in good overall condition, being well maintained and functional for their use. As noted above, the current improvements comply with current zoning.

Financially Feasible

The subject is located within a commercial district with limited new construction in the area. As improved, the subject building is 71.1% occupied by office tenants. Despite the elevated vacancy level, it generates a positive net cash flow, and an adequate return to the owners. Therefore, the current use is financially feasible.

Maximally Productive/ Highest and Best Use

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

Most Probable Buyer

Taking into account the size and characteristics of the property and its Class A office occupancy, the likely buyer is a regional, national, or institutional investor.

Appraisal Valuation Process

There are three approaches to value we consider: the Cost Approach, the Sales Approach, and the Income Approach.

The **Cost Approach** is traditionally a good indicator of value when properties being appraised are new or close to new. 333 Bridge Street NW was constructed in 1994 and has notable physical and economic depreciation. The difficulty in credibly isolating the influence of these factors on value affects the reliability of this approach. Along this line, investors typically give nominal weight to this analysis since the asset is operating on a stabilized basis and its cost bears little relationship to the value. Therefore, as a result of the limited use of this approach, it has not been applied.

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

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

In advancing an opinion of the value of the subject, we considered the two primary approaches of real estate valuation: The Income Approach and the Sales Comparison Approach. The Cost Approach was not applied due to the age of the subject and difficulty in estimating depreciation. Additionally, market participants in the area do not generally consider the Cost Approach when making investment decisions for properties like the subject.

Finally, the relative strengths and weaknesses of each approach are discussed, and a final value opinion is offered.

Income Capitalization Approach

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

The income capitalization approach supports two methodologies: direct and yield capitalization. Investors in the local market typically utilize a direct capitalization when making investment decisions for this asset class, therefore we conclude that the direct capitalization method is appropriate to apply to the subject.

Approach Applied

As a class A office building, this asset is encumbered by multiple leases with staggered expiration dates and reflects 65.1% occupancy.

It is noted that one of the subject's anchor tenants, Spectrum Health, downsized from 70,062 square feet to 14,294 square feet when its lease expired in February 2024, resulting in a decrease to the occupancy level. Further, the remaining space is occupied on a month-to-month basis, and according to ownership, the tenant is not expected to renew. For purposes of this analysis, we have marked this space as vacant, in addition to two other tenants that are also leasing space on a MTM basis, and not expected to renew (Dewpoint, Inc. and Legacy Office).

Given the current challenges of the office leasing market, and limited prospective tenant interest to backfill this space at present, it is our opinion that the property at this occupancy level represents generally stabilized operations. Therefore, it is appropriate to apply the direct capitalization method, which converts a single year's stabilized income into an indication of value. The yield capitalization method has not been utilized as we are assuming stabilized operations presently exist with no lease-up.

Base Commercial Income

The subject is 65.1% occupied. There is 123,384 square feet of vacant office space.

Lease Details

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

Current Rent Roll Summary

#	Tenant	Unit	Size (SF)	Lease Start	Lease Exp.	Current Annual Rent	Rent PSF	Rent Increase	Reimbursement	Comments
1	Ascent Real Estate Group	0100	476	7/1/2024	6/30/2025	$10,505	$22.07		None	New lease
2	Duston Shaffer	0105	247	10/1/2024	9/30/2027	$6,051	$24.50		None	New lease
3	Teachers Insurance & Annuity	0110	4,470	4/1/2015	10/31/2025	$104,848	$23.46		None	
4	Hertz Tenant Lounge	0115	763	10/1/2022	12/31/2050	$15,069	$19.75		None	
5	Hertz Mgmt Space - Aerobics Room	0125B	4,259	9/1/2015	8/31/2025	$84,115	$19.75		None	
6	Hertz Grand Rapid Office	0130	742	5/1/2014	5/1/2050	$14,655	$19.75		None	
7	Ameriprise Holdings, Inc	0205	6,646	11/1/2015	11/30/2025	$148,508	$22.35	2.5%, December 2024	None	
8	Hertz Mgmt Space	0225	4,133	7/1/2014	7/1/2024	$81,627	$19.75		None	
9	Charlesbrook Protection Services LLC	0230	1,855	2/1/2024	1/31/2029	$33,390	$18.00	~2.5% annually	None	Expansion & Renewal
10	The Image Gallery (MTM)	0235	598	8/1/2011	--	$10,200	$17.06		None	Month-to-Month
11	San Chez Express, LLC	0240	2,938	3/1/2024	2/28/2027	$15,131	$5.15		None	New lease
12	Plunkett & Cooney	0530	11,002	2/1/2024	1/31/2029	$228,952	$20.81	~2.5% annually	None	
13	New York Life	0600	11,610	6/1/2012	10/31/2034	$267,030	$23.00		None	Downsized & 10-yr Renew
14	Red Cedar Investment Mgmt	0601	4,218	8/1/2019	7/31/2029	$94,272	$22.35	~2.5% annually	None	
15	Cole's Quality Foods Inc	0710	8,779	7/7/2022	8/6/2027	$202,883	$23.11	~2.5% annually	None	
16	Grand Wealth Management	0800	5,403	11/1/2019	10/31/2029	$117,785	$21.80	~2.5% annually	None	
17	PRCD Holdings LLC	0810	4,335	1/1/2022	11/30/2028	$101,656	$23.45	~2.5% annually	None	
18	Answer Health Physician Organization	0815	7,670	4/1/2022	11/30/2028	$161,223	$21.02	~2.0% annually	None	
19	Kreis Enderle Hudgins and Borsos PC	0900	8,010	8/1/2020	1/31/2031	$174,618	$21.80	~2.5% annually	None	
20	Robert Half International	0910	5,844	8/3/2020	8/2/2025	$129,561	$22.17	2.5%, May 2025	None	
21	MCImetro Access	0B02	1	2/1/1997	--	$5,727	N/A		Reimburses 0.06% of annual expenses.	Storage; Month-to-Month
22	Michigan Bell	0B06	1	1/1/2013	12/31/2027	$11,855	N/A	~2.5% annually	None	Storage
23	Varnum	0B26	5,106	3/1/2013	8/31/2033	$51,060	$10.00		None	Storage

Current Rent Roll Summary (Continued)

24	Robert W. Baid & Co	1000	11,862	1/1/2013	6/30/2028	$255,384	$21.53	~2.5% annually	None	
25	Colliers International	1010	5,996	7/1/2023	5/31/2030	$136,931	$22.84	~2.5% annually	None	
26	UBS Financial Services	1100	3,096	12/1/1992	6/30/2033	$72,984	$23.57	~2.5% annually	Pays Pro Rata Share of annual expenses	
27	Mark Gurley	1110	672	9/1/2024	8/31/2027	$16,128	$24.00	~2.5% annually	None	New lease
28	Counseling Center of West Michigan	1120	4,317	6/1/2022	11/30/2032	$90,700	$21.01	~2.5% annually	None	
29	Ahead Inc.	1125	3,151	1/1/2022	12/31/2024	$72,820	$23.11		None	
30	Benchmark Risk Group, LLC	1126	2,883	3/1/2024	6/30/2029	$67,751	$23.50	~2.5% annually	None	New lease
31	JD General Agency	1200	17,598	12/15/2023	12/31/2033	$369,558	$21.00	~2.5% annually	None	
32	JD General Agency	1300A	5,530	12/15/2023	12/31/2033	$116,130	$21.00	~2.5% annually	None	
33	JD General Agency	1300B	3,406	12/15/2023	12/31/2033	$73,314	$21.52	~2.5% annually	None	
34	Insight Global LLC	1301	8,662	10/1/2022	3/31/2030	$186,493	$21.53	~2.5% annually	None	
35	Varnum	1400	17,598	3/1/2013	8/31/2033	$349,320	$19.85	$0.35 psf steps annually	None	
36	Varnum	1500	17,254	3/1/2013	8/31/2033	$342,492	$19.85	$0.35 psf steps annually	None	
37	Varnum	1600	17,254	3/1/2013	8/31/2033	$342,492	$19.85	$0.35 psf steps annually	None	
38	Varnum	1700	11,587	3/1/2013	8/31/2033	$230,002	$19.85	$0.35 psf steps annually	None	
39	Vacant Office Space	Various	123,384						None	
Total			**353,356**			**$4,793,220**				

Lease Expirations

Tenants	Suite	Period	Status	Date	Term	Area	Share %	Rent	Rent/SF	Rent/SF	Market Rent
2024 Expirations											
35. Ahead Inc.	1125	Base	Contract	12/31/2024	3 Months	3,151	0.89%	$72,820	$23.11	$21.21	108.96%
Total 2024 Expirations						**3,151**	**0.89%**	**$72,820**	**$23.11**	**$21.21**	**108.96%**
2025 Expirations											
1. Ascent Real Estate Group	100	Base	Contract	6/30/2025	9 Months	476	0.13%	$10,505	$22.07	$21.21	104.05%
3. Teachers Insurance & Annuity	110	Base	Contract	10/31/2025	1 Year 1 Month	4,470	1.27%	$104,848	$23.46	$21.63	108.42%
5. Hertz Mgmt Space - Aerobics Room	0125B	Base	Contract	8/31/2025	11 Months	4,259	1.21%	$84,115	$19.75	$21.21	93.12%
8. Ameriprise Holdings, Inc	205	Base	Contract	11/30/2025	1 Year 2 Months	6,646	1.88%	$148,508	$22.35	$21.63	103.29%
26. Robert Half International	910	Base	Contract	8/2/2025	10 Months 2 Days	5,844	1.65%	$129,561	$22.17	$21.21	104.53%
Total 2025 Expirations						**21,695**	**6.14%**	**$477,538**	**$22.01**	**$21.43**	**102.73%**
2027 Expirations											
2. Duston Shaffer	105	Base	Contract	9/30/2027	3 Years	247	0.07%	$6,051	$24.50	$22.07	111.03%
12. San Chez Express, LLC	240	Base	Contract	2/28/2027	2 Years 5 Months	2,938	0.83%	$15,131	$5.15	$22.07	23.34%
21. Cole's Quality Foods Inc	710	Base	Contract	8/6/2027	2 Years 10 Months 6 Days	8,779	2.48%	$202,883	$23.11	$22.07	104.73%
28. Michigan Bell	0B06	Base	Contract	12/31/2027	3 Years 3 Months	1	0.00%	$11,855	--	--	--
33. Mark Gurley	1110	Base	Contract	8/31/2027	2 Years 11 Months	672	0.19%	$16,128	$24.00	$10.00	240.00%
Total 2027 Expirations						**12,637**	**3.58%**	**$252,048**	**$19.95**	**$21.43**	**93.09%**
2028 Expirations											
23. PRCD Holdings LLC	810	Base	Contract	11/30/2028	4 Years 2 Months	4,335	1.23%	$101,656	$23.45	$22.96	102.14%
24. Answer Health Physician Organization	815	Base	Contract	11/30/2028	4 Years 2 Months	7,670	2.17%	$161,223	$21.02	$22.96	91.56%
27. MCImetro Access	0B02	Base	Contract	11/30/2028	4 Years 2 Months	1	0.00%	$5,727	--	--	--
30. Robert W. Baid & Co	1000	Base	Contract	6/30/2028	3 Years 9 Months	11,862	3.36%	$255,384	$21.53	$22.51	95.65%
Total 2028 Expirations						**23,868**	**6.75%**	**$523,990**	**$21.95**	**$22.73**	**96.56%**
2029 Expirations											
10. Charlesbrook Protection Services LLC	230	Base	Contract	1/31/2029	4 Years 4 Months	1,855	0.52%	$33,390	$18.00	$22.96	78.40%
18. Plunkett & Cooney	530	Base	Contract	1/31/2029	4 Years 4 Months	11,002	3.11%	$228,952	$20.81	$22.96	90.64%
20. Red Cedar Investment Mgmt	601	Base	Contract	7/31/2029	4 Years 10 Months	4,218	1.19%	$94,272	$22.35	$22.96	97.35%
22. Grand Wealth Management	800	Base	Contract	10/31/2029	5 Years 1 Month	5,403	1.53%	$117,785	$21.80	$23.42	93.09%
36. Benchmark Risk Group, LLC	1126	Base	Contract	6/30/2029	4 Years 9 Months	2,883	0.82%	$67,751	$23.50	$22.96	102.36%
Total 2029 Expirations						**25,361**	**7.18%**	**$542,150**	**$21.38**	**$23.06**	**92.72%**

The WALT is calculated at approximately 6.26 years.

Recent Leasing Activity

Recent Subject Leases

Tenant	Unit	Size (SF)	Lease Start	Starting Rent PSF	TI	Free Rent (mos)	Terms
Ascent Real Estate Group	100	476	7/1/2024	$22.07	n/a	n/a	1 year deal
Duston Shaffer	105	247	10/1/2024	$24.50	n/a	n/a	3 year term
San Chez Express, LLC	240	2,938	3/1/2024	$5.15	n/a	n/a	3 year term
Charlesbrook Protection Services LLC	230	1,855	2/1/2024	$18.00	n/a	n/a	Expansion and 5-year renewal, 2.5% steps
Mark Gurley	1110	672	9/1/2024	$24.00	n/a	n/a	3-year term, 2.5% steps
Benchmark Risk Group	1126	2,883	3/1/2024	$23.50	n/a	n/a	5-year term, 2.5% steps

As discussed, Spectrum Health downsized from 70,062 square feet to 14,294 square feet when its lease expired in February 2024. Further, the remaining space is occupied on a month-to-month basis, and according to ownership, the tenant is not expected to renew. For purposes of this analysis, we have marked this space as vacant, in addition to two other tenants that are also leasing space on a MTM basis, and not expected to renew (Dewpoint, Inc. and Legacy Office). In addition, USI vacated its 14,980 square foot space on the 4th floor.

Recent activity includes several new leases for small-sized spaces (less than 1,000 SF). The lease rates ranged from $22.07 to $24.50 per square foot, for 1- to 3-year term for the three smaller deals.

Charlesbrook Protection Services signed an agreement to expand from 619 to 1,855 square feet and renewed for a 5-year term, with 2.5% steps. The starting rent is $18 PSF.

Benchmark Risk Group was a new agreement starting in March 2024 for a 5-year term at $23.50 per square foot, with 2.5% annual steps.

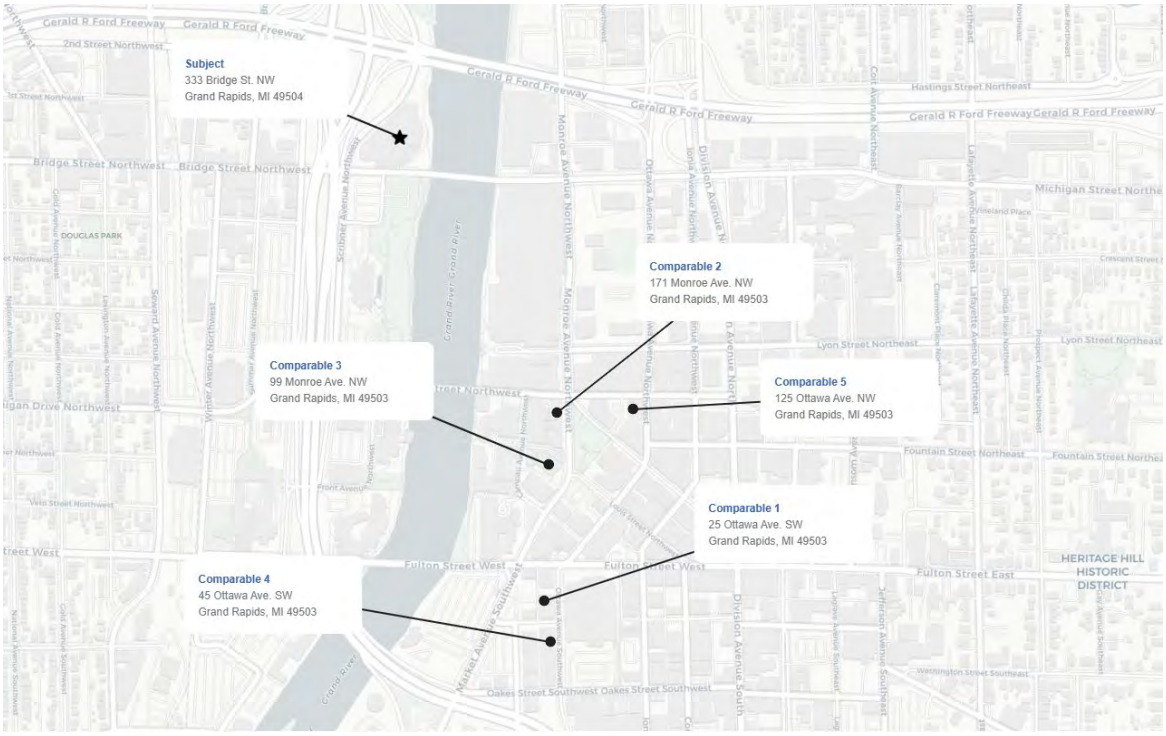
San Chez Express is a grab-and-go deli concept tenant, and it appears that favorable lease terms were given to entice the tenant and serve as an amenity for the building's office tenants.

Expense Reimbursements

Typical rents at the property are full service gross with tenants getting sub metered for electricity and paying for their pro rata share of janitorial expenses. However, we note that the expenses provided to us were already net of the reimbursements, thus we do not model anything for the tenants, with the exception of UBS which has a differing structure. UBS pays for their pro rata share of all operating expenses. MCImetro Access, a storage tenant, also has expense reimbursements, which have been forecasted in our analysis.

Comparable Office Rentals

Comparable Office Rentals Map



Comparable Office Rentals

#	Address	Type / Tenant	Start Date	TI/Free Rent	Sq. Ft.	Base Rent	Lease Terms
1	25 Ottawa Avenue SW	Office	Jun-23	n/a	15,738	$25.00	Modified Gross, sub-lease space (~4 years remaining), 2nd floor
2	171 Monroe Avenue NW	Classic Carriage	Sep-24	n/a	8,231	$25.00	Modified Gross (Asking Rent), 7th floor
3	99 Monroe Ave NW	Booking.com	Jan-24	n/a	7,826	$24.00	Modified Gross. 5th floor
4	45 Ottawa Avenue SW	Actalent	May-24	n/a	7,510	$24.50	Modified Gross, 5th floor
5	125 Ottawa Avenue NW	Office	Jan-24	n/a	1,546	$22.95	Modified Gross. 1-year term. 2nd floor
			Min:		**1,546**	**$22.95**	
			Avg:		**8,170**	**$24.29**	
			Max:		**15,738**	**$25.00**	

Office Lease Comps Rent Photos

25 Ottawa Avenue SW



171 Monroe Avenue NW



99 Monroe Ave NW



45 Ottawa Avenue SW



125 Ottawa Avenue NW



Office Lease Comps Rent Discussion

Comparable 1 is a 15,738 square foot space located in a 6-story office building. This represents a sublease of 2nd floor space with about 4 years of term remaining. The asking rent was $25.00 per square foot, although it is unclear what the taking rent was. The building features a newly renovated lobby and built-out suites with modern finishes.

Comparable 2 is an 8,231 square foot space located in a 10-story, Class A office tower known as PNC Bank Building. The property is situated at the corner of Monroe Avenue and Pearl Street and has attached garage parking in a downtown location, with access to the city's skywalk system. The improvements were built in 1980 and feature a renovated lobby and glass curtainwall facade. The recent lease at this property had an asking rent of $25.00 per square foot and is located on floor 7 with modified gross lease terms.

Comparable 3 is a 7,826 square foot space located in a 12-story office building in the same area as the subject property, but located in the Downtown Core of Grand Rapids. The lease was signed at a rate of $24.00 per square foot with modified gross lease terms where the tenant pays for electricity. We were unable to confirm this comparable with the leasing agents. The information uncovered has been confirmed with various public sources and is considered reliable.

Comparable 4 is a 7,510 square foot space located in an 11-story mixed-use building with Class A office space, base level retail and 100 apartment units. The building is a relatively newer construction, having been completed around 2016. The space was marketed with an asking rate of $24.50 per square foot, modified gross, and was turnkey/move-in ready, previously used by a law firm. The building is located in the core downtown area. The starting rent is reported to be $24.50 per square foot.

Comparable 5 is a 1,546 square foot space located in a 4-story office building in the same area as the subject property, but located in the Downtown Core of Grand Rapids. The lease rate was $22.95 per square foot and is located on floor 2 with modified gross lease terms. The tenant signed a short-term, 1-year lease.

Downtime

The following is per investor surveys:

Downtime Survey

Survey		Marketing Time		
PwC	National Suburban Office	3	to	15
Third Quarter - 2024	Market	9.6	avg	

The majority of the leasing brokers we interviewed, informed us that average Grand Rapids market is anywhere between 8 to 12 months. According to the national PwC survey, the average months to lease for suburban office is 9.6 months in Q3 2024. As such, we assume 9 months of downtime between leases.

Survey		Tenant Retention	
Situs - R.E.R.C.	National Suburban Office		
Third Quarter - 2024	Market	64.00%	average

A renewal probability factor of 65.00% is estimated, which is generally consistent with retention rates reported by the Situs for the national suburban office market. We note that several tenants at the subject facility have signed renewals to remain in occupancy.

Free Rent

The leasing brokers we interviewed indicated that free rent is not typically given as a concession at this time. Further, the subject property has new leases with no or little free rent, however, in some cases there are leases up to 6 months of free rent. Current asking terms provide ½ a month to 1 month of free rent, depending on the size of the tenant. Thus, we assumed 1 month of free rent for all new leases and no free rent for renewal leases.

It is noted that while our market leasing assumptions include free rent estimate, our analysis is based on the subject currently operating at a stabilized level, with no additional lease-up costs or deductions.

Tenant Improvements

Tenant improvements range by tenant size and also by tenant type in this market. Asking terms as per ownership for new spaces include a $5 per square foot per year TI. The subject's leases indicate varying levels of tenant improvement allowances with most renewals with no TI allowance and some leases having $2.25 per square foot per year in TI allowance. Higher TI allowances are given to the longer-term tenants. We note that the spaces are all in good condition and thus we expect minimal work to be needed to be performed by tenants. We also interviewed brokers to gather insight on typical tenant improvement allowances in the market. The brokers we surveyed noted a range of $15 to $45 per square foot depending on the term of the lease. We concluded to $25 per square foot for new tenants and $10 per square foot for renewing tenants.

It is noted that while our market leasing assumptions include TI allowance estimate, our analysis is based on the subject currently operating at a stabilized level, with no additional lease-up costs or deductions.

Leasing Commissions

We apply standard local leasing commissions which were quoted between 4% and 6% of the annual gross lease amount. We apply 6% for new leases and 4% for renewals.

It is noted that while our market leasing assumptions include a market-oriented leasing commission, our analysis is based on the subject currently operating at a stabilized level, with no additional lease-up costs or deductions.

Office Rent Conclusion

Excluding outliers, the recent leases within the subject property range from $18.00 to $24.50 with an average of $22.41 per square foot.

The rental comparables presented provide a range for office spaces from $22.95 to $25.00 per square foot, with an average of $24.29 per square foot on a mostly modified gross expense basis.

Typical terms at the subject are between 5 and 10 years with 2.50% annual escalations. Tenants are sub-metered for electric which is billed back to them, and they also reimburse for cleaning/janitorial expenses. However, we note that in the model, we do not apply any of these reimbursements, as the provided expense was net of these reimbursements, thus they were already accounted for on the expense side.

For our market leasing assumptions, we conclude to a 7-year term with a starting rent of $22.50 per square foot full-service gross, which is consistent with the range of the recent leases. We assume no expense reimbursements and 2.50% annual escalations. Overall, new leases for office spaces at the subject range between $18.00 and $24.50 per square foot with an average of $22.41 per square foot, which is consistent with the recent leasing in the subject's market. The income is generally at-market.

Office Market Leasing Assumptions

Office		
	New Market	**Renewal Market**
Renewal Probability		65%
Market Rent	$22.50	$22.50
Months Vacant	9	
Tenant Improvements	$25 PSF	$10 PSF
Free Rent	1 month	None
Rent Changes	2.5% annual	2.5% annual
Reimbursements	Full Service	
Term	7 years	

Other Income

The subject generated other income from expense reimbursements, parking, storage, fitness center revenue, and miscellaneous.

The historical data and forecasted amounts are as follows:

	2021	2022	2023	2024 Annualized	Bowery Estimate
Rent	$6,052,328	$6,129,439	$5,861,300	$4,957,857	$4,793,220
Operating Expense Recovery	$34,390	$38,310	$23,337	$2,635	$3,126
Parking	$849,741	$896,428	$917,880	$911,892	$915,000
Other Rental/Sales Income	$114,381	$117,530	$161,025	$116,275	$115,000
Other Income	$20,636	$2,924	$96,676	$20,412	$20,000
Total Income	**$7,071,476**	**$7,184,631**	**$7,060,218**	**$6,009,071**	**$5,846,346**

Vacancy and Credit Loss

Our review of occupancy rates of comparable properties indicates an occupancy rate range between 75% and 100%. The CoStar Grand Rapids Office vacancy was reported at about 8% for Q3 2024 in the submarket, and 6.36% in the larger Grand Rapids market.

However, more recently market conditions, both at the property, and on a broader scale have weakened, with muted limited leasing activity as companies continue to assess their space requirements as a fallout from the hybrid work model.

Currently, the subject is 65.1% occupied. As discussed, one of the subject's anchor tenants, Spectrum Health recently downsized from 70,062 square feet to 14,294 square feet. Further, the remaining space is occupied on a month-to-month basis, and according to ownership, the tenant is not expected to renew. For purposes of this analysis, we have marked this space as vacant, in addition to two other tenants that are also leasing space on a MTM basis, and not expected to renew (Dewpoint, Inc. and Legacy Office). In addition, USI vacated its 14,980 square foot space on the 4th floor.

Given the current challenges of the office leasing market, and limited prospective tenant interest to backfill this space at present, it is our opinion that the property at this occupancy level represents stabilized operations.

Therefore, we only apply a nominal vacancy/collection loss figure of 1.0%, reflecting typical rollover and collection loss, in addition to the 'static' vacancy of the property as presently operating at 65.1%. This estimate does reflect the presence of select credit tenants including UBS and NY Life, as well as Varnum which is considered to be above average in credit quality.

As a result, the effective occupancy level is approximately 64.1%. Given that this is considered to be a stabilized occupancy level, we do not forecast any lease-up of the vacant spaces. The table below summarizes the subject's historical occupancy rates.

Historical Occupancy Rates

Year	Occupancy
2015	81%
2016	85%
2017	82%
2018	85%
2019	92%
2020	90%
2021	85%
2022	89%
2023	88%
Current (Effective Occ %)	**65.1%**
Stabilized	**64.1%**

Operating Expense Analysis

We analyzed the subject's operating expense projection and those of comparable properties in developing our forecast of operating expenses. We were provided with three years of historical expenses as well as the 2024 annualized data (ending September 2024).

Therefore, we analyzed the subject's operating expense historicals in developing our forecast of operating expenses. The data, analyzed in terms of nominal and gross square footage, is presented:

Owner Provided Income and Expenses

Operating Expenses	2021	2022	2023	2024 Annualized
Real Estate Taxes	$809,976	$824,345	$855,742	$878,275
Insurance	$66,599	$215,786	$180,671	$201,152
Utilities	$318,197	$378,978	$351,651	$448,064
Parking	$9,837	$16,200	$50,367	$39,581
CAM	$25,581	$36,050	$42,920	$66,236
Cleaning and Janitorial	$249,182	$258,539	$273,926	$255,153
Repairs and Maintenance	$276,374	$429,548	$418,781	$439,037
Payroll	$367,719	$396,473	$449,320	$390,639
General, Admin & Misc	$223,652	$254,100	$239,942	$236,016
Security	$81,350	$83,155	$90,450	$100,515
Non-Pass Through OE	$50,212	$57,426	$60,730	$13,081
Management	$374,473	$360,089	$345,898	$169,223
Total Operating Expenses (Excl. Taxes)	**$2,043,176**	**$2,486,344**	**$2,504,656**	**$2,358,697**

Operating Expenses PSF	2021	2022	2023	2024 Annualized
Real Estate Taxes	$2.29	$2.33	$2.42	$2.49
Insurance	$0.19	$0.61	$0.51	$0.57
Utilities	$0.90	$1.07	$1.00	$1.27
Parking	$0.03	$0.05	$0.14	$0.11
CAM	$0.07	$0.10	$0.12	$0.19
Cleaning and Janitorial	$0.71	$0.73	$0.78	$0.72
Repairs and Maintenance	$0.78	$1.22	$1.19	$1.24
Payroll	$1.04	$1.12	$1.27	$1.11
General, Admin & Misc	$0.63	$0.72	$0.68	$0.67
Security	$0.23	$0.24	$0.26	$0.28
Non-Pass Through OE	$0.14	$0.16	$0.17	$0.04
Management	$1.06	$1.02	$0.98	$0.48
Total Operating Expenses PSF (Excl. Taxes)	**$5.78**	**$7.04**	**$7.09**	**$6.68**

Office Operational Expenses

Below we present comparable operating expenses.

Office Operational Expenses

Comparable:	1	2	3	4	Average
Address	38 SW Commerce Ave	2600 W Big Beaver Road	26533 Evergreen Road	27777 Franklin Road	
GBA:	44,900	473,845	339,000	508,000	341,436
Expense Year:	2020	2020	2020	2020	
Operating Expenses					
Insurance	$26,663	$131,874	$90,342	$93,106	$85,496
Utilities	$2,840	$818,146	$795,710	$1,003,408	$655,026
Janitorial		$378,699	$268,054	$365,437	$337,397
Repairs & Maintenance	$63,158	$606,479	$242,231	$1,061,374	$493,311
Payroll	$29,708	$264,978	$437,746	$1,051,671	$446,026
General, Admin & Misc	$21,613	$116,874	$50,610	$50,322	$59,855
Security	$8,650				$8,650
Management	$68,082	$316,459	$156,017	$283,886	$206,111
Total Operating Expenses	**$220,714**	**$2,633,509**	**$2,040,710**	**$3,909,204**	**$2,201,034**
Operating Expenses PSF					
Insurance	$0.59	$0.28	$0.27	$0.18	$0.33
Utilities	$0.06	$1.73	$2.35	$1.98	$1.53
Janitorial	$0.00	$0.80	$0.79	$0.72	$0.77
Repairs & Maintenance	$1.41	$1.28	$0.71	$2.09	$1.37
Payroll	$0.66	$0.56	$1.29	$2.07	$1.15
General, Admin & Misc	$0.48	$0.25	$0.15	$0.10	$0.24
Security	$0.19	$0.00	$0.00	$0.00	$0.19
Management	$1.52	$0.67	$0.46	$0.56	$0.80
Total Operating Expenses	**$4.92**	**$5.56**	**$6.02**	**$7.70**	**$6.05**

Estimated Operating Expenses

Our stabilized annual expense forecast is presented. We note we base these figures on the leasable area of 353,356 square feet.

Real Estate Taxes

As presented earlier, we forecasted the tax payment at $858,796 annually.

Insurance

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

Per SF Summary	2021	2022	2023	2024 Annualized	Low	Average	High
Subject	$0.19	$0.61	$0.51	$0.57			
Comparables					$0.18	$0.33	$0.59
Appraiser							**$0.60**

Recent insurance costs have generally been consistent. As such, we have projected this expense at $0.60 per square foot to reflect rising insurance costs. The comparables report insurance between $0.18 and $0.59 per square foot with an average of $0.33 per square foot. Our projection falls slightly outside of this range.

Utilities

Per SF Summary	2021	2022	2023	2024 Annualized	Low	Average	High
Subject	$0.90	$1.07	$1.00	$1.27			
					$0.06	$1.53	$2.35
Appraiser							**$1.10**

This expense covers all utilities for the subject property including water sewer, electric, and fuel. The data increased slightly in 2024, although this could be skewed by partial year data.

Overall, we have projected this expense at $1.10 per square foot, which is consistent with the last two years of historicals data. The comparables reports utility expenses between $0.06 and $2.35 per square foot with an average of $1.53 per square foot. We note that tenants are sub metered for electricity and are billed back for this expense. However, the provided expense by ownership is net of the reimbursements, thus we do not model any reimbursements for the tenants, as the net expense is already reflected, thus it is expected that the comparables would be higher than the subject.

Parking

Per SF Summary	2021	2022	2023	2024 Annualized	Low	Average	High
Subject	$0.03	$0.05	$0.14	$0.11			
Appraiser							**$0.10**

We have projected this expense at $0.10 per square foot, which is consistent with the historical amounts. The comparables do not report on this expense, as it is a property specific expense.

CAM (Common Area Maintenance)

This expense covers all the common area maintenance charges. CAM expenses are other CAM charges not included in repairs and maintenance. The historical and annualized amounts are presented below:

	2021	2022	2023	2024 Annualized	Low	Average	High
Subject	$0.07	$0.10	$0.12	$0.19			
Appraiser							**$0.15**

The 2024 amount is $0.19 per square foot. We have projected this expense at $0.15 per square foot, which is consistent with the historically reported expenses. The comparables did not report on this expense, as it is a property specific expense.

Cleaning and Janitorial

This expense covers all cleaning and janitorial charges. The historical and annualized amounts are presented below:

Per SF Summary	2021	2022	2023	2024 Annualized	Low	Average	High
Subject	$0.71	$0.73	$0.78	$0.72			
					$0.72	$0.77	$0.80
Appraiser							**$0.75**

The owner's most recent full year expense was reported at $0.78 per square foot in 2023. The 2024 annualized amount is $0.72 per square foot. We have projected this expense at $0.75 per square foot, which is consistent with the historically reported expense. The comparables range between $0.72 and $0.80 with an average of $0.77 per square foot. Further, we note that tenants reimburse for their pro rata share of janitorial and cleaning charges, however, the provided expense by ownership is net of the reimbursements, thus we do not model any reimbursements for the tenants, as the net expense is already reflected.

Repairs & Maintenance

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

Per SF Summary	2021	2022	2023	2024 Annualized	Low	Average	High
Subject	$0.78	$1.22	$1.19	$1.24			
					$0.71	$1.37	$2.09
Appraiser							**$1.25**

We have projected this expense at $1.25 per square foot, giving reliance to the recent data at the subject. The comparables range from $0.71 to $2.09 with an average of $1.37 per square foot. Our projection is toward the average of the comparable range and consistent with historicals.

Payroll

Per SF Summary	2021	2022	2023	2024 Annualized	Low	Average	High
Subject	$1.04	$1.12	$1.27	$1.11			
					$0.56	$1.15	$2.07
Appraiser							**$1.15**

The owner most recently reported the payroll cost at $1.27 per square foot in 2023. The annualized amount is $1.11 per square foot. We have projected this expense at $1.15 per square foot, which is consistent with the historically reported figures and 2022 annualized amount. Comparables report payroll between $0.56 and $2.07 per square foot with an average of $1.15 per square foot. Our projection falls toward the average of the comparable range.

General, Administrative, Professional & Miscellaneous

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

Per SF Summary	2021	2022	2023	2024 Annualized	Low	Average	High
Subject	$0.63	$0.72	$0.68	$0.67			
					$0.10	$0.24	$0.48
Appraiser							**$0.70**

The owner's most recent full year expense was reported at $0.68 per square foot. The 2024 annualized amount is $0.67 per square foot. We have projected this expense at $0.70 per square foot, which is consistent with the recent historicals. The comparables report this expense between $0.10 and $0.48 per square foot with a average of $0.24 per square foot. Our projection falls outside this range, toward the higher end, however, it is consistent with the property historical operating statements.

Security

This expense is for security services. The historical budgeted amounts are presented below:

Per SF Summary	2021	2022	2023	2024 Annualized	Low	Average	High
Subject	$0.23	$0.24	$0.26	$0.28			
						$0.19	
Appraiser							**$0.30**

The owner's recent security costs are generally consistent. We have projected this expense at $0.30 per square foot, which is consistent with historicals and annualized amount. The one comparable that reported this expense is generally consistent with the subject expense.

Non-Pass-Through Operating Expenses

This expense is for operating expenses that are not passed through to tenants.

Per SF Summary	2021	2022	2023	2024 Annualized	Low	Average	High
Subject	$0.14	$0.16	$0.17	$0.04			
Appraiser							**$0.15**

We have projected this expense at $0.15 per square foot, which is consistent with the historicals. Note that the annualized data appears to be somewhat of an outlier and may not be fully reflective. The comparables do not report this expense as it is a property specific expense.

Management Fee

Typically, management fees for office properties range from 2% to 6% of effective gross income. The historical and comparables are presented below:

Per SF Summary	2021	2022	2023	2024 Annualized	Low	Average	High
Subject	$1.06	$1.02	$0.98	$0.48			
					$0.46	$0.80	$1.52
Appraiser							**$0.41**

We applied a management fee of 2.5% of effective gross income, which is consistent with investor expectations. Based on our projected effective gross income, the management fee equates to $0.41 per square foot, which is slightly below the comparable range, but nonetheless reasonable. Comparables report this expense between $0.46 and $1.52 per square foot with an average of $0.80 per square foot.

Reserves

Replacement reserves is a capital reserve item that is specifically allocated for long-term capital investment projects or other major and anticipated expenses in the future. For office properties, market participants typically exclude the capital reserve expense in calculating the net operating income for a discounted cash flow.

According to the PwC Real Estate Investor Survey 3Q2024, replacement reserves for the national suburban office market range from $0.15 to $1.50 per square foot, with an average of 0.37 per square foot.

However, we were provided with recent historical capital improvement/reserves costs for the subject, which is summarized as follows:

Year	CapEx	Per SF
2020	$1,040,754	$2.95
2021	$978,110	$2.77
2022	$389,503	$1.10
2023	$337,026	$0.95
Bowery Est.	**$350,000**	**$0.99**

The subject is in good condition. However, based on the historical data, and giving less reliance to the 2020 and 2021 data which appears to be outlier years with non-recurring cost items, we estimate a replacement reserve of $350,000 annually or $0.99 per square foot.

We note that for office properties, market participants typically exclude the capital reserve expense in calculating the net operating income. Therefore, we adopt this in our analysis in the direct capitalization scenario.

Total Operating Expenses – Net of Taxes

Per SF Summary	2021	2022	2023	2024 Annualized	Low	Average	High
Subject	$5.78	$7.04	$7.09	$6.68			
					$4.92	$6.05	$7.70
Appraiser							**$6.66**

Operating expenses exclusive of real estate taxes were forecasted at $6.66 per square foot.

Direct Capitalization Stabilized Income and Expenses

Stabilized Pro Forma

Pro Forma	$ - Year 1	Per SF - Year 1	
Income			
Potential Gross Rent	$4,793,220	$13.56	
Operating Expense Recovery	$3,126	$0.01	
Parking	$915,000	$2.59	
Other Rental/Sales Income	$115,000	$0.33	
Other Income	$20,000	$0.06	
Potential Gross Income	**$5,846,346**	**$16.55**	
Less Vacancy	$0	$0.00	
Less Collection	$58,463	$0.17	
Effective Gross Income	**$5,787,883**	**$16.38**	
Operating Expenses			**% of EGI**
Real Estate Taxes	$858,796	$2.43	14.8%
Insurance	$212,014	$0.60	3.7%
Utilities	$388,692	$1.10	6.7%
Parking	$35,336	$0.10	0.6%
CAM	$53,003	$0.15	0.9%
Cleaning and Janitorial	$265,017	$0.75	4.6%
Repairs and Maintenance	$441,695	$1.25	7.6%
Payroll	$406,359	$1.15	7.0%
General, Admin & Misc	$247,349	$0.70	4.3%
Security	$106,007	$0.30	1.8%
Non-Pass Through OE	$53,003	$0.15	0.9%
Management	$144,697	$0.41	2.5%
Total Operating Expenses	**$3,211,968**	**$9.09**	
Total Expenses Excluding RE Taxes	$2,353,172	$6.66	
Net Operating Income	**$2,575,915**	**$7.29**	
Operating Expense Ratio	55%		

(*) Note that our pro forma Gross Rent amount is based only on in-place, scheduled base rental income.

Income and Expense Comparison

	2021	2022	2023	2024 Annualized	Bowery Pro Forma
Income					
Rent	$6,052,328	$6,129,439	$5,861,300	$4,957,857	$4,793,220
Operating Expense Recovery	$34,390	$38,310	$23,337	$2,635	$3,126
Parking	$849,741	$896,428	$917,880	$911,892	$915,000
Other Rental/Sales Income	$114,381	$117,530	$161,025	$116,275	$115,000
Other Income	$20,636	$2,924	$96,676	$20,412	$20,000
Potential Gross Income	**$7,071,476**	**$7,184,631**	**$7,060,218**	**$6,009,071**	**$5,846,346**
Less Vacancy					$0
Less Collection					($58,463)
Effective Gross Income	**$7,071,476**	**$7,184,631**	**$7,060,218**	**$6,009,071**	**$5,787,883**
Operating Expenses					
Real Estate Taxes	$809,976	$824,345	$855,742	$878,275	$858,796
Insurance	$66,599	$215,786	$180,671	$201,152	$212,014
Utilities	$318,197	$378,978	$351,651	$448,064	$388,692
Parking	$9,837	$16,200	$50,367	$39,581	$35,336
CAM	$25,581	$36,050	$42,920	$66,236	$53,003
Cleaning and Janitorial	$249,182	$258,539	$273,926	$255,153	$265,017
Repairs and Maintenance	$276,374	$429,548	$418,781	$439,037	$441,695
Payroll	$367,719	$396,473	$449,320	$390,639	$406,359
General, Admin & Misc	$223,652	$254,100	$239,942	$236,016	$247,349
Security	$81,350	$83,155	$90,450	$100,515	$106,007
Non-Pass Through OE	$50,212	$57,426	$60,730	$13,081	$53,003
Management	$374,473	$360,089	$345,898	$169,223	$144,697
Total Operating Expenses	**$2,853,152**	**$3,310,689**	**$3,360,398**	**$3,236,972**	**$3,211,968**
Total Operating Expenses (Excl. Taxes)	$2,043,176	$2,486,344	$2,504,656	$2,358,697	$2,353,172
Net Operating Income	**$4,218,324**	**$3,873,942**	**$3,699,820**	**$2,772,099**	**$2,575,915**
Operating Expense Ratio (excl. Taxes)	29%	35%	35%	39%	41%

We note that reserves are considered a below the line expense.

Direct Capitalization Rates

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

Comparable Overall Sale Capitalization Rates

#	Address	Type	Sale Date	Cap Rate
1	3905 Vincennes Road, Indianapolis, IN	Office	Jul-24	11.14%
2	9025-9100 Centre Pointe Drive, West Chester, OH	Office	Jun-23	7.88%
3	1700 Peach Street, Erie, PA	Office	May-23	8.20%
4	3000 Lakeside Drive, Bannockburn, IL	Office	Apr-23	9.75%
5	21440 Lake Cook Road, Deer Park, IL	Office	Jan-23	9.17%
6	9550 W Higgins Road, Rosemont, IL	Office	Nov-22	6.70%
7	5300 Patterson Ave SE, Grand Rapids MI	Office	May-22	8.00%
			Average	**8.69%**

(*) Comparable 5 represents the acquisition of a leasehold interest in an office building under a long-term ground lease (approximately 99 years remaining).

We analyzed sales of comparable assets within the subject's periphery and they exhibit overall capitalization rates from 6.70% to 11.14% with an average of 8.69%.

We have supplemented our cap rate comps with additional comps not used in our sales comparison approach. The additional rates are good indicators for cap rates for the subject and are recent; however, there are differences regarding the comps, which do not justify utilizing the comps in the Sales Comparison approach such as location, size, or date of sale. Further, there is a dearth of sales with capitalization rates for office buildings of this size in this market. Nonetheless, the above-mentioned comps are good indicators of cap rates for a property like the subject.

Surveys – Overall Capitalization Rates

Survey	Type of Product	Overall Cap Rate		
PwC	National Suburban Office	5.00%	-	9.10%
Third Quarter - 2024	Market	7.34%	avg	
Situs - R.E.R.C.	National Suburban Office	6.50%	-	8.50%
Third Quarter - 2024	Market	7.50%	avg	

The surveyed capitalization rates range from 5.00% to 9.10% and have a central tendency between 7.34% and 7.50%.

In the current market environment dominated by elevated interest rates, market participants noted capitalization rate expansion due to higher borrowing costs and a general slowdown in sales activity. The office market in particular also continues to be impacted by Covid-19 and shifting workplace trends, including hybrid/remote work policies and corporate downsizing, with investors requiring higher returns in lieu of increased risk, inferior and dated (Class B/C with limited amenities) product.

Capitalization Rate Conclusion

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

In terms of its position within the market range, it is our view that an investor would accept a return toward the middle of the range. The asset is in an excellent location and is in good condition as it has been renovated and well maintained.

However, the larger office market has shown signs of deterioration over the last 18 months driven by high interest rates and hybrid-remote work trends, among other factors. Further, the subject is currently operating at a materially lower occupancy level after one of the anchor tenants, Spectrum Health, downsized in February 2024. As a result, occupancy at the property is now 65.1%, adding a level of risk for an investor and costs in backfilling the space. However, our analysis assumes that the space is operating at stabilized occupancy, with no additional lease-up reflected.

The PwC Real Estate and Real Estate Research Corporation's investment surveys summarize the expectations of institutional investors. While required returns ebbed and flowed from 2018 until 2022, there has been a noticeable shift in investor expectations since the middle of 2022. Rates have risen between 100 and 190 basis points since the middle of 2022 as well as 50 to 100 basis points just from the last quarter. Conversations with local and regional market participants indicated that there is still an appetite for investment in office; however, the continued uncertainty in new leasing as well as renewals is clearly causing investors to require significantly higher returns.

Balancing these factors, it is our view that a 8.75% overall rate would be required by an investor.

Below-the-Line Adjustments

Outstanding TI/LC and Capital Expenditures

In preparation of our analysis, the Client provided us with the following schedule of outstanding TI costs and capital expenditures

Tenant Improvement & Cap Ex Costs Outstanding

Building Capital Expenditures	$166,750
Outstanding TI/LC	$1,820,506
Total Deductions	**$1,987,256**

Lease-up Costs

No deductions for TI allowance, free rent/downtime, and leasing commissions for the vacant units were applied given that we did not assume lease up for these units, as discussed.

Direct Capitalization Summary

	Date of Value	Value	Final Value (Rd)
NOI		$2,575,915	
OAR		8.75%	
Indicated Value		**$29,439,025**	
Less Outstanding TI/LCs and Capital Expenditures		-$1,987,256	
As Is Fair Value Via the Income Capitalization Approach	**September 30, 2024**	**$27,451,769**	**$27,500,000**

Sensitivity Analysis

			Cap Rate				
	% Difference		**-1.00%**	**-0.50%**	**0.00%**	**0.50%**	**1.00%**
		Cap Rate / NOI	**7.75%**	**8.25%**	**8.75%**	**9.25%**	**9.75%**
	-10%	**$2,318,323**	$27,900,000	$26,100,000	$24,500,000	$23,100,000	$21,800,000
	-5%	**$2,447,119**	$29,600,000	$27,700,000	$26,000,000	$24,500,000	$23,100,000
NOI	**0.0%**	**$2,575,915**	$31,300,000	$29,200,000	**$27,500,000**	$25,900,000	$24,400,000
	5%	**$2,704,710**	$32,900,000	$30,800,000	$28,900,000	$27,300,000	$25,800,000
	10%	**$2,833,506**	$34,600,000	$32,400,000	$30,400,000	$28,600,000	$27,100,000

We note the sensitivity analysis is net of the deductions shown in the table above.

Sales Comparison Approach

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

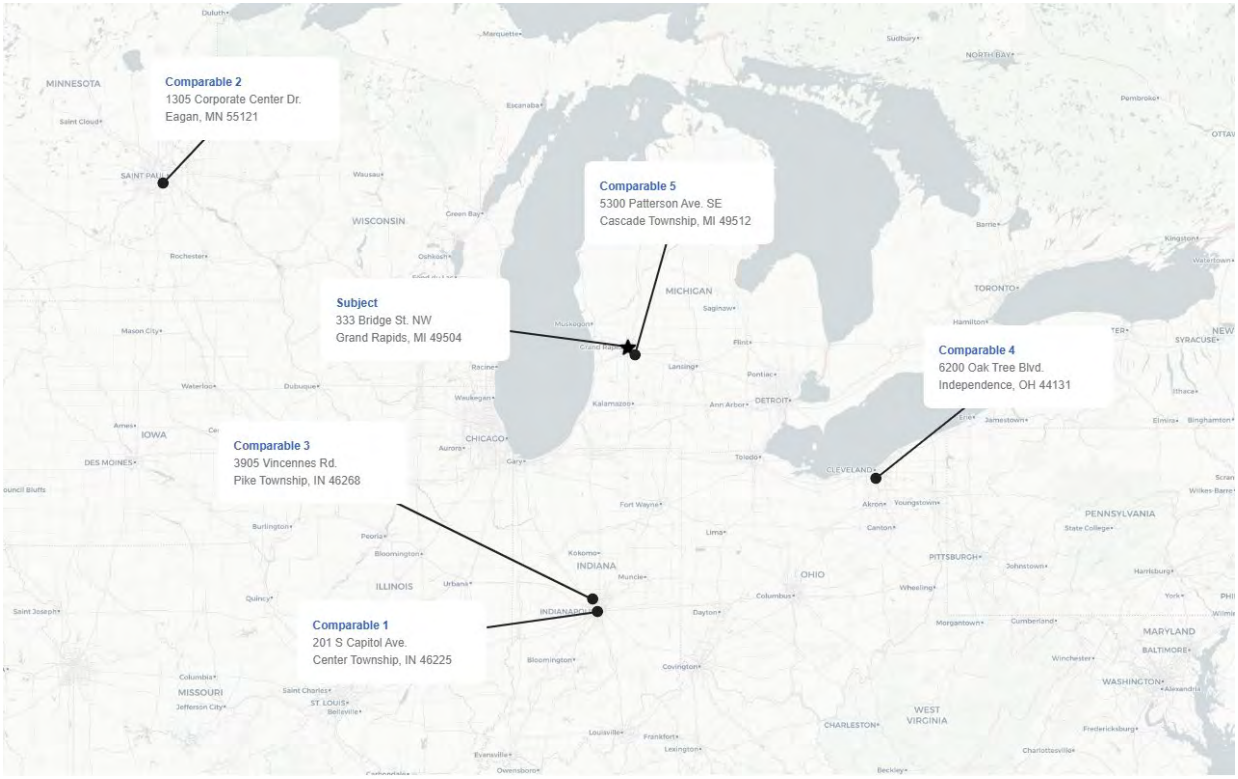
The procedure involved in this Approach is to research the market for sales of improved properties which are comparable, select appropriate units of comparison, adjust the sale prices to the subject, and then reconcile the range of adjusted sale prices into an opinion of value.

Unit of Comparison

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

Comparable Sales

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



#	Address	Sale Date	GLA	Sale Price	Price Per SF	Cap Rate
1	201 S Capitol Avenue, Indianapolis, IN	Sep-24	138,800	$10,500,000	$76	Not Reported
2	1305 Corporate Center Drive, Eagan, MN	Jul-24	140,813	$15,100,000	$107	Not Reported
3	3905 Vincennes Road, Indianapolis, IN	Jul-24	100,667	$8,435,625	$84	11.14%
4	6200 Oak Tree Boulevard, Independence, OH	Mar-24	224,943	$15,513,000	$69	Not Reported
5	5300 Patterson Ave SE, Grand Rapids, MI	May-22	142,000	$17,266,242	$122	8.00%

Comparable Sale 1: 201 S Capitol Avenue, Indianapolis, IN



Sale No.	1
Location	201 S Capitol Avenue Indianapolis, IN
Parcel Number	49-11-11-184-022.000-101
Site Area (Acres)	0.34
Gross Building Area (SF)	138,800
Property Description	This is the sale of Centricity at Pan Am Plaza at 201 S Capitol Avenue in Indianapolis. The 12-story office tower was built in 1987 and is located next to a newly constructed Signia Hotel by Hilton. According to a marketing brochure, the lobby and restrooms have been updated recently. It sold for $10,500,000 in September 2024 to the group that owns the Indianapolis Convention Center and Lucas Oil Stadium. The office building was sold for a loss, as it previously traded in 2018 for $13.8 million. The occupancy level was reported at about 76% at time of sale.

Sale Date	September 5, 2024
Year Built	1987
Grantor	Pan Am Plaza Partners Llc
Grantee	Cib Building Facilities Corporation
Sale Price	$10,500,000
Price Per SF	$76
NOI	Not Reported
Cap Rate	Not Reported
Document No.	000000074140

Comparable Sale 2: 1305 Corporate Center Drive, Eagan, MN



Sale No.	2
Location	1305 Corporate Center Drive Eagan, MN
Parcel Number	10-22532-01-010
Site Area (Acres)	10.95
Gross Building Area (SF)	140,813
Property Description	This is the sale of a 5-story class A office building located at 1305 Corporate Center Drive in Eagan, MN. The property was built in 1986 and has a gross building area of 140,813 square feet. It sits on a site area of approximately 10.95 acres. The property features a fitness center and locker room, renovated lobby, cafeteria, conference/training room, and tenant lounge. It is located just off of I-494. Costar reports that the property was about 71.6% occupied at time of sale. The transaction took place on July 30, 2024, for a total price of $15,100,000.

Sale Date	July 30, 2024
Year Built	1986
Grantor	SNH Medical Office Properties Trust
Grantee	Inventure Eagandale LLC
Sale Price	$15,100,000
Price Per SF	$107
NOI	Not Reported
Cap Rate	Not Reported
Document No.	Not Reported

Comparable Sale 3: 3905 Vincennes Road, Indianapolis, IN



Sale No.	3
Location	3905 Vincennes Road Indianapolis, IN
Parcel Number	49-03-18-106-023.000-600
Site Area (Acres)	6.62
Gross Building Area (SF)	100,667
Property Description	This is the sale of a Ten Fortune Park, a 100,667 square foot building, 5-story office building constructed in 1987. The property reportedly underwent a $1.3 million capital improvement campaign that took place between 2020-2022 with HVAC and the roof being updated, along with the elevators, corridor and tenant amenities. The property traded as the result of a Ten-X auction and the price was $8,435,625 for the building. The property was reported to be 94.7% occupied at the time of sale according to Costar. The in-place NOI is $940,001 for a calculated cap rate of 11.14%.

Sale Date	July 31, 2024
Year Built	1987
Grantor	Ten Fortune Park Llc
Grantee	Sunset Commons LLC
Sale Price	$8,435,625
Price Per SF	$84
NOI	$940,001
Cap Rate	11.14%
Document No.	Not Reported

Comparable Sale 4: 6200 Oak Tree Boulevard, Independence, OH



Sale No.	4
Location	6200 Oak Tree Boulevard Independence, OH
Parcel Number	562-28-015
Site Area (Acres)	12.81
Gross Building Area (SF)	224,943
Property Description	This is the sale of a multi-tenant office property located in Independence, OH. The building features surface parking with 797 spaces, and was built in 1971, with renovations over the years. Amenities include an auditorium with 99 seats, a training/meeting room for 99-137 seats, a conference room, food service, on-site day care, and fitness center. The 4 story building was constructed on 12.81 acres and features good access to Rockside Road and I-77 North to Cleveland as well as access to I-480. It sold for $15,513,000 in March 2024. It was reportedly 61% leased at time of sale.

Sale Date	March 12, 2024
Year Built	1971
Grantor	Jdi Oak Tree Holdings Llc
Grantee	Oak Tree Executive Center Llc
Sale Price	$15,513,000
Price Per SF	$69
NOI	Not Reported
Cap Rate	Not Reported
Document No.	202403150389

Comparable Sale 5: 5300 Patterson Ave SE



Sale No.	5
Location	5300 Patterson Ave SE Grand Rapids, MI
Parcel Number	41-19-31-100-045
Site Area (Acres)	11.81
Gross Building Area (SF)	142,000
Property Description	This is the sale of a 2-story, 142,000 square foot office building located in Grand Rapids, MI. The property was built in 1989 and renovated in 2008. The property is located on 11.81-acres of land. The building most recently sold for $17,266,242. It was 85% occupied at the time of the sale with 21,584 square feet of vacant office space. The asking rent at the property is $14.00 per square foot with NNN lease terms. The property features 393 surface parking spaces. Building amenities include onsite food service, a fitness center and a full service bank. The buyer purchased the property as they were looking to invest in a stabilized asset in a growing secondary market. The cap rate was reported to be approximately 8% at the time of sale. All information is reported from Costar and listing information and verified with public record.

Sale Date	May 17, 2022
Year Built	1989
Grantor	Franklin Patterson LLC
Grantee	Patterson Grand Rapids Equities VI LLC
Sale Price	$17,266,242
Price Per SF	$122
NOI	Not Reported
Cap Rate	8.00%
Document No.	202205250043292

Comparable Sales Summary

#	Address	Sale Date	GLA	Sale Price	Price Per SF	Cap Rate
1	201 S Capitol Avenue, Indianapolis, IN	Sep-24	138,800	$10,500,000	$76	Not Reported
2	1305 Corporate Center Drive, Eagan, MN	Jul-24	140,813	$15,100,000	$107	Not Reported
3	3905 Vincennes Road, Indianapolis, IN	Jul-24	100,667	$8,435,625	$84	11.14%
4	6200 Oak Tree Boulevard, Independence, OH	Mar-24	224,943	$15,513,000	$69	Not Reported
5	5300 Patterson Ave SE, Grand Rapids, MI	May-22	142,000	$17,266,242	$122	8.00%

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

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

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

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

Market Conditions (Time) All sales took place since May 17, 2022, a period with more institutional investors looking at properties in the market and submarket.

This asset class has been negatively impacted by Covid-19 and the shift toward hybrid work models. Further, the market has experienced less volume given the elevated interest rate environment.

Based on discussion with brokers and market participants, a downward adjustment would be necessary to reflect the prevailing inferior market conditions. A large downward adjustment was applied to Comparable 5, as it transacted under superior market conditions.

Location The subject property is located in Grand Rapids in Kent County. The subject is well located relative to public transportation and is situated within the arts district along the Grand River, which appeals to tenants.

Comparables 1 and 2 are located in Indianapolis and Eagan (Minneapolis MSA). These are considered to provide competitive office locations in comparison to the subject, and no adjustment was applied.

Comparable 3 features an Indianapolis address, but is located outside of the urban core, near Zionsville, a suburban town. Upward adjustment was applied.

Comparable 4 is located within Independence, OH, a suburb of Cleveland and slightly inferior investment market. Upward adjustment was applied.

Comparable 5 is located within the Grand Rapids area, but with an inferior location

farther from demand drivers. Upward adjustment was applied.

Size This adjustment accounts for the difference in size between each of the comparables and the subject property. The sales range in size from 100,667 to 224,943 square feet, while the subject property is 353,356 square feet. We note that there is an inverse relationship between size and price square foot such that smaller buildings will sell for a higher price per square foot and vice versa.

Comparables 1, 2, 3, and 5 are smaller and thus were adjusted downward.

Utility This adjustment reflects building height or number of stories, views, exterior appeal, corner location and the interior finishes, design and layout of each comparable as compared to the subject property. The subject property is a high-rise Class A office building.

Comparables 4 and 5 are low rise office buildings, thus they received an upward adjustment. Comparable 1 was adjusted upward for the inferior amenities offered.

Condition The subject property was constructed in 1994; and is in good condition. Comparables 1 and 5 were in inferior condition based on listing photos and thus were adjusted upward.

Occupancy Comparable 3 received downward adjustment as it sold with higher occupancy level.

Comparable Sales Adjustment Grid

Sale No.	Subject	1	2	3	4	5
Address:	333 Bridge Street NW, Grand Rapids, Michigan 49504	201 S Capitol Avenue, Indianapolis, IN	1305 Corporate Center Drive, Eagan, MN	3905 Vincennes Road, Indianapolis, IN	6200 Oak Tree Boulevard, Independence, OH	5300 Patterson Ave SE, Grand Rapids, MI
Sale Date:		9/5/2024	7/30/2024	7/31/2024	3/12/2024	5/17/2022
No. SF:	353,356	138,800	140,813	100,667	224,943	142,000
Sale Price:		$10,500,000	$15,100,000	$8,435,625	$15,513,000	$17,266,242
Price Per SF		**$76**	**$107**	**$84**	**$69**	**$122**
Property Rights:	Leased Fee Interest	0%	0%	0%	0%	0%
Financing Terms:	None	0%	0%	0%	0%	0%
Conditions of Sale:	None	0%	0%	0%	0%	0%
Market Conditions (Time):	September 30, 2024	0%	0%	0%	0%	-20%
Trended Price Per SF		**$76**	**$107**	**$84**	**$69**	**$97**
Location:	Grand Rapids	0%	0%	10%	5%	10%
Size:	353,356	-10%	-10%	-10%	0%	-10%
Utility:	N/A	5%	0%	0%	5%	10%
Condition:	Good	5%	0%	0%	0%	10%
Occupancy:	65.08%	0%	0%	-5%	0%	0%
Total Adjustments		**0%**	**-10%**	**-5%**	**10%**	**20%**
Adjusted Price Per SF		**$76**	**$97**	**$80**	**$76**	**$117**
		Unadjusted				**Adjusted**
	Low	**$69**			**Low**	**$76**
	High	**$122**			**High**	**$117**
	Average	**$91**			**Average**	**$89**
	Median	**$84**			**Median**	**$80**

Reconciliation

All adjustments are percentages. A positive adjustment to a sale indicates an inferior characteristic relative to the subject. A negative adjustment indicates a superior characteristic relative to the subject. After adjustments, the comparable sales exhibited a range between $76 and $117 with an average of $89 and a median of $80 per square foot.

We place the greatest reliance on Comparables 1 through 4 (most recent transactions). Thus, considering the elements of comparison noted above, our opinion of fair value is $85 per square foot and calculated as follows.

Value Conclusion via Sales Approach

	Date of Value	Value
Concluded Value Per SF		$85
SF		353,356
Indicated Value		**$30,035,260**
Less Outstanding TI/LCs and Capital Expenditures		-$1,987,256
As Is Fair Value via the Sales Comparison Approach	**September 30, 2024**	**$28,048,004**
Indicated Value RD	**September 30, 2024**	**$28,000,000**

Reconciliation & Final Value Opinion

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

Approach	Value	Interest Appraised	Date of Value	Conclusion
Cost Approach	N/A	N/A	N/A	Not Applied
Income Approach	Fair Value As Is	Leased Fee Interest	September 30, 2024	$27,500,000
Sales Approach	Fair Value As Is	Leased Fee Interest	September 30, 2024	$28,000,000

The **Cost Approach** is traditionally a good indicator of value when properties being appraised are new or close to new. The subject was constructed in 1994, and has notable physical and economic depreciation. The difficulty in credibly isolating the influence of these factors on value affects the reliability of this approach. More importantly, investors typically give nominal weight to this analysis since the asset is operating on a stabilized basis and its cost bears little relationship to the value. Therefore, as a result of the limited use of this approach, it has not been applied.

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

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

Final Value Opinion

Value	Interest Appraised	Date of Value	Conclusion
Fair Value As Is	Leased Fee Interest	September 30, 2024	$27,500,000

The value conclusions are subject to the following **Extraordinary Assumptions**[8] that may affect the assignment results. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions:

- None.

The value conclusions are based on the following **Hypothetical Conditions**[9] that may affect the assignment results:

- None.

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

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

[9] *The definition of Hypothetical Conditions can be found in the Glossary of Terms, which is located in the Addenda.*

Certification

We certify to the best of our knowledge:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- Bowery Valuation has performed services as an appraiser regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The appraisal was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice and the current version of the FIRREA of 1989, including its Title XI regulations.

  David Conrad from Mueller has made a personal inspection of the property that is the subject of this report on July 28, 2023. Maren Lewis, MAI, Michelle Zell, MAI and Brandon Goodman, MAI have not made a personal inspection of the property that is the subject of this report. Diana Zlatkina of Bowery Valuation has previously inspected the asset in 2020.
- Brandon Goodman provided significant real property appraisal assistance to the person signing this certification by analyzing the property and surrounding area, researching comparable properties, and report writing. Michelle Zell, MAI, provided significant real property appraisal assistance to the persons signing this certification by conducting a thorough review process. It is noted that the responsibilities of the parties providing assistance is not considered to be significant in terms of any value determination. All parties conducted assistance under the direct supervision of the appraiser signing this report in compliance with State regulations. David Conrad, a third-party, non-licensed inspector, provided significant real property appraisal assistance to the person signing this certification by inspecting the subject property.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Appraisers are required to be licensed and are regulated by the Michigan Department of Licensing and Regulatory Affairs, P.O. Box 30018, Lansing, Michigan 48909.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.
- As of the date of this report, Maren Lewis, MAI, Michelle Zell, MAI and Brandon Goodman, MAI have completed the continuing education program for Designated Members of the Appraisal Institute.
- We have experience in appraising properties similar to the subject, have acquired the necessary geographic competency, and are in compliance with the Competency Rule of USPAP.



Maren Lewis, MAI
Senior Vice President
Certified General Real Estate Appraiser
MI License No. 1205078256
maren.lewis@boweryvaluation.com
(917) 748-5387

Addenda

Glossary of Terms

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

As Is Market Value	The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date, according to the Interagency Appraisal and Evaluation Guidelines (Federal Deposit Insurance Corporation: 2010). Note: The use of the "as is" phrase is specific to appraisal regulations pursuant to FIRREA applying to appraisals prepared for regulated lenders in the United States.
As Is Market Value Condominium	A multiunit structure, or a unit within such a structure, with a condominium form of ownership.
Deferred Maintenance	Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of the property, such as a broken window, a dead tree, a leak in the roof, or a faulty roof that must be completely replaced. These items are almost always curable.
Depreciation	A loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvements on the same date.
Direct Capitalization	A method used to convert an estimate of a single year's net operating income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. This technique employs capitalization rates and multipliers extracted from sales. Only the first year's income is considered. Yield and value change are implied, but not identified overall. This method is most useful when the property is already operating on a stabilized basis, according to The Appraisal of Real Estate, 14th Edition (Appraisal Institute: 2013).
Discounted Cash Flow	The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analysis specifics the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate.
Effective Date	(1) The date on which the appraisal or review applies. (2) In a lease document, the date upon which the lease goes into effect.
Effective Gross Income	The anticipated income from all operations of real property adjusted for vacancy and collection losses.
Entrepreneurial Profit	(1) A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses. (2) In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or

	entrepreneurial reward.
Equity Dividend	The portion of net income that remains after debt service is paid; this is returned to the equity position.
Exposure Time	(1) The time a property remains on the market. (2) The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. Note: Exposure time is a retrospective.
Extraordinary Assumption	An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.
Fee Simple Interest	Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.
Financial Feasibility	An analysis to determine which of those uses deemed possible and legal can provide a net return to the owner of the site.
Gross Building Area	Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.
Highest and Best Use	(1) The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. (2) The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid, according to David Parker's International Valuation Standards (John Wiley & Sons, Ltd: 2016). (3) The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future, according to the Uniform Appraisal Standards for Federal Land Acquisitions (The Appraisal Foundation: 2016).
Hypothetical Condition	A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis.
Leased Fee Interest	The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.
Leasehold Interest	The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.
Legally Permissible Use	An investigation into existing zoning regulations, lease terms, and deed restrictions on the site to determine which uses are legally permitted.
Marketing Time	An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.
Market Rent	The most probable rent that property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including

	the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).
Net Operating Income	The anticipated net income remaining after all operating expenses are deducted from effective gross income.
Net Rentable Area	For office or retail buildings, the tenant's pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based; calculated according to local practice.
Physically Possible Use	An analysis to determine those uses of the subject which can be deemed physically possible.
Potential Gross Income	The total potential income attributable to the real property at full occupancy before operating expenses are deducted. It may refer to the level of rental income prevailing in the market or that contractually determine by existing leases.
Property Rights Appraised	The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.
Prospective Opinion of Value	A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.
Replacement Costs	The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout.
Reproduction Costs	The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, super-adequacies, and obsolescence of the subject building.
Retrospective Value Opinion	A value opinion effective as of a specified historical date. The term retrospective does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion".
Reversion	A lump-sum benefit an investor expects to receive upon the termination of the investment.
Stabilized Income	(1) An estimate of income, either current or forecasted, that presumes the property is at stabilized occupancy. (2) The forecast of the subject property's yearly average income (or average- equivalent income) expected for the economic life of the subject property. (3) Projected income that is subject to change but has been adjusted to reflect an equivalent, stable annual income.
Stabilized Occupancy	(1) The occupancy of a property that would be expected at a particular point in time,

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

Yield Capitalization The capitalization method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate. This method explicitly considers a series of cash flows (net income over a holding period) over time together with any reversion value or resale proceeds. Since this technique explicitly reflects the investment's income pattern, it is especially suited to multi-tenant properties with varying leasing schedules as well as properties that are not operating at stabilized occupancy, according to The Appraisal of Real Estate, 14th Edition (Appraisal Institute: 2013).

Provided Documents

PROJ: GR100

Hertz Grand Rapids One, LLC
MONTHLY INCOME STATEMENT
As of September 30, 2024

Date: 11/1/2024 Time: 6:17 PM

	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	Total
OPERATING INCOME													
Rental Income Gross	524,427	548,806	408,553	451,554	451,822	314,016	456,696	456,589	553,364	0	0	0	4,165,827
Rent Abatement	(25,464)	(53,593)	(79,143)	(66,924)	(44,728)	(106,668)	(56,174)	(7,370)	(7,370)	0	0	0	(447,434)
Operating Expense Recovery	166	166	166	175	261	261	261	261	261	0	0	0	1,976
Parking Income	75,972	76,217	76,788	74,587	76,753	78,025	83,849	75,949	65,778	0	0	0	683,919
Other Rental Income	8,165	6,228	8,779	11,530	9,844	7,253	12,786	11,149	11,472	0	0	0	87,206
Other Income	108	504	152	384	3,128	108	127	11,163	(365)	0	0	0	15,309
TOTAL OPERATING INCOME	583,375	578,328	415,295	471,307	497,079	292,994	497,545	547,740	623,140	0	0	0	4,506,803
OPERATING EXPENSES													
Cleaning and Janitorial	17,098	27,640	29,291	16,663	26,498	15,451	19,515	16,299	22,909	0	0	0	191,365
Repair & Maintenance	33,750	30,639	19,819	47,905	33,808	43,920	24,823	42,315	52,300	0	0	0	329,278
Utilities	37,129	69,301	18,278	36,774	31,685	22,220	45,261	49,811	25,587	0	0	0	336,048
CAM	2,432	1,160	3,743	3,485	5,828	9,004	13,300	5,116	5,610	0	0	0	49,677
Parking Expense	854	0	0	0	7,050	0	19,025	0	2,757	0	0	0	29,686
Security	8,592	8,342	6,912	8,064	9,876	8,064	8,592	9,216	7,728	0	0	0	75,386
Employee Payroll	33,939	31,940	34,341	31,460	32,217	32,160	36,518	29,776	30,629	0	0	0	292,979
General and Administrative	17,784	19,245	25,759	18,462	19,391	20,667	19,735	18,842	17,127	0	0	0	177,012
Management Fee Expense	17,356	22,534	4,269	12,782	11,087	14,752	14,601	12,927	16,610	0	0	0	126,917
Property Taxes	68,405	100,961	68,405	68,405	68,405	68,405	72,587	71,566	71,566	0	0	0	658,706
Insurance	18,456	18,456	15,230	18,066	18,066	18,950	18,949	18,949	5,743	0	0	0	150,864
Other Operating Expenses	0	0	872	0	0	0	0	0	0	0	0	0	872
Non-Pass Operating Expenses	3,214	599	2,865	304	317	257	540	296	546	0	0	0	8,939
TOTAL OPERATING EXPENSES	259,010	330,817	229,785	262,369	264,227	253,850	293,446	275,113	259,113	0	0	0	2,427,729
NET OPERATING INCOME	324,365	247,511	185,510	208,938	232,852	39,144	204,100	272,626	364,028	0	0	0	2,079,074

Cost Code	Occupant/Description	Original Budget	Approved Budget	Expensed to Date	Paid to Date	Retention Payable	Remaining To PAY	
TI/LC New and Expansions								
ENTITY: GR100	***Hertz Grand Rapids One, LLC***							
JOB: GR100161	***Alliant Health***		***AHEAD TI/LC - New***					009282
PHASE: 1	***TI/LC-NEW***							
011000	TI New - Allowance/Turnkey	31,510.00	31,510.00	31,510.00	31,510.00	0.00	0.00	
015000	Leasing Commissions New	12,790.00	12,790.00	12,791.80	12,791.80	0.00	0.00	
JOB TOTALS:	Alliant Health	44,300.00	44,300.00	44,301.80	44,301.80	0.00	0.00	
JOB: GR100162	***West Michigan Physicians Netwk***		***Answer Health TILC-Ren-Exp***					007580
PHASE: 1	***TI/LC Renewal - Exp***							
010000	TI/LC New and Expansions	54,210.00	58,348.50	81,539.12	81,539.12	0.00	0.00	
011300	TI New - Specs and Planning	0.00	8,300.00	2,997.50	2,997.50	0.00	5,302.50	
015000	Leasing Commissions New	30,661.48	31,012.82	85,775.68	85,775.68	0.00	0.00	
JOB TOTALS:	West Michigan Physicians Net\	84,871.48	97,661.32	170,312.30	170,312.30	0.00	5,302.50	
JOB: GR100167	***Insight Global LLC***		***Insight Global #1301-TI New***					010998
PHASE: 1	***TI/LC-NEW***							
011000	TI New - Allowance/Turnkey	346,960.00	346,480.00	974,712.52	974,712.52	0.00	0.00	
011300	TI New - Specs and Planning	0.00	19,780.00	21,225.00	21,225.00	0.00	0.00	
012000	TI New - Other Landlord Suite Rela	75,000.00	16,975.98	3,060.00	3,060.00	0.00	13,915.98	
012100	TI New - Other Landlord Common /	100,000.00	0.00	0.00	0.00	0.00	0.00	
012400	TI New - ADA Restrooms	85,000.00	0.00	0.00	0.00	0.00	0.00	
015000	Leasing Commissions New	83,399.47	83,399.47	83,399.47	83,399.47	0.00	0.00	
019000	Tenant Reimbursments New	0.00	547,005.30	0.00	0.00	0.00	547,005.30	
JOB TOTALS:	Insight Global LLC	690,359.47	1,013,640.75	1,082,396.99	1,082,396.99	0.00	560,921.28	
JOB: GR100168	***Counseling Center of West Michigan***		***Counseling Ctr W Mich-TILC New***					010922
PHASE: 1	***TI/LC-NEW***							
011000	TI New - Allowance/Turnkey	210,000.00	210,000.00	269,755.28	269,755.28	0.00	0.00	
011300	TI New - Specs and Planning	11,000.00	11,000.00	12,761.80	12,761.80	0.00	0.00	
012100	TI New - Other Landlord Common /	22,500.00	22,500.00	11,772.40	11,772.40	0.00	10,727.60	
015000	Leasing Commissions New	64,651.40	64,651.40	58,758.68	58,758.68	0.00	5,892.72	
JOB TOTALS:	Counseling Center of West Mic	308,151.40	308,151.40	353,048.16	353,048.16	0.00	16,620.32	
JOB: GR100169	***Charlesbrook Protection Services LL***		***Charlesbrook Security TI-New***					011150
PHASE: 1	***Tenant Improvement - New***							
011000	TI New - Allowance/Turnkey	25,000.00	25,000.00	31,657.00	31,657.00	0.00	0.00	
JOB TOTALS:	Charlesbrook Protection Servic	25,000.00	25,000.00	31,657.00	31,657.00	0.00	0.00	
JOB: GR100172	***Cole's Quality Foods Inc***		***Cole's Quality Foods LC-New***					011147
PHASE: 1	***Leasing Commission***							
015000	Leasing Commissions New	60,865.00	60,865.00	60,906.95	60,906.95	0.00	0.00	
JOB TOTALS:	Cole's Quality Foods Inc	60,865.00	60,865.00	60,906.95	60,906.95	0.00	0.00	
JOB: GR100175	***JD General Agency LLC (Northweste***		***Northwestern Mutual TI/LC New***					011553
PHASE: 1	***TI/LC-new***							
011000	TI New - Allowance/Turnkey	1,107,410.00	1,107,410.00	1,107,410.00	978,009.74	0.00	129,400.26	
011300	TI New - Specs and Planning	3,184.00	3,184.00	4,070.25	4,070.25	0.00	0.00	
015000	Leasing Commissions New	343,395.46	343,395.46	358,126.03	268,594.25	0.00	74,801.21	

Cost Code	Occupant/Description	Original Budget	Approved Budget	Expensed to Date	Paid to Date	Retention Payable	Remaining To PAY	
JOB TOTALS:	JD General Agency LLC (North	1,453,989.46	1,453,989.46	1,469,606.28	1,250,674.24	0.00	204,201.47	
JOB: GR100176	***USI***		***USI Ins Services - LC Ext***					011296
PHASE: 1	***Leasing Comm-Extension***							
015000	Leasing Commissions New	6,165.77	6,165.77	6,165.77	6,165.77	0.00	0.00	
JOB TOTALS:	USI	6,165.77	6,165.77	6,165.77	6,165.77	0.00	0.00	
JOB: GR100183	***Charlesbrook Protection Services LL***		***Charlesbrook TI/LC-New***					011150
PHASE: 1	***TI/LC-New***							
011000	TI New - Allowance/Turnkey	55,560.00	55,560.00	29,568.26	29,568.26	0.00	25,991.74	
011300	TI New - Specs and Planning	0.00	4,500.00	6,786.25	6,786.25	0.00	0.00	
012000	TI New - Other Landlord Suite Rela	74,200.00	90,371.00	112,826.14	54,698.34	0.00	35,672.66	
015000	Leasing Commissions New	10,524.00	8,774.00	8,774.16	8,774.16	0.00	0.00	
JOB TOTALS:	Charlesbrook Protection Servic	140,284.00	159,205.00	157,954.81	99,827.01	0.00	61,664.40	
JOB: GR100188			***Benchmark Risk Group TI/LC-New***					
PHASE: 1	***TI/LC-New***							
011000	TI New - Allowance/Turnkey	69,810.00	69,810.00	70,339.60	29.60	0.00	69,780.40	
015000	Leasing Commissions New	22,009.86	22,009.86	22,009.84	0.00	0.00	22,009.86	
JOB TOTALS:		91,819.86	91,819.86	92,349.44	29.60	0.00	91,790.26	
JOB: GR100193	***Mark Gurley***		***Mark Gurley***					011870
PHASE: 1	***TI/LC-New***							
011000	TI New - Allowance/Turnkey	6,800.00	6,800.00	0.00	0.00	0.00	6,800.00	
015000	Leasing Commissions New	2,976.42	2,976.42	0.00	-1,240.09	0.00	4,216.51	
JOB TOTALS:	Mark Gurley	9,776.42	9,776.42	0.00	-1,240.09	0.00	11,016.51	
Total Hertz Grand Rapids One, LLC		**2,915,582.86**	**3,270,574.98**	**3,468,699.50**	**3,098,079.73**	**0.00**	**951,516.74**	
TOTAL TI/LC New and Expansio		**2,915,582.86**	**3,270,574.98**	**3,468,699.50**	**3,098,079.73**	**0.00**	**951,516.74**	

TI/LC Renewals

ENTITY: GR100 Hertz Grand Rapids One, LLC

JOB: GR100159	***Varnum***		***Varnum Law Suite 1700-Renewal***					010652
PHASE: 1	***TI/LC-Renewal***							
021000	TI Renewal - Allowance/Turnkey	2,866,185.00	2,866,185.00	2,859,010.24	2,859,010.24	0.00	7,174.76	
025000	Leasing Commissions Renewal	701,710.81	714,220.24	714,220.24	714,220.24	0.00	0.00	
JOB TOTALS:	Varnum	3,567,895.81	3,580,405.24	3,573,230.48	3,573,230.48	0.00	7,174.76	
JOB: GR100160	***Jason M Klein***		***Jason Klein Osborne TI - Renew***					010084
PHASE: 1	***TI-Renewal***							
021000	TI Renewal - Allowance/Turnkey	14,120.00	14,120.00	13,234.47	13,234.47	0.00	885.53	
JOB TOTALS:	Jason M Klein	14,120.00	14,120.00	13,234.47	13,234.47	0.00	885.53	
JOB: GR100162	***West Michigan Physicians Netwk***		***Answer Health TILC-Ren-Exp***					007580
PHASE: 1	***TI/LC Renewal - Exp***							

Cost Code	Occupant/Description	Original Budget	Approved Budget	Expensed to Date	Paid to Date	Retention Payable	Remaining To PAY	
021000	TI Renewal - Allowance/Turnkey	0.00	19,449.50	21,170.38	21,170.38	0.00	0.00	
021300	TI Renewal - Specs and Planning	5,300.00	0.00	3,085.00	3,085.00	0.00	0.00	
022000	TI Renewal - Other Landlord Suite I	0.00	8,315.00	0.00	0.00	0.00	8,315.00	
025000	Leasing Commissions Renewal	22,940.74	23,750.04	23,750.04	23,750.04	0.00	0.00	
JOB TOTALS:	West Michigan Physicians Net\	28,240.74	51,514.54	48,005.42	48,005.42	0.00	8,315.00	
JOB: GR100165	***USI***	***USI Insurance Services LC-Ren***						004543
PHASE: 1	***Leasing Commission-Renewal***							
025000	Leasing Commissions Renewal	13,873.00	9,248.65	8,221.02	8,221.02	0.00	1,027.63	
JOB TOTALS:	USI	13,873.00	9,248.65	8,221.02	8,221.02	0.00	1,027.63	
JOB: GR100173	***Robert W Baird & Co.***	***Baird Leasing Comm-Renewal***						008405
PHASE: 1	***Leasing Comm-Renewal***							
025000	Leasing Commissions Renewal	38,667.75	51,556.99	51,556.99	51,556.99	0.00	0.00	
JOB TOTALS:	Robert W Baird & Co.	38,667.75	51,556.99	51,556.99	51,556.99	0.00	0.00	
JOB: GR100180	***UBS Financial Services***	***UBS TI/LC-Ren/Contraction***						004048
PHASE: 1	***TI/LC-Renewal/Contraction***							
021300	TI Renewal - Specs and Planning	2,400.00	2,400.00	1,886.25	1,886.25	0.00	513.75	
022000	TI Renewal - Other Landlord Suite I	28,560.00	28,560.00	33,304.00	33,304.00	0.00	0.00	
025000	Leasing Commissions Renewal	31,909.85	31,909.85	31,910.88	31,910.88	0.00	0.00	
JOB TOTALS:	UBS Financial Services	62,869.85	62,869.85	67,101.13	67,101.13	0.00	513.75	
JOB: GR100181	***Colliers International***	***Colliers TI-Renewal/Relocate***						011552
PHASE: 1	***TI-Renewal/Relocate***							
021000	TI Renewal - Allowance/Turnkey	110,000.00	110,000.00	98,337.36	0.00	0.00	110,000.00	
021100	TI Renewal - Furniture Allowance	58,000.00	58,000.00	58,000.00	0.00	0.00	58,000.00	
021200	TI Renewal - Move/Relocation	11,992.00	11,992.00	11,992.00	0.00	0.00	11,992.00	
JOB TOTALS:	Colliers International	179,992.00	179,992.00	168,329.36	0.00	0.00	179,992.00	
JOB: GR100184	***Red Cedar Investment Management***	***Red Cedar LC/-Renewal***						011624
PHASE: 1	***Leasing Comm-Renewal***							
025000	Leasing Commissions Renewal	20,278.00	20,278.00	9,910.55	9,910.55	0.00	10,367.45	
JOB TOTALS:	Red Cedar Investment Manage	20,278.00	20,278.00	9,910.55	9,910.55	0.00	10,367.45	
JOB: GR100185	***Plunkett & Cooney***	***Plunkett Cooney TI/LC-Renewal***						011617
PHASE: 1	***TI/LC-New***							
021000	TI Renewal - Allowance/Turnkey	10,000.00	10,000.00	5,910.00	5,910.00	0.00	4,090.00	
025000	Leasing Commissions Renewal	44,133.00	44,133.00	44,132.80	22,066.40	0.00	22,066.60	
JOB TOTALS:	Plunkett & Cooney	54,133.00	54,133.00	50,042.80	27,976.40	0.00	26,156.60	
JOB: GR100189	***Dewpoint Inc.***	***Dewpoint TILC-Renew/Relocate***						008826
PHASE: 1	***Leasing Comm-Renewal/Relocate***							
022000	TI Renewal - Other Landlord Suite I	1,500.00	1,500.00	1,150.00	0.00	0.00	1,500.00	
025000	Leasing Commissions Renewal	6,890.56	6,890.56	0.00	0.00	0.00	6,890.56	
JOB TOTALS:	Dewpoint Inc.	8,390.56	8,390.56	1,150.00	0.00	0.00	8,390.56	
JOB: GR100192	***New York Life***	***NY Life TI/LC-Renew/Contractio***						003146
PHASE: 1	***TI/LC-Renewal/Contraction***							

Cost Code	Occupant/Description	Original Budget	Approved Budget	Expensed to Date	Paid to Date	Retention Payable	Remaining To PAY
021000	TI Renewal - Allowance/Turnkey	464,400.00	464,400.00	0.00	0.00	0.00	464,400.00
022000	TI Renewal - Other Landlord Suite I	30,000.00	30,000.00	0.00	0.00	0.00	30,000.00
025000	Leasing Commissions Renewal	131,766.00	131,766.00	66,241.25	0.00	0.00	131,766.00
JOB TOTALS:	New York Life	626,166.00	626,166.00	66,241.25	0.00	0.00	626,166.00
Total Hertz Grand Rapids One, LLC		**4,614,626.71**	**4,658,674.83**	**4,057,023.47**	**3,799,236.46**	**0.00**	**868,989.28**
TOTAL TI/LC Renewals		**4,614,626.71**	**4,658,674.83**	**4,057,023.47**	**3,799,236.46**	**0.00**	**868,989.28**

Building Improvements - General

ENTITY: GR100 Hertz Grand Rapids One, LLC

JOB: GR100152 Elevator Modernization Project
PHASE: 1 Elevator Modernization (6)

030000	Building Improvements - General	1,234,612.00	1,234,612.00	1,234,252.96	1,234,252.96	0.00	359.04
JOB TOTALS:		1,234,612.00	1,234,612.00	1,234,252.96	1,234,252.96	0.00	359.04

JOB: GR100154 Escalator Refurbishment
PHASE: 1 Escalator Refurbishment

030000	Building Improvements - General	17,000.00	95,000.00	216,231.00	216,231.00	0.00	0.00
JOB TOTALS:		17,000.00	95,000.00	216,231.00	216,231.00	0.00	0.00

JOB: GR100157 Window Replacement
PHASE: 1 Window Replacement

030000	Building Improvements - General	52,001.00	52,001.00	105,146.15	105,146.15	0.00	0.00
JOB TOTALS:		52,001.00	52,001.00	105,146.15	105,146.15	0.00	0.00

JOB: GR100163 Escalator Refurb Phase II
PHASE: 1 Escalator Refurb Phase II

030000	Building Improvements - General	85,860.00	85,860.00	0.00	0.00	0.00	85,860.00
JOB TOTALS:		85,860.00	85,860.00	0.00	0.00	0.00	85,860.00

JOB: GR100164 Roof Repair 18th Floor
PHASE: 1 Roof Repair

030000	Building Improvements - General	35,000.00	35,000.00	34,489.00	34,489.00	0.00	511.00
JOB TOTALS:		35,000.00	35,000.00	34,489.00	34,489.00	0.00	511.00

JOB: GR100166 Park Ramp Joint /Concrete Rep
PHASE: 1 Parking ramp contrete & expans

030000	Building Improvements - General	71,610.00	71,610.00	71,610.00	71,610.00	0.00	0.00
JOB TOTALS:		71,610.00	71,610.00	71,610.00	71,610.00	0.00	0.00

JOB: GR100170 13th Fl Common Area Rest-Reno
PHASE: 1 13th Fl Common Area Rest-Reno

030000	Building Improvements - General	273,871.02	273,871.02	280,383.98	280,383.98	0.00	0.00

Cost Code	Occupant/Description	Original Budget	Approved Budget	Expensed to Date	Paid to Date	Retention Payable	Remaining To PAY
JOB TOTALS:		273,871.02	273,871.02	280,383.98	280,383.98	0.00	0.00
JOB: GR100174	***8th Fl Elevator & Common Area***						
PHASE: 1	***8th Fl elevator & common area***						
030000	Building Improvements - General	215,000.00	215,000.00	235,954.50	235,954.50	0.00	0.00
JOB TOTALS:		215,000.00	215,000.00	235,954.50	235,954.50	0.00	0.00
JOB: GR100177	***Chilled Water Pump #5***						
PHASE: 1	***Chilled Water Pump rebuild***						
030000	Building Improvements - General	12,440.00	12,440.00	12,440.00	12,440.00	0.00	0.00
JOB TOTALS:		12,440.00	12,440.00	12,440.00	12,440.00	0.00	0.00
JOB: GR100178	***Chilled Water Pump #8***						
PHASE: 1	***Chilled Water Pump rebuild #8***						
030000	Building Improvements - General	9,984.00	9,984.00	9,984.00	9,984.00	0.00	0.00
JOB TOTALS:		9,984.00	9,984.00	9,984.00	9,984.00	0.00	0.00
JOB: GR100179	***Fire Alarm Panel Transponder***						
PHASE: 1	***Fire Alarm Panel Transponder***						
030000	Building Improvements - General	80,000.00	80,000.00	78,460.00	78,460.00	0.00	1,540.00
JOB TOTALS:		80,000.00	80,000.00	78,460.00	78,460.00	0.00	1,540.00
JOB: GR100186	***Parking Ramp Drain***						
PHASE: 1	***Building Improvement***						
030000	Building Improvements - General	29,410.00	29,410.00	29,410.00	29,410.00	0.00	0.00
JOB TOTALS:		29,410.00	29,410.00	29,410.00	29,410.00	0.00	0.00
JOB: GR100187	***Sewer Main Replacement***						
PHASE: 1	***Sewer Main Replacement***						
039000	R&M Major Projects	30,000.00	30,000.00	24,630.00	24,630.00	0.00	5,370.00
JOB TOTALS:		30,000.00	30,000.00	24,630.00	24,630.00	0.00	5,370.00
JOB: GR100190	***Replace cafe drains/pipes, etc***						
PHASE: 1	***Replace cafe drains/pipes, etc***						
030000	Building Improvements - General	42,060.00	42,060.00	42,460.00	0.00	0.00	42,060.00
JOB TOTALS:		42,060.00	42,060.00	42,460.00	0.00	0.00	42,060.00
JOB: GR100191	***Sewer Main Replcmnt Phase II***						
PHASE: 1	***Sewer Main Replcmnt Phase II***						
030000	Building Improvements - General	31,050.00	31,050.00	0.00	0.00	0.00	31,050.00
JOB TOTALS:		31,050.00	31,050.00	0.00	0.00	0.00	31,050.00
Total Hertz Grand Rapids One, LLC		**2,219,898.02**	**2,297,898.02**	**2,375,451.59**	**2,332,991.59**	**0.00**	**166,750.04**
TOTAL Building Improvements		**2,219,898.02**	**2,297,898.02**	**2,375,451.59**	**2,332,991.59**	**0.00**	**166,750.04**

Cost Code	Occupant/Description	Original Budget	Approved Budget	Expensed to Date	Paid to Date	Retention Payable	Remaining To PAY
GRAND TOTALS		**9,750,107.59**	**10,227,147.83**	**9,901,174.56**	**9,230,307.78**	**0.00**	**1,987,256.06**

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
New, Expansion and Future Renewal Leases													
GR100 0105	Dustin Shaffer	10/1/2024	9/30/2027	247	504.29	24.50	New Lease						
										BRO	10/1/2024	504.29	24.50
										BRO	10/1/2025	519.42	25.23
										BRO	10/1/2026	535.00	25.99
GR100 0600	New York Life	11/1/2024	10/31/2034	11,610	22,252.50	23.00	Renewal						
										BRO	11/1/2024	22,252.50	23.00
										BRO	11/1/2025	22,808.81	23.57
										BRO	11/1/2026	23,379.03	24.16
										BRO	11/1/2027	23,963.51	24.77
										BRO	11/1/2028	24,562.60	25.39
										BRO	11/1/2029	25,176.66	26.02
										BRO	11/1/2030	25,806.08	26.67
										BRO	11/1/2031	26,451.23	27.34
										BRO	11/1/2032	27,112.51	28.02
										BRO	11/1/2033	27,790.32	28.72
Vacant Suites													
GR100 0105	Vacant			247									
GR100 0125A	Vacant			2,815									
GR100 0240A	Vacant			1,628									
GR100 0300	Vacant			30,550									
GR100 0400	Vacant			11,851									
GR100 0400A	Vacant			3,129									
GR100 0500	Vacant			7,885									
GR100 0510	Vacant			2,225									
GR100 0520	Vacant			4,719									
GR100 0601A	Vacant			814									
GR100 0602	Vacant			5,435									
GR100 0700	Vacant			15,108									
GR100 0725	Vacant			820									

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
GR100 0920	Vacant			3,562									
GR100 1101A	Vacant			150									
GR100 1130	Vacant			3,642									
GR100 ROOF1	Vacant			1									
Occupied Suites													
GR100 0100	Ascent Real Estate Group, LLC	7/1/2024	6/30/2025	476	875.44	22.07							
GR100 0110	Teachers Insurance and Annuity	11/1/2020	10/31/2025	4,470	8,524.26	22.88			391.57	BRO	11/1/2024	8,737.37	23.46
GR100 0115	Hertz Tenant Lounge/Nexus Center	10/1/2022	12/31/2050	763	1,255.77	19.75							
GR100 0125B	Hertz Mgmt Space-Aerobics Room	9/1/2015	8/31/2020	4,259	7,009.60	19.75							
GR100 0130	Hertz Grand Rapid Office	5/1/2014	5/1/2050	742	1,221.21	19.75							
GR100 0200	Legacy Offices LLC	6/1/2021	5/31/2024	1,412	2,812.23	23.90			123.69				
GR100 0205	Ameriprise Holdings, Inc.	12/1/2020	11/30/2025	6,646	12,375.67	22.35			582.19	BRO	12/1/2024	12,685.06	22.90
GR100 0225	Hertz Mgmt Space-Banquet	7/1/2014	7/1/2024	4,133	6,802.23	19.75							
GR100 0230	Charlesbrook Protection Services LLC	2/1/2024	1/31/2029	1,855	2,782.50	18.00				BRO	2/1/2025	2,852.06	18.45
										BRO	2/1/2026	3,306.54	21.39
										BRO	2/1/2027	2,995.83	19.38
										BRO	2/1/2028	3,070.03	19.86
										BRO	2/1/2029	3,147.32	20.36
										BRO	2/1/2030	3,226.00	20.87
										BRO	2/1/2031	3,306.54	21.39
										BRO	2/1/2032	3,389.20	21.92
										BRO	2/1/2033	3,473.93	22.47
GR100 0235	The Image Gallery	8/1/2011	7/31/2012	598	850.00	17.06							
GR100 0240	San Chez Express, LLC	3/1/2024	2/28/2027	2,938	1,260.89	5.15				BRA	9/1/2025	0.00	0.00
										BRO	3/1/2026	1,297.62	5.30
GR100 0410	Spectrum Health	3/1/2015	2/29/2024	3,727	6,689.97	21.54			326.49				
GR100 0410B	Spectrum Health	3/1/2015	2/29/2024	465	834.67	21.54			40.73				

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
GR100 0420	Spectrum Health	3/1/2015	2/29/2024	2,451	4,399.55	21.54			214.70				
GR100 0430	Spectrum Health	3/1/2015	2/29/2024	7,651	13,733.55	21.54			670.22				
GR100 0505	Dewpoint Inc.	2/1/2019	1/31/2024	5,562	10,104.44	21.80			487.23				
GR100 0530	Plunkett & Cooney	2/1/2024	1/31/2029	11,002	19,079.30	20.81			963.78	BRO	2/1/2026	19,556.28	21.33
										BRO	2/1/2027	20,041.98	21.86
										BRO	2/1/2028	20,546.24	22.41
GR100 0600	New York Life	6/1/2012	5/31/2024	19,392	48,803.20	30.20			1,956.04				
GR100 0601	Red Cedar Investment Management	8/1/2024	7/31/2029	4,218	7,856.03	22.35			369.50	BRO	8/1/2025	8,052.47	22.91
										BRO	8/1/2026	8,253.33	23.48
										BRO	8/1/2027	8,460.61	24.07
										BRO	8/1/2028	8,671.51	24.67
GR100 0710	Cole's Quality Foods Inc	7/7/2022	8/6/2027	8,779	16,906.89	23.11			713.00	BRO	8/7/2025	17,331.21	23.69
										BRO	8/7/2026	17,762.84	24.28
GR100 0800	Grand Wealth Management LLC	11/1/2019	10/31/2029	5,403	9,815.45	21.80			473.30	BRO	11/1/2024	10,063.09	22.35
										BRO	11/1/2025	10,310.73	22.90
										BRO	11/1/2026	10,571.87	23.48
										BRO	11/1/2027	10,833.02	24.06
										BRO	11/1/2028	11,107.67	24.67
GR100 0810	PRCD Holdings LLC	1/1/2022	11/30/2028	4,335	8,471.31	23.45			442.31	BRO	12/1/2024	8,684.45	24.04
										BRO	12/1/2025	8,875.91	24.57
										BRO	12/1/2026	9,096.28	25.18
										BRO	12/1/2027	9,323.86	25.81
GR100 0815	Answer Health Physician Organization	4/1/2022	11/30/2028	7,670	13,435.28	21.02			787.78	BRO	2/1/2025	13,703.73	21.44
										BRO	2/1/2026	13,978.57	21.87
										BRO	2/1/2027	14,253.42	22.30
										BRO	2/1/2028	14,541.04	22.75
GR100 0900	Kreis Enderle Hudgins & Borsos PC	8/1/2020	1/31/2031	8,010	14,551.50	21.80			701.68	BRO	8/1/2025	14,918.63	22.35
										BRO	8/1/2026	15,285.75	22.90
										BRO	8/1/2027	15,672.90	23.48
										BRO	8/1/2028	16,060.05	24.06
										BRO	8/1/2029	16,467.23	24.67
										BRO	8/1/2030	16,874.40	25.28
GR100 0910	Robert Half International	8/3/2020	8/2/2025	5,844	11,064.64	22.72			511.93	BRO	5/1/2025	11,342.23	23.29
GR100 0B02	MCImetro Access	2/1/1997	3/31/2016	1			166.33		477.26				

Bldg Id	Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
GR100	0B06	Michigan Bell	1/1/2023	12/31/2027	1					987.91	OSR	1/1/2025	1,012.37	2,148.44
											OSR	1/1/2026	1,037.40	2,448.80
											OSR	1/1/2027	1,062.99	2,755.88
GR100	0B26	Varnum	3/1/2023	8/31/2033	5,106					4,255.00				
GR100	1000	Robert W Baird & Co.	7/1/2023	6/30/2028	11,862	21,282.41	21.53			1,306.43	BRO	7/1/2025	21,816.20	22.07
											BRO	7/1/2026	22,359.87	22.62
											BRO	7/1/2027	22,923.32	23.19
GR100	1010	Colliers International	7/1/2023	5/31/2030	5,996	11,410.89	22.84			584.61	BRO	7/1/2025	11,696.16	23.41
											BRO	7/1/2026	11,988.56	23.99
											BRO	7/1/2027	12,288.28	24.59
											BRO	7/1/2028	12,595.48	25.21
											BRO	7/1/2029	12,910.37	25.84
GR100	1100	UBS Financial Services	7/1/2023	6/30/2033	3,096	6,082.00	23.57	94.17			BRO	7/1/2025	6,234.00	24.16
											BRO	7/1/2026	6,390.00	24.77
											BRO	7/1/2027	6,550.00	25.39
											BRO	7/1/2028	6,714.00	26.02
											BRO	7/1/2029	6,882.00	26.67
											BRO	7/1/2030	7,054.00	27.34
											BRO	7/1/2031	7,230.00	28.02
											BRO	7/1/2032	7,411.00	28.72
GR100	1110	Mark Gurley	9/1/2024	8/31/2027	672	1,344.00	24.00				BRO	9/1/2025	1,377.60	24.60
											BRO	9/1/2026	1,412.04	25.22
GR100	1120	Counseling Center of West Michigan L	6/1/2022	11/30/2032	4,317	7,558.35	21.01			350.75	BRO	6/1/2025	7,749.01	21.54
											BRO	6/1/2026	7,943.28	22.08
											BRO	6/1/2027	8,141.14	22.63
											BRO	6/1/2028	8,342.60	23.19
											BRO	6/1/2029	8,551.26	23.77
											BRO	6/1/2030	8,763.51	24.36
											BRO	6/1/2031	8,982.96	24.97
											BRO	6/1/2032	9,209.60	25.60
GR100	1125	Ahead Inc	1/1/2022	12/31/2024	3,151	6,068.30	23.11			307.22				
GR100	1140	Benchmark Risk Group, LLC	3/1/2024	6/30/2029	2,883	5,645.88	23.50			281.09	BRO	7/1/2025	5,787.02	24.09
											BRO	7/1/2026	5,931.70	24.69
											BRO	7/1/2027	6,079.99	25.31
											BRO	7/1/2028	6,231.99	25.94
GR100	1200	JD General Agency LLC (Northwester	12/15/2023	12/31/2033	17,598	30,796.50	21.00			1,715.81	BRO	12/15/2024	31,566.41	21.52
											BRO	12/15/2025	32,355.57	22.06
											BRO	12/15/2026	33,164.46	22.61
											BRO	12/15/2027	33,993.57	23.18

Bldg Id	Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
											BRO	12/15/2028	34,843.41	23.76
											BRO	12/15/2029	35,714.50	24.35
											BRO	12/15/2030	36,607.36	24.96
											BRO	12/15/2031	37,522.54	25.59
											BRO	12/15/2032	38,460.61	26.23
GR100	1300A	JD General Agency LLC (Northwester	12/15/2023	12/31/2033	5,530	9,677.50	21.00			539.18	BRO	12/15/2024	9,919.44	21.53
											BRO	12/15/2025	10,167.42	22.06
											BRO	12/15/2026	10,421.61	22.61
											BRO	12/15/2027	10,682.15	23.18
											BRO	12/15/2028	10,949.20	23.76
											BRO	12/15/2029	11,222.93	24.35
											BRO	12/15/2030	11,503.51	24.96
											BRO	12/15/2031	11,791.09	25.59
											BRO	12/15/2032	12,085.87	26.23
GR100	1300B	JD General Agency LLC (Northwester	12/15/2023	12/31/2033	3,406	6,109.51	21.52			332.08	BRA	12/15/2024	0.00	0.00
											BRO	12/15/2025	6,262.25	22.06
											BRO	12/15/2026	6,418.80	22.61
											BRO	12/15/2027	6,579.27	23.18
											BRO	12/15/2028	6,743.76	23.76
											BRO	12/15/2029	6,912.35	24.35
											BRO	12/15/2030	7,085.16	24.96
											BRO	12/15/2031	7,262.29	25.59
											BRO	12/15/2032	7,443.85	26.23
GR100	1301	Insight Global LLC	10/1/2022	3/31/2030	8,662	15,541.07	21.53			703.79	BRO	10/1/2024	15,923.64	22.06
											BRO	10/1/2025	16,320.65	22.61
											BRO	10/1/2026	16,732.10	23.18
											BRO	10/1/2027	17,150.76	23.76
											BRO	10/1/2028	17,576.64	24.35
											BRO	10/1/2029	18,016.96	24.96
GR100	1400	Varnum	3/1/2023	8/31/2033	17,598	29,110.03	19.85			2,259.17	BRO	9/1/2025	29,623.30	20.20
											BRO	9/1/2026	30,136.58	20.55
											BRO	9/1/2027	30,649.85	20.90
											BRO	9/1/2028	31,163.13	21.25
											BRO	9/1/2029	31,676.40	21.60
											BRO	9/1/2030	32,189.68	21.95
											BRO	9/1/2031	32,702.95	22.30
											BRO	9/1/2032	33,216.23	22.65
GR100	1500	Varnum	3/1/2023	8/31/2033	17,254	28,540.99	19.85				BRO	9/1/2025	29,044.23	20.20
											BRO	9/1/2026	29,547.48	20.55
											BRO	9/1/2027	30,050.72	20.90
											BRO	9/1/2028	30,553.96	21.25

Bldg Id	Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
											BRO	9/1/2029	31,057.20	21.60
											BRO	9/1/2030	31,560.44	21.95
											BRO	9/1/2031	32,063.68	22.30
											BRO	9/1/2032	32,566.93	22.65
GR100	1600	Varnum	3/1/2023	8/31/2033	17,254	28,540.99	19.85				BRO	9/1/2025	29,044.23	20.20
											BRO	9/1/2026	29,547.48	20.55
											BRO	9/1/2027	30,050.72	20.90
											BRO	9/1/2028	30,553.96	21.25
											BRO	9/1/2029	31,057.20	21.60
											BRO	9/1/2030	31,560.44	21.95
											BRO	9/1/2031	32,063.68	22.30
											BRO	9/1/2032	32,566.93	22.65
GR100	1700	Varnum	3/1/2023	8/31/2033	11,587	19,166.83	19.85				BRO	9/1/2025	19,504.78	20.20
											BRO	9/1/2026	19,842.74	20.55
											BRO	9/1/2027	20,180.69	20.90
											BRO	9/1/2028	20,518.65	21.25
											BRO	9/1/2029	20,856.60	21.60
											BRO	9/1/2030	21,194.55	21.95
											BRO	9/1/2031	21,532.51	22.30
											BRO	9/1/2032	21,870.46	22.65
GR100	RHPK	River House at BWP (HOA)	11/1/2008	12/30/2028	0					29,868.24				
GR100	ROOF	Cogent Communications Inc	4/1/2021	3/1/2026	0					557.13	OAT	4/1/2025	568.28	0.00
Totals:		Occupied Sqft:	73.23%	43 Units	258,775	458,390.83		260.50		54,281.81				
		Leased/Unoccupied Sqft:		0 Units	0									
		Vacant Sqft:	26.77%	17 Units	94,581									
		Total Sqft:		60 Units	353,356	458,390.83								
Total Hertz Grand Rapids One, LLC:														
		Occupied Sqft:	73.23%	43 Units	258,775	458,390.83		260.50		54,281.81				
		Leased/Unoccupied Sqft:		0 Units	0									
		Vacant Sqft:	26.77%	17 Units	94,581									
		Total Sqft:		60 Units	353,356	458,390.83								
Grand Total:														
		Occupied Sqft:	73.23%	43 Units	258,775	458,390.83		260.50		54,281.81				
		Leased/Unoccupied Sqft:		0 Units	0									
		Vacant Sqft:	26.77%	17 Units	94,581									
		Total Sqft:		60 Units	353,356	458,390.83								

Subject Property Photos

The inspection photos were taken on July 28, 2023. We also included additional inspection photos from our previous inspection on December 14, 2021 and dated these photos below.

Building Exterior



Building Exterior



Building Exterior



Building Exterior



Building Exterior



Building Exterior



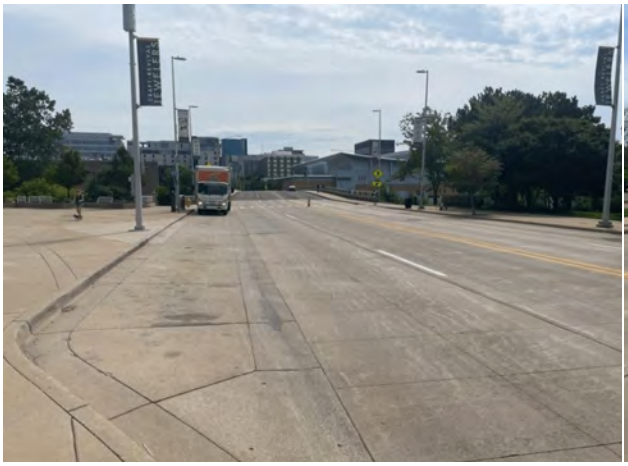
Building Exterior



Street View



Street View



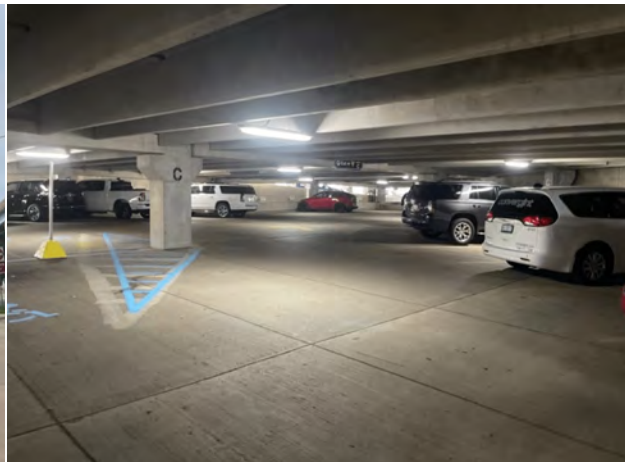
Street View



Street View



Parking Garage



Parking Garage



Parking Garage



Parking Garage



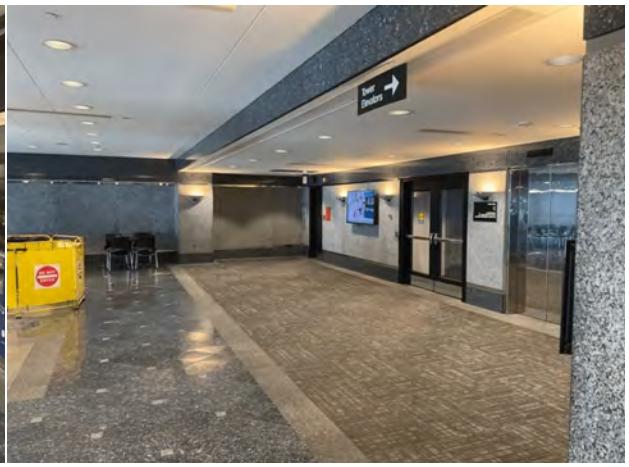
Parking Garage



Lobby/Common Area View



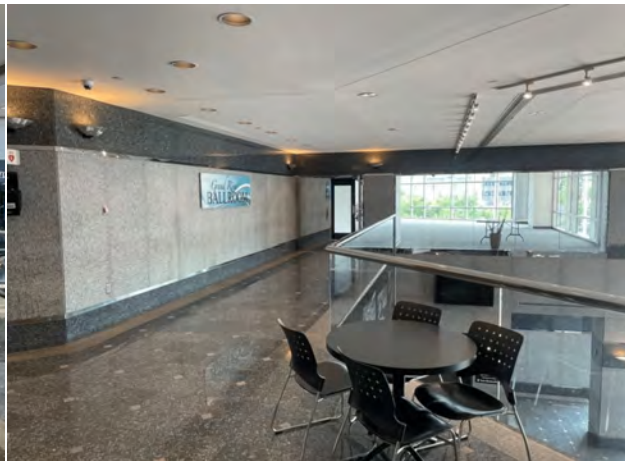
Lobby/Common Area View



Lobby/Common Area View



Lobby/Common Area View



Lobby/Common Area View



Lobby/Common Area View



The remaining photos are from our previous inspection of the subject property on December 14, 2021.

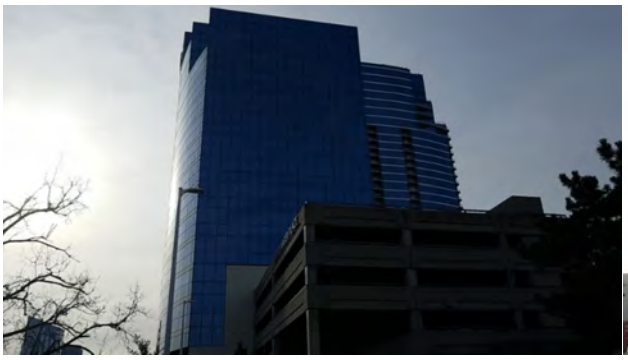
Building Facade



Building Facade



Building Facade



Building Facade



Building Facade



Building Facade



Subject Street



Subject Street



Subject Street



Subject Street



Mechanicals



Mechanicals



Mechanicals



Mechanicals



Mechanicals



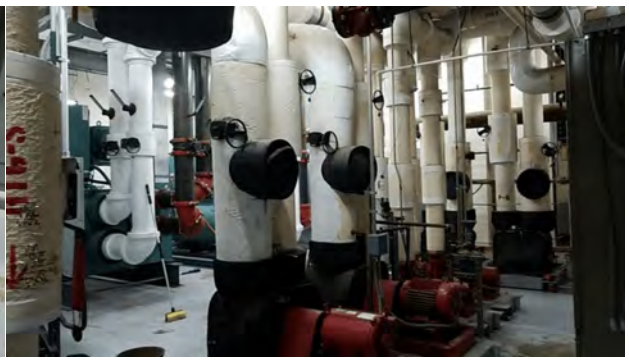
Mechanicals



Mechanicals



Mechanicals



Mechanicals



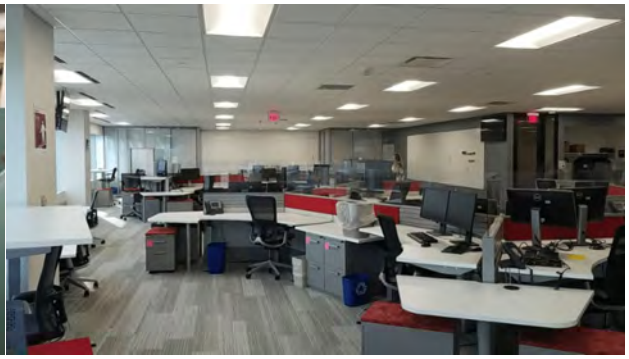
Mechanicals



Mechanicals



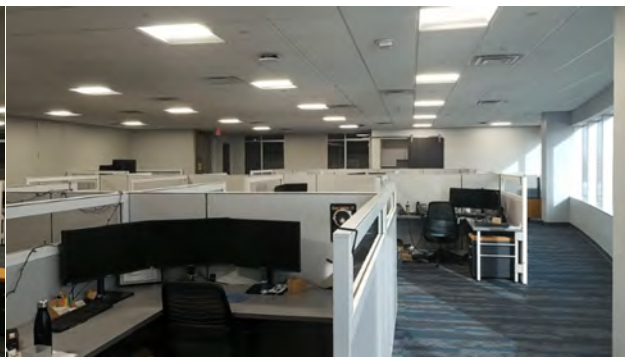
Interiors



Interiors



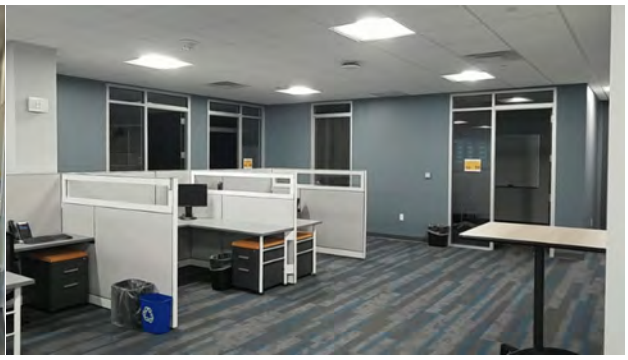
Interiors



Interiors



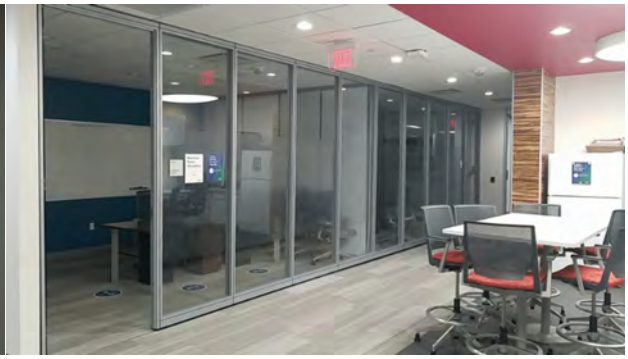
Interiors



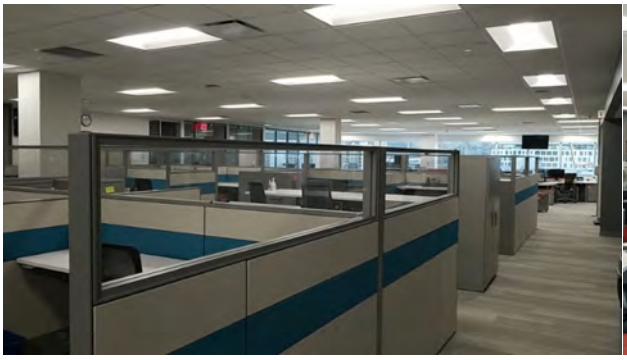
Interiors



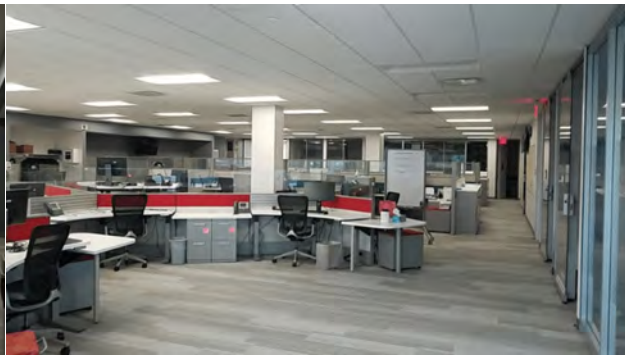
Interiors



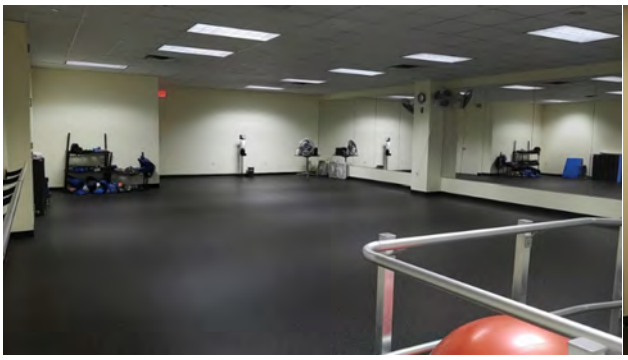
Interiors



Interiors



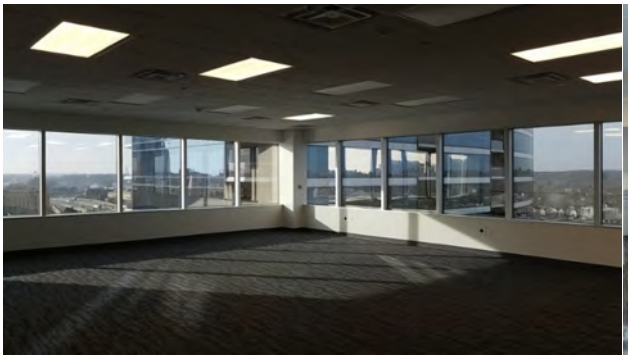
Interiors



Interiors



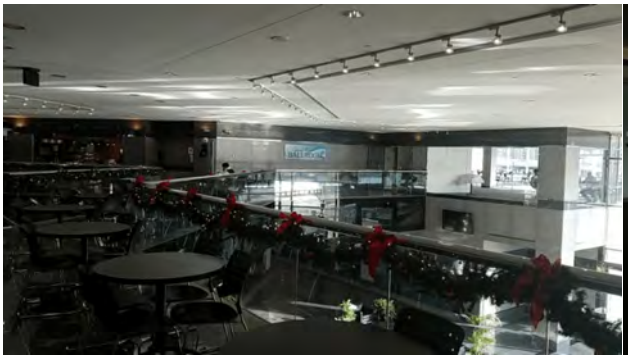
Interiors



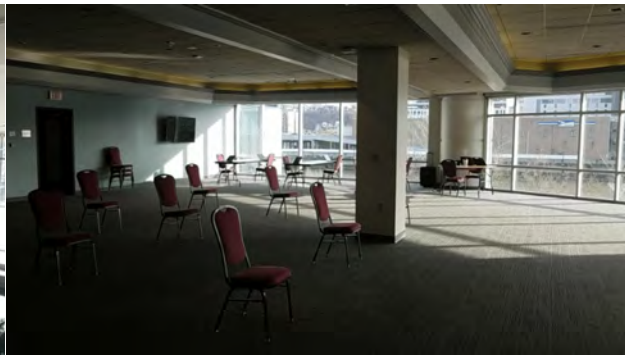
Interiors



Interiors



Interiors



Interiors



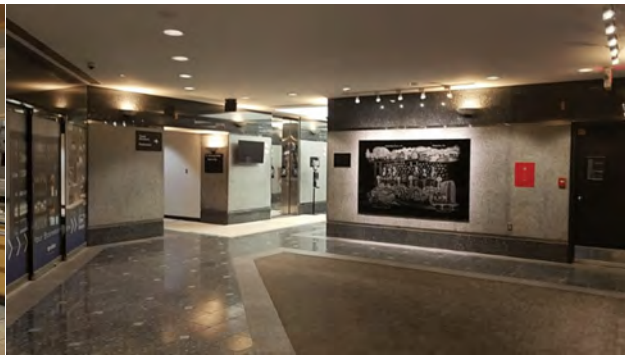
Interiors



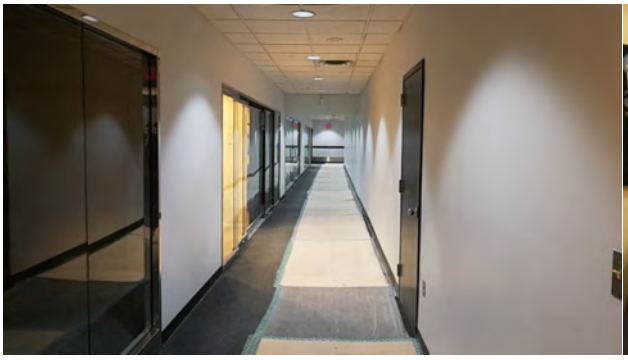
Interiors



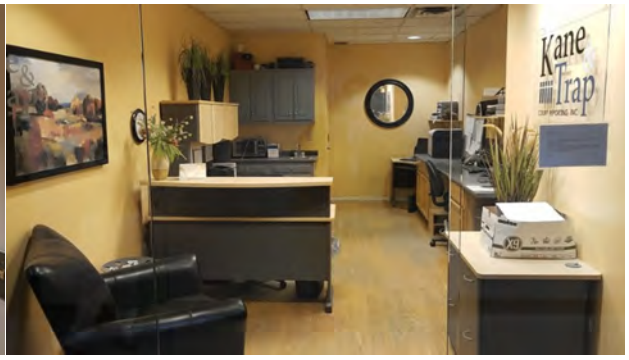
Interiors



Interiors



Interiors



Interiors



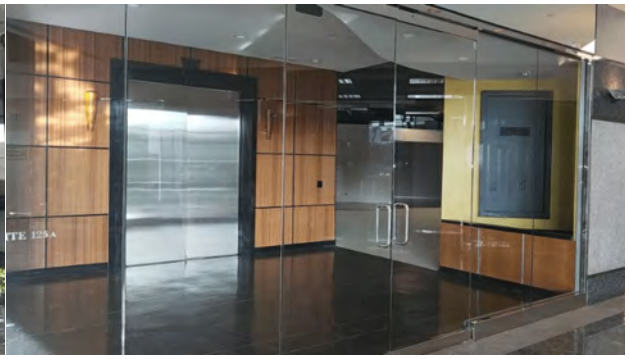
Interiors



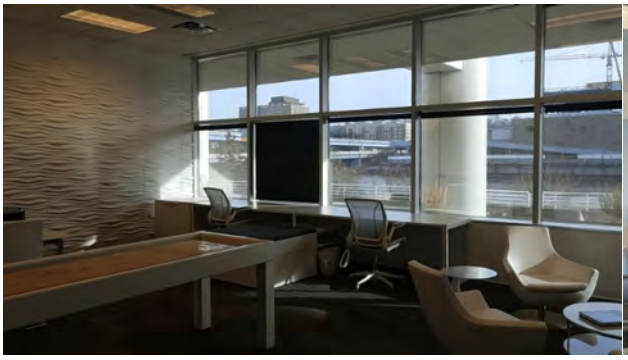
Interiors



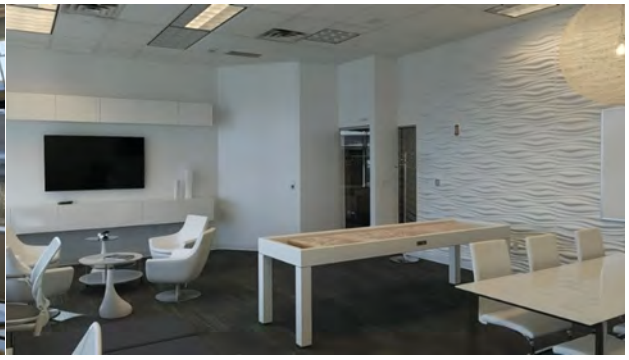
Interiors



Interiors



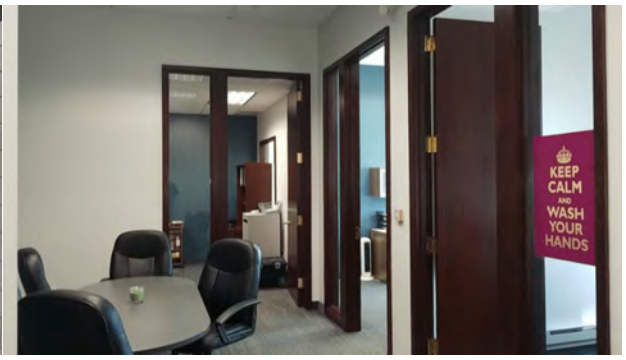
Interiors



Interiors



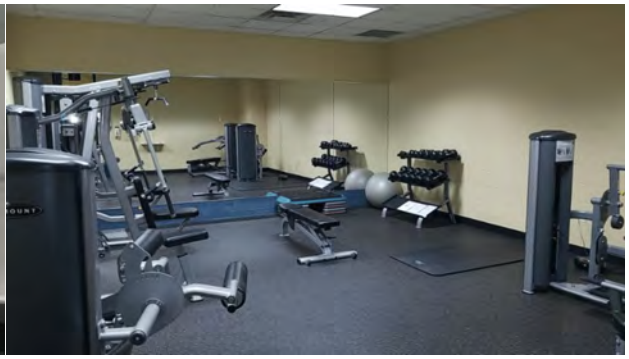
Interiors



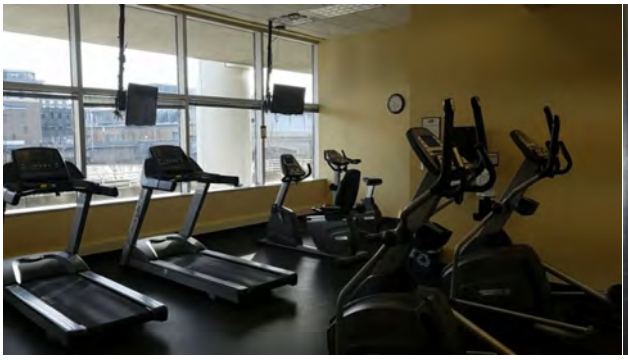
Interiors



Interiors



Interiors



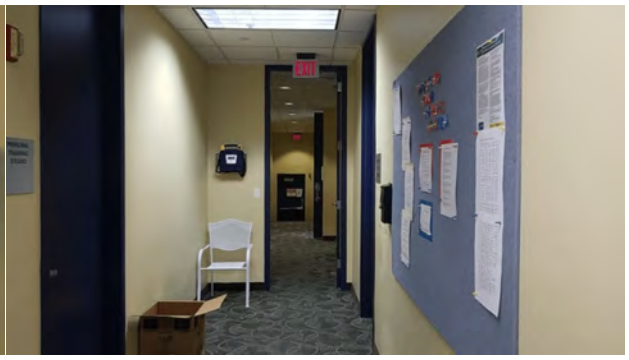
Interiors



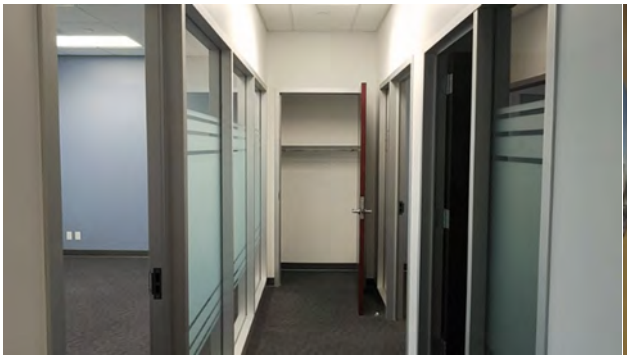
Interiors



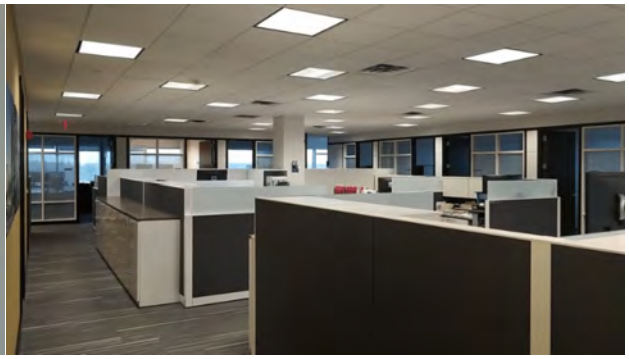
Interiors



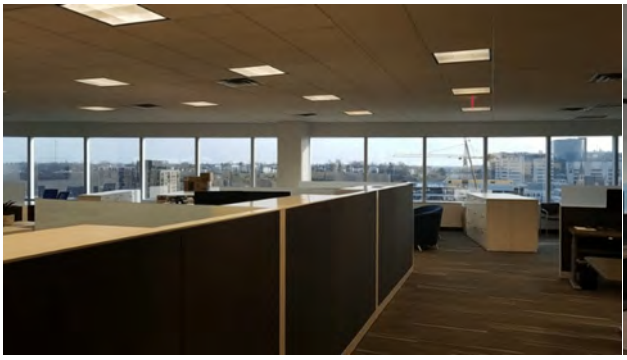
Interiors



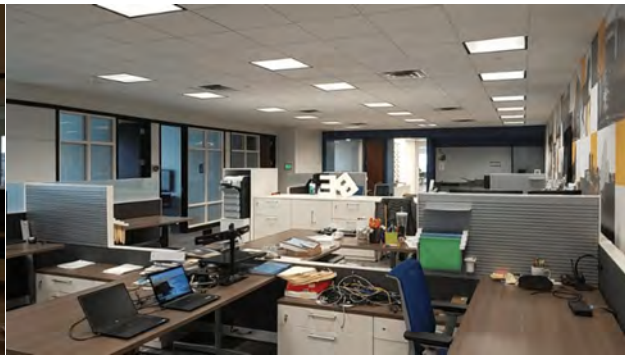
Interiors



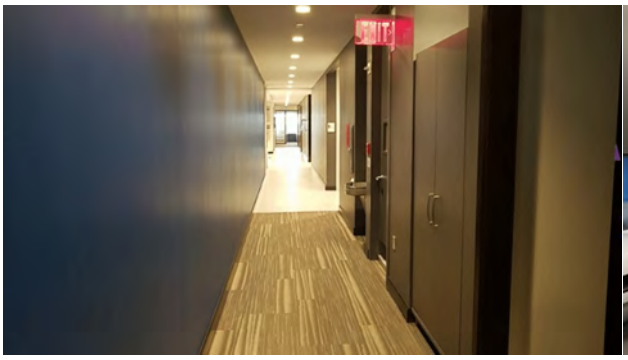
Interiors



Interiors



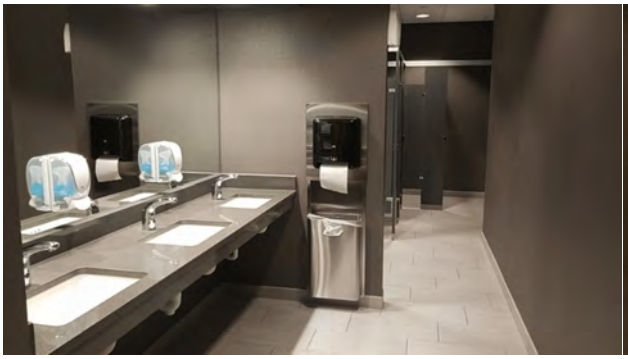
Interiors



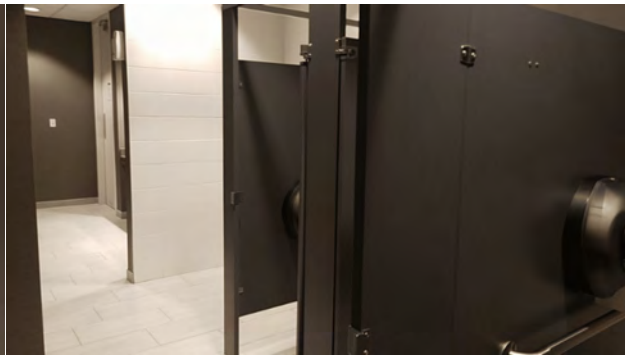
Interiors



Interiors



Interiors



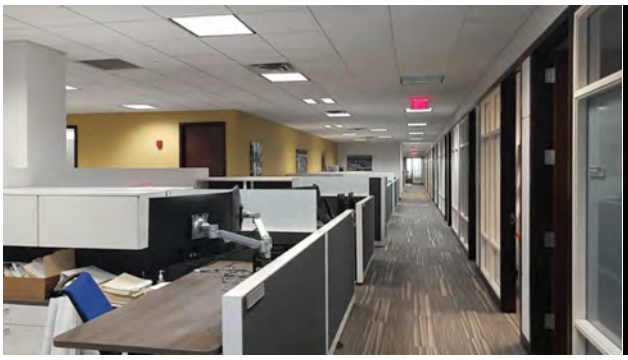
Interiors



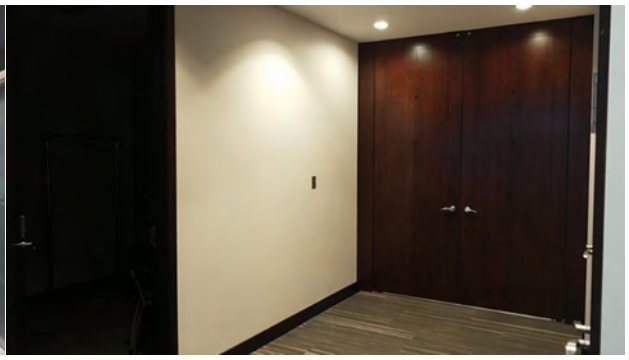
Interiors



Interiors



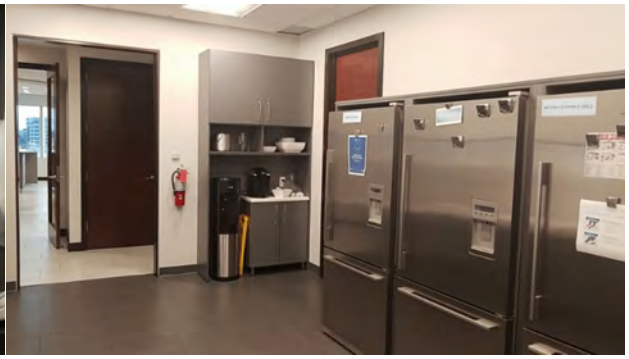
Interiors



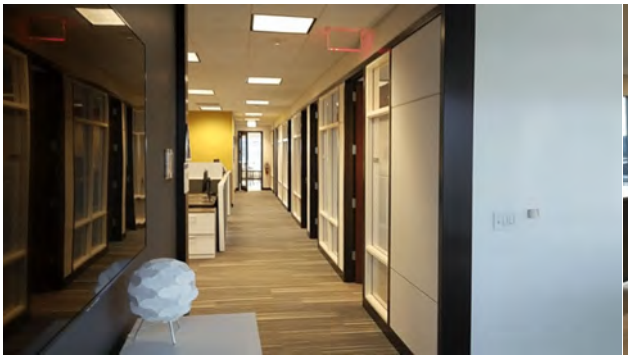
Interiors



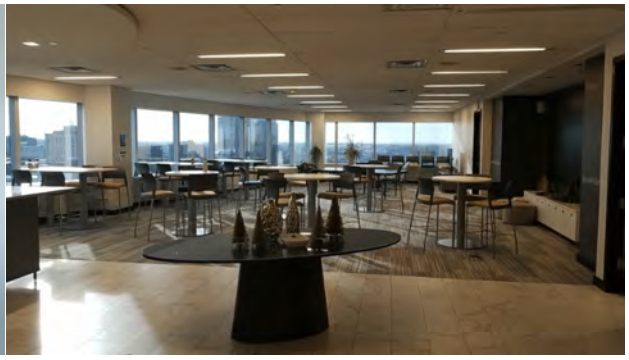
Interiors



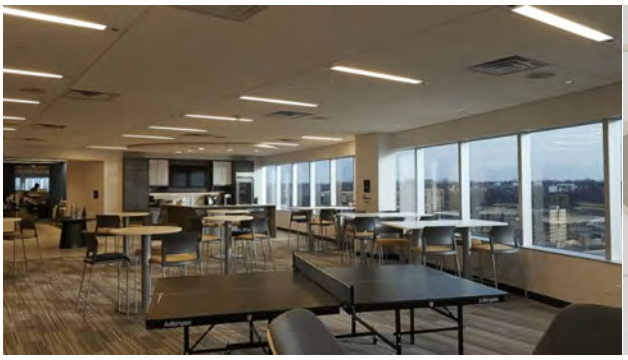
Interiors



Interiors



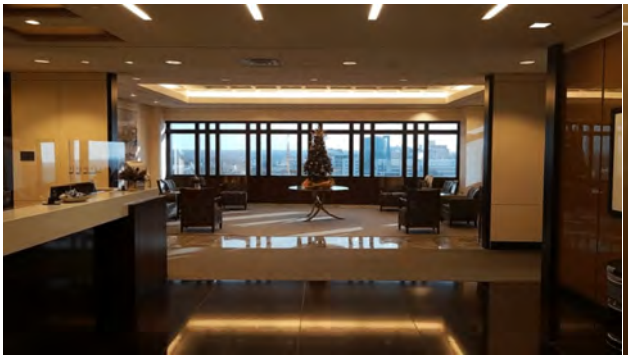
Interiors



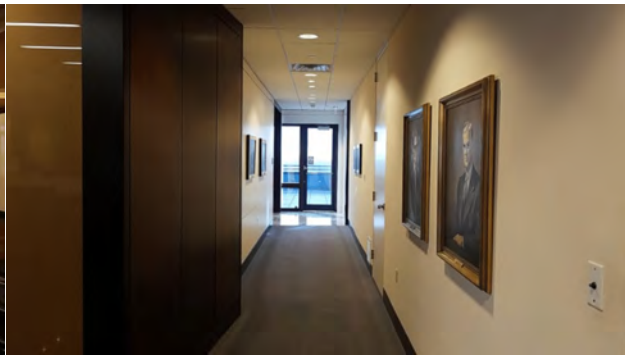
Interiors



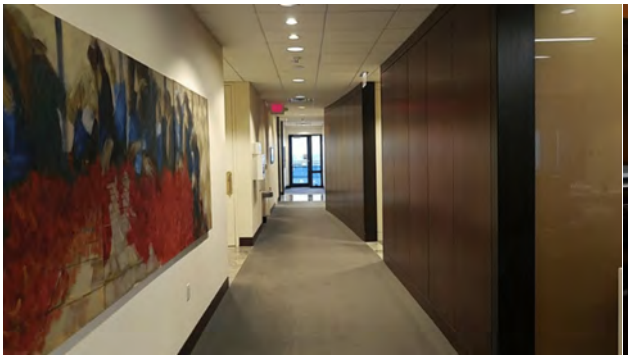
Interiors



Interiors



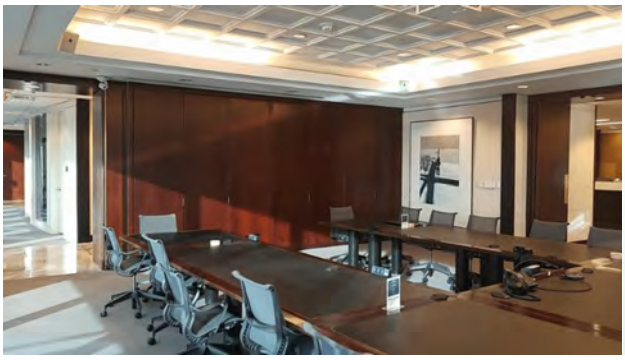
Interiors



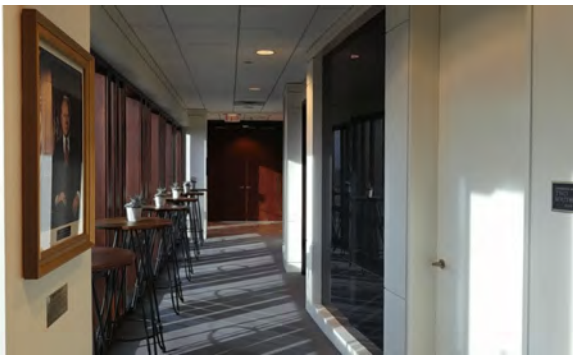
Interiors



Interiors



Interiors



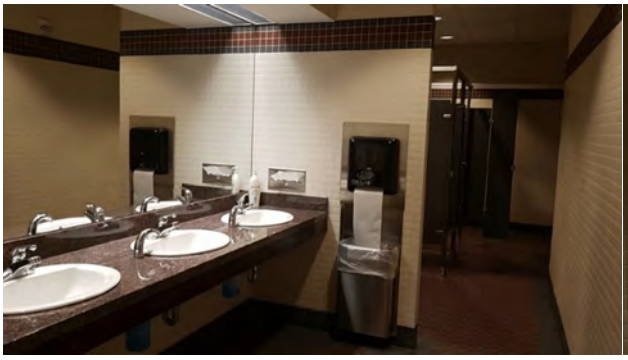
Interiors



Interiors



Interiors



Interiors



Interiors



Interiors



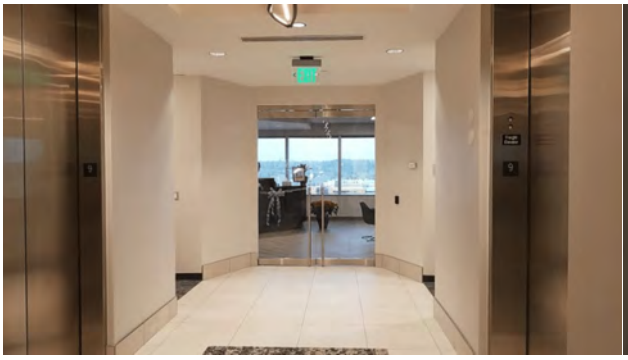
Interiors



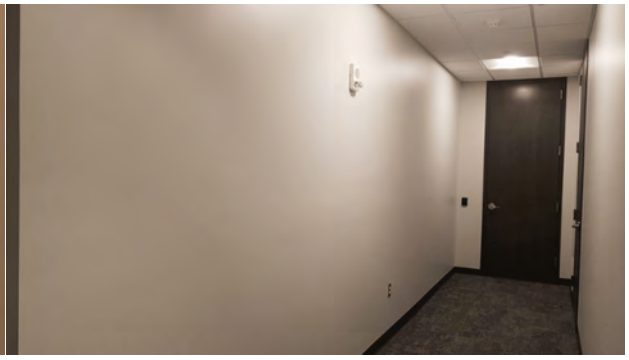
Interiors



Interiors



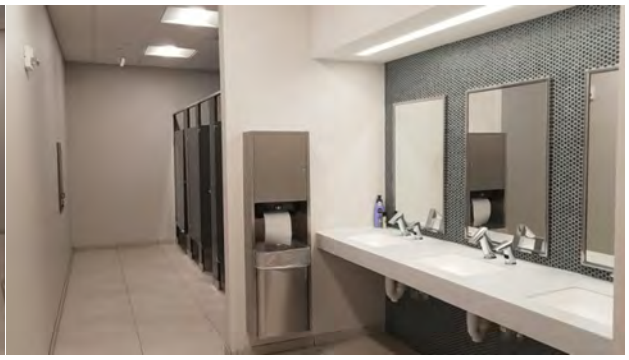
Interiors



Interiors



Interiors



Interiors



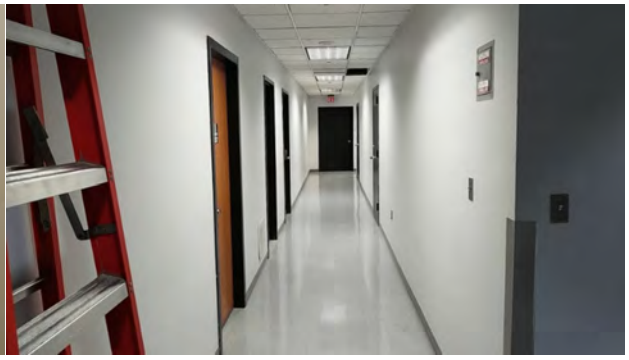
Interiors



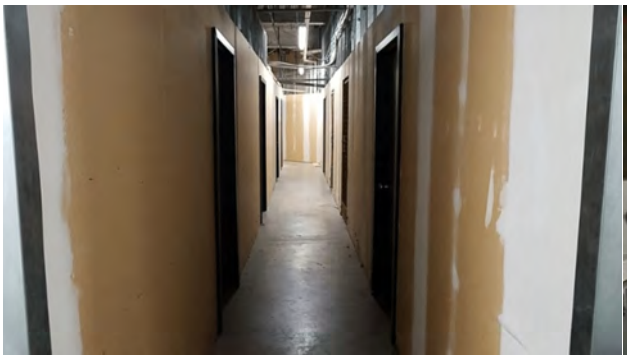
Interiors



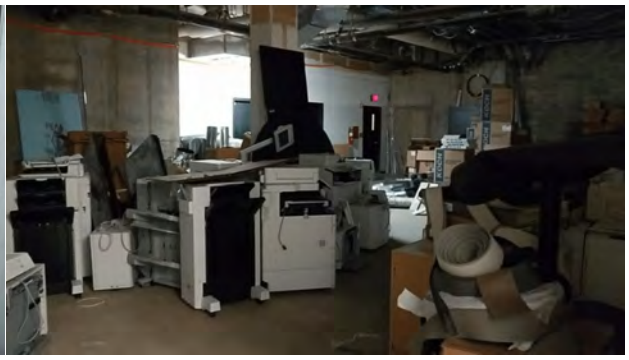
Interiors



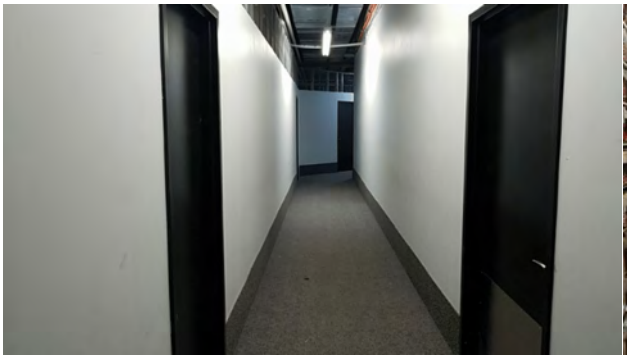
Interiors



Interiors



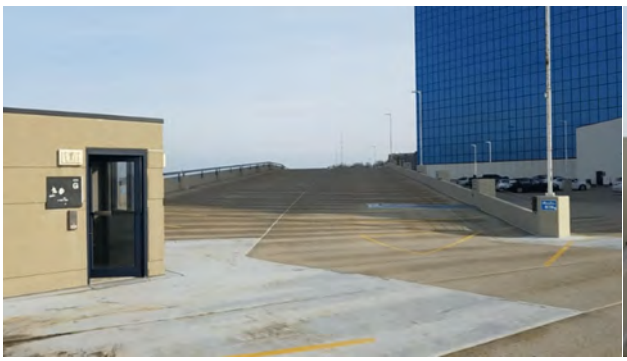
Interiors



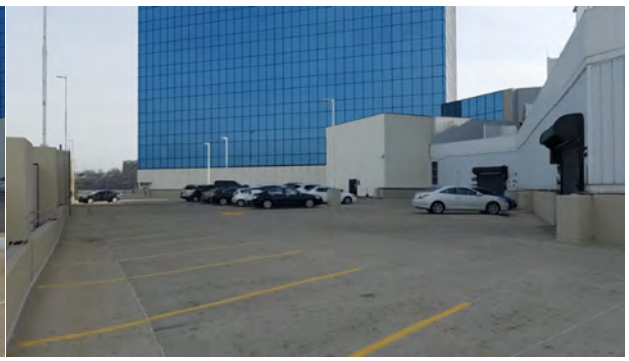
Interiors



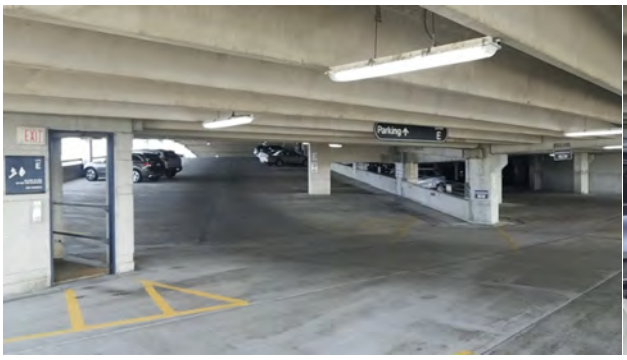
Parking



Parking



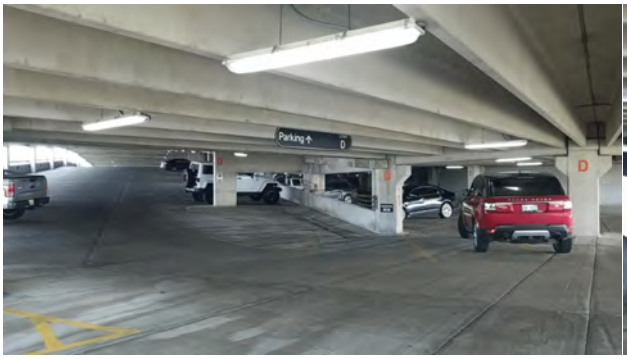
Parking



Parking



Parking



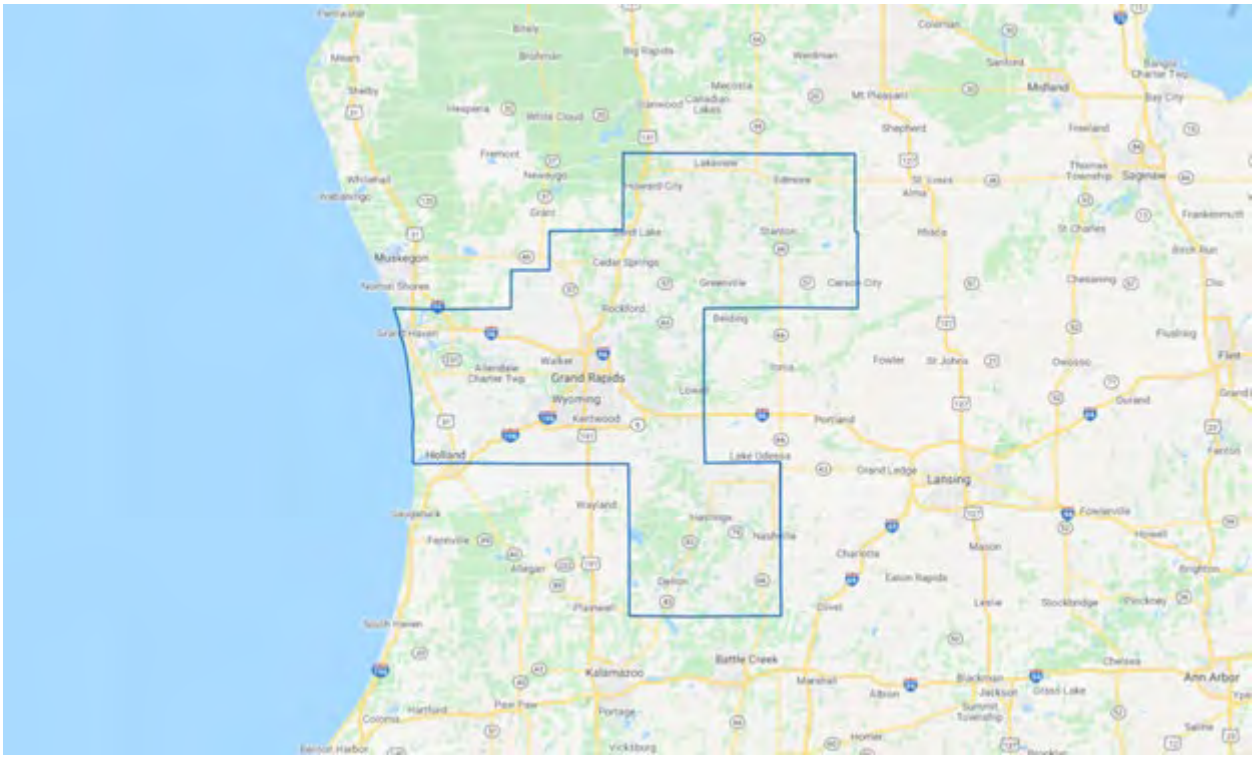
Parking



Market Analysis

Grand Rapids: Office Market Analysis

The information contained in this report was provided using 2024 Q3 CoStar data for the Grand Rapids Office Market ("Market").



Overview

The subject property is in the Grand Rapids Market defined in the map above, which includes 42.4 million square feet of office space. The inventory is roughly 12% Class A, 53% Class B, and 34% Class C. In the Grand Rapids Market, demand remains strong with vacancy rates down yoy and over the past quarter. With continued compression in vacancy rates, rents increased 0.3% in the latest quarter and are up 2.6% over the past year. Despite positive fundamentals, values decreased -2.6% over the past year after negative growth in the latest quarter, ultimately decreasing to $103/square feet.

Sector Fundamentals

	Grand Rapids	YoY	QoQ	National	YoY	QoQ
Market Rent/SF	$20.8	2.6%	0.3%	$35.63	1.0%	0.1%
Vacancy Rate	6.36%	-69 bps	-35 bps	13.85%	62 bps	7 bps
Availability Rate	7.4%	-117 bps	-36 bps	16.4%	12 bps	-17 bps
Net Absorption SF	146,261	504.8%	70.6%	-1,312,397	91.4%	-281.0%
Asset Value/SF	$103	-2.6%	-2.6%	$282	-5.0%	-0.9%
Market Cap Rate	11.11%	29 bps	13 bps	8.61%	28 bps	2 bps
Transaction Count	41	52%	86%	3,604	3%	-0%
Sales Volume	$38,220,728	270%	345%	$9,968,985,088	48%	14%

The table below presents historical performance of key indicators for office space in the Market including inventory & construction levels, net absorption, vacancy & availability, rental rates, pricing, and cap rates.

Historical Office Performance: Grand Rapids Market

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
2024 Q3	42,360,773	27,500	9,025	297,728	6.4%	7.4%	$20.80	$103	11.11%
2024 Q2	42,360,773	25,500	78,025	175,650	6.7%	7.8%	$20.73	$106	10.98%
2023	42,351,748	102,440	414,631	333,989	6.8%	8.4%	$20.33	$105	10.97%
2022	41,937,117	379,449	321,154	286,493	6.7%	7.4%	$20.40	$115	9.95%
2021	41,615,963	595,056	252,649	-179,782	6.7%	7.4%	$19.68	$120	9.16%
2020	41,214,064	581,437	10,596	-32,033	5.7%	6.4%	$19.66	$120	9.26%
2019	41,203,468	724,068	510,863	66,622	5.6%	5.3%	$19.25	$116	9.50%
2018	40,672,661	480,052	113,606	399,702	4.5%	6.1%	$18.66	$114	9.25%
2017	40,559,055	225,051	279,947	952,735	5.3%	7.4%	$17.78	$113	8.92%
2016	40,279,108	314,611	37,289	722,658	7.0%	9.1%	$16.78	$118	8.44%
2015	40,241,819	361,349	312,561	913,986	8.7%	10.9%	$16.06	$103	8.70%
2014	39,929,258	245,654	-90,933	539,324	10.2%	12.7%	$15.99	$98	8.76%

Supply & Demand

The Market has 42.4 million square feet of office space, and developers have added, net of demolitions, 2.4 million square feet over the past ten years, increasing inventory by 6.1% during that time. Despite an increase in supply over the past ten years, absorption levels have outpaced it, and vacancy rates are lower than they were a decade ago, compressing from 10.2% to 6.4%.

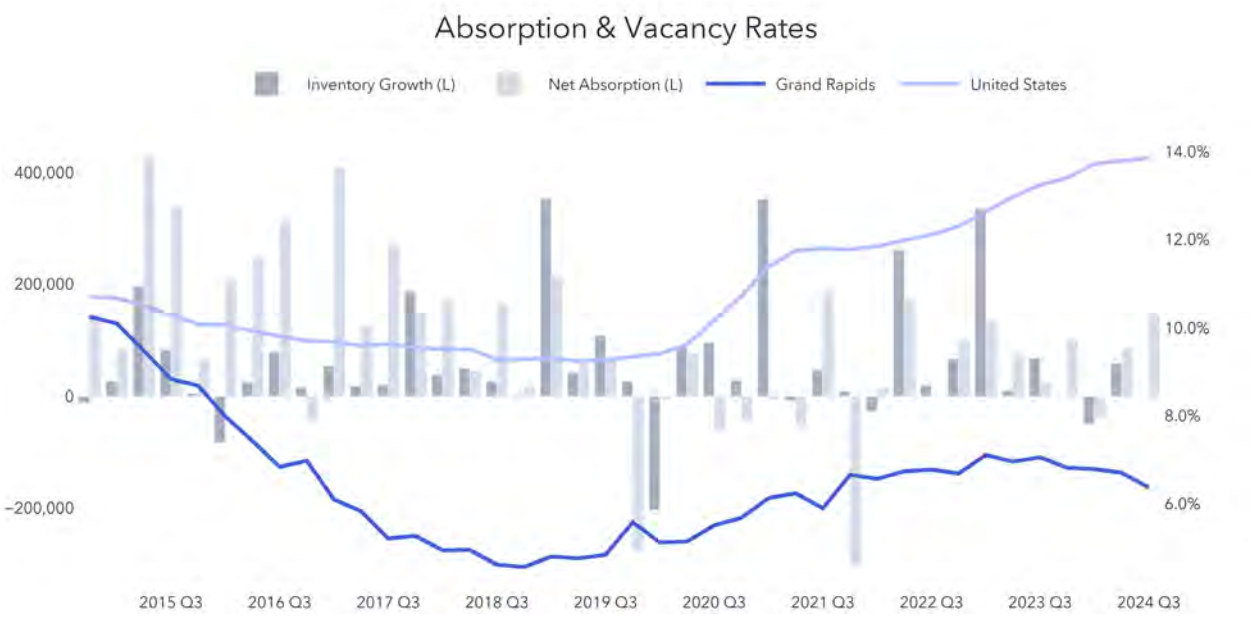
Despite falling demand and rising inventory levels, vacancy rates have compressed 69 bps over the past year from 7.0% to 6.4%, moving below the 10-year average of 6.5%, and below the National average by 749 bps.

With 146.3k square feet absorbed in 2024 Q3, vacancy rates have compressed 35 bps over the past quarter. In the third quarter, office tenants in the Market absorbed 146.3k square feet, an increase from the 85.7k square feet absorbed in 2024 Q2, and an improvement from the 24.2k square feet absorbed in the same quarter last year.

Leading areas for leasing include Central Grand Rapids and Ada/Lowell, which together accounted for nearly 57% of leasing activity over the past 12 months. Financial and professional services firms helped drive leasing volume in these two submarkets, signing a number of new leases in the area, with Rockefeller Capital Management, Bloom Credit Union and Kraft Business Systems committing to spaces ranging from around 9,900 SF to 41,600 SF.

Vacancy Rates

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	24 Q2	24 Q3
National	10.7%	10.1%	9.7%	9.6%	9.3%	9.3%	10.7%	11.8%	12.3%	13.4%	13.8%	13.8%
Market	10.2%	8.7%	7.0%	5.3%	4.5%	5.6%	5.7%	6.7%	6.7%	6.8%	6.7%	6.4%
Class A	10.4%	7.8%	7.3%	7.0%	6.3%	5.3%	7.0%	10.4%	11.0%	9.6%	13.1%	12.5%
Class B	11.4%	8.8%	7.5%	5.9%	4.9%	5.8%	6.7%	7.7%	6.3%	6.5%	6.3%	6.4%
Class C	8.5%	8.6%	6.0%	3.7%	3.6%	5.4%	3.8%	3.9%	5.8%	6.3%	5.0%	4.1%



Source: CoStar

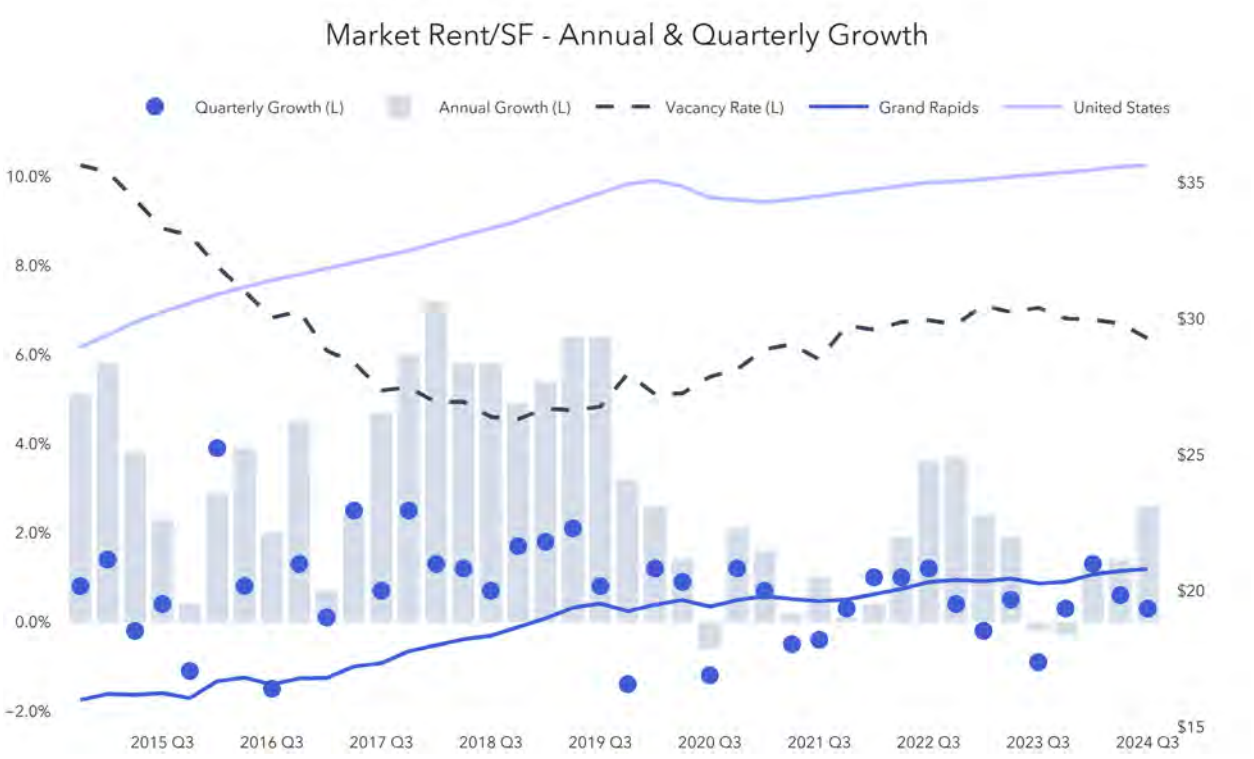
Rents

At $20.80/SF, rents in the Grand Rapids Market are roughly 42% lower than the National average of $35.63/SF. Rents vary throughout the Market. Class A space is at a premium with a rate of $27.42/SF, followed by $20.34/SF for Class B and $19.15/SF for Class C space. Rents in the Market have grown 3.0% per annum over the past decade, exceeding the National average, where rents increased 2.3% per annum during that time.

Market Rents

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	24 Q2	24 Q3
National	$28.93	$30.59	$31.61	$32.49	$33.58	$34.94	$34.35	$34.58	$35.03	$35.38	$35.58	$35.63
Market	$15.99	$16.06	$16.78	$17.78	$18.66	$19.25	$19.66	$19.68	$20.40	$20.33	$20.73	$20.80
Class A	$21.09	$21.01	$22.20	$25.17	$25.69	$27.30	$27.26	$28.27	$27.85	$26.34	$27.33	$27.42
Class B	$15.88	$15.88	$16.46	$17.24	$18.37	$18.74	$19.20	$18.85	$19.78	$19.92	$20.25	$20.34
Class C	$14.32	$14.57	$15.34	$15.96	$16.59	$17.16	$17.65	$17.88	$18.70	$18.81	$19.10	$19.15

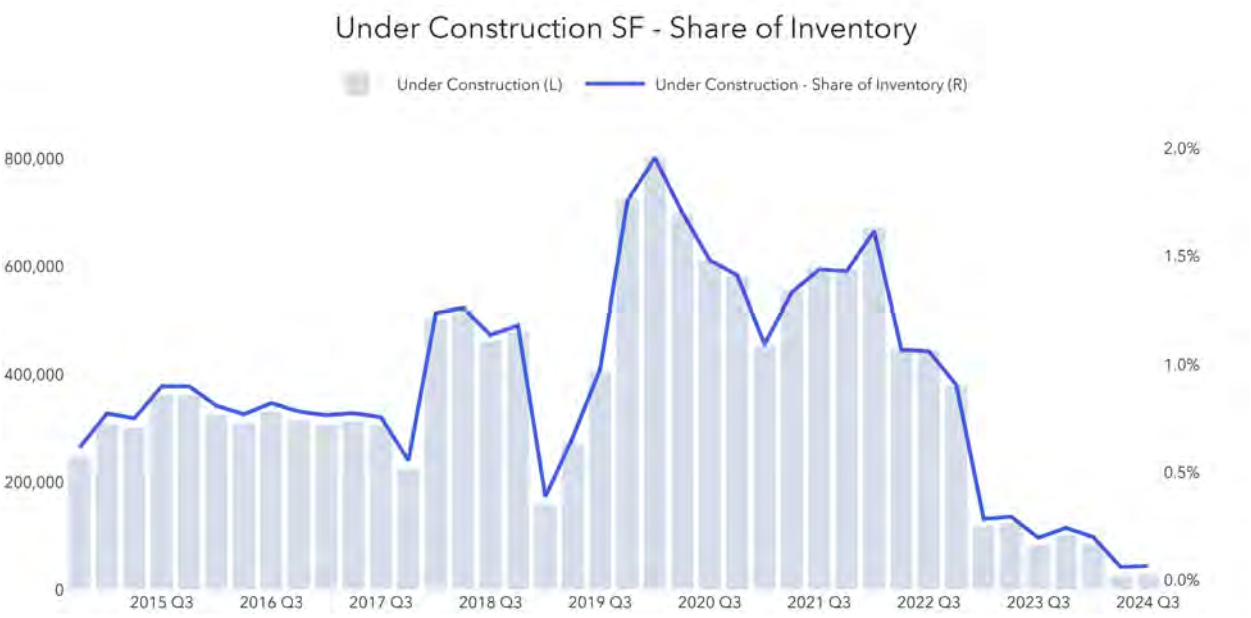
Prior to the pandemic, the Grand Rapids Office Market experienced softening rent growth. In 2019 Q4, annual rent growth in the Market softened below the previous quarter, and was below the historical average, with annual growth of 3.2%. With demand softening during the initial stages of the pandemic, quarterly rent growth decreased 0.9% in 2020 Q2. By the end of 2020, rents increased 2.1% from the 2019 Q4 rent level of $19.25/SF. From 2019 Q4 to 2021 Q4, rents increased 2.2%. Quarterly rent growth in 2024 Q3 slowed to 0.3%, although annual growth increased to 2.6%.



Source: CoStar

Construction & Future Supply

Developers have been active for much of the past ten years. In fact, they have added 3.2 million square feet to the Market over that time, expanding inventory by 6.1%. Developers remain active in the Market, but elevated construction and debt costs have slowed the pipeline to 27.5k square feet, or the equivalent of 0.1% of existing inventory, underway. New construction starts may continue at a subdued level through year-end. Meanwhile, work continues on one medical office at 5630 Lake Michigan Dr in the E Ottawa County/Hudsonville submarket. This 6,000 SF Class C office is expected to be completed in October 2024. This amount represents less than 1% of the area's inventory, so there should be no supply-side pressure on vacancy or rents in the near term.

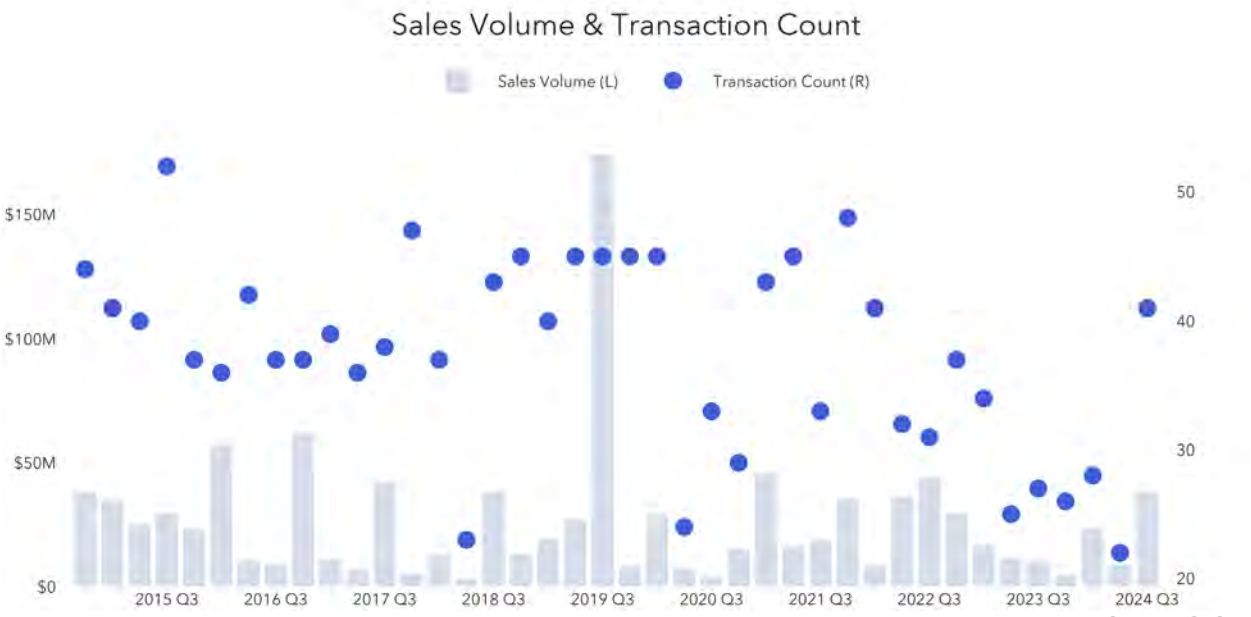


Source: CoStar

Capital Markets

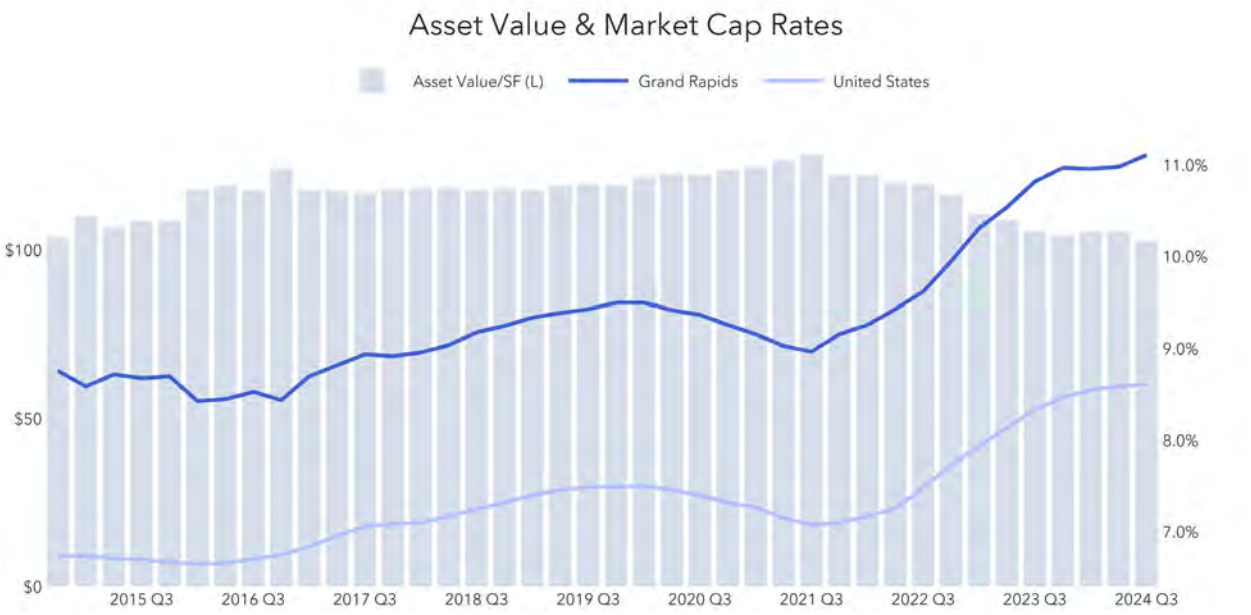
Investors have been active in the Market over the past three years. During that time, investors have closed on average 141 transactions per year with an annual average sales volume of $92.4 million. Over the past year, there were 117 closed transactions across 1.5 million square feet, for a total sales volume of $74.8 million. As of 2024 Q3, CoStar data indicates there were 41 transactions for a total sales volume of $38.2 million, compared to $8.6 million in the previous quarter.

One notable transaction that occurred here over the past 12 months took place in March 2024, when John Keller purchased a Class B medical office from The Christman Company for $10.8 million ($219.99/SF). Another notable recent sales transaction occurred in February 2024, when the West Michigan Reverse Exchange Company purchased the Grand Bank building at 126 Ottawa Ave NW for $7.1 million ($156.29/SF).



Source: CoStar

Market pricing, based on the estimated price movement of all properties in the Market, is currently $103/SF. Values have compressed 2.6% over the past year and continued to fall in the past quarter, decreasing 2.6% in 2024 Q3. Capitalization rates increased 29 bps over the past year to 11.1% and increased 13 bps in Q3. Despite recent rate cuts, elevated rates and the subsequent cost of debt will weigh on both investment activity and pricing going forward. However, investors are taking advantage of the drop in office values, acquiring very well located properties.



Source: CoStar

Outlook

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

Office market conditions in the Grand Rapids Market indicate slowing demand and rising inventory levels, although vacancy rates have compressed over the past year. With vacancy rates compressing, quarterly rent growth slowed to 0.3%, increasing annual growth by 2.6%. Looking ahead to the near term, it is likely that tenants remain active, with absorption aided by a limited pipeline.

Appendix

Grand Rapids Office Market Overview

Submarket	Inventory SF	Vacancy Rate	Availability Rate	Under Construction SF	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
Central Grand Rapids	16,020,991	8.0%	8.1%	0	$21.79	$117	10.69%
SE Grand Rapids/Cascade	4,779,052	7.8%	9.2%	0	$19.15	$91	11.43%
Ada/Lowell	3,256,238	5.0%	6.8%	0	$21.37	$101	11.74%
Southwestern Grand Rapids	2,728,588	7.7%	9.9%	0	$21.41	$107	11.24%
S Grand Rapids/Kentwood	1,988,944	1.2%	6.5%	0	$19.16	$86	11.63%
Northeast Grand Rapids	1,951,117	11.4%	11.9%	19,500	$20.19	$94	11.66%
Holland West	1,687,647	5.2%	6.9%	0	$20.08	$87	11.05%
Grand Haven/Ferrysburg	1,339,525	0.9%	2.2%	0	$21.16	$86	11.47%
W Grand Rapids/Walker	1,069,762	0.4%	2.3%	0	$19.09	$88	11.95%
Holland East	1,054,303	8.1%	9.2%	2,000	$20.26	$84	10.35%
SE Kent County/Caledonia	1,012,562	10.3%	9.8%	0	$20.28	$110	11.19%
Zeeland	954,305	0.0%	NA	0	$20.52	$105	10.16%

Outlying Kent County	874,858	1.4%	2.5%	0	$20.25	$96	11.53%
E Ottawa Cnty/Hudsonville	725,707	0.3%	2.4%	6,000	$20.43	$90	11.66%
Byron/Gaines	699,707	4.9%	5.1%	0	$19.68	$101	11.62%
Barry County	638,345	0.4%	1.1%	0	$19.68	$92	11.03%
Holland North	367,223	4.9%	8.2%	0	$22.64	$108	10.08%
Northern Ottawa County	294,895	1.1%	2.1%	0	$19.34	$80	11.30%
Comstock/Alpine	246,302	10.6%	9.9%	0	$19.26	$90	11.82%

Qualifications

Maren Lewis, MAI

Maren Lewis, MAI

Senior Vice President

Experience

Maren Lewis is a Senior Vice President at Bowery Valuation who joined the firm in October 2019. She has worked in the real estate industry for over 16 years, with experience in commercial real estate appraisal since 2017.

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

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

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

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

Education

Cornell University, School of Hotel Administration	Bachelor of Science with a focus on the hospitality industry and a concentration in finance

Certifications & Professional Designations

Appraisal Institute	MAI, Designated Member Maren is currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members.
Certified General Real Estate Appraiser	State of New York (# 46000053421) State of Illinois (# 553.003005) State of Michigan (# 1205078256) State of New Jersey (# 42RG00282100)

Michelle Zell, MAI

Senior Vice President

Experience

Michelle Zell is a Senior Vice President at Bowery Valuation, who joined the firm in October 2019. She has worked in the real estate appraisal industry for 18 years.

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

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

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

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

Education

Cornell University	Bachelor of Science
Emory University	Master of Public Health

Certifications & Professional Designations

Appraisal Institute	MAI, Designated Member Currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members.
Certified General Real Estate Appraiser	New York (46-49921) Florida (RZ4135) Texas (TX 1380938G) Georgia (CG404989) Louisiana (G4507)

Publications

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

Brandon Goodman, MAI

Senior Vice President

Experience

Brandon Goodman is a Senior Vice President at Bowery Valuation who joined the firm in February 2021. He has worked in the real estate appraisal industry since 2015 and has experience in the valuation of a wide variety of property types including investment grade office buildings, multi-tenant retail, mixed-use apartment buildings, industrial, vacant land, and luxury condominium development, as well as air rights and ground lease valuation.

Prior to joining Bowery, Brandon served as a Senior Valuation Associate at CBRE based in New York City.

Education

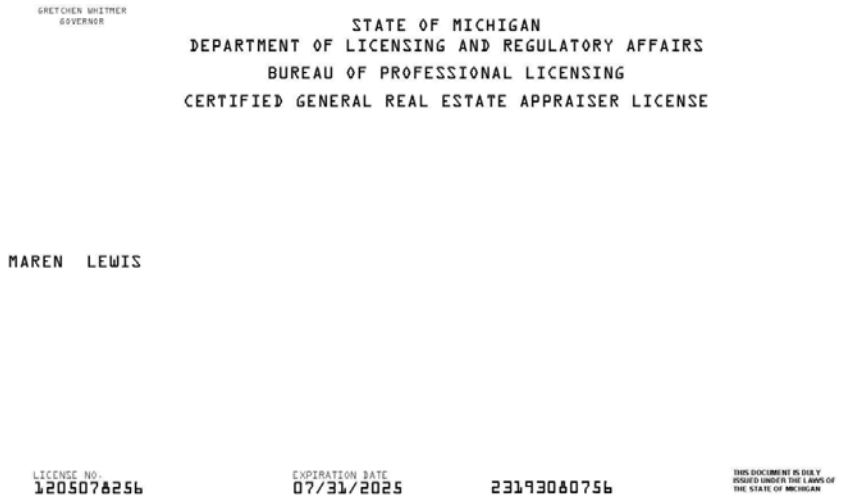
NYU Stern School of Business	MBA, with specialization in Real Estate, Finance, and Management
Emory University	Bachelor of Arts Degree, Economics

Certifications & Professional Designations

Appraisal Institute	MAI Designation
Certified General Real Estate Appraiser	State of New York (#46000052749) State of New Jersey (# 42RG00282200) Commonwealth of Pennsylvania (# GA004673)
NYU Schack Institute of Real Estate	Certificate in Real Estate Finance & Investment

License

Maren Lewis, State Certified General Appraiser– Michigan



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
BUREAU OF PROFESSIONAL LICENSING
CERTIFIED GENERAL REAL ESTATE APPRAISER LICENSE

MAREN LEWIS

LICENSE NO.
1205078256

EXPIRATION DATE
07/31/2025

23193080756

THIS DOCUMENT IS DULY ISSUED UNDER THE LAWS OF THE STATE OF MICHIGAN

bowery

APPRAISAL REPORT

First Bank & Trust Tower

909 Poydras Street

New Orleans, (Orleans Parish), LA, 70112

Office Building
Bowery Report No. JOB-2400036478

REQUESTED BY

Ms. Shoshana Yavneh

Hertz Properties Group, Limited
15303 Ventura Boulevard, Suite 800
Sherman Oaks, CA 91403

DATE OF VALUE AS IS

September 30, 2024

PREPARED BY



Michelle Zell, MAI

bowery

61-63 Crosby St, 3rd Floor
New York, NY 10010

December 23, 2024

Ms. Shoshana Yavneh
Hertz Properties Group, Limited
15303 Ventura Boulevard, Suite 800
Sherman Oaks, CA 91403

Re: Appraisal File No. JOB-2400036478
Office Building
909 Poydras Street
New Orleans, (Orleans Parish), LA 70112

Dear Ms. Yavneh:

In accordance with your request, we have completed an appraisal of 909 Poydras Street in New Orleans, (Orleans Parish), LA 70112 for the purpose of advancing an opinion of the fair value of the leased fee interest of the subject as of September 30, 2024. To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. In addition, this appraisal has been prepared in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement).

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

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

The subject property is a 36-story multi-tenanted elevatored office building known as First Bank & Trust Tower. First Bank & Trust Tower contains 605,124± square feet of gross building area according to public record, and 545,157± square feet of leasable area. The property is 79% leased based on GLA inclusive of office and retail space. The building was constructed in 1987, renovated in 2012, and has had subsequent improvements throughout the years. Overall, the property is in good condition.

The subject property is located on Poydras Street between O'Keefe Avenue and Penn Street in the CBD of New Orleans in the State of LA. It is located approximately a quarter of a mile east of the Caesar's Superdome (formerly Mercedes-Benz Superdome). The site contains a total land area of 0.693± acres / 30,169± square feet and are located in a CBD-1 zoning district. It is identified on the Orleans Parish Tax Maps as Parcel 1-04-1-021-01.

The highest and best use of the 909 Poydras Street is its current use as an office building. This conclusion is based on its zoning, physical characteristics, location, and forecasted economic conditions.

Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformance with the Standards of Professional Practice and Code of Professional Ethics of the Appraisal Institute, the Uniform Standard of Professional Appraisal Practice (USPAP). This appraisal is prepared in compliance with IFRS-13 as well as the Interagency Appraisal and Evaluation Guidelines dated December 2, 2010. After carefully considering all available information and factors affecting value, our opinion is:

Final Value Opinion

Value	Interest Appraised	Date of Value	Conclusion
Fair Value	Leased Fee Interest	September 30, 2024	$45,500,000

This appraisal report involves an annual update from our prior appraisal report with an effective date of value of March 31, 2024. The As Is Fair Value conclusion herein is lower than the concluded As Is Fair Value from the prior report of $47,000,000. We note that AIG is set to vacate, so we have removed them from the rent roll. There were minor changes to certain expense estimates based on more recent historical and budgeted data such as an increase in the utility expense, a decrease in payroll, a decrease in "other rental income" and an increase in parking income. Additionally, we have also increased our vacancy rate from 4.5% to 4.75% to reflect current submarket conditions. Further, our market leasing assumptions were unchanged from the prior report. We have also increased our capitalization rate by 50 basis points given current trends in the office market.

61-63 Crosby St, 3rd Floor
New York, NY 10010

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

- None.

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

- None.

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

Thank you for the opportunity to serve you.

Sincerely,



Michelle Zell, MAI
Senior Vice President
LA License #: G4507
michelle.zell@boweryvaluation.com
(917) 533-3141

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

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

Summary of Salient Facts & Conclusions

Subject Property	First Bank & Trust Tower 909 Poydras Street New Orleans, (Orleans Parish), LA 70112
Building Description	The subject property is a 36-story multi-tenanted elevatored office building known as First Bank & Trust Tower. First Bank & Trust Tower contains 605,124± square feet of gross building area according to public record, and 545,157± square feet of leasable area. The property is 79% leased based on GLA inclusive of office and retail space. The building was constructed in 1987, renovated in 2012, and has had subsequent improvements throughout the years. Overall, the property is in good condition.
Location	The subject is located on Poydras Street between O'Keefe Avenue and Penn Street in the CBD of New Orleans in the State of LA.
Parcel	1-04-1-021-01
Census Tract	134.00
Year Built	1987 (Renovated In 2012)
Site Area	0.693± acres/ 30,169± square feet
Zoning	CBD-1 zone
Flood Hazard Status	According to National Flood Insurance Program Rate Map dated September 30, 2016 Community Panel #225203 - 22071C0229F, the subject is located within a Zone X500 flood zone.
Exposure Time	Between nine and twelve months
Property Rights Appraised	Leased Fee Interest
Date of Inspection	October 6, 2022 as part of a prior inspection
Date of Value	September 30, 2024
Date of Report:	December 23, 2024

Financial Indicators

Financial Indicators	**Total**	**Per SF-NLA**
Average Rent PSF	$15.02	
Effective Gross Income	$8,954,958	$16.43
Stabilized Occupancy	78%	
Current Occupancy	78%	
Expense Ratio	54%	
Net Operating Income	$4,158,352	$7.63
Direct Capitalization Rate	9.00%	

Final Value Opinion

Value	**Interest Appraised**	**Date of Value**	**Conclusion**
Fair Value	Leased Fee Interest	September 30, 2024	$45,500,000

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

- None.

The value conclusions are based on the following **Hypothetical Conditions**[4] that may affect the assignment results:

- None.

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

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

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

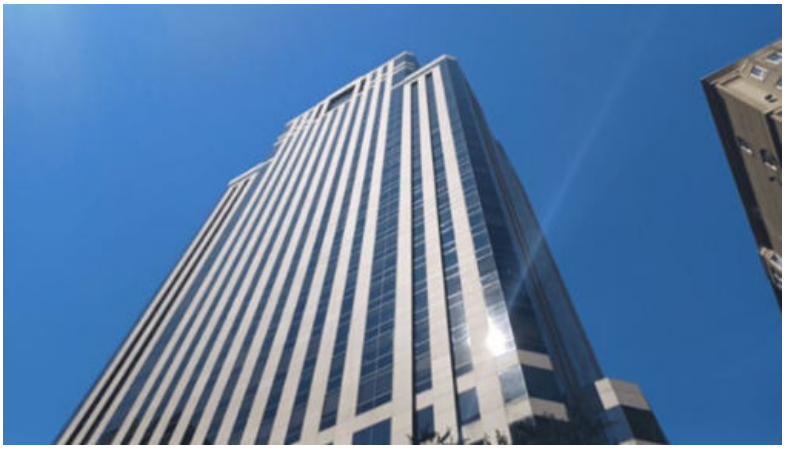
Table of Contents

Introduction 1
Subject Exterior 1
Property Identification 1
Date of Value Opinion 1
Purpose 1
Identification of the Client 1
Intended Users 2
Intended Use 2
Property Rights Appraised 2
Property History 2
Exposure Time 2
General Assumptions 2
Definition of Fair Value 3
Scope of the Appraisal 3
Geographic Competency 4
Data Sources 4
U.S. Economic and Commercial Real Estate Overview – 2024 Q3 5
Orleans Parish Area Analysis 14
Neighborhood & Demographic Overview 21
Zoning Summary 26
Subject Analysis 26
Assessed Values & Real Estate Taxes 27
Assessments & Rates 27
Site Description 29
Flood Map 31
Building Description 32
Structural & Mechanical 32
Layout & Finishes 32
Condition & Maintenance 33
Summary 34
New Orleans CBD: Office Submarket Analysis 35
Highest & Best Use 40
Highest and Best Use As Vacant 40
As Improved 41
Appraisal Valuation Process 42
Income Capitalization Approach 43
Base Commercial Income 43
Vacancy and Credit Loss 51
Operating Expense Analysis 52

Estimated Operating Expenses....55
Direct Capitalization Stabilized Income and Expenses....58
Income Capitalization....60
Direct Capitalization Approach Value Conclusion....63
Sales Comparison Approach....64
Unit of Comparison....64
Comparable Sales....64
Value Conclusion Via Sales Approach....65
Reconciliation & Final Value Opinion....66
Certification....67
Addenda....69
Glossary of Terms....69
Provided Information....75
Orleans Parish Area Analysis....88
New Orleans: Office Market Analysis....94

Introduction

Subject Exterior[5]



Property Identification

The subject property is a 36-story multi-tenanted elevatored office building known as First Bank & Trust Tower. First Bank & Trust Tower contains 605,124± square feet of gross building area according to public record, and 545,157± square feet of leasable area. The property is 79% leased based on GLA inclusive of office and retail space. The building was constructed in 1987, renovated in 2012, and has had subsequent improvements throughout the years. Overall, the property is in good condition. First Bank & Trust Tower is located on Poydras Street between O'Keefe Avenue and Penn Street in the CBD of New Orleans in the State of LA. It is located approximately a quarter of a mile east of the Caesar's Superdome (formerly Mercedes-Benz Superdome). The site contains a total land area of 0.693± acres / 30,169± square feet and is located in a CBD-1 zoning district. It is identified on the Orleans Parish Tax Maps as Parcel 1-04-1-021-01.

Date of Value Opinion

The date of our valuation is September 30, 2024. We Go Look inspected the asset and its environs on October 6, 2022. Katelin Kutchko from Bowery Valuation inspected the asset and its environs on December 20, 2019. Michelle Zell, MAI did not inspect the asset.

Purpose

The purpose of the appraisal is to provide an opinion of the As Is fair value of the leased fee interest of the subject property as of September 30, 2024, subject to the general underlying assumptions and limiting conditions cited herein, and in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). According to the International Financial Reporting Standard 13, Fair Value is defined as: "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

Identification of the Client

Hertz Investment Group, LLC has engaged us and is our client for this assignment.

[5] *Photo from previous inspection on December 20, 2019.*

Intended Users

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

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

Intended Use

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

Property Rights Appraised[6]

In this appraisal we provide an opinion of the As Is Fair Value of the Leased Fee Interest in the subject property.

Property History

The current owner of record is Hertz 909 Poydras LLC per Orleans Parish County records. There have been no arm's length transactions within the past three years. We are not aware of any bids, offers or options to purchase for this asset. It was acquired by Hertz 909 Poydras LLC, from Equity Office Management, LLC, on May 4, 2005. The subject is currently 79% leased

This appraisal report involves an annual update from our prior appraisal report with an effective date of value of March 31, 2024. The As Is Fair Value conclusion herein is lower than the concluded As Is Fair Value from the prior report of $47,000,000. We note that AIG is set to vacate, so we have removed them from the rent roll. There were minor changes to certain expense estimates based on more recent historical and budgeted data such as an increase in the utility expense, a decrease in payroll, a decrease in "other rental income" and an increase in parking income. Additionally, we have also increased our vacancy rate from 4.5% to 4.75% to reflect current submarket conditions. Further, our market leasing assumptions were unchanged from the prior report. We have also increased our capitalization rate by 50 basis points given current trends in the office market.

Exposure Time[7]

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

General Assumptions

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

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

- Technical Environmental Inspections: No Environmental Site Assessment report was provided in conjunction with this appraisal. If a report is commissioned and there are any environmental issues uncovered, they could affect our opinion of value reported. We recommend the services of a professional engineer for this purpose.

[6] *The definitions of the various interests appraised can be found in the Glossary of Terms, which is located in the Addenda.*

[7] *The definition of Exposure Time can be found in the Glossary of Terms, which is located in the Addenda.*

- Zoning Ordinances: We recommend an appropriately qualified land use attorney if a definitive determination of compliance is required.
- Building Inspections: We recommend a building engineer or professional property inspector for the inspection. Any immediate expenditures that a trained professional may determine are needed, could affect our opinion of value reported.
- Easements, Encroachments, and Restrictions: We know of no deed restrictions, private or public, that further limit the subject property's use. The research required to determine whether or not such restrictions exist, however, is beyond the scope of this appraisal assignment. Deed restrictions are a legal matter and only a title examination by an attorney or Title Company can usually uncover such restrictive covenants. Thus, we recommend a title search to determine if any such restrictions do exist.
- Building Health and Fire Codes: Our valuation assumes there are no known code violations.
- Estimates of gross building area and total leasable area were furnished by the owner and are specified in the "Data Sources" section of the Introduction. The provided gross building area of 605,124 square feet above grade is sourced from the public record. The management company/ownership provided leasable area of 545,157 square feet. The opinions of value reported herein are based on the assumption that the data provided are the most recent and accurate. It has been verified to the best of our ability based on our use of client and/or borrower provided data and publicly available data.

Definition of Fair Value

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

When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value.

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

(a) the particular asset or liability being measured;

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

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

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

Scope of the Appraisal

Within the course of this assignment, we have:

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

- Researched and analyzed sales of competitive assets and applied the techniques of the sales comparison approach in advancing an opinion of value.
- Advanced an opinion of the market value of the identified interest.

Geographic Competency

As detailed above, in order to acquire geographic competency, the appraisers have researched the local market, examined supply and demand factors, economic and development activity, and interviewed local market participants and real estate brokers.

Data Sources

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

Data Sources

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

The subject photos were taken by We Go Look as of the date of inspection (October 6, 2022). Katelin Kutchko from Bowery Valuation inspected the asset and its environs on December 20, 2019.

U.S. Economic and Commercial Real Estate Overview – 2024 Q3

This report contains data and commentary from the U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, U.S. Department of Housing and Urban Development, and CoStar. Data is through the 3rd quarter of 2024 unless otherwise noted.

Economic Overview and Outlook

Economic growth in the United States continues to run at a sturdy pace. After expanding solidly during the first half of the year, real GDP is shaping up to rise at a 3.2% quarterly annualized pace in Q3. Some near-term moderation appears in store as the lagged effects of tight monetary policy further feed through to households and businesses, but growth should remain resilient and eventually be energized by less restrictive monetary policy.

A less vulnerable financial position for households illustrated by recent upward revisions to the saving rate help better explain the remarkable staying power of the consumer recently. A moderation should still soon begin to set in; however, household finances standing on more secure footing and a firmer labor market outlook have led us to boost our near-term forecast for consumer spending.

September's strong employment report helps assuage concerns that a sharp deterioration in the labor market is imminent and suggests that conditions may hold up a bit better further down the line than our previous forecast had assumed. Payroll growth is forecasted to average 128K per month in Q4 compared to previous estimates of 105K. The upward trend in the unemployment rate since the start of the year is likely to resume, but peak in Q4 at a lower rate.

The process of reducing the federal funds target range kicked off at the September FOMC meeting with the delivery of a 50 basis point cut. Consensus is that two more rate cuts this year are possible, with 25 basis point reductions at both the November and December meetings likely to occur. Although the ride back to the FOMC's 2% target will continue to be bumpy, the conditions for additional progress remain largely in place. The headline PCE deflator should reach the Fed's 2% target in the near future. However, core inflation is likely to remain slightly above 2% until the second half of 2026.

GDP

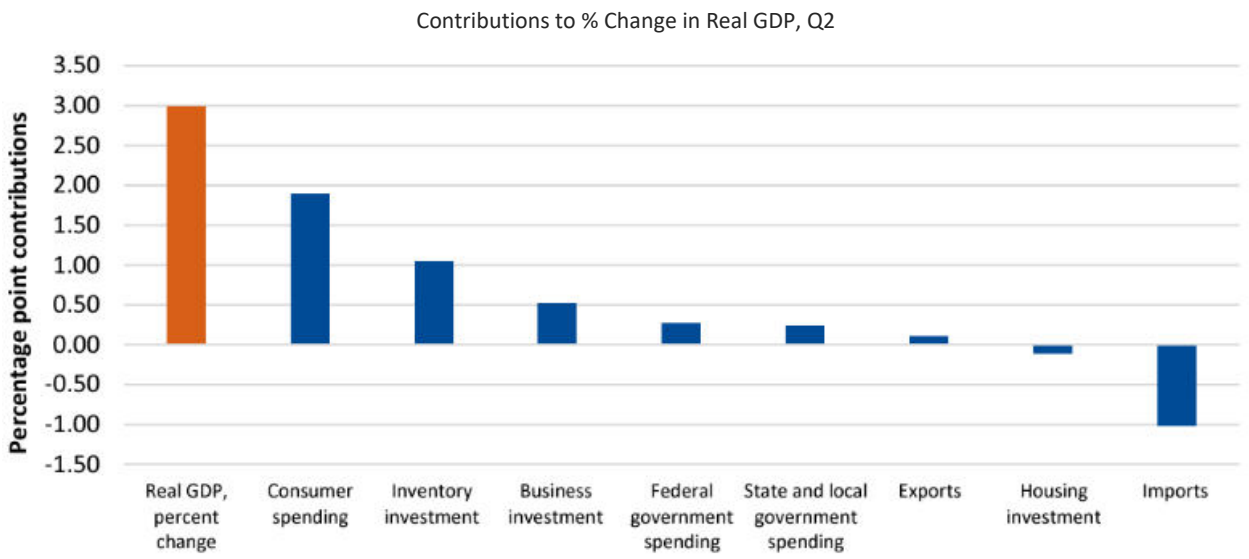
Real gross domestic product (GDP) increased at an annual rate of 3.0 percent in the second quarter of 2024, according to the “third” estimate. In the first quarter, real GDP increased 1.6% (revised). The second-quarter increase in real GDP was the same as previously estimated in the “second” estimate released in August.

Economic growth in the United States continues to run at a sturdy pace. After expanding solidly during the first half of the year, real GDP is shaping up to rise at a 3.2% quarterly annualized pace in Q3. The effects of higher interest rates are still readily apparent, with nonresidential structures and residential investment setting up to remain as drags on headline growth. Elsewhere, however, most other major segments continue to perform relatively well. A strong rate of consumer spending continues to be the driving force behind overall growth, while business investment in equipment and intellectual property products looks to have strengthened in recent months. Looking ahead, some near-term moderation in real GDP growth appears in store as the lagged effects of tight monetary policy further feed through to households and businesses.

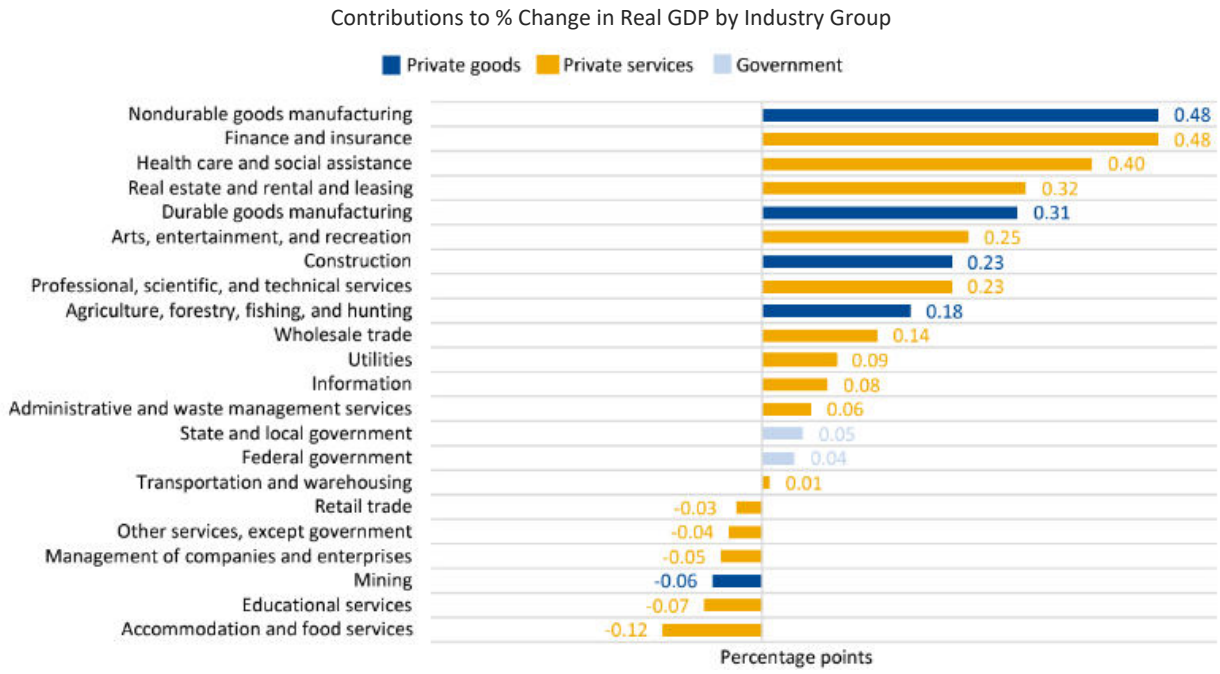
The increase in the second quarter primarily reflected increases in consumer spending, inventory investment, and business investment. Imports, which are a subtraction in the calculation of GDP, increased.

The increase in consumer spending reflected increases in both services and goods. Within services, the leading contributors to the increase were health care, transportation services, and housing and utilities. Within goods, the leading contributors to the increase were motor vehicles and parts and furnishings and durable household equipment.

The increase in inventory investment was led by increases in retail trade and wholesale trade industries that were partly offset by a decrease in mining, utilities, and construction industries. The increase in business investment primarily reflected an increase in equipment (led by transportation equipment). Compared to the first quarter, the acceleration in real GDP in the second quarter primarily reflected an upturn in inventory investment and an acceleration in consumer spending that were partly offset by a downturn in housing investment.



Source: U.S. Bureau of Economic Analysis

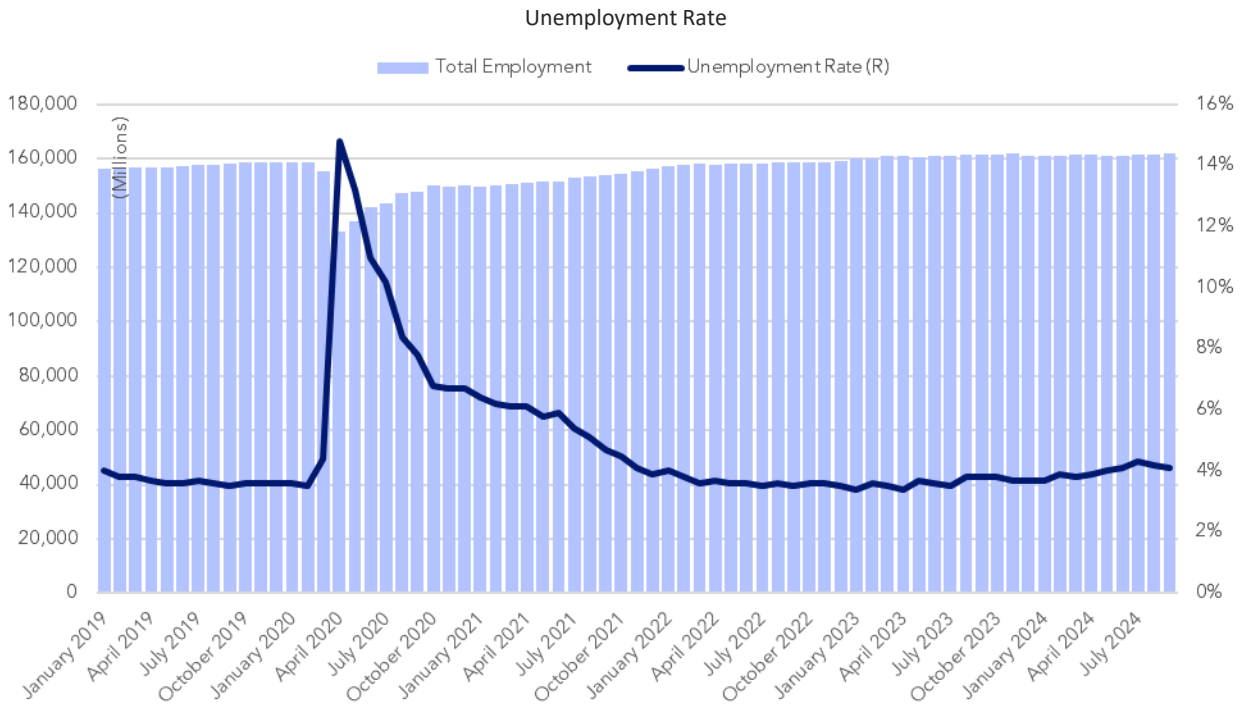


Source: U.S. Bureau of Economic Analysis

Labor Market

Nonfarm payrolls comfortably beat expectations and rose by 254K during September, and the pace of hiring was revised higher in the previous two months. What's more, the unemployment rate fell back to 4.1%. Although still up from 3.7% at the start of the year, the jobless rate has been in the 4.1%-4.3% range since June, which is low from a historical perspective and roughly in line with estimates of the natural rate of unemployment.

The three-month average of job growth has been declining since mid-2021. Meanwhile, initial, and continuing claims for unemployment benefits are drifting higher, and job openings have fallen below their pre-pandemic trend.



Source: Bureau of Labor Statistics

Inflation

Consumer price growth slowed to 2.4% on a year-ago basis in September, the slowest annual pace of inflation since February 2021. Core CPI inflation has risen at a 3.1% annualized pace over the past three months, slightly below the 3.3% year-ago pace.

At 4.8% year-over-year in September, services categories remain the laggard in terms of core inflation settling back down, but service providers should continue to benefit from more stable prices for goods inputs moving forward. Meantime, the ongoing softening in the jobs market and pickup in productivity growth are reducing inflationary forces from labor inputs–dynamics that will help limit goods and services inflation alike. Milder shelter inflation seems only to be a matter of time. All told, upward pressure on prices is dissipating, but a return to the Fed's target will require patience; with core PCE inflation hopefully reaching 2% in the fall of 2026.

Overall, the ride back to the FOMC's 2% target is likely to remain slow given less deflationary impulse from goods, food and energy prices moving forward. Still, the conditions for additional progress largely remain in place. Less intense demand and a softer labor market should keep a lid on price pressures, especially in the service sector. Further easing in shelter costs also remains highly probable given softer housing market conditions.

Residential

The adverse impacts of higher mortgage rates and increased home prices continue to reverberate across the housing market. The U.S. economy is still expanding, but home sales remain in a deep lull reminiscent of the aftermath of the Great Recession. A dip in mortgage rates as the Federal Reserve pivots to a less restrictive stance of monetary policy could improve affordability and provide a needed jolt to the residential sector.

Federal Reserve rate cuts brighten the outlook for residential investment, with lower financing costs likely to be supportive of both single-family and multifamily development in the coming years. Residential expenditures are expected to become a positive force on GDP by year-end, additional near-term weakness appears unavoidable. Private single-family construction outlays have dipped for three consecutive months as of August following a five-month downdraft in single-family permits. Multifamily outlays also continue to trend lower. Although apartment demand has firmed quite substantially, builders are still pulling back on new construction starts in an attempt to rightsize the supply-demand imbalance in the multifamily market. Home improvement outlays have picked up; however, broker's fees are likely to remain muted amid a sluggish pace of home sales. Looking past this quarter, mortgage rates should trend lower as the Fed continues its easing cycle, which would help to boost buyer demand and residential construction.

Residential Housing Metrics

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Real GDP, Percent Change	2.9	1.8	2.5	3.0	2.5	-2.2	5.8	1.9	2.5
Residential Investment, Percent Change	10.6	7.1	4.3	-0.7	-0.9	7.2	10.7	-9.0	-10.6
Nonfarm Payroll Change (Avg. Monthly)	226.4	193.9	175.9	190.3	165.7	-772.8	604	377	251
Unemployment Rate	5.3	4.9	4.4	3.9	3.7	8.1	5.4	3.6	3.6
Home Construction									
Total Housing Starts, in Thousands	1,111.9	1,173.7	1,202.9	1,250.0	1,289.9	1,379.6	1,601	1,553	1,420
Single-Family Starts, in Thousands	714.6	781.5	848.9	875.7	887.7	990.5	1,127	1,005	948
Multifamily Starts, in Thousands	397.3	392.2	354.0	374.3	402.2	389.1	474	548	472
Home Sales									
New & Existing Home Sales, in Thousands	5,751	6,011	6,123	5,957	6,022	6,461	6,891	5,667	4,753
New Home Sales, Single-Family, in Thousands	501	561	613	617	682	821	771	641	666
Total Existing Home Sales, in Thousands	5,250	5,450	5,510	5,340	5,340	5,640	6,120	5,026	4,087
Existing Single-Family Home Sales, in Thousands	4,646	4,838	4,892	4,742	4,765	5,066	5,413	4,480	3,659
Existing Condominium & Co-op Sales, in Thousands	608	614	619	601	579	578	707	546	428
Home Prices									
Median New Home, $ Thousands	294.2	307.8	323.1	326.4	321.5	336.9	397.1	457.8	428.6
Percent Change	2.0	4.6	5.0	1.0	-1.5	4.8	15.8	16.8	-6.4
Median Existing Single-Family Home, $ Thousands	223.9	235.5	248.8	261.6	274.6	300.2	357.1	392.8	394.1
Percent Change	7.2	5.2	5.6	5.1	5.0	9.3	19.0	10.0	0.3
S&P Case-Shiller National Home Price Index, Percent Change	4.5	5.1	5.8	5.8	3.4	6.1	17.1	14.8	2.4
Interest Rates - Annual Averages									
Federal Funds Target Rate	0.27	0.52	1.13	1.96	2.25	0.50	0.25	2.02	5.23
10-Year Treasury Note	2.14	1.84	2.33	2.91	2.14	0.89	1.45	2.95	3.96
Conventional 30-Year Fixed Rate, Commitment Rate	3.98	3.76	4.09	4.64	4.08	3.18	3.03	5.38	6.80

Source: Wells Fargo, Economics, U.S. Housing Forecast

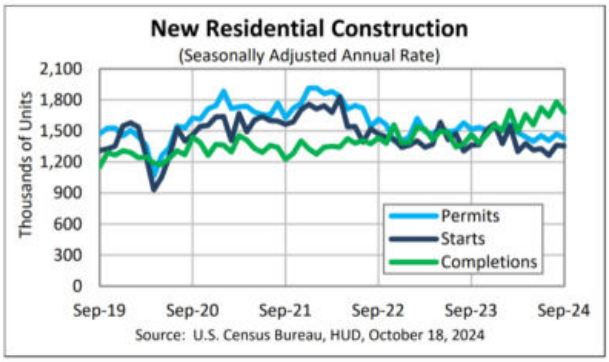
Privately-owned housing units authorized by building permits in September were at a seasonally adjusted annual rate of 1,428,000. This is 2.9% below the revised August rate of 1,470,000 and is 5.7% below the September 2023 rate of 1,515,000. Single-family authorizations in September were at a rate of 970,000; this is 0.3% above the revised August figure of 967,000. Authorizations of units in buildings with five units or more were at a rate of 398,000 in September.

Privately-owned housing starts in September were at a seasonally adjusted annual rate of 1,354,000. This is 0.5% (±13.0%)* below the revised August estimate of 1,361,000 and is 0.7% (±16.1%)* below the September 2023 rate of 1,363,000. Single-family housing starts in September were at a rate of 1,027,000; this is 2.7% (±13.4%)* above the revised August figure of 1,000,000. The September rate for units in buildings with five units or more was 317,000.

Privately-owned housing completions in September were at a seasonally adjusted annual rate of 1,680,000. This is 5.7% (±19.9%)* below the revised August estimate of 1,781,000 but is 14.6% (±11.9%) above the September 2023 rate of 1,466,000. Single-family housing completions in September were at a rate of 1,000,000; this is 2.7% (±7.8%)* below the revised August rate of 1,028,000. The September rate for units in buildings with five units or more was 671,000.

New Residential Construction





Source: U.S. Bureau of Economic Analysis

The Federal Reserve's 50 bps cut at the September FOMC meeting marks the beginning of the end of the worst CRE downturn since the Global Financial Crisis. Given inflation appears contained and strains are emerging in the labor market, the Fed is expected to follow with a string of rate cuts through the summer of 2025 in order to keep the economic expansion intact.

Lower interest rates are not a magic bullet, but less restrictive monetary policy lays the groundwork for a commercial real estate recovery. Decreased long-term interest rates appear to be easing upward pressure on cap rates and slowing declines in property valuations. Meanwhile, increased expectations for an economic soft-landing look to be giving capital the green-light to move off the sidelines. There's no shortage of obstacles ahead, especially when it comes to the office market. That said, reduced interest rates should prevent distress from spreading and shorten the hurdles coming down the road.

Multifamily

The U.S. multifamily market continued a strong rebound in demand through the third quarter of 2024, with 152,000 units absorbed. That brings the 12-month demand to 529,000 units, which is the strongest total since 2021. Demand was driven by stable economic growth, plus a continued slowing of renter households, making the jump to ownership, and creating fewer units to backfill. And while supply additions have outpaced demand over the past 11 quarters, the gap has closed significantly. In the third quarter, vacancy rates held steady at 7.8%.

Additionally, overall rent growth appears to have stabilized and may have hit an inflection point. Rent growth has held steady in the 1.0% range over the past four quarters but began increasing from 1.1% to 1.3% over the first two months of the third quarter.

Nevertheless, rent conditions at different price points show distinct results. Most new supply additions are concentrated at the Class A & B price point, contributing to the weakest rent growth observed at the market's upper echelon. In the second quarter, Class A & B properties recorded rent growth of 0.3%, and this segment is projected to remain the weakest for the foreseeable future. At the same time, mid and lower priced properties experienced rent growth that outpaced the overall average. The outlook for the remainder of the year indicates overall accelerating rent growth due to increasing demand and limited supply pressure in the Class C and below segments.

Market fundamentals are also highly varied depending on region. For the most part, Midwest and Northeast markets have experienced only moderate supply additions over the past two years, contributing to a more balanced multifamily sector in these regions. Consequently, they have exhibited the most favorable rent growth. At the same time, rent growth has been sluggish in the Sun Belt, with numerous markets reporting negative year-over-year rent growth.

Current projections indicate 611,000 completions for the year, which would be the highest total since the mid1980s. But almost 60% of projected deliveries have already hit the market so that deliveries will decline in the third and fourth quarters. If absorption can maintain the strong pace set year to date, supply and demand could be balanced in the third and fourth quarters. In that case, the overall market will have the opportunity to stabilize and possibly begin recovering by the end of 2024, with overall rent growth approaching 2.0%. Furthermore, the market will experience significant supply relief by next year when deliveries will fall by nearly 45% to 337,000 units.

National Multifamily Fundamentals

Period	Inventory Units	Under Construction Units	Net Delivered Units 12 Mo	Absorption Units 12 Mo	Vacancy Rate	Market Effective Rent/Unit	Asset Value/Unit	Market Cap Rate
2024 Q3	20,103,150	721,773	679,275	528,859	7.8%	$1,716	$229,820	6.18%
2024 Q2	19,924,588	843,057	658,815	446,030	7.9%	$1,725	$232,167	6.16%
2023	19,570,317	1,053,559	594,737	327,014	7.7%	$1,690	$238,350	6.01%
2022	18,975,620	1,129,287	449,554	147,494	6.5%	$1,677	$274,921	5.27%
2021	18,525,916	836,958	418,734	703,812	5.0%	$1,612	$294,567	4.87%
2020	18,107,178	720,841	458,942	402,707	6.7%	$1,458	$254,051	5.36%
2019	17,648,284	735,616	374,272	343,622	6.6%	$1,446	$243,048	5.71%
2018	17,274,269	674,721	366,539	387,181	6.5%	$1,398	$232,597	5.86%
2017	16,907,718	615,574	381,723	318,650	6.8%	$1,353	$224,894	5.94%
2016	16,525,986	616,363	332,230	259,675	6.5%	$1,320	$217,808	6.02%
2015	16,193,747	540,259	318,728	317,749	6.2%	$1,289	$211,782	6.03%
2014	15,875,769	484,029	286,036	256,534	6.3%	$1,237	$199,018	6.20%

Retail

Despite a sharp uptick in retailer bankruptcies and store closures, conditions within U.S. retail space markets remain historically tight heading into the final months of 2024.

Availability has held at a historically low level of just 4.7% for four consecutive quarters, while both tenants and brokerage representatives continue to report a lack of quality available space as a factor impacting the market. After four years of consecutive demand growth, many available spaces skew to the lower end of the quality spectrum, as nearly 40% of available space is rated Class C or below. In addition, less than 25% of available space was built this century, while nearly 60% is in areas with below average household incomes. Thus, tenants seeking newer, higher-quality space in affluent locations are finding few available options.

Supply-constrained conditions can be attributed to the lack of new development since the Great Financial Crises and steady growth in space demand following the pandemic. Net absorption totaled 4.2 million square feet during the third quarter, marking the sector's 15th consecutive quarter of positive demand formation. Increased demand for space is primarily being driven by tenants in the food services, grocery, fitness, experiential, and healthcare sectors.

While positive, demand formation has slowed considerably, and less space was filled over the past year (on a net basis) than in any year over the past decade except for 2021. This lower pace of demand growth is attributable to a lack of newly delivered preleased space and an uptick in store closures, which have risen to their highest level since 2020.

While store closures weigh on the current level of net absorption, they also provide much-needed supply for those tenants looking to expand. Market participants are reporting exceptionally strong backfill demand for spaces as they go dark, with some spaces able to secure rent increases of 40% or more. In addition, over half of the leases signed in the third quarter were for spaces that became available within the past six months, while nearly a third were for spaces that became available within the past three months.

The market is likely to continue to face a shortage of quality available space as the total amount of retail under construction fell to a new multi-decade low in the third quarter. Developers continue to report difficulty making new ground-up retail development deals pencil in today's cost environment at current rent levels. This dichotomy should support further rent gains for landlords and allow supply-constrained conditions to persist for the foreseeable future.

While moderating from the multi-decade high pace seen near the end of 2022, retail asking rents continue to rise at a healthy clip thanks to minimal availability and the significant boost in retail sales coming out of the pandemic. Rent increases remain strongest in Sun Belt markets experiencing substantial population and buying power growth. This has been especially true for smaller shop spaces along prime corridors. Conversely, rents remain below pre-pandemic peaks in many lower-tier malls as well as in high-cost coastal urban centers that rely significantly on spending from daytime office workers.

Looking forward, the retail sector is well-positioned to maintain fundamental stability for the foreseeable future. While concerns surrounding the financial health of the consumer and the impact of higher rates on spending are valid, the lack of new supply and shortage of quality available space should help keep retail fundamentals in balance for the foreseeable future.

National Retail Fundamentals

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
Q3	12,131,716,732	0	33,523,931	33,773,872	4.1%	NA	$25.38	$250	6.94%
Q2	12,126,301,422	48,673,548	38,238,697	40,417,540	4.1%	4.7%	$25.31	$249	6.92%
2023	12,108,170,670	58,600,524	41,459,662	50,728,368	4.0%	4.7%	$24.99	$246	6.91%
2022	12,066,618,206	62,570,168	21,137,292	73,665,320	4.1%	4.8%	$24.10	$239	6.86%
2021	12,045,286,770	55,921,860	20,656,777	75,501,568	4.6%	5.4%	$23.11	$228	6.89%
2020	12,024,512,039	52,657,452	43,926,758	-28,874,128	5.0%	6.4%	$22.32	$216	7.01%
2019	11,979,336,722	66,152,544	58,679,189	41,705,008	4.4%	5.8%	$21.88	$209	7.13%
2018	11,919,844,834	80,377,840	57,052,574	61,811,500	4.3%	5.9%	$21.33	$201	7.20%
2017	11,861,812,465	79,688,248	83,221,642	97,332,672	4.4%	6.1%	$20.80	$196	7.19%
2016	11,777,720,053	92,428,104	76,104,838	140,729,904	4.5%	6.3%	$20.22	$192	7.14%
2015	11,701,069,640	85,500,800	76,147,605	121,209,000	5.1%	7.0%	$19.74	$191	7.03%
2014	11,624,585,115	78,694,080	64,128,799	132,536,536	5.5%	7.3%	$19.20	$177	7.31%

Office

The office occupancy market is getting closer to its bottom but is still in an extended period of flux. After 23 million SF of negative absorption in the first quarter of 2024 brought the cumulative occupancy loss since the onset of COVID-19 to 210 million SF, demand has been flat for the past six months. However, the addition of 11 million SF of net new supply since April has pushed the vacancy rate up to a new record of 13.8%.

The demand picture remains complex. Daily attendance continues its slow, steady rise, and move-outs have clearly slowed. On the other hand, so has job growth. Payrolls in the major knowledge work sectors have risen less than 0.4% in the past year, a pace slow enough to engender caution among occupiers.

The response in the leasing market has been nuanced. So far this year, more lease deals are being done on a quarterly basis than was typical in the 2010s. However, these leases are about 20% smaller than the prepandemic average. Space consolidation is still occurring, with low headcount growth further serving to cap space requirements.

Meanwhile, the supply pipeline is diminishing rapidly. The 80.9 million square feet currently under construction is the lowest since 2013. With new starts also at a historical low, the pipeline will only shrink further in the years ahead. In the next five years, as occupiers face the expiration of 30% of the space they had leased before the pandemic, they will have fewer options. The house view is that more of them will choose to stay in place, with a meaningful number choosing to let go of at least some space due to lower per-worker demand.

Thus, vacancy is expected to rise further before plateauing in 2026. Rents should flatten out in the next 12 months before beginning a recovery driven by stabilizing demand and a dearth of relevant, competitive supply. Values for multi-tenanted, investment-grade buildings targeting traditional office tenants have fallen 40-45% from their peak and are likely to dip further as more liquidity leads to a final round of price discovery.

The risks to this outlook are balanced. With major employers such as Amazon expressing plans to return to a pre-pandemic office, the rise in attendance could accelerate. This could lead occupiers to hold onto more space, and some could expand even if headcounts do not grow appreciably.

On the other hand, despite the consensus expectation of an economic “soft landing,” the risk of recession in the next 12-18 months remains. The resulting job losses would lead occupiers to eliminate excess space. Further, the recent stagnation of knowledge-oriented job growth amid a period of economic expansion underscores that layoffs among office-using occupiers are possible even absent a general recession.

National Office Fundamentals

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
Q3	8,488,210,592	0	22,259,612	-31,312,992	13.8%	NA	$35.58	$273	8.63%
Q2	8,483,273,789	87,478,216	25,468,835	-45,754,216	13.8%	16.6%	$35.54	$275	8.61%
2023	8,472,479,481	102,475,728	34,799,855	-63,652,356	13.4%	16.3%	$35.36	$281	8.48%
2022	8,437,655,656	128,425,216	42,680,062	-6,545,203	12.3%	15.5%	$35.01	$311	7.73%
2021	8,394,950,428	145,341,104	54,163,026	-41,043,232	11.8%	14.8%	$34.59	$331	7.09%
2020	8,340,718,856	154,920,992	49,468,660	-68,616,696	10.7%	14.3%	$34.37	$317	7.32%
2019	8,290,818,062	161,347,808	62,171,288	51,540,672	9.3%	12.0%	$34.95	$308	7.49%
2018	8,228,166,078	148,598,640	48,515,269	66,222,816	9.3%	12.1%	$33.60	$298	7.32%
2017	8,179,063,544	140,670,096	55,037,180	61,332,208	9.6%	12.5%	$32.51	$291	7.09%
2016	8,123,595,996	137,466,320	47,579,485	72,745,912	9.7%	12.9%	$31.62	$296	6.75%
2015	8,075,834,138	126,666,968	47,575,047	91,774,784	10.1%	13.4%	$30.61	$289	6.67%
2014	8,028,030,213	117,966,152	29,975,412	78,823,896	10.7%	13.8%	$28.94	$269	6.74%

Industrial

Nine consecutive quarters of U.S. industrial vacancy rate increases have clearly shifted market conditions more in tenants' favor and it could be another 12 to 18 months before owners have the leverage they need to raise rents at a more aggressive pace. However, there is also little sign that the industrial sector is caught in a tailspin. Prospects for a mid-2025 peak in vacancy, close to the 20-year average vacancy rate of 7%, are increasingly coming into view.

Trailing 12-month net absorption is at the lowest levels since 2012 but has stabilized in recent months after remaining positive amid declines in key economic drivers last year. Meanwhile, new leasing volume is rising and Amazon, the largest U.S. industrial tenant, is reaccelerating growth in its distribution center network following a significant rebound in its corporate profits.

There are other signs that a slow but steady recovery in tenant demand is getting underway. Real consumer goods spending has been on an upward path for more than one year as inflation subsides. Warehousing and storage employment has also risen in each of the past five months, after declining from mid-2022 through 2023. During 24Q3, the total square foot of industrial space listed as available for lease also rose at the slowest pace recorded in almost two years.

Oncoming new supply will likely push the national vacancy rate up further, but only for a few more quarters as the recent wave of record completions is on its last legs. Higher interest rates have caused construction starts on new industrial projects to plummet over the past two years. The volume of projects completing construction each quarter will remain elevated through late 2024 or early 2025 but has already begun to decline and will likely hit 10-year lows by late 2025, as an aftereffect of the 10-year low in groundbreakings hit in recent months.

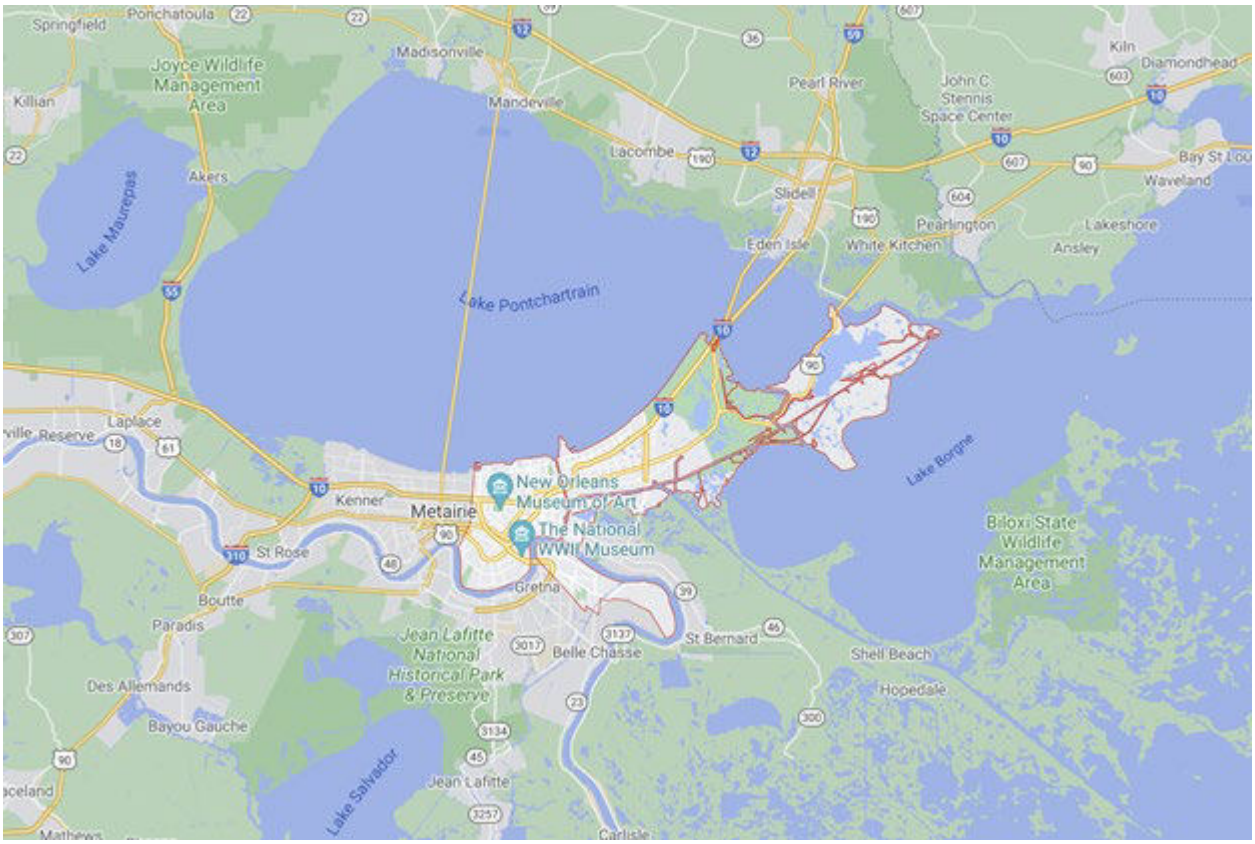
In response to rising vacancy, year-over-year rent growth has slowed to just under 3%. With supply additions likely to keep vacancy elevated in the near-term, all signs point to further deceleration, with 2024 rent growth on pace to register the slowest annual tally since 2012. However, there is potential for rent growth to reaccelerate late next year as the drop off in new construction completions coming in mid-2025 could set the stage for vacancies to begin tightening again. CoStar is tracking more than 20 large electric vehicle, battery, and semiconductor plants planning to open across the U.S. during 2024-26, and suppliers to these facilities will likely generate millions of square feet of absorption over that period. Any further declines in inflation and interest rates would also help to push homes sales and durable goods purchases higher, further bolstering the case for stronger industrial market performance by 2025-26.

National Industrial Fundamentals

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
Q3	19,164,158,898	340,589,088	429,186,884	112,591,872	6.6%	9.0%	$12.01	$148	7.47%
Q2	19,100,555,958	364,486,944	511,029,944	121,521,096	6.5%	8.9%	$12.01	$148	7.45%
2023	18,885,541,447	468,115,712	535,048,549	175,611,808	5.7%	8.1%	$11.82	$147	7.27%
2022	18,350,438,890	685,564,544	400,462,353	424,745,696	3.9%	6.7%	$11.02	$149	6.57%
2021	17,949,795,411	550,891,520	300,991,616	522,182,112	4.1%	6.1%	$10.03	$141	6.17%
2020	17,648,679,063	367,569,472	302,665,820	216,997,136	5.4%	7.4%	$9.21	$115	6.77%
2019	17,344,701,029	343,982,304	255,696,003	177,344,752	5.0%	7.0%	$8.69	$101	7.16%
2018	17,088,002,176	306,700,160	226,272,983	267,610,976	4.6%	7.0%	$8.22	$93	7.20%
2017	16,858,623,579	275,083,680	231,486,163	260,842,608	5.0%	7.4%	$7.76	$85	7.21%
2016	16,624,431,802	269,623,328	178,574,060	285,547,648	5.2%	8.0%	$7.33	$83	6.88%
2015	16,444,552,206	213,410,960	131,873,854	249,699,952	5.9%	9.1%	$6.93	$78	6.87%
2014	16,311,293,844	169,102,624	91,353,683	249,850,976	6.7%	9.9%	$6.57	$69	7.29%

Orleans Parish Area Analysis

The following analysis includes pertinent aspects of the surrounding region as it pertains to the subject property. This report was compiled using data as of 2024 Q3 unless otherwise noted. Data is from a number of sources including the U.S. Bureau of Labor Statistics ("BLS"), the U.S. Bureau of Economic Analysis ("BEA"), and the U.S. Census Bureau.



Source: Google Maps

Orleans Parish at a Glance

Orleans Parish is mostly urban, encompassing the city of New Orleans, the largest city in Louisiana. The economy of Orleans Parish is diverse, with a strong focus on trade, education & healthcare, tourism, and energy. The city is home to numerous cultural events, such as Mardi Gras and the New Orleans Jazz & Heritage Festival, which play a significant role in its economy. Some of the largest employers in the area include Ochsner Health System, Tulane University, the City of New Orleans, and Entergy Corporation. The housing stock in Orleans Parish varies considerably, ranging from historic mansions and Creole cottages to modern condos and apartments. Housing prices can vary significantly depending on the neighborhood, but there are options available for a wide range of budgets. New Orleans has a thriving retail and business scene, offering a mix of local boutiques, art galleries, and national chain stores. The French Quarter and Magazine Street are among the city's most popular shopping areas, offering unique shops and restaurants that cater to both residents and visitors. Recreational activities in Orleans Parish are abundant, with many parks, museums, and cultural attractions. City Park, Audubon Park, and the Mississippi Riverfront offer green spaces for outdoor activities, while the New Orleans Museum of Art, the National WWII Museum, and the Louisiana State Museum provide cultural and educational experiences. Additionally, the city is famous for its vibrant music scene, with many live music venues and festivals throughout the year. Major transportation corridors in the area include Interstate 10, which runs east-west through the city, and U.S. Route 90, which runs along the Mississippi River. The New Orleans Regional Transit Authority operates public transit services, including buses and the historic streetcar lines. Louis Armstrong New Orleans International Airport serves the city and surrounding region, offering domestic and international flights.

Area Fundamentals

Attribute	County Level Value	5 Year Annualized Growth Rate	Relative to Baseline (MSA)
Employment	165,724	-0.6%	Slower than MSA
GDP	$22.9 billion	-0.8%	Faster than MSA
Population	364,136	-1.4%	Faster than MSA
Per Capita Personal Income	$67,403	6.3%	Faster than MSA

Labor Market Conditions

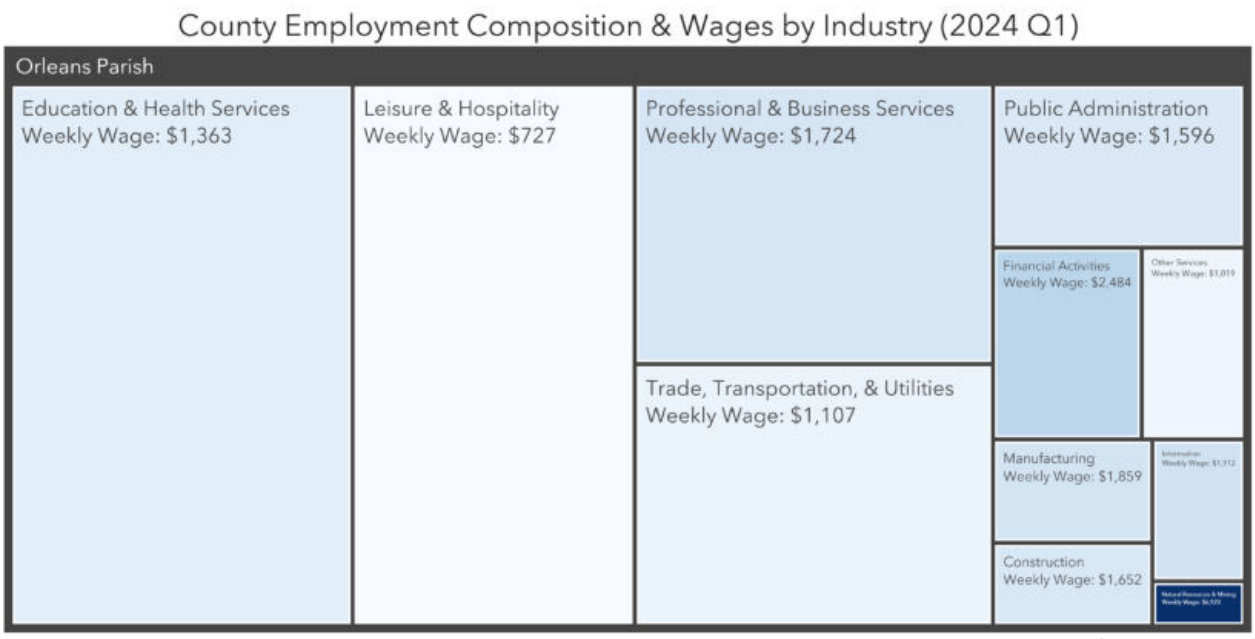
According to the latest data from the Q1 2024 Quarterly Census of Employment and Wages, New Orleans-Metairie employed 360,744 private employees, with establishments in the Education & Health Services, Trade, Transportation, & Utilities, and Leisure & Hospitality industries accounting for the top three employers. These industries employ 84,134 (23.3%), 82,843 (23.0%), and 69,067 (19.1%) private sector workers in the Metro, respectively.

MSA Private Employment Composition & Wages by Industry (2024 Q1)



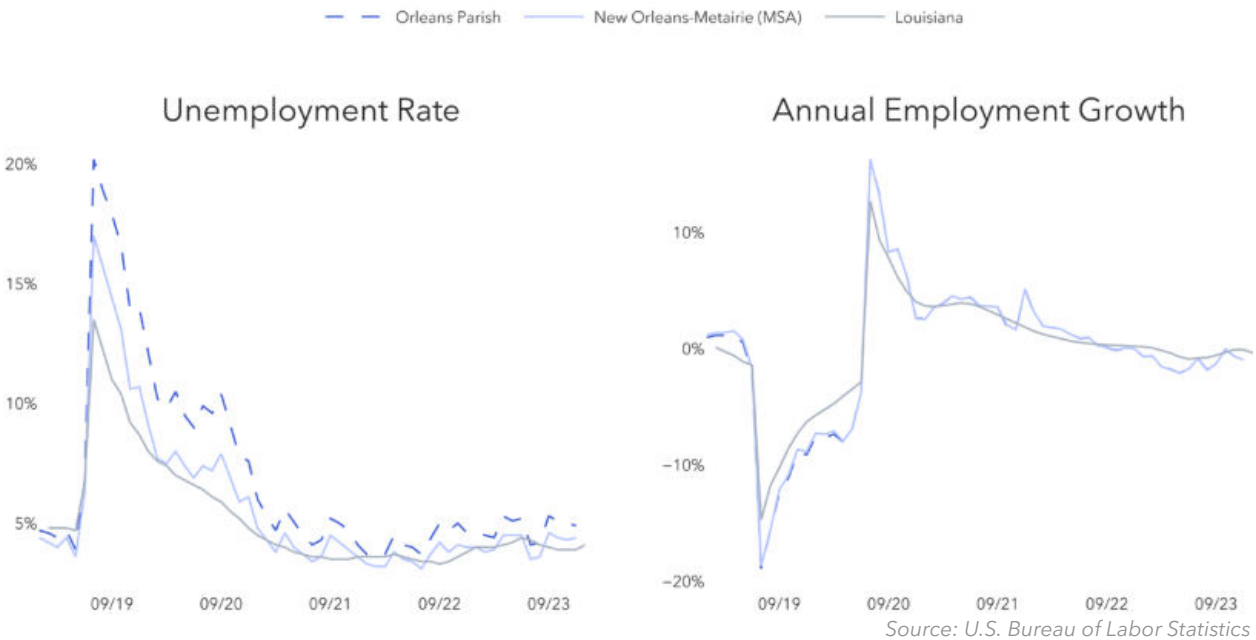
Source: U.S. Bureau of Labor Statistics

The latest data from the 2024 Q1 Quarterly Census of Employment and Wages, Orleans Parish employed 186,523 employees. Establishments in the Education & Health Services, Leisure & Hospitality, and Professional & Business Services industries accounted for the top three employers. These industries employ 51,673 (27.7%), 42,632 (22.9%), and 27,963 (15.0%) workers in the County, respectively. Orleans Parish has an especially large share of workers in the Leisure & Hospitality industry. In fact, its 22.9% fraction of workers is 2.1 times higher than the National average.



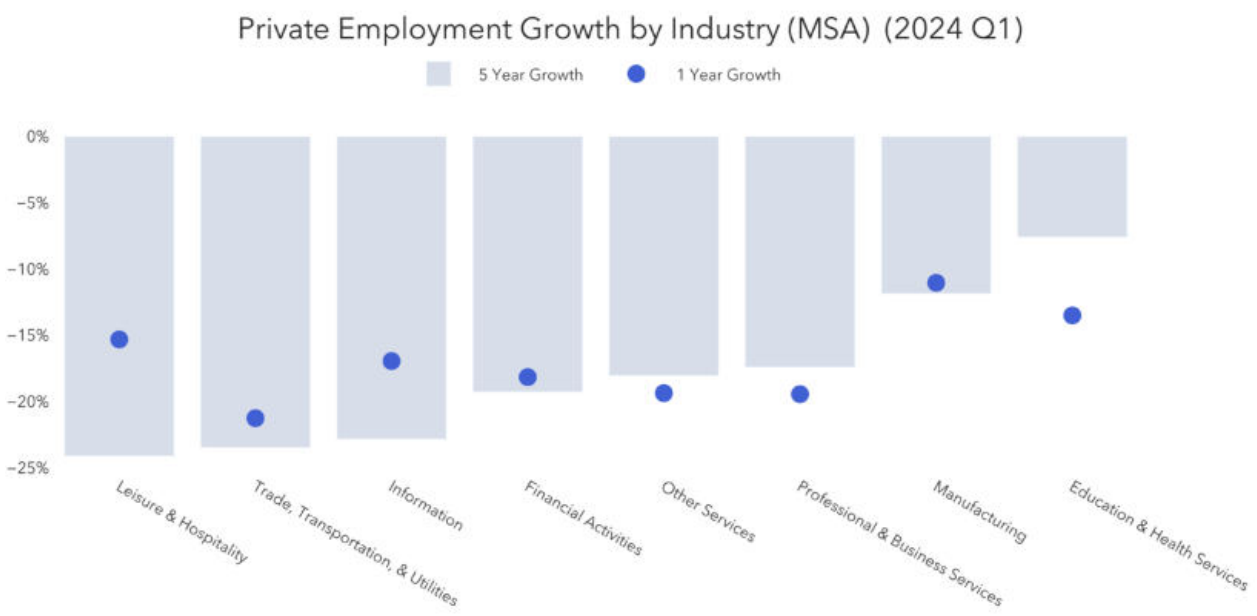
Source: U.S. Bureau of Labor Statistics

At the onset of the pandemic last spring, Orleans Parish area employers shed 18.5% of their workforce, expanding the unemployment rate from 3.9% in February 2020 to 20.2% just two months later. The unemployment rate in Orleans Parish has expanded over the past year to the current rate of 4.9%, just slightly above the New Orleans-Metairie rate of 4.4%. As of 09/24, total employment is down 1% on a year-over-year basis. The unemployment rate remains above its pre-pandemic level (Feb 2020) of 3.9%.



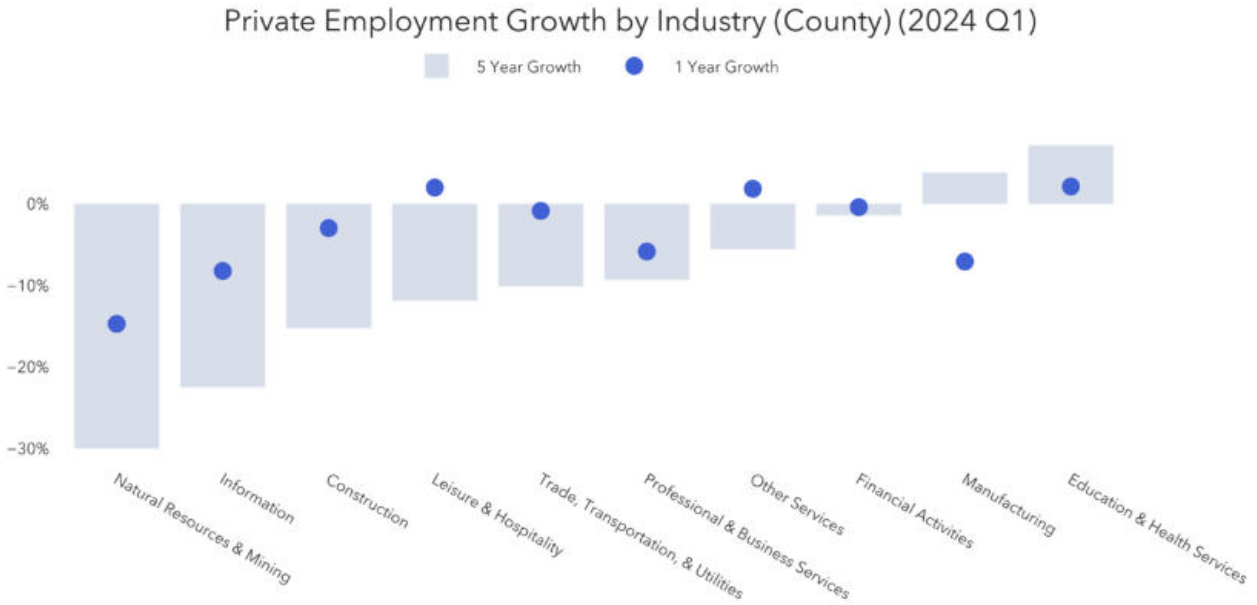
Source: U.S. Bureau of Labor Statistics

According to the latest data from the Q1 2024 Quarterly Census of Employment and Wages, New Orleans-Metairie Metro has experienced private employment compress 18.1% (-79,640) in total over the last five years. During that time, the Education & Health Services, Manufacturing, and Professional & Business Services industries saw the strongest growth, expanding -7.6%, -11.8%, and -17.4%, respectively. Meanwhile, the Leisure & Hospitality Industry has experienced employment collapse of 24.1% over the previous five years.



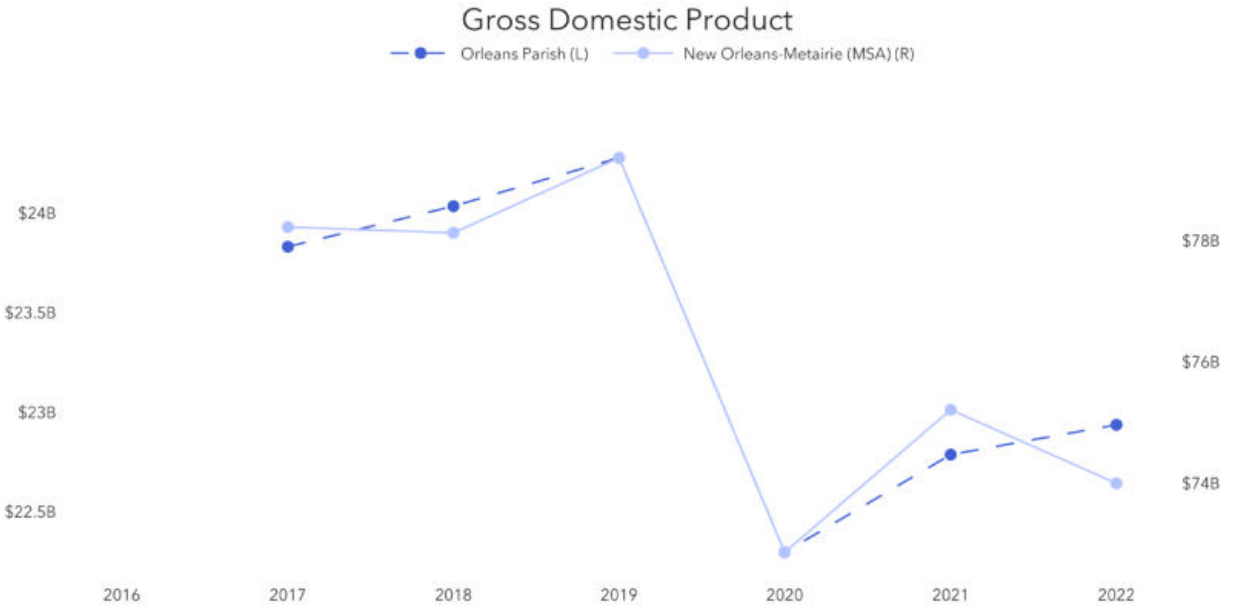
Source: U.S. Bureau of Labor Statistics

According to the latest data from the Q1 2024 Quarterly Census of Employment and Wages, Orleans Parish has experienced private employment compress 6.2% (-10,670) in total over the last five years. During that time, the Education & Health Services, Manufacturing, and Financial Activities industries saw the strongest growth, expanding 7.2%, 3.8%, and -1.4%, respectively. Meanwhile, the Natural Resources & Mining Industry has experienced employment collapse of 30.0% over the previous five years.



Source: U.S. Bureau of Labor Statistics

Economic Production

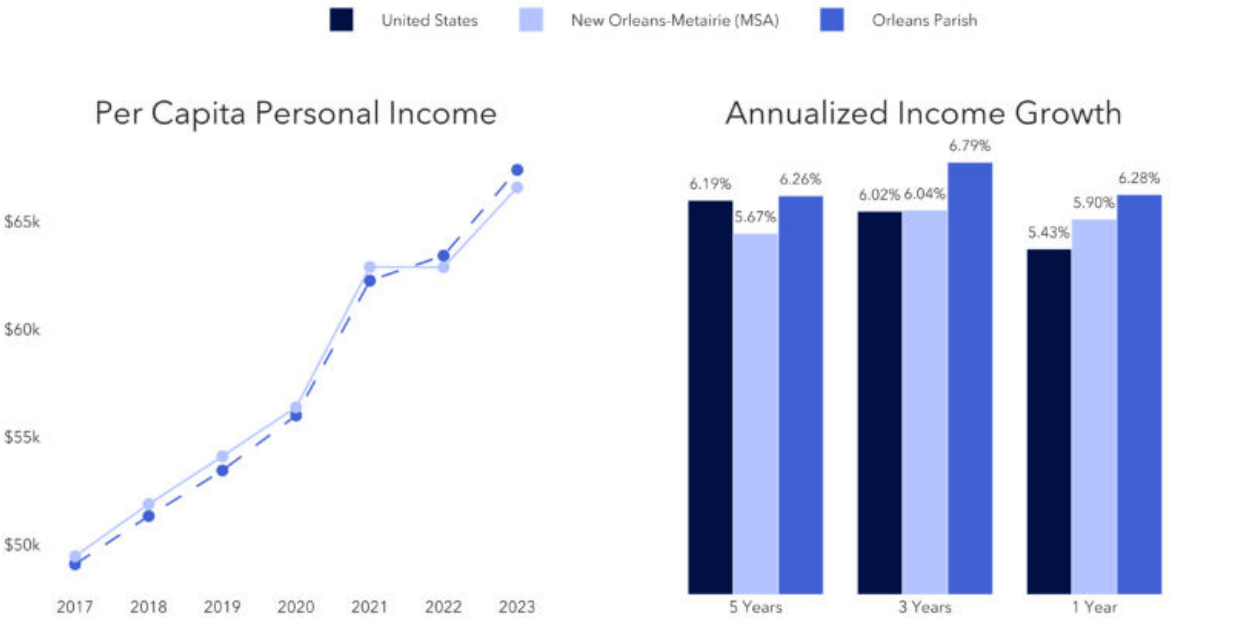


Source: U.S. Bureau of Economic Analysis

Demographics

Going back ten years, Orleans Parish's population has compressed 0.4% per annum to the 2023 count of 364,136. Over the past five years, growth has declined, contracting 1.4% per annum since 2018. This growth rate falls short of the Nation, which has expanded 0.5% per year over the last five years.

Going back five years, Orleans Parish residents' per capita personal income has expanded 6.3% per annum to the 2023 level of $67,403. Over the past three years, growth has expanded, growing 6.8% per annum since 2020. This growth rate exceeds the Nation, which has expanded 6.0% per year over the last three years.



Source: U.S. Census Bureau

Infrastructure

Transportation Methods

New Orleans is served by Interstate 10, Interstate 610 and Interstate 510. I-10 travels east–west through the city as the Pontchartrain Expressway. In New Orleans East it is known as the Eastern Expressway. I-610 provides a direct shortcut for traffic passing through New Orleans via I-10, allowing that traffic to bypass I-10's southward curve. In addition to the interstates, U.S. 90 travels through the city, while U.S. 61 terminates downtown. In addition, U.S. 11 terminates in the eastern portion of the city.

The city is served by Amtrak. The New Orleans Union Passenger Terminal is the central rail depot and is served by the Crescent, operating between New Orleans and New York City; the City of New Orleans, operating between New Orleans and Chicago and the Sunset Limited, operating between New Orleans and Los Angeles.

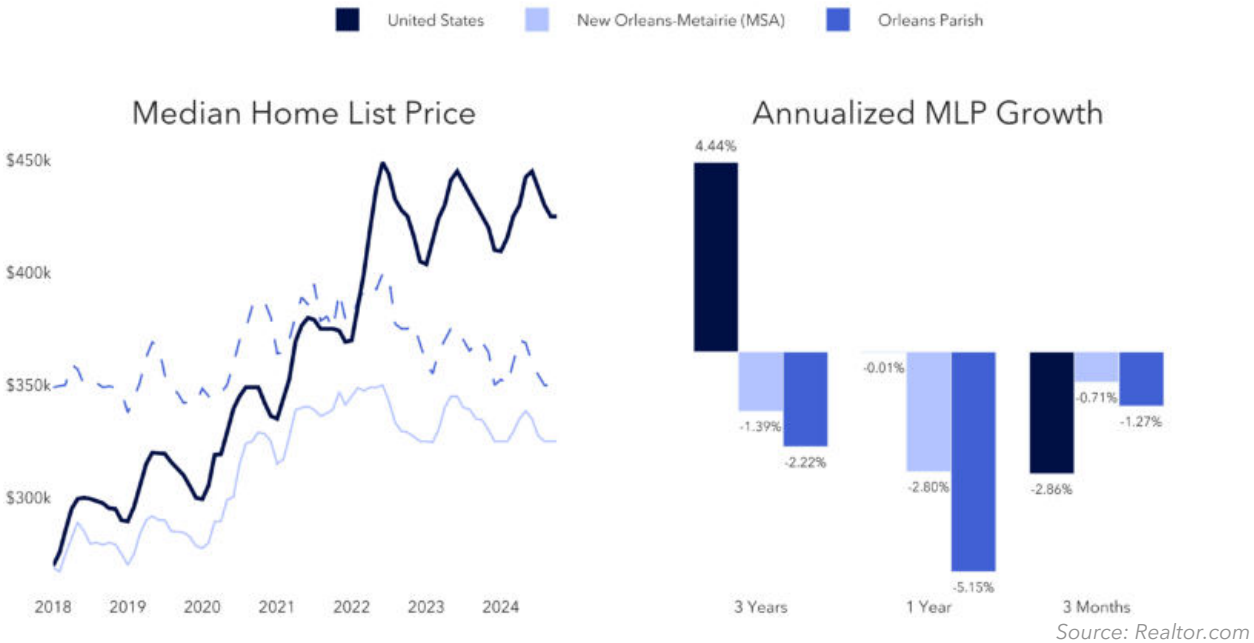
Public transportation is operated by the New Orleans Regional Transit Authority ("RTA"). Many bus routes connect the city and suburban areas.

The metropolitan area is served by the Louis Armstrong New Orleans International Airport, located in the suburb of Kenner. Regional airports include the Lakefront Airport, Naval Air Station Joint Reserve Base New Orleans in the suburb of Belle Chasse and Southern Seaplane Airport, also located in Belle Chasse.

Housing

In 2021, historically low mortgage rates, the desire for more space, and the ability for many to work from home, led to an increase in demand for housing. This, combined with historically low inventory levels, accelerated the growth in values, pushing the medium listing price in the US to a peak of $413,000 in June 2022. However, with persistent inflation, the Fed hiked interest rates at a record pace over the 2nd half of 2022 and for much of 2023, eroding housing affordability and dropping demand considerably. With demand decreasing across many metros, values have either declined or experienced limited growth in 2023. Demand has improved since though, with growth in values aided by limited inventory in some metros.

In Orleans Parish, Realtor.com data points to negative growth in values over the past year. As of 10/2024, the median home list price sits at $350,000, a decrease of 5.1% compared to a decrease of 2.8% for the New Orleans-Metairie Metro, and a decrease of 0.0% across the Nation over the past year. The county median list price has experienced a decrease of 1.3% over the past 3 months, compared to a decrease of 0.7% for the New Orleans-Metairie Metro in the same period.



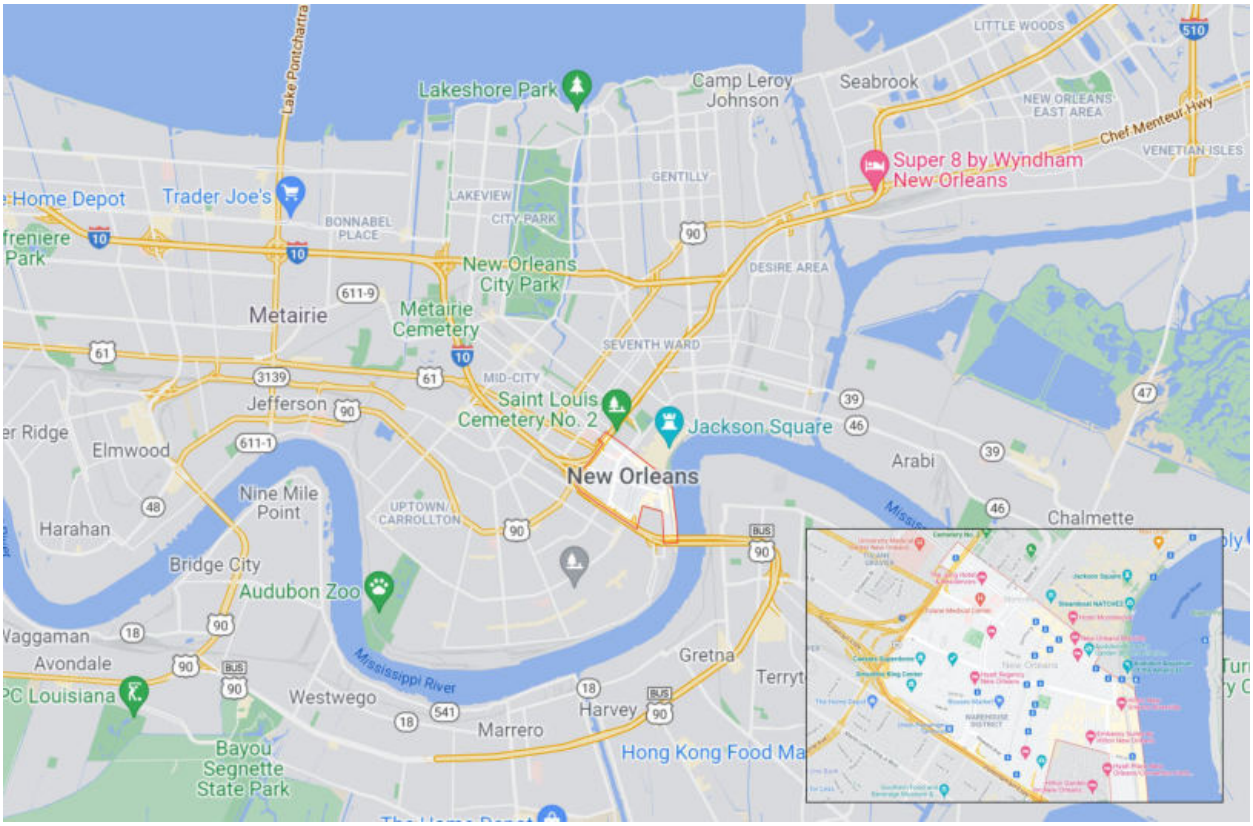
Source: Realtor.com

Outlook

The United States economy has recovered from the pandemic, but, with persistent levels of inflation, the Fed repeatedly reaffirmed its commitment to fighting inflation by raising rates, softening economic growth. While the economy remains strong, their actions have led to a slowdown in growth, setting the stage for a mild recession in 2024.

The current unemployment rate in Orleans Parish of 4.9% is below its five-year average. By contrast, that rate is also above the state rate of 4.1%, and above the national rate of 4.1%. Orleans Parish continues to experience population loss with one- and five-year annual growth rates of -1.6% and -1.4%. Despite its diversified economy, when considering its negative GDP growth over the five years prior to the pandemic, and its declining population, the county faces severe challenges before it can be well positioned for near- and long-term growth.

Neighborhood & Demographic Overview



Source: Google Maps

Central Business District at a Glance

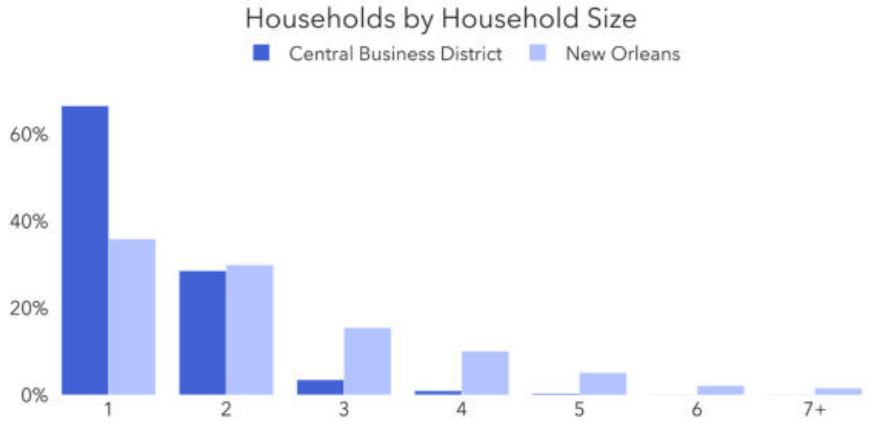
The Central Business District (CBD) is the dense, urban downtown of New Orleans, Louisiana. It serves as the commercial and financial hub of the city. A subdistrict of the French Quarter area, its boundaries, as defined by the City Planning Commission, are Iberville, Decatur and Canal Streets to the north; the Mississippi River to the east; the New Orleans Morial Convention Center, Julia and Magazine Streets, and the Pontchartrain Expressway to the south; and South Claiborne Avenue, Cleveland Street, and South and North Derbigny Streets to the west.

Originally developed as a largely-residential area in the late 18th century, the modern Central Business District is today a dynamic, mixed-use neighborhood, the home of professional offices in skyscrapers, specialty and neighborhood retail stores, numerous restaurants and clubs, and thousands of residents inhabiting restored, historic commercial and industrial buildings. The housing stock in the CBD primarily consists of high-rise condominiums, apartments, and lofts, catering to urban dwellers and professionals who prefer living in the heart of the city. While there may be limited single-family housing options, the focus is on multi-unit residential buildings.

Recreational activities in the CBD include visiting parks, museums, art galleries, and cultural attractions. Residents and visitors can explore historic landmarks, dine at world-renowned restaurants, attend live music performances, and participate in festivals and events throughout the year.

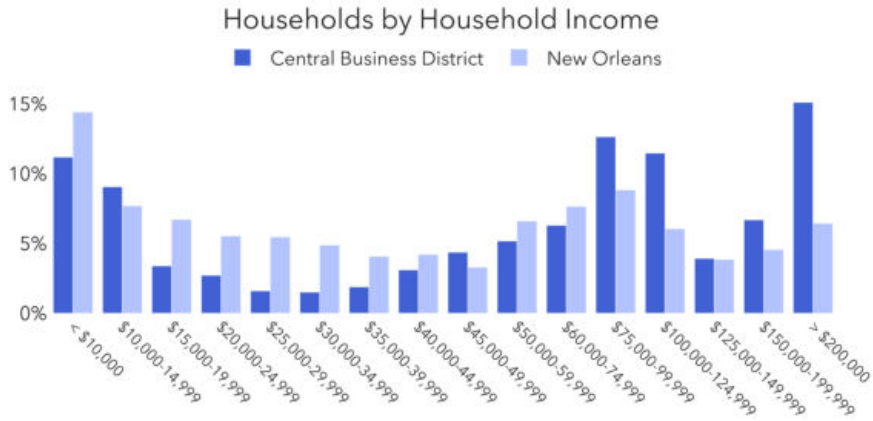
Major corridors in the CBD include Canal Street, Poydras Street, and Magazine Street, which are lined with businesses, hotels, restaurants, and entertainment venues. Access to major and local roads, public transit trains, buses, and local airports provides convenient transportation options for residents and commuters alike. Additionally, the Louis Armstrong New Orleans International Airport serves as the primary gateway for air travel to and from the region.

Households in Central Business District tend to be smaller than those in New Orleans. Households in Central Business District have an average size of 1.0 people, compared to 2.3 people in New Orleans. 1 person households account for the largest share in both Central Business District and New Orleans.



Source: U.S. Census Bureau

Households in Central Business District have a higher median income than those in New Orleans. Households in Central Business District have a median income of $110,040, compared to $41,604 for households in New Orleans. The chart below indicates the share of households by income brackets. In Central Business District, the largest share of households have a household income of $200k or higher, compared to under $10k for New Orleans.

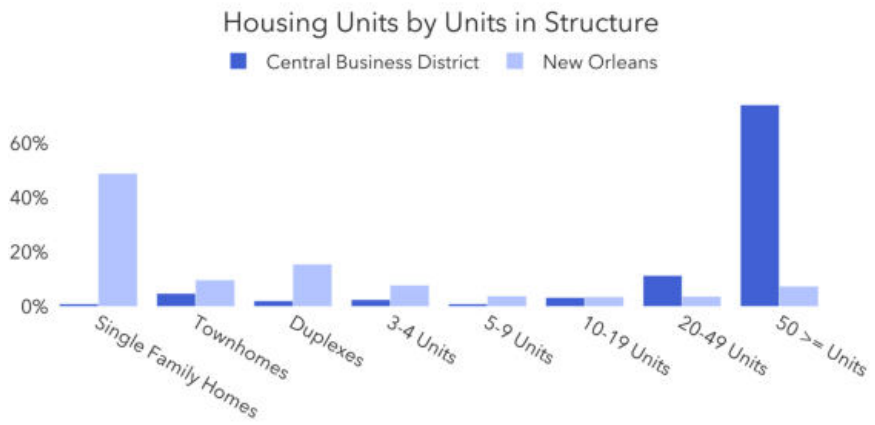


Source: U.S. Census Bureau

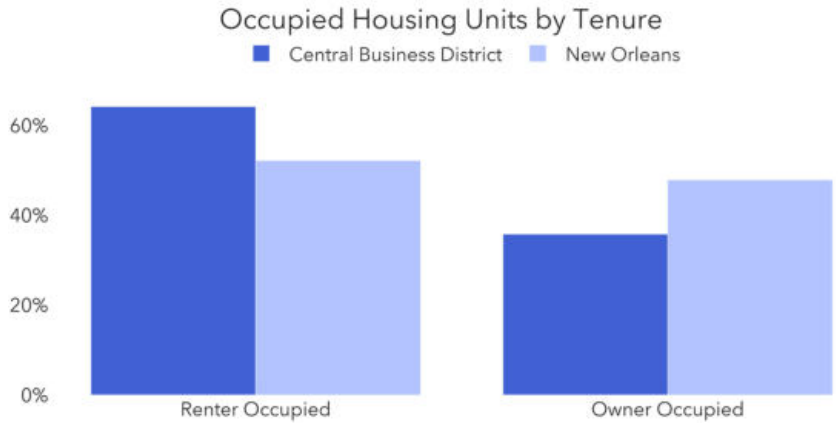
Housing

Housing is one of the most identifiable characteristics of an area. Different factors, such as property type, renter/owner mix, housing age, and household characteristics play roles in how an area is defined. In Central Business District, housing is diverse with varying density, tenure status, and price points.

Properties with 50+ units are the most common form of housing in Central Business District, followed by 20-49 unit properties and Townhomes. 36% of the housing units in Central Business District were occupied by their owner. This percentage of owner-occupation is lower than the New Orleans level of 48%.

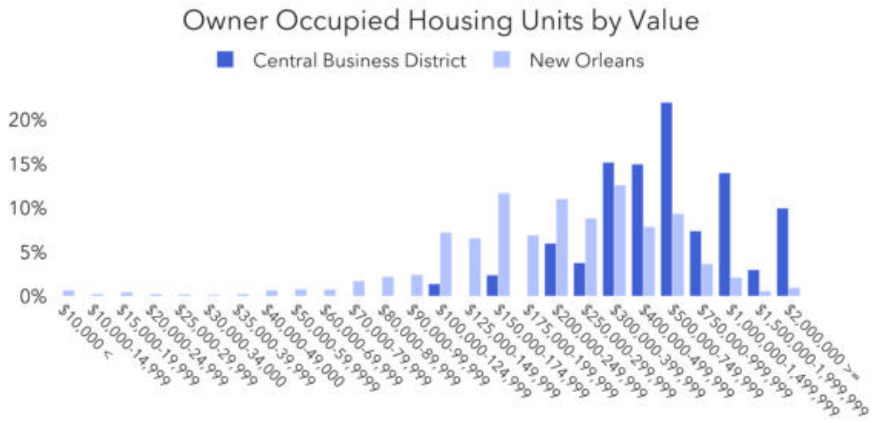


Source: U.S. Census Bureau



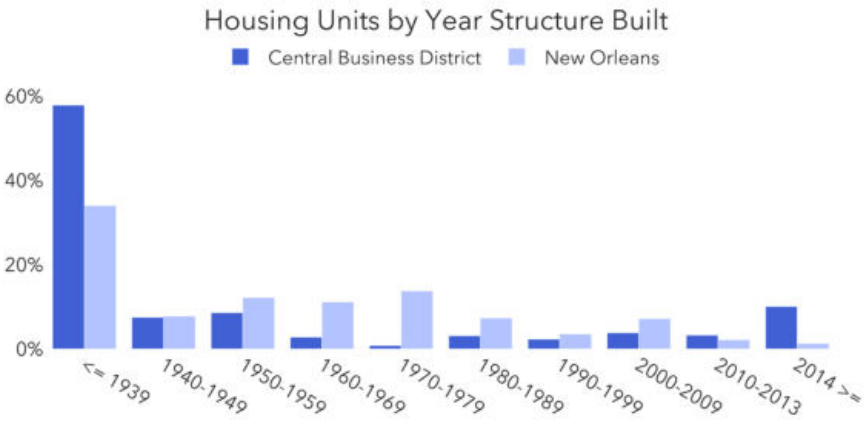
Source: U.S. Census Bureau

Homes in Central Business District have a median value of $553,900, compared to $231,500 for New Orleans. In Central Business District, the largest share of homes have a value between $500k - $749k, compared to between $300k - $399k for New Orleans.



Source: U.S. Census Bureau

Homes in New Orleans have a median year built of 1957. In Central Business District, the largest share of homes were built in or before 1939, compared to in or before 1939 for New Orleans.



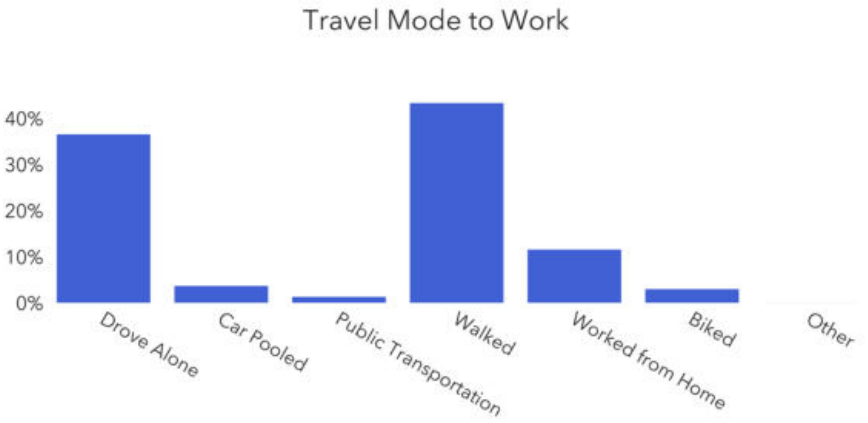
Source: U.S. Census Bureau

Transportation

The time it takes to commute to work from Central Business District varies considerably. Commuters in Central Business District have a median commute time of about 12 minutes. In Central Business District, the largest share of commuters have a commute between 10-14 minutes, compared to 15-19 minutes for New Orleans. In Central Business District, the most common method for traveling to work is walking with 43% of commuters using it. The second most popular method is driving alone with 37% of commuters using it.



Source: U.S. Census Bureau



Source: U.S. Census Bureau

Transportation Methods


Walk Score: 92 (Walker's Paradise)


Major thoroughfares in the CBD include St. Charles Avenue, Camp Street, Carondelet Street, Gravier Street, Poydras Street, Tchoupitoulas Street, Howard Avenue, and Canal Street.


Access to transit services, such as the local Street Cars, are provided by NORTA. A number of stops are located within the CBD including the 12 and 49 Route.


The area is served by bus routes operated by NORTA; however, the majority of transit in the area is via the street cars.

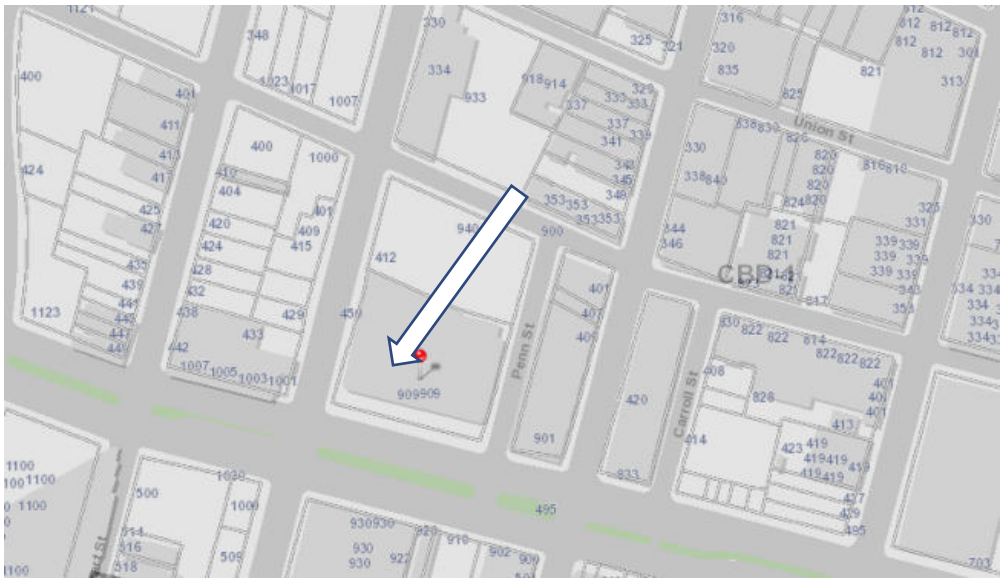

The nearest major airport is the Louis Armstrong New Orleans International Airport (15 mi.)

Conclusion

The Central Business District is located directly next to the French Quarter. Given its large presence of office space, the CBD is a natural extension of the French Quarter, with a little less activity and nightlife, but growth has accelerated over the years. The area provides transit opportunities, hotels, multifamily, office, retail, and cultural activities. Outside of the French Quarter, it is the next most vibrant area of New Orleans.

Zoning Summary

Zoning Map



The property is located in the CBD-1 - Core Central Business District by the City of New Orleans. The purpose of the CBD-1 zone is to permit high-density commercial development. The district allows for a range of office uses. The district regulations are summarized below:

Property Jurisdiction	**New Orleans, (Orleans Parish), LA**
Existing Zoning Classification	CBD-1
Date of Existing Zoning Ordinance	1986
Special permitting or condition(s): (i.e., site plan approval, PUD, or other variance)	Yes

	Required/ Permitted	**Actual**	**Complying Status**
Current Use	Commercial - Office, retail	Office, retail	Complying
Front Yard	None	Various	Complying
Rear Yard	None	Various	Complying
Side Yard	None	Various	Complying
Maximum Height	Mean of 751' above sea level	36-story	Complying
Maximum FAR	15.71 (incl. bonus)	20.06	Complying

Subject Analysis

The subject property has a gross building area of 605,124 square feet, according to the owner. The subject property contains office and retail uses which is conforming with regards to the allowable uses.

The subject property is non-complying with regards to bulk regulations (FAR). However, based on our research, it appears that the subject represents a conditional/exceptional use, per Ordinance No. 10411 of the city council.

There are no requirements for parking; however, the subject includes 542 garage parking spaces, which reflects 1 space/1,006 SF of NRA. Therefore, the subject is also conforming in regard to parking.

Assessed Values & Real Estate Taxes

Tax Map



Assessments & Rates

909 Poydras Street is designated on the Orleans Parish Tax Maps as Parcel: 1-04-1-021-01. The subject is located in the city of New Orleans, LA. Assessments for commercial property are based on roughly 10% of the appraised land value, and 15% of the appraised improvement/building value. The current building values are as follows:

2023-24 Assessor's Property Values

Current Assessed Property Value:		
Land		$316,770
Building	+	$5,257,430
Total		**$5,574,200**

2022 Assessed Value

The current assessed values are as follows:

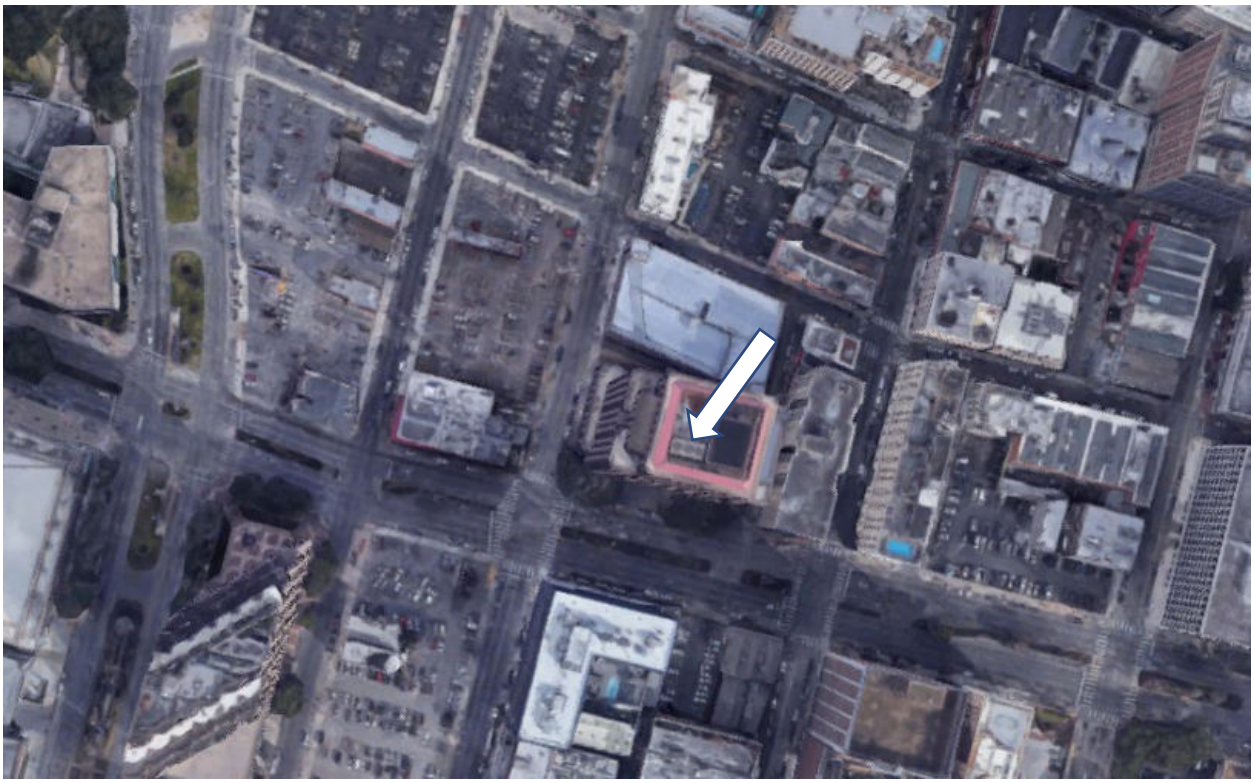
Current Assessment:	**0**	
Land		$301,690
Building	+	$3,872,660
Total		**$4,174,350**

The subject is located in the East Bank and the Downtown Development District (DDD) and has an additional special district tax. Based on the 2024 tax bill, the total millage rate is $144.98 per $1,000. The subject's assessment and resulting tax liability for 2024 are calculated below:

Tax Year		2023
Taxable Assessed Value		$5,574,200
Millage Rate	x	0.14498
Tax Liability		**$808,163**

This liability amount was also confirmed via the subject's tax bill on public record.

Site Description



Location The First Bank & Trust Tower is located on Poydras Street between O'Keefe Avenue and Penn Street in the CBD of New Orleans in the State of LA. Surrounding uses consist of a mix of high-rise office buildings, hotels, and residential towers, with base level retail/commercial spaces. Poydras Street near the subject is a commercial corridor. Other major uses in the vicinity include the Caesars's Superdome (formerly Mercedes Benz Superdome) about a half mile west of the subject; Tulane Medical Center about a half mile north of the subject, and the Canal Street thoroughfare, about 5 blocks north of the subject. As the CBD, land use in the immediate area is densely developed.

Public Transit There is bus service along Poydras Street. In addition, there is tram service along both St. Charles and Loyola Avenues, with stops along Poydras Street.

Site Area 0.693± acres./ 30,169± square feet

Shape Irregular to generally rectangular

Frontage

Street	Frontage (ft)
Poydras Street	211.00
Penn Street	166.00
O'Keefe Avenue	195.00

It is worth noting that Poydras Street is a major thoroughfare serving the area. It is designed as a wide boulevard with a central, landscaped median separating traffic in each direction.

Topography Generally level

Drainage Assumed adequate

Access	The site is accessed from Poydras Street (211.0 feet), Penn Street (166.0 feet) and O'Keefe Avenue (195.0 feet).
Paving	All roads are paved with asphalt and are in satisfactory condition
Street Drainage	Street drainage is collected by gravity into the local sewer storm system mains
Street Lighting	Adequate
Utilities & Services	Water/Sewer and Refuse – City Police & Fire Protection – City Gas & Electric – Entergy
Hazardous Substances	We observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the services of a professional engineer for this purpose. The value reported within this report assumes there are no hazardous substances present on the site.
Flood Hazard Status	Located in "Zone X500" on the National Flood Insurance Program Rate Map dated September 30, 2016 Community Panel #225203 - 22071C0229F. This is an area inundated by 500-year flooding. Thus, flood insurance is required.
Conclusion	The site is like others in the vicinity, and there are no negative external factors. The site is well laid-out and supports its current use as a corporate office property. Access and visibility are good, with entries from multiple directions. It is important to note that given the location with a Zone X500, flood insurance is required.

Flood Map

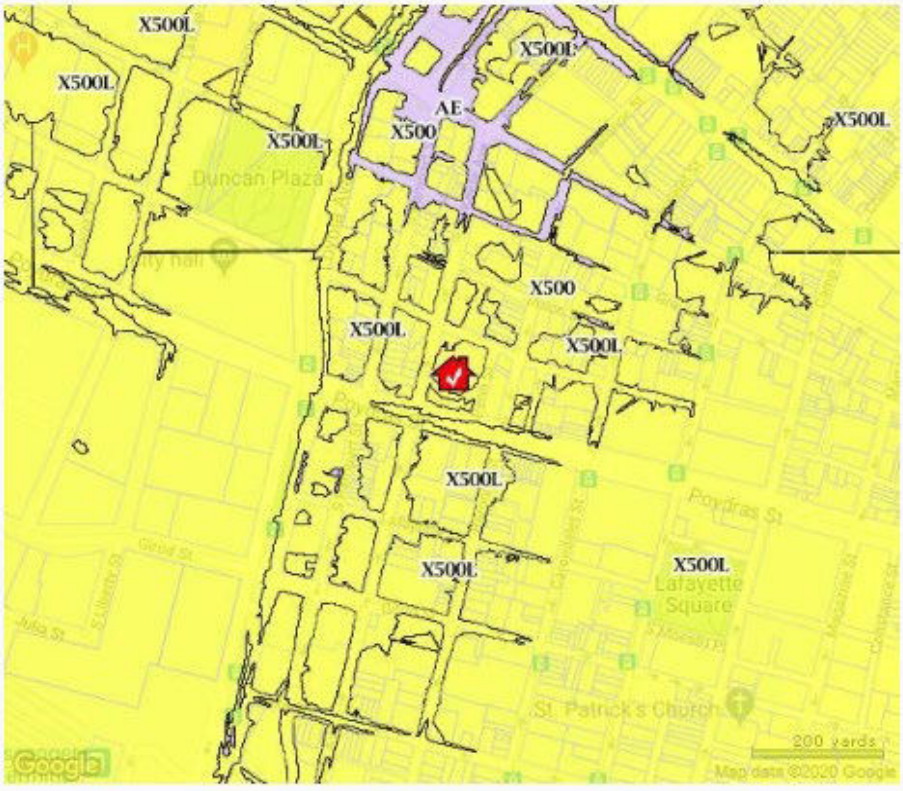
909 POYDRAS ST, NEW ORLEANS, LA 70112-4000

Report Date: 01/06/2020 **County:** ORLEANS, LA

Flood Zone Code	Flood Zone Panel	Panel Date
X500	225203 - 22071C0229F	09/30/2016
Special Flood Hazard Area (SFHA)	Within 250 ft. of multiple flood zones?	Community Name
Out	Yes (X500L,X500)	NEW ORLEANS

Flood Zone Description:

Zone X (500-year)-An area inundated by 500-year flooding; an area inundated by 100-year flooding with average depths of less than 1 foot or with drainage areas less than 1 square mile; or an area protected by levees from 100-year flooding.



Building Description

The subject property is a 36-story multi-tenanted elevatored office building known as First Bank & Trust Tower. First Bank & Trust Tower contains 605,124± square feet of gross building area according to public record, and 545,157± square feet of leasable area. The property is 79% leased based on GLA inclusive of office and retail space. The building was constructed in 1987, renovated in 2012, and has had subsequent improvements throughout the years. Overall, the property is in good condition.

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

Structural & Mechanical

Structural

Foundation	Concrete pier and beam and concrete slab.
Structural System	Steel frame.
Exterior Walls	Flame-finished granite with alternating bronze-tinted glass.
Roof	Flat rubber membrane roof with metal frame and metal deck.
Windows	All windows are fixed glass in metal frames. Storefronts are plate-glass and in good condition for both buildings.
Basement	There is no basement.
Entrances	The subject's main entrance is on Poydras Street.

Mechanicals

Heating/ Cooling Systems/ Hot water	Chilled water boiler, packaged HVAC system.
Electric	Standard commercial electric service.
Plumbing	PVC, copper, and iron for both buildings
Sprinklers	The buildings are serviced by a sprinkler and fire protection system. It is assumed these are adequate and in compliance with local safety code.

Layout & Finishes

Interior Layout & Finish

Lobby	The lobby is in a contemporary style and are finished with decorative light fixtures, and stone floors. The lobby and elevator bank are attractive and in good condition.
Retail Interiors	There are three retail units containing a total of 12,398 square feet. This represents only 2.78% of the subject's entire leasable space. The retail space is 100.0% leased. One retail unit is located at the corner of Poydras and O'Keefe Avenue and is to First Bank and Trust and is utilized as a bank. It has a direct entrance from the street. There is a small sundry shop on the opposite side of the lobby, near Penn Street which is currently leased to Refreshment Solution. The third unit is leased to City Greens and utilized as a salad shop within the lobby. This store does not have direct access to the street. The retail spaces are finished according to the concept of the tenant and include carpeted, hardwood, or tiled floors, acoustic tiled or painted ceilings, and painted or wallpapered walls or exposed brick walls.

Office Interiors	Office interiors vary from tenant to tenant but typically feature carpeted, hardwood, tiled, acoustic tiled or painted ceilings, and painted or wallpapered walls or exposed brick walls. Lighting is provided by decorative fluorescent and incandescent fixtures. Office interiors are in good condition and appealing. There are a few law firms within the building that feature higher-quality build-outs, such as stone floors and large, glass conference rooms. Some of these units also have exterior terraces which tenants use for lunch or for entertaining.
Stairwells	Steel frame, closed riser, concrete filled steel pan, metal handrails. There are multiple interior stairways in each building.
Elevators	15
Common Hallways	Common hallways feature carpeted/hardwood floors, painted walls, and acoustic tiled ceilings with recessed fluorescent fixtures in each building
Ceiling Heights	Roughly 13 feet
Restrooms	Finishes include ceramic tile floors, painted walls, acoustic tiled ceilings with recessed fluorescent fixtures and porcelain fixtures. There are shared bathrooms located on each floor.
Security	Cameras throughout and tenant key fob system
Life Safety	Wet sprinklers system
Parking	542 garage parking spaces. This represents 1 space/1,006 SF of NRA, which is considered an average ratio compared to other buildings in the area.
Amenities	City Greens restaurant, sundry shop, conference center on the 21st floor, dry cleaning drop-off/pick-up service on the 2nd floor, and on-site car wash services.

Functional Utility

From a utility standpoint, the subject property is well laid out and adequately accommodates its present utilization. The subject benefits from its desirable location in an active commercial (CBD) area. The subject property is able to accommodate its existing retail and office related tenants. As mentioned previously, the current leasable area is 545,157 square feet which includes retail, and rentable office space above and below grade. In terms of its functional appeal, there is good column spacing and adequate ceiling heights allowing the asset to compete effectively. Some units are superior than others, and according to the property manager, units with more windows are in higher demand than the more interior units. However, a number of tenants have extended their leases several times, indicating a strong renewal probability in these properties.

Condition & Maintenance

Condition

Based on our inspection, the current subject is in good condition. The asset is fitted with Class-A quality office finishes and the space is attractive and efficiently designed with good column spacing and ceiling heights. As of the date of inspection, the asset was in good condition as building mechanicals, the lobby and other base building improvements are modern and appealing. Further, tenant spaces continue to get upgraded as roll over occurs. The subject was constructed in 1987 (renovated in 2012) and has received periodic renovations with the mechanical systems being modern and functioning. Recent improvements in 2018 consist of an elevator modernization project, roof re-coating, energy management system upgrades, demolition of the 35th floor, re-caulking of exterior granite seams and the addition of a security access card reader system. No items of deferred maintenance were observed or reported. Thus, the asset is in good condition relative to similar buildings in the area.

Remaining Economic Life

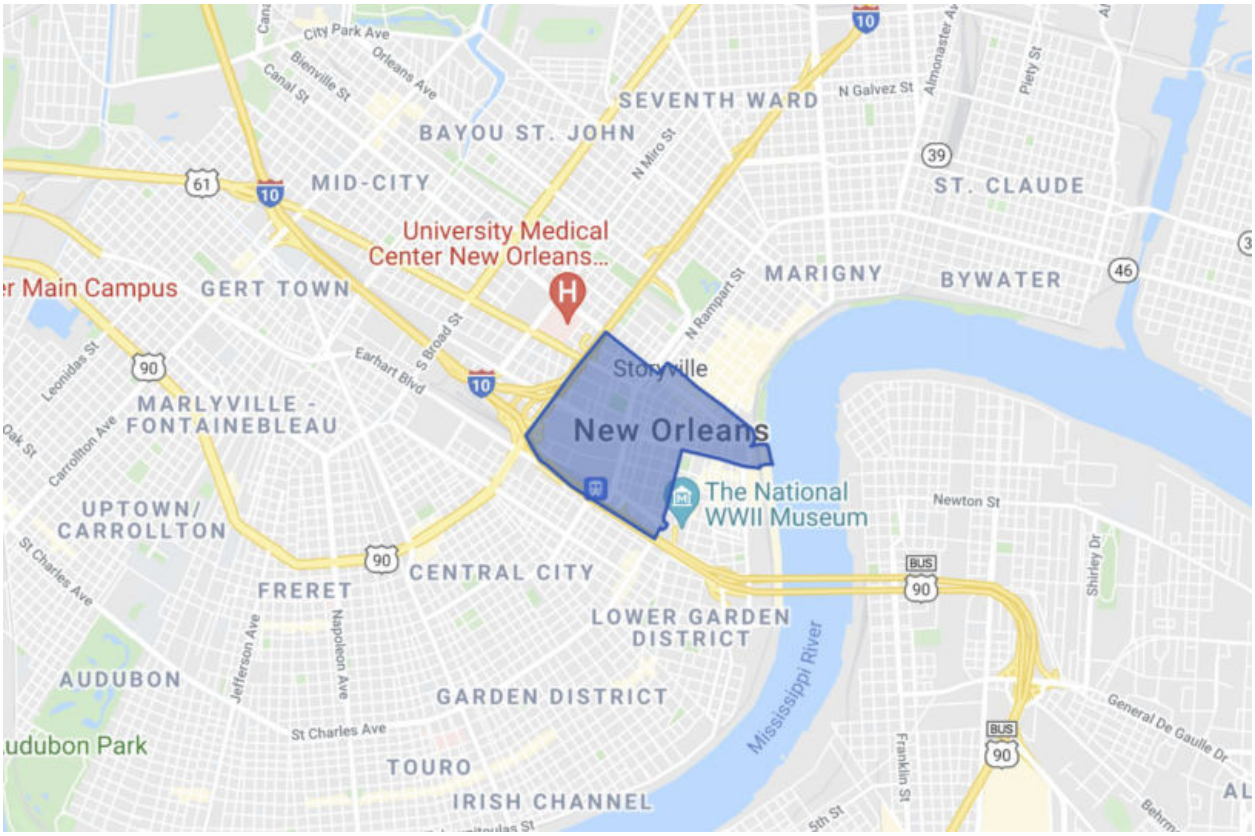
909 Poydras Street was originally constructed in 1987 (renovated in 2012) and has been adequately maintained over the years with numerous capital expenditure projects occurring to extend the useful life of the asset. Similar buildings have a typical economic life of 60 years and we estimate the effective age to be 15 years, with a remaining economic life of 45 years. Future capital investment will serve to improve the asset productivity and extend its life during the holding period.

Summary

The information contained in the sections entitled "Site Description" and "Building Description" was obtained from our field inspection on October 6, 2022, information provided by ownership, CoStar, RealQuest, and zoning and assessment records.

New Orleans CBD: Office Submarket Analysis

The information contained in this report was provided using 2024 Q3 CoStar data for the New Orleans CBD Office Submarket ("Submarket") located in the New Orleans Market ("Market").



Overview

The subject property is in the New Orleans CBD Submarket of the New Orleans Market, defined in the map above. This Submarket accounts for 25.9% of the Markets total inventory with 14.1 million square feet. In the Submarket, demand has improved recently but vacancy rates remain up on the year. Despite this, rents are up as well, increasing over the past year and quarter. With softening market conditions for office properties in the Submarket, values have decreased over the past year to $83/SF, after declining in the latest quarter. Capitalization rates increased 35 bps to a rate of 12.7%, but still remain above the long-term average.

Sector Fundamentals

	New Orleans CBD	YoY	QoQ	New Orleans	YoY	QoQ
Market Rent/SF	$20.52	0.3%	0.1%	$21.05	0.0%	0.2%
Vacancy Rate	15.14%	114 bps	-24 bps	7.21%	37 bps	-63 bps
Availability Rate	15.7%	96 bps	-23 bps	7.7%	29 bps	-52 bps
Net Absorption SF	34,433	3795.1%	121.3%	382,292	1127.9%	170.1%
Asset Value/SF	$83	-2.7%	-0.0%	$107	-2.8%	-0.0%
Market Cap Rate	12.71%	35 bps	-0 bps	11.76%	32 bps	-1 bps
Transaction Count	0	NA	NA	15	0%	25%
Sales Volume	$0	NA	NA	$4,340,000	-71%	20%

The table below presents historical performance of key indicators for office space in the Submarket including inventory & construction levels, net absorption, vacancy & availability, rental rates, pricing, and cap rates.

Historical Office Performance: New Orleans CBD Submarket

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
2024 Q3	14,105,202	0	NA	-161,311	15.1%	15.7%	$20.52	$83	12.71%
2024 Q2	14,105,202	0	NA	-194,860	15.4%	15.9%	$20.49	$83	12.71%
2023	14,105,202	0	NA	-197,676	14.3%	14.8%	$20.45	$84	12.55%
2022	14,105,202	0	NA	-75,814	12.9%	14.1%	$20.28	$92	11.42%
2021	14,105,202	0	NA	-520,812	12.4%	13.7%	$19.86	$100	10.34%
2020	14,093,762	0	NA	-61,901	8.7%	10.2%	$19.76	$97	10.52%
2019	14,093,762	0	NA	79,062	8.3%	8.7%	$19.23	$94	10.75%
2018	14,093,762	0	-1,208,967	-916	8.8%	9.9%	$19.26	$109	9.55%
2017	15,302,729	1,200	-2,500	-273,575	16.0%	15.6%	$18.72	$109	9.20%
2016	15,305,229	0	-31,600	-49,328	14.3%	14.5%	$18.36	$112	8.71%
2015	15,336,829	22,400	-33,500	-93,251	14.1%	14.7%	$18.30	$112	8.51%
2014	15,370,329	0	-494,634	39,821	13.6%	14.7%	$18.33	$109	8.46%

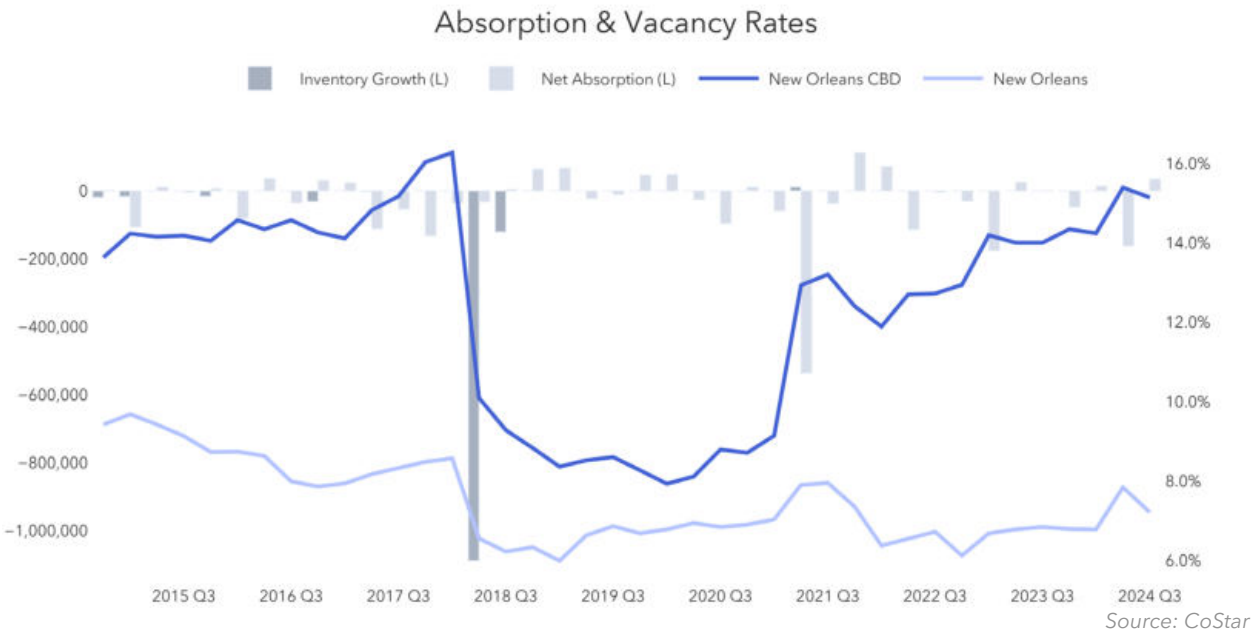
Supply & Demand

The Submarket has 14.1 million square feet of office space, and developers have demolished 1.3 million square feet over the past ten years, reducing inventory by 8.2% during that time. Demand has not been able to keep up with supply over the past decade and vacancy rates have expanded from the rate of 13.6% to 15.1%.

Absorption improved over the past year, but vacancy rates increased 114 bps over the past year from 14.0% to 15.1%. Vacancy rates remain above the 10-year average of 12.5%, and above the Market average by 793 bps. With 34.4k square feet absorbed in 2024 Q3, vacancy rates have compressed 24 bps over the past quarter. In the third quarter, office tenants in the Submarket absorbed 34.4k square feet, an increase from the -161.7k square feet absorbed in 2024 Q2, and an improvement from the 884 square feet absorbed in the same quarter last year.

Vacancy Rates

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	24 Q2	24 Q3
National	10.7%	10.1%	9.7%	9.6%	9.3%	9.3%	10.7%	11.8%	12.3%	13.4%	13.8%	13.8%
Market	9.4%	8.7%	7.9%	8.5%	6.3%	6.7%	6.9%	7.3%	6.1%	6.8%	7.8%	7.2%
Submarket	13.6%	14.1%	14.3%	16.0%	8.8%	8.3%	8.7%	12.4%	12.9%	14.3%	15.4%	15.1%
Class A	17.7%	17.8%	18.9%	21.1%	9.5%	9.3%	10.7%	14.7%	12.2%	16.1%	18.4%	18.1%
Class B	9.0%	8.6%	8.0%	10.4%	11.1%	9.3%	8.7%	14.4%	18.9%	16.4%	16.3%	15.9%
Class C	9.6%	12.1%	11.2%	10.8%	3.6%	4.1%	3.8%	3.4%	5.4%	6.7%	6.4%	6.6%



Source: CoStar

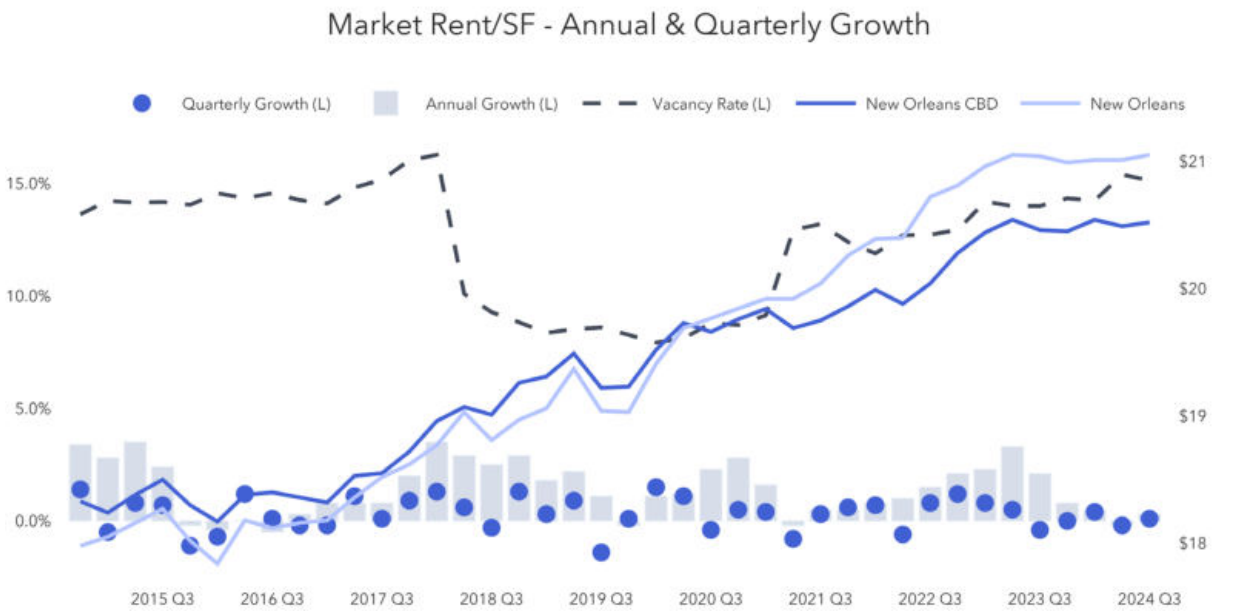
Rents

At $20.52/SF, rents in the New Orleans CBD Submarket are similar to the Market average of $21.05/SF. Rents vary throughout the Submarket. Class C space is at a premium with a rate of $20.96/SF, followed by $20.73/SF for Class A and $19.92/SF for Class B space. Rents in the Submarket have increased 1.2% per annum over the past decade, falling short of the Market average, where rents increased 1.7% per annum during that time.

Market Rents

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	24 Q2	24 Q3
National	$28.93	$30.59	$31.61	$32.49	$33.58	$34.94	$34.35	$34.58	$35.03	$35.38	$35.58	$35.63
Market	$17.98	$18.02	$18.16	$18.62	$18.97	$19.03	$19.85	$20.26	$20.81	$20.99	$21.01	$21.05
Submarket	$18.33	$18.30	$18.36	$18.72	$19.26	$19.23	$19.76	$19.86	$20.28	$20.45	$20.49	$20.52
Class A	$19.58	$19.18	$19.21	$19.60	$20.53	$20.41	$20.58	$20.07	$20.43	$20.66	$20.70	$20.73
Class B	$16.86	$17.26	$17.37	$17.54	$17.63	$17.72	$18.43	$19.35	$19.65	$19.79	$19.85	$19.92
Class C	$17.50	$17.69	$17.78	$18.35	$18.62	$18.67	$19.76	$20.17	$20.91	$20.99	$20.95	$20.96

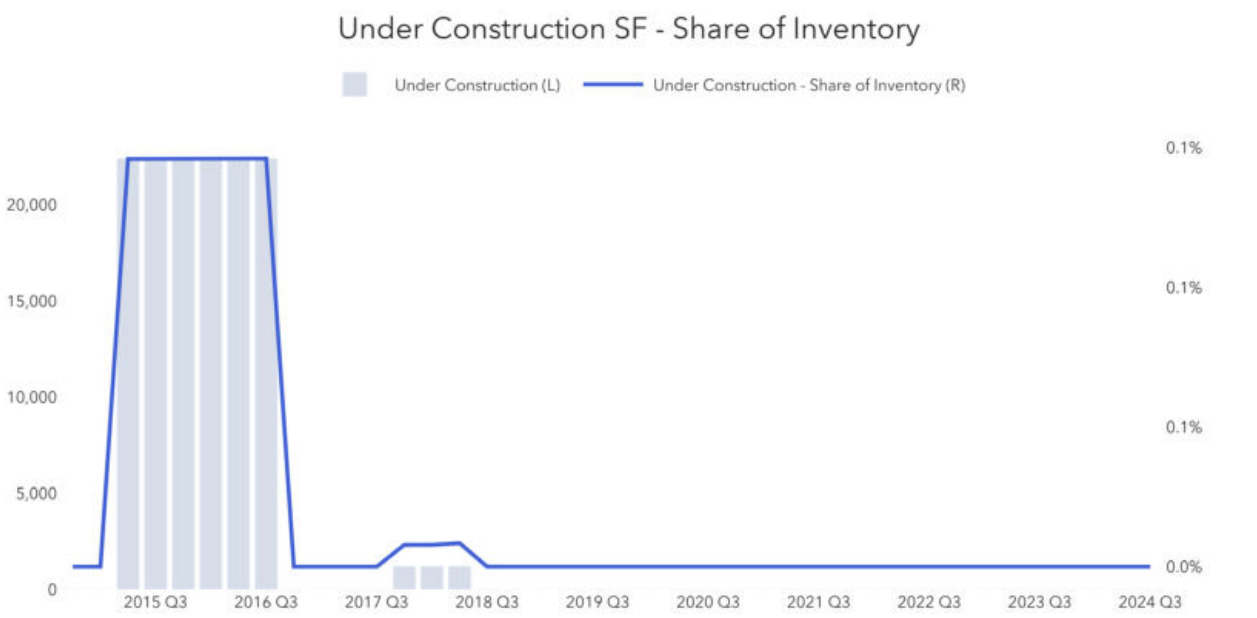
Prior to the pandemic, the New Orleans CBD Office Submarket experienced softening rent growth. In 2019 Q4, annual rent growth in the Submarket softened below the previous quarter, and was below the historical average, with annual growth of -0.2%. In 2020 Q2, quarterly rent growth fell to 1.1%. By the end of 2020, rents had increased 2.8% from the 2019 Q4 rent level of $19.23/SF. From 2019 Q4 to 2021 Q4, rents increased 3.3%. Quarterly rent growth in 2024 Q3 increased 0.1%, pushing annual growth to 0.3%.



Source: CoStar

Construction & Future Supply

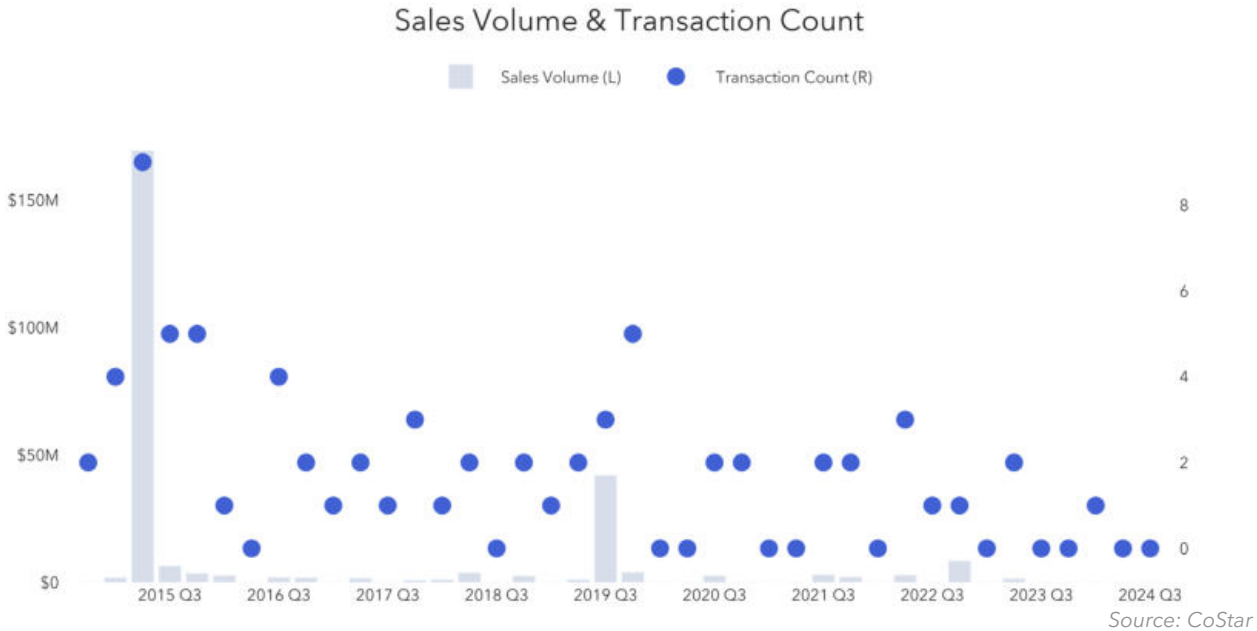
Data from CoStar indicates that developers have been inactive for much of the past ten years. In fact, they have added just 23.6k square feet to the Submarket during that time period. Developers have also removed Office space for higher and better use, removing 1.3 million square feet. Office tenants are expected to continue reevaluating their space needs, putting some upward pressure on vacancies, however, the empty pipeline should aid the sector, limiting sharp expansions in vacancy over the near term.



Source: CoStar

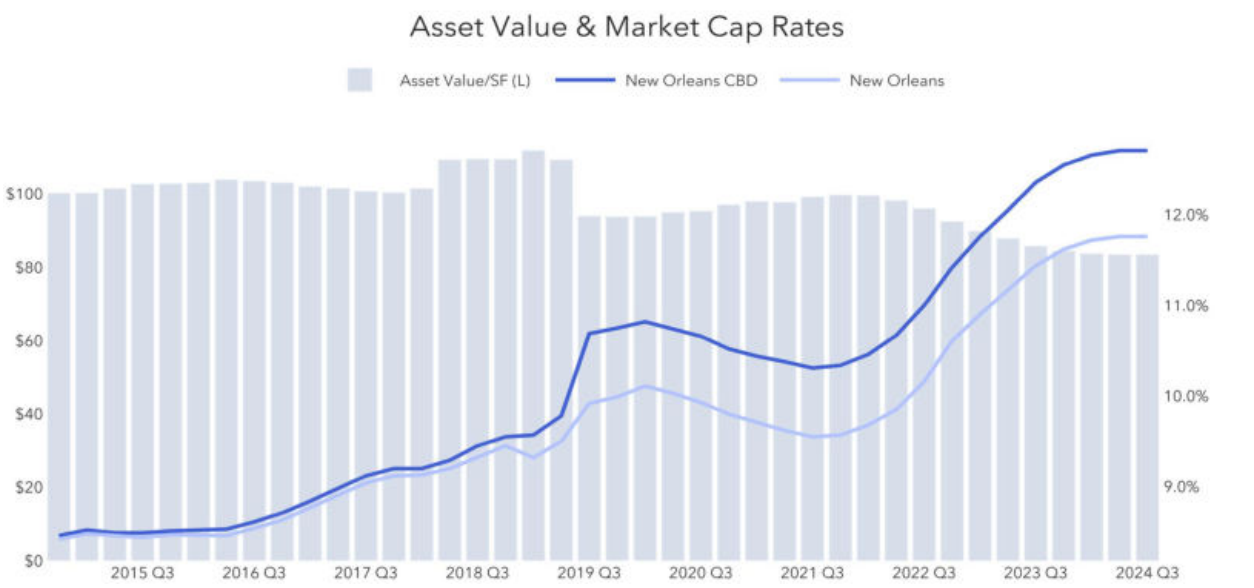
Capital Markets

Investors have not been very active in the market over the past three years and few transactions have occurred. During that time, investors have closed on average 4 transactions per year with an annual average sales volume of $5.7 million. Over the past year, there was 1 closed transaction across 508.7k square feet, for a total sales volume of 0. As of 2024 Q3, CoStar data indicates there were no transactions in the quarter, compared to no sales volume in the previous quarter.



Source: CoStar

Market pricing, based on the estimated price movement of all properties in the Submarket, is currently $83/SF. Values have compressed 2.7% over the past year but stabilized in 2024 Q3. Capitalization rates increased 35 bps over the past year to 12.7% but stabilized in Q3. Despite recent rate cuts, elevated rates and the subsequent cost of debt will weigh on both investment activity and pricing going forward. However, investors are taking advantage of the drop in office values, acquiring very well located properties.



Source: CoStar

Outlook

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

Office market conditions in the New Orleans CBD Submarket indicate that despite no new additions to the inventory, demand has fallen, expanding vacancy rates. With vacancy rates expanding, quarterly rent growth increased 0.1%, with annual growth at 0.3%. Looking ahead to the near term, it is likely that tenant demand softens, slowing rent growth further.

Highest & Best Use

In determining highest and best use, we have considered the current trends of supply and demand on the market, current zoning regulations and other possible restrictions, and neighboring land uses.

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

In estimating highest and best use, alternative uses[8], such as the legally permissible use, the physically possible use, the financially feasibility, and the highest and best use, are considered and tested for the subject site.

Highest and Best Use As Vacant

Legally Permissible	The subject is in zone CBD-1, which permits office uses as of right. Based on the bulk regulations, a large building can be built on the property. No known zoning change is anticipated and there are no public or private deed restrictions that preclude development.
Physically Possible	The site is of good size and has good street access. The lot contains 30,169 square feet with good frontage on Poydras Street (211.0 feet), Penn Street (166.0 feet) and O'Keefe Avenue (195.0 feet). Note that Poydras Street is a major thoroughfare serving the neighborhood. All necessary utilities are available, and there are no apparent easements or encroachments that hinder or prevent development. The size falls within the range of improved sites in the area and is not considered to restrict the utility in relation to competing sites. While the subject is in a flood zone, development is only restricted in the sense that basements are not permitted. Any of the above legally permitted uses, therefore, are considered physically possible.
Financially Feasible	The subject is located within a densely developed, predominantly commercial district (CBD), in a community where there is not sufficient demand for commercial properties to support new construction. Speculative development is weak in the area, particularly since the outbreak of Covid-19 and its impact on CBD markets, and thus office/retail development is not considered feasible at this time. Holding for future office development is considered financially feasible, as market participants anticipate market conditions for this asset class to rebound in the coming years. Build-to-suit development with a large percentage of pre-leased space is also considered feasible
Maximally Productive/ Highest and Best Use	All legally permissible, physically possible, and financially feasible uses of the site, as vacant, have been presented and examined. In conclusion, office/retail use is considered the most productive use, although not currently financially feasible unless a large portion were pre-leased or developed for an owner-user. Holding for future office/retail development once market conditions improve or build to-suit development with a large anchor tenant in place is considered the highest and best use of the subject site as vacant.

[8] *The definitions of these alternative uses can be found in the Glossary of Terms, which is located in the Addenda.*

As Improved

Legally Permissible	The subject is in zone CBD-1, which permits office uses as of right. No known zoning change is anticipated and there are no public or private deed restrictions that preclude development.
Physically Possible	The subject is currently improved with 36-story office building with a total gross building area of 605,124 square feet and a net rentable area of 545,157 square feet. The improvements were constructed in 1987 (renovated in 2012), and considered to be in good overall condition, being well maintained and functional for their use. As noted above, the current improvements comply with current zoning.
Financially Feasible	The subject is located within a commercial district with limited new construction in the area. The subject building is currently 79% occupied by office and retail tenants and it generates a positive net cash flow and an adequate return to the owners. Given the current vacancy rate in the market of 15%, and assuming some structural vacancy, the current occupancy is considered market-oriented. The subject benefits from its core location within the city of New Orleans. Therefore, the current use is financially feasible.
Maximally Productive/ Highest and Best Use	All legally permissible, physically possible, and financially feasible uses of the site, as improved, have been presented and examined. Based on our analysis, there does not appear to be any alternative use that could reasonably be expected to provide a higher present value than the current use, and the existing use exceeds the value of the site as if vacant. It is our opinion that the highest and best use of the subject, as improved, given the current improvements is its current use as an Class A office building.
Most Probable Buyer	Taking into account the size and characteristics of the property and its mixed-use Class A occupancy, the likely buyer is a regional, national or institutional investor.

Appraisal Valuation Process

There are three approaches to value we consider: the Cost Approach, the Sales Approach, and the Income Approach.

The **Cost Approach** is traditionally a good indicator of value when properties being appraised are new or close to new. 909 Poydras Street was constructed in 1987 (renovated in 2012) and has notable physical and economic depreciation. The difficulty in credibly isolating the influence of these factors on value affects the reliability of this approach. Along this line, investors typically give nominal weight to this analysis since the asset is operating on a stabilized basis and its cost bears little relationship to the value. Therefore, as a result of the limited use of this approach, it has not been applied.

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

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

In advancing an opinion of the value of the subject, we considered the two primary approaches of real estate valuation: The Income Approach and the Sales Comparison Approach. The Cost Approach was not applied due to the age of the subject and difficulty in estimating depreciation. Additionally, market participants in the area do not generally consider the Cost Approach when making investment decisions for properties like the subject.

Finally, the relative strengths and weaknesses of each approach are discussed, and a final value opinion is offered.

Income Capitalization Approach

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

The income capitalization approach supports two methodologies: direct and yield capitalization. Investors in the local market typically utilize a direct capitalization when making investment decisions for this asset class, therefore we conclude that the direct capitalization method is appropriate to apply to the subject.

As a commercial (retail/office) building, this asset is encumbered by multiple leases with staggered expiration dates. Given this, it is appropriate to apply the yield capitalization method (also known as the discounted cash flow method) which considers the income over a projected holding period. As a secondary method, the direct capitalization method, which converts a single year's stabilized income into an indication of value, was applied.

Base Commercial Income

The subject is presently 78% occupied with 71 tenants over 426,231 square feet. There are 118,926 square feet of vacant space, which we assumes remains vacant (given current market conditions) and treat as structural vacancy (approximately 22%). A summary of the spaces is presented below:

Rent Roll

The subject's current rent roll is presented below:

Current Rent Roll Summary

Tenant Name	Suite	Area	Lease Start Date	Lease End Date	Potential Base Rent	Potential Base Rent PSF
FIRST BANK AND TRUST	0100	10,188	4/1/2006	3/31/2026	$180,837	$17.75
City Greens	0125	2,130	3/1/2011	3/31/2027	$46,860	$22.00
Refreshment Solution	0130	80	4/1/2022	3/31/2025	$1,960	$24.50
Blanchard and Company	0140	1,191	10/1/2018	2/28/2030	$10,374	$8.71
Blanchard and Company	0150	3,310	10/1/2018	2/28/2030	$28,830	$8.71
McCranie Sistrunk Anzelmo	1000	12,450	2/1/2013	7/31/2025	$233,956	$18.79
Fox-Nesbit Engineering LLC	1075	2,936	10/1/2024	1/31/2029	$41,838	$14.25
Moses Engineer Inc.	1100	5,523	12/1/2021	2/28/2027	$102,981	$18.65
ROBERT HALF	1150	4,701	11/1/2003	8/31/2027	$84,618	$18.00
Jacobs Engineering Group	1200	2,913	12/1/2019	11/30/2024	$56,075	$19.25
Scott Vicknair LLC	1225	6,135	11/1/2020	1/31/2030	$98,416	$16.04
The Pastor Group LLC	1240	1,643	8/1/2020	10/31/2027	$32,860	$20.00
WEILER & REES	1250	2,519	9/1/2008	9/30/2027	$44,450	$17.65
Raymond James & Associates	1300	20,239	1/1/2020	12/31/2026	$417,429	$20.62
Middleberg Riddle	1400	10,479	12/1/2013	10/31/2031	$198,446	$18.94
Consulate General of France	1450	2,620	10/1/2019	9/30/2031	$55,020	$21.00
Hertz - Property Management	1475	3,470	9/1/2017	12/31/2050	$0	$0.00
Breazeale, Sachse & Wilson	1500	8,620	9/1/2018	3/31/2029	$163,780	$19.00
Breazeale, Sachse & Wilson	1575	3,389	9/1/2018	3/31/2029	$64,391	$19.00
Breazeale, Sachse & Wilson	1590	1,974	9/1/2018	3/31/2029	$37,506	$19.00
Schonekas Evans McGoey	1600	10,965	3/1/2012	8/31/2026	$208,573	$19.02
Alvendia, Kelly & Demarest*	1625	6,558	8/1/2009	10/31/2028	$118,864	$18.13
First Bank and Trust	1700	13,117	7/1/2014	3/31/2026	$232,827	$17.75
First Bank and Trust	1717	2,015	7/1/2014	3/31/2026	$35,766	$17.75
First Bank and Trust	1750	2,675	7/1/2014	3/31/2026	$47,481	$17.75
First Bank and Trust	1780	2,422	9/1/2014	3/31/2026	$42,990	$17.75
Garrison Yount	1800	5,088	8/1/2018	2/28/2027	$97,096	$19.08
Garrison Yount	1820	1,273	8/1/2018	2/28/2027	$24,293	$19.08
Spears & Spears	1825	1,872	7/1/2024	12/31/2026	$35,568	$19.00
Herman Herman & Katz LLC	1860	5,670	9/15/2023	10/31/2026	$110,329	$19.46
Garrison Yount Forte & Mulchy	1865	1,209	9/1/2018	2/28/2027	$23,072	$19.08
Akerman LLP	2000	10,802	7/1/2018	6/30/2028	$203,888	$18.88
Department of Justice	2050	4,520	9/1/2024	8/31/2029	$131,442	$29.08
Baron & Budd PC	2100	2,346	6/19/2018	10/31/2028	$47,018	$20.04
Lanier Parking	2120	1,339	6/1/2017	2/28/2026	$24,772	$18.50
CONFERENCE CENTER	2170	2,207	10/1/2024	9/30/2074	$0	$0.00
Houston Energy, LP	2190	1,923	12/27/2018	2/28/2025	$37,138	$19.31
The Gori Law Firm	2195	1,917	7/1/2017	7/31/2026	$40,417	$21.08
Marigny Capial Services	2200	4,148	7/1/2014	6/30/2028	$81,750	$19.71
Marigny Capial Services	2230	7,088	4/1/1995	6/30/2028	$139,693	$19.71
John Fuller	2250	3,394	7/1/2021	11/30/2026	$67,597	$19.92
Cobbs Allen & Hall	2260	2,392	2/1/2015	5/31/2025	$47,149	$19.71

Marigny Capital Services	2270	1,883	5/1/2022	6/30/2028	$37,111	$19.71
Marigny Capital Services, LLC	2280	817	8/1/2015	6/30/2028	$15,319	$18.75
Blanchard and Company - STRME	2300	7,738	10/1/2023	2/28/2030	$147,022	$19.00
Villa del Luna II LLC	2325	4,348	1/1/2020	5/31/2027	$83,337	$19.17
Barrasso Usdin Kuperman	2350	4,870	1/1/2019	12/31/2030	$97,400	$20.00
Hot Sauce Co	2380	2,310	5/1/2021	4/30/2027	$45,286	$19.60
Barrasso Usdin Kuperman	2400	18,377	1/1/2019	12/31/2030	$367,540	$20.00
Barrasso Usdin Kupperman	2410	265	1/1/2019	12/31/2030	$5,300	$20.00
Barrasso Usdin Kuperman	2425	1,400	1/1/2019	12/31/2030	$28,000	$20.00
Stanley & Flanagan & Reuter	2500	12,451	11/1/1997	5/31/2025	$236,569	$19.00
Stanley & Flanagan & Reuter	2550	4,116	2/1/2013	5/31/2025	$78,204	$19.00
Kean Miller	2570	2,660	8/1/2021	7/31/2025	$53,965	$20.29
Sullivan Stolier Knight	2600	4,879	1/1/1995	9/30/2025	$100,020	$20.50
Evangeline	2620	2,684	11/1/2016	9/30/2025	$46,970	$17.50
Alliant Insurance	2650	6,333	10/1/2017	4/30/2025	$124,021	$19.58
Sher Garner Cahill Richter	2700	20,766	1/1/2006	12/31/2027	$383,029	$18.45
Sher Garner Cahill Richter	2800	11,426	12/1/2004	12/31/2027	$210,753	$18.45
Sher Garner Cahill Richter	2825	82	8/1/2019	12/31/2027	$1,512	$18.44
KPMG	2850	7,492	5/1/2020	2/29/2032	$157,332	$21.00
UBS Financial Services Inc	2900	9,799	6/6/2021	8/31/2032	$195,980	$20.00
Glago Law Firm	2950	6,057	8/1/2018	12/31/2029	$108,269	$17.88
Beau Box New Orleans	3025	5,877	3/1/2018	7/31/2026	$112,643	$19.17
Evans-Graves Engineers Inc.	3050	5,875	9/1/2018	1/31/2025	$115,052	$19.58
Pricewaterhouse Coopers LLP	3100	7,851	11/1/2014	4/30/2025	$156,202	$19.90
Stone Pigman	3150	8,510	8/1/2017	10/31/2032	$178,710	$21.00
Stone Pigman	3200	17,119	8/1/2017	10/31/2032	$359,499	$21.00
Stone Pigman	3300	17,119	8/1/2017	10/31/2032	$359,499	$21.00
Kean Miller	3400	16,731	10/1/2013	10/31/2028	$368,082	$22.00
Kean Miller	3600	13,875	10/1/2013	10/31/2028	$305,250	$22.00
Blanchard and Company - STRME	STRME	1,071	10/1/2006	2/28/2030	$11,781	$11.00
Total		**426,231**			**$8,188,007**	**$19.21**

We note that this rent roll reflects the in-place income as of the date of the appraisal and does not reflect any lease-up. We are using static vacancy by not applying any income to the vacant space. The total vacant space totals 118,926 square feet, which is 22% of the total net rentable area. Since we are using status vacancy, we apply a significantly smaller vacancy and collection loss to the in-place income.

We also present upcoming lease expirations below in order to gauge turnover:

Lease Expirations

Tenants	Suite	Expiration Date	Remaining Term	Expiring Area	Building Share %	Base Rent	Base Rent/SF	Market Rent/SF	Rent vs. Market Rent
FY 2025 Expirations									
3. Refreshment Solution	0130	3/31/2025	3 Years	80.00	0.01%	1,920.00	24.00	25.00	96.00%
6. McCranie Sistrunk Anzelmo	1000	7/31/2025	5 Years	12,450.00	2.28%	233,437.50	18.75	19.00	98.68%
10. Jacobs Engineering Group	1200	11/30/2024	4 Years 4 Months	2,913.00	0.53%	59,716.50	20.50	19.00	107.89%
37. Houston Energy, LP	2190	2/28/2025	4 Years 7 Months	1,923.00	0.35%	37,977.87	19.75	19.00	103.94%
42. Cobbs Allen & Hall	2260	5/31/2025	4 Years 10 Months	2,392.00	0.44%	48,000.00	20.07	19.00	105.62%
52. Stanley & Flanagan & Reuter	2500	5/31/2025	4 Years 10 Months	12,451.00	2.28%	236,569.00	19.00	19.00	100.00%
53. Stanley & Flanagan & Reuter	2550	5/31/2025	4 Years 10 Months	4,116.00	0.76%	78,204.00	19.00	19.00	100.00%
54. Kean Miller	2570	7/31/2025	4 Years	2,660.00	0.49%	54,649.92	20.55	19.00	108.13%
55. Sullivan Stolier Knight	2600	9/30/2025	5 Years 2 Months	4,879.00	0.89%	100,019.50	20.50	19.00	107.89%
56. Evangeline	2620	9/30/2025	5 Years 2 Months	2,684.00	0.49%	46,970.00	17.50	19.00	92.11%
57. Alliant Insurance	2650	4/30/2025	4 Years 9 Months	6,333.00	1.16%	126,660.00	20.00	19.00	105.26%
64. AIG Domestic Claims, Inc.	3000	12/31/2024	4 Years 5 Months	6,821.00	1.25%	127,893.75	18.75	19.75	94.94%
66. Evans-Graves Engineers Inc.	3050	1/31/2025	4 Years 6 Months	5,875.00	1.08%	113,093.75	19.25	19.75	97.47%
67. Pricewaterhouse Coopers LLP	3100	4/30/2025	4 Years 9 Months	7,851.00	1.44%	157,020.00	20.00	19.75	101.27%
Total FY 2025 Expirations				73,428.00	13.47%	1,422,131.79	19.37	19.22	100.79%
FY 2026 Expirations									
1. FIRST BANK AND TRUST	0100	3/31/2026	5 Years 8 Months	10,188.00	1.87%	180,837.00	17.75	19.38	91.59%
21. Schonekas Evans McGoey	1600	8/31/2026	6 Years 1 Month	10,965.00	2.01%	211,185.90	19.26	19.38	99.38%
23. First Bank and Trust	1700	3/31/2026	5 Years 8 Months	13,117.00	2.41%	232,826.76	17.75	19.38	91.59%
24. First Bank and Trust	1717	3/31/2026	5 Years 8 Months	2,015.00	0.37%	35,766.24	17.75	19.38	91.59%
25. First Bank and Trust	1750	3/31/2026	5 Years 8 Months	2,675.00	0.49%	47,481.24	17.75	19.38	91.59%
26. First Bank and Trust	1780	3/31/2026	5 Years 8 Months	2,422.00	0.44%	42,990.48	17.75	19.38	91.59%
35. Lanier Parking	2120	2/28/2026	5 Years 7 Months	1,339.00	0.25%	24,771.50	18.50	19.38	95.46%
38. The Gori Law Firm	2195	7/31/2026	6 Years	1,917.00	0.35%	41,215.50	21.50	19.38	110.94%
65. Beau Box New Orleans	3025	7/31/2026	6 Years	5,877.00	1.08%	113,132.25	19.25	20.15	95.56%
Total FY 2026 Expirations				50,515.00	9.27%	930,206.87	18.41	19.47	94.58%
FY 2027 Expirations									
2. City Greens	0125	3/31/2027	6 Years 8 Months	2,130.00	0.39%	46,860.00	22.00	19.77	111.29%
8. Moses Engineer Inc.	1100	2/28/2027	5 Years 3 Months	5,523.00	1.01%	99,414.00	18.00	19.77	91.06%
9. ROBERT HALF	1150	8/31/2027	7 Years 1 Month	4,701.00	0.86%	96,370.50	20.50	19.77	103.71%
13. WEILER & REES	1250	9/30/2027	7 Years 2 Months	2,519.00	0.46%	50,380.00	20.00	19.77	101.18%
14. Raymond James & Associates	1300	12/31/2026	6 Years 5 Months	20,239.00	3.71%	419,959.25	20.75	19.77	104.97%
27. Garrison Yount	1800	2/28/2027	6 Years 7 Months	5,088.00	0.93%	99,216.00	19.50	19.77	98.65%
28. Garrison Yount	1820	2/28/2027	6 Years 7 Months	1,273.00	0.23%	24,823.50	19.50	19.77	98.65%
29. Spears & Spears	1825	12/31/2026	2 Years 6 Months	1,872.00	0.34%	36,504.00	19.50	19.77	98.65%
30. Herman Herman & Katz LLC	1860	10/31/2026	3 Years 1 Month 17 Days	5,670.00	1.04%	111,982.50	19.75	19.77	99.91%
31. Garrison Yount Forte & Mulchy	1865	2/28/2027	6 Years 7 Months	1,209.00	0.22%	23,575.50	19.50	19.77	98.65%
41. John Fuller	2250	11/30/2026	5 Years 5 Months	3,394.00	0.62%	67,880.04	20.00	19.77	101.18%
46. Villa del Luna II LLC	2325	5/31/2027	6 Years 10 Months	4,348.00	0.80%	86,960.00	20.00	19.77	101.18%
48. Hot Sauce Co	2380	4/30/2027	6 Years	2,310.00	0.42%	45,622.50	19.75	19.77	99.91%
Total FY 2027 Expirations				60,276.00	11.06%	1,209,547.79	20.07	19.77	101.51%
FY 2028 Expirations									
12. The Pastor Group LLC	1240	10/31/2027	7 Years 3 Months	1,643.00	0.30%	34,503.00	21.00	20.16	104.15%
32. Akerman LLP	2000	6/30/2028	7 Years 11 Months	10,802.00	1.98%	216,040.00	20.00	20.16	99.19%
39. Marigny Capial Services	2200	6/30/2028	7 Years 11 Months	4,148.00	0.76%	83,997.00	20.25	20.16	100.43%
40. Marigny Capial Services	2230	6/30/2028	7 Years 11 Months	7,088.00	1.30%	143,532.00	20.25	20.16	100.43%
43. Marigny Capital Services	2270	6/30/2028	6 Years 2 Months	1,883.00	0.35%	38,130.75	20.25	20.16	100.43%
44. Marigny Capital Services, LLC	2280	6/30/2028	7 Years 11 Months	817.00	0.15%	15,318.72	18.75	20.16	92.99%
58. Sher Garner Cahill Richter	2700	12/31/2027	7 Years 5 Months	20,766.00	3.81%	385,624.62	18.57	20.96	88.60%
59. Sher Garner Cahill Richter	2800	12/31/2027	7 Years 5 Months	11,426.00	2.10%	212,180.82	18.57	20.96	88.60%
60. Sher Garner Cahill Richter	2825	12/31/2027	7 Years 5 Months	82.00	0.02%	1,522.74	18.57	20.96	88.60%
Total FY 2028 Expirations				58,655.00	10.76%	1,130,849.65	19.28	20.60	93.59%

We have confirmed that AIG is leaving so we will remove them from the rent roll. Jacobson Engineering may be staying- another division of Jacobson Engineering may take their space, so we have left them in the rent roll.

Summary

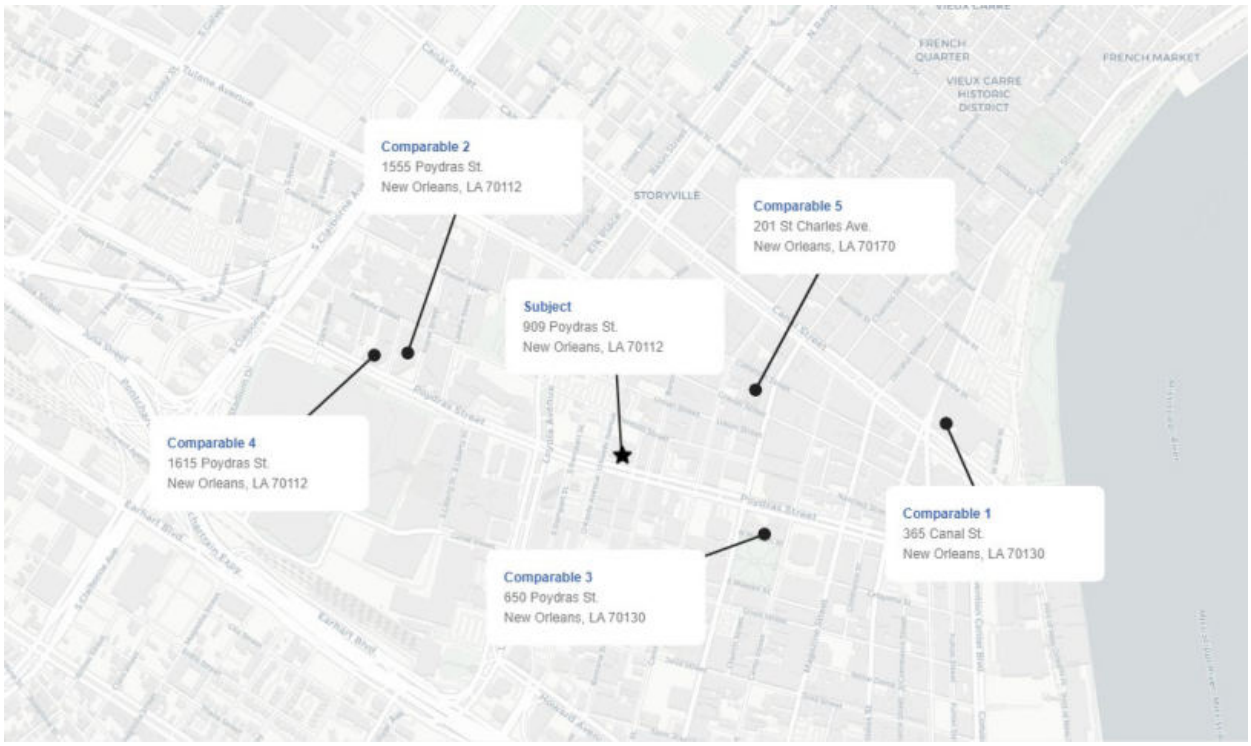
Based on the rent roll and a review of the subject leases, the subject reflects moderate risk of short-term rollover with 13.47% of the building set to expire in 2025. However, we expect that a number of these tenants will renew, as that has been the case historically. In the near-term, there is also relatively average rollover risk, with 9.27%, 11.06% and 10.76% of leases expiring in 2026, 2027 and 2028, respectively. This is not atypical for larger, multi-tenant buildings with a number of smaller-sized units like the subject, and such risk is generally offset by the aforementioned typical retention at the subject.

Recent Subject Leases/Renewals

There have not been any new leases, with the exception of one short-term lease from the last time we appraised until now. That tenant was short-term however, and the lease expired as of October 31, 2024. Six tenants have renewed since we last appraised: Weiler & Rees, Spears & spears, Department of Justice, Gori Law Firm, Kean Miller and Sullivan Stolier Knight have each renewed.

We also note McCranie Sistrunk Anzelmo is currently in on-going negotiations for renewal, and we extended the lease 1 year at the current rental rate. AIG and Jacobs Engineering are both set to expire and management confirmed that they will not renew and will vacate. These two tenants occupancy about 10K SF combined.

Comparable Office Rentals



#	Address	Type	Start Date	Free Rent / TI	Sq. Ft.	Floor Level	Base Rent	Lease Terms
1	365 Canal St	Office	Aug-24	N/A	1,369	26	$20.50	Modified Gross
2	1555 Poydras Street	Office	Mar-24	N/A	1,323	4	$22.00	Full Service
3	650 Poydras Street	Office	Nov-23	N/A	2,509	28	$16.00	Full Service
4	1615 Poydras Street	Office	Apr-23	N/A	6,031	10	$16.32	Full Service
5	201 St. Charles Avenue	Office	May-24	N/A	3,107	42	$21.00	Modified Gross
			Min:		**1,323**		**$16.00**	
			Avg:		**2,868**		**$19.16**	
			Max:		**6,031**		**$22.00**	

Office Lease Comps Rent Photos

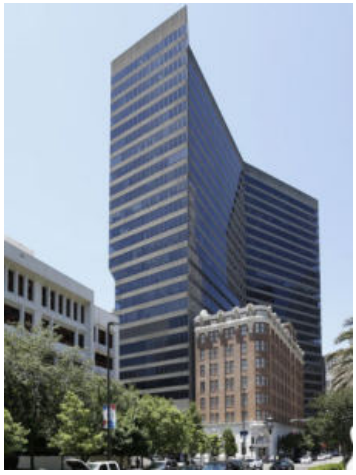
365 Canal St



1555 Poydras Street



650 Poydras Street



1615 Poydras Street



201 St. Charles Avenue



Office Lease Comps Rent Discussion

Comparable 1 is a 1,369 square foot space located on Canal Street in the CBD. This property was constructed in 1979 and renovated in 2016. The space is located on the 26th floor and has modified gross lease terms. The comparable overall is similar in quality and was rented for $20.50 per square foot. We note that this rental information was confirmed via CoStar.

Comparable 2 is a 1,323 square foot space located on Poydras Street in the CBD. This property was constructed in 1982. The starting rent is $22.00 per square foot and is located on the 4th floor with full service terms. We note that this rental information was confirmed via CoStar.

Comparable 3 is a 2,509 square foot space located on Poydras Street in the CBD. This property was constructed in 1983 and renovated in 2005. The space is located on the 28th floor and has full-service lease terms. The comparable overall is similar in quality and was rented for $16.00 per square foot. Typical lease terms in the building are between 3 and 4 years. Build-outs are sometimes offered, but the exact amount of TI is unlisted. We note that this rental information was confirmed via CoStar.

Comparable 4 is a 6,031 square foot space located on Poydras Street in the CBD. This property was constructed in 1984. The space is located on the 10th floor and was rented for $16.32 per square foot with full service lease terms. We note that this rental information was confirmed via CoStar.

Comparable 5 is a 3,107 square foot space located on St Charles Avenue in the CBD. This property was constructed in 1984. The comparable overall is similar in quality, and was leased at a rate of $21.00 per square foot with full service lease terms. We note that this rental information was confirmed via CoStar.

Office Rent Conclusion

The recent leases within the subject property range from $16.00 to $22.00 per square foot and average $19.16 per square foot. The higher end of the range typically reflects spaces on higher level floors and/or receiving a higher level of concessions (TI and free rent). Current asking rent is $18.00 to $20.00 per square foot with base year terms. Free rent is typically in the range of 4-6 months for new/expansion deals, and zero to 3 months for renewals. Terms are negotiable, but are typically between 3 to 5 years, but can be 10 years for larger spaces.

The market survey we conducted provided a range for office spaces from $16.00 to $22.00 per square foot, with an average of $19.16 per square foot. Given the subject's good quality space and location, we believe it would rent toward the average of the comparable range.

Based on feedback from market participants, the typical concessions for office space in the local market is roughly $25.00 per RSF per year of term for TI, and 3 months in free rent. This is generally in line with the recent new leasing activity at the subject (although a higher level of concessions are given for longer term lengths).

Overall, we conclude to the following market rents and terms for the office spaces. A summary of the market leasing assumptions is presented below. The assumptions are unchanged from the prior appraisal. We note that the most recent leases at the subject were at $19.00 and $19.25 per square foot.

Floors 1-13 & Ground Floor Retail			Floors 14-26		
	New Market	**Renewal Market**		**New Market**	**Renewal Market**
Renewal Probability		60%	Renewal Probability		60%
Market Rent	$18.50	$18.50	Market Rent	$18.75	$18.75
Months Vacant	6		Months Vacant	6	
Tenant Improvement	$25 PSF	$10 PSF	Tenant Improvement	$25 PSF	$10 PSF
Free Rent	3 months	1 month	Free Rent	3 months	1 month
Rent Changes	$0.50 annual	$0.50 annual	Rent Changes	$0.50 annual	$0.50 annual
Reimbursements	Base Year		Reimbursements	Base Year	
Term	5 years		Term	5 years	

Floors 27-36			<100 sf Retail		
	New Market	**Renewal Market**		**New Market**	**Renewal Market**
Renewal Probability		60%	Renewal Probability		60%
Market Rent	$19.75	$19.75	Market Rent	$25.00	$25.00
Months Vacant	6		Months Vacant	6	
Tenant Improvement	$25 PSF	$10 PSF	Tenant Improvement	$25 PSF	$10 PSF
Free Rent	3 months	1 month	Free Rent	3 months	1 month
Rent Changes	$0.50 annual	$0.50 annual	Rent Changes	$0.50 annual	$0.50 annual
Reimbursements	Base Year		Reimbursements	Base Year	
Term	5 years		Term	5 years	

Storage		
	New Market	**Renewal Market**
Renewal Probability		60%
Market Rent	$1,000/month	$1,000/month
Months Vacant	6	
Tenant Improvements	None	None
Free Rent	None	None
Rent Changes	None	None
Reimbursements	None	None
Term	5 years	

Our market rent forecast assumes a 5-year term, with $0.50 rent steps each year.

We note that most of the current leases are structured on a modified gross basis, with tenants reimbursing their pro-rata share of increases in operating expenses and real estate taxes over a base year. Thus, going forward for all new tenants, we assume market-oriented lease terms, whereby tenants reimburse increases over base year real estate taxes and expenses.

Free Rent

Based on our discussions with active market participants, it was indicated that free rent in the range of 1 month to 3 months is typical for new office leases. With the exception of one-year lease extensions which typically have no free rent, tenants at the subject recently received an average of 2.50 months free rent. Thus, based on our projected 5-year lease term, we project 3 months free rent for all new leases and 1 month for renewal leases.

Tenant Improvements

For office space, landlords may give a tenant improvement allowance within this market but it can vary and depends on the lease term. Further, it can depend on the condition of the space; such as if it is a shell and needs to be built out. Subject property management informed us that current TIs for new leases being offered are generally $5 to $7 per SF per year of term. This is generally in line with the recently signed new leases at the subject, and supported by our discussions with active market participants. Thus, we project a tenant improvement allowance of $25 PSF for new tenants and $10 PSF for renewal tenants.

Leasing Commissions

Standard local leasing commissions which were quoted between 3% and 6% of the annual gross lease amount. We will apply 4% for new leases and 2% for renewals.

Expense Reimbursements

Rents at the property are based on a modified gross structure whereby tenants reimburse their pro-rata share of increases in operating expenses, taxes, insurance, or a combination, over a base year. The historical expense reimbursement income is summarized below:

	2020	2021	2022	2024	Bowery DCF - Yr 1
Income					
Reimbursements	$59,934	$124,145	$225,532	$559,577	$158,524

We projected this income at $158,524 annually. We note that this projection is lower than the 2024 amount, but is consistent with the 2021-2023 amounts. We place no weight on the 2024 amount since it is an outlier and represents an annualized amount which is inaccurate.

Other Income

Parking Income

Historical and budgeted parking revenues are presented as follows:

	2020	2021	2022	2024	Bowery DCF - Yr 1
Income					
Parking Income	$901,406	$1,034,164	$1,014,828	$1,076,784	$1,000,000

Considering all available information, we project parking income at $1,000,000.

Other Rental Income

We note the property also generates income from parking income as well as additional fees such as late fees, termination fees, and some communications and storage income. The historical other rental income is summarized below:

	2020	2021	2022	2024	Bowery DCF - Yr 1
Income					
Other Rental Income	$55,545	$73,353	$56,003	$51,723	$55,000

Based on the above historicals, we project other rental income at $55,000. This is slightly lower than what was used in our last appraisal, but nonetheless reasonable based on historicals.

Vacancy and Credit Loss

The CoStar general New Orleans CBD Office Submarket vacancy was reported at 15.14% for Q3 2024, which is up 114 bps year over year.

We assume a static vacancy of 22.00%. The subject is considered stabilized, thus we have applied a moderate vacancy and collection loss of 4.75. The proforma is provided below. Given the vacancy, our subject is essentially stabilized and we will thus utilize a direct capitalization.

Operating Expense Analysis

We analyzed the subject's operating expense projection and those of comparable properties in developing our forecast of operating expenses. We were provided with three years of historical expenses, and 2024 expenses (which we have annualized). Therefore, we analyzed the subject's operating expense historical, as well as expense reports of comparable properties, in developing our forecast of operating expenses. The data, analyzed in terms of nominal and square footage (NRA), is presented as follows

Owner Provided Expenses

	2020		2021		2022		2024 (Ann.)	
Operating Expenses	**Total**	**Per SF**	**Total**	**Per SF**	**Total**	**Per SF**	**Total**	**Per SF**
Parking Income	$901,406	$1.65	$1,034,164	$1.90	$1,014,828	$1.86	$1,076,784	$1.98
Other Rental Income	$55,545	$0.10	$73,353	$0.13	$56,003	$0.10	$51,723	$0.09
Miscellaneous Income	$150	$0.00	$168	$0.00	$235,847	$0.43	$358,981	$0.66
Vacancy & Collection Loss	$0	$0.00	$0	$0.00	$0	$0.00	$0	$0.00
Effective Gross Income (EGI)	**$957,101**	**$1.76**	**$1,107,685**	**$2.03**	**$1,306,678**	**$2.40**	**$1,487,488**	**$2.73**
Operating Expenses								
Real Estate Taxes	$684,405	$1.26	$671,266	$1.23	$856,100	$1.57	$822,007	$1.51
Insurance	$254,424	$0.47	$318,113	$0.58	$442,188	$0.81	$506,189	$0.93
Utilities	$786,852	$1.44	$949,624	$1.74	$848,011	$1.56	$869,375	$1.59
Repairs and Maintenance	$576,782	$1.06	$467,921	$0.86	$541,309	$0.99	$384,100	$0.70
Cleaning	$550,322	$1.01	$601,666	$1.10	$602,802	$1.11	$581,625	$1.07
Payroll	$668,823	$1.23	$606,732	$1.11	$643,097	$1.18	$638,811	$1.17
General, Admin & Misc	$183,382	$0.34	$186,312	$0.34	$179,242	$0.33	$168,271	$0.31
Security	$233,037	$0.43	$244,523	$0.45	$265,211	$0.49	$263,613	$0.48
Non-Pass Through OE	$4,820	$0.01	$5,366	$0.01	$6,699	$0.01	$20,380	$0.04
Management	$476,510	$0.87	$484,258	$0.89	$495,508	$0.91	$491,916	$0.90
Total Operating Expenses (Excl. Taxe	**$3,734,952**	**$6.85**	**$3,864,515**	**$7.09**	**$4,024,067**	**$7.38**	**$3,924,280**	**$7.20**
Total Operating Expenses (Incl. Taxes	**$4,419,357**	**$8.11**	**$4,535,781**	**$8.32**	**$4,880,167**	**$8.95**	**$4,746,287**	**$8.71**

Comparable Regional Office Operational Expenses

We present operating expenses from regional comparables:

Comparable:	1	2	3	4	5	Average
Address	SE Region	SE Region	SE Region	SE Region	Confidential-Bowery Subj	
GBA:	349,231	914,774	631,274	174,700	401,184	494,233
Expense Year:	2021	2021	2019	2022 Budget	T-12 2021	
Operating Expenses						
Insurance	$87,308	$155,512	$157,819	$60,146	$143,943	$120,945
Utilities	$681,000	$969,660	$1,628,687	$410,485	$805,930	$899,153
Repairs and Maintenance	$460,985	$786,706	$915,347	$250,255	$280,629	$538,784
Cleaning	$230,492	$585,455	$530,270	$206,196	$299,072	$370,297
Payroll	n/a	n/a	n/a	$160,142	$529,376	$344,759
General, Admin & Misc	$447,016	$1,353,866	$220,946	$71,215	$81,603	$434,929
Security	$307,323	$896,479	$441,892	$160,058	$298,306	$420,812
Non-Pass Through OE	$0	$164,659	$56,815	$6,700	$789,246	$203,484
Management	$209,539	$283,580	$448,205	$154,120	$467,533	$312,595
Total Operating Expenses	**$2,423,663**	**$5,195,916**	**$4,399,980**	**$1,479,317**	**$3,695,638**	**$3,438,903**
Operating Expenses PSF						
Insurance	$0.25	$0.17	$0.25	$0.34	$0.36	$0.27
Utilities	$1.95	$1.06	$2.58	$2.35	$2.01	$1.99
Repairs and Maintenance	$1.32	$0.86	$1.45	$1.43	$0.70	$1.15
Cleaning	$0.66	$0.64	$0.84	$1.18	$0.75	$0.81
Payroll	n/a	n/a	n/a	$0.92	$1.32	$1.12
General, Admin & Misc	$1.28	$1.48	$0.35	$0.41	$0.20	$0.74
Security	$0.88	$0.98	$0.70	$0.92	$0.74	$0.84
Non-Pass Through OE	$0.00	$0.18	$0.09	$0.04	$1.97	$0.57
Management	$0.60	$0.31	$0.71	$0.88	$1.17	$0.73
Total Operating Expenses	**$6.94**	**$5.68**	**$6.97**	**$8.47**	**$9.21**	**$7.45**

Estimated Operating Expenses

Our stabilized annual expense forecast is presented. We note we base these figures on the leasable area of 545,157 square feet.

Real Estate Taxes

As presented earlier, we forecasted the tax payment at $808,163 annually.

Insurance

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

Per SF Summary	2020	2021	2022	2024	Low	Average	High
Subject	$0.47	$0.58	$0.81	$0.93			
Comparables					$0.17	$0.27	$0.36
Appraiser							**$1.05**

The subject's recent historical data is generally consistent. Note that the subject must have flood insurance given its location within the X500 Flood Zone. Overall, we have projected this expense at $1.05 per square foot, which is just above the comparables range and reasonable after giving consideration to the subject's historical data, the location within a flood zone, and feedback from market participants of rising insurance costs.

Utilities

Per SF Summary	2020	2021	2022	2024	Low	Average	High
Subject	$1.44	$1.74	$1.56	$1.59			
Comparables					$1.06	$1.99	$2.58
Appraiser							**$1.60**

This expense covers all utilities for the subject property including water, sewer, electric (tenant and common), and fuel. Based on our review of the subject's leases, office tenants are responsible for excess electrical usage (any electricity used in the premises in excess of standard electrical usage, defined as 6 watts demand load per rentable square foot). Alternatively, the landlord may elect to separately meter tenants' total consumption of electricity. For purposes of our analysis, and based on review of operating statements, we assume that tenants are individually metered and pay electric usage directly. Thus, utility costs at the subject correspond to all common area utilities. Such costs are generally considered to be fixed (i.e. limited fluctuation based on occupancy level). The subject's historical utility costs are generally consistent. Overall, we have projected this expense at $1.60 per square foot, which conforms to the owner's historicals. We note that this expense is slightly higher than our last report, but nonetheless reasonable.

Repairs & Maintenance

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

Per SF Summary	2020	2021	2022	2024	Low	Average	High
Subject	$1.06	$0.86	$0.99	$0.70			
Comparables					$0.70	$1.15	$1.45
Appraiser							**$0.95**

The owner's historical and budgeted data is generally consistent, and reasonably well-supported by the comparables. Overall, giving reliance to the subject's historical data and budget, and considering the size and age/condition of the subject, we have projected this expense at $0.95 per square foot, toward the low end of the range of comparables but reasonable considering the age/condition.

Cleaning

This expense covers all cleaning charges. The historical and budgeted amounts are presented below:

Per SF Summary	2020	2021	2022	2024	Low	Average	High
Subject	$1.01	$1.10	$1.11	$1.07			
Comparables					$0.64	$0.81	$1.18
Appraiser							**$1.15**

The owner's historical and budgeted data is generally consistent, and reasonably well-supported by the comparables. Overall, we have projected this expense at $1.15 per square foot, which is consistent with the historically reported expense and the owner's budgeted expense.

Payroll

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

Per SF Summary	2020	2021	2022	2024	Low	Average	High
Subject	$1.23	$1.11	$1.18	$1.17			
Comparables					$0.92	$1.12	$1.32
Appraiser							**$1.20**

The owner's historical and budgeted data is generally consistent, and is situated toward the upper end of the range of comparables. We have projected this expense at $1.20 per square foot, as supported by the subject's historical data.

General, Administrative, Professional & Miscellaneous

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

Per SF Summary	2020	2021	2022	2024	Low	Average	High
Subject	$0.34	$0.34	$0.33	$0.31			
Comparables					$0.20	$0.74	$1.48
Appraiser							**$0.35**

The owner's historical and budgeted data is generally consistent, and is situated toward the middle of the comparable range. This expense can vary considerably depending on ownership structure and other factors. Giving primary reliance to the historical data, we have projected this expense at $0.35 per square foot, which is at the low end of the comparable range and in line with investor expectations.

Security

This expense is for security services. The historical and budgeted amounts are presented below:

Per SF Summary	2020	2021	2022	2024	Low	Average	High
Subject	$0.43	$0.45	$0.49	$0.48			
Comparables					$0.70	$0.84	$0.98
Appraiser							**$0.52**

Although the owner's security expense is below the low end of the range, the historical and budgeted security expense data is consistent. Thus, we give the historical data at the subject reliance and project this expense at $0.52 per square foot.

Non-Pass Through Operating Expenses

This expense is for operating expenses that are not passed through to tenants. The historical budgeted amounts are presented below:

Per SF Summary	2020	2021	2022	2024	Low	Average	High
Subject	$0.01	$0.01	$0.01	$0.04			
Comparables					$0.04	$0.57	$1.97
Appraiser							**$0.01**

Similar to administrative/general expense, this cost can vary significantly based on property-specific factors. The subject owner historically has incurred a nominal non-pass-through cost. We have relied on the subject's historical data as indicative of costs that a typical investor would incur and projected this expense at $6,700 annually.

Management Fee

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

Per SF Summary	2020	2021	2022	2024	Low	Average	High
Subject	$0.87	$0.89	$0.91	$0.90			
Comparables					$0.31	$0.73	$1.17
Appraiser							**$0.49**

Typical management fees in the market range between 2% and 5% for this asset class. The subject's historical data ranges from 2.4% to 5.1%, with the management fee in more recent years based on 4.9% of EGI. Overall, considering the size, number of tenants, and investor expectations, we applied a management fee of 3.00% of effective gross income. Based on our projected effective gross income, the management fee equates to $0.49 per square foot.

Direct Capitalization Stabilized Income and Expenses

Stabilized Pro Forma

Pro Forma	$	Per SF
Income		
Potential Commercial Income	$8,188,007	$15.02
Opex Reimbursements	$158,524	$0.29
Parking Income	$1,000,000	$1.83
Other Rental Income	$55,000	$0.10
Potential Gross Income	**$9,401,531**	**$17.25**
Less Vacancy & Collection @ 4.75%	$446,573	$0.82
Effective Gross Income	**$8,954,958**	**$16.43**
Operating Expenses		
Real Estate Taxes	$808,163	$1.48
Insurance	$570,292	$1.05
Utilities	$870,000	$1.60
Repairs and Maintenance	$520,000	$0.95
Cleaning	$626,931	$1.15
Payroll	$654,188	$1.20
General, Admin & Misc	$190,805	$0.35
Security	$283,482	$0.52
Non-Pass Through OE	$6,700	$0.01
Management	$266,045	$0.49
Total Operating Expenses	**$4,796,606**	**$8.80**
Total Expenses Excluding RE Taxes	$3,988,443	$7.32
Net Operating Income	**$4,158,352**	**$7.63**
Operating Expense Ratio	54%	

(*) Note – potential rental income reflects subject operating at a stabilized level, with lease-up costs accounted for below the line.

NOI Comparison

	2020	2021	2022	2024	Bowery DCF - Yr 1
Income					
Rent	$8,543,391	$8,551,236	$8,428,863	$8,293,492	$8,188,007
Reimbursements	$59,934	$124,145	$225,532	$559,577	$158,524
Parking Income	$901,406	$1,034,164	$1,014,828	$1,076,784	$1,000,000
Other Rental Income	$55,545	$73,353	$56,003	$51,723	$55,000
Miscellaneous Income	$150	$168	$235,847	$358,981	$0
Potential Gross Income	**$9,560,426**	**$9,783,066**	**$9,961,073**	**$10,340,557**	**$9,401,531**
Less Vacancy & Collection	$0	$0	$0	$0	$446,573
Effective Gross Income	**$9,560,426**	**$9,783,066**	**$9,961,073**	**$10,340,557**	**$8,954,958**
Operating Expenses					
Real Estate Taxes	$684,405	$671,266	$856,100	$822,007	$808,163
Insurance	$254,424	$318,113	$442,188	$506,189	$570,292
Utilities	$786,852	$949,624	$848,011	$869,375	$870,000
Repairs and Maintenance	$576,782	$467,921	$541,309	$384,100	$520,000
Cleaning	$550,322	$601,666	$602,802	$581,625	$626,931
Payroll	$668,823	$606,732	$643,097	$638,811	$654,188
General, Admin & Misc	$183,382	$186,312	$179,242	$168,271	$190,805
Security	$233,037	$244,523	$265,211	$263,613	$283,482
Non-Pass Through OE	$4,820	$5,366	$6,699	$20,380	$6,700
Management	$476,510	$484,258	$495,508	$491,916	$266,045
Total Operating Expenses	**$4,419,357**	**$4,535,781**	**$4,880,167**	**$4,746,287**	**$4,796,606**
Total Operating Expenses (Excl. Taxes)	$3,734,952	$3,864,515	$4,024,067	$3,924,280	$3,988,443
Net Operating Income	**$5,141,069**	**$5,247,285**	**$5,080,906**	**$5,594,270**	**$4,158,352**
Operating Expense Ratio (excl. Taxes)	39%	40%	40%	38%	45%

Income Capitalization

In developing an opinion of the overall capitalization rate required by an investor, we will apply several methods of analyses: (1) Comparable Capitalization Rates; (2) National Survey Responses; (3) Band of Investment; and (4) Personal Surveys.

Band of Investment Technique

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

Mortgage Component

Mortgage rates are influenced by the Federal Funds Rate and generally correlate with other competitive rates such as certificates of deposit (CDs), mortgage-backed securities, corporate bonds, and Treasury notes. The Federal Funds Rate and a survey of some competitive rates are summarized below.

Survey of Competitive Rates

Federal Funds Rate	4.50%-4.75%
5-year CD	1.42%-4.10%
10-year Treasury Bond	4.10%
30-year Treasury Bond	4.38%
Corporate Bonds (AAA)	4.68%

Source: Federal Reserve Economic Data (FRED)

A survey of active lenders in the subject property's influencing market indicates that 25-year and 30-year mortgage commitments are typically 175 to 400 basis points above 10-year treasuries. Currently, 10-year treasuries are trading at 4.10% suggesting mortgage rates of roughly 5.80% to 8.05% or higher. The current macro environment has resulted in higher interest rates, expanding the cost of debt, and weakening demand in the mortgage market.

After surveying several commercial mortgage lenders, it is our opinion that a typical creditworthy purchaser could obtain financing from a lending source in an amount equal to 60% of value at an annual interest rate of 7.5% and a 30-year payout. Therefore, the mortgage constant is 0.0839.

Equity Component

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

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

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

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

Amount of Equity Investment Required- the greater the required equity investment (that portion of the total acquisition cost not typically funded by conventional financing), the higher the rate of return;

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

Applying an appropriate equity dividend rate to the mortgage equity technique is an integral part of the valuation process. As previously stated, the equity rate of return is sensitive to the risk associated with the property, whether it be location, income flows, functional or physical obsolescence, and most important of all, the economic climate. First, we look at national surveys to understand appropriate equity dividend rates. The latest Realty Rates survey indicates an average equity dividend rate of 11.01% and ranges from 7.44% to 15.38%.

Investor Surveys

Survey	Type of Product	Equity Dividend Rates
Realty Rates	Office – Central	7.44% to 15.38%
3Q 2024	Business District	11.01% Average

Based on our discussions with market participants, equity dividend rates for similar real estate investments typically range from 6.00% to 15.00%, depending on the above noted factors.

An investor would likely accept an initial annual return of 8% in anticipation of a stable income flow and property appreciation over time. It should be emphasized that the equity dividend rate is not necessarily the same as an equity yield rate or true rate of return on equity capital. The equity dividend rate is an equity capitalization that reflects all benefits that can be recognized by the equity investor as of the date of purchase. We selected this rate based on the subject's location and current tenant base. We summarize the mortgage and equity parameters utilized in our derivation of an overall capitalization rate.

Selected Loan Terms

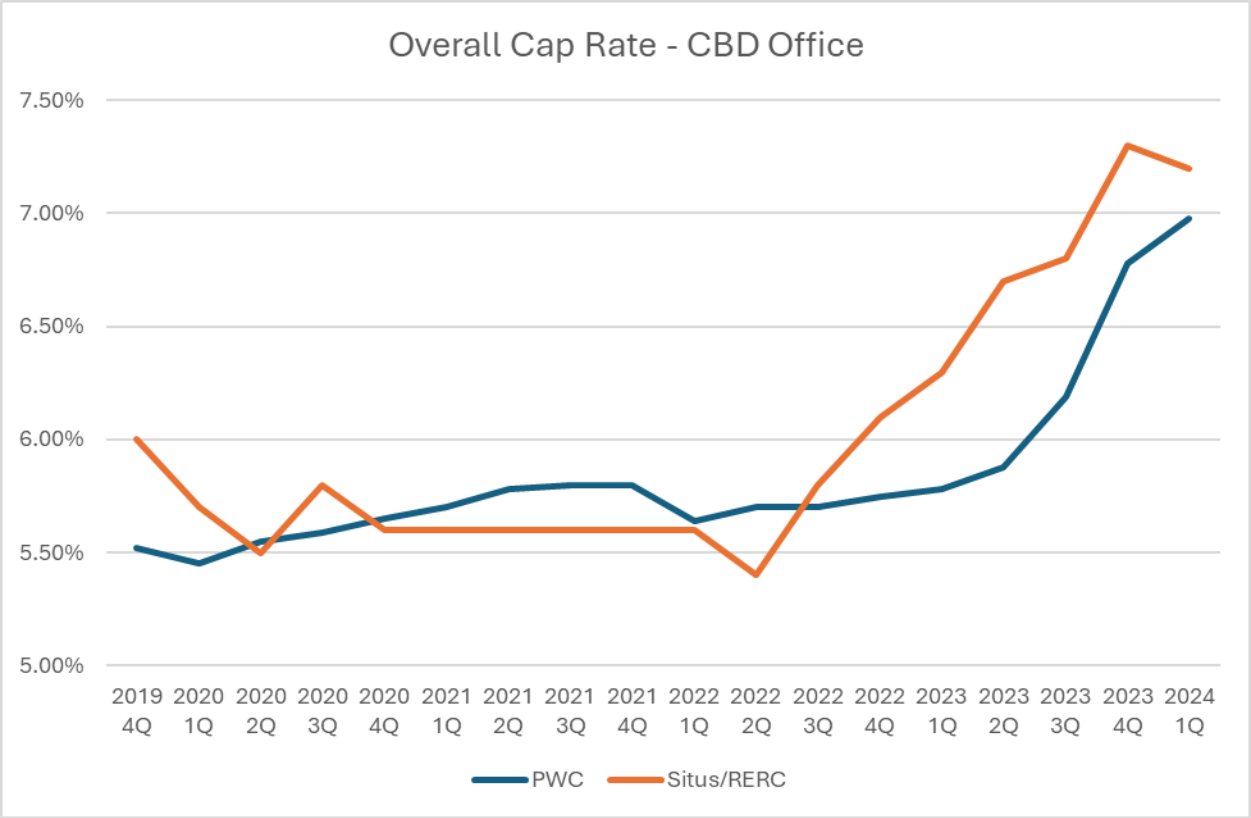
Typical Loan Terms	Value
Mortgage Rate	7.50%
Amortization Term (Years)	30
Number of Payments	360
Loan-to-Value Ratio (M)	60%
Equity Ratio	40%
Mortgage Constant	8.39%

Band of Investment

Band of Investment		Value
Mortgage Ratio		60%
Annual Mortgage Constant	x	8.39%
Mortgage Component		**5.03%**
Equity Ratio		40%
Equity Dividend Rate	x	8.00%
Equity Component		**3.20%**
Indicated Overall Rate		**8.23%**

Direct Capitalization Rates

The following graph depicts the overall capitalization rates from PWC and Situs RERC over the past five years:



While required returns ebbed and flowed for a couple years after the onset of the pandemic, there has been a noticeable shift in investor expectations since the middle of 2022. Rates have risen between 100 and 200 basis points since the middle of 2022 but have been virtually flat since the last quarter. As can be seen in the following table, the going in cap rate is 7.00% to 7.25% (up from about 5.6% in 2022). Conversations with local and regional market participants indicated that there is still an appetite for investment in office; however, the continued uncertainty in new leasing as well as renewals is clearly causing investors to require significantly higher returns.

The following are direct capitalization rates extracted from sale transactions in the general market area:

Comparable Overall Sale Capitalization Rates

#	Address	Type	Sale Date	Cap Rate
1	125 W Romana St, Pensacola, FL 32502	Office	Aug-22	7.40%
2	3150 Sabre Dr, Southlake, TX 76092	Office	Oct-22	6.87%
3	6601 Six Forks Rd, Raleigh, NC 27615	Office	Nov-22	6.64%
4	4110 George Rd, Tampa, FL 33634	Office	May-23	7.90%
5	150 W Flagler St, Miami, FL 33130	Office	May-23	7.60%
6	13430 Northwest Fwy, Houston, TX 77040	Office	Feb-24	8.50%
7	2909 Hillcroft Ave, Houston, TX 77057	Office	May-24	8.84%
8	9700-9702 Bissonnet St, Houston, TX 77036	Office	Jun-24	10.74%
			Average	**8.06%**

We analyzed sales of comparable assets within the subject's periphery. We note that all of the 2024 transactions were 8.50% or above.

Surveys – Overall Capitalization Rates

Survey	Type of Product	Overall Cap Rate		
PwC	National CBD Office	5.00%	-	9.50%
Third Quarter - 2024	Market	7.09%	avg	
Situs - R.E.R.C.	National CBD Office	6.00%	-	9.00%
Third Quarter - 2024	Market	7.30%	avg	

The surveyed capitalization rates range from 5.00% to 9.50% and have a central tendency between 7.09% and 7.30%.

Capitalization Rate Conclusion

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

In terms of its position within the market range, it is our view that an investor would accept a return slightly above the average of the range. The building is operating at market levels and is essentially stabilized based on the vacancy rate change, so we utilize Year 1 as our stabilized year. The asset is in a good location and is in good condition and well maintained. Finally, it is in a market where there has been continually steady demand for investment and capitalization rates have been generally level. Balancing these factors, it is our view that an 9.00% overall rate would be required by an investor. Deductions for TI's are also applied.

Below-the-Line Adjustments

Outstanding Tenant Improvement / Leasing Commissions

In preparation of our analysis, the Client informed us that there is $662,904 in outstanding TI allowance and leasing commissions which we have deducted from our final value.

Direct Capitalization Approach Value Conclusion

Our concluded value via the Direct Capitalization approach is presented as follows:

Direct Capitalization Summary

	Date of Value	Value
NOI		$4,158,352
OAR		9.00%
Indicated Value As If Stabilized		**$46,203,910**
Less: Outstanding TI/LC's		$662,904
Fair Value Via the Income Capitalization Approach	**September 30, 2024**	**$45,541,006**
Rounded	**September 30, 2024**	**$45,500,000**

Sales Comparison Approach

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

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

Unit of Comparison

In order to analyze comparable sales, it is necessary to convert the sale prices to an appropriate unit of comparison, a process which facilitates price comparisons between properties of different sizes, and it also enables adjustment for qualitative differences. Since investors typically purchase Class A office and retail properties in the subject's area in terms of value per square foot, we have applied this unit of comparison.

Comparable Sales

Comparable Sales Summary

#	Address	Type	Sale Date	GLA	Sale Price	Sale Price PSF	Occupancy
1	2425 West Loop South, Houston, TX 77027	Office	Aug-24	284,896	$27,000,000	$94.77	53%
2	1921 Katy Fwy, Houston, TX 77094	Office	Jul-24	203,284	$17,600,000	$86.58	53%
3	13430 Northwest Fwy, Houston, TX 77040	Office	Feb-24	245,846	$11,800,000	$48.00	62%
4	9700-9702 Bissonnet St, Houston, TX 77036	Office	Jun-24	525,580	$18,620,250	$35.43	52%
5	1106 Clayton Ln, Austin, TX 78723	Office	Jun-24	214,771	$15,800,000	$73.57	58%
6	1002 Noble Energy Way, Houston, TX 77070	Office	Listing	502,716	$35,000,000	$69.62	0%
7	4646 W Sam Houston Pky N, Houston, TX 77041	Office	Nov-24	225,000	$14,900,000	$66.22	n/a
8	5847 San Felipe St, Houston, TX 77057	Office	Feb-23	980,472	$104,500,000	$106.58	62%
9	1200 Brookfield Blvd, Greenville, SC 29607	Office	Oct-24	214,646	$13,940,150	$64.94	0%
					Average	**$71.75**	

Notable Sale Summary

Sale 1 is a 284.896 sf Class A office building designed by IM Pei. It was listed for auction in May 2024 since the seller was in bankruptcy at the time of the transaction. The property was 53% leased at the time of sale and in an 11-story building on 2.45 acres with 929 parking spaces. The property features state of the art health and wellness amenities for tenants, as well as a conference facility and lounge area.

Sale 2 is a 203,284 sf Class A building known as the Offices at Greenhouse. It was 53% leased at the times of sale and was considered a distress sale. The seller acquired the property in 2016 for $47,000,000 with a loan of $72,000,000 and has struggled to pay off the debt. The buyer plans to renovate the property by the end of the year.

Comparable 6 is a 502,716 sf Class A 20-story building, with a built-out lobby and first twelve floors; floors 13-20 are in shell condition and ready to be built-out. It features LEED Gold Certification, a "townhall" event area, and an 8-story parking garage. It is currently for sale and is being offered both at 0% occupancy for a price of $35,000,000 and at 100% occupancy for an asking price of $90,000,000.

Reconciliation

The comparable sales exhibited a range between $35 to $107 per square foot with an average of $71.75 . The subject has a much higher occupancy rate than these sales, and thus we believe it would trade at the high end of the range. We also consider the subject's large size, and the fact that its market is slightly inferior to Houston. Overall, considering the elements of comparison noted above, our opinion of market value is $85 per square foot and calculated as follows.

We also apply the same lease-up adjustments to value as considered in the direct capitalization approach.

Value Conclusion Via Sales Approach

Concluded Value Per SF		$85
SF		545,157
Indicated Value As If Stabilized		**$46,338,345**
Less: Outstanding TI/LC's		$662,904
Fair Value via the Sales Comparison Approach	**September 30, 2024**	**$45,675,441**
Rounded	**September 30, 2024**	**$45,700,000**

Reconciliation & Final Value Opinion

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

Approach	Value	Interest Appraised	Date of Value	Conclusion
Cost Approach	N/A	N/A	N/A	Not Applied
Income Approach	Fair Value	Leased Fee Interest	September 30, 2024	$45,500,000
Sales Approach	Fair Value	Leased Fee Interest	September 30, 2024	$45,700,000

The **Cost Approach** is traditionally a good indicator of value when properties being appraised are new or close to new. The subject was constructed in 1987 (renovated in 2012), and has notable physical and economic depreciation. The difficulty in credibly isolating the influence of these factors on value affects the reliability of this approach. More importantly, investors typically give nominal weight to this analysis since the asset is operating on a stabilized basis and its cost bears little relationship to the value. Therefore, as a result of the limited use of this approach, it has not been applied.

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

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

Final Value Opinion

Value	Interest Appraised	Date of Value	Conclusion
Fair Value	Leased Fee Interest	September 30, 2024	$45,500,000

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

- None.

The value conclusions are based on the following **Hypothetical Conditions**[10] that may affect the assignment results:

- None.

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

[9] *The definition of Extraordinary Assumptions can be found in the Glossary of Terms, which is located in the Addenda.*

[10] *The definition of Hypothetical Conditions can be found in the Glossary of Terms, which is located in the Addenda.*

Certification

We certify to the best of our knowledge:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- Bowery Valuation previously appraised the property as of December 31, 2020 and September 30, 2021.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The appraisal was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice and the current version of the FIRREA of 1989, including its Title XI regulations.
- We Go Look inspected the asset and its environs on October 6, 2022. Katelin Kutchko from Bowery Valuation inspected the asset and its environs on December 20, 2019. Michelle Zell, MAI Katelin Kutchko, and Steve Zheng have not made a personal inspection of the property that is the subject of this report.
- Katelin Kutchko and Steve Zheng provided significant real property appraisal assistance to the person signing this certification.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.
- As of the date of this report, Michelle Zell, MAI has completed the continuing education program for Designated Members of the Appraisal Institute.
- Michelle Zell, MAI previously oversaw the appraisal of this asset while at BBG. As detailed above, in order to acquire geographic competency, the appraisers have researched the local market, examined supply and demand factors, economic and development activity, and interviewed local market participants and real estate brokers.



Michelle Zell, MAI
Senior Vice President
LA License #: G4507
michelle.zell@boweryvaluation.com
(917) 533-3141

Addenda

Glossary of Terms

Unless otherwise noted, *The Dictionary of Real Estate Appraisal*, 6th edition (Chicago: Appraisal Institute, 2015) and *Subdivision Valuation, 2nd edition* (Chicago: Appraisal Institute, 2017) are the sources of the following definitions.

Absorption Short term capture; the process whereby any specific commodity is occupied, leased, and/or sold to an end user.

Absorption Period The actual or expected period from the time a property is initially offered for lease, purchase or use by its eventual users until all portions have been sold or stabilized occupancy has been achieved. Although marketing may begin before the completion of construction, most forecasters consider the absorption period to begin after completion of construction. Also referred to as sell-out period.

Absorption Rate The rate at which properties for sale or lease have been or are expected to be successfully marketed in a given area: usually used in forecasting sales or listing activity. (see also Capture Rate)

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

(a) the particular asset or liability being measured;

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

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

(d) the appropriate valuation technique(s) to use when measuring fair value. The valuation technique(s) used should maximize the use of relevant observable inputs and minimize unobservable inputs. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability (according to IFRS-13).

As Is Market Value The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date, according to the Interagency Appraisal and Evaluation Guidelines (Federal Deposit Insurance Corporation: 2010). Note: The use of the "as is" phrase is specific to appraisal regulations pursuant to FIRREA applying to appraisals prepared for regulated lenders in the United States.

Bulk Value The value of multiple units, subdivided plots, or properties in a portfolio as though sold together in a single transaction.

Bulk Value Scenario The valuation scenario employed in subdivision valuation and other appraisal problems in which a group of properties are evaluated under a bulk sale scenario. This valuation scenario has as its premise the valuation of a group of lots or units to one purchaser; it is a "market value" estimate that recognizes a specific valuation scenario that is based on the presumption of a transaction in which a group of lots are to be sold to one purchaser as one sales transaction. The value estimate must reflect this bulk sale scenario and recognize that the only way the purchaser can earn a profit on the investment is to eventually sell the lots or units over time to eventual end users. The bulk sale scenario considers the absorption period needed to market the lot inventory over time with appropriate deductions and discounts for holding and sales costs as well as profit. This

	analysis assumes that time is of the essence and lot or unit inventory will be made available for sale to match available market demand at the market-supported retail lot or unit values.
Capture Rate	The estimated percentage of the total potential market for a specific type of property (e.g., office space, retail space, single family homes) that is currently absorbed by existing facilities or is forecast to be absorbed by proposed facilities: short term capture is referred to as absorption; long term capture is referred to as share of the market.
Condominium	A multiunit structure, or a unit within such a structure, with a condominium form of ownership.
Deferred Maintenance	Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of the property, such as a broken window, a dead tree, a leak in the roof, or a faulty roof that must be completely replaced. These items are almost always curable.
Depreciation	A loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvements on the same date.
Developer's Profit	The profit anticipated by the developer of a subdivision. See Developer's Fee.
Developer's Fee	A term subject to various interpretations. Many appraisers associate a developer's fee with payment for overseeing the development of a project from inception to completion and include it among the direct and indirect costs of development. Other use the term interchangeably with entrepreneurial profit, equating it with compensation for the time, energy and experience a developer invests in a project, as well as, a reward for the risk the developer takes.
Development	The transformation of formerly raw land into improved property through the application of labor, capital and entrepreneurship. Development may also include the marketing of the real estate product.
Development Cost	In subdivision analysis, development costs are usually the direct and indirect costs associated with the construction phase of the subdivision development. Direct costs are costs associated with the physical improvements to the land and indirect costs are representative of engineering, surveying, attorney's fees and other indirect costs associated directly with subdivision construction and/or development.
Direct Capitalization	A method used to convert an estimate of a single year's net operating income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. This technique employs capitalization rates and multipliers extracted from sales. Only the first year's income is considered. Yield and value change are implied, but not identified overall. This method is most useful when the property is already operating on a stabilized basis, according to The Appraisal of Real Estate, 14th Edition (Appraisal Institute: 2013).
Discounted Cash Flow	The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analysis specifics the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate.
Effective Date	(1) The date on which the appraisal or review applies. (2) In a lease document, the date upon which the lease goes into effect.
Effective Gross Income	The anticipated income from all operations of real property adjusted for vacancy and collection losses.
Entitlement	In the context of ownership, use and/or development of real property, the rights to receive governmental approval for annexation, zoning, utility extensions, construction permits and occupancy/use permits. The approval period is usually finite and may require the owner and/or developer to pay impact and/or user fees in addition to other costs to secure the entitlement. Entitlements may be transferable, subject to covenants or government protocols, may constitute vested rights and may represent an

	enhancement to a property's value.
Entrepreneur	One who assumes the risk and management of a business or enterprise in exchange for possible gains a promoter who initiates development.
Entrepreneurial Incentive	A market-derived figure that represents the amount and entrepreneur expects to receive for his or her contribution to a project and risk.
Entrepreneurial Profit	(1) A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses. (2) In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.
Equity Dividend	The portion of net income that remains after debt service is paid; this is returned to the equity position.
Exposure Time	(1) The time a property remains on the market. (2) The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. Note: Exposure time is a retrospective.
Extraordinary Assumption	An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.
Fee Simple Interest	Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.
Financial Feasibility	An analysis to determine which of those uses deemed possible and legal can provide a net return to the owner of the site.
Gross Building Area	Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.
Gross Proceeds	The gross receipts generated from lot or unit sales over the absorption period in subdivision discounted cash flow analysis. Gross proceeds can consider income from ancillary sources and are representative of the total income generated from unit or lot sales over time. Typically, gross proceeds represent the sum of the retail lot values at the start of the absorption period, plus lot value inflation over the absorption period, if any, and nay ancillary income.
Gross Sellout	The aggregate of the individual retail prices of a group of lots or units as of the initial date of valuation. May also be referred to as "sum of the retail values," "gross retail value," "aggregate of retail values," "gross sell-out value," or "gross retail value." The value is as of the date of valuation and ignores future lot value inflation. The recommended terminology is "sum of the retail values."
Highest and Best Use	(1) The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. (2) The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid, according to David Parker's International Valuation Standards (John Wiley & Sons, Ltd: 2016). (3)

	The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future, according to the Uniform Appraisal Standards for Federal Land Acquisitions (The Appraisal Foundation: 2016).
Holding and Sales Costs	Costs associated with a holding period needed to achieve permitting, project approvals, construction, or the absorption of unit inventory over time. Holding and sales costs include items such as real estate taxes, insurance, brokers' commissions, administrative costs, marketing and promotional expenses, and other expenses depending on the individual development and/or property. These costs do not include any direct or indirect construction costs or profit.
Hypothetical Condition	A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis.
Insurable Value	A type of value for insurance purposes.
Leased Fee Interest	The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.
Leasehold Interest	The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.
Legally Permissible Use	An investigation into existing zoning regulations, lease terms, and deed restrictions on the site to determine which uses are legally permitted.
Line Item Profit	In subdivision valuation, a deduction made for profit as an expense in the discounted cash flow analysis over the period under study. Line-item profit is estimated in conjunction with the selection of the discount rate or yield rate used to calculate the present value of the net proceeds.
Marketing Time	An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.
Market Rent	The most probable rent that property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).
Net Operating Income	The anticipated net income remaining after all operating expenses are deducted from effective gross income.
Net Proceeds	In subdivision discounted cash flow analysis, net proceeds are gross revenues less holding and sales costs and any line item profit associated with a subdivision project.
Net Rentable Area	For office or retail buildings, the tenant's pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based; calculated according to local practice.
Physically Possible Use	An analysis to determine those uses of the subject which can be deemed physically possible.
Potential Gross Income	The total potential income attributable to the real property at full occupancy before operating expenses are deducted. It may refer to the level of rental income prevailing in the market or that contractually determine by existing leases.
Profit	1) The amount by which the proceeds of a transaction exceeds its cost; 2) In theoretical economics, the residual share of the product of an enterprise that accrues to the entrepreneur after paying interest for capital, rent for land and wages for labor and management; 3) Accounting, an increase in wealth that results from the operation of an enterprise. Gross profit usually is the selling price minus costs: items such as selling and

	operating expenses are deducted from gross profit to indicate net profit.
Profit Motive	The desire to earn a favorable financial return on a business venture.
Property Rights Appraised	The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.
Prospective Opinion of Value	A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.
Replacement Costs	The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout.
Replacement Cost for Insurance Purposes	The estimated cost, at current prices as of the effective date of valuation, of a substitute for the building being valued, using modern materials and current standards, design, and layout for insurance coverage purposes guaranteeing that damaged property is replaced with new property (i.e., depreciation is not deducted).
Reproduction Costs	The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, super-adequacies, and obsolescence of the subject building.
Retrospective Value Opinion	A value opinion effective as of a specified historical date. The term retrospective does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion".
Reversion	A lump-sum benefit an investor expects to receive upon the termination of the investment.
Sell-Out Period	Another term for “absorption period.”
Stabilized Income	(1) An estimate of income, either current or forecasted, that presumes the property is at stabilized occupancy. (2) The forecast of the subject property’s yearly average income (or average- equivalent income) expected for the economic life of the subject property. (3) Projected income that is subject to change but has been adjusted to reflect an equivalent, stable annual income.
Stabilized Occupancy	(1) The occupancy of a property that would be expected at a particular point in time, considering its relative competitive strength and supply and demand conditions at the time, and presuming it is priced at market rent and has had reasonable market exposure. A property is at stabilized occupancy when it is capturing its appropriate share of market demand. (2) An expression of the average or typical occupancy that would be expected for a property over a specified projection period or over its economic life.
Subdivision	A tract of land that has been divided into lots or blocks with streets, roadways, open areas, and other facilities appropriate to its development as residential, commercial, or industrial sites.
Subdivision Development Method	A method of estimating land value when subdivision and development are the highest and best use of the parcel of land being appraised. When all direct and indirect costs and entrepreneurial incentive are deducted from an estimate of the anticipated gross sales price of the finished lots resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the value of the raw land. Also, may be called Development Procedure.
Sum of Retail Values	The sum of the separate and distinct market value opinion for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of

valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called the aggregate of the retail values or aggregate retail selling price.

Yield Capitalization The capitalization method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate. This method explicitly considers a series of cash flows (net income over a holding period) over time together with any reversion value or resale proceeds. Since this technique explicitly reflects the investment's income pattern, it is especially suited to multi-tenant properties with varying leasing schedules as well as properties that are not operating at stabilized occupancy, according to The Appraisal of Real Estate, 14th Edition (Appraisal Institute: 2013).

Provided Information

PROJ: NO110

Hertz 909 Poydras, LLC
MONTHLY INCOME STATEMENT
As of September 30, 2024

Date: 11/1/2024 Page: 1
Time: 6:18 PM

	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	Total
OPERATING INCOME													
Rental Income Gross	709,500	699,748	731,218	713,277	716,673	693,372	716,482	715,960	689,928	0	0	0	6,386,156
Rent Abatement	(48,468)	(53,661)	(23,460)	(8,204)	(40,096)	(10,846)	(8,959)	(5,361)	(1,320)	0	0	0	(200,375)
Operating Expense Recovery	26,959	25,373	26,932	37,637	19,887	29,241	28,784	39,944	34,507	0	0	0	269,263
Parking Income	98,925	80,624	78,572	106,327	105,525	89,226	91,272	78,460	78,657	0	0	0	807,588
Other Rental Income	5,540	7,170	(1,090)	1,180	5,153	4,843	3,697	5,387	6,767	0	0	0	38,646
Other Income	24	8	8	14	18	20	14	18	22	0	0	0	146
TOTAL OPERATING INCOME	792,480	759,261	812,180	850,230	807,159	805,856	831,289	834,408	808,561	0	0	0	7,301,425
OPERATING EXPENSES													
Cleaning and Janitorial	48,456	48,537	47,530	48,346	47,325	48,852	49,848	47,723	49,601	0	0	0	436,219
Repair & Maintenance	20,768	16,365	47,521	21,672	49,199	32,388	32,243	38,997	28,920	0	0	0	288,075
Utilities	71,045	71,562	80,191	57,618	71,548	77,953	79,891	67,372	74,851	0	0	0	652,031
CAM	1,446	1,446	1,454	1,454	2,808	1,508	2,153	1,508	1,508	0	0	0	15,285
Security	22,056	21,084	22,196	23,211	22,318	21,579	22,374	12,442	30,448	0	0	0	197,710
Employee Payroll	52,167	51,720	51,490	54,601	56,708	54,431	49,913	54,102	53,976	0	0	0	479,108
General and Administrative	10,975	12,255	18,464	18,269	14,541	13,564	15,141	11,572	11,421	0	0	0	126,203
Management Fee Expense	38,491	40,460	45,184	43,920	32,557	41,443	41,775	48,835	36,271	0	0	0	368,937
Property Taxes	67,347	67,883	67,347	67,381	77,160	67,347	67,347	67,347	67,347	0	0	0	616,505
Insurance	43,133	43,133	43,133	43,133	43,133	43,541	45,290	34,387	40,759	0	0	0	379,642
TOTAL OPERATING EXPENSES	375,885	374,447	424,512	379,606	417,297	402,607	405,975	384,284	395,103	0	0	0	3,559,716
NET OPERATING INCOME	416,596	384,815	387,668	470,624	389,861	403,249	425,314	450,124	413,458	0	0	0	3,741,709

Database: R52999900001 | Project Cost Summary Report-AP Detail (Open Jobs) | Page: 1
Run for budget type: JCB| | Hertz Investment Group LLC | Date: 11/21/2024
Run for cost list: Cap| | For Period: 01/07 through 12/25 | Time: 5:02 PM
Run for journal entry types: A|

Cost Code	Occupant/Description	Original Budget	Approved Budget	Expensed to Date	Paid to Date	Retention Payable	Remaining To PAY	
TI/LC New and Expansions								
ENTITY: NO110 Hertz 909 Poydras, LLC								
JOB: NO110196	***Scott Vicknair LLC***	***SCOTT VICKNAIR #2025***						010272
PHASE: 1	***SCOTT VICKNAIR #2025***							
011000	TI New - Allowance/Turnkey	80,000.00	80,000.00	83,728.05	83,728.05	0.00	0.00	
012000	TI New - Other Landlord Suite Rela	28,000.00	28,000.00	36,210.50	36,210.50	0.00	0.00	
015000	Leasing Commissions New	21,725.28	21,725.28	17,310.88	17,310.88	0.00	4,414.40	
JOB TOTALS:	Scott Vicknair LLC	129,725.28	129,725.28	137,249.43	137,249.43	0.00	4,414.40	
JOB: NO110200	***John Kensla dba N.O. Hot Sauce Co***	***N.O. HOT SAUCE CO #2380***						010573
PHASE: 1	***N.O. HOT SAUCECO #2380***							
011000	TI New - Allowance/Turnkey	55,057.33	55,057.33	58,269.85	58,269.85	0.00	0.00	
012100	TI New - Other Landlord Common /	40,000.00	40,000.00	42,678.00	42,678.00	0.00	0.00	
015000	Leasing Commissions New	9,009.00	9,009.00	9,009.00	9,009.00	0.00	0.00	
019000	Tenant Reimbursments New	0.00	0.00	-2,835.05	-2,835.05	0.00	2,835.05	
JOB TOTALS:	John Kensla dba N.O. Hot Sau	104,066.33	104,066.33	107,121.80	107,121.80	0.00	2,835.05	
JOB: NO110201	***John Fuller***	***J.FULLER #2250***						010605
PHASE: 1	***J.FULLER #2250***							
011000	TI New - Allowance/Turnkey	38,691.60	38,691.60	38,691.60	38,691.60	0.00	0.00	
015000	Leasing Commissions New	10,226.09	10,226.09	10,226.09	10,226.09	0.00	0.00	
019000	Tenant Reimbursments New	0.00	0.00	-1,737.40	-1,737.40	0.00	1,737.40	
JOB TOTALS:	John Fuller	48,917.69	48,917.69	47,180.29	47,180.29	0.00	1,737.40	
JOB: NO110207	***Marigny Capital Services, LLC***	***MARIGNY #2200***						010854
PHASE: 1	***MARIGNY #2200***							
011000	TI New - Allowance/Turnkey	222,976.00	222,976.00	222,976.00	222,976.00	0.00	0.00	
012100	TI New - Other Landlord Common /	40,000.00	40,000.00	40,000.00	40,000.00	0.00	0.00	
015000	Leasing Commissions New	105,446.70	105,446.70	105,446.70	105,446.70	0.00	0.00	
JOB TOTALS:	Marigny Capital Services, LLC	368,422.70	368,422.70	368,422.70	368,422.70	0.00	0.00	
JOB: NO110226	***Fox-Nesbit Engineering LLC***	***FOX-NESBIT ENGENEERING #1075***						011457
PHASE: 1	***FOX-NESBIT ENGINEERING #1075***							
011000	TI New - Allowance/Turnkey	79,272.00	79,272.00	96,530.00	96,530.00	0.00	0.00	
012100	TI New - Other Landlord Common /	100,000.00	100,000.00	2,304.00	2,304.00	0.00	97,696.00	
015000	Leasing Commissions New	17,234.31	17,234.31	17,234.31	17,234.31	0.00	0.00	
JOB TOTALS:	Fox-Nesbit Engineering LLC	196,506.31	196,506.31	116,068.31	116,068.31	0.00	97,696.00	
JOB: NO110232	***Herman Herman & Katz LLC***	***HERMAN HERMAN & KATZ #1860***						011610
PHASE: 1	***HERMAN HERMAN & KATZ #1860***							
011000	TI New - Allowance/Turnkey	59,251.50	59,251.50	62,300.00	62,300.00	0.00	0.00	
015000	Leasing Commissions New	19,901.68	19,901.68	19,901.68	19,901.68	0.00	0.00	
JOB TOTALS:	Herman Herman & Katz LLC	79,153.18	79,153.18	82,201.68	82,201.68	0.00	0.00	
JOB: NO110233	***Blanchard and Company Inc***	***BLANCHARD #2300***						011611
PHASE: 1	***BLANCHARD #2300***							
011000	TI New - Allowance/Turnkey	293,736.00	293,736.00	292,345.30	292,345.30	0.00	1,390.70	
012100	TI New - Other Landlord Common /	32,500.00	32,500.00	144,257.06	144,257.06	0.00	0.00	
015000	Leasing Commissions New	60,510.88	60,510.88	60,510.87	60,510.87	0.00	0.01	

Database: R52999900001 | Project Cost Summary Report-AP Detail (Open Jobs) | Page: 2
Run for budget type: JCB| | Hertz Investment Group LLC | Date: 11/21/2024
Run for cost list: Cap| | For Period: 01/07 through 12/25 | Time: 5:02 PM
Run for journal entry types: A|

Cost Code	Occupant/Description	Original Budget	Approved Budget	Expensed to Date	Paid to Date	Retention Payable	Remaining To PAY	
JOB TOTALS:	Blanchard and Company Inc	386,746.88	386,746.88	497,113.23	497,113.23	0.00	1,390.71	
JOB: NO110234	***Alvendia, Kelly & Demarest,LLC***		***ALVENDIA KELLY #1625***					010534
PHASE: 1	***ALVENDIA KELLY #1625***							
011000	TI New - Allowance/Turnkey	27,740.31	27,740.31	0.00	0.00	0.00	27,740.31	
015000	Leasing Commissions New	16,778.09	16,778.09	16,778.09	16,778.09	0.00	0.00	
JOB TOTALS:	Alvendia, Kelly & Demarest,LL(	44,518.40	44,518.40	16,778.09	16,778.09	0.00	27,740.31	
JOB: NO110235	***Glago Law Firm / Klotz & Early***		***GLAGO - #2950***					008573
PHASE: 1	***GLAGO - #2950***							
011000	TI New - Allowance/Turnkey	134,500.00	134,500.00	156,876.46	134,254.10	0.00	245.90	
015000	Leasing Commissions New	28,212.32	28,212.32	28,212.32	28,212.32	0.00	0.00	
JOB TOTALS:	Glago Law Firm / Klotz & Early	162,712.32	162,712.32	185,088.78	162,466.42	0.00	245.90	
JOB: NO110238	***Scott Vicknair LLC***		***SCOTT VICKNAIR # 1225***					011702
PHASE: 1	***SCOTT VICKNAIR #1225***							
011000	TI New - Allowance/Turnkey	171,780.00	171,780.00	205,329.00	205,329.00	0.00	0.00	
012000	TI New - Other Landlord Suite Rela	17,500.00	17,500.00	0.00	0.00	0.00	17,500.00	
012100	TI New - Other Landlord Common /	65,000.00	65,000.00	0.00	0.00	0.00	65,000.00	
015000	Leasing Commissions New	28,030.91	28,030.91	17,843.81	17,843.81	0.00	10,187.10	
JOB TOTALS:	Scott Vicknair LLC	282,310.91	282,310.91	223,172.81	223,172.81	0.00	92,687.10	
Total Hertz 909 Poydras, LLC		**1,803,080.00**	**1,803,080.00**	**1,780,397.12**	**1,757,774.76**	**0.00**	**228,746.87**	
TOTAL TI/LC New and Expansio		**1,803,080.00**	**1,803,080.00**	**1,780,397.12**	**1,757,774.76**	**0.00**	**228,746.87**	
TI/LC Renewals								
ENTITY:NO110	***Hertz 909 Poydras, LLC***							
JOB: NO110191	***City Greens***		***CITY GREENS #125***					009516
PHASE: 1	***CITY GREENS #125***							
021000	TI Renewal - Allowance/Turnkey	29,101.16	29,101.16	0.00	0.00	0.00	29,101.16	
022100	TI Renewal - Other Landlord Comm	5,000.00	5,000.00	0.00	0.00	0.00	5,000.00	
025000	Leasing Commissions Renewal	7,957.15	7,957.15	7,957.15	7,957.15	0.00	0.00	
JOB TOTALS:	City Greens	42,058.31	42,058.31	7,957.15	7,957.15	0.00	34,101.16	
JOB: NO110208	***Moses Engineers, Inc.***		***MOSES ENGINEERING # 1100***					010951
PHASE: 1	***MOSES ENGINEERING #1100***							
021000	TI Renewal - Allowance/Turnkey	80,359.65	80,359.65	80,359.65	80,359.65	0.00	0.00	
025000	Leasing Commissions Renewal	20,490.42	20,490.42	20,490.41	20,490.41	0.00	0.01	
JOB TOTALS:	Moses Engineers, Inc.	100,850.07	100,850.07	100,850.06	100,850.06	0.00	0.01	
JOB: NO110214	***Sullivan Stolier LC***		***SULLIVAN STOLIER #2600***					011219
PHASE: 1	***SULLIVAN STOLIER #2600***							
022000	TI Renewal - Other Landlord Suite I	29,662.00	29,662.00	23,320.00	23,320.00	0.00	6,342.00	
JOB TOTALS:	Sullivan Stolier LC	29,662.00	29,662.00	23,320.00	23,320.00	0.00	6,342.00	

Database: R52999900001 | Project Cost Summary Report-AP Detail (Open Jobs) | Page: 3
Run for budget type: JCB| | Hertz Investment Group LLC | Date: 11/21/2024
Run for cost list: Cap| | For Period: 01/07 through 12/25 | Time: 5:02 PM
Run for journal entry types: A|

Cost Code	Occupant/Description	Original Budget	Approved Budget	Expensed to Date	Paid to Date	Retention Payable	Remaining To PAY	
JOB: NO110216	***Stanley, Flanagan & Reuter,LLC***	***STANLEY REUTER ROSS #2500***						008304
PHASE: 1	***STANLEY REUTER ROSS #2500***							
025000	Leasing Commissions Renewal	25,181.84	25,181.84	25,181.84	25,181.84	0.00	0.00	
JOB TOTALS:	Stanley, Flanagan & Reuter,LL	25,181.84	25,181.84	25,181.84	25,181.84	0.00	0.00	
JOB: NO110223	***Schonekas Evans McGoey McEachi***	***SCHONEKAS, EVANS #1600***						011396
PHASE: 1	***SCHONEKAS, EVANS #1600***							
022100	TI Renewal - Other Landlord Comm	75,000.00	75,000.00	54,399.78	54,399.78	0.00	20,600.22	
025000	Leasing Commissions Renewal	25,000.20	25,000.20	39,190.08	39,190.08	0.00	0.00	
JOB TOTALS:	Schonekas Evans McGoey Mc	100,000.20	100,000.20	93,589.86	93,589.86	0.00	20,600.22	
JOB: NO110227	***Beau Box New Orleans LLC***	***BEAU BOX #3025***						011455
PHASE: 1	***BEAU BOX #3025***							
021000	TI Renewal - Allowance/Turnkey	6,000.00	6,000.00	4,706.00	4,706.00	0.00	1,294.00	
025000	Leasing Commissions Renewal	8,598.42	8,598.42	8,598.42	8,598.42	0.00	0.00	
JOB TOTALS:	Beau Box New Orleans LLC	14,598.42	14,598.42	13,304.42	13,304.42	0.00	1,294.00	
JOB: NO110228	***Alliant Insurance Services Inc***	***ALLIANT INSURANCE #2650***						011475
PHASE: 1	***ALLIANT INSURANCE #2650***							
025000	Leasing Commissions Renewal	10,259.46	10,259.46	10,259.46	10,259.46	0.00	0.00	
JOB TOTALS:	Alliant Insurance Services Inc	10,259.46	10,259.46	10,259.46	10,259.46	0.00	0.00	
JOB: NO110229	***Breazeale Sachase & Wilson LLP***	***BREAZEALE #1500***						011514
PHASE: 1	***BREAZEALE #1500***							
021000	TI Renewal - Allowance/Turnkey	203,452.65	203,452.65	182,153.00	164,290.00	0.00	39,162.65	
025000	Leasing Commissions Renewal	54,673.54	54,673.54	54,673.53	54,673.53	0.00	0.01	
JOB TOTALS:	Breazeale Sachase & Wilson L	258,126.19	258,126.19	236,826.53	218,963.53	0.00	39,162.66	
JOB: NO110236	***Scott Vicknair LLC***	***SCOTT VICKNAIR #1225***						011702
PHASE: 1	***SCOTT VICKNAIR #1225***							
021000	TI Renewal - Allowance/Turnkey	171,780.00	171,780.00	250.00	250.00	0.00	171,530.00	
022000	TI Renewal - Other Landlord Suite I	17,500.00	17,500.00	0.00	0.00	0.00	17,500.00	
022100	TI Renewal - Other Landlord Comm	65,000.00	65,000.00	56,085.00	28,042.50	0.00	36,957.50	
025000	Leasing Commissions Renewal	28,030.91	28,030.91	0.00	0.00	0.00	28,030.91	
JOB TOTALS:	Scott Vicknair LLC	282,310.91	282,310.91	56,335.00	28,292.50	0.00	254,018.41	
JOB: NO110237	***Brooks Gelpi Haase LLC sii to Villa d***	***BROOKS GELPI #2325***						011704
PHASE: 1	***BROOKS GELPI #2325***							
021000	TI Renewal - Allowance/Turnkey	48,000.00	48,000.00	45,713.00	45,713.00	0.00	2,287.00	
025000	Leasing Commissions Renewal	10,174.32	10,174.32	10,174.32	10,174.32	0.00	0.00	
JOB TOTALS:	Brooks Gelpi Haase LLC sii to '	58,174.32	58,174.32	55,887.32	55,887.32	0.00	2,287.00	
JOB: NO110239	***Robert Half International, Inc***	***ROBERT HALF- #1150***						011263
PHASE: 1	***ROBERT HALF #1150***							
025000	Leasing Commissions Renewal	11,321.58	11,321.58	11,321.58	11,321.58	0.00	0.00	
JOB TOTALS:	Robert Half International, Inc	11,321.58	11,321.58	11,321.58	11,321.58	0.00	0.00	
JOB: NO110242	***Weiler & Rees, LLC***	***WEILER & REES #1250***						011849
PHASE: 1	***WEILER & REES #1250***							

Database: R52999900001 | Project Cost Summary Report-AP Detail (Open Jobs) | Page: 4
Run for budget type: JCB| | Hertz Investment Group LLC | Date: 11/21/2024
Run for cost list: Cap| | For Period: 01/07 through 12/25 | Time: 5:02 PM
Run for journal entry types: A|

Cost Code	Occupant/Description	Original Budget	Approved Budget	Expensed to Date	Paid to Date	Retention Payable	Remaining To PAY	
025000	Leasing Commissions Renewal	5,900.74	5,900.74	2,950.37	2,950.37	0.00	2,950.37	
JOB TOTALS:	Weiler & Rees, LLC	5,900.74	5,900.74	2,950.37	2,950.37	0.00	2,950.37	
JOB: NO110243	***Department of Justice***	***DOJ - #2050***						011869
PHASE: 1	***doj - #2050***							
021000	TI Renewal - Allowance/Turnkey	106,023.00	106,023.00	112,156.65	109,464.40	0.00	0.00	
025000	Leasing Commissions Renewal	14,189.88	14,189.88	0.00	0.00	0.00	14,189.88	
JOB TOTALS:	Department of Justice	120,212.88	120,212.88	112,156.65	109,464.40	0.00	14,189.88	
JOB: NO110244	***PricewaterhouseCoopers LLP***	***PRICEWATERHOUSE COOPERS #3100***						011897
PHASE: 1	***PRICEWATERHOUSE COOPERS - #310***							
025000	Leasing Commissions Renewal	18,842.40	18,842.40	18,842.40	0.00	0.00	18,842.40	
JOB TOTALS:	PricewaterhouseCoopers LLP	18,842.40	18,842.40	18,842.40	0.00	0.00	18,842.40	
Total Hertz 909 Poydras, LLC		**1,077,499.32**	**1,077,499.32**	**768,782.64**	**701,342.49**	**0.00**	**393,788.11**	
TOTAL TI/LC Renewals		**1,077,499.32**	**1,077,499.32**	**768,782.64**	**701,342.49**	**0.00**	**393,788.11**	
Building Improvements - General								
ENTITY: NO110	***Hertz 909 Poydras, LLC***							
JOB: NO110209		***35th FL WATERPROOFING***						
PHASE: 1	***35thFL WATERPROOFING***							
039000	R&M Major Projects	35,000.00	35,000.00	17,457.00	17,457.00	0.00	17,543.00	
JOB TOTALS:		35,000.00	35,000.00	17,457.00	17,457.00	0.00	17,543.00	
JOB: NO110210		***WINDOW CAULKING - POYDRAS ST.***						
PHASE: 1	***WINDOW CAULKING - POYDRAS ST***							
039000	R&M Major Projects	154,500.00	200,000.00	186,591.50	186,591.50	0.00	13,408.50	
JOB TOTALS:		154,500.00	200,000.00	186,591.50	186,591.50	0.00	13,408.50	
JOB: NO110215		***PAINT WIND BARRIER***						
PHASE: 1	***PAINT WIND BARRIER***							
039000	R&M Major Projects	100,000.00	103,050.00	102,900.00	102,900.00	0.00	150.00	
JOB TOTALS:		100,000.00	103,050.00	102,900.00	102,900.00	0.00	150.00	
JOB: NO110225		***WINDOW CAULKING - O'KEEF sT***						
PHASE: 1	***WINDOW CAULKING***							
039000	R&M Major Projects	212,500.00	212,500.00	212,350.00	212,350.00	0.00	150.00	
JOB TOTALS:		212,500.00	212,500.00	212,350.00	212,350.00	0.00	150.00	
JOB: NO110231		***COOLING TOWER FILL - #1 CELL***						
PHASE: 1	***COOLING TOWER FILL***							
030000	Building Improvements - General	30,000.00	30,000.00	20,882.35	20,882.35	0.00	9,117.65	
JOB TOTALS:		30,000.00	30,000.00	20,882.35	20,882.35	0.00	9,117.65	

Database: R52999900001 | Project Cost Summary Report-AP Detail (Open Jobs) | Page: 5
Run for budget type: JCB| | Hertz Investment Group LLC | Date: 11/21/2024
Run for cost list: Cap| | For Period: 01/07 through 12/25 | Time: 5:02 PM
Run for journal entry types: A|

Cost Code	Occupant/Description	Original Budget	Approved Budget	Expensed to Date	Paid to Date	Retention Payable	Remaining To PAY
JOB: NO110240			***RE-CAULK WINDOWS FL 31-36***				
PHASE: 1	***Re-caulking Windows Fl 31-36***						
039000	R&M Major Projects	15,322.00	15,322.00	15,322.00	15,322.00	0.00	0.00
JOB TOTALS:		15,322.00	15,322.00	15,322.00	15,322.00	0.00	0.00
JOB: NO110241			***WINDOW CAULKING - PENN ST***				
PHASE: 1	***WINDOW CAULKING***						
039000	R&M Major Projects	212,350.00	212,350.00	212,350.00	212,350.00	0.00	0.00
JOB TOTALS:		212,350.00	212,350.00	212,350.00	212,350.00	0.00	0.00
Total Hertz 909 Poydras, LLC		**759,672.00**	**808,222.00**	**767,852.85**	**767,852.85**	**0.00**	**40,369.15**
TOTAL Building Improvements		**759,672.00**	**808,222.00**	**767,852.85**	**767,852.85**	**0.00**	**40,369.15**
GRAND TOTALS		**3,640,251.32**	**3,688,801.32**	**3,317,032.61**	**3,226,970.10**	**0.00**	**662,904.13**

Database: R52999900001
Bldg Status: Active only
NO110 Hertz 909 Poydras, LLC

Rent Roll
909 Poydras Street
9/30/2024

Page: 1
Date: 10/15/2024
Time: 6:31 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Future Rent Increases Date	Future Rent Increases Monthly Amount	Future Rent Increases PSF
New, Expansion and Future Renewal Leases													
NO110 2600	Sullivan Stoller LC	10/1/2024	9/30/2025	4,879	8,334.96	20.50	Renewal						
										BRO	10/1/2024	8,334.96	20.50
Vacant Suites													
NO110 0175	Vacant			10,041									
NO110 1050	Vacant			4,846									
NO110 1125	Vacant			4,427									
NO110 1165	Vacant			1,791									
NO110 1175	Vacant			1,936									
NO110 1185	Vacant			1,009									
NO110 1280	Vacant			6,437									
NO110 1425	Vacant			3,363									
NO110 1550	Vacant			3,474									
NO110 1580	Vacant			2,619									
NO110 1615	Vacant			1,035									
NO110 1630	Vacant			1,472									
NO110 1850	Vacant			4,077									
NO110 1900	Vacant			20,282									
NO110 2180	Vacant			6,591									
NO110 2660	Vacant			1,262									
NO110 2690	Vacant			5,356									
NO110 2810	Vacant			913									
NO110 2910	Vacant			1,597									

Database: R52999900001
Bldg Status: Active only
NO110 Hertz 909 Poydras, LLC

Rent Roll
909 Poydras Street
9/30/2024

Page: 2
Date: 10/15/2024
Time: 6:31 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
NO110 2925	Vacant			1,192									
NO110 3075	Vacant			1,384									
NO110 3500	Vacant			12,866									
NO110 3700	Vacant			5,999									
Occupied Suites													
NO110 0100	BankPlus	4/1/2016	3/31/2026	10,188	15,069.75	17.75	652.41						
NO110 0125	City Greens	9/1/2019	3/31/2027	2,130	3,816.25	21.50	110.98			BRO	10/1/2024	3,905.00	22.00
NO110 0130	Refreshment Solutions LLC	4/1/2022	3/31/2024	80									
NO110 0140	Blanchard and Company Inc	1/1/2024	2/28/2030	1,191	1,885.75	19.00	25.74			BRO	1/1/2026	1,935.38	19.50
										BRO	1/1/2027	1,985.00	20.00
NO110 0150	Blanchard and Company Inc	1/1/2024	2/28/2030	3,310	5,240.83	19.00	71.55			BRO	1/1/2026	5,378.75	19.50
										BRO	1/1/2027	5,516.67	20.00
NO110 1000	McCranie Sistrunk Anzelmo etal	12/1/2021	7/31/2024	12,450	19,453.12	18.75	1,193.97						
NO110 1075	Fox-Nesbit Engineering LLC	10/1/2023	1/31/2029	2,936	4,648.66	19.00	63.41			BRO	10/1/2025	4,771.00	19.50
										BRO	10/1/2026	4,893.33	20.00
NO110 1100	Moses Engineers, Inc.	3/1/2022	2/28/2027	5,523	8,514.63	18.50	301.60			BRO	3/1/2025	8,629.69	18.75
										BRO	3/1/2026	8,744.75	19.00
NO110 1150	Robert Half International, Inc	6/1/2024	6/31/2027	4,701	7,639.13	19.50				BRA	6/1/2025	-7,835.00	-20.00
										BRA	7/1/2025	0.00	0.00
										BRO	6/1/2025	7,835.00	20.00
										BRO	6/1/2026	8,030.88	20.50
NO110 1200	Jacobs Engineering Group, Inc.	12/1/2022	11/30/2024	2,913	4,976.38	20.50	158.99						
NO110 1225	Scott Vicknair LLC	4/1/2024	3/31/2030	6,135	9,841.56	19.25				BRA	3/1/2025	-9,841.56	-19.25
										BRA	5/1/2025	0.00	0.00
										BRO	2/1/2026	10,097.19	19.75
										BRO	2/1/2028	10,225.00	20.00
NO110 1240	The Pastor Group LLC	8/1/2020	10/31/2027	1,643	2,738.33	20.00	151.96		87.00	BRO	11/1/2025	2,806.79	20.50
										BRO	11/1/2026	2,875.25	21.00
NO110 1250	Weiler & Rees, LLC	8/1/2024	9/30/2027	2,519	4,040.80	19.25				BRA	8/1/2025	-4,040.89	-19.25
										BRA	9/1/2025	0.00	0.00
										BRO	9/1/2026	4,198.33	20.00

Database: R52999900001
Bldg Status: Active only
NO110 Hertz 909 Poydras, LLC

Rent Roll
909 Poydras Street
9/30/2024

Page: 3
Date: 10/15/2024
Time: 6:31 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
NO110 1300	Raymond James & Associates	1/1/2020	12/31/2026	20,239	34,153.31	20.25	1,578.85			BRO	1/1/2025	34,996.60	20.75
NO110 1400	Middleberg Riddle Group	11/1/2021	10/31/2031	10,479	15,936.81	18.25	817.47			BRO	11/1/2024	16,591.75	19.00
										BRO	11/1/2027	17,465.00	20.00
NO110 1450	Consulate General of France	10/1/2019	9/30/2031	2,620	4,585.00	21.00	166.05		670.00	BRO	10/1/2025	4,694.17	21.50
										BRO	10/1/2027	4,803.33	22.00
										BRO	12/1/2029	4,912.50	22.50
NO110 1475	Hertz - Property Management	9/1/2017	12/31/2050	3,470	8,760.00	30.29							
NO110 1500	Breazeale Sachase & Wilson LLP	1/1/2024	3/31/2029	13,983	22,139.75	19.00				BRO	1/1/2026	22,722.37	19.50
										BRO	1/1/2027	23,305.00	20.00
NO110 1600	Schonekas Evans McGoey McEachi	3/1/2023	8/31/2026	10,965	17,361.25	19.00	600.58			BRO	9/1/2025	17,598.69	19.26
NO110 1625	Alvendia, Kelly & Demarest,LLC	7/1/2023	10/31/2028	6,558	9,837.00	18.00	20.57			BRO	8/1/2025	10,246.88	18.75
										BRO	8/1/2026	10,520.13	19.25
NO110 1700	BankPlus	4/1/2016	3/31/2026	13,117	19,402.23	17.75	839.98						
NO110 1717	BankPlus	4/1/2016	3/31/2026	2,015	2,980.62	17.75	129.03						
NO110 1750	BankPlus	4/1/2016	3/31/2026	2,675	3,956.77	17.75	171.31						
NO110 1780	BankPlus	4/1/2016	3/31/2026	2,422	3,582.54	17.75	155.11						
NO110 1800	Garrison Yount Forte & Mulcahy	11/1/2022	2/28/2027	5,088	7,844.00	18.50	277.88			BRO	3/1/2025	8,268.00	19.50
NO110 1820	Garrison Yount Forte & Mulcahy	11/1/2022	2/28/2027	1,273	1,962.54	18.50	69.52			BRO	3/1/2025	2,068.63	19.50
NO110 1825	Spears & Spears LLC	7/1/2024	12/31/2026	1,872	2,964.00	19.00	84.95						
NO110 1860	Herman Herman & Katz LLC	9/15/2023	10/31/2026	5,670	9,095.62	19.25				BRO	5/1/2025	9,331.87	19.75
NO110 1865	Garrison Yount Forte & Mulcahy	11/1/2022	2/28/2027	1,209	1,863.88	18.50	66.25			BRO	3/1/2025	1,964.63	19.50
NO110 2000	United Utility (assignee) Akerman LLP	7/1/2018	6/30/2028	10,802	16,878.13	18.75	667.01			BRO	7/1/2025	17,328.21	19.25
										BRO	7/1/2027	18,003.33	20.00
NO110 2025	Delta States Utilities Services, LLC	4/15/2024	10/14/2024	3,852	6,420.00	20.00							
NO110 2050	Department of Justice	9/1/2024	8/31/2029	5,609	10,952.30	23.43			1,670.00				
NO110 2100	Baron & Budd PC	9/1/2023	10/31/2028	2,346	3,910.00	20.00	50.71			BRO	9/1/2025	4,007.75	20.50
										BRO	9/1/2026	4,056.62	20.75

Database: R52999900001
Bldg Status: Active only
NO110 Hertz 909 Poydras, LLC

Rent Roll
909 Poydras Street
9/30/2024

Page: 4
Date: 10/15/2024
Time: 6:31 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
NO110 2120	LAZ Parking Louisiana LLC	3/1/2023	2/28/2026	1,339	2,064.29	18.50	28.88						
NO110 2150	Silbert & Garon LLP	3/1/2022	2/28/2023	3,195	4,659.38	17.50	1.46						
NO110 2170	Building Conference Facility	12/30/2013	12/31/2013	2,207									
NO110 2190	Houston Energy LP	2/1/2022	2/28/2025	1,923	3,164.94	19.75	128.48						
NO110 2195	The Gori Law Firm PC	8/1/2024	7/31/2026	1,917	3,354.75	21.00	86.88						
NO110 2200	Marigny Capital Services, LLC	5/1/2022	6/30/2028	4,148	6,654.08	19.25	226.55			BRO	11/1/2024	6,826.92	19.75
										BRO	11/1/2026	6,999.75	20.25
NO110 2230	Marigny Capital Services, LLC	5/1/2022	6/30/2028	7,088	11,370.33	19.25	387.11			BRO	11/1/2024	11,665.67	19.75
										BRO	11/1/2026	11,961.00	20.25
NO110 2250	John Fuller	7/1/2021	11/30/2026	3,394	5,515.25	19.50	264.78			BRO	12/1/2024	5,656.67	20.00
NO110 2260	Cobbs Allen and Hall Inc (frmly First Ir	6/1/2024	5/31/2025	2,392	4,100.00	20.57	179.75						
NO110 2270	Marigny Capital Services, LLC	5/1/2022	6/30/2028	1,883	3,020.65	19.25	102.72			BRO	11/1/2024	3,099.10	19.75
										BRO	11/1/2026	3,177.56	20.25
NO110 2280	Marigny Capital Services, LLC	5/1/2022	6/30/2026	817	1,310.60	19.25	44.63			BRO	11/1/2024	1,344.65	19.75
										BRO	11/1/2026	1,378.69	20.25
NO110 2300	Blanchard and Company Inc	1/1/2024	2/28/2030	7,738	12,251.83	19.00	167.29			BRO	1/1/2026	12,574.25	19.50
										BRO	1/1/2027	12,896.67	20.00
NO110 2325	Brooks Gelpi Haase LLC sli to Villa de	4/1/2024	5/31/2027	4,348	6,884.33	19.00				BRO	6/1/2025	7,065.50	19.50
										BRO	6/1/2026	7,246.66	20.00
NO110 2350	Barrasso Usdin Kupperman etal	1/1/2019	12/31/2030	4,870	8,116.67	20.00	444.91			BRO	1/1/2027	8,319.58	20.50
										BRO	1/1/2029	8,522.50	21.00
NO110 2380	John Kensla dba N.O. Hot Sauce Co	1/1/2022	4/30/2027	2,310	3,753.75	19.50	180.06			BRO	5/1/2025	3,901.88	19.75
NO110 2400	Barrasso Usdin Kupperman etal	1/1/2019	12/31/2030	18,377	30,628.33	20.00	1,678.92			BRO	1/1/2027	31,394.04	20.50
										BRO	1/1/2029	32,159.75	21.00
NO110 2410	Barrasso Usdin Kupperman etal	1/1/2019	12/31/2030	265	441.67	20.00	24.21			BRO	1/1/2027	452.71	20.50
										BRO	1/1/2029	463.75	21.00
NO110 2425	Barrasso Usdin Kupperman-Exp B	1/1/2019	12/31/2030	1,400	2,333.33	20.00	127.90			BRO	1/1/2027	2,391.67	20.50
										BRO	1/1/2029	2,450.00	21.00
NO110 2500	Stanley, Flanagan & Reuter,LLC	5/1/2023	5/31/2025	12,451	19,714.08	19.00	46.14						
NO110 2550	Stanley, Flanagan & Reuter,LLC	5/1/2023	5/31/2025	4,116	6,517.00	19.00	15.25						

Database: R52999900001
Bldg Status: Active only
NO110 Hertz 909 Poydras, LLC

Rent Roll
909 Poydras Street
9/30/2024

Page: 5
Date: 10/15/2024
Time: 6:31 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
NO110 2570	Kean Miller	8/1/2024	7/31/2025	2,660	4,554.16	20.55							
NO110 2600	Sullivan Stoller LC	10/1/2022	9/30/2024	4,879	8,131.67	20.00	265.64						
NO110 2620	Evangeline Securities LLC	5/1/2020	9/30/2025	2,684	4,137.83	18.50	245.04						
NO110 2650	Alliant Insurance Services Inc	5/1/2023	4/30/2025	6,333	10,818.87	20.50	286.80						
NO110 2700	Sher Garner Cahill Richter	1/1/2018	12/31/2027	20,766	31,270.14	18.07	1,279.96			BRO	1/1/2025	32,135.39	18.57
NO110 2800	Sher Garner Cahill Richter	1/1/2018	12/31/2027	11,426	17,205.65	18.07	704.27			BRO	1/1/2025	17,681.74	18.57
NO110 2825	Sher Garner Cahill Richter	8/1/2019	12/31/2027	82	123.48	18.07	5.01			BRO	1/1/2025	126.90	18.57
NO110 2850	KPMG, LLP	7/1/2020	2/29/2032	7,492	13,111.00	21.00	684.32			BRO	7/1/2026	13,423.17	21.50
										BRO	7/1/2028	13,736.33	22.00
NO110 2900	UBS Financial Services Inc	4/1/2022	8/31/2032	9,799	16,331.67	20.00	654.80			BRO	4/1/2026	16,739.96	20.50
										BRO	4/1/2028	17,148.25	21.00
										BRO	4/1/2030	17,556.54	21.50
NO110 2950	Glago Law Firm / Klotz & Early	9/1/2023	12/31/2029	6,057	8,833.13	17.50				BRA	1/1/2025	0.00	0.00
										BRO	1/1/2025	9,085.50	18.00
										BRO	1/1/2026	9,337.87	18.50
										BRO	1/1/2027	9,590.25	19.00
										BRO	1/1/2028	9,842.63	19.50
NO110 3000	AIG Domestic Claims, Inc.	1/1/2018	12/31/2024	6,821	10,667.81	18.75	420.42						
NO110 3025	Beau Box New Orleans LLC	5/1/2023	7/31/2026	5,877	9,305.25	19.00	127.06			BRO	2/1/2025	9,427.69	19.25
NO110 3050	Evans-Graves Engineers Inc	9/1/2018	1/31/2025	5,875	9,424.48	19.25	362.80						
NO110 3100	PricewaterhouseCoopers LLP	11/1/2014	4/30/2025	7,851	13,085.00	20.00	594.31						
NO110 3150	Stone Pigman Walther Wittmann	8/1/2017	10/31/2032	8,510	14,892.50	21.00				BRO	11/1/2027	15,601.67	22.00
										BRO	11/1/2029	16,310.83	23.00
NO110 3200	Stone Pigman Walther Wittmann	8/1/2017	10/31/2032	17,119	29,958.25	21.00	2,634.87			BRO	11/1/2027	31,384.83	22.00
										BRO	11/1/2029	32,811.42	23.00
NO110 3300	Stone Pigman Walther Wittmann	8/1/2017	10/31/2032	17,119	29,958.25	21.00				BRO	11/1/2027	31,384.83	22.00
										BRO	11/1/2029	32,811.42	23.00
NO110 3400	Kean Miller	10/27/2013	10/31/2028	16,731	30,673.50	22.00	1,121.24			BRO	4/1/2026	32,067.75	23.00
NO110 3600	Kean Miller	10/27/2013	10/31/2028	13,875	25,437.50	22.00	929.83			BRO	4/1/2026	26,593.75	23.00

Database: R52999900001
Bldg Status: Active only
NO110 Hertz 909 Poydras, LLC

Rent Roll
909 Poydras Street
9/30/2024

Page: 6
Date: 10/15/2024
Time: 6:31 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
NO110 LIC01	Level 3 Communications LLC	3/1/2020	2/28/2025	0					1,125.41				
NO110 ST213	Advantage Capital Management	7/1/2014	11/30/2021	0					45.84				
NO110 ST312	Silbert & Garon, LLP	6/1/2002	12/31/2050	0					53.00				
NO110 ST315	Advantage Capital Management	7/1/2014	11/30/2021	0					53.33				
NO110 ST407	BLDG MGMT-Wallcovering Stg	12/30/2013	12/31/2013	0									
NO110 ST411	Moses Engineers, Inc.	12/1/2021	2/28/2027	0					60.00				
NO110 ST412	Garrison Yount Forte & Mulcahy	6/18/2004	12/31/2050	0					60.00				
NO110 ST414	KPMG, LLP	7/1/2020	2/29/2032	0					31.50				
NO110 ST415	Sher Garner Cahill Richter...	1/1/2002	12/31/2050	0					60.00				
NO110 ST514	Advantage Capital Management	7/1/2014	11/30/2021	0					36.00				
NO110 ST615	Silbert & Garon, LLP	11/1/2001	12/31/2050	0					53.00				
NO110 ST711	Breazeale, Sachse & Wilson LLP	1/1/2024	3/31/2029	0					70.00				
NO110 ST713	BLDG MGMT - Car Wash	12/30/2013	12/31/2013	0									
NO110 STRMEZ	Blanchard and Company Inc	1/1/2024	2/28/2030	1,071	981.75	11.00	23.11						
NO110 TEL02	Skycom 1	12/30/2013	12/31/2013	0					325.00				
NO110 TEL03	Cox Communications La., L.L.C.	11/1/2010	10/31/2015	0					425.00				
NO110 TEL04	Cogent Communications	2/1/2014	1/31/2024	0					652.39				
NO110 TEL05	Uniti Fiber LLC	9/1/2021	8/31/2026	0					956.14	OAT	9/1/2025	994.39	0.00
Totals:	Occupied Sqft:	80.93%	73 Units	441,188	717,198.09		22,901.18		6,433.61				
	Leased/Unoccupied Sqft:		0 Units	0									
	Vacant Sqft:	19.07%	23 Units	103,969									
	Total Sqft:		96 Units	545,157	717,198.09								

Database: R52999900001
Bldg Status: Active only
NO110 Hertz 909 Poydras, LLC

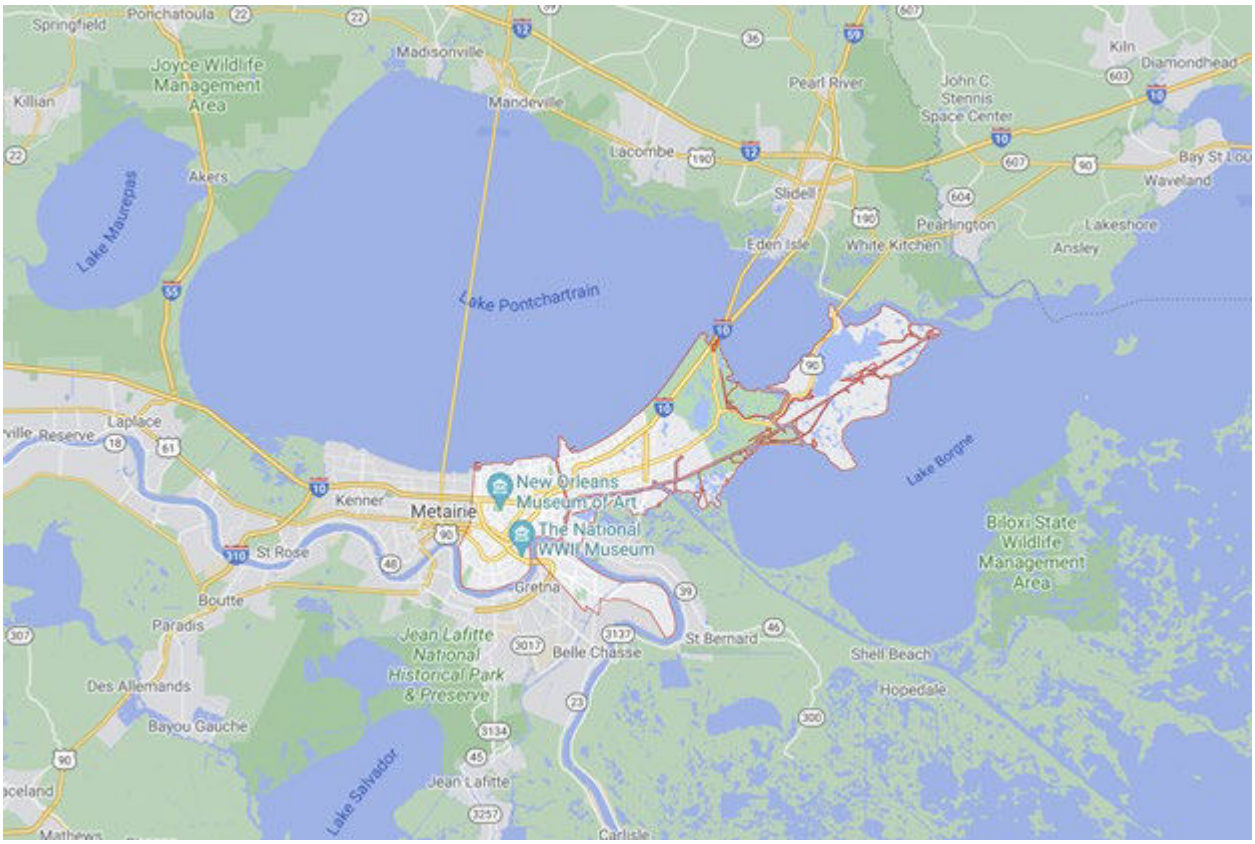
Rent Roll
909 Poydras Street
9/30/2024

Page: 7
Date: 10/15/2024
Time: 6:31 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases: Cat	Date	Monthly Amount	PSF
Total Hertz 909 Poydras, LLC:													
	Occupied Sqft:	80.93%	73 Units	441,188	717,198.09		22,901.18		6,433.61				
	Leased/Unoccupied Sqft:		0 Units	0									
	Vacant Sqft:	19.07%	23 Units	103,969									
	Total Sqft:		96 Units	545,157	717,198.09								
Grand Total:													
	Occupied Sqft:	80.93%	73 Units	441,188	717,198.09		22,901.18		6,433.61				
	Leased/Unoccupied Sqft:		0 Units	0									
	Vacant Sqft:	19.07%	23 Units	103,969									
	Total Sqft:		96 Units	545,157	717,198.09								

Orleans Parish Area Analysis

The following analysis includes pertinent aspects of the surrounding region as it pertains to the subject property. This report was compiled using data as of 2024 Q3 unless otherwise noted. Data is from a number of sources including the U.S. Bureau of Labor Statistics ("BLS"), the U.S. Bureau of Economic Analysis ("BEA"), and the U.S. Census Bureau.



Source: Google Maps

Orleans Parish at a Glance

Orleans Parish is mostly urban, encompassing the city of New Orleans, the largest city in Louisiana. The economy of Orleans Parish is diverse, with a strong focus on trade, education & healthcare, tourism, and energy. The city is home to numerous cultural events, such as Mardi Gras and the New Orleans Jazz & Heritage Festival, which play a significant role in its economy. Some of the largest employers in the area include Ochsner Health System, Tulane University, the City of New Orleans, and Entergy Corporation. The housing stock in Orleans Parish varies considerably, ranging from historic mansions and Creole cottages to modern condos and apartments. Housing prices can vary significantly depending on the neighborhood, but there are options available for a wide range of budgets. New Orleans has a thriving retail and business scene, offering a mix of local boutiques, art galleries, and national chain stores. The French Quarter and Magazine Street are among the city's most popular shopping areas, offering unique shops and restaurants that cater to both residents and visitors. Recreational activities in Orleans Parish are abundant, with many parks, museums, and cultural attractions. City Park, Audubon Park, and the Mississippi Riverfront offer green spaces for outdoor activities, while the New Orleans Museum of Art, the National WWII Museum, and the Louisiana State Museum provide cultural and educational experiences. Additionally, the city is famous for its vibrant music scene, with many live music venues and festivals throughout the year. Major transportation corridors in the area include Interstate 10, which runs east-west through the city, and U.S. Route 90, which runs along the Mississippi River. The New Orleans Regional Transit Authority operates public transit services, including buses and the historic streetcar lines. Louis Armstrong New Orleans International Airport serves the city and surrounding region, offering domestic and international flights.

Area Fundamentals

Attribute	County Level Value	5 Year Annualized Growth Rate	Relative to Baseline (MSA)
Employment	165,724	-0.6%	Slower than MSA
GDP	$22.9 billion	-0.8%	Faster than MSA
Population	364,136	-1.4%	Faster than MSA
Per Capita Personal Income	$67,403	6.3%	Faster than MSA

Labor Market Conditions

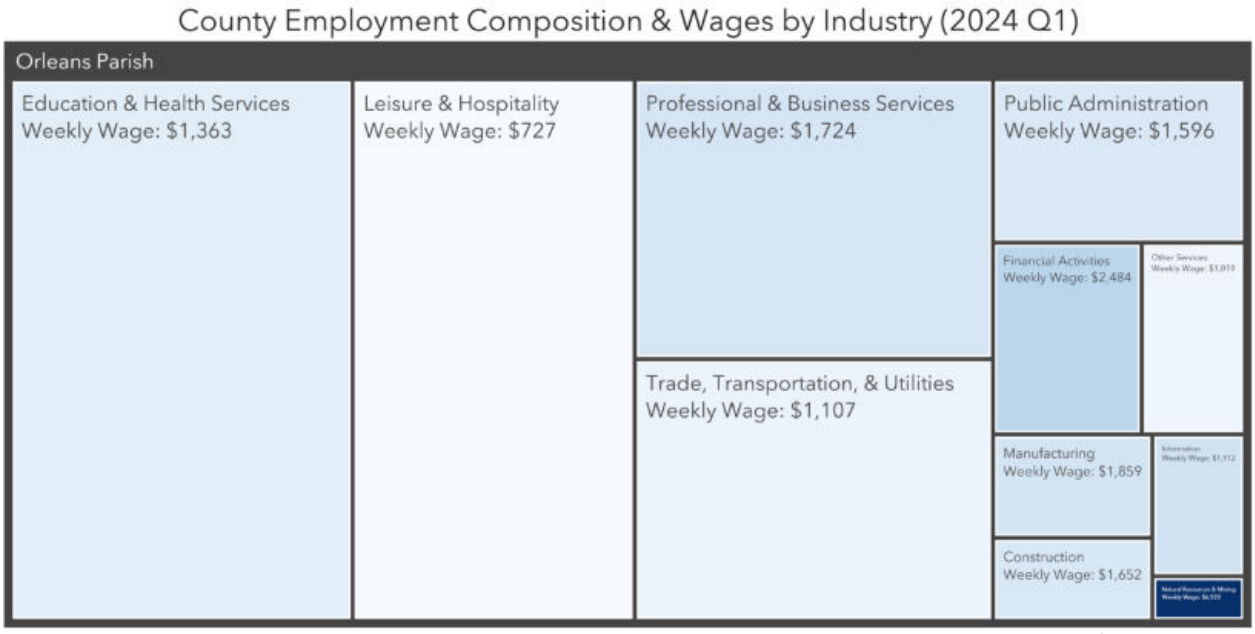
According to the latest data from the Q1 2024 Quarterly Census of Employment and Wages, New Orleans-Metairie employed 360,744 private employees, with establishments in the Education & Health Services, Trade, Transportation, & Utilities, and Leisure & Hospitality industries accounting for the top three employers. These industries employ 84,134 (23.3%), 82,843 (23.0%), and 69,067 (19.1%) private sector workers in the Metro, respectively.

MSA Private Employment Composition & Wages by Industry (2024 Q1)



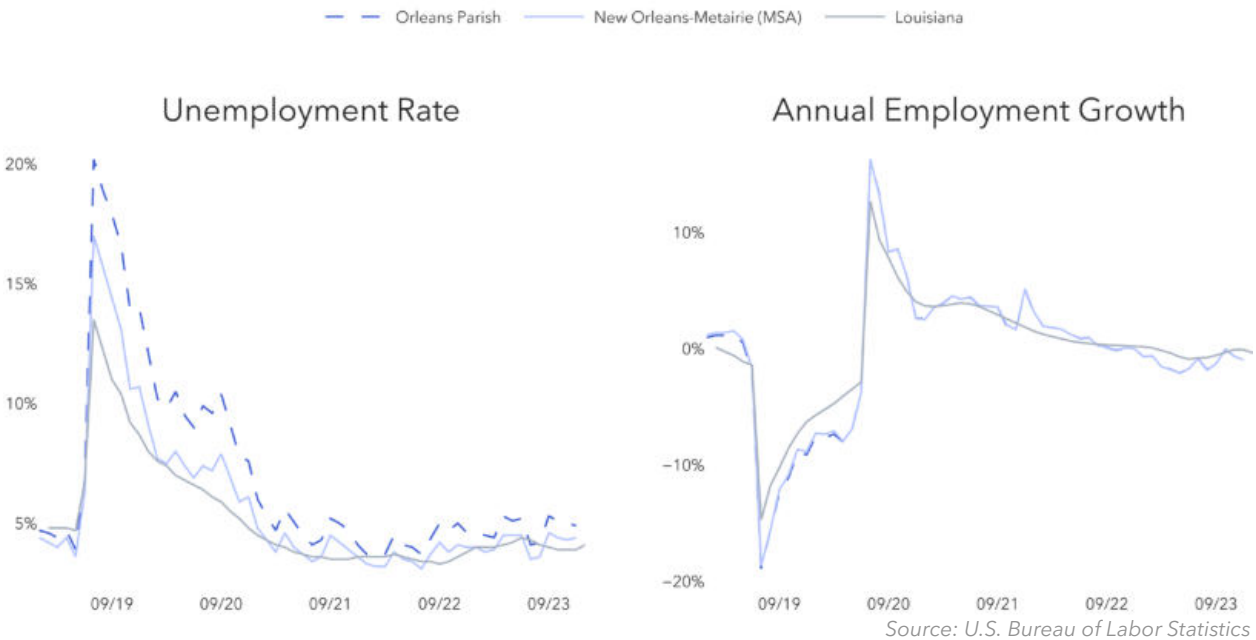
Source: U.S. Bureau of Labor Statistics

The latest data from the 2024 Q1 Quarterly Census of Employment and Wages, Orleans Parish employed 186,523 employees. Establishments in the Education & Health Services, Leisure & Hospitality, and Professional & Business Services industries accounted for the top three employers. These industries employ 51,673 (27.7%), 42,632 (22.9%), and 27,963 (15.0%) workers in the County, respectively. Orleans Parish has an especially large share of workers in the Leisure & Hospitality industry. In fact, its 22.9% fraction of workers is 2.1 times higher than the National average.



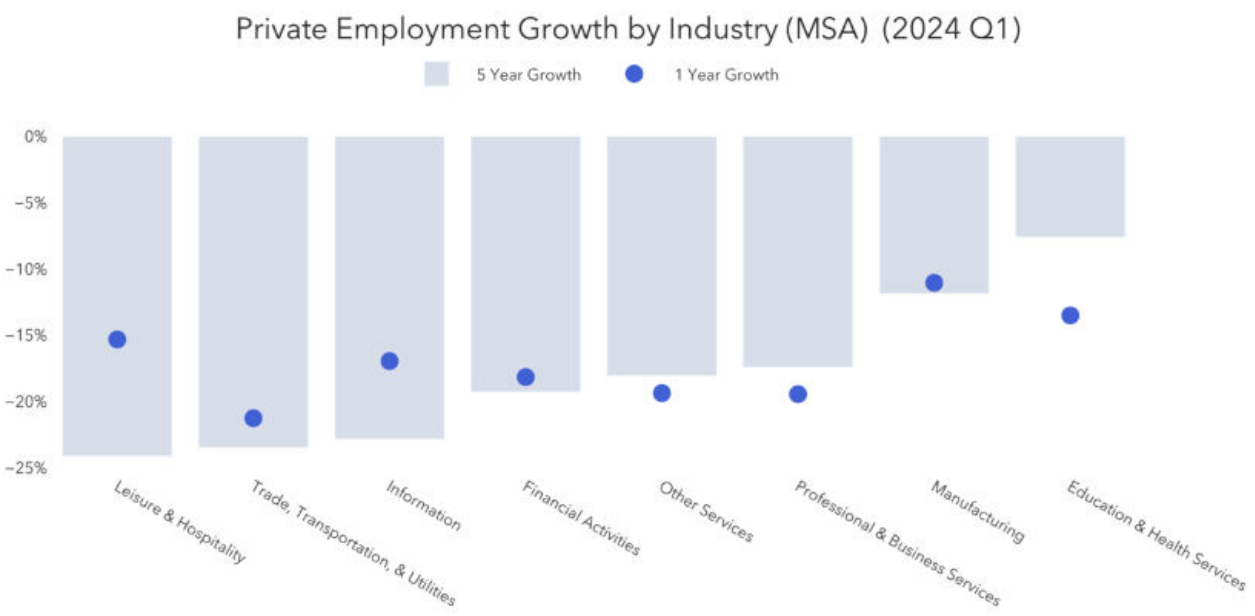
Source: U.S. Bureau of Labor Statistics

At the onset of the pandemic last spring, Orleans Parish area employers shed 18.5% of their workforce, expanding the unemployment rate from 3.9% in February 2020 to 20.2% just two months later. The unemployment rate in Orleans Parish has expanded over the past year to the current rate of 4.9%, just slightly above the New Orleans-Metairie rate of 4.4%. As of 09/24, total employment is down 1% on a year-over-year basis. The unemployment rate remains above its pre-pandemic level (Feb 2020) of 3.9%.



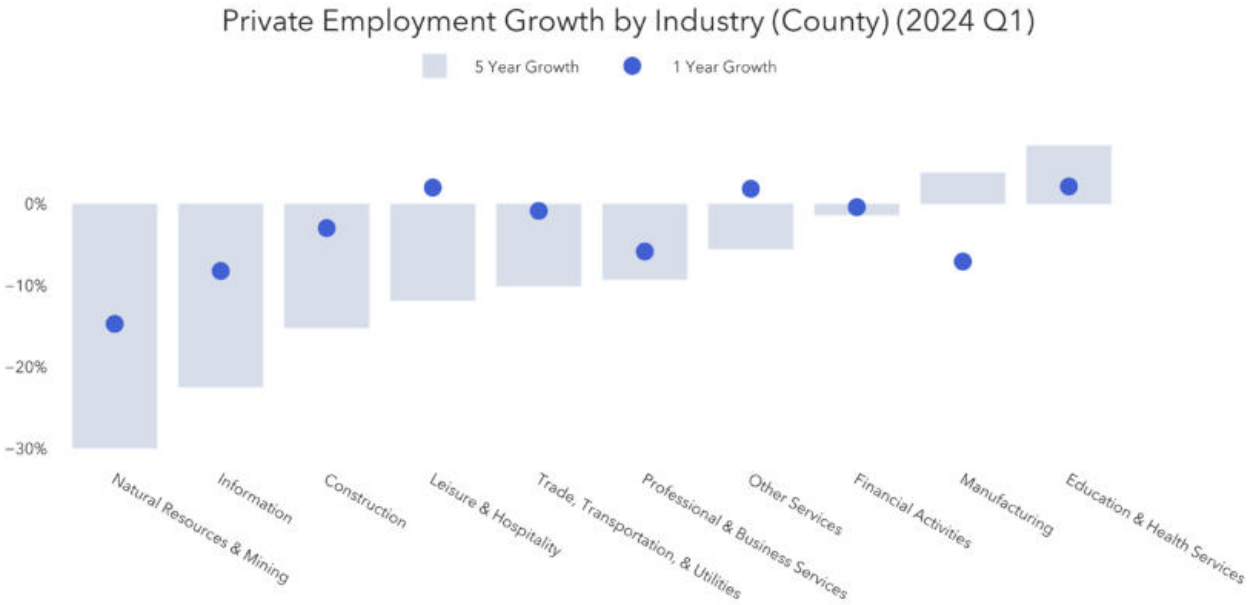
Source: U.S. Bureau of Labor Statistics

According to the latest data from the Q1 2024 Quarterly Census of Employment and Wages, New Orleans-Metairie Metro has experienced private employment compress 18.1% (-79,640) in total over the last five years. During that time, the Education & Health Services, Manufacturing, and Professional & Business Services industries saw the strongest growth, expanding -7.6%, -11.8%, and -17.4%, respectively. Meanwhile, the Leisure & Hospitality Industry has experienced employment collapse of 24.1% over the previous five years.



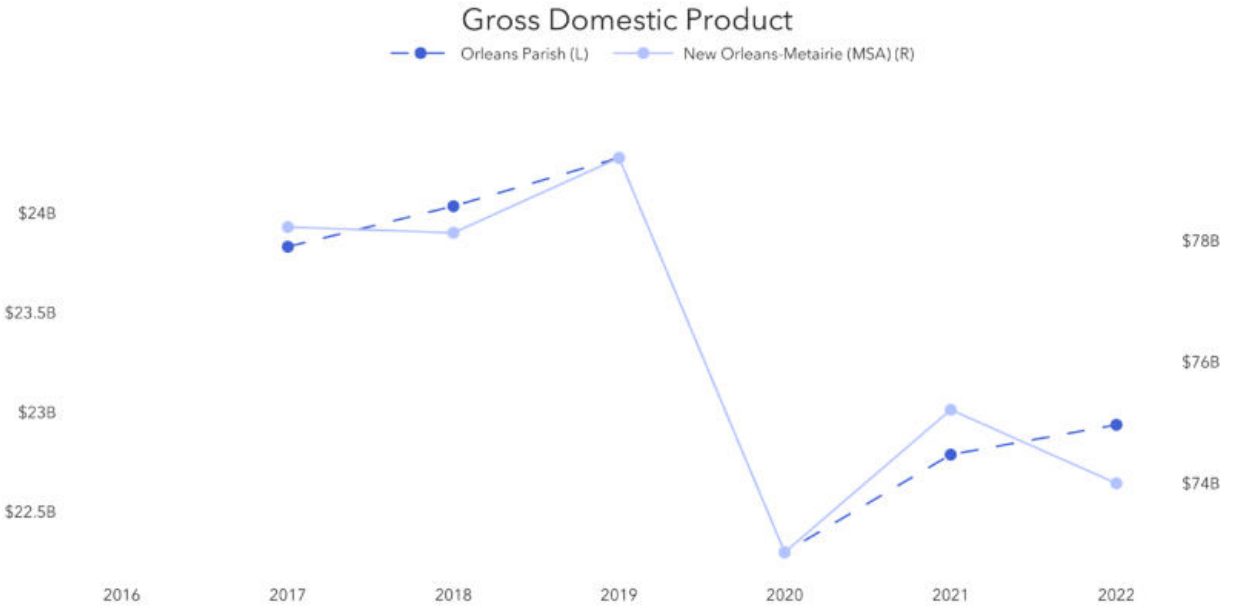
Source: U.S. Bureau of Labor Statistics

According to the latest data from the Q1 2024 Quarterly Census of Employment and Wages, Orleans Parish has experienced private employment compress 6.2% (-10,670) in total over the last five years. During that time, the Education & Health Services, Manufacturing, and Financial Activities industries saw the strongest growth, expanding 7.2%, 3.8%, and -1.4%, respectively. Meanwhile, the Natural Resources & Mining Industry has experienced employment collapse of 30.0% over the previous five years.



Source: U.S. Bureau of Labor Statistics

Economic Production

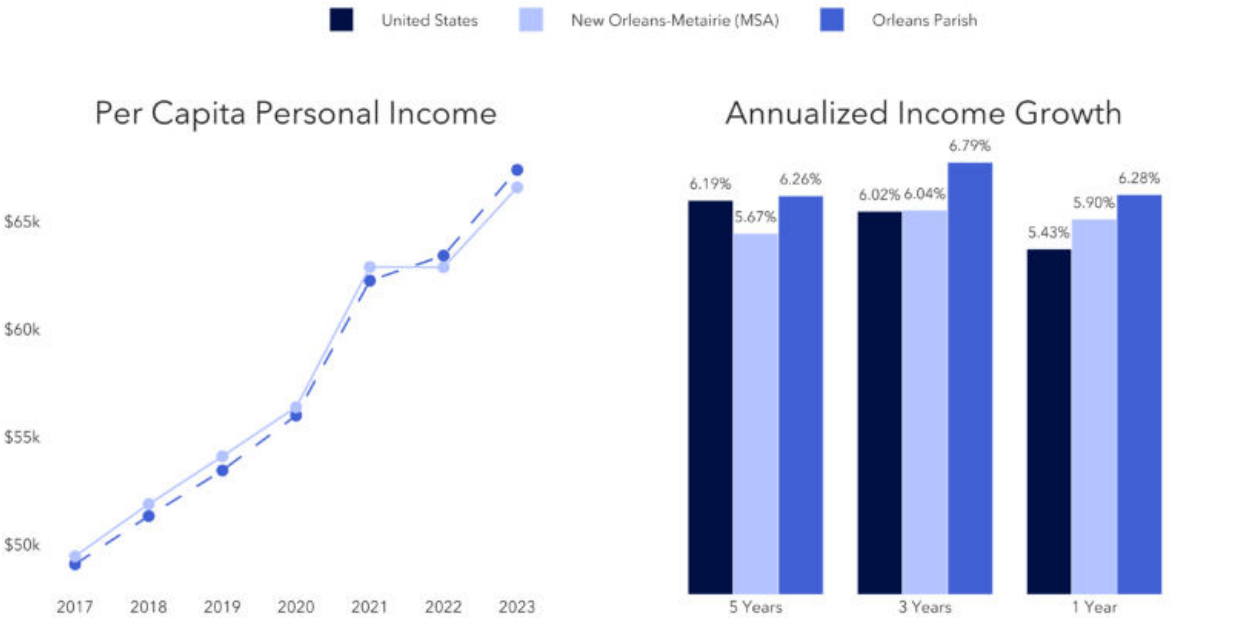


Source: U.S. Bureau of Economic Analysis

Demographics

Going back ten years, Orleans Parish's population has compressed 0.4% per annum to the 2023 count of 364,136. Over the past five years, growth has declined, contracting 1.4% per annum since 2018. This growth rate falls short of the Nation, which has expanded 0.5% per year over the last five years.

Going back five years, Orleans Parish residents' per capita personal income has expanded 6.3% per annum to the 2023 level of $67,403. Over the past three years, growth has expanded, growing 6.8% per annum since 2020. This growth rate exceeds the Nation, which has expanded 6.0% per year over the last three years.



Source: U.S. Census Bureau

Infrastructure

Transportation Methods

New Orleans is served by Interstate 10, Interstate 610 and Interstate 510. I-10 travels east–west through the city as the Pontchartrain Expressway. In New Orleans East it is known as the Eastern Expressway. I-610 provides a direct shortcut for traffic passing through New Orleans via I-10, allowing that traffic to bypass I-10's southward curve. In addition to the interstates, U.S. 90 travels through the city, while U.S. 61 terminates downtown. In addition, U.S. 11 terminates in the eastern portion of the city.

The city is served by Amtrak. The New Orleans Union Passenger Terminal is the central rail depot and is served by the Crescent, operating between New Orleans and New York City; the City of New Orleans, operating between New Orleans and Chicago and the Sunset Limited, operating between New Orleans and Los Angeles.

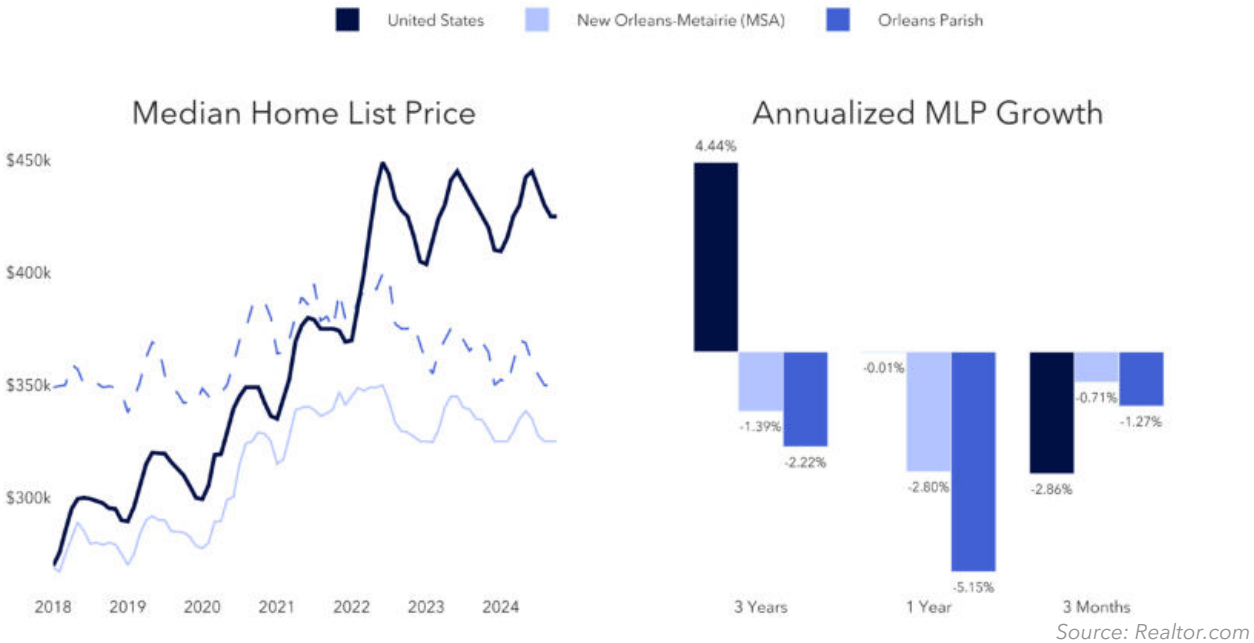
Public transportation is operated by the New Orleans Regional Transit Authority ("RTA"). Many bus routes connect the city and suburban areas.

The metropolitan area is served by the Louis Armstrong New Orleans International Airport, located in the suburb of Kenner. Regional airports include the Lakefront Airport, Naval Air Station Joint Reserve Base New Orleans in the suburb of Belle Chasse and Southern Seaplane Airport, also located in Belle Chasse.

Housing

In 2021, historically low mortgage rates, the desire for more space, and the ability for many to work from home, led to an increase in demand for housing. This, combined with historically low inventory levels, accelerated the growth in values, pushing the medium listing price in the US to a peak of $413,000 in June 2022. However, with persistent inflation, the Fed hiked interest rates at a record pace over the 2nd half of 2022 and for much of 2023, eroding housing affordability and dropping demand considerably. With demand decreasing across many metros, values have either declined or experienced limited growth in 2023. Demand has improved since though, with growth in values aided by limited inventory in some metros.

In Orleans Parish, Realtor.com data points to negative growth in values over the past year. As of 10/2024, the median home list price sits at $350,000, a decrease of 5.1% compared to a decrease of 2.8% for the New Orleans-Metairie Metro, and a decrease of 0.0% across the Nation over the past year. The county median list price has experienced a decrease of 1.3% over the past 3 months, compared to a decrease of 0.7% for the New Orleans-Metairie Metro in the same period.



Source: Realtor.com

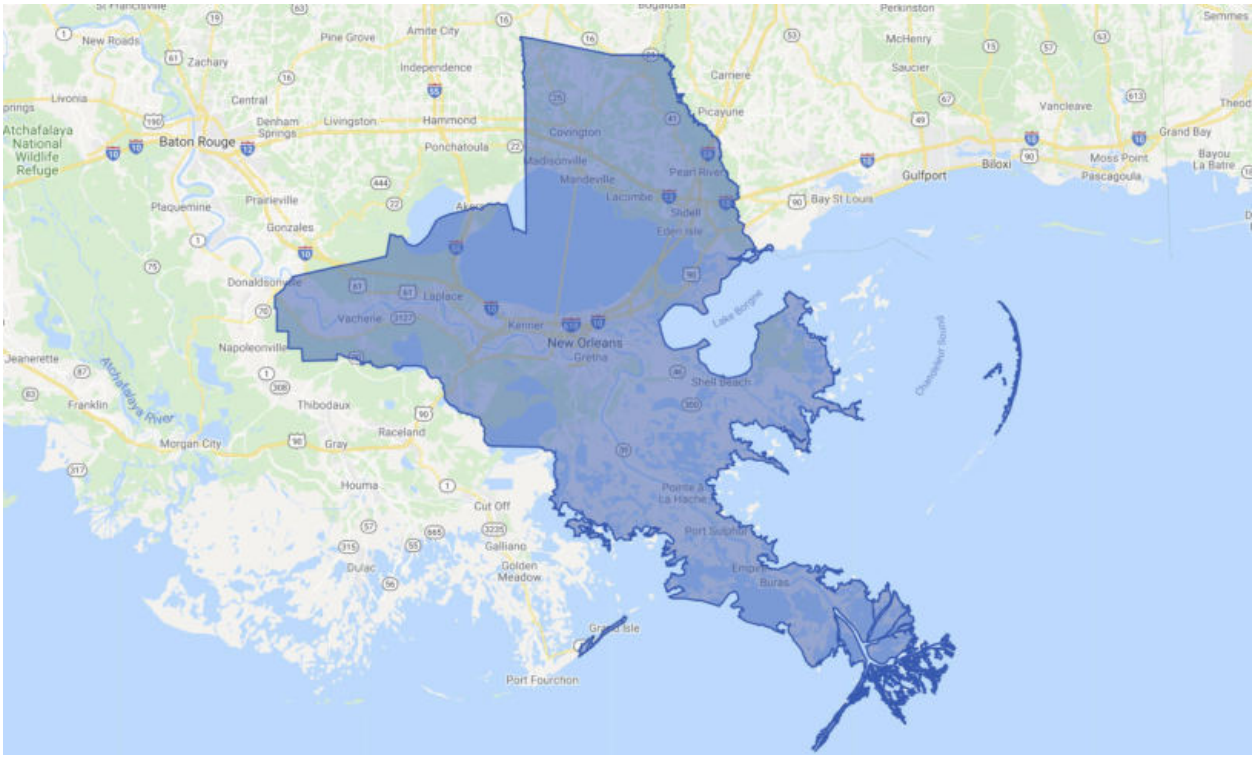
Outlook

The United States economy has recovered from the pandemic, but, with persistent levels of inflation, the Fed repeatedly reaffirmed its commitment to fighting inflation by raising rates, softening economic growth. While the economy remains strong, their actions have led to a slowdown in growth, setting the stage for a mild recession in 2024.

The current unemployment rate in Orleans Parish of 4.9% is below its five-year average. By contrast, that rate is also above the state rate of 4.1%, and above the national rate of 4.1%. Orleans Parish continues to experience population loss with one- and five-year annual growth rates of -1.6% and -1.4%. Despite its diversified economy, when considering its negative GDP growth over the five years prior to the pandemic, and its declining population, the county faces severe challenges before it can be well positioned for near- and long-term growth.

New Orleans: Office Market Analysis

The information contained in this report was provided using 2024 Q3 CoStar data for the New Orleans Office Market ("Market").



Overview

The subject property is in the New Orleans Market defined in the map above, which includes 54.5 million square feet of office space. The inventory is roughly 22% Class A, 39% Class B, and 38% Class C.

Continued demolitions, paired with minimal new supply have aided overall fundamentals in the Crescent City. As such, the metro has held up better than nearby Southeastern markets such as Charlotte and Nashville, which are contending with elevated construction pipelines, and where vacancies are roughly double.

For the New Orleans Market, rents have experienced no change over the past year but have increased 0.2% in the latest quarter. With softening market conditions for office properties in the Market, values have decreased over the past year to $107/SF, after declining in the latest quarter. Capitalization rates increased 32 bps to a rate of 11.8%, but still remain above the long-term average.

Sector Fundamentals

	New Orleans	YoY	QoQ	National	YoY	QoQ
Market Rent/SF	$21.05	0.0%	0.2%	$35.63	1.0%	0.1%
Vacancy Rate	7.21%	37 bps	-63 bps	13.85%	62 bps	7 bps
Availability Rate	7.7%	29 bps	-52 bps	16.4%	12 bps	-17 bps
Net Absorption SF	382,292	1127.9%	170.1%	-1,312,397	91.4%	-281.0%
Asset Value/SF	$107	-2.8%	-0.0%	$282	-5.0%	-0.9%
Market Cap Rate	11.76%	32 bps	-1 bps	8.61%	28 bps	2 bps
Transaction Count	15	0%	25%	3,604	3%	-0%
Sales Volume	$4,340,000	-71%	20%	$9,968,985,088	48%	14%

The table below presents historical performance of key indicators for office space in the Market including inventory & construction levels, net absorption, vacancy & availability, rental rates, pricing, and cap rates.

Historical Office Performance: New Orleans Market

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
2024 Q3	54,477,071	57,348	88,540	-117,317	7.2%	7.7%	$21.05	$107	11.76%
2024 Q2	54,432,846	101,573	44,315	-536,799	7.8%	8.2%	$21.01	$107	11.76%
2023	54,397,846	79,225	33,615	-331,381	6.8%	7.4%	$20.99	$108	11.62%
2022	54,364,231	47,300	-132,396	547,154	6.1%	6.8%	$20.81	$118	10.61%
2021	54,496,627	101,884	130,715	-114,017	7.3%	7.8%	$20.26	$128	9.57%
2020	54,344,472	187,916	-204,136	-315,300	6.9%	7.9%	$19.85	$123	9.80%
2019	54,548,608	103,367	107,035	-95,585	6.7%	7.5%	$19.03	$119	9.99%
2018	54,441,573	123,576	-893,348	354,873	6.3%	7.5%	$18.97	$122	9.45%
2017	55,334,921	243,875	162,292	-199,701	8.5%	9.7%	$18.62	$121	9.12%
2016	55,172,629	191,728	387,209	814,541	7.9%	8.9%	$18.16	$124	8.63%
2015	54,785,420	415,006	190,211	547,663	8.7%	9.8%	$18.02	$123	8.47%
2014	54,595,209	236,564	-340,538	303,414	9.4%	10.8%	$17.98	$120	8.42%

Supply & Demand

The Market has 54.5 million square feet of office space, and developers have demolished 118.1k square feet over the past ten years, reducing inventory by 0.2% during that time. The CBD and Metairie submarkets combined make up half of New Orleans' 54.5 million SF inventory. Most new office buildings this past decade—more than 80%—have been smaller than 20,000 SF, suburban, and often consisting of either medical office or single-tenant uses. Aided by a lack of new supply over the past decade, vacancy rates have compressed from 9.4% to 7.2%.

More recently, demand has softened compared to elevated demand in 2021 and over the first half of 2022. Combined with a rise in inventory levels for the Market, vacancy rates have increased 37 bps over the past year from 6.8% to 7.2%, remaining below the 10-year average of 7.5%, and below the National average by 664 bps. With 382.3k square feet absorbed in 2024 Q3, vacancy rates have compressed 63 bps over the past quarter. In the third quarter, office tenants in the Market absorbed 382.3k square feet, an increase from the -545.3k square feet vacated in 2024 Q2, and an improvement from the -37.2k square feet vacated in the same quarter last year.

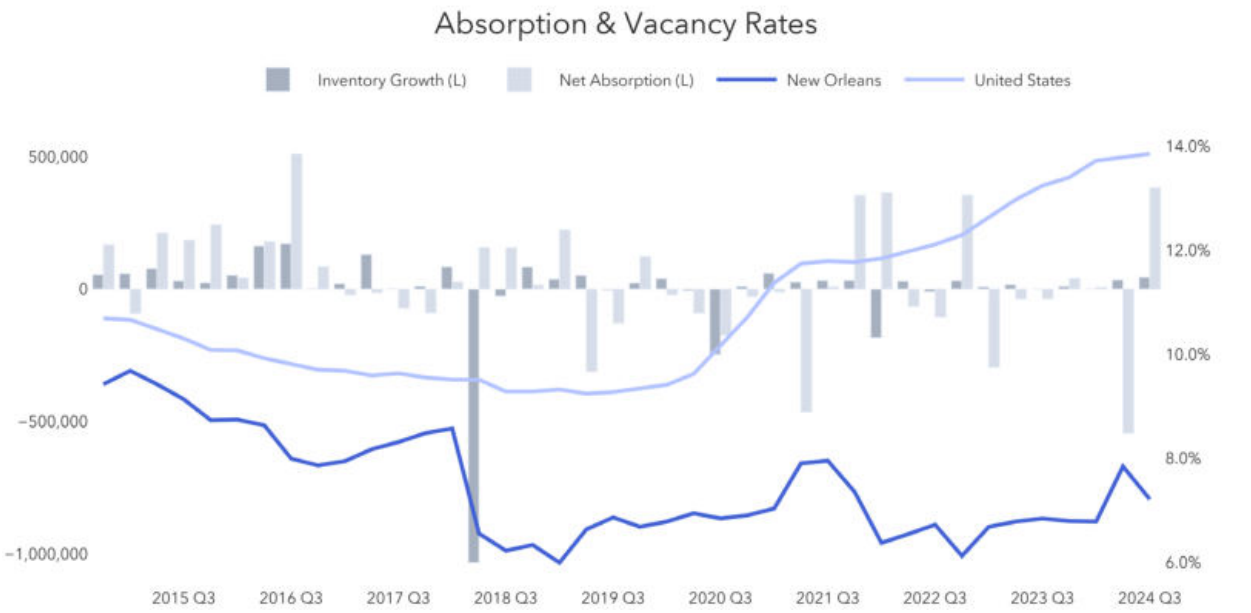
By location, suburban submarkets like Outer Jefferson Parish and St. Charles Parish have seen among the strongest pace of demand formation in the New Orleans region over the past year. Stronger demand has shifted to suburban areas of New Orleans, as many firms are choosing to be closer to where their employees live. Also, these areas tend to have better parking options than in the CBD. Meanwhile, demand in closer-in nodes such as the CBD and the Uptown/Garden District remains weak.

Despite the CBD's central location, local market participants note that old buildings–the average age is about 90 years old–, limited and expensive parking options, and rising crime, are major reasons behind many residents and commercial tenants leaving the area. One recent example is Shell's plan to leave its current CBD location and move to a brand new 142,000-square-foot office building once complete in the emerging River District neighborhood.

While there have been a few notable exits in recent years, there has not been a mass exodus of companies. In 2023 Freeport McMoRan left the 130,000 SF it occupied at the DXC Technology Center building. The lease ran through 2026, but the company had the right to terminate early and chose to do so. In 2020, General Electric permanently closed its local office in Place St. Charles, as part of a $2 billion cost-cutting effort.

Vacancy Rates

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	24 Q2	24 Q3
National	10.7%	10.1%	9.7%	9.6%	9.3%	9.3%	10.7%	11.8%	12.3%	13.4%	13.8%	13.8%
Market	9.4%	8.7%	7.9%	8.5%	6.3%	6.7%	6.9%	7.3%	6.1%	6.8%	7.8%	7.2%
Class A	13.7%	13.7%	14.8%	16.6%	8.3%	9.1%	10.1%	12.0%	10.6%	13.3%	17.8%	15.8%
Class B	9.2%	8.2%	7.4%	7.8%	8.9%	8.9%	8.3%	9.2%	7.1%	7.2%	7.0%	6.7%
Class C	7.3%	6.3%	4.2%	4.3%	2.7%	3.2%	3.8%	2.8%	2.6%	2.7%	3.0%	2.9%



Source: CoStar

Rents

At $21.05/SF, rents in the New Orleans Market are roughly 41% lower than the National average of $35.63/SF. Rents vary throughout the Market. Class A space is at a premium with a rate of $22.18/SF, followed by $21.31/SF for Class B and $20.14/SF for Class C space.

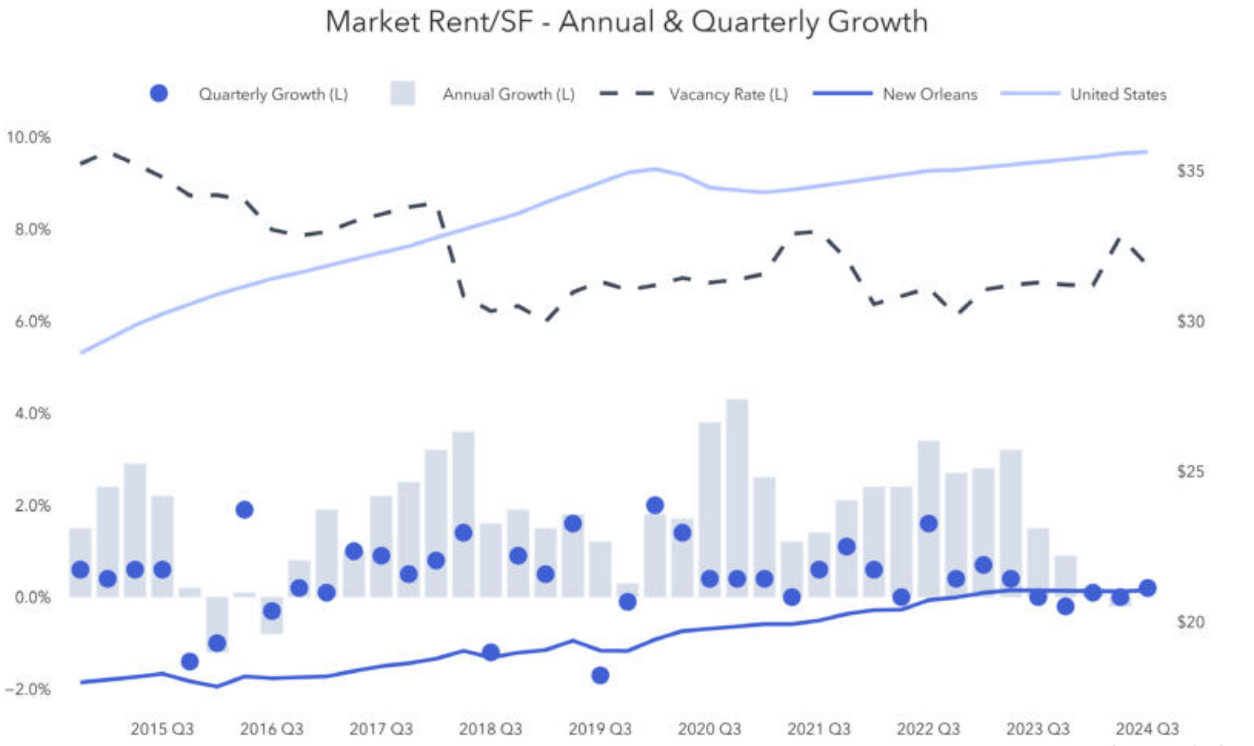
Rents are highest in the suburbs, specifically Mandeville/Covington, as well as the more established areas like the French Quarter and the Uptown/Garden District. Despite being the largest district, the CBD has asking rents that are middle of the road for the metro, at $20/SF, due to muted office demand.

When looking at tenant allowance trends, local brokers note that these have increased significantly over the past five years, especially in the longer leases. These packages have increased by around 30% over the past year alone. New 10-year leases today typically receive $60/SF which compares to the typical $30/SF seen five years ago. Meanwhile, new five-year leases today are receiving $25-30/SF, which compares to $20/SF seen five years ago. Renewals, however, have seen the biggest jump in tenant allowances, with tenants now regularly receiving $3/SF per year, which is triple the amount seen five years ago.

Market Rents

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	24 Q2	24 Q3
National	$28.93	$30.59	$31.61	$32.49	$33.58	$34.94	$34.35	$34.58	$35.03	$35.38	$35.58	$35.63
Market	$17.98	$18.02	$18.16	$18.62	$18.97	$19.03	$19.85	$20.26	$20.81	$20.99	$21.01	$21.05
Class A	$20.45	$20.05	$20.17	$20.50	$21.42	$21.42	$21.63	$21.36	$21.72	$22.08	$22.14	$22.18
Class B	$17.90	$18.01	$18.19	$18.61	$18.73	$18.84	$19.75	$20.53	$21.02	$21.18	$21.24	$21.31
Class C	$16.64	$16.87	$16.97	$17.54	$17.81	$17.85	$18.92	$19.34	$20.06	$20.16	$20.13	$20.14

Prior to the pandemic, the New Orleans Office Market experienced softening rent growth. In 2019 Q4, annual rent growth in the Market softened below the previous quarter, and was below the historical average, with annual growth of 0.3%. With demand softening during the initial stages of the pandemic, quarterly rent growth decreased 1.4% in 2020 Q2. By the end of 2020, rents increased 4.3% from the 2019 Q4 rent level of $19.03/SF. From 2019 Q4 to 2021 Q4, rents increased 6.5%. Quarterly rent growth in 2024 Q3 increased 0.2%, pushing annual growth to 0.0%.

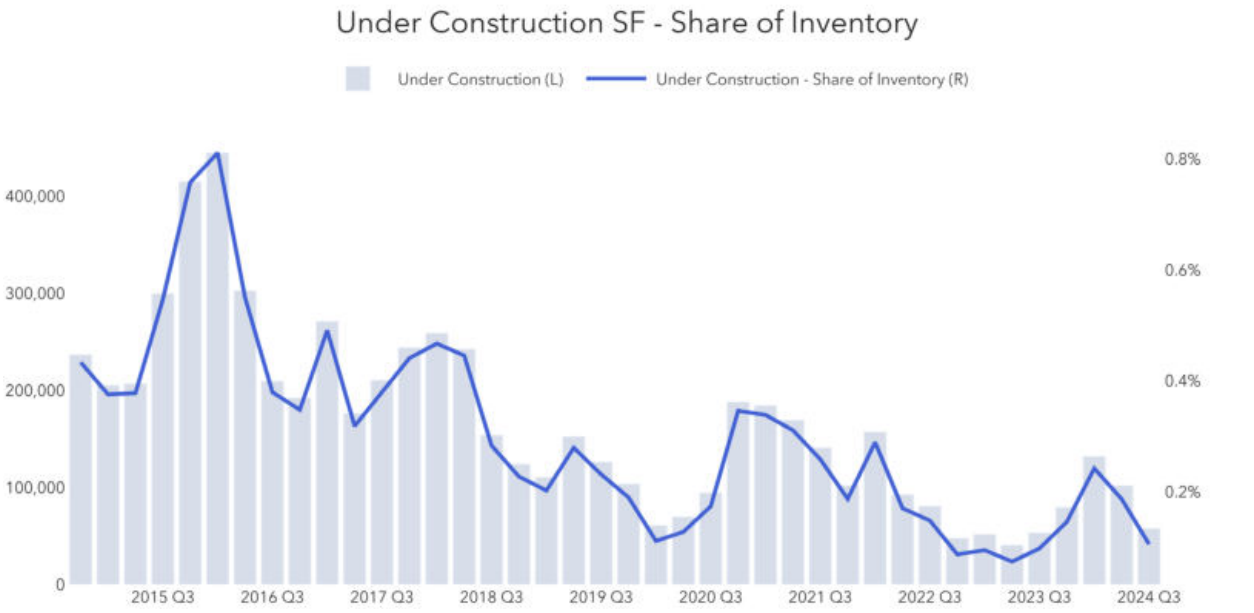


Source: CoStar

Construction & Future Supply

Developers have been active for much of the past ten years. In fact, they have added 1.9 million square feet to the Market over that time, but inventory contracted by 0.2%. Developers remain active in the Market, but elevated construction and debt costs have slowed the pipeline to 57.3k square feet, or the equivalent of 0.1% of existing inventory, underway.

More than a dozen office properties have been converted into either multifamily or hospitality this past decade. Among notable current conversions, the 31-story office tower on 1010 Commons St. is being converted into a mixed-use building containing a luxury hotel and extended stay hotel while still keeping some commercial office space. Retail space within the building may also be added.



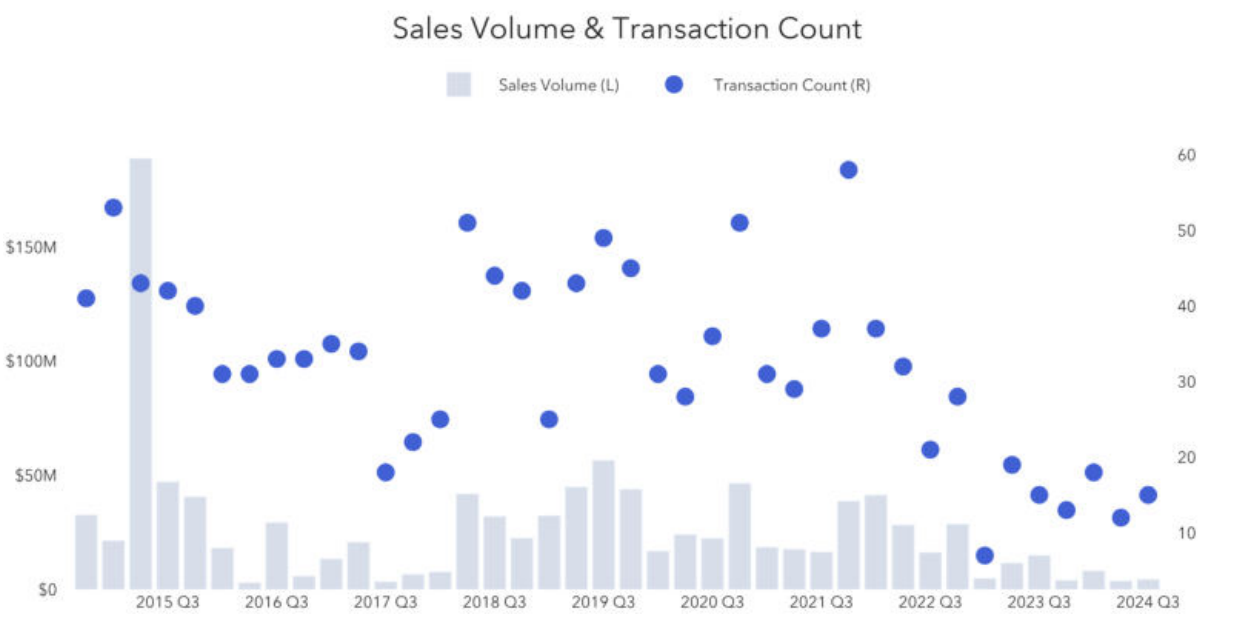
Source: CoStar

Capital Markets

Investors have been active in the Market over the past three years. During that time, investors have closed on average 109 transactions per year with an annual average sales volume of $79.9 million. Over the past year, there were 58 closed transactions across 916.6k square feet, for a total sales volume of $19.9 million. As of 2024 Q3, CoStar data indicates there were 15 transactions for a total sales volume of $4.3 million, compared to $3.6 million in the previous quarter.

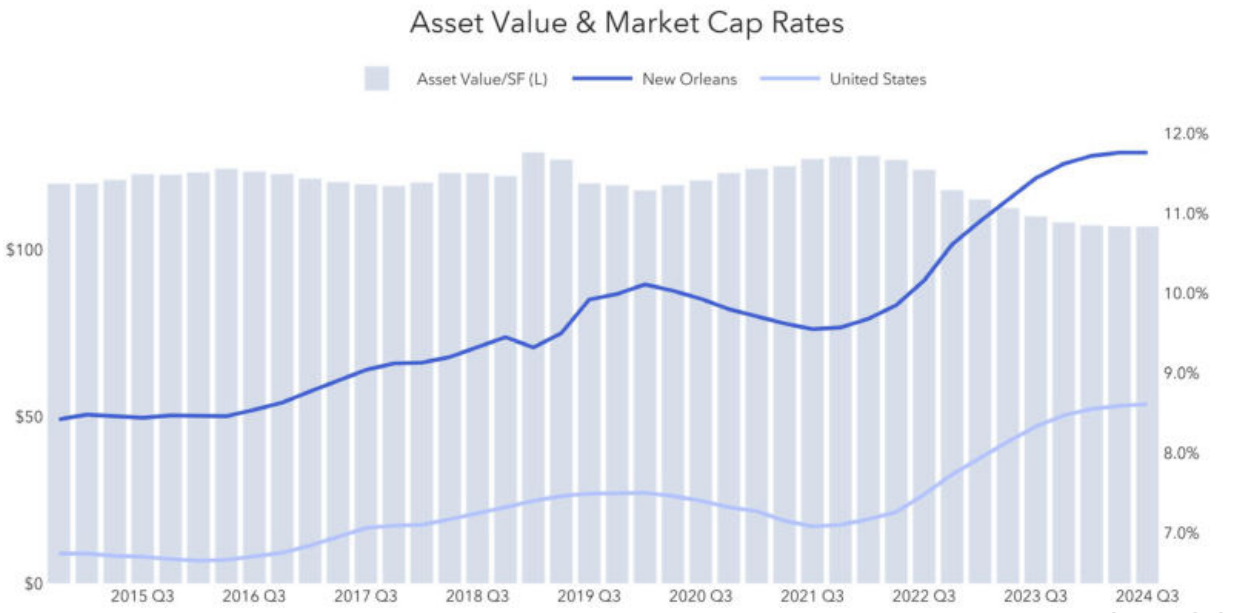
Private local and out-of-state buyers drive most of the transaction activity, though out-of-state ones account for the majority, about two-thirds of activity in a given year. The market has not seen the meaningful shift in the buyer pool that other markets have over the past couple of years. The preferred investment of choice remains well-leased properties at or below 10,000 SF and priced at $5 million or less. This is unsurprising as this type of size accounts for 80% of the market's total stock.

The market has not witnessed a wave in distressed sales, yet. Only one notable one has occurred this year. In January, the 696,000-SF DXC Technology building sold for an undisclosed price as a distressed sale. The 1984-built property was last renovated in 1995 and 50% leased at the time of sale. Even so, debt maturities continue to post headwinds for owners and lenders. In the CMBS market, around $160 million is set to mature in 2025 and another $120 in 2026. Current owners of these properties may be unable to refinance in today's elevated interest rate environment, which could lead to a rise in distressed sales in the coming months.



Source: CoStar

Market pricing, based on the estimated price movement of all properties in the Market, is currently $107/SF. Values have compressed 2.8% over the past year but stabilized in 2024 Q3. Capitalization rates increased 32 bps over the past year to 11.8% and compressed 1 bps in Q3. Despite recent rate cuts, elevated rates and the subsequent cost of debt will weigh on both investment activity and pricing going forward. However, investors are taking advantage of the drop in office values, acquiring very well located properties.



Source: CoStar

Outlook

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

Office market conditions in the New Orleans Market indicate a decrease in demand along with rising inventory levels. With vacancy rates expanding, quarterly rent growth increased 0.2%, with no growth over the past year. Looking ahead to the near term, it is likely that tenant demand softens, slowing rent growth further. Uncertain future demand paired with high borrowing costs continues to impact New Orleans' investment market, though a lack of liquidity and Louisiana's status as a non-disclosure state make pricing difficult to pin down.

Appendix

New Orleans Office Market Overview

Submarket	Inventory SF	Vacancy Rate	Availability Rate	Under Construction SF	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
New Orleans CBD	14,105,202	15.1%	15.7%	0	$20.52	$83	12.71%
Metairie	10,420,293	8.5%	8.9%	0	$21.96	$111	11.54%
Mandeville/Covington	5,040,077	3.2%	4.5%	57,348	$21.44	$115	11.46%
Mid-City/Central City	3,963,338	3.5%	3.8%	0	$22.38	$132	11.17%
Westbank	3,541,613	4.9%	5.1%	0	$18.47	$104	11.43%
Warehouse/Arts District	2,483,614	2.5%	2.7%	0	$21.70	$96	12.19%
Uptown/Garden District	2,223,363	1.7%	1.7%	0	$24.93	$144	11.04%
Elmwood/Harahan	2,024,734	4.8%	4.7%	0	$21.07	$102	11.26%
Slidell	1,514,736	1.1%	1.0%	0	$18.80	$105	11.62%
Gentilly/St Claude	1,424,900	5.1%	5.1%	0	$21.88	$135	11.04%
Kenner	1,400,024	1.4%	1.4%	0	$19.44	$104	11.36%
New Orleans East	1,355,880	0.3%	0.4%	0	$19.44	$111	11.46%
St Charles Parish	830,294	5.9%	6.8%	0	$19.15	$104	11.38%
Outer Jefferson Parish	757,173	1.5%	1.5%	0	$20.82	$122	11.41%
Chalmette	620,661	5.4%	5.4%	0	$19.19	$96	11.69%
Lakeview	570,221	1.3%	1.0%	0	$20.71	$146	10.98%
Jefferson	542,529	0.3%	0.3%	0	$21.02	$109	11.02%
St John Baptist Parish	425,677	0.0%	NA	0	$20.33	$129	10.98%
Marigny/Bywater	382,785	0.0%	NA	0	$19.96	$120	11.37%
St Tammany Parish	328,102	5.5%	20.2%	0	$21.73	$148	11.14%
French Quarter	237,940	0.0%	NA	0	$20.96	$141	11.19%
Plaquemines Parish	183,349	1.5%	11.3%	0	$21.22	$128	10.67%
St Bernard Parish	48,746	12.8%	12.8%	0	$19.15	$84	11.68%
River Ridge	16,819	0.0%	NA	0	$20.57	$151	10.95%

Subject Property Photos

All subject photos were taken on the date of value of this appraisal.

Building Facade



Building Facade



Building Facade



Building Facade



Building Facade



Building Facade



Building Facade



Building Facade



Building Facade



Building Facade



Building Facade



Building Facade



Building Facade



Building Facade



Building Facade



Subject Street



Subject Street



Subject Street



Subject Street



Subject Street



Exterior Entrance



Parking Garage Entrance



Parking Garage Entrance



Parking Garage Entrance



Common Area Lobby



Common Area Lobby



Common Area Lobby



Elevators



Qualifications

Michelle Zell, MAI

Senior Vice President

Experience

Michelle Zell is a Senior Vice President at Bowery Valuation, who joined the firm in October 2019. She has worked in the real estate appraisal industry for 18 years.

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

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

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

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

Education

Cornell University	Bachelor of Science
Emory University	Master of Public Health

Certifications & Professional Designations

Appraisal Institute	MAI, Designated Member Currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members.
Certified General Real Estate Appraiser	New York (46-49921) Florida (RZ4135) Texas (TX 1380938G) Georgia (CG404989) Louisiana (G4507)

Publications

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

Katelin Kutchko

Vice President

Experience

Ms. Kutchko is a Vice President at Bowery Real Estate Systems. She has 7 years of commercial real estate appraisal experience. Most recently, Ms. Kutchko served as an associate at BBG/ Leitner Group. At BBG/ Leitner Group, Ms. Kutchko has experience appraising a wide variety of property types including multi-unit residential, office, industrial, retail centers, mixed-use properties and development sites. She specializes in the national STNL/net-leased market.

Education

University of Pennsylvania, School of Design (2014)	Master of Architecture with a Real Estate Design and Development Certificate from the Wharton School
New York University, College of Arts and Sciences (2010)	Honors Scholar, Bachelor of Arts with a major in Urban Design & Architecture Studies and minor in Studio Art

Certifications & Professional Designations

Certified General Real Estate Appraiser	New York (46000053185) Pennsylvania (GA004619) New Jersey (42RG00281400)

License

Michelle Zell, State Certified General Appraiser– Louisiana



Louisiana Real Estate Appraisers Board

Having complied with the requirements of Chapter 51 of Title 37 of the Louisiana Revised Statutes of 1950 and the requirements of the Louisiana Real Estate Appraisers Board,

Certified General Appraiser

license is hereby granted to

Michelle R. Zell

License Number - APR.04507-CGA
First Issuance Date - 09/29/2020
Expiration Date - 12/31/2025

Chairperson

Secretary

STATE OF LOUISIANA · UNION · JUSTICE · CONFIDENCE · REAL ESTATE APPRAISERS BOARD

APPRAISAL REPORT

Brookhollow Central

2800-2950 North Loop West

Houston, Texas, 77092

Office Building
Bowery Report No. JOB-2400036481

REQUESTED BY

Shoshana Yavneh

Hertz Properties Group, Limited
15303 Ventura Boulevard, Suite 800
Sherman Oaks, CA 91403

DATE OF VALUE

September 30, 2024

PREPARED BY



Michelle Zell, MAI



Diana Zlatkina

bowery

61-63 Crosby Street, 3rd Floor
New York, NY 10010

Ms. Shoshana Yavneh
Hertz Properties Group, Limited
15303 Ventura Boulevard, Suite 800
Sherman Oaks, CA 91403

Re: Appraisal File No. JOB-2400036481
Brookhollow Central
Office Building
Houston, Texas, 77092

Dear Ms. Yavneh:

In accordance with your request, we have completed an appraisal of 2800-2950 North Loop West, known as Brookhollow Central in Houston, Texas for the purpose of advancing an opinion of the fair value of the leased fee interest of the subject as of September 30, 2024. To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP.

In addition, this appraisal has been prepared in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). The purpose of the appraisal is to aid the intended user in the preparation of Financial Statements and a Prospectus, or additional Prospectuses, to be published with the Israeli Security Authority. The report is intended for use only by Hertz Investment Group, LLC and its related entities, successors, and/or assigns.

We confirm that we have given our full consent to the inclusion of Brookhollow Central appraisal as of September 30, 2024, in its entirety within Hertz Properties Group Limited (the "Company") financial statements and related information to be published by the Company for the Tel Aviv Stock exchange and for the Israeli Security Authority in 2024.

The subject, 2800-2950 North Loop West, consists of three Class A, multi-tenanted elevatored office buildings. 2800-2950 North Loop West contain a combined 1,414,150± gross square feet, according to public record, and 806,541± square feet of leasable area. The property is 75.56% occupied based on GLA. The improvements were built in 1972-1981, with Building I renovated in 2014. Overall, the property is in good condition.

The subject property is located at the northwest corner of North Loop West and Director's Row in the Lazybrook / Timbergrove neighborhood in the city of Houston in the State of Texas. The site contains a total land area of 10.00± acres / 435,557± square feet. It is identified on the Harris County Houston Texas Tax Maps as Parcels 102-047-000-0006 / 102-047-000-0005 / 102-047-000-0007.

The highest and best use of 2800-2950 North Loop West is as the current use as an office building. This conclusion is based on its zoning, physical characteristics, location, and forecasted economic conditions.

Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformance with the Standards of Professional Practice and Code of Professional Ethics of the Appraisal Institute and the Uniform Standard of Professional Appraisal Practice (USPAP). In addition, this appraisal has been prepared in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). After carefully considering all available information and factors affecting value, our opinion is:

Final Value Opinion

Value	Interest Appraised	Date of Value	Conclusion
Fair Value	Leased Fee Interest	September 30, 2024	$62,000,000

61-63 Crosby Street, 3rd Floor
New York, NY 10010

Bowery Valuation previously appraised the subject property as of the following dates:

Date	Value
September 30, 2020	$81,500,000
September 30, 2021	$90,700,000
September 30, 2022	$92,900,000
June 30, 2023	$83,000,000
September 30, 2023	$66,100,000
December 31, 2023	$64,000,000
June 30, 2024* (Letter)	$64,000,000

Since our last full appraisal in Q4 2023, there have been some changes. Occupancy has improved from 68% to 75.56%. The property is essentially at stabilized occupancy now. Unused TI and cap ex decreased from $5,971,310 to $3,393,522. *Note we have kept the structural vacancy factor of 22% for office and 2% for storage for a total of 24% remaining vacant over the holding period. Other changes include slight changes to expenses given 2024 annualized statements, as well an increase in forecasted parking income given recent trends at the property. We have lowered the growth rate for market rent from 2% to 1.50% given recent investor sentiment. Additionally, we have increased the TI allowance given to new tenants from $60 to $70 per square foot and renewing tenants from $10 to $35 per square foot in accordance with market participant feedback. Given the property is at stabilized occupancy, we utilized the average of years 1 and 2 NOI as there is some expected turnover in year 2 which is not accounted for in year 1 NOI. Additionally, we have shortened the holding period to 5 years as there is greater turnover in years 6-10 of the cash flow as compared to years 1-5. We raised the going in cap rate to 9.00% and the terminal cap rate to 9.25% (increase of 75 bps) in light of recent market conditions and more recent transacted properties. We have increased the discount rate by 100 bps to 9.50%. The value within this report reflects a value of* $62,000,000.

61-63 Crosby Street, 3rd Floor
New York, NY 10010

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

- None.

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

- None.

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

Thank you for the opportunity to serve you.

Sincerely,



Michelle Zell, MAI
Senior Vice President
Certified General Real Estate Appraiser
TX License No. 1380938G
FL License No. RZ4135
michelle.zell@boweryvaluation.com
(917) 533-3141

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

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

Summary of Salient Facts & Conclusions

Subject Property	Brookhollow Central 2800-2950 North Loop West Houston, Texas 77092
Building Description	The subject, 2800-2950 North Loop West, consists of three Class A, multi-tenanted elevatored office buildings.
Location	The subject is located at the northwest corner of North Loop West and Director's Row in the Lazybrook / Timbergrove neighborhood in the city of Houston in the State of Texas.
Parcel	102-047-000-0006 / 102-047-000-0005 / 102-047-000-0007
Census Tract	5301.00
Year Built / Renovated	1972-1981/ 2014
Site Area	10.00± acres./ 435,557± square feet
Zoning	No zoning ordinance in Houston, Texas
Flood Hazard Status	According to National Flood Insurance Program Rate Map dated June 9, 2014 Community Panel #480296 - 48201C0665M, the subject is located within a Zone X flood zone.
Exposure Time	Between nine and twelve months
Property Rights Appraised	Leased Fee Interest
Dates of Inspection	July 26, 2023 (interior and exterior) as part of a prior engagement. We did not inspect as part of this engagement.
Date of Value	September 30, 2024
Date of Report:	December 9, 2024

Financial Indicators – Year 1

Financial Indicators	**Total**	**Per SF- GLA**
Average Rent PSF	$16.71	
Effective Gross Income	$14,772,192	$18.32
Stabilized Occupancy	76%	
Current Occupancy	75.56%	
Expense Ratio	52%	
Net Operating Income	$7,039,142	$8.73
Direct Capitalization Rate	9.00%	
Terminal Capitalization Rate	9.25%	
Discount Rate	9.50%	
Direct Capitalization Approach Value	$67,000,000	$83
Discounted Cash Flow Approach Value	$62,000,000	$77
Sales Comparison Approach Value	$65,000,000	$81

Sales Comparison Approach Indicators	**Total**	**Per SF- GLA**
Number of Sales Used	12	
Sale Transaction Date Range	02/21/2023 to 08/17/2024	
Range PSF	$22-$107	
Sales Comparison Approach Value Conclusion	$65,000,000	$81

Final Value Opinion

Value	Interest Appraised	Date of Value	Conclusion
Fair Value	Leased Fee Interest	September 30, 2024	$62,000,000

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

- None.

The value conclusions are based on the following **Hypothetical Conditions**[4] that may affect the assignment results:

- None.

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

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

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

Table of Contents

Introduction 1
- Subject Exterior 1
- Property Identification 1
- SWOT Analysis 1
- Date of Value Opinion 2
- Purpose 2
- Identification of the Client 2
- Intended Users 2
- Intended Use 2
- Property Rights Appraised 3
- Property History 3
- Exposure Time 4
- General Assumptions 4
- Geographic Competency 4
- Definition of Fair Value 5
- Scope of the Appraisal 5
- Data Sources 5
- U.S. Economic and Commercial Real Estate Overview – 2024 Q3 7
- Harris County Area Analysis 16

Neighborhood & Demographic Overview 24

Zoning Summary 30
- Conformity 30

Assessed Values & Real Estate Taxes 32
- Assessments 32
- Tax Rate 32
- Tax Liability Forecast 32

Site Description 33

Flood Map 35

Building Description 36
- Structural & Mechanical 36
- Layout & Finishes 37
- Condition & Maintenance 40
- Summary 40
- Houston: Office Market Analysis 41
- North Loop West: Office Submarket Analysis 49

Highest & Best Use 55
As Vacant 55
As Improved 56
Appraisal Valuation Process 57
Income Capitalization Approach 58
Approach Applied 58
Base Commercial Income 58
Expense Reimbursements 65
Vacancy and Credit Loss 69
Operating Expense Analysis 71
Direct Capitalization Stabilized Income and Expenses 75
Direct Capitalization 77
Income Approach Value Conclusion 87
Sales Comparison Approach 88
Unit of Comparison 88
Comparable Sales 88
Reconciliation & Final Value Opinion 91
Certification 93
Addenda 95
Contingent & Limiting Conditions 96
Provided Information 99

Introduction

Subject Exterior





*Photos taken as part of prior engagement.

Property Identification

The subject, 2800-2950 North Loop West, consists of three Class A, multi-tenanted elevatored office buildings. 2800-2950 North Loop West contain a combined 1,414,150± gross square feet, according to public record, and 806,541± square feet of leasable area. The property is 75.56% occupied based on GLA.

The subject is located at the northwest corner of North Loop West and Director's Row in the Lazybrook / Timbergrove neighborhood in the city of Houston in the State of Texas. The improvements were built in 1972-1981, with Building I renovated in 2014. Overall, the property is in good condition. The subject property is located at the northwest corner of North Loop West and Director's Row in the Lazybrook / Timbergrove neighborhood in the city of Houston in the State of Texas. The site contains a total land area of 10.00± acres / 435,557± square feet. It is identified on the Harris County Houston Texas Tax Maps as Parcels 102-047-000-0006 / 102-047-000-0005 / 102-047-000-0007.

SWOT Analysis

SWOT is an acronym for the internal and external (environmental) strengths, weaknesses, opportunities and threats facing the subject. We have identified the following:

Strengths/Opportunities:

- Subject has good physical appeal with excellent visibility.
- Recent renovations have kept property competitive with newer buildings.

- 2,795 garage parking spaces which reflects 3.4 spaces per 1,000 SF of GLA.
- Occupancy has improved to a stabilized 76% in accordance with the structural vacancy laid out.
- The Federal Reserve Board met from November 6 - 7, 2024 and voted to cut its benchmark interest rate by 25 basis points to 4.50% - 4.75%. This is their second reduction of 2024 and the latest sign that policymakers believe that inflation is finally coming under control, labor market conditions have generally eased, and that the unemployment rate has moved up but remains low. The FOMC meets again in six weeks, on December 17 - 18, with the market projecting rates to stay steady.

Weaknesses/Threats:

- High vacancy market and volatile demand create risk.
- 15% turnover in year 2.
- High competition in the overall market

Date of Value Opinion

The date of our valuation is September 30, 2024. Din Karnitskiy, a third party inspector, performed an interior and exterior inspection of the subject property on July 26, 2023 as part of a prior engagement. We did not inspect as part of this engagement. Diana Zlatkina and Michelle Zell have not made a personal inspection of the property that is the subject of this report.

Purpose

The purpose of the appraisal is to provide an opinion of the fair value of the leased fee interest of the subject property as of September 30, 2024, subject to the general underlying assumptions and limiting conditions cited herein, and in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). According to the International Financial Reporting Standard 13, Fair Value is defined as: "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." The complete definition of Fair Value is included on page 4 of this report.

Identification of the Client

Hertz Investment Group, LLC has engaged us and is our client for this assignment.

Intended Users

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

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

Intended Use

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

Property Rights Appraised[5]

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

Property History

The current owner of record is per records. The property was acquired by current ownership in February 2018. The sale details are summarized below.

Address	Block / Lot	Sale Date	Sale Price	Grantor	Grantee
2800-2950 North Loop West	102-047-000-0006 / 102-047-000-0005 / 102-047-000-0007	2/12/2018	$70,500,000	Parmenter Brookhollow, LLC	HERTZ HOUSTON BROOKHOLLOW LP

We are not aware of any additional bids, offers or options to purchase for this asset. The most recent purchase price is below the concluded value due to absorption of additional vacant space, subsequent to the sale. At the time of purchase, the subject was reportedly 38% occupied, with a large tenant, Comerica Bank, having vacated, although with some prospects of retaining Comerica's sublease tenants. The subject is currently 75.56% occupied. The rental rates for the subject's above-grade office spaces range between $13.00/SF and $20.83/SF, with all leases being triple net and the tenant reimbursing all expenses except structural reserves.

Bowery Valuation previously appraised the subject property as of the following dates:

Date	Value
September 30, 2020	$81,500,000
September 30, 2021	$90,700,000
September 30, 2022	$92,900,000
June 30, 2023	$83,000,000
September 30, 2023	$66,100,000
December 31, 2023	$64,000,000
June 30, 2024* (Letter)	$64,000,000

Since our last full appraisal in Q4 2023, there have been some changes. Occupancy has improved from 68% to 75.56%.. The property is essentially at stabilized occupancy now. Unused TI and cap ex decreased from $5,971,310 to $3,393,522. Note we have kept the structural vacancy factor of 22% for office and 2% for storage for a total of 24% remaining vacant over the holding period. Other changes include slight changes to expenses given 2024 annualized statements, as well an increase in forecasted parking income given recent trends at the property. We have lowered the growth rate for market rent from 2% to 1.50% given recent investor sentiment. Additionally, we have increased the TI allowance given to new tenants from $60 to $70 per square foot and renewing tenants from $10 to $35 per square foot in accordance with market participant feedback. Given the property is at stabilized occupancy, we utilized the average of years 1 and 2 NOI as there is some expected turnover in year 2 which is not accounted for in year 1 NOI. Additionally, we have shortened the holding period to 5 years as there is greater turnover in years 6-10 of the cash flow as compared to years 1-5. We raised the going in cap rate to 9.00% and the terminal cap rate to 9.25% (increase of 75 bps) in light of recent market conditions and more recent transacted properties. We have increased the discount rate by 100 bps to 9.50%. The value within this report reflects a value of $62,000,000.

There was a LOI to purchase the subject for $69,225,000 which was not executed and is no longer valid.

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

Exposure Time[6]

It is our opinion that a normal exposure time for the subject property is between nine months and twelve months. This conclusion is predicated on interviews with brokers and other real estate industry sources and on information obtained in the verification process. According to the PwC Real Estate Investor Survey 3Q 2024, the average marketing time for the national CBD office market is 3-15 months with an average of 9.8 months, remaining unchanged from last quarter and 1 year ago. The value reported herein presumes such an exposure time.

General Assumptions

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

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

- Technical Environmental Inspections: No Environmental Site Assessment report was provided in conjunction with this appraisal. If a report is commissioned and there are any environmental issues uncovered, they could affect our opinion of value reported. We recommend the services of a professional engineer for this purpose.
- Zoning Ordinances: We recommend an appropriately qualified land use attorney if a definitive determination of compliance is required.
- Building Inspections: We recommend a building engineer or professional property inspector for the inspection. Any immediate expenditures that a trained professional may determine are needed, could affect our opinion of value reported.
- Easements, Encroachments, and Restrictions: We know of no deed restrictions, private or public, that further limit the subject property's use. The research required to determine whether or not such restrictions exist, however, is beyond the scope of this appraisal assignment. Deed restrictions are a legal matter and only a title examination by an attorney or Title Company can usually uncover such restrictive covenants. Thus, we recommend a title search to determine if any such restrictions do exist.
- Building Health and Fire Codes: Our valuation assumes there are no known code violations.
- Estimates of gross building area and total leasable area were furnished by the owner and are specified in the "Data Sources" section of the Introduction. The provided gross building area of 1,414,150 square feet above grade is sourced from the public record. The management company/ownership provided leasable area of 806,541 square feet. The opinions of value reported herein are based on the assumption that the data provided are the most recent and accurate. It has been verified to the best of our ability based on our use of client and/or borrower provided data and publicly available data.

Geographic Competency

Diana Zlatkina and Michelle Zell, MAI have previously appraised the subject property. As detailed above, in order to acquire geographic competency, the appraisers have researched the local market, examined supply and demand factors, economic and development activity, and interviewed local market participants and real estate brokers.

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

Definition of Fair Value

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

When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value.

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

(a) the particular asset or liability being measured;

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

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

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

Scope of the Appraisal

Within the course of this assignment, we have:

- We did not inspect as part of this engagement. Prior inspections of the full exterior and interior, common areas, and mechanical systems were done on January 6, 2020. WeGoLook, a third-party appraisal service, performed an interior and exterior inspection on October 20, 2021. Din Karniskiy also performed an interior and exterior inspection on October 3, 2022 and July 26, 2023 (interior and exterior) as part of a prior engagement.
- Researched and investigated the location in terms of its economic activity, development patterns, and future trends and related their impact on the market.
- Determined the highest and best use of the subject property based on an analysis of all relevant factors.
- Conducted a market survey of rent and vacancy levels of similar properties.
- Reviewed projected income and operating expenses for the subject property.
- Researched and analyzed similar office rental, operating expense and tax comparables to determine the reasonableness of the existing income and expenses at the subject property.
- Projected the net operating income under both a one-year and 5-year stabilized operating period and applied a market-derived capitalization rate and competitive discount rate to develop an opinion of value by the income approach.
- Researched and analyzed sales of competitive assets and applied the techniques of the sales comparison approach in advancing an opinion of value.
- Advanced an opinion of the fair value of the identified interest.

Data Sources

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

Data Sources

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

The subject photos were taken by Din Karniskiy as of the date of inspection (July 26, 2023) (interior and exterior) as part of a prior engagement. We did not inspect as part of this engagement.

U.S. Economic and Commercial Real Estate Overview – 2024 Q3

This report contains data and commentary from the U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, U.S. Department of Housing and Urban Development, and CoStar. Data is through the 3rd quarter of 2024 unless otherwise noted.

Economic Overview and Outlook

Economic growth in the United States continues to run at a sturdy pace. After expanding solidly during the first half of the year, real GDP is shaping up to rise at a 3.2% quarterly annualized pace in Q3. Some near-term moderation appears in store as the lagged effects of tight monetary policy further feed through to households and businesses, but growth should remain resilient and eventually be energized by less restrictive monetary policy.

A less vulnerable financial position for households illustrated by recent upward revisions to the saving rate help better explain the remarkable staying power of the consumer recently. A moderation should still soon begin to set in; however, household finances standing on more secure footing and a firmer labor market outlook have led us to boost our near-term forecast for consumer spending.

September's strong employment report helps assuage concerns that a sharp deterioration in the labor market is imminent and suggests that conditions may hold up a bit better further down the line than our previous forecast had assumed. Payroll growth is forecasted to average 128K per month in Q4 compared to previous estimates of 105K. The upward trend in the unemployment rate since the start of the year is likely to resume, but peak in Q4 at a lower rate.

The process of reducing the federal funds target range kicked off at the September FOMC meeting with the delivery of a 50 basis point cut. Consensus is that two more rate cuts this year are possible, with 25 basis point reductions at both the November and December meetings likely to occur. Although the ride back to the FOMC's 2% target will continue to be bumpy, the conditions for additional progress remain largely in place. The headline PCE deflator should reach the Fed's 2% target in the near future. However, core inflation is likely to remain slightly above 2% until the second half of 2026.

GDP

Real gross domestic product (GDP) increased at an annual rate of 3.0 percent in the second quarter of 2024, according to the “third” estimate. In the first quarter, real GDP increased 1.6% (revised). The second-quarter increase in real GDP was the same as previously estimated in the “second” estimate released in August.

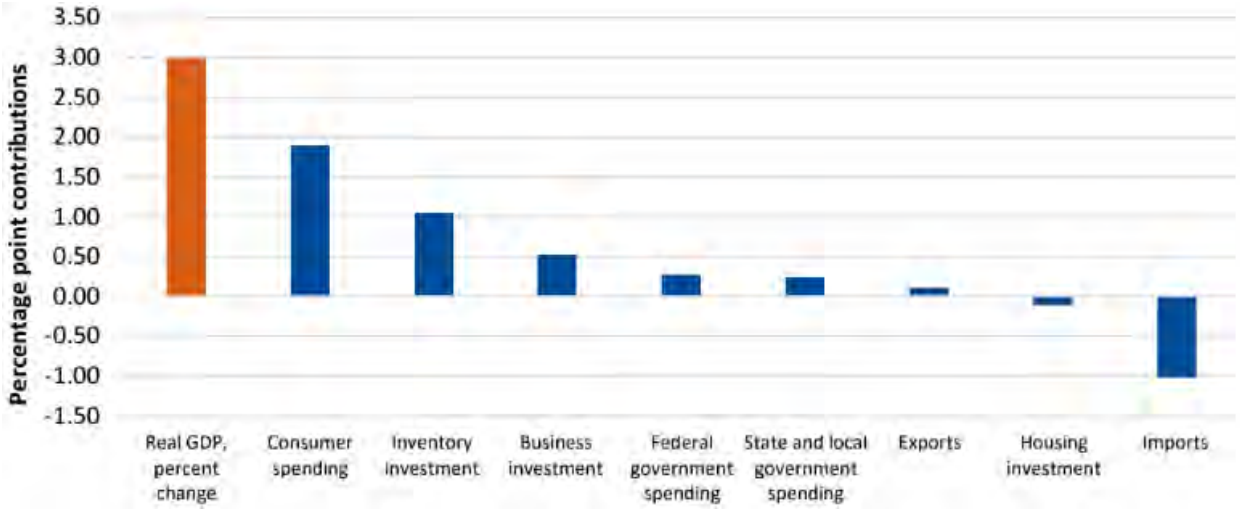
Economic growth in the United States continues to run at a sturdy pace. After expanding solidly during the first half of the year, real GDP is shaping up to rise at a 3.2% quarterly annualized pace in Q3. The effects of higher interest rates are still readily apparent, with nonresidential structures and residential investment setting up to remain as drags on headline growth. Elsewhere, however, most other major segments continue to perform relatively well. A strong rate of consumer spending continues to be the driving force behind overall growth, while business investment in equipment and intellectual property products looks to have strengthened in recent months. Looking ahead, some near-term moderation in real GDP growth appears in store as the lagged effects of tight monetary policy further feed through to households and businesses.

The increase in the second quarter primarily reflected increases in consumer spending, inventory investment, and business investment. Imports, which are a subtraction in the calculation of GDP, increased.

The increase in consumer spending reflected increases in both services and goods. Within services, the leading contributors to the increase were health care, transportation services, and housing and utilities. Within goods, the leading contributors to the increase were motor vehicles and parts and furnishings and durable household equipment.

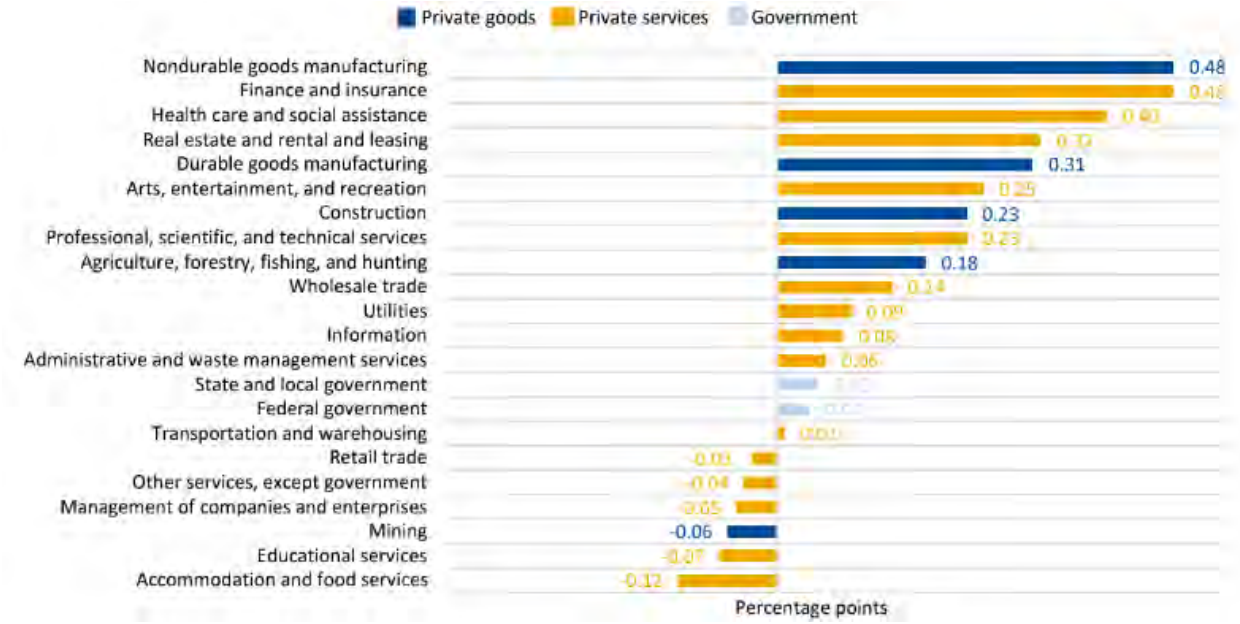
The increase in inventory investment was led by increases in retail trade and wholesale trade industries that were partly offset by a decrease in mining, utilities, and construction industries. The increase in business investment primarily reflected an increase in equipment (led by transportation equipment). Compared to the first quarter, the acceleration in real GDP in the second quarter primarily reflected an upturn in inventory investment and an acceleration in consumer spending that were partly offset by a downturn in housing investment.

Contributions to % Change in Real GDP, Q2



Source: U.S. Bureau of Economic Analysis

Contributions to % Change in Real GDP by Industry Group

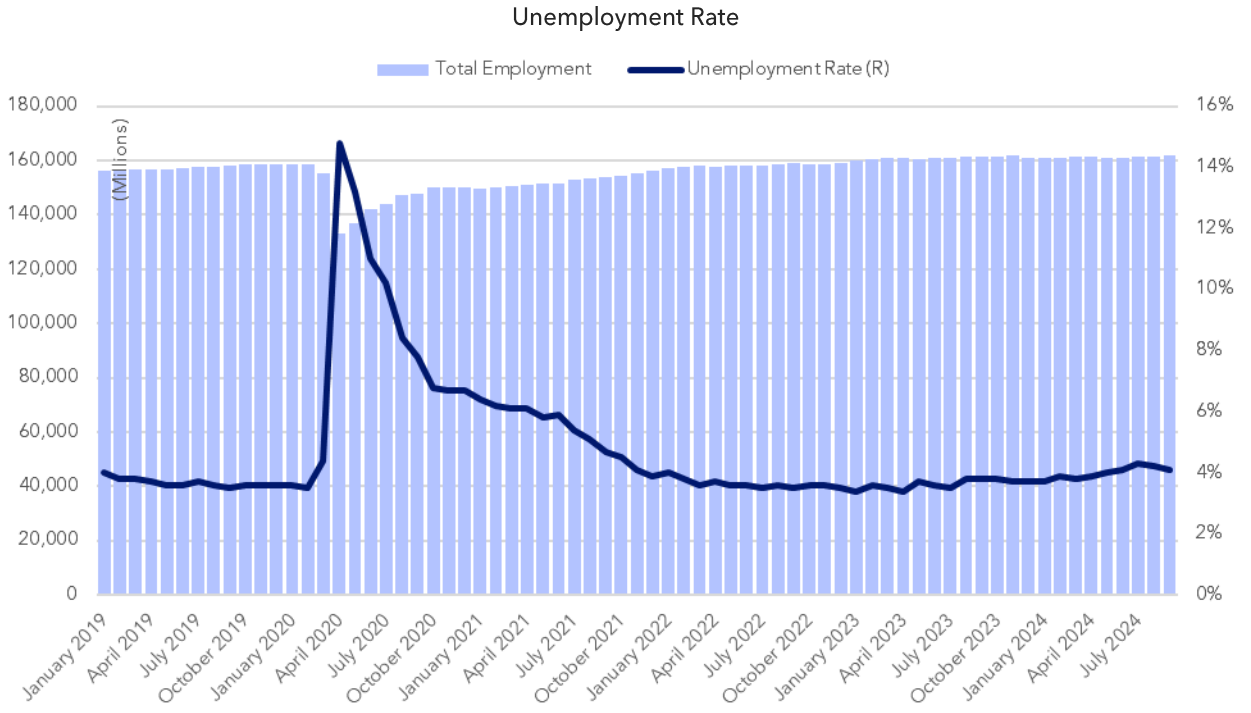


Source: U.S. Bureau of Economic Analysis

Labor Market

Nonfarm payrolls comfortably beat expectations and rose by 254K during September, and the pace of hiring was revised higher in the previous two months. What's more, the unemployment rate fell back to 4.1%. Although still up from 3.7% at the start of the year, the jobless rate has been in the 4.1%-4.3% range since June, which is low from a historical perspective and roughly in line with estimates of the natural rate of unemployment.

The three-month average of job growth has been declining since mid-2021. Meanwhile, initial, and continuing claims for unemployment benefits are drifting higher, and job openings have fallen below their pre-pandemic trend.



Source: Bureau of Labor Statistics

Inflation

Consumer price growth slowed to 2.4% on a year-ago basis in September, the slowest annual pace of inflation since February 2021. Core CPI inflation has risen at a 3.1% annualized pace over the past three months, slightly below the 3.3% year-ago pace.

At 4.8% year-over-year in September, services categories remain the laggard in terms of core inflation settling back down, but service providers should continue to benefit from more stable prices for goods inputs moving forward. Meantime, the ongoing softening in the jobs market and pickup in productivity growth are reducing inflationary forces from labor inputs–dynamics that will help limit goods and services inflation alike. Milder shelter inflation seems only to be a matter of time. All told, upward pressure on prices is dissipating, but a return to the Fed's target will require patience; with core PCE inflation hopefully reaching 2% in the fall of 2026.

Overall, the ride back to the FOMC's 2% target is likely to remain slow given less deflationary impulse from goods, food and energy prices moving forward. Still, the conditions for additional progress largely remain in place. Less intense demand and a softer labor market should keep a lid on price pressures, especially in the service sector. Further easing in shelter costs also remains highly probable given softer housing market conditions.

Residential

The adverse impacts of higher mortgage rates and increased home prices continue to reverberate across the housing market. The U.S. economy is still expanding, but home sales remain in a deep lull reminiscent of the aftermath of the Great Recession. A dip in mortgage rates as the Federal Reserve pivots to a less restrictive stance of monetary policy could improve affordability and provide a needed jolt to the residential sector.

Federal Reserve rate cuts brighten the outlook for residential investment, with lower financing costs likely to be supportive of both single-family and multifamily development in the coming years. Residential expenditures are expected to become a positive force on GDP by year-end, additional near-term weakness appears unavoidable. Private single-family construction outlays have dipped for three consecutive months as of August following a five-month downdraft in single-family permits. Multifamily outlays also continue to trend lower. Although apartment demand has firmed quite substantially, builders are still pulling back on new construction starts in an attempt to rightsize the supply-demand imbalance in the multifamily market. Home improvement outlays have picked up; however, broker's fees are likely to remain muted amid a sluggish pace of home sales. Looking past this quarter, mortgage rates should trend lower as the Fed continues its easing cycle, which would help to boost buyer demand and residential construction.

Residential Housing Metrics

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Real GDP, Percent Change	2.9	1.8	2.5	3.0	2.5	-2.2	5.8	1.9	2.5
Residential Investment, Percent Change	10.6	7.1	4.3	-0.7	-0.9	7.2	10.7	-9.0	-10.6
Nonfarm Payroll Change (Avg. Monthly)	226.4	193.9	175.9	190.3	165.7	-772.8	604	377	251
Unemployment Rate	5.3	4.9	4.4	3.9	3.7	8.1	5.4	3.6	3.6
Home Construction									
Total Housing Starts, in Thousands	1,111.9	1,173.7	1,202.9	1,250.0	1,289.9	1,379.6	1,601	1,553	1,420
Single-Family Starts, in Thousands	714.6	781.5	848.9	875.7	887.7	990.5	1,127	1,005	948
Multifamily Starts, in Thousands	397.3	392.2	354.0	374.3	402.2	389.1	474	548	472
Home Sales									
New & Existing Home Sales, in Thousands	5,751	6,011	6,123	5,957	6,022	6,461	6,891	5,667	4,753
New Home Sales, Single-Family, in Thousands	501	561	613	617	682	821	771	641	666
Total Existing Home Sales, in Thousands	5,250	5,450	5,510	5,340	5,340	5,640	6,120	5,026	4,087
Existing Single-Family Home Sales, in Thousands	4,646	4,838	4,892	4,742	4,765	5,066	5,413	4,480	3,659
Existing Condominium & Co-op Sales, in Thousands	608	614	619	601	579	578	707	546	428
Home Prices									
Median New Home, $ Thousands	294.2	307.8	323.1	326.4	321.5	336.9	397.1	457.8	428.6
Percent Change	2.0	4.6	5.0	1.0	-1.5	4.8	15.8	16.8	-6.4
Median Existing Single-Family Home, $ Thousands	223.9	235.5	248.8	261.6	274.6	300.2	357.1	392.8	394.1
Percent Change	7.2	5.2	5.6	5.1	5.0	9.3	19.0	10.0	0.3
S&P Case-Shiller National Home Price Index, Percent Change	4.5	5.1	5.8	5.8	3.4	6.1	17.1	14.8	2.4
Interest Rates - Annual Averages									
Federal Funds Target Rate	0.27	0.52	1.13	1.96	2.25	0.50	0.25	2.02	5.23
10-Year Treasury Note	2.14	1.84	2.33	2.91	2.14	0.89	1.45	2.95	3.96
Conventional 30-Year Fixed Rate, Commitment Rate	3.98	3.76	4.09	4.64	4.08	3.18	3.03	5.38	6.80

Source: Wells Fargo, Economics, U.S. Housing Forecast

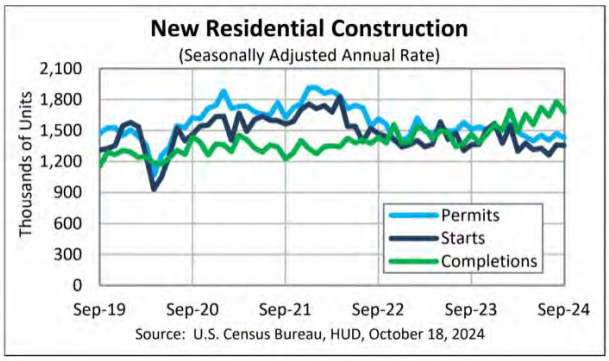
Privately-owned housing units authorized by building permits in September were at a seasonally adjusted annual rate of 1,428,000. This is 2.9% below the revised August rate of 1,470,000 and is 5.7% below the September 2023 rate of 1,515,000. Single-family authorizations in September were at a rate of 970,000; this is 0.3% above the revised August figure of 967,000. Authorizations of units in buildings with five units or more were at a rate of 398,000 in September.

Privately-owned housing starts in September were at a seasonally adjusted annual rate of 1,354,000. This is 0.5% (±13.0%)* below the revised August estimate of 1,361,000 and is 0.7% (±16.1%)* below the September 2023 rate of 1,363,000. Single-family housing starts in September were at a rate of 1,027,000; this is 2.7% (±13.4%)* above the revised August figure of 1,000,000. The September rate for units in buildings with five units or more was 317,000.

Privately-owned housing completions in September were at a seasonally adjusted annual rate of 1,680,000. This is 5.7% (±19.9%)* below the revised August estimate of 1,781,000 but is 14.6% (±11.9%) above the September 2023 rate of 1,466,000. Single-family housing completions in September were at a rate of 1,000,000; this is 2.7% (±7.8%)* below the revised August rate of 1,028,000. The September rate for units in buildings with five units or more was 671,000.

New Residential Construction





Source: U.S. Bureau of Economic Analysis

The Federal Reserve's 50 bps cut at the September FOMC meeting marks the beginning of the end of the worst CRE downturn since the Global Financial Crisis. Given inflation appears contained and strains are emerging in the labor market, the Fed is expected to follow with a string of rate cuts through the summer of 2025 in order to keep the economic expansion intact.

Lower interest rates are not a magic bullet, but less restrictive monetary policy lays the groundwork for a commercial real estate recovery. Decreased long-term interest rates appear to be easing upward pressure on cap rates and slowing declines in property valuations. Meanwhile, increased expectations for an economic soft-landing look to be giving capital the green-light to move off the sidelines. There's no shortage of obstacles ahead, especially when it comes to the office market. That said, reduced interest rates should prevent distress from spreading and shorten the hurdles coming down the road.

Multifamily

The U.S. multifamily market continued a strong rebound in demand through the third quarter of 2024, with 152,000 units absorbed. That brings the 12-month demand to 529,000 units, which is the strongest total since 2021. Demand was driven by stable economic growth, plus a continued slowing of renter households, making the jump to ownership, and creating fewer units to backfill. And while supply additions have outpaced demand over the past 11 quarters, the gap has closed significantly. In the third quarter, vacancy rates held steady at 7.8%.

Additionally, overall rent growth appears to have stabilized and may have hit an inflection point. Rent growth has held steady in the 1.0% range over the past four quarters but began increasing from 1.1% to 1.3% over the first two months of the third quarter.

Nevertheless, rent conditions at different price points show distinct results. Most new supply additions are concentrated at the Class A & B price point, contributing to the weakest rent growth observed at the market's upper echelon. In the second quarter, Class A & B properties recorded rent growth of 0.3%, and this segment is projected to remain the weakest for the foreseeable future. At the same time, mid and lower priced properties experienced rent growth that outpaced the overall average. The outlook for the remainder of the year indicates overall accelerating rent growth due to increasing demand and limited supply pressure in the Class C and below segments.

Market fundamentals are also highly varied depending on region. For the most part, Midwest and Northeast markets have experienced only moderate supply additions over the past two years, contributing to a more balanced multifamily sector in these regions. Consequently, they have exhibited the most favorable rent growth. At the same time, rent growth has been sluggish in the Sun Belt, with numerous markets reporting negative year-over-year rent growth.

Current projections indicate 611,000 completions for the year, which would be the highest total since the mid1980s. But almost 60% of projected deliveries have already hit the market so that deliveries will decline in the third and fourth quarters. If absorption can maintain the strong pace set year to date, supply and demand could be balanced in the third and fourth quarters. In that case, the overall market will have the opportunity to stabilize and possibly begin recovering by the end of 2024, with overall rent growth approaching 2.0%. Furthermore, the market will experience significant supply relief by next year when deliveries will fall by nearly 45% to 337,000 units.

National Multifamily Fundamentals

Period	Inventory Units	Under Construction Units	Net Delivered Units 12 Mo	Absorption Units 12 Mo	Vacancy Rate	Market Effective Rent/Unit	Asset Value/Unit	Market Cap Rate
2024 Q3	20,103,150	721,773	679,275	528,859	7.8%	$1,716	$229,820	6.18%
2024 Q2	19,924,588	843,057	658,815	446,030	7.9%	$1,725	$232,167	6.16%
2023	19,570,317	1,053,559	594,737	327,014	7.7%	$1,690	$238,350	6.01%
2022	18,975,620	1,129,287	449,554	147,494	6.5%	$1,677	$274,921	5.27%
2021	18,525,916	836,958	418,734	703,812	5.0%	$1,612	$294,567	4.87%
2020	18,107,178	720,841	458,942	402,707	6.7%	$1,458	$254,051	5.36%
2019	17,648,284	735,616	374,272	343,622	6.6%	$1,446	$243,048	5.71%
2018	17,274,269	674,721	366,539	387,181	6.5%	$1,398	$232,597	5.86%
2017	16,907,718	615,574	381,723	318,650	6.8%	$1,353	$224,894	5.94%
2016	16,525,986	616,363	332,230	259,675	6.5%	$1,320	$217,808	6.02%
2015	16,193,747	540,259	318,728	317,749	6.2%	$1,289	$211,782	6.03%
2014	15,875,769	484,029	286,036	256,534	6.3%	$1,237	$199,018	6.20%

Retail

Despite a sharp uptick in retailer bankruptcies and store closures, conditions within U.S. retail space markets remain historically tight heading into the final months of 2024.

Availability has held at a historically low level of just 4.7% for four consecutive quarters, while both tenants and brokerage representatives continue to report a lack of quality available space as a factor impacting the market. After four years of consecutive demand growth, many available spaces skew to the lower end of the quality spectrum, as nearly 40% of available space is rated Class C or below. In addition, less than 25% of available space was built this century, while nearly 60% is in areas with below average household incomes. Thus, tenants seeking newer, higher-quality space in affluent locations are finding few available options.

Supply-constrained conditions can be attributed to the lack of new development since the Great Financial Crises and steady growth in space demand following the pandemic. Net absorption totaled 4.2 million square feet during the third quarter, marking the sector's 15th consecutive quarter of positive demand formation. Increased demand for space is primarily being driven by tenants in the food services, grocery, fitness, experiential, and healthcare sectors.

While positive, demand formation has slowed considerably, and less space was filled over the past year (on a net basis) than in any year over the past decade except for 2021. This lower pace of demand growth is attributable to a lack of newly delivered preleased space and an uptick in store closures, which have risen to their highest level since 2020.

While store closures weigh on the current level of net absorption, they also provide much-needed supply for those tenants looking to expand. Market participants are reporting exceptionally strong backfill demand for spaces as they go dark, with some spaces able to secure rent increases of 40% or more. In addition, over half of the leases signed in the third quarter were for spaces that became available within the past six months, while nearly a third were for spaces that became available within the past three months.

The market is likely to continue to face a shortage of quality available space as the total amount of retail under construction fell to a new multi-decade low in the third quarter. Developers continue to report difficulty making new ground-up retail development deals pencil in today's cost environment at current rent levels. This dichotomy should support further rent gains for landlords and allow supply-constrained conditions to persist for the foreseeable future.

While moderating from the multi-decade high pace seen near the end of 2022, retail asking rents continue to rise at a healthy clip thanks to minimal availability and the significant boost in retail sales coming out of the pandemic. Rent increases remain strongest in Sun Belt markets experiencing substantial population and buying power growth. This has been especially true for smaller shop spaces along prime corridors. Conversely, rents remain below pre-pandemic peaks in many lower-tier malls as well as in high-cost coastal urban centers that rely significantly on spending from daytime office workers.

Looking forward, the retail sector is well-positioned to maintain fundamental stability for the foreseeable future. While concerns surrounding the financial health of the consumer and the impact of higher rates on spending are valid, the lack of new supply and shortage of quality available space should help keep retail fundamentals in balance for the foreseeable future.

National Retail Fundamentals

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
Q3	12,131,716,732	0	33,523,931	33,773,872	4.1%	NA	$25.38	$250	6.94%
Q2	12,126,301,422	48,673,548	38,238,697	40,417,540	4.1%	4.7%	$25.31	$249	6.92%
2023	12,108,170,670	58,600,524	41,459,662	50,728,368	4.0%	4.7%	$24.99	$246	6.91%
2022	12,066,618,206	62,570,168	21,137,292	73,665,320	4.1%	4.8%	$24.10	$239	6.86%
2021	12,045,286,770	55,921,860	20,656,777	75,501,568	4.6%	5.4%	$23.11	$228	6.89%
2020	12,024,512,039	52,657,452	43,926,758	-28,874,128	5.0%	6.4%	$22.32	$216	7.01%
2019	11,979,336,722	66,152,544	58,679,189	41,705,008	4.4%	5.8%	$21.88	$209	7.13%
2018	11,919,844,834	80,377,840	57,052,574	61,811,500	4.3%	5.9%	$21.33	$201	7.20%
2017	11,861,812,465	79,688,248	83,221,642	97,332,672	4.4%	6.1%	$20.80	$196	7.19%
2016	11,777,720,053	92,428,104	76,104,838	140,729,904	4.5%	6.3%	$20.22	$192	7.14%
2015	11,701,069,640	85,500,800	76,147,605	121,209,000	5.1%	7.0%	$19.74	$191	7.03%
2014	11,624,585,115	78,694,080	64,128,799	132,536,536	5.5%	7.3%	$19.20	$177	7.31%

Office

The office occupancy market is getting closer to its bottom but is still in an extended period of flux. After 23 million SF of negative absorption in the first quarter of 2024 brought the cumulative occupancy loss since the onset of COVID-19 to 210 million SF, demand has been flat for the past six months. However, the addition of 11 million SF of net new supply since April has pushed the vacancy rate up to a new record of 13.8%.

The demand picture remains complex. Daily attendance continues its slow, steady rise, and move-outs have clearly slowed. On the other hand, so has job growth. Payrolls in the major knowledge work sectors have risen less than 0.4% in the past year, a pace slow enough to engender caution among occupiers.

The response in the leasing market has been nuanced. So far this year, more lease deals are being done on a quarterly basis than was typical in the 2010s. However, these leases are about 20% smaller than the prepandemic average. Space consolidation is still occurring, with low headcount growth further serving to cap space requirements.

Meanwhile, the supply pipeline is diminishing rapidly. The 80.9 million square feet currently under construction is the lowest since 2013. With new starts also at a historical low, the pipeline will only shrink further in the years ahead. In the next five years, as occupiers face the expiration of 30% of the space they had leased before the pandemic, they will have fewer options. The house view is that more of them will choose to stay in place, with a meaningful number choosing to let go of at least some space due to lower per-worker demand.

Thus, vacancy is expected to rise further before plateauing in 2026. Rents should flatten out in the next 12 months before beginning a recovery driven by stabilizing demand and a dearth of relevant, competitive supply. Values for multi-tenanted, investment-grade buildings targeting traditional office tenants have fallen 40-45% from their peak and are likely to dip further as more liquidity leads to a final round of price discovery.

The risks to this outlook are balanced. With major employers such as Amazon expressing plans to return to a pre-pandemic office, the rise in attendance could accelerate. This could lead occupiers to hold onto more space, and some could expand even if headcounts do not grow appreciably.

On the other hand, despite the consensus expectation of an economic "soft landing," the risk of recession in the next 12-18 months remains. The resulting job losses would lead occupiers to eliminate excess space. Further, the recent stagnation of knowledge-oriented job growth amid a period of economic expansion underscores that layoffs among office-using occupiers are possible even absent a general recession.

National Office Fundamentals

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
Q3	8,488,210,592	0	22,259,612	-31,312,992	13.8%	NA	$35.58	$273	8.63%
Q2	8,483,273,789	87,478,216	25,468,835	-45,754,216	13.8%	16.6%	$35.54	$275	8.61%
2023	8,472,479,481	102,475,728	34,799,855	-63,652,356	13.4%	16.3%	$35.36	$281	8.48%
2022	8,437,655,656	128,425,216	42,680,062	-6,545,203	12.3%	15.5%	$35.01	$311	7.73%
2021	8,394,950,428	145,341,104	54,163,026	-41,043,232	11.8%	14.8%	$34.59	$331	7.09%
2020	8,340,718,856	154,920,992	49,468,660	-68,616,696	10.7%	14.3%	$34.37	$317	7.32%
2019	8,290,818,062	161,347,808	62,171,288	51,540,672	9.3%	12.0%	$34.95	$308	7.49%
2018	8,228,166,078	148,598,640	48,515,269	66,222,816	9.3%	12.1%	$33.60	$298	7.32%
2017	8,179,063,544	140,670,096	55,037,180	61,332,208	9.6%	12.5%	$32.51	$291	7.09%
2016	8,123,595,996	137,466,320	47,579,485	72,745,912	9.7%	12.9%	$31.62	$296	6.75%
2015	8,075,834,138	126,666,968	47,575,047	91,774,784	10.1%	13.4%	$30.61	$289	6.67%
2014	8,028,030,213	117,966,152	29,975,412	78,823,896	10.7%	13.8%	$28.94	$269	6.74%

Industrial

Nine consecutive quarters of U.S. industrial vacancy rate increases have clearly shifted market conditions more in tenants' favor and it could be another 12 to 18 months before owners have the leverage they need to raise rents at a more aggressive pace. However, there is also little sign that the industrial sector is caught in a tailspin. Prospects for a mid-2025 peak in vacancy, close to the 20-year average vacancy rate of 7%, are increasingly coming into view.

Trailing 12-month net absorption is at the lowest levels since 2012 but has stabilized in recent months after remaining positive amid declines in key economic drivers last year. Meanwhile, new leasing volume is rising and Amazon, the largest U.S. industrial tenant, is reaccelerating growth in its distribution center network following a significant rebound in its corporate profits.

There are other signs that a slow but steady recovery in tenant demand is getting underway. Real consumer goods spending has been on an upward path for more than one year as inflation subsides. Warehousing and storage employment has also risen in each of the past five months, after declining from mid-2022 through 2023. During 24Q3, the total square foot of industrial space listed as available for lease also rose at the slowest pace recorded in almost two years.

Oncoming new supply will likely push the national vacancy rate up further, but only for a few more quarters as the recent wave of record completions is on its last legs. Higher interest rates have caused construction starts on new industrial projects to plummet over the past two years. The volume of projects completing construction each quarter will remain elevated through late 2024 or early 2025 but has already begun to decline and will likely hit 10-year lows by late 2025, as an aftereffect of the 10-year low in groundbreakings hit in recent months.

In response to rising vacancy, year-over-year rent growth has slowed to just under 3%. With supply additions likely to keep vacancy elevated in the near-term, all signs point to further deceleration, with 2024 rent growth on pace to register the slowest annual tally since 2012. However, there is potential for rent growth to reaccelerate late next year as the drop off in new construction completions coming in mid-2025 could set the stage for vacancies to begin tightening again. CoStar is tracking more than 20 large electric vehicle, battery, and semiconductor plants planning to open across the U.S. during 2024-26, and suppliers to these facilities will likely generate millions of square feet of absorption over that period. Any further declines in inflation and interest rates would also help to push homes sales and durable goods purchases higher, further bolstering the case for stronger industrial market performance by 2025-26.

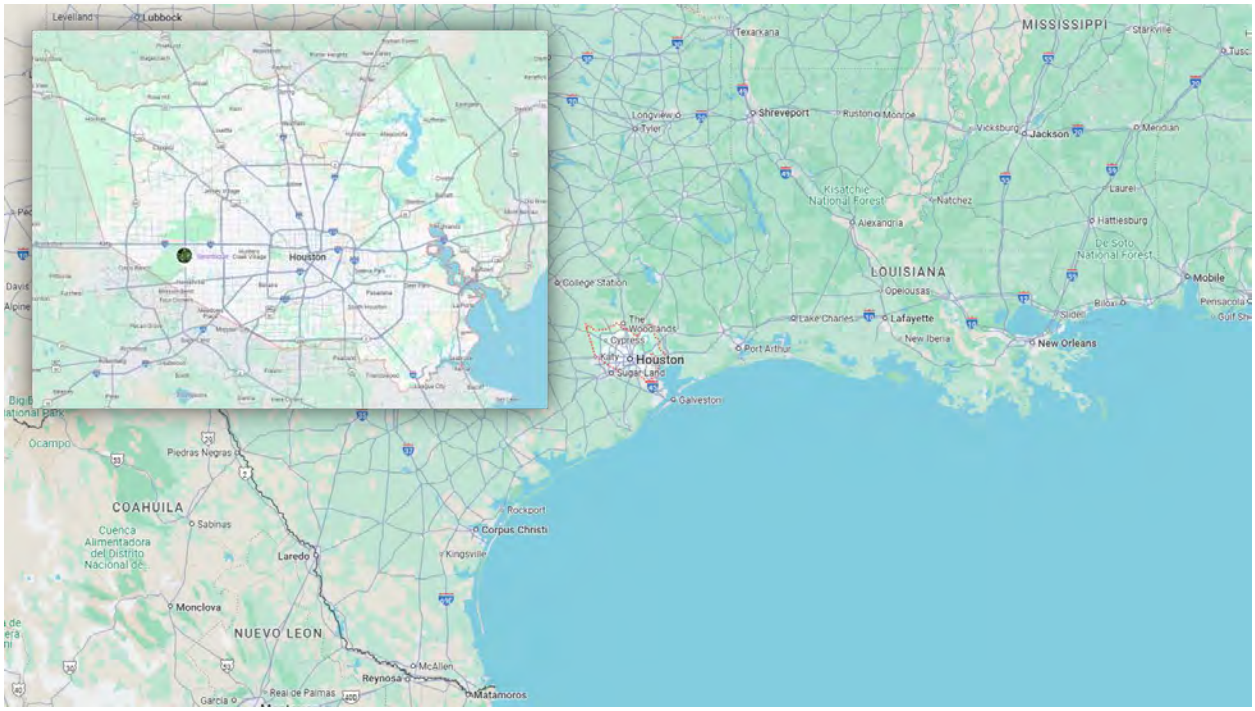
National Industrial Fundamentals

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
Q3	19,164,158,898	340,589,088	429,186,884	112,591,872	6.6%	9.0%	$12.01	$148	7.47%
Q2	19,100,555,958	364,486,944	511,029,944	121,521,096	6.5%	8.9%	$12.01	$148	7.45%
2023	18,885,541,447	468,115,712	535,048,549	175,611,808	5.7%	8.1%	$11.82	$147	7.27%
2022	18,350,438,890	685,564,544	400,462,353	424,745,696	3.9%	6.7%	$11.02	$149	6.57%
2021	17,949,795,411	550,891,520	300,991,616	522,182,112	4.1%	6.1%	$10.03	$141	6.17%
2020	17,648,679,063	367,569,472	302,665,820	216,997,136	5.4%	7.4%	$9.21	$115	6.77%
2019	17,344,701,029	343,982,304	255,696,003	177,344,752	5.0%	7.0%	$8.69	$101	7.16%
2018	17,088,002,176	306,700,160	226,272,983	267,610,976	4.6%	7.0%	$8.22	$93	7.20%
2017	16,858,623,579	275,083,680	231,486,163	260,842,608	5.0%	7.4%	$7.76	$85	7.21%
2016	16,624,431,802	269,623,328	178,574,060	285,547,648	5.2%	8.0%	$7.33	$83	6.88%
2015	16,444,552,206	213,410,960	131,873,854	249,699,952	5.9%	9.1%	$6.93	$78	6.87%
2014	16,311,293,844	169,102,624	91,353,683	249,850,976	6.7%	9.9%	$6.57	$69	7.29%

.

Harris County Area Analysis

The following analysis includes pertinent aspects of the surrounding region as it pertains to the subject property. This report was compiled using data as of 2024 Q3 unless otherwise noted. Data is from a number of sources including the U.S. Bureau of Labor Statistics ("BLS"), the U.S. Bureau of Economic Analysis ("BEA"), and the U.S. Census Bureau.



Source: Google Maps

Harris County at a Glance

Harris County, TX, is located in southeastern Texas and is part of the Houston metropolitan area, the fourth-largest metro area in the United States. Geographically, Harris County is predominantly urban and suburban, with the city of Houston, the largest city in the state, serving as the county seat and its major urban center. Houston is a global hub for industries like energy, healthcare, and aerospace, and the county's suburban areas, such as Katy, Cypress, and Spring, provide a blend of residential neighborhoods, shopping centers, and office parks. While Houston is the core urban area, Harris County also features some rural areas on its outer edges, providing more space for agricultural activities and larger properties.

The local economy in Harris County is diverse and robust, with major industries including energy, healthcare, manufacturing, retail, and technology. Houston has long been a leader in the energy sector, especially in oil and gas, with major companies such as ExxonMobil, Shell, and Chevron having significant operations in the area. The healthcare and medical research sector is another key economic driver, with the Texas Medical Center, one of the largest medical complexes in the world, providing thousands of jobs in hospitals, research institutions, and medical offices. The county's economy has also diversified in recent years, with growth in industries such as technology, logistics, and professional services. Houston's port, one of the busiest in the U.S., also contributes to the local economy, with international trade playing a significant role. The labor market is strong and varied, with opportunities across a wide range of industries.

The housing stock in Harris County is diverse, offering a mix of urban, suburban, and rural properties. Houston, the urban core, features a combination of high-rise apartments, modern condominiums, and single-family homes. The city is known for its affordable housing compared to other major urban centers like New York or San Francisco. Suburban areas such as Sugar Land, The Woodlands, and Cypress offer larger homes, often with bigger yards, catering to families who seek more space but still want access to the amenities and job opportunities in Houston. The outer, more rural areas of the county have larger estates and agricultural properties. As the Houston metro area continues to grow, new residential developments are being built, particularly in suburban areas, contributing to the county's growing housing market. Home prices have been rising in recent years, but the area remains more affordable than many other large U.S. cities.

Retail and business options in Harris County are abundant, particularly in the city of Houston and its surrounding suburbs. The county features a wide variety of shopping centers, including the Galleria, Houston's largest shopping center, which houses high-end retailers like Gucci and Louis Vuitton, as well as a range of dining and entertainment options. In addition, suburban shopping malls like Memorial City Mall and Willowbrook Mall offer a mix of national retailers such as Macy's, Target, and Nordstrom, along with smaller specialty stores. National tenants such as Walmart, Home Depot, and Costco are widely available across the county, and Houston's central business district hosts a significant number of corporate offices and professional service firms. The retail environment in Harris County is dynamic, with a mix of large national retailers and a strong presence of local businesses that cater to the region's diverse population.

Recreational activities in Harris County are plentiful, offering a combination of outdoor, cultural, and sporting opportunities. The county has numerous parks, nature reserves, and hiking trails, including Hermann Park, Memorial Park, and Buffalo Bayou Park, which provide green spaces for residents to enjoy walking, jogging, picnicking, and other outdoor activities. Houston is also home to a wide range of cultural institutions, including the Museum of Fine Arts, the Houston Museum of Natural Science, and the Contemporary Arts Museum, offering residents ample opportunities for educational and cultural enrichment. The city's sports scene is robust, with major professional teams such as the Houston Texans (NFL), Houston Astros (MLB), and Houston Rockets (NBA) providing year-round entertainment for sports enthusiasts. Additionally, Houston is known for its vibrant food scene, offering a diverse range of cuisines due to the city's multicultural population.

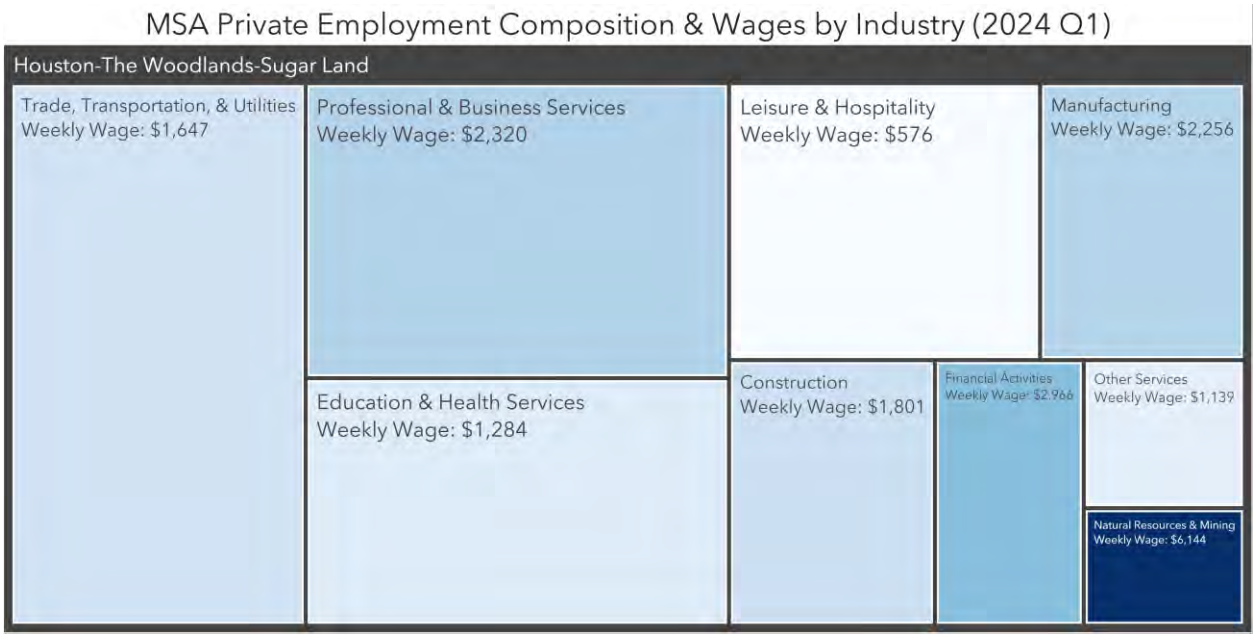
Harris County is well-connected by major corridors such as Interstate 10, Interstate 45, and Interstate 69, which connect Houston to other parts of Texas and the U.S. U.S. Highway 59, and Beltway 8 also provide critical routes for local traffic. The Houston Metro system offers bus and light rail services within the city, and the region is served by major commuter routes connecting the suburbs to downtown. The county is also served by two major airports: George Bush Intercontinental Airport (IAH), a major hub for international and domestic flights, and William P. Hobby Airport (HOU), which primarily serves domestic flights. Houston's transportation network ensures that residents have convenient access to regional, national, and international destinations, making the area highly accessible for both residents and businesses.

Area Fundamentals

Attribute	County Level Value	5 Year Annualized Growth Rate	Relative to Baseline (MSA)
Employment	2,392,902	1.7%	Slower than MSA
GDP	$402.8 billion	1.3%	Slower than MSA
Population	4,835,125	0.7%	Slower than MSA
Per Capita Personal Income	$73,862	5.6%	Faster than MSA

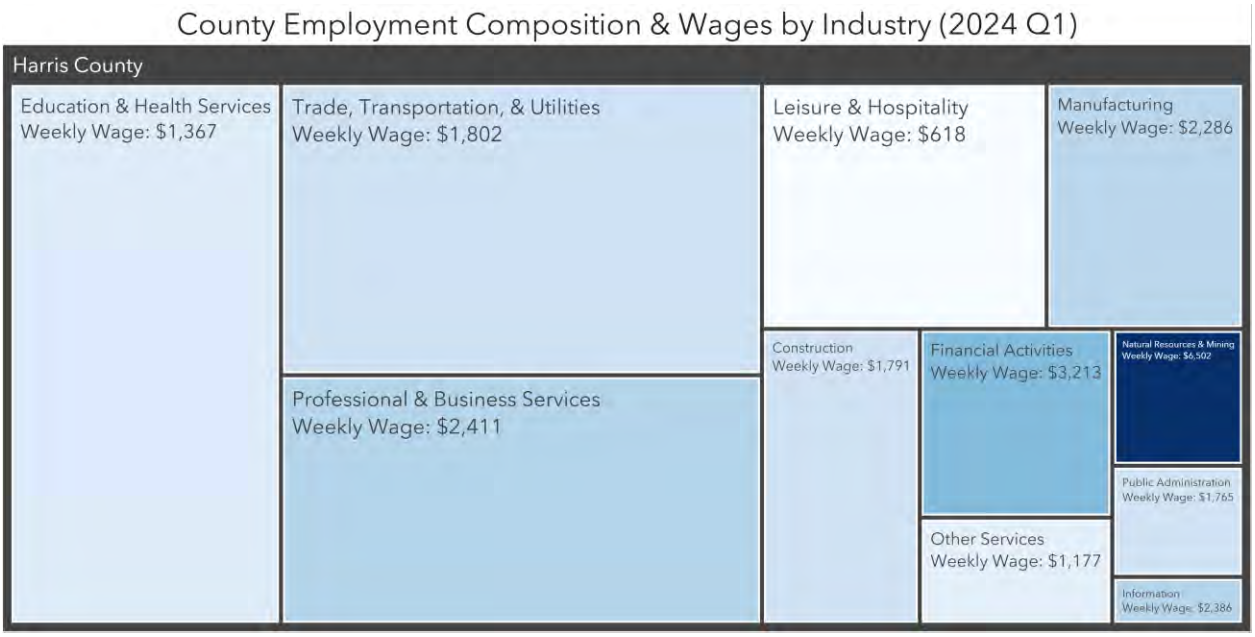
Labor Market Conditions

According to the latest data from the Q1 2024 Quarterly Census of Employment and Wages, Houston-The Woodlands-Sugar Land employed 2,771,082 private employees, with establishments in the Trade, Transportation, & Utilities, Professional & Business Services, and Education & Health Services industries accounting for the top three employers. These industries employ 662,583 (23.9%), 516,705 (18.6%), and 433,697 (15.7%) private sector workers in the Metro, respectively. Houston-The Woodlands-Sugar Land has an especially large share of workers in the Natural Resources & Mining industry. In fact, its 2.8% fraction of workers is 2.1 times higher than the National average.



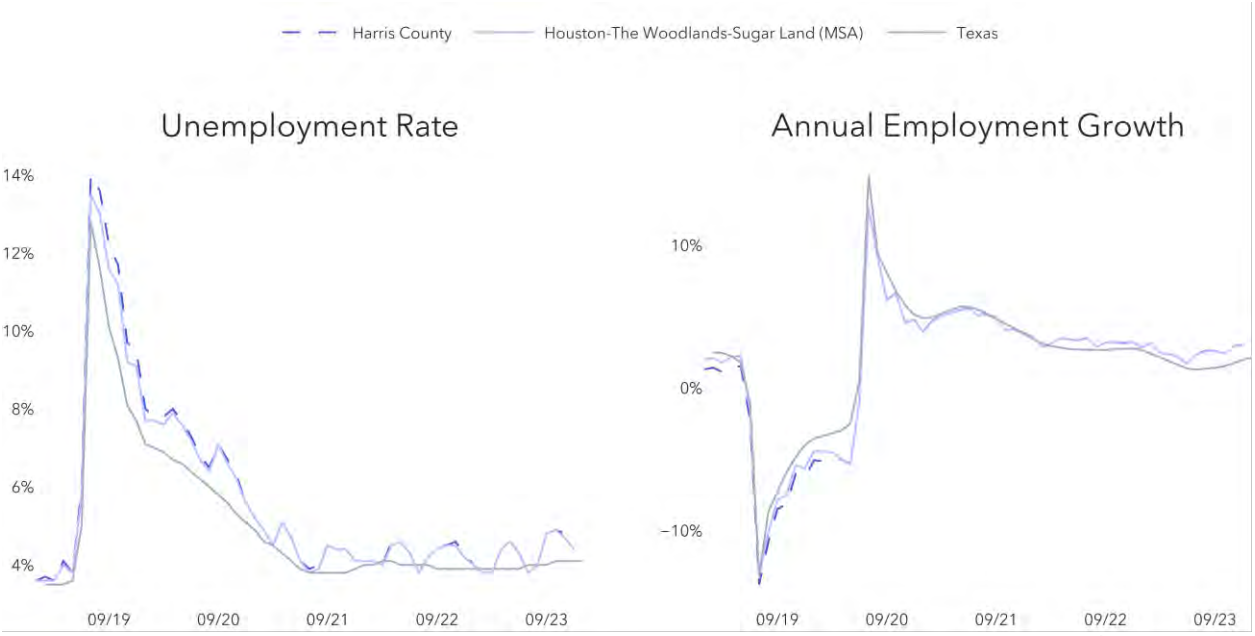
Source: U.S. Bureau of Labor Statistics

The latest data from the 2024 Q1 Quarterly Census of Employment and Wages, Harris County employed 2,430,858 employees. Establishments in the Education & Health Services, Trade, Transportation, & Utilities, and Professional & Business Services industries accounted for the top three employers. These industries employ 534,641 (22.0%), 510,827 (21.0%), and 436,332 (17.9%) workers in the County, respectively. Harris County has an especially large share of workers in the Natural Resources & Mining industry. In fact, its 2.7% fraction of workers is 2.4 times higher than the National average.



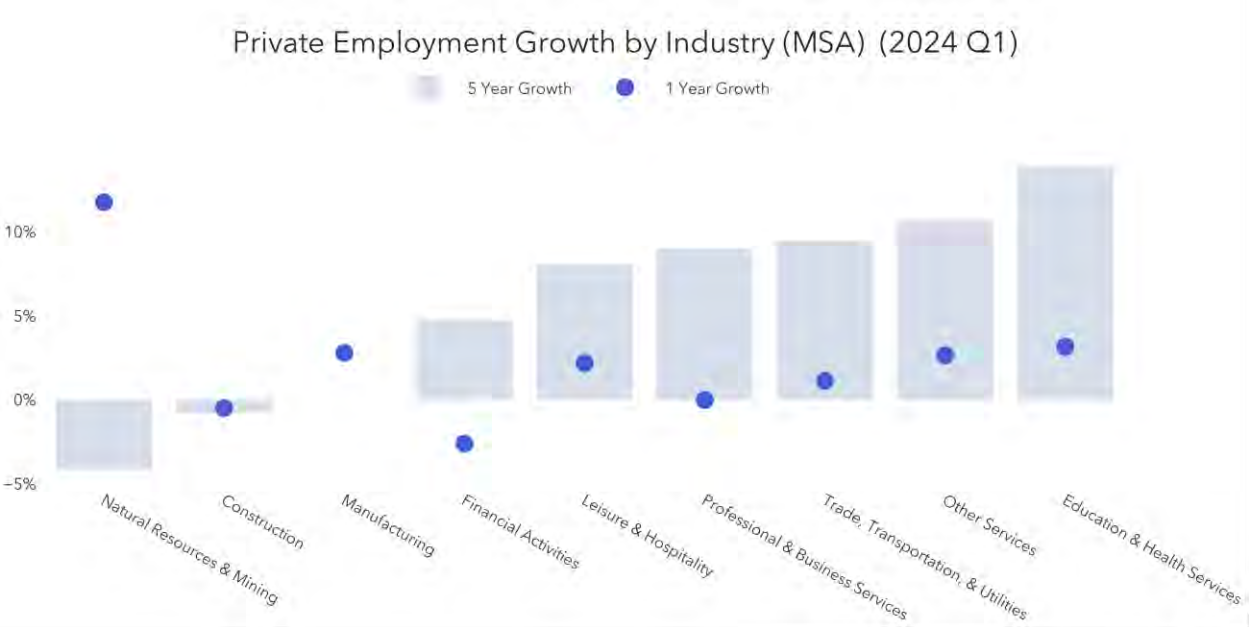
Source: U.S. Bureau of Labor Statistics

At the onset of the pandemic last spring, Harris County area employers shed 15.2% of their workforce, expanding the unemployment rate from 3.8% in February 2020 to 14.0% just two months later. The unemployment rate in Harris County has expanded over the past year to the current rate of 4.5%, just slightly above the Houston-The Woodlands-Sugar Land rate of 4.4%. As of 09/24, total employment is up 3% on a year-over-year basis. The unemployment rate remains above its pre-pandemic level (Feb 2020) of 3.8%.



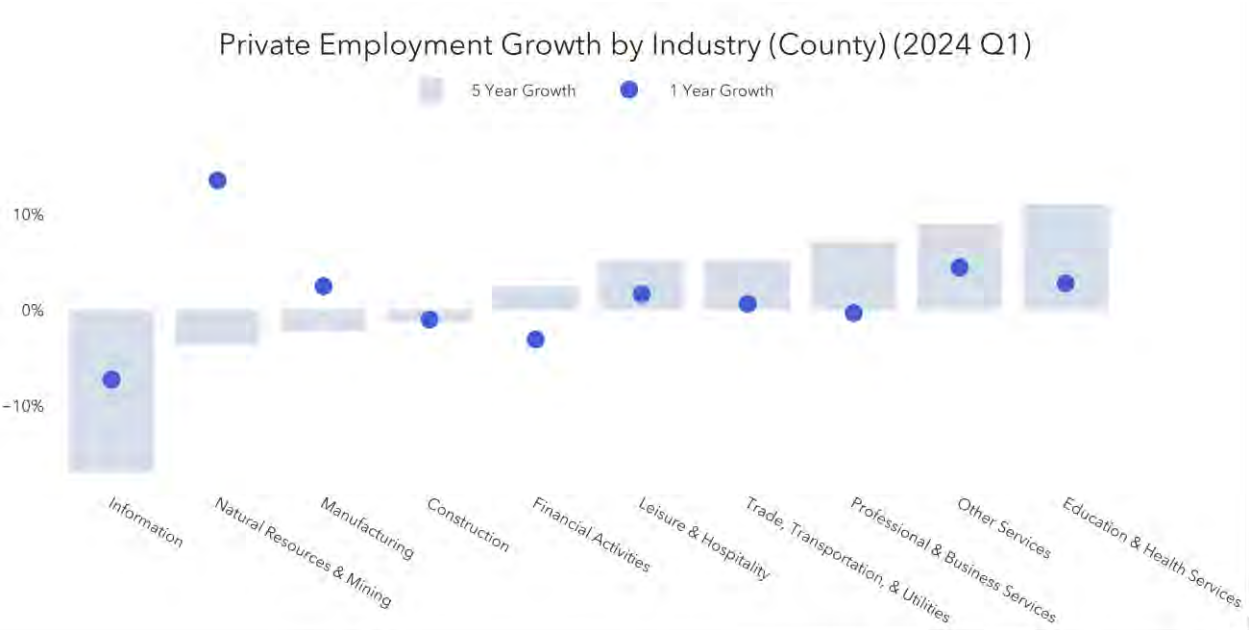
Source: U.S. Bureau of Labor Statistics

According to the latest data from the Q1 2024 Quarterly Census of Employment and Wages, Houston-The Woodlands-Sugar Land Metro has experienced private employment expand 7.4% (191,300) in total over the last five years. During that time, the Education & Health Services, Other Services, and Trade, Transportation, & Utilities industries saw the strongest growth, expanding 13.9%, 10.7%, and 9.5%, respectively. Meanwhile, the Natural Resources & Mining Industry has experienced employment collapse of 4.1% over the previous five years.



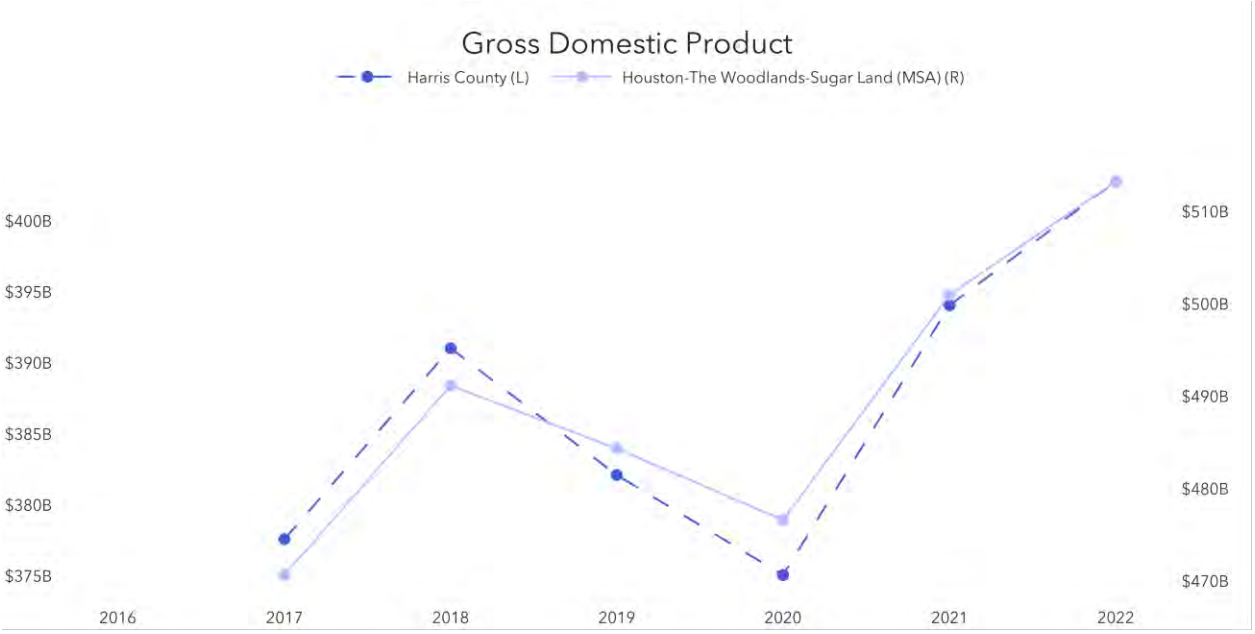
Source: U.S. Bureau of Labor Statistics

According to the latest data from the Q1 2024 Quarterly Census of Employment and Wages, Harris County has experienced private employment expand 4.7% (96,455) in total over the last five years. During that time, the Education & Health Services, Other Services, and Professional & Business Services industries saw the strongest growth, expanding 11.1%, 9.0%, and 7.2%, respectively. Meanwhile, the Information Industry has experienced employment collapse of 16.9% over the previous five years.



Source: U.S. Bureau of Labor Statistics

Economic Production

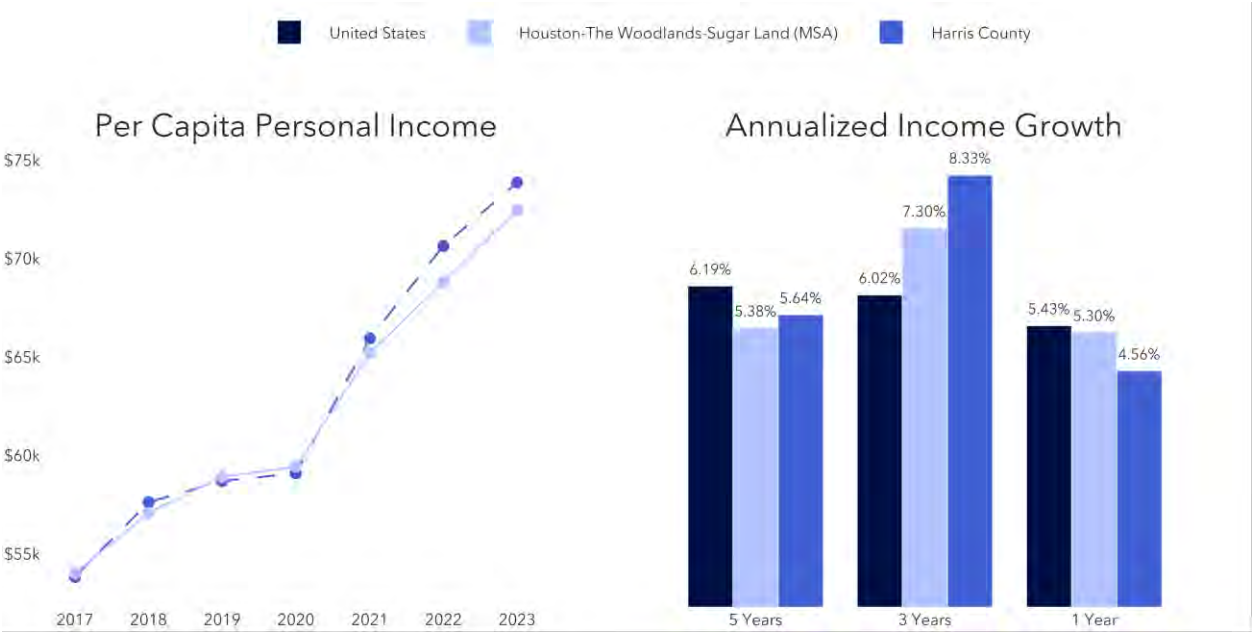


Source: U.S. Bureau of Economic Analysis

Demographics

Going back ten years, Harris County's population has expanded 1.1% per annum to the 2023 count of 4,835,125. Over the past five years, growth has declined, growing 0.7% per annum since 2018. This growth rate exceeds the Nation, which has expanded 0.5% per year over the last five years.

Going back five years, Harris County residents' per capita personal income has expanded 5.6% per annum to the 2023 level of $73,862. Over the past three years, growth has expanded, growing 8.3% per annum since 2020. This growth rate exceeds the Nation, which has expanded 6.0% per year over the last three years.



Source: U.S. Census Bureau

Infrastructure

Transportation Methods

Greater Houston possesses a hub-and-spoke limited-access highway system, in which a number of freeways radiate outward from Downtown, with ring roads providing connections between these radial highways at intermediate distances from the city center. The city is crossed by three Interstate highways, Interstate 10, Interstate 45, and Interstate 69 (commonly known as U.S. Route 59), as well as a number of other United States routes and state highways.

The Metropolitan Transit Authority of Harris County (METRO) provides public transportation in the form of buses, light rail, high-occupancy vehicle (HOV) lanes, and paratransit to fifteen municipalities throughout the Greater Houston area and parts of unincorporated Harris County. METRO's service area covers 1,303 square miles containing a population of 3.6 million.

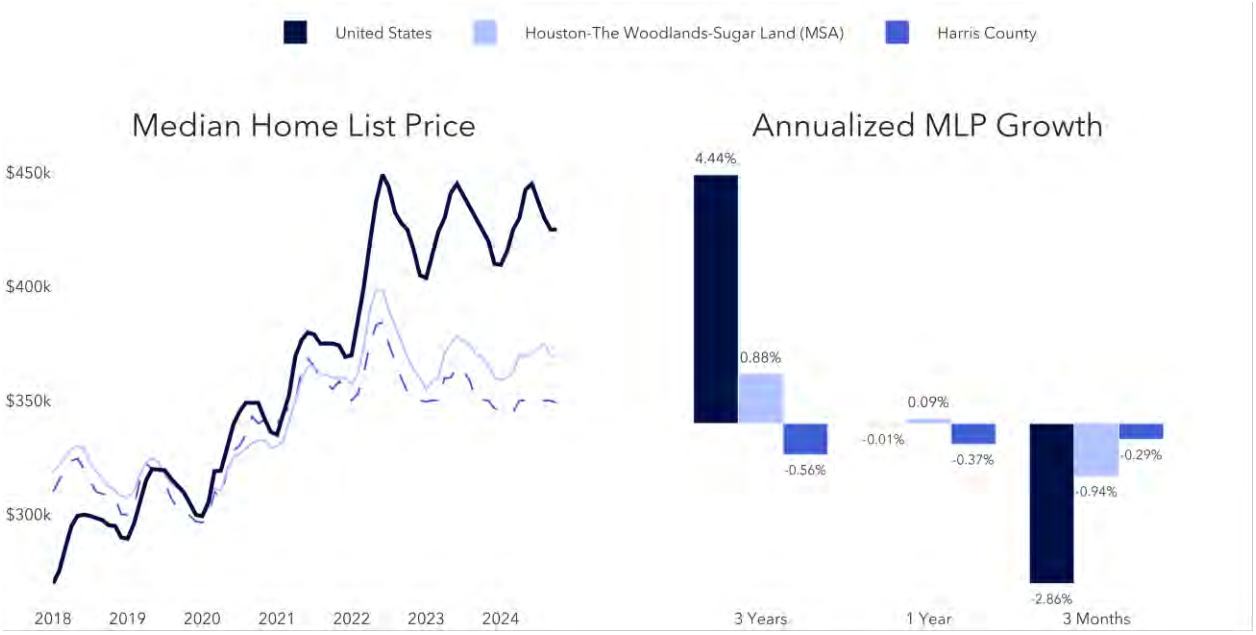
METRO's local bus network services approximately 275,000 riders daily with a fleet of over 1,200 buses. The agency's 75 local routes contain nearly 8,900 stops and saw nearly 67 million boardings during the 2016 fiscal year.

George Bush Intercontinental Airport and William P. Hobby Airport, offer commercial aviation service to a variety of domestic and international destinations and served 55 million passengers in 2016.

Housing

In 2021, historically low mortgage rates, the desire for more space, and the ability for many to work from home, led to an increase in demand for housing. This, combined with historically low inventory levels, accelerated the growth in values, pushing the medium listing price in the US to a peak of $413,000 in June 2022. However, with persistent inflation, the Fed hiked interest rates at a record pace over the 2nd half of 2022 and for much of 2023, eroding housing affordability and dropping demand considerably. With demand decreasing across many metros, values have either declined or experienced limited growth in 2023. Demand has improved since though, with growth in values aided by limited inventory in some metros.

In Harris County, Realtor.com data points to negative growth in values over the past year. As of 10/2024, the median home list price sits at $349,000, a decrease of 0.4% compared to an increase of 0.1% for the Houston-The Woodlands-Sugar Land Metro, and a decrease of 0.0% across the Nation over the past year. The county median list price has experienced a decrease of 0.3% over the past 3 months, compared to a decrease of 0.9% for the Houston-The Woodlands-Sugar Land Metro in the same period.

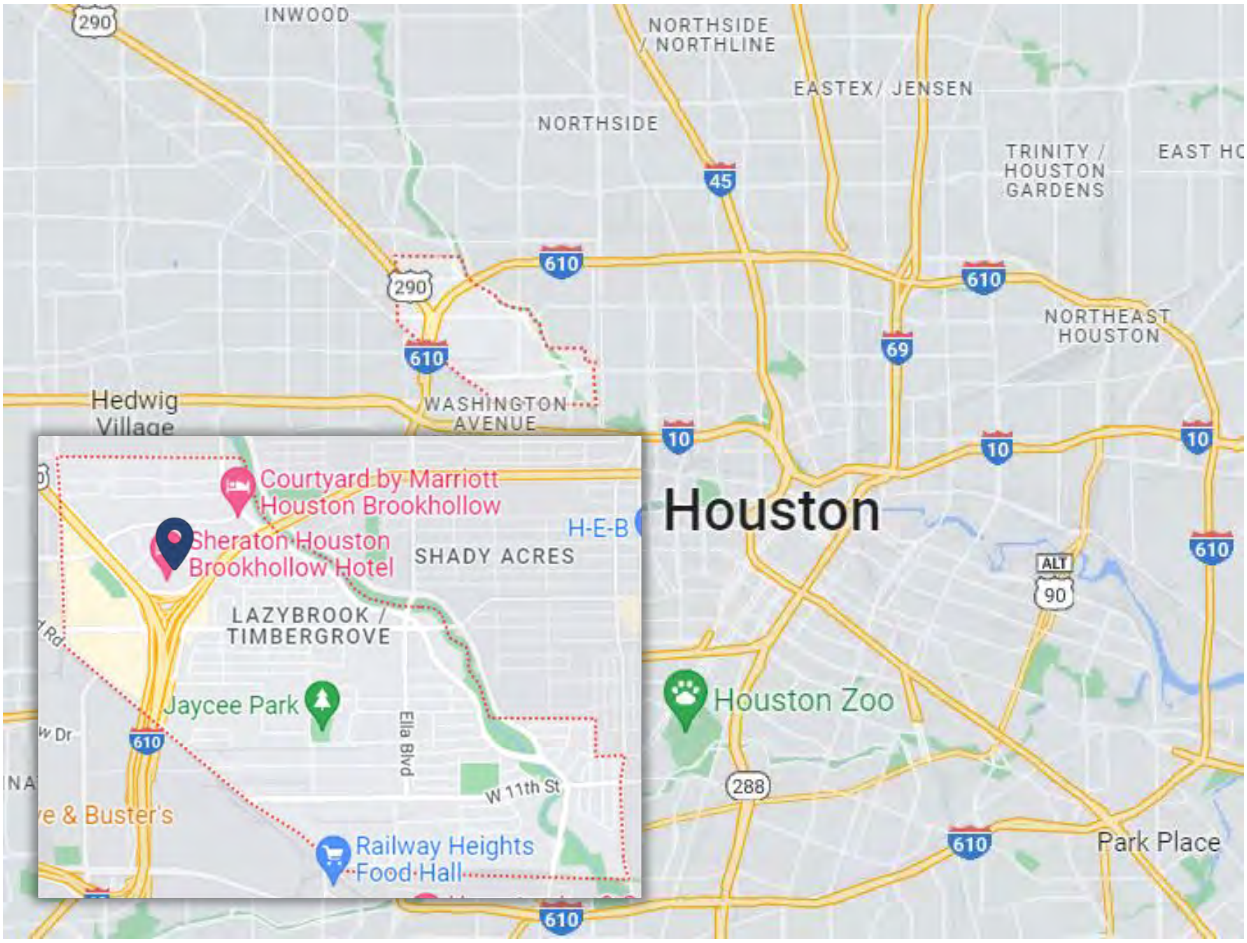


Source: Realtor.com

Outlook

In conclusion, Harris County offers a dynamic mix of urban, suburban, and rural living with a diverse and thriving economy. The county's economy is supported by strong sectors such as energy, healthcare, manufacturing, and technology, providing a wide range of job opportunities. The housing market is varied, offering affordable and desirable options for individuals at different stages of life, from young professionals in downtown Houston to families in the suburbs. With abundant recreational and cultural amenities, a wide array of shopping and dining options, and excellent transportation infrastructure, Harris County is an attractive place for people seeking a high quality of life. The county's future looks bright, with continued growth in both population and industry, ensuring that Harris County will remain a desirable and vibrant place to live and work.

Neighborhood & Demographic Overview



Source: Google Maps

Lazybrook / Timbergrove at a Glance

Lazybrook/Timbergrove is a neighborhood located in the northwest part of Houston, Texas. It is situated along Loop 610 and is known for its urban-suburban blend. Lazybrook/Timbergrove is primarily suburban with urban influences, offering a mix of residential and commercial spaces.

The housing stock in Lazybrook / Timbergrove consists primarily of mid-century single-family homes, many of which were built in the 1950s and 1960s. These homes typically feature ranch-style or traditional brick designs, with well-sized lots and a suburban feel. Over the past several years, the neighborhood has seen increasing levels of gentrification and development, with many older homes being renovated or replaced by newer, more modern homes. As a result, the housing market in Lazybrook / Timbergrove is diverse, offering both more affordable, older homes and higher-end new builds, which appeal to young professionals, families, and retirees.

Retail and business activity in Lazybrook / Timbergrove is concentrated along key corridors such as West 18th Street, which runs through the neighborhood and connects it to nearby commercial hubs. The area has a variety of local businesses, including grocery stores, cafes, and restaurants, serving the everyday needs of residents. National retailers and chains are found nearby, particularly in the greater Garden Oaks and Heights areas, which offer a broader selection of shopping and dining options. National tenants such as Whole Foods, Target, and Home Depot are within a short drive, providing residents with easy access to larger retail centers. The

neighborhood benefits from its proximity to other commercial districts in Houston, including those in Uptown and along Interstate 10, making it convenient for residents to access both local businesses and regional retail destinations.

Recreational amenities in Lazybrook / Timbergrove are plentiful, with several parks and green spaces offering opportunities for outdoor activities. The neighborhood itself has a number of smaller parks and playgrounds, but it is particularly well-served by its proximity to larger green spaces like the 200-acre Memorial Park, located just a short drive to the south. Memorial Park offers hiking trails, biking paths, sports facilities, and picnic areas, making it one of the key recreational resources for residents. Additionally, the nearby White Oak Bayou Trail system provides opportunities for walking, running, and cycling along scenic, wooded trails. While Lazybrook / Timbergrove does not have large museums or cultural institutions within its immediate vicinity, it is located close to the Heights, which offers art galleries, theaters, and cultural venues, adding to the overall cultural vibrancy of the area.

Lazybrook / Timbergrove is well-connected to the rest of Houston through several major roads and highways. Key corridors in the area include Interstate 10, which runs along the southern boundary of the neighborhood, and Loop 610, which provides easy access to other parts of the city. The neighborhood is also served by local roads such as 19th Street, which connects the area to nearby commercial districts and other residential neighborhoods. Public transportation in the area is limited, though residents can access Metro bus routes that serve the broader Houston area. For air travel, George Bush Intercontinental Airport is about 20 miles to the north, providing convenient access to both domestic and international flights.

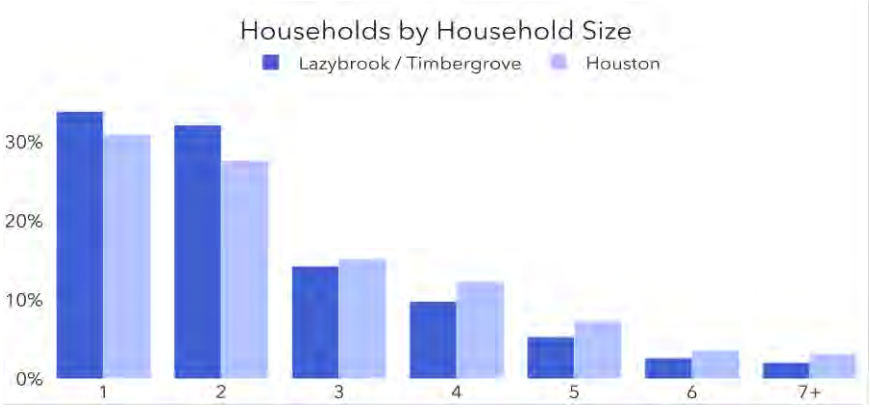
Population and Households

The following demographic profile, created with data from the U.S. Census Bureau, reflects the subject's municipality and market. Population estimates for Lazybrook / Timbergrove reflect the sum of population estimates for census tracts that overlap its geographic boundaries. Current population estimates for Lazybrook / Timbergrove and Houston reflect data from the 2010 Census and the 2022 5-year American Community Survey (ACS), respectively.

Population Growth

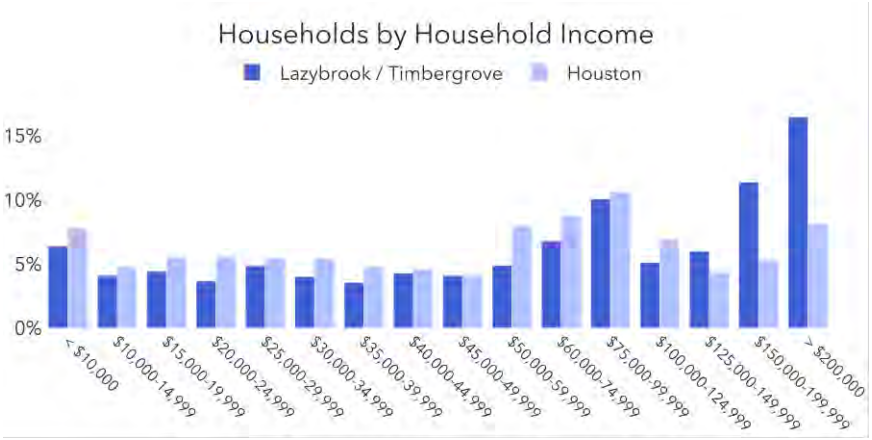
	Area	2010 Census	Current Estimate	Annual % Change
Population	Lazybrook / Timbergrove	34,915	35,598	0.1%
	Houston	2,099,451	2,304,580	1.1%

Households in Lazybrook / Timbergrove are, on average, smaller than those in Houston. Households in Lazybrook / Timbergrove have an average size of 1.86 people, compared to 2.64 people in Houston. 1 person households account for the largest share in both Lazybrook / Timbergrove and Houston.



Source: U.S. Census Bureau

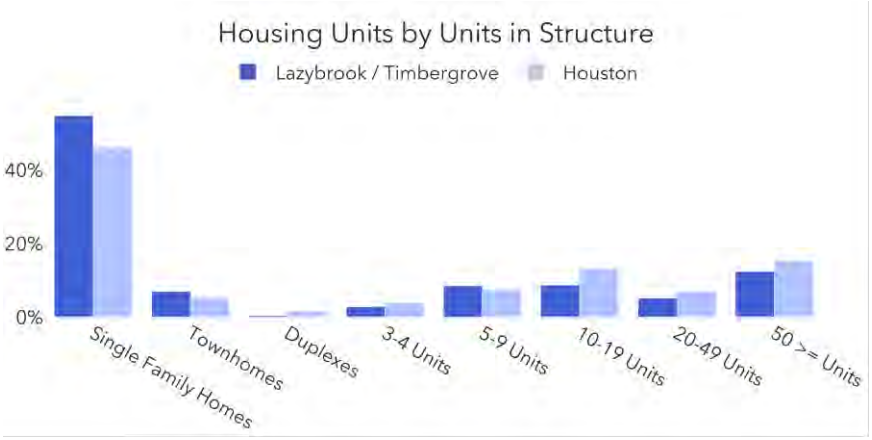
Households in Lazybrook / Timbergrove have a higher median income than those in Houston. Households in Lazybrook / Timbergrove have a median income of $85,789, compared to $52,338 for households in Houston. The chart below indicates the share of households by income brackets. In Lazybrook / Timbergrove, the most common household income is $200k or higher, compared to between $75k-99,999 for Houston.



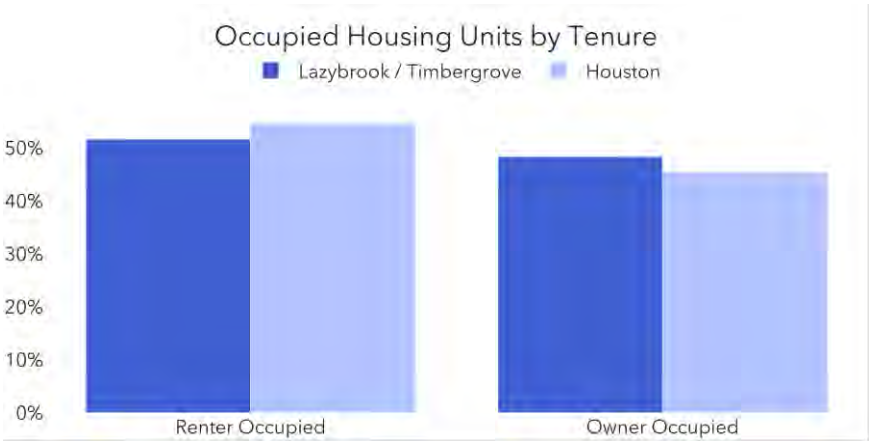
Source: U.S. Census Bureau

Housing

Single-family homes, followed by properties with 50+ units then 10-19-unit properties account for the most common forms of housing in Lazybrook / Timbergrove. 48% of the housing units in Lazybrook / Timbergrove are occupied by their owner. This percentage of owner-occupation is higher than the Houston level of 45%.



Source: U.S. Census Bureau



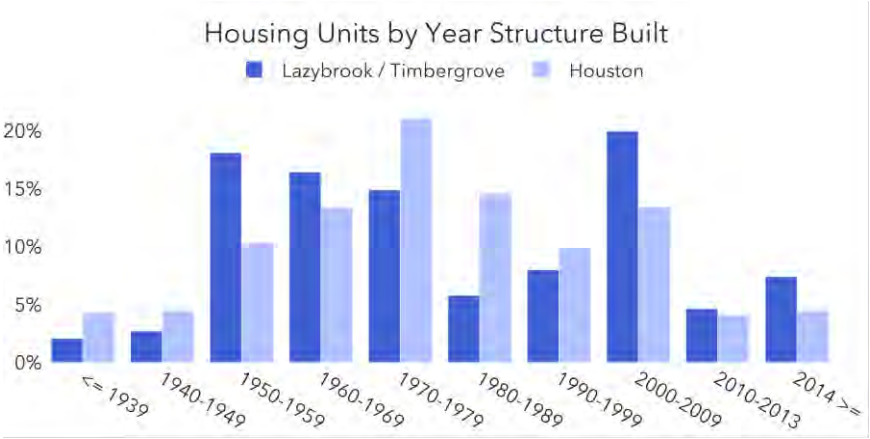
Source: U.S. Census Bureau

Homes in Lazybrook / Timbergrove have a median value of $327,500, compared to $171,800 for Houston. In Lazybrook / Timbergrove, the most common home value is between $300k - $399k, compared to between $100k - $124k for Houston.



Source: U.S. Census Bureau

Homes in Lazybrook / Timbergrove have a median year built of 1977, compared to 1978 for Houston. In Lazybrook / Timbergrove, the largest share of homes were built between 2000-2009, compared to between 1970-1979 for Houston.



Source: U.S. Census Bureau

Transportation

In Lazybrook / Timbergrove, the majority of residents drive alone with 80% choosing to do so. The second most common method is carpooling with 11%. Commuters in Lazybrook / Timbergrove have a median commute time of about 27 minutes. In both Lazybrook / Timbergrove and Houston, the most common commute time is between 30-34 minutes.



Source: U.S. Census Bureau



Source: U.S. Census Bureau

Transportation Methods

Walk Score: 55 (Somewhat Walkable)

Lazybrook / Timbergrove is served by I-610 which is the beltway around Houston, US-290 northwest, and TC Jester Blvd.

There is limited use of public transit in Lazybrook / Timbergrove. In fact, it is not served by any commuter or light-rail lines.

Metropolitan Transit Authority of Harris County, Texas provides public bus service within Lazybrook / Timbergrove.

Lazybrook / Timbergrove is served by George Bush Intercontinental/Houston Airport, and William P. Hobby Airport.

Conclusion

Lazybrook / Timbergrove is a neighborhood in Houston, Texas with access to interstate highways, public transportation, a diverse housing stock, recreational amenities, and businesses and retailers for everyday use. The area is also within a large metro area and residents enjoy all the economic opportunities and amenities that may come with it. Lazybrook / Timbergrove has experienced moderate population growth over the past decade, a trend that will likely continue in the near-term.

Zoning Summary

The subject is located in the City of Houston, which does not have zoning laws. Harris County does not have zoning laws either, hence the subject is not governed by any zoning regulations. Although the city of Houston does not have zoning, development is governed by codes that address how property can be subdivided. The City codes do not address land use. All development must go through a site plan review and building plan review and approval process to ensure all city building codes and ordinances are met. Our analysis assumes the subject's development was approved and meets all city building codes and ordinances.

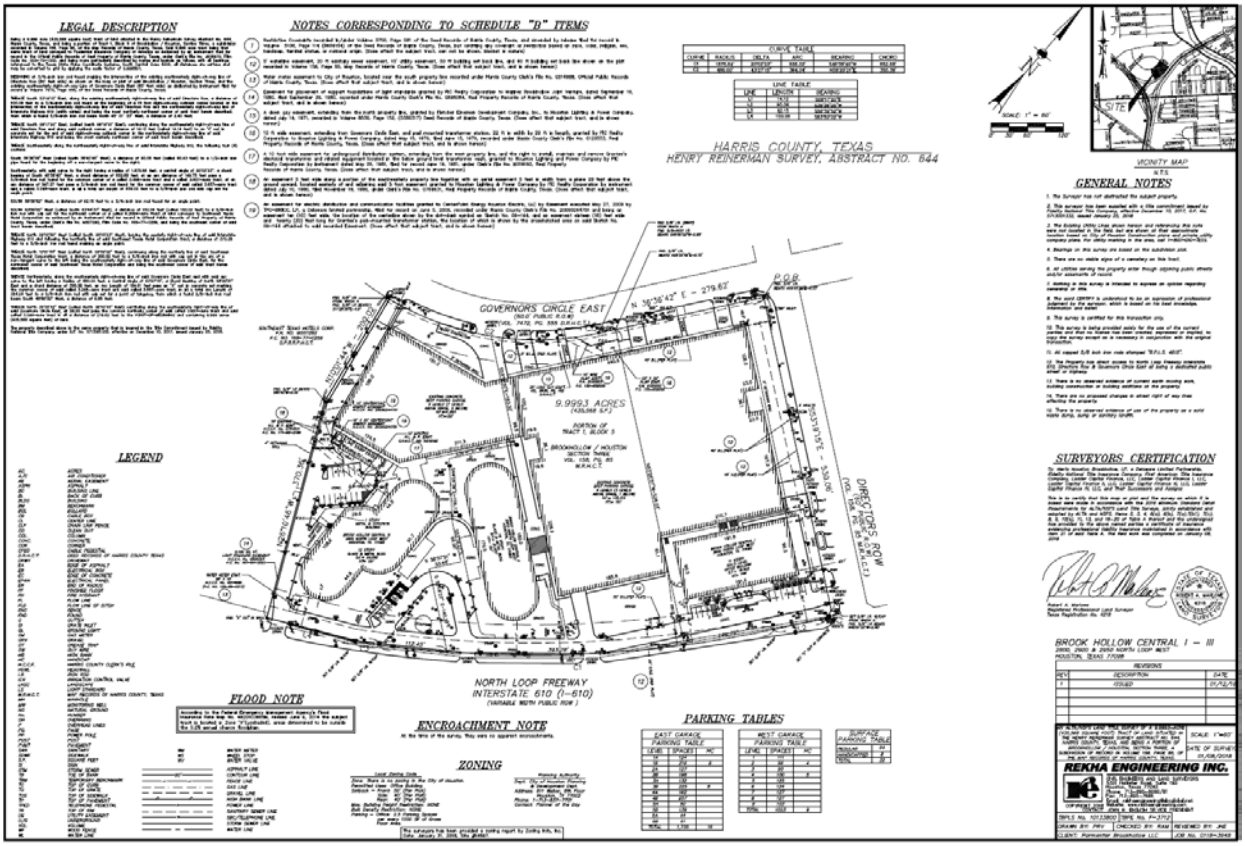
Conformity

We present the known zoning regulations and actual development summary as per the site plan survey, illustrated on the following page.

Property Jurisdiction	**Houston, Texas**
Existing Zoning Classification	None
Date of Existing Zoning Ordinance	None
Special permitting or condition(s): (i.e., site plan approval, PUD, or other variance)	None known

	Required/ Permitted	**Actual**	**Complying Status**
Current Use	Office Building	Office Building	Complying
Front Setback		50'	Complying
Rear Setback		40'	Complying
Side Setback		40'	Complying
Maximum Height	None	12,14,12-story	Complying
Bulk Density	None	3.25	Complying
Parking	2.5 parking spaces per 1,000 sf of GBA	3.47	Complying

Survey


LEGAL DESCRIPTION
NOTES CORRESPONDING TO SCHEDULE "B" ITEMS
HARRIS COUNTY, TEXAS
HENRY REINERMAN SURVEY, ABSTRACT NO. 844
GOVERNORS CIRCLE EAST
N 76°26'42" E - 279.63'
9.9993 ACRES
(435,586 S.F.)
DIRECTORS ROW
N 13°33'18" W - 329.00'
NORTH LOOP FREEWAY
INTERSTATE 610 (I-610)
LEGEND
FLOOD NOTE
ENCROACHMENT NOTE
ZONING
PARKING TABLES
GENERAL NOTES
SURVEYORS CERTIFICATION
REKHA ENGINEERING INC.

Assessed Values & Real Estate Taxes

Assessments

2800-2950 North Loop West is designated on the Harris County Tax Maps as Parcel 102-047-000-0006 / 102-047-000-0005 / 102-047-000-0007. According to the tax assessor's office, new assessments are released in mid-April while new tax rates are released in September. Harris County assessments are reported to be at 100% of market value.

The current assessed values are as follows:

2024 Assessed Values

Building	Parcel	Land	Building	Taxable Assessment
I	102-047-000-0006	$2,697,240	$13,716,342	$16,413,582
II	102-047-000-0005	$3,185,980	$20,025,378	$23,211,358
III	102-047-000-0007	$2,827,920	$20,319,080	$23,147,000
	Total Taxable Assessment			**$62,771,940**
	Equalization Ratio			**100.00%**
	Implied Assessor's Market Value			**$62,771,940**

The assessment has decreased slightly from last year's figure of $65,131,887. The current assessed value is aligned with our appraised value.

Tax Rate

The 2024/2025 combined tax rate is 2.092362 per $100 for the year.

District	2023 Tax Rate/$100	Description
1	0.8683	Houston ISD
40	0.38529	Harris County
41	0.04897	Harris Co Flood Central
42	0.00615	Port of Houston Authority
43	0.16348	Harris Co Hospital District
44	0.004799	Harris Co Education Dept
48	0.096183	Houston Community College
61	0.51919	City of Houston
Total Tax Rate:	2.092362	

We note that the tax rate increased from last year's rate of 2.014811.

Tax Liability Forecast

The applicable rate is applied to the assessment:

2800-2950 North Loop West- Tax Liability Forecast (2024/2025)

Tax Year		2024/2025
Taxable Assessed Value		$62,771,940
Tax Rate	x	2.0923620%
Total Tax Liability		**$1,313,416**
Tax Assessment Per SF		**$78**

We note that the tax liability has remained generally flat year over year.

Site Description



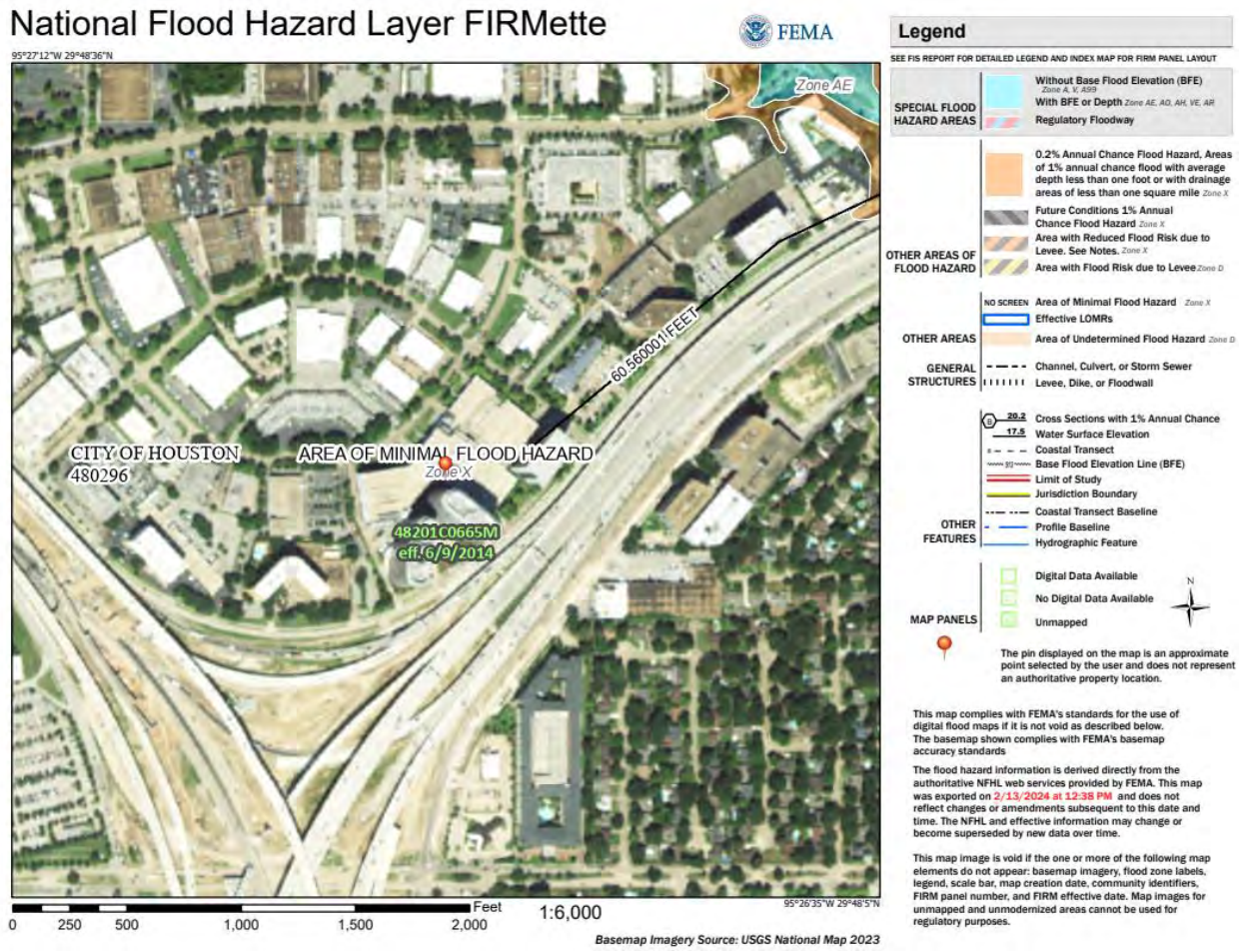
Location	The subject is located at the northwest corner of North Loop West and Director's Row in the Lazybrook / Timbergrove neighborhood in the city of Houston in the State of Texas. The subject is surrounded by office and flex development to the north, office and hospitality development to the east, hospitality development to the west, and multi-family, retail, and industrial development to the south.
Site Area	10.00± acres./ 435,557± square feet
Shape	Irregular
Frontage	

Street	Frontage (ft)
North Loop	938.29
Directors Row	530.06

Topography	Generally level
Drainage	Assumed adequate
Access	The sites are accessed from North Loop (938.290 feet) and Directors Row (530.060 feet) Access to the site is considered to be good, with visibility considered excellent. Direct access is provided to west bound vehicles on the North Loop West frontage road, a two-lane undivided roadway. Access is provided in both directions from Directors

	Row and Governors Circle East, both two-lane undivided roadways. Visibility is considered to be excellent due to the site's location on the North Loop West/Interstate 610, with additional visibility from the West Loop as well as the Northwest Freeway/U.S. 290.
Paving	All roads are paved with asphalt and are in satisfactory condition
Street Drainage	Street drainage is collected by gravity into the local sewer storm system mains
Street Lighting	Adequate
Utilities & Services	Water/Sewer and Refuse – City Police & Fire Protection – City Gas & Electric – CenterPoint Energy
Hazardous Substances	We observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the services of a professional engineer for this purpose. The value reported within this report assumes there are no hazardous substances present on the site.
Flood Hazard Status	Located in "Zone X" on the National Flood Insurance Program Rate Map dated June 9, 2014 Community Panel #480296 - 48201C0665M. Zone X-An area that is determined to be outside the 100- and 500-year floodplains. Although Houston-area FEMA maps are widely known to be in need of updating, it should be noted that the subject did not flood on any levels during Hurricane Harvey.
Conclusion	The site is like others in the vicinity, and there are no negative external factors. The site is well laid-out and supports its current use as a corporate office property. Access and visibility are good, with entries from multiple directions.

Flood Map


National Flood Hazard Layer FIRMette
FEMA
95°27'12"W 29°48'36"N
Zone AE
60.560001 FEET
CITY OF HOUSTON
480296
AREA OF MINIMAL FLOOD HAZARD
Zone X
48201C0665M
eff. 6/9/2014
95°26'35"W 29°48'5"N
0 250 500 1,000 1,500 2,000 Feet
1:6,000
Basemap Imagery Source: USGS National Map 2023
Legend
SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT
SPECIAL FLOOD HAZARD AREAS
Without Base Flood Elevation (BFE) Zone A, V, A99
With BFE or Depth Zone AE, AO, AH, VE, AR
Regulatory Floodway
OTHER AREAS OF FLOOD HAZARD
0.2% Annual Chance Flood Hazard, Areas of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile Zone X
Future Conditions 1% Annual Chance Flood Hazard Zone X
Area with Reduced Flood Risk due to Levee. See Notes. Zone X
Area with Flood Risk due to Levee Zone D
OTHER AREAS
NO SCREEN Area of Minimal Flood Hazard Zone X
Effective LOMRs
Area of Undetermined Flood Hazard Zone D
GENERAL STRUCTURES
Channel, Culvert, or Storm Sewer
Levee, Dike, or Floodwall
OTHER FEATURES
20.2 Cross Sections with 1% Annual Chance
17.5 Water Surface Elevation
Coastal Transect
Base Flood Elevation Line (BFE)
Limit of Study
Jurisdiction Boundary
Coastal Transect Baseline
Profile Baseline
Hydrographic Feature
MAP PANELS
Digital Data Available
No Digital Data Available
Unmapped
N
The pin displayed on the map is an approximate point selected by the user and does not represent an authoritative property location.
This map complies with FEMA's standards for the use of digital flood maps if it is not void as described below. The basemap shown complies with FEMA's basemap accuracy standards
The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 2/13/2024 at 12:35 PM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.
This map image is void if the one or more of the following map elements do not appear: basemap imagery, flood zone labels, legend, scale bar, map creation date, community identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmodernized areas cannot be used for regulatory purposes.

Building Description

The subject, 2800-2950 North Loop West, consists of three Class A, multi-tenanted elevatored office buildings. 2800-2950 North Loop West contain a combined 1,414,150± gross square feet, according to public record, and 806,541± square feet of leasable area. The property is 75.56% occupied based on GLA. The improvements were built in 1972-1981, with Building I renovated in 2014. Overall, the property is in good condition.

Building I has 12 stories with 201,349 SF, Building II has 14 stories with 304,576 SF, and Building III has 12 stories with 300,616 SF. The improvements consist of steel frame construction with a glass curtain wall facade. Building I was constructed in 1972 with major renovations in 2008 and 2014, Building II was constructed in 1977, and Building II was constructed in 1981.

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

Structural & Mechanical

Structural

Foundation	Concrete pier and beam and concrete slab.
Structural System	Steel frame
Exterior Walls	Glass curtainwall
Roof	Flat rubber membrane roof with metal frame and concrete deck
Doors	Primary entry doors are glass with metal frames. Side service doors are insulated metal in metal frames.
Height	12 stories (Building I), 14 stories (Building II), 12 stories (Building III)

Mechanicals

Heating/ Cooling Systems/ Hot water	Chilled water heat pumps plus roof mounted HVAC
Electric	Electrical is underground and is assumed to meet all applicable building codes; average commercial quality assumed. Backup generator.
Plumbing	PVC, copper, and iron for both buildings
Life Safety	Several fire extinguishers and heat and smoke detection alarms. Wet sprinklers are located throughout.

Layout & Finishes

Interior Layout & Finish

Lobby	The lobbies are in a contemporary style and are finished with decorative light fixtures, carpet floors, exposed beams. The lobby and elevator banks are attractive and in good condition.
Basement	In buildings II and III, connected by tunnel. Includes café, auditorium, and conference space
Office Interiors	Office interiors vary from tenant to tenant but typically feature carpeted, hardwood, tiled, acoustic tiled or painted ceilings, and painted or wallpapered walls. Lighting is provided by decorative fluorescent and incandescent fixtures. Office interiors are in good condition and appealing.
Amenities	There is a sundry shop, parking, and a fitness center in the building for tenant use. Other amenities include the café', auditorium and conference center space.
Stairwells	Steel frame, closed riser, concrete filled steel pan, metal handrails. There are multiple interior stairways in each building.
Elevator	15 elevators plus three garage elevators
Common Hallways	Common hallways feature carpeted/hardwood floors, painted walls, and acoustic tiled ceilings with recessed fluorescent fixtures in each building
Interior Walls	Wood paneling, wallpaper, and painted textured drywall
Floor Covering	Vinyl tile, wood, finished concrete, laminate, carpet, and ceramic tile
Ceilings	Suspended aluminum frame grid system and painted and textured drywall in some areas
Lighting	Incandescent, strip fluorescent, recessed fluorescent, and recessed incandescent fixtures
Restrooms	Finishes include ceramic tile floors, painted walls, acoustic tiled ceilings with recessed fluorescent fixtures and porcelain fixtures. There are shared bathrooms located on each floor.
Security	Cameras throughout and tenant key fob system
Parking	2,795 garage spaces which reflects 3.4 spaces per 1,000 SF of GLA. This parking ratio is typical for comparable Class A office buildings within the subject submarket.
Loading Dock	One in each building

Subject Net Rentable Area (Occupied Space)

#	Tenant	Unit	Type	Square Footage
1	Cigna Healthcare and Life Insurance	I-0400 - I-0700	Office	69,823
2	Total Renal Care	I-0800 - I-0850	Office	18,238
3	Armstrong & Lee LLP	I-0900	Office	10,664
4	Armstrong & Lee LLP	I-1050	Office	5,569
5	Off Market LLC	I-0910	Office	3,670
6	Zim American Integrated Shipping	I-0950	Office	3,904
7	BancorpSouth Bank (Cadence Bank)	I-1000	Office	8,161
8	Bowen Miclette & Brit Insurance	I-1100 - I-1200	Office	35,926
9	Cogent Communications	II-0060A	Storage	212
10	King Poppa Gourmet Popcorn	II-0005	Storage	170
11	Teleport Communications	II-0090	Storage	487
12	Endurance Builders LLC	II-0100	Office	8,394
13	BancorpSouth Bank (Cadence Bank)	II-0150	Office	1,679
14	Hertz Houston Brookhollow	II-0160	Office	2,214
15	The Heights Insurance Services LLC	II-0180	Office	6,767
16	Veritex Community Bank	II-0200	Office	21,265
17	Meneses Law PLLC	II-0300	Office	21,263
18	Crescent Power Systems	II-0400	Office	3,870
19	Placement Partners Inc	II-0410	Office	2,286
20	Lorance & Thompson, PC	II-0500	Office	21,263
21	Innowatts Inc	II-0600	Office	8,123
22	Progressive Casualty Insurance	II-0625	Office	3,621
23	Thomas Quinn, LP	II-675	Office	2,906
24	IntegraNet Physician Resource, Inc.	II-0700	Office	21,263
25	Norton Lily International	II-0800	Office	5,030
26	Norton Lilly International (Expansion)	II-0810	Office	2,974
27	Async7	II-0825	Office	2,186
28	CherCo LLC	II-0830	Office	5,743
29	McGrath and Co PLLC	II-0880	Office	5,327
30	Raptor Technologies LLC	II-0900	Office	10,984
31	Bowman Consulting Group	II-950	Office	10,369
32	Ray Feighny & Hartie PLLC	II-1000	Office	5,007
33	CTI III LLC	II-1010	Office	6,721
34	Maurauder Land Resources	II-1020	Office	1,962
35	American Postal Workers Union	II-1030	Office	3,300
36	Intermarine, LLC	II-1100	Office	13,143
37	Kitchell Contractors Inc	II-1050	Office	4,272
38	Daido Steel (America) Inc	II-1120	Office	1,510
39	Annie McAdams, PC	II-1130	Office	2,415
40	IPFS Corporation	II-1150	Office	4,195
41	Park Place Technologies	II-1200	Office	6,014
42	Tiberius Energy Services	II-1210	Office	7,037
43	NGL Crude Logistics	II-1250	Office	8,211
44	CHRISTUS Health	II-1300	Office	21,263
45	Meneses Law PLLC	II-1400	Office	21,263

46	Zoe Products International LLC	III - 0010	Storage	835
47	In Sook Yi and Sang	III-0030	Storage	2,157
48	Hertz Small Conference Room	III - 0040	Storage	415
49	Auditorium	III-0070	Storage	1,130
50	Intermarine, LLC	III-0070A+III-0070E	Storage	615
51	Colt Midstream LLC	III-0070B	Storage	212
52	Integranet Physician Resource Inc St	III - 0070C	Storage	210
53	Integranet Physician Resource Inc St	III - 0070D	Storage	202
54	Clayton Services	III - 0100	Office	2,251
55	Universal Fluid Services	III-0130	Office	3,393
56	Universal Fluid Services (Expansion)	III-0135	Office	4,167
57	Fitness Center	III-0145	Office	5,114
58	Hertz Pickle Ball Court	III -0150	Office	2,257
59	United Healthcare Services Inc	III-0200	Office	19,920
60	Godsey Martin, PC	III-0400 & III-0456	Office	14,543
61	RGN-Houston XVI, LLC	III-0500	Office	16,490
62	David L Aldridge Company	III -0800	Office	13,374
63	Bank OZK	III-950	Office	9,701
64	Logix Communications	III-1000	Office	24,157
65	Amerapex	III-1100	Office	19,050
66	Colt MIdstream LLC	III-1150	Office	5,106
67	EEPB, PC	III-0900 & III-1200	Office	33,438
Total				609,401

We note that the above table reflects occupied space only. There are 178,989 square feet of vacant office space and 18,151 square feet of vacant storage space.

Total Office	**Occupied Office**	**Vacant Office**
781,745	602,756	178,989
Total Storage	**Occupied Storage**	**Vacant Storage**
24,796	6,645	18,151
Combined Office and Storage	**Occupied Office and Storage**	**Vacant Office and Storage**
806,541	609,401	197,140

Functional Utility

From a utility standpoint, the subject properties are well laid out and adequately accommodates its present utilization. The subject benefits from its desirable location in an active commercial area. The subject property is able to accommodate its existing office tenants. As mentioned previously, the current leasable area is 806,541 square feet. In terms of its functional appeal, there is good column spacing and adequate ceiling heights allowing the asset to compete effectively.

Condition & Maintenance

Condition

Based on our inspection, the current subject is in good condition. The inspection was done as part of a prior engagement. We did not inspect as part of this engagement. The subject is rated as good in regard to quality of construction for general office buildings within the immediate area. The interior amenities are similar or superior to those of competing properties of similar age. The subject improvements are constructed in a manner that is comparative to alternative, directly competitive, substitute properties. Access is good and visibility is excellent due to the building's frontage on the northwest corner of North Loop West and Directors Row. The subject improvements are well designed and functional for their intended use as general office buildings. Further, tenant spaces continue to get upgraded as roll over occurs. No items of deferred maintenance were observed or reported. Thus, the asset is in good condition relative to similar buildings in the area. Most recently capital improvement projected included: common corridor improvements, garage elevator installation, new chiller replacement, tenant corridor upgrades, and fire pump replacements. There are no planned capital improvements at this time.

Remaining Economic Life

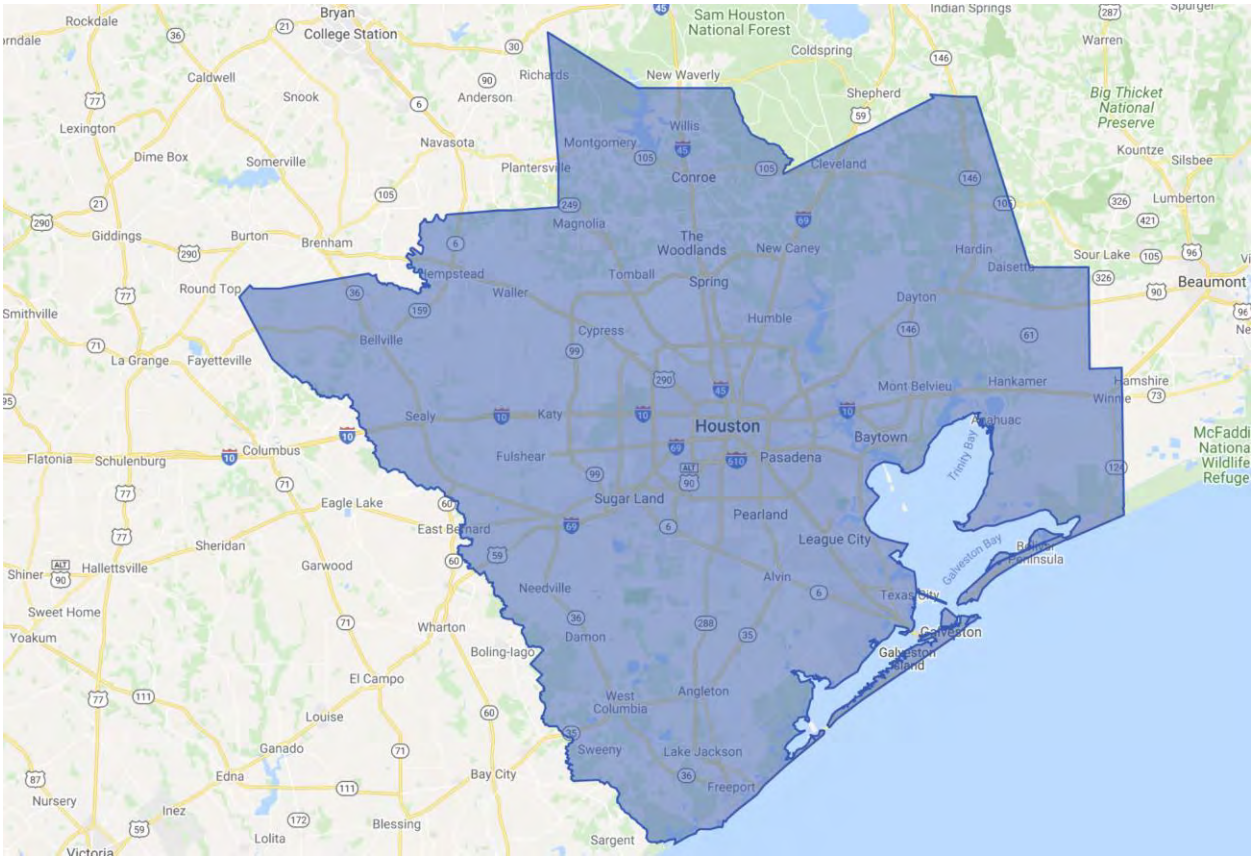
2800-2950 North Loop West was originally constructed in 1972-1981 and has been adequately maintained over the years with numerous capital expenditure projects occurring to extend the useful life of the asset. Similar buildings have a typical economic life of 60 years and we estimate the effective age to be 20 years, with a remaining economic life of 40 years. Future capital investment will serve to improve the asset productivity and extend its life during the holding period.

Summary

The information contained in the sections entitled "Site Description" and "Building Description" was obtained from our field inspection on July 26, 2023 (interior and exterior) as part of a prior engagement . We did not inspect as part of this engagement. Information is provided by ownership, CoStar, RealQuest, and zoning and assessment records.

Houston: Office Market Analysis

The information contained in this report was provided using 2024 Q3 CoStar data for the Houston Office Market ("Market").



Overview

The subject property is in the Houston Market defined in the map above, which includes 360.2 million square feet of office space. The inventory is roughly 46% Class A, 42% Class B, and 12% Class C. In the Market, demand has improved recently but vacancy rates remain up on the year. Despite this, rents are up as well, increasing over the past year and quarter. With softening fundamentals, values decreased in the past quarter and -5.9% yoy, ultimately decreasing to $188/square feet.

Sector Fundamentals

	Houston	YoY	QoQ	National	YoY	QoQ
Market Rent/SF	$29.85	1.6%	0.1%	$35.63	1.0%	0.1%
Vacancy Rate	18.87%	24 bps	-10 bps	13.85%	62 bps	7 bps
Availability Rate	20.5%	-104 bps	-86 bps	16.4%	12 bps	-17 bps
Net Absorption SF	598,830	210.4%	9151.2%	-1,312,397	91.4%	-281.0%
Asset Value/SF	$188	-5.9%	-2.1%	$282	-5.0%	-0.9%
Market Cap Rate	9.66%	39 bps	9 bps	8.61%	28 bps	2 bps
Transaction Count	145	-18%	-16%	3,604	3%	-0%
Sales Volume	$113,557,496	196%	14%	$9,968,985,088	48%	14%

The table below presents historical performance of key indicators for office space in the Market including inventory & construction levels, net absorption, vacancy & availability, rental rates, pricing, and cap rates.

Historical Office Performance: Houston Market

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
2024 Q3	360,183,606	2,493,893	2,630,192	1,271,834	18.9%	20.5%	$29.85	$187	9.66%
2024 Q2	359,872,713	2,712,976	2,747,330	130,760	19.0%	21.3%	$29.81	$191	9.57%
2023	358,809,653	2,747,992	3,504,296	2,014,907	18.5%	21.1%	$29.51	$192	9.47%
2022	355,305,357	5,289,604	1,506,967	-234,987	18.3%	21.7%	$29.02	$214	8.55%
2021	353,798,390	5,065,403	3,783,867	18,939	17.9%	20.9%	$28.50	$216	7.99%
2020	350,012,923	4,927,245	3,417,186	-2,124,808	17.0%	20.4%	$28.44	$213	8.11%
2019	346,595,737	6,108,280	1,995,015	790,604	15.6%	18.8%	$28.95	$212	8.17%
2018	344,592,923	4,019,935	1,636,835	801,384	15.3%	18.6%	$28.43	$214	7.88%
2017	342,914,743	3,036,535	3,893,379	-1,321,422	15.2%	18.5%	$28.14	$212	7.58%
2016	339,016,364	5,694,239	5,136,237	-374,128	13.8%	18.3%	$28.15	$224	7.09%
2015	333,880,127	9,200,081	12,808,470	4,942,429	12.4%	16.2%	$29.03	$230	6.84%
2014	321,071,657	18,349,220	8,078,969	9,279,619	10.4%	15.4%	$29.33	$223	6.82%

Supply & Demand

The Market has 360.2 million square feet of office space, and developers have added, net of demolitions, 39.1 million square feet over the past ten years, increasing inventory by 12.2% during that time. Demand has not been able to keep up with supply over the past decade and vacancy rates have expanded from the rate of 10.4% to 18.9%.

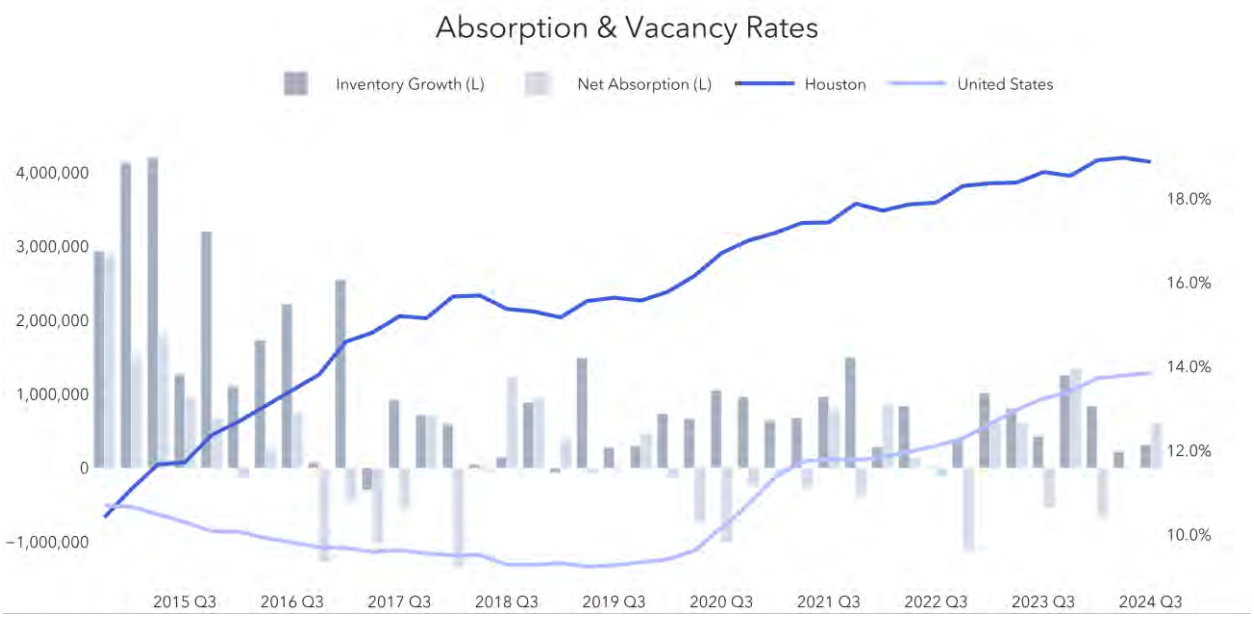
The market is not immune to the trends shaping most office markets today, but they seem to be less pronounced here than elsewhere. Office utilization, while below pre-pandemic levels, ranks among the highest in the country. Houston is less exposed to the tech sector which has adopted workplace arrangements that require less office space. Office-using job growth has slowed but remains above the national average and still leads Texas. Although lease sizes over the past eight quarters were about 10% below the 2015-2019 average, the number of direct, non-renewal leases is well above, which has pushed total leasing volume above the pre-pandemic five-year average. Also, the pace of downsizing by large occupiers has slowed significantly from the activity in 2023. Furthermore, some companies that initially reduced their office footprint, such as Bechtel, have signed expansions shortly after.

Demand has fallen short of inventory growth and vacancy rates in the Market have increased 24 bps over the past year from 18.6% to 18.9%. Vacancy rates remain above the 10-year average of 15.8%, and above the National average by 502 bps. With 598.8k square feet absorbed in 2024 Q3, vacancy rates have compressed 10 bps over the past quarter. In the third quarter, office tenants in the Market absorbed 598.8k square feet, an increase from the -6.6k square feet vacated in 2024 Q2, and an improvement from the -542.2k square feet vacated in the same quarter last year.

Leasing volume has been bolstered by large leases by companies like Camden, BlueCross BlueShield, Ovintiv, Vitol Inc. and Noble Corporation, which all signed commitments exceeding 100,000 SF. While the preference for high-end, quality space and amenities continues, market participants note that the shrinking of office footprint trend has tapered off in Houston and expansions are slowly making their way back. For example, BlueCross Blue Shield's 137,000-SF lease in May was an expansion. On the whole, medical office buildings have been major contributors to net move-ins, balancing out move-outs in multi-tenanted traditional office buildings.

Vacancy Rates

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	24 Q2	24 Q3
National	10.7%	10.1%	9.7%	9.6%	9.3%	9.3%	10.7%	11.8%	12.3%	13.4%	13.8%	13.8%
Market	10.4%	12.4%	13.8%	15.2%	15.3%	15.6%	17.0%	17.9%	18.3%	18.5%	19.0%	18.9%
Class A	10.8%	14.4%	17.2%	19.3%	19.6%	19.0%	21.1%	23.4%	23.3%	23.2%	23.9%	23.8%
Class B	10.9%	12.2%	12.7%	13.6%	13.9%	15.1%	16.1%	15.6%	16.7%	17.4%	17.5%	17.5%
Class C	7.9%	6.6%	6.2%	6.1%	5.1%	5.2%	5.6%	5.5%	5.5%	5.3%	5.7%	5.5%



Source: CoStar

Rents

At $29.85/SF, rents in the Houston Market are roughly 16% lower than the National average of $35.63/SF. Rents vary throughout the Market.

Free rent packages are similar in the CBD and suburbs. Office brokers generally reporting three months of free rent on a three-year lease, six to eight months of free rent on a five-year lease, and 12 to 18 months of free rent on a 10-year lease. Landlords prefer for build-out allowance applied as construction in the building but have become more generous, now allowing tenants to use it to pay for things that don't attach to the building, like furniture and moving costs. Build-out allowances are now at $75-90/SF for legacy buildings and $110-120/SF for new spaces. These allowances are relatively unchanged from two years ago.

Rent at Class A properties, – $35.00/SF–, finally returned to its early 2020 mark in mid-2024. At a national level, rents in this segment are still $1 below where they were in early 2020. The highest rents in Houston are found in submarkets with a notable concentration of Class A & B buildings.

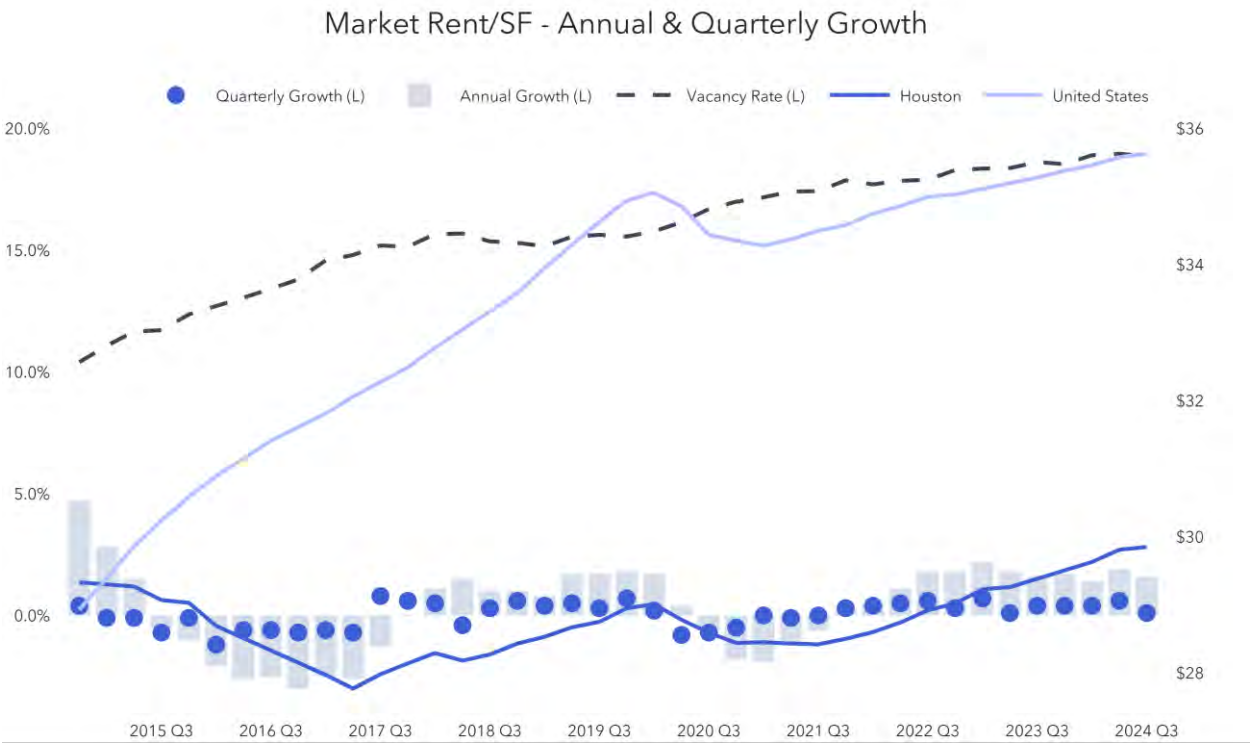
Rents are highest in the CBD, at $37/SF, followed by the Katy Freeway East, at $35/SF. New buildings push the threshold for asking rents. For example, Skanska's 1550 on the Green tower, which completed earlier this year in the CBD, commands among the highest advertised rents in the market, at around $50/SF NNN.

While sublet availability in the market measures just 1.8% of Houston's office inventory, the listed sublet space is often offered at a discount. For example, in the 2014-built Two Hughes Landing in The Woodlands Submarket, sublease rents are being offered at $17.00/SF NNN, compared to direct rents in Class B buildings which average $24/SF, a 30% discount.

Market Rents

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	24 Q2	24 Q3
National	$28.93	$30.59	$31.61	$32.49	$33.58	$34.94	$34.35	$34.58	$35.03	$35.38	$35.58	$35.63
Market	$29.33	$29.03	$28.15	$28.14	$28.43	$28.95	$28.44	$28.50	$29.02	$29.51	$29.81	$29.85
Class A	$36.74	$35.79	$34.03	$33.83	$34.07	$35.08	$33.95	$33.61	$34.27	$34.65	$35.05	$35.08
Class B	$23.52	$23.67	$23.46	$23.64	$23.94	$24.01	$23.96	$24.32	$24.70	$25.25	$25.48	$25.52
Class C	$21.27	$21.84	$21.98	$22.09	$22.56	$22.72	$22.99	$23.50	$24.01	$24.64	$24.85	$24.87

Prior to the pandemic, the Houston Office Market experienced improving rent growth. In 2019 Q4, annual rent growth in the Market accelerated above the previous quarters yoy growth rate, and was above the historical average, with annual growth of 1.8%. With demand softening during the initial stages of the pandemic, quarterly rent growth decreased 0.8% in 2020 Q2. By the end of 2020, rents fell 1.8% from the 2019 Q4 rent level of $28.95/SF. From 2019 Q4 to 2021 Q4, rents decreased -1.6%. Quarterly rent growth in 2024 Q3 slowed to 0.1%, with annual growth slowing to 1.6%.



Source: CoStar

Construction & Future Supply

Developers have been active for much of the past ten years. In fact, they have added 50.6 million square feet to the Market over that time, expanding inventory by 12.2%.

Houston's under-construction pipeline had already thinned out notably since the 2016 oil bust and has done so even more over the past few quarters as higher borrowing costs and limited financing availability has made it difficult for projects to break ground. Construction starts are at all-time lows and new supply in 2025 is projected to be the lowest on record. Local participants predict that tenants will start backfilling second and third-generation space in the coming months due to limited availability for first-generation space. Developers remain active in the Market, but elevated construction and debt costs have slowed the pipeline to 2.5 million square feet, or the equivalent of 0.7% of existing inventory, underway.

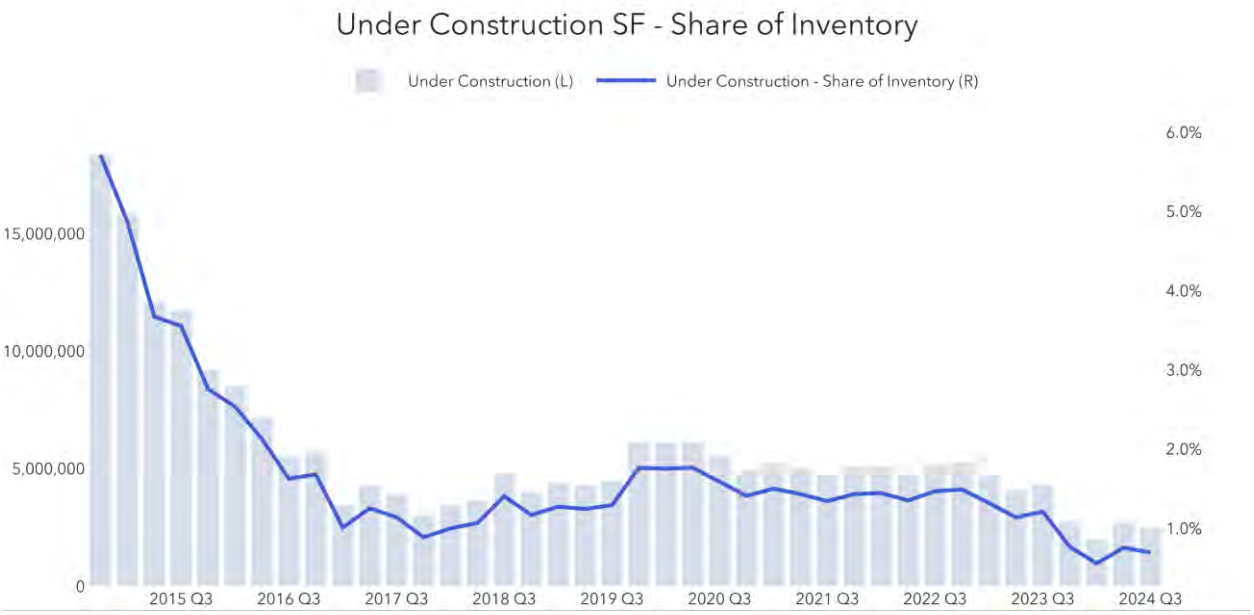
About 80% of what is underway is preleased, minimizing the impact of new supply. Much of this space is found in the fast-growing north and western suburbs of Houston. Those developers that are building spec buildings are often targeting submarkets with established mixed-use projects. For example, recent projects such as Midway's 308,000-SF CityCentre Six Office, MetroNational's 190,000-SF building and Moody Rambin's 170,000-SF Town Centre Two–all within or near CityCentre in the Katy Freeway East Submarket–have all leased quickly prior to completion and underscore the strong demand for quality office space among walkable, high-density settings.

Meanwhile, the CBD has made headlines of its own recently. Earlier this year, Skanska completed the 1550 On The Green spec trophy tower. Law firm Norton Rose Fulbright is the anchor tenant and preleased one-third of the

building prior to its completion. The 390,000-SF 28-story tower marks the first phase of its Discovery West mixed-use development, which, upon build-out, will include retail, restaurant, and adjacent multifamily units.

There is a particularly high concentration of office inventory in a 40-square-mile area that includes Downtown and the affluent areas extending west of it to the Energy Corridor, bounded by I-10, Highway 6, the Westpark Tollway, and 59 where it loops around Downtown. While this area makes up less than 0.5% of the MSA's total land area, it is home to nearly 50% of its office inventory.

Further south, the South Main/Medical Center Submarket has had one of Houston's most active office pipelines over the past few years after a near-dearth in construction activity between 2010 and 2020. Over the past three years, nearly 2 million SF were added. For context, between 2010 and 2020, less than 400,000 SF were completed. New life science developments have taken center stage as the Texas Medical Center works to create the world's largest life science campus.



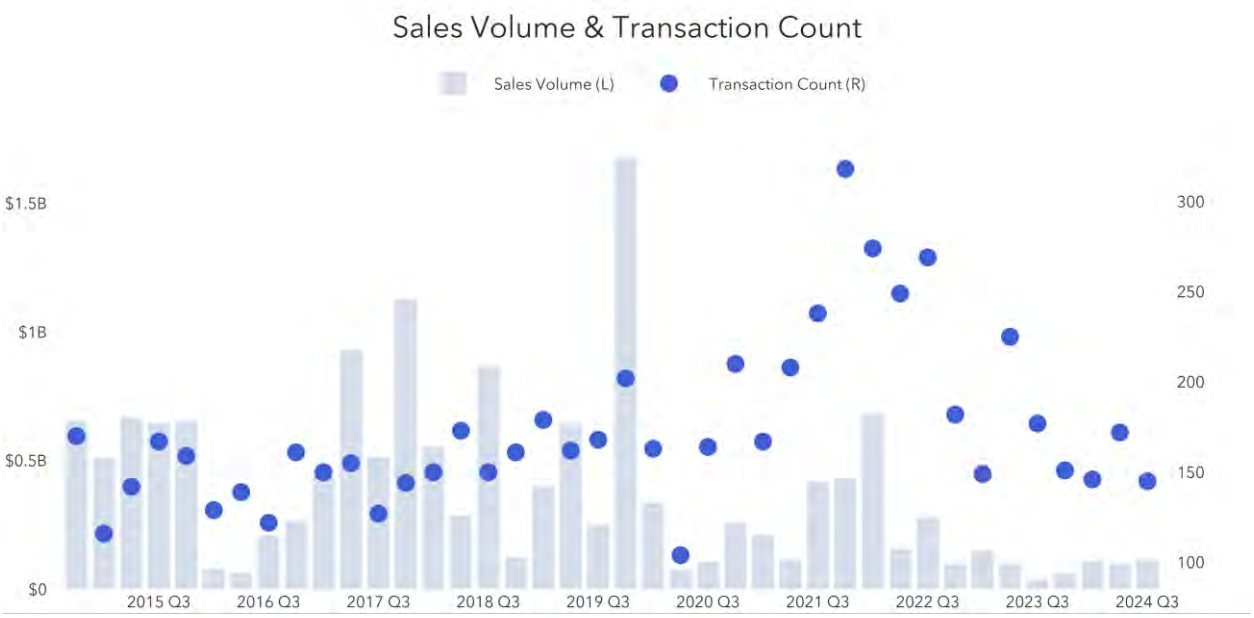
Source: CoStar

Capital Markets

Investors have been active in the Market over the past three years. During that time, investors have closed on average 869 transactions per year with an annual average sales volume of $910.2 million. Over the past year, there were 614 closed transactions across 11.6 million square feet, for a total sales volume of $384.8 million. As of 2024 Q3, CoStar data indicates there were 145 transactions for a total sales volume of $113.6 million, compared to $99.3 million in the previous quarter.

Institutional investors have been net sellers of office since 2021. Traditionally, they accounted for roughly 40% of annual acquisition activity but represented just 5% of activity in the past year. Private investors now dominate the buyer pool, accounting for roughly two-thirds of deal volume this past year, with most deals valued at less than $10 million.

Meanwhile, lenders and special servicers are offloading properties where owners are unable to cover their mortgage costs or cannot refinance in today's high interest rate climate. In August, NBK out of New York bought the 285,000-SF TwentyFour25 building in West Loop Plaza for $27 million, or $95/SF in a bankruptcy sale. The 1980-built property was 53% leased at the time of sale. In July, KBS Growth & Income REIT, sold the 200,000-SF Offices at Greenhouse for $17.6 million, or $87/SF. The 2014-built property was 53% leased at the time of sale. The property last sold in November 2016 for $47 million, or $231/SF, a 60% loss in value during the eight-year hold period.



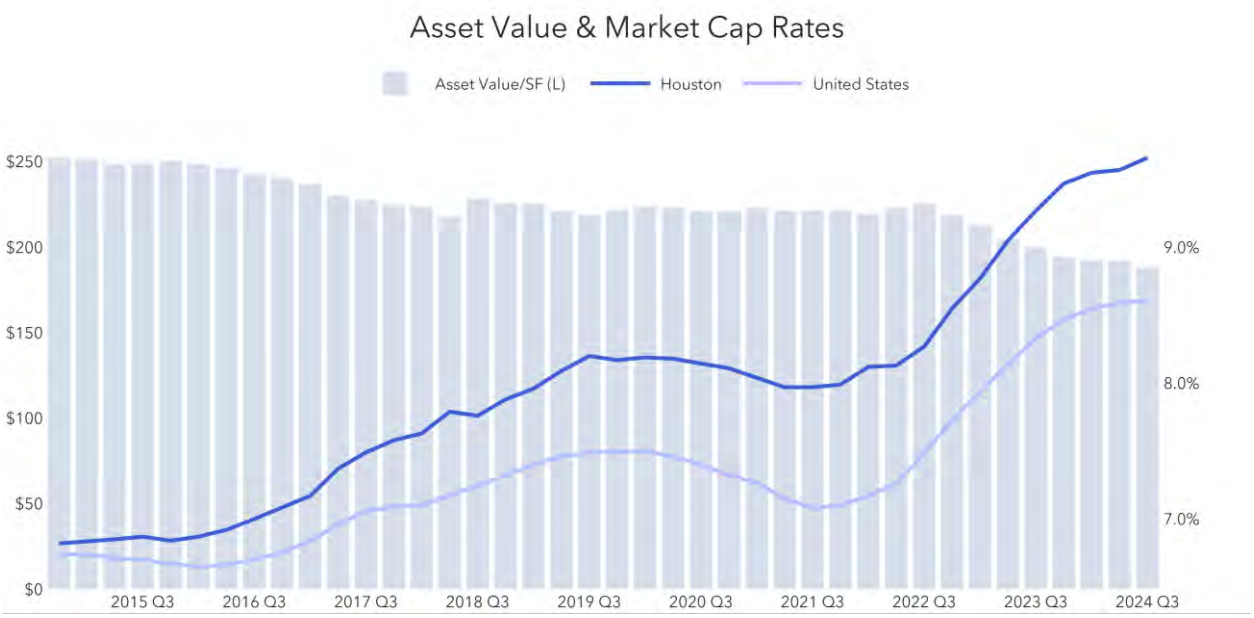
Source: CoStar

Market pricing, based on the estimated price movement of all properties in the Market, is currently $188/SF. Values have compressed 5.9% over the past year and continued to fall in the past quarter, decreasing 2.1% in 2024 Q3.

Cap rates have risen across all property types over the past two years as the cost of debt has increased. While the office sector has witnessed the sharpest rise, some segments have proven more resilient than others. Capitalization rates increased 39 bps over the past year to 9.7% and increased 9 bps in Q3.

For example, in May, a 19,000-SF medical office in Webster sold for an undisclosed price at a 7.2% cap rate. The 2003-built property was 100% leased at the time of sale. Meanwhile, cap rates are now typically in the 8% to 9% range or higher in regular office buildings depending on occupancies and vintage. These properties have seen cap rates expand by 200 basis points or more from their early 2022 lows. For example, also in May, Silver Star Properties REIT sold the 140,000-SF Tower Pavilion in Houston for an undisclosed price at an 8.9% cap rate. The 1981-built property was 90% leased at the time of sale.

Despite recent rate cuts, elevated rates and the subsequent cost of debt will weigh on both investment activity and pricing going forward. However, investors are taking advantage of the drop in office values, acquiring very well located properties.



Source: CoStar

Outlook

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

Office market conditions in the Houston Market indicate an increase in demand, although it fell short of new supply, increasing vacancy rates over the past year. With the expansion of vacancy rates, quarterly rent growth slowed to just 0.1%, softening annual growth to 1.6%. Looking ahead to the near term, it is likely that tenant demand remains muted, limiting improvements in rent growth.

Appendix

Houston Office Market Overview

Submarket	Inventory SF	Vacancy Rate	Availability Rate	Under Construction SF	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
CBD	54,015,792	25.3%	28.2%	0	$36.19	$232	9.52%
Katy Freeway West	27,416,661	19.0%	22.9%	0	$30.54	$198	9.73%
The Woodlands	25,115,443	12.6%	13.8%	70,662	$34.44	$276	8.97%
Westchase	19,108,307	24.9%	29.7%	0	$29.16	$174	9.78%
Galleria/Uptown	17,154,776	35.3%	28.2%	0	$32.38	$187	9.20%
South Main/Medical Center	16,409,629	13.0%	11.9%	0	$30.95	$204	9.52%
Katy Freeway East	13,853,487	8.0%	10.7%	402,293	$36.81	$233	9.30%
Greenway Plaza	13,211,576	21.0%	24.4%	146,000	$32.47	$192	9.33%
FM 1960/Hwy 249	11,601,974	18.3%	27.6%	448,100	$27.52	$166	9.80%
E Fort Bend Co/Sugar Land	11,397,284	23.1%	15.9%	188,692	$28.83	$185	9.71%
NASA/Clear Lake	11,323,422	11.1%	13.8%	39,900	$25.77	$128	10.52%
Midtown	11,164,841	10.7%	13.0%	0	$31.27	$186	9.74%
Greenspoint/N Belt West	10,479,069	41.7%	37.4%	0	$19.90	$111	10.08%
Gulf Freeway/Pasadena	9,960,476	12.1%	11.7%	0	$25.40	$131	10.66%
Southwest Beltway 8	7,757,958	20.1%	19.8%	151,746	$20.23	$118	9.82%
Katy/Grand Parkway West	7,317,431	9.4%	9.9%	60,849	$31.30	$198	9.63%

West Belt	6,929,438	25.7%	32.7%	22,340	$28.71	$176	10.07%
North Loop West	6,801,997	15.9%	18.0%	87,563	$24.77	$138	9.70%
San Felipe/Voss	5,439,144	30.5%	31.4%	0	$27.05	$159	9.02%
Bellaire	5,352,208	16.7%	19.3%	0	$27.34	$151	9.88%
Southeast Outlier	5,315,931	3.5%	5.2%	0	$25.19	$163	9.60%
Southwest/Hillcroft	5,312,932	16.2%	20.6%	0	$19.45	$107	10.05%
Post Oak Park	4,947,214	22.6%	23.0%	0	$33.95	$205	8.95%
Kingwood/Humble	4,789,219	8.1%	9.6%	143,625	$26.22	$182	9.59%
Northwest Far	4,702,055	12.8%	17.2%	0	$21.09	$120	10.10%
FM 1960/Champions	4,391,211	13.9%	15.2%	8,465	$20.67	$125	10.10%
South	4,023,651	8.6%	10.2%	33,800	$29.26	$178	10.04%
Northwest Outlier	3,288,962	8.1%	11.3%	362,339	$29.83	$187	10.17%
Riverway	3,177,840	26.7%	29.2%	0	$27.81	$167	8.60%
Greenspoint/IAH	3,176,988	27.6%	32.4%	0	$20.74	$118	9.92%
Conroe	3,086,421	8.5%	10.6%	0	$27.15	$165	10.10%
Southwest Outlier	2,513,866	13.3%	13.3%	216,204	$28.30	$199	9.69%
FM 1960/I-45 North	2,465,718	24.8%	34.2%	0	$21.73	$129	10.02%
Northeast Near	2,455,233	5.5%	4.1%	0	$27.23	$165	9.82%
Richmond/Fountainview	2,372,241	9.1%	9.5%	0	$24.71	$130	10.30%
Outlying Montgomery Cnty	2,186,359	11.5%	15.1%	25,190	$27.03	$164	10.07%
Southwest Far	2,166,392	5.9%	6.3%	0	$27.99	$189	9.52%
Baytown	1,936,152	11.2%	4.5%	30,000	$24.61	$131	10.28%
Northwest Near	1,595,207	5.3%	9.2%	0	$21.43	$119	9.73%
I-10 East	1,522,009	9.9%	11.9%	0	$21.91	$119	10.63%
Northeast Outlier	1,077,690	5.5%	6.2%	56,125	$28.81	$163	9.99%
South Hwy 35	860,457	4.3%	4.5%	0	$25.82	$113	10.80%
Liberty County	419,344	11.0%	6.8%	0	$23.43	$132	9.93%
Austin County	261,473	3.5%	2.6%	0	$26.34	$137	9.98%
Outlying Chambers County	187,466	0.0%	1.2%	0	$26.35	$145	9.80%
Outlying Waller County	140,662	3.4%	5.4%	0	$25.05	$145	9.61%

North Loop West: Office Submarket Analysis

The information contained in this report was provided using 2024 Q3 CoStar data for the North Loop West Office Submarket ("Submarket") located in the Houston Market ("Market").



Overview

The subject property is in the North Loop West Submarket of the Houston Market, defined in the map above. This Submarket accounts for 1.9% of the Markets total inventory with 6.8 million square feet. In the North Loop West Submarket, vacancy rates decreased in the latest quarter but are up over the year. While annual rent growth is positive at 1.4%, no growth occurred in the latest quarter. With softening fundamentals, values decreased in the past quarter and -10.0% yoy, ultimately decreasing to $140/square feet.

Sector Fundamentals

	North Loop West	YoY	QoQ	Houston	YoY	QoQ
Market Rent/SF	$24.77	1.4%	0.0%	$29.85	1.6%	0.1%
Vacancy Rate	15.91%	15 bps	-6 bps	18.87%	24 bps	-10 bps
Availability Rate	18.0%	51 bps	31 bps	20.5%	-104 bps	-86 bps
Net Absorption SF	9,330	475.6%	-16.5%	598,830	210.4%	9151.2%
Asset Value/SF	$140	-10.0%	-4.8%	$188	-5.9%	-2.1%
Market Cap Rate	9.7%	59 bps	20 bps	9.66%	39 bps	9 bps
Transaction Count	2	0%	0%	145	-18%	-16%
Sales Volume	$0	-100%	-100%	$113,557,496	196%	14%

The table below presents historical performance of key indicators for office space in the Submarket including inventory & construction levels, net absorption, vacancy & availability, rental rates, pricing, and cap rates.

Historical Office Performance: North Loop West Submarket

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
2024 Q3	6,801,997	87,563	6,413	-4,816	15.9%	18.0%	$24.77	$138	9.70%
2024 Q2	6,795,584	93,976	NA	-12,525	16.0%	17.6%	$24.77	$145	9.50%
2023	6,795,584	6,413	NA	10,485	15.5%	15.2%	$24.56	$146	9.40%
2022	6,795,584	6,413	27,029	157,066	15.7%	17.4%	$24.03	$172	8.28%
2021	6,768,555	24,385	7,570	-27,359	17.6%	15.6%	$23.90	$160	8.02%
2020	6,760,985	0	126,845	80,965	17.1%	19.0%	$23.63	$159	8.10%
2019	6,634,140	140,691	115,546	94,233	16.8%	17.2%	$23.74	$160	8.11%
2018	6,518,594	85,237	19,845	-99,545	16.8%	18.9%	$23.32	$152	8.02%
2017	6,498,749	27,639	343	-64,871	15.0%	18.9%	$22.94	$153	7.67%
2016	6,498,406	17,400	-36,344	-34,326	13.9%	15.4%	$22.67	$155	7.33%
2015	6,534,750	10,447	-71,663	19,453	13.9%	15.7%	$22.04	$158	7.09%
2014	6,606,413	37,220	12,457	379,271	15.1%	18.9%	$21.52	$153	7.09%

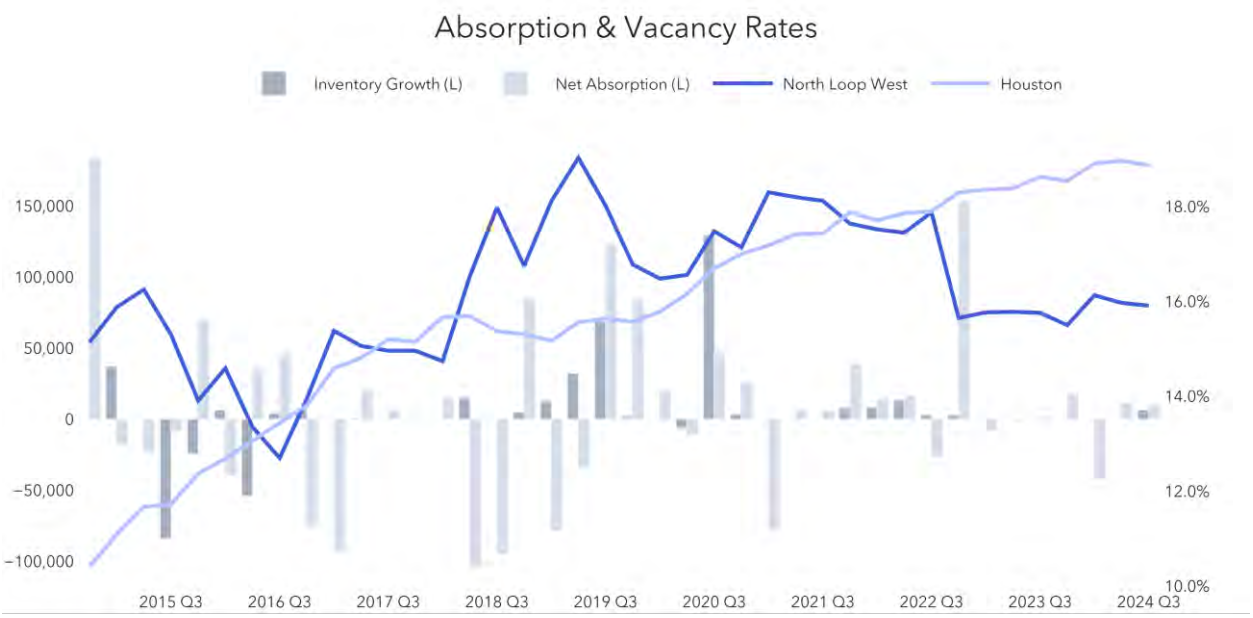
Supply & Demand

The Submarket has 6.8 million square feet of office space, and developers have added, net of demolitions, 195.6k square feet over the past ten years, increasing inventory by 3.0% during that time. Demand has not been able to keep up with supply over the past decade and vacancy rates have expanded from the rate of 15.1% to 15.9%.

More recently, demand has softened compared to elevated demand in 2021 and over the first half of 2022. Combined with a rise in inventory levels for the Submarket, vacancy rates have increased 15 bps over the past year from 15.8% to 15.9%, remaining below the 10-year average of 16.2%, and below the Market average by 296 bps. With 9.3k square feet absorbed in 2024 Q3, vacancy rates have compressed 6 bps over the past quarter. In the third quarter, office tenants in the Submarket absorbed 9.3k square feet, a decrease from the 11.2k square feet absorbed in 2024 Q2, but an improvement from the 1.6k square feet absorbed in the same quarter last year.

Vacancy Rates

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	24 Q2	24 Q3
National	10.7%	10.1%	9.7%	9.6%	9.3%	9.3%	10.7%	11.8%	12.3%	13.4%	13.8%	13.8%
Market	10.4%	12.4%	13.8%	15.2%	15.3%	15.6%	17.0%	17.9%	18.3%	18.5%	19.0%	18.9%
Submarket	15.1%	13.9%	13.9%	15.0%	16.8%	16.8%	17.1%	17.6%	15.7%	15.5%	16.0%	15.9%
Class A	24.2%	24.8%	24.9%	27.1%	30.9%	26.5%	24.0%	26.1%	25.9%	23.0%	22.8%	22.5%
Class B	15.3%	13.4%	12.8%	13.1%	15.1%	17.4%	18.9%	18.5%	14.1%	15.9%	17.2%	17.2%
Class C	4.5%	2.1%	3.5%	4.6%	3.5%	3.9%	4.9%	5.5%	7.0%	5.6%	5.1%	5.1%



Source: CoStar

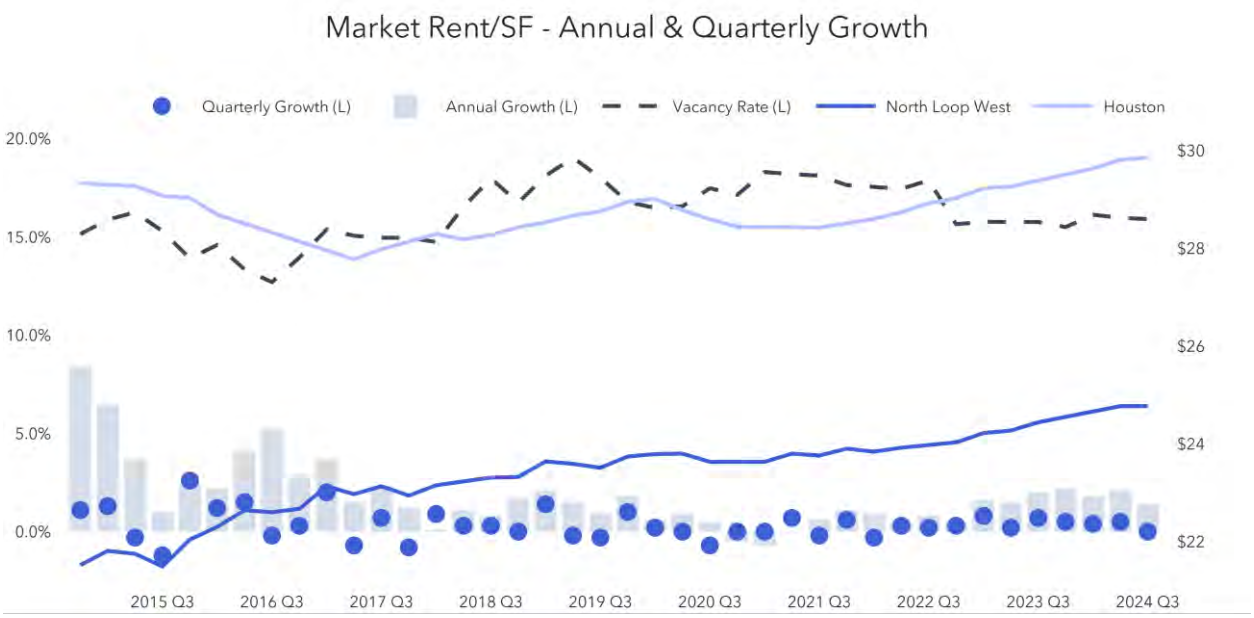
Rents

At $24.77/SF, rents in the North Loop West Submarket are roughly 17% lower than the Market average of $29.85/SF. Rents vary throughout the Submarket. Class C space is at a premium with a rate of $25.36/SF, followed by $25.11/SF for Class A and $24.33/SF for Class B space. Rents in the Submarket have increased 1.5% per annum over the past decade, exceeding the Market average, where rents increased 0.2% per annum during that time.

Market Rents

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	24 Q2	24 Q3
National	$28.93	$30.59	$31.61	$32.49	$33.58	$34.94	$34.35	$34.58	$35.03	$35.38	$35.58	$35.63
Market	$29.33	$29.03	$28.15	$28.14	$28.43	$28.95	$28.44	$28.50	$29.02	$29.51	$29.81	$29.85
Submarket	$21.52	$22.04	$22.67	$22.94	$23.32	$23.74	$23.63	$23.90	$24.03	$24.56	$24.77	$24.77
Class A	$24.62	$24.57	$23.99	$23.89	$24.22	$24.69	$24.22	$24.24	$24.49	$24.91	$25.09	$25.11
Class B	$19.80	$20.71	$21.92	$22.43	$23.04	$23.35	$23.32	$23.59	$23.59	$24.12	$24.33	$24.33
Class C	$21.65	$21.96	$22.74	$22.96	$22.84	$23.45	$23.60	$24.17	$24.47	$25.15	$25.37	$25.36

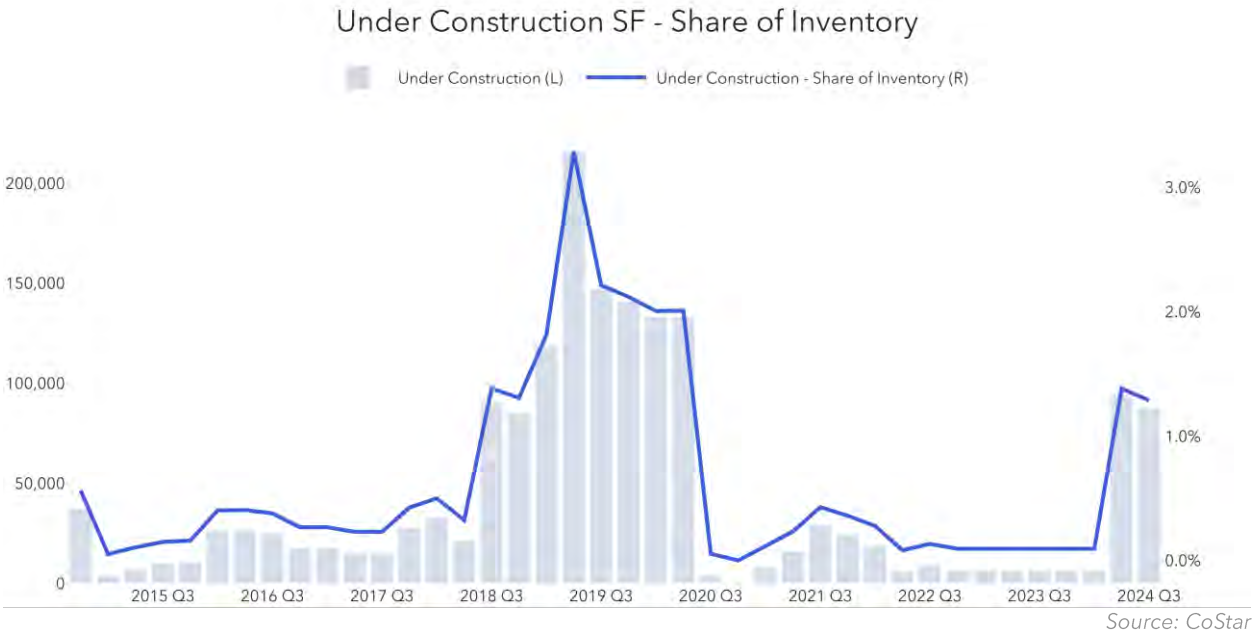
Prior to the pandemic, the North Loop West Office Submarket experienced an improvement in rent growth, although at a softened rate. In 2019 Q4, annual rent growth in the Submarket accelerated above the previous quarters yoy growth rate, but remained below the historical average, with annual growth of 1.8%. In 2020 Q2, quarterly rent growth fell to 0.0%. By the end of 2020, rents had fallen 0.5% from the 2019 Q4 rent level of $23.74/SF. From 2019 Q4 to 2021 Q4, rents increased 0.7%. Quarterly rent growth in 2024 Q3 stalled, softening annual growth to 1.4%.



Source: CoStar

Construction & Future Supply

Developers have been active for much of the past ten years. In fact, they have added 382.1k square feet to the Submarket over that time, expanding inventory by 3.0%. Developers remain active in the Submarket despite elevated construction and debt costs. In fact, developers are currently active with 87.6k square feet, or the equivalent of 1.3% of existing inventory, underway. The active pipeline will likely add upward pressure to vacancy rates in the near term.

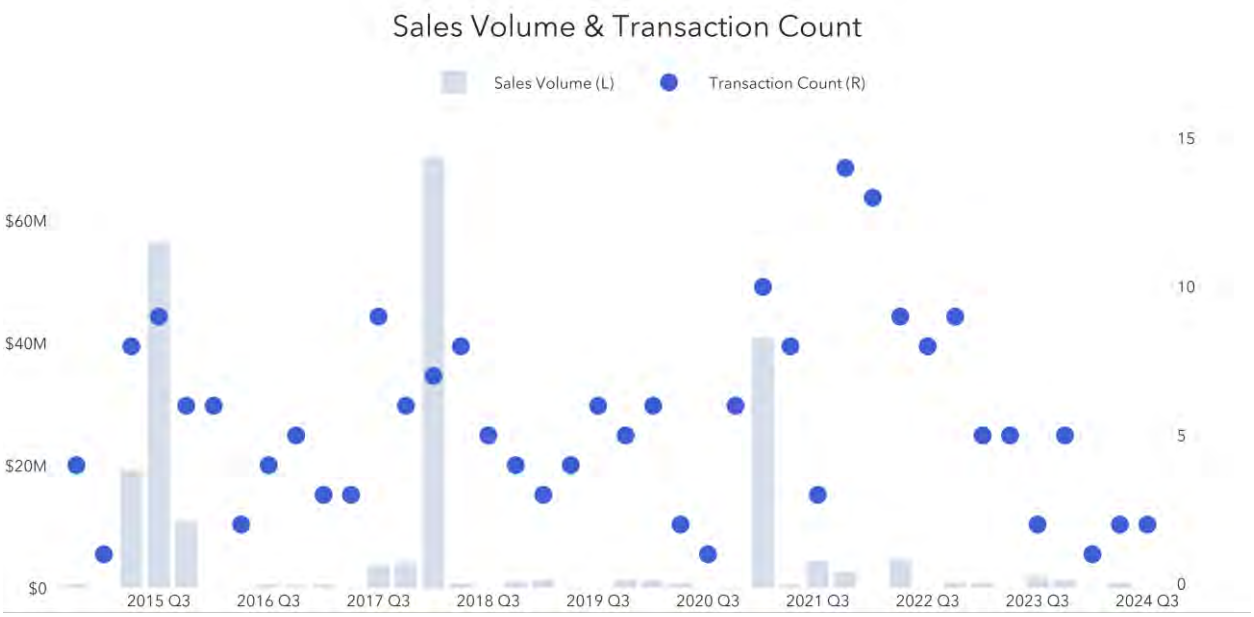


Source: CoStar

Capital Markets

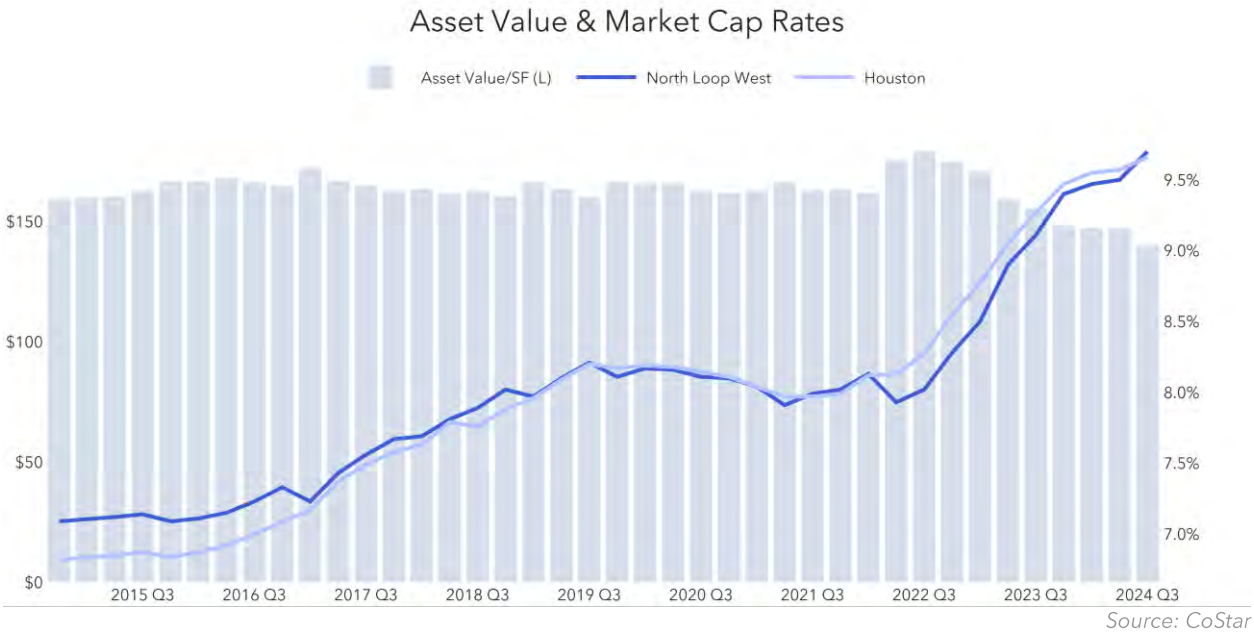
Investors have been active in the Submarket over the past three years. During that time, investors have closed on average 30 transactions per year with an annual average sales volume of $19.4 million. Over the past year, there

were 10 closed transactions across 36.8k square feet, for a total sales volume of $2.3 million. As of 2024 Q3, CoStar data indicates there were 2 transactions, compared to $940k in the previous quarter.



Source: CoStar

Market pricing, based on the estimated price movement of all properties in the Submarket, is currently $140/SF. Values have compressed 10.0% over the past year and continued to fall in the past quarter, decreasing 4.8% in 2024 Q3. Capitalization rates increased 59 bps over the past year to 9.7% and increased 20 bps in Q3. Despite recent rate cuts, elevated rates and the subsequent cost of debt will weigh on both investment activity and pricing going forward. However, investors are taking advantage of the drop in office values, acquiring very well located properties.



Source: CoStar

Outlook

Office demand remains well below pre-pandemic levels. Many office markets are contending with elevated vacancy and availability rates. This is occurring at a time of a looming recession, which has resulted in layoffs from many companies, slowing the recovery for the sector. Office market conditions in the North Loop West Submarket indicate a decrease in demand along with rising inventory levels. With vacancy rates expanding, quarterly rent growth stalled, softening annual growth to 1.4%. Looking ahead to the near term, it is likely that tenant demand remains muted, slowing rent growth.

Highest & Best Use

In determining highest and best use, we have considered the current trends of supply and demand on the market, current zoning regulations and other possible restrictions, and neighboring land uses.

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

In estimating highest and best use, alternative uses[7], such as the legally permissible use, the physically possible use, the financially feasibility, and the highest and best use, are considered and tested for the subject site.

As Vacant

Legally Permissible

No restrictive covenants are known to exist that might preclude or limit use of the site in an office capacity. Additionally, there are no known restrictions, historic district controls, or environmental regulations that restrict the subject in any unreasonable manner.

The subject is located in the City of Houston which does not have zoning laws. Therefore, the subject is considered to be unrestricted from a legal standpoint. All new development must receive city approval to be in compliance with city building codes and ordinances.

Physically Possible

The site is of good size and has good street access. The lot contains 10.00 acres or 435,557 square feet with good frontage on North Loop (938.290 feet) and Directors Row (530.060 feet). All necessary utilities are available, and there are no apparent easements or encroachments that hinder or prevent development. The size falls within the range of improved sites in the area and is not considered to restrict the utility in relation to competing sites. Surrounding land uses are comprised primarily of office buildings and hotels. The site lies on a major highway in an urban area. From a development standpoint, the location within the North Loop West submarket and proximity to other commercial uses suggest its utility for medium to high intensity office uses. The subject site is of ample size and configuration to support a large multi-tenant development. Any of the above legally permitted uses, therefore, are considered physically possible.

Financially Feasible

Speculative development is weak in the area, with office vacancy rates above 18% and Class A vacancy at almost 24% in the greater Houston office market, with rents lower than competing submarkets. Such development is not considered feasible at this time. Holding for future office development is considered financially feasible. Build-to-suit development with a large percentage of space pre-leased is also considered feasible.

Maximally Productive/ Highest and Best Use

All legally permissible, physically possible, and financially feasible uses of the site, as vacant, have been presented and examined. In conclusion, Office use is considered the most productive use, although not financially feasible unless a large portion were pre-leased. Holding for future office development or build to-suit development with a large tenant in place are considered the highest and best uses of the subject site as vacant.

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

As Improved

Legally Permissible	The subject property is not governed by zoning laws. The construction density exhibited by the improvements is compatible with similar competitive properties in the immediate neighborhood. The current use is legally conforming and thus represents a legally permissible use, as improved
Physically Possible	The subject is currently improved with three Class A office buildings containing 12-14 stories, with a total gross area of 1,414,150 square feet and a net rentable area of 806,541 square feet. The improvements were constructed in 1972-1981, renovated in 2014 and are considered to be in good overall condition, being well maintained and functional for their use. The subject improvements represent a physically possible use of the site as improved.
Financially Feasible	As improved, the combined subject buildings are 75.56% occupied by office and storage tenants and it generates a positive net cash flow, and an adequate return to the owners. Occupancy has been improving at the property since purchase and there have been a number of recent leases at the current asking rents. Therefore, the current use is financially feasible.
Maximally Productive/ Highest and Best Use	All legally permissible, physically possible, and financially feasible uses of the site, as improved, have been presented and examined. Based on our analysis, there does not appear to be any alternative use that could reasonably be expected to provide a higher present value than the current use, and the existing use exceeds the value of the site as if vacant. It is our opinion that the highest and best use of the subject, as improved, given the current improvements is its current use as an office building.
Most Probable Buyer	Taking into account the size and characteristics of the property and its mixed-use occupancy, the likely buyer is a regional or institutional investor.

Appraisal Valuation Process

There are three approaches to value we consider: the Cost Approach, the Sales Approach, and the Income Approach.

The **Cost Approach** is traditionally a good indicator of value when properties being appraised are new or close to new. 2800-2950 North Loop West was constructed in 1972-1981 and has notable physical and economic depreciation. The difficulty in credibly isolating the influence of these factors on value affects the reliability of this approach. Along this line, investors typically give nominal weight to this analysis since the asset is operating on a stabilized basis and its cost bears little relationship to the value. Therefore, as a result of the limited use of this approach, it has not been applied.

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

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

In advancing an opinion of the value of the subject, we considered the two primary approaches of real estate valuation: The Income Approach and the Sales Comparison Approach. The Cost Approach was not applied due to the age of the subject and difficulty in estimating depreciation. More importantly, market participants in the area do not generally consider the Cost Approach when making investment decisions for properties like the subject.

Finally, the relative strengths and weaknesses of each approach are discussed, and a final value opinion is offered.

Income Capitalization Approach

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

The income capitalization approach supports two methodologies: direct and yield capitalization. Investors in the local market typically utilize a direct capitalization when making investment decisions for this asset class, therefore we conclude that the direct capitalization method is appropriate to apply to the subject.

Approach Applied

As an office building, this asset is encumbered by multiple leases with staggered expiration dates and reflects 75.56% occupancy. The overall in-place income is generally at market with some units operating above or below the concluded market rent. Given this, it is appropriate to apply the yield capitalization method (also known as the discounted cash flow method) which considers the lease-up of the vacant space and the income over a projected holding period. As a secondary method, the direct capitalization method, which converts a single year's stabilized income into an indication of value, was applied.

Base Commercial Income

The subject is 75.56% occupied. There are 178,989 square feet of vacant office space and 18,151 square feet of vacant storage space.

Lease Details

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

Current Rent Roll Summary

#	Tenant	Unit	Size (SF)	Lease Start	Lease Exp.	Current Annual Rent	Rent PSF	Reimbursement	Comments
1	Cigna Healthcare and Life Insurance	I-0400 - I-0700	69,823	5/1/2018	2/28/2026	$1,201,537	$17.21	NNN 95%	
2	Total Renal Care	I-0800 - I-0850	18,238	8/1/2015	1/31/2026	$379,958	$20.83	NNN 100%	
3	Armstrong & Lee LLP	I-0900	10,664	6/1/2022	10/31/2030	$183,065	$17.17	NNN 100%	
4	Armstrong & Lee LLP	I-1050	5,569	12/1/2023	10/31/2030	$95,601	$17.17	NNN 100%	
5	Off Market LLC	I-0910	3,670	1/1/2022	2/28/2025	$59,943	$16.33	NNN 100%	
6	Zim American Integrated Shipping	I-0950	3,904	1/1/2023	6/30/2028	$67,832	$17.38	NNN 100%	
7	BancorpSouth Bank (Cadence Bank)	I-1000	8,161	9/1/2020	6/30/2031	$156,079	$19.12	NNN 100%	
8	Bowen Miclette & Brit Insurance	I-1100 - I-1200	35,926	11/1/2021	4/30/2030	$518,682	$14.44	NNN 100%	
9	Cogent Communications	II-0060A	212	7/1/2018	2/28/2025	$2,020	$9.53	None	Storage
10	King Poppa Gourmet Popcorn	II-0005	170	10/15/2024	11/30/2024	$1,680	$9.88	None	Storage. New License Agreement.
11	Teleport Communications	II-0090	487	6/1/2017	5/31/2027	$20,236	$41.55	None	Storage
12	Endurance Builders LLC	II-0100	8,394	10/1/2019	3/31/2025	$138,501	$16.50	NNN 100%	
13	BancorpSouth Bank (Cadence Bank)	II-0150	1,679	9/1/2020	6/30/2031	$32,111	$19.13	NNN 100%	
14	Hertz Houston Brookhollow	II-0160	2,214	2/13/2018	12/31/2050	$0	$0.00	None	
15	The Heights Insurance Services LLC	II-0180	6,767	7/1/2021	11/30/2026	$111,092	$16.42	NNN 100%	
16	Veritex Community Bank	II-0200	21,265	8/1/2018	1/31/2034	$346,442	$16.29	NNN 95%	
17	Meneses Law PLLC	II-0300	21,263	4/1/2023	2/28/2035	$334,892	$15.75	NNN 95%	Renewal @ $16.50 PSF

Current Rent Roll Summary (Continued)

#	Tenant	Unit	Size (SF)	Lease Start	Lease Exp.	Current Annual Rent	Rent PSF	Reimbursement	Comments
18	Crescent Power Systems	II-0400	3,870	4/1/2023	6/30/2026	$50,310	$13.00	NNN 100%	
19	Placement Partners Inc	II-0410	2,286	9/1/2021	1/31/2027	$38,481	$16.83	NNN 100%	
20	Lorance & Thompson, PC	II-0500	21,263	11/1/2017	12/31/2025	$385,392	$18.13	NNN 100%	
21	Innowatts Inc	II-0600	8,123	7/1/2020	1/31/2030	$136,737	$16.83	NNN 100%	
22	Progressive Casualty Insurance	II-0625	3,621	12/1/2023	4/30/2029	$57,634	$15.92	NNN 100%	
23	Thomas Quinn, LP	II-675	2,906	6/1/2024	11/30/2029	$38,747	$13.33	NNN 100%	New Lease @ $16.25 PSF
24	IntegraNet Physician Resource, Inc.	II-0700	21,263	11/1/2021	9/30/2032	$357,218	$16.80	NNN 100%	
25	Norton Lily International	II-0800	5,030	10/1/2019	4/30/2027	$92,007	$18.29	NNN 100%	
26	Norton Lilly International (Expansion)	II-0810	2,974	10/1/2022	4/30/2027	$49,071	$16.50	NNN 100%	
27	Async7	II-0825	2,186	8/1/2015	10/31/2025	$35,978	$16.46	NNN 100%	
28	CherCo LLC	II-0830	5,743	9/1/2022	6/30/2028	$92,606	$16.13	NNN 100%	
29	McGrath and Co PLLC	II-0880	5,327	8/1/2021	1/31/2028	$88,339	$16.58	NNN 100%	
30	Raptor Technologies LLC	II-0900	10,984	9/1/2022	8/31/2030	$176,202	$16.04	NNN 100%	
31	Bowman Consulting Group	II-950	10,369	6/1/2024	7/31/2032	$26,787	$2.58	NNN 100%	
32	Ray Feighny & Hartie PLLC	II-1000	5,007	11/1/2023	8/31/2029	$87,414	$17.46	NNN 100%	
33	CTI III LLC	II-1010	6,721	10/1/2023	7/31/2031	$107,536	$16.00	NNN 100%	
34	Maurauder Land Resources	II-1020	1,962	11/1/2023	7/31/2029	$33,272	$16.96	NNN 100%	

Current Rent Roll Summary (Continued)

#	Tenant	Unit	Size (SF)	Lease Start	Lease Exp.	Current Annual Rent	Rent PSF	Reimbursement	Comments
35	American Postal Workers Union	II-1030	3,300	11/1/2023	5/31/2034	$54,313	$16.46	NNN 100%	
36	Intermarine, LLC	II-1100	13,143	1/1/2019	10/31/2029	$236,026	$17.96	NNN 100%	
37	Kitchell Contractors Inc	II-1050	4,272	12/1/2023	5/31/2029	$69,064	$16.17	NNN 100%	
38	Daido Steel (America) Inc	II-1120	1,510	8/1/2024	1/31/2030	$25,041	$16.58	NNN 100%	New Lease @ $17.00 PSF
39	Annie McAdams, PC	II-1130	2,415	3/1/2024	7/31/2029	$39,344	$16.29	NNN 100%	New Lease @$16.50 PSF
40	IPFS Corporation	II-1150	4,195	1/1/2022	9/30/2027	$68,693	$16.37	NNN 100%	
41	Park Place Technologies	II-1200	6,014	3/1/2020	7/31/2030	$58,637	$9.75	NNN 100%	Recent Renewal @ $16 PSF
42	Tiberius Energy Services	II-1210	7,037	11/1/2023	6/30/2029	$112,299	$15.96	NNN 100%	
43	NGL Crude Logistics	II-1250	8,211	6/1/2021	8/31/2027	$142,324	$17.33	NNN 100%	
44	CHRISTUS Health	II-1300	21,263	3/1/2022	7/31/2027	$373,874	$17.58	NNN 100%	
45	Meneses Law PLLC	II-1400	21,263	3/1/2025	2/28/2035	$0	$0.00	NNN 95%	Lease expansion @ $16.50 PSF
46	Zoe Products International LLC	III - 0010	835	9/1/2024	8/31/2025	$696	$0.83	None	Storage
47	In Sook Yi and Sang	III-0030	2,157	6/1/2018	11/30/2024	$22,289	$10.33	None	Office
48	Hertz Small Conference Room	III - 0040	415	3/1/2024	12/31/2050	$0	$0.00	None	Storage
49	Auditorium	III-0070	1,130	1/12/2012	12/31/2050	$0	$0.00	None	Storage
50	Intermarine, LLC	III-0070A+III-0070E	615	1/1/2019	10/31/2029	$7,380	$12.00	None	Storage
51	Colt Midstream LLC	III-0070B	212	5/1/2021	8/31/2026	$2,544	$12.00	None	Storage
52	Integranet Physician Resource Inc St	III - 0070C	210	1/1/2019	12/31/2025	$2,520	$12.00	None	Storage

Current Rent Roll Summary (Continued)

#	Tenant	Unit	Size (SF)	Lease Start	Lease Exp.	Current Annual Rent	Rent PSF	Reimbursement	Comments
53	Integranet Physician Resource Inc St	III - 0070D	202	5/1/2021	12/31/2025	$2,424	$12.00	None	Storage
54	Clayton Services	III - 0100	2,251	8/1/2023	12/31/2028	$37,329	$16.58	NNN 100%	
55	Universal Fluid Services	III-0130	3,393	10/1/2021	9/30/2029	$54,288	$16.00	NNN 100%	Renewal @ $16.50 PSF
56	Universal Fluid Services (Expansion)	III-0135	4,167	10/1/2024	9/30/2029	$66,672	$16.00	NNN 100%	Expansion @ $16.00 PSF
57	Fitness Center	III-0145	5,114	1/12/2012	12/31/2050	$0	$0.00	None	
58	Hertz Pickle Ball Court	III -0150	2,257	3/1/2024	12/31/2050	$0	$0.00	None	
59	United Healthcare Services Inc	III-0200	19,920	4/1/2024	6/30/2027	$313,740	$15.75	NNN 100% (14)	
60	Godsey Martin, PC	III-0400 & III-0456	14,543	12/1/2019	3/31/2025	$239,960	$16.50	NNN 100% (14)	
61	RGN-Houston XVI, LLC	III-0500	16,490	9/19/2013	7/31/2029	$197,877	$12.00	NNN 95% (13)	New Lease @ $14.00 PSF
62	David L Aldridge Company	III -0800	13,374	3/1/2024	12/31/2031	$211,198	$15.79	NNN 100% (14)	New Lease @ $16.00 PSF
63	Bank OZK	III-950	9,701	9/1/2024	12/31/2032	$113,178	$11.67	NNN 100% (14)	New Lease @ $17.50 PSF
64	Logix Communications	III-1000	24,157	1/12/2010	1/31/2033	$388,525	$16.08	NNN 100% (14)	
65	Amerapex	III-1100	19,050	10/1/2023	3/31/2032	$295,275	$15.50	NNN 100% (14)	
66	Colt MIdstream LLC	III-1150	5,106	1/1/2021	8/31/2026	$87,049	$17.05	NNN 100% (14)	
67	EEPB, PC	III-0900 & III-1200	33,438	4/1/2020	1/31/2034	$593,525	$17.75	NNN 100% (14)	
Total			609,401			$9,319,486			

Summary of Spaces

Total Office	**Occupied Office**	**Vacant Office**
781,745	602,756	178,989
Total Storage	**Occupied Storage**	**Vacant Storage**
24,796	6,645	18,151
Combined Office and Storage	**Occupied Office and Storage**	**Vacant Office and Storage**
806,541	609,401	197,140

Lease Expirations

For the Years Ending		Year 1 Sep-2025	Year 2 Sep-2026	Year 3 Sep-2027	Year 4 Sep-2028	Year 5 Sep-2029	Year 6 Sep-2030	Year 7 Sep-2031	Year 8 Sep-2032	Year 9 Sep-2033	Year 10 Sep-2034
Tenant	Suite										
King Poppa Gourmet Popcorn	II-0005	170	0	0	0	0	170	0	0	0	0
In Sook Yi and Sang	III-0030	2,157	0	0	0	0	2,157	0	0	0	0
Off Market LLC	I-0910	3,670	0	0	0	0	3,670	0	0	0	0
Cogent Communications	II-0060A	212	0	0	0	0	212	0	0	0	0
Endurance Builders LLC	II-0100	8,394	0	0	0	0	8,394	0	0	0	0
Godsey Martin, PC	III-0400	14,543	0	0	0	0	14,543	0	0	0	0
Zoe Products International	III-0010	835	0	0	0	0	0	835	0	0	0
Async7	II-0825	0	2,186	0	0	0	0	2,186	0	0	0
Lorance & Thompson, PC	II-0500	0	21,263	0	0	0	0	21,263	0	0	0
Integranet Physician Resources	III -0070C	0	210	0	0	0	0	210	0	0	0
Integranet Physician Resource Inc St	III -0070D	0	202	0	0	0	0	202	0	0	0
Total Renal Care	I-0800	0	18,238	0	0	0	0	18,238	0	0	0
Cigna Healthcare and Life Insurance	I-0400	0	69,823	0	0	0	0	69,823	0	0	0
Crescent Power Systems	II-0400	0	3,870	0	0	0	0	3,870	0	0	0
Colt Midstream LLC	III-0070B	0	212	0	0	0	0	0	212	0	0
Colt Midstream LLC	III-1150	0	5,106	0	0	0	0	0	5,106	0	0
The Heights Insurance Services LLC	II-0180	0	0	6,767	0	0	0	0	6,767	0	0
Placement Partners Inc	II-0410	0	0	2,286	0	0	0	0	2,286	0	0
Norton Lily International 800	II-0800	0	0	5,030	0	0	0	0	5,030	0	0
Norton Lilly International 810	II-0810	0	0	2,974	0	0	0	0	2,974	0	0
Teleport Communications	II-0090	0	0	487	0	0	0	0	487	0	0
United HealthCare Services Inc	III-0200	0	0	19,920	0	0	0	0	19,920	0	0
CHRISTUS Health	II-1300	0	0	21,263	0	0	0	0	0	21,263	0
NGL Crude Logistics	II-1250	0	0	8,211	0	0	0	0	0	8,211	0
IPFS Corporation	II-1150	0	0	4,195	0	0	0	0	0	4,195	0
McGrath and Co PLLC	II-0880	0	0	0	5,327	0	0	0	0	5,327	0
Zim American Integrated Shipping	I-0950	0	0	0	3,904	0	0	0	0	3,904	0
CherCo LLC	II-0830	0	0	0	5,743	0	0	0	0	5,743	0
Clayton Services	III-0100	0	0	0	0	2,251	0	0	0	0	2,251
Progressive Casualty Insurance	II-0625	0	0	0	0	3,621	0	0	0	0	3,621
Kitchell Contractors Inc 1050	II-1050	0	0	0	0	4,272	0	0	0	0	4,272
Tiberius Energy Services	II-1210	0	0	0	0	7,037	0	0	0	0	7,037
Marauder Land Resources	II -1020	0	0	0	0	1,962	0	0	0	0	0
Annie McAdams, PC	II-1130	0	0	0	0	2,415	0	0	0	0	0
RGN-Houston XVI, LLC	III-0500	0	0	0	0	16,490	0	0	0	0	0
Ray Feighny & Hartie PLLC	II-1000	0	0	0	0	5,007	0	0	0	0	0
Universal Fluid Services 130	III-0130	0	0	0	0	3,393	0	0	0	0	0
Universal Fluid Services 135	III-0135	0	0	0	0	4,167	0	0	0	0	0
Intermarine, LLC	II-1100	0	0	0	0	0	13,143	0	0	0	0
Intermarine, LLC	III-0070A	0	0	0	0	0	615	0	0	0	0
Thomas Quinn LP	II-0675	0	0	0	0	0	2,906	0	0	0	0
Innowatts Inc	II-0600	0	0	0	0	0	8,123	0	0	0	0
Daido Steel (America) Inc	II-1120	0	0	0	0	0	1,510	0	0	0	0
Bowen Miclette & Brit Insurance	I-1100	0	0	0	0	0	35,926	0	0	0	0
Park Place Technologies	II-1200	0	0	0	0	0	6,014	0	0	0	0
Raptor Technologies LLC	II-0900	0	0	0	0	0	10,984	0	0	0	0
Armstrong & Lee LLP 900	I-0900	0	0	0	0	0	0	10,664	0	0	0
Armstrong & Lee LLP - 1050	I-1050	0	0	0	0	0	0	5,569	0	0	0
BancorpSouth Bank (Cadence)	I-1000	0	0	0	0	0	0	8,161	0	0	0
BancorpSouth Bank (Cadence Bank)	II-0150	0	0	0	0	0	0	1,679	0	0	0
CTI III LLC	II-1010	0	0	0	0	0	0	6,721	0	0	0
David Aldridge Company	III -0800	0	0	0	0	0	0	0	13,374	0	0
Amerapex	III-1100/1125	0	0	0	0	0	0	0	19,050	0	0
Bowman Consulting Group	II-950	0	0	0	0	0	0	0	10,369	0	0
IntegraNet Physician Resource, Inc.	II-0700	0	0	0	0	0	0	0	21,263	0	0
Bank OZK	III -0950	0	0	0	0	0	0	0	0	9,701	0
Logix Communications	III-1000	0	0	0	0	0	0	0	0	24,157	0
Veritex Community Bank	II-0200	0	0	0	0	0	0	0	0	0	21,265
EEPB, PC	III-1200	0	0	0	0	0	0	0	0	0	33,438
American Postal Workers Union	II -1030	0	0	0	0	0	0	0	0	0	3,300
Total SF Expiring		29,981	121,110	71,133	14,974	50,615	108,367	149,421	106,838	82,501	75,184
Percent Of Total Expiring		3.72%	15.02%	8.82%	1.86%	6.28%	13.44%	18.53%	13.25%	10.23%	9.32%

Summary

Based on the rent roll and a review of the subject leases, the subject reflects average risk of short-term rollover with 3.72% of the building set to expire in 2025 and roughly 36% expiring over the next five years for an average of 7.14% of area per year. Years 6-10 exhibit a much higher average rate of turnover. We note, however, that there is a substantial part of the buildings that are vacant and we expect will remain vacant as the occupancy has been hovering between 65-70% over the past several years. The current occupancy at 75.56% is the highest occupancy at the property in recent years. We have incorporated ~24% structural vacancy on the remaining space. In other words, we do not forecast any additional leasing at the property for the vacant space. The only forecasted leasing is upon rollover of existing leases.

Recent Office Subject Leases

New Office

Tenant	Unit	Size (SF)	Rent Start	Starting Rent PSF	TI (PSF)	Free Rent (mos)	Comments
Annie McAdams	II-1130	2,415	3/1/2024	$16.00	$10.35	5	New - 5.41 year term. NNN, $0.50 escalations
Bank Ozk	III-950	9,701	9/1/2024	$17.50	$49.00	5	New -7.42 year term. NNN, no escalations
Daido Steel	II-1120	1,510	8/1/2024	$16.50	$43.57	0	New -5.5 year term. NNN, $0.50 escalations
Thomas Quinn	II-0675	2,906	6/1/2024	$15.75	$45.27	6	New -5.5 year term. NNN, $0.50 escalations
United Health Care Services	III-0200	19,920	4/1/2024	$15.50	$18.26	3	New -3.25 year term. NNN, $0.50 escalations
Bowman Consulting Group	II-950	10,279	6/1/2024	$15.50	$62.00	14	New - 8.17 year term. NNN, $0.50 escalations
David Aldridge Company	III-800	13,374	3/1/2024	$15.50	$70.00	12	New - 7.83 year term, NNN, $0.50 escalations
Ray Feighny & Hartle PLLC	II-1000	5,007	11/1/2023	$17.00	$10.00	10	New - 5.83 year term, NNN, $0.50 escalations
Marauder Land Resources	II-1020	1,962	11/1/2023	$16.50	$65.00	8	New - 5.75 year term, NNN, $0.50 escalations. 8 months free + 1 months half rent
American Postal Workers Union	II-1030	3,300	11/1/2023	$16.00	$70.00	7	New - 10.58 year term, NNN, $0.50 escalations
Progressive Casualty Insurance	II-0625	3,621	12/1/2023	$15.50	$35.00	5	New - 5.42-year term, NNN, $0.50 escalations.
Crescent Power Systems Inc	II-0400	3,870	9/1/2023	$15.00	$6.61	5	New - 3.25 year term, NNN, $0.50 escalations
Tiberius Energy Services LLC	II-1210	7,037	9/1/2023	$15.50	$52.50	8	New - 5.67-year term, NNN, $0.50 escalations

Renewal Office

Tenant	Unit	Size (SF)	Rent Start	Starting Rent PSF	TI (PSF)	Free Rent (mos)	Comments
Park Place	II-1200	6,014	3/1/2025	$16.00	$0.00	4	Renewal - 5 years. NNN $0.50 escalations.
RGN Houston XVI	III-0500	16,490	4/1/2024	$14.00	$0.00	11	Renewal - 5 years. NNN $0.50 escalations. *Rent is partially abated for 11 months.
Universal Fluid	III-130+13	7,560	10/1/2024	$16.00	$76.20	0	Expansion and extension. TI for expansion space.
Armstrong and Lee	I-900+10!	16,233	12/1/2023	$16.50	$77.00	6	Expansion and extension. 6 months free only for expansion space. TI for expansion space.
Kitchell Contractors Inc	II-1050	4,272	12/1/2023	$16.00	$52.67	6	Expansion/Relocation. 5.5 year term, NNN, $0.50 escalations

Recent Storage Subject Leases

Tenant	Unit	Size (SF)	Lease Start	Starting Rent PSF	TI (PSF)	Free Rent (mos)	Comments
King Poppa Gourmet Popcorn	II-0005	170	10/15/2024	$12.00	None	None	None
Cogent Storage	II-0060A	212	3/1/2021	$8.45	None	None	None
Colt Midstream LLC	III-0070B	212	5/1/2021	$12.00	None	None	None
Integranet Physician Resources	III-0070C	210	4/1/2023	$12.00	None	None	None

Recent new leases range from $15.00 to $17.50 per square foot and average $15.98 per square foot. The expense structure is triple net with tenants reimbursing for their pro rata share of all expenses. The TI's and free rent for new spaces span a wide range. According to ownership:

Leasehold Improvements are $50.00 - $60.00/sf

Free Rents: (3)-Year Term ---- (3)-Months Free Rent

(5)-Year Term ---- (5)-Months Free Rent

(7)-Year Term ---- (7)-Months Free Rent

(10)-Year term --- (10)-Months Free Rent

Expense Reimbursements

Rents at the property are all either 95% or 100% triple net with tenants reimbursing for their pro rata share of expenses. Expenses include taxes, insurance, utilities and common area maintenance, cleaning, repairs, payroll, general and admin, security and management.

Market Rent Conclusion

Recent new leases range from $15.00 to $17.50 per square foot and average $15.98 per square foot.

After taking into consideration the subject's location and age, as well as the recent leases, market rent for the office space was concluded at $15.50/SF NNN all buildings. A 5-year term is concluded, based on recent leasing and brokers surveyed. These rental rates include annual $0.50/SF escalations and are based upon an initial tenant finish allowance of $70.00/SF for new leases. A tenant finish of $35.00/SF has been utilized for renewals. We note that we have increased these figures from $60 per square foot for new tenants and from $10 per square foot for renewing tenants, given updated market participant feedback on TIs given to tenants. 5 months free are given to new tenants and 2 months for renewing tenants. The rental rate for the storage space is concluded as similar to current rates at $10.00/SF full service.

Current office leases range between $13.00 per square foot and $20.83, with an average of $16.71 per square foot with triple net lease terms, excluding any leases with current free rent allowances. This is consistent with the recent leasing at the property and the comparables.

Free Rent

According to management, 3-10 months of free rent are currently being offered for the vacant space at the subject. As such, we model 5 months of free rent for new tenants and 2 months for renewal tenants.

Tenant Improvements

Tenant improvements range by tenant size and also by tenant type in this market. The recent TIs from subject leases (excluding renewals) range between $6.61 and $70.00 per square foot with an average of $41.35 per square foot. Higher Tis are given to the longer-term tenants. We note that the spaces are all in good condition and thus we expect minimal work to be needed to be performed by tenants. Additionally, management is building out several spec spaces that will be leased in as is condition. We conclude to $70 per square foot for new tenants and $35 per square foot for renewing tenants, which is in line with the current offerings by management at the subject property and based on the most recently signed leases.

Leasing Commissions

We apply standard local leasing commissions which were quoted between 3% and 6% of the annual gross lease amount. We apply 6% for new leases and 4% for renewals.

Outstanding TI, Capital Expenditures and Leasing Commissions

Tenant	Charge	Remaining To Pay
Total Renal Care	TI/LC New and Expansions	$97,148
Bowen Miclette & Britt	TI/LC New and Expansions	$428,010
Meneses Law	TI/LC New and Expansions	$1,152,886
United Healthcare Service	TI/LC New and Expansions	$361,485
Bank OZK	TI/LC New and Expansions	$140,770
Total Renal Care	TI/LC Renewals	$68,542
Bowen Miclette & Britt	TI/LC Renewals	$551,841
Meneses Law	TI/LC Renewals	$75,646
Endurance Builders	TI/LC Renewals	$157,207
EEPB 1200	TI/LC Renewals	$13,101
EEPB	TI/LC Renewals	$202,963
Amerapex Corp	TI/LC Renewals	$106,315
Universal Fluid Services	TI/LC Renewals	$34,175
In Sook Yi	TI/LC Renewals	$3,432
	Total	**$3,393,522**

As reported by Hertz, the unused TI, leasing commissions is $3,393,522. Last year's unused TI totaled $5,651,971. The remaining TI to be paid is in connection to all the new leases that have been signed or renewed. We note we deduct the remaining tenant improvement allowances and leasing commissions over the next two years to consider this remaining cost owed to tenants. A summary of the breakdown in each year is shown below:

Outstanding TI/LC Year 1	$1,696,761
Outstanding TI/LC Year 2	$1,696,761
Total	$3,393,522

In addition to the outstanding TIs and leasing commissions that are in connection with existing tenants, there are also outstanding costs for capital expenses totaling $191,676 and are applied in year 1. All combined, these costs total $3,585,198.

Tenant Retention

Survey		Tenant Retention
PwC	National CBD Office Market	50.00% to 75.00%
Third Quarter - 2024		65.60% average
Situs - R.E.R.C.	National CBD Office Market	
Third Quarter - 2024		61.00% average

A renewal probability factor of 60% is estimated, which is consistent with retention rates reported by the PWC Korpacz and Situs-RERC. We note that several tenants at the subject facility have signed renewals to remain in occupancy.

Office Market Leasing Assumptions

Factoring in the structural vacancy, 197,140 square feet of space will remain vacant over the holding period. Of the 197,140, 178,989 is vacant office space and 18,151 is vacant storage space. This equates to a total of 24% of the space (22% office and 2% storage) that will remain vacant over the holding period. In essence, the property is considered to be at stabilized occupancy given the recent leases at the subject, therefore no absorption is modeled for vacant space.

Brookhollow I,II,III		
	New Market	**Renewal Market**
Renewal Probability		60%
Market Rent	$15.50	$15.50
Months Vacant	9	
Tenant Improvements	$70 PSF	$35 PSF
Free Rent	5 months	2 months
Rent Changes	$0.50 PSF	$0.50 PSF
Reimbursements	Triple Net	Triple Net
Term	5 years	

Storage Market Leasing Assumptions

Numerous tenants have lower level storage space. We have projected the following leasing assumptions for the storage tenants that expire.

Storage		
	New Market	**Renewal Market**
Renewal Probability		60%
Market Rent	$10.00	$10.00
Months Vacant	9	
Tenant Improvements	$0	
Free Rent	None	
Rent Changes	None	None
Reimbursements	None	
Term	5 years	

Other Income

The subject generated other income from expense reimbursements, parking, and miscellaneous income such as telecom and tenant services. Based upon historical figures and current lease structures, Year 1 other income is presented within the following table. The parking income follows the recent historical and annualized amount and is projected at $525,000. Other rental/sales income is the total of “Other Rent” and “Antenna” Income on the cash flow. The other income reported on the 2024 9 month trailing was in relation to a tax refund. We do not model any additional other income as they appear to be one-time occurrences.

	2020	2021	2022	2023	2024 9 Month (Annualized)	Bowery DCF Year 1	Bowery DCF Year 2
Income							
Rent	$8,102,261	$6,943,182	$6,327,284	$8,871,967	$7,964,863	$8,976,822	$8,878,353
Operating Expense Recovery	$3,834,667	$3,683,078	$3,791,767	$4,264,825	$5,271,532	$5,448,996	$5,242,506
Parking	$524,612	$508,481	$598,618	$388,336	$620,880	$525,000	$540,750
Other Rental/Sales Income	$52,749	$62,512	$82,490	$83,869	$84,232	$84,502	$87,038
Other Income	$8,639	$23,261	$1,678	$346,177	$237,261		
Potential Gross Income	**$12,522,928**	**$11,220,514**	**$10,801,837**	**$13,955,174**	**$14,178,768**	**$15,035,321**	**$14,748,647**

We note our income in year 1 is higher than 2024 as there are several new leases whose rent commences in 2025.

Vacancy and Credit Loss

According to CoStar, the North Loop West's vacancy rate of about 16% is outperforming the Houston average of 18.9% as of Q3 2024. However, the Class A market vacancy is 23.8%. The subject is currently 75.56% occupied. Based on discussions with brokers familiar with the subject, a vacancy factor of 22% were applied as a structural vacancy factor. Including the vacant storage space, this figure is approximately 24%. This is reasonable given the location of the subject and market indicators. The table below summarizes the subject's historical occupancy rates.

Historical Occupancy Rates

Year	Unit
2018	49%
2019	57%
2020	63%
2021	65%
2022	62%
2023	68%
Current	76%
Stabilized	76%

While historical figures are below the concluded stabilized level, this conclusion is reasonable relative to the market as a whole and the subject's position within the local market. As noted, the subject property is currently 75.56% leased and overall occupancy has steadily increased since 2018. Based on the foregoing, we have therefore projected a vacancy and collection loss factor of 24% which includes the office and storage. Rather than apply a vacancy and collection loss factor in our discounted cash flow analysis, we have assumed that certain office spaces will remain vacant throughout the holding period. In total, 197,140 square feet of space will be vacant/ not absorbed of which 178,989 square feet is office and 18,151 square feet of storage. This will serve as a structural vacancy and collection loss factor over the holding period, with no additional vacancy factor required. We include a 2% collection loss on existing tenants as the property is now stabilized with no future new lease up projected outside of typical tenant turnover. Based upon the projected stabilized occupancy and collection loss factors as well as the inherent turnover for the subject, the projected economic occupancy for the projection period is presented within the following table. Slight variances above the projected stabilized occupancy level are due to current spaces turning over to market.

Cash Flow Year	Average Occupancy
1	73%
2	71%
3	73%
4	74%
5	74%
6	71%

Operating Expense Analysis

We analyzed the subject's operating expense historicals in developing our forecast of operating expenses. We were provided with four years of historical expenses and the 2024 T-9 that we annualized. Therefore, we analyzed the subject's operating expense historicals in developing our forecast of operating expenses. The data, analyzed in terms of nominal and gross square footage, is presented:

Owner Provided Income and Expenses

	2020	2021	2022	2023	2024 9 Month (Annualized)
Rent	$8,102,261	$6,943,182	$6,327,284	$8,871,967	$7,964,863
Operating Expense Recovery	$3,834,667	$3,683,078	$3,791,767	$4,264,825	$5,271,532
Parking	$524,612	$508,481	$598,618	$388,336	$620,880
Other Rental/Sales Income	$52,749	$62,512	$82,490	$83,869	$84,232
Other Income	$8,639	$23,261	$1,678	$346,177	$237,261

Operating Expenses	**2020**	**2021**	**2022**	**2023**	**2024 9 Month (Annualized)**
Real Estate Taxes	$1,486,171	$1,354,922	$1,418,021	$1,436,809	$1,398,632
Insurance	$161,812	$343,847	$525,465	$739,211	$837,147
Utilities	$773,998	$843,552	$908,253	$1,071,810	$1,083,348
Parking	$324,477	$390,217	$443,127	$272,830	$468,465
CAM	$116,824	$153,779	$130,695	$129,485	$131,595
Cleaning and Janitorial	$826,763	$823,903	$813,024	$852,593	$896,995
Repairs and Maintenance	$740,019	$811,827	$895,841	$845,041	$765,197
Payroll	$678,769	$696,776	$702,069	$769,955	$729,625
General, Admin & Misc	$204,520	$154,328	$147,345	$153,403	$160,180
Security	$510,056	$550,913	$650,924	$678,724	$711,760
Non-Pass Through OE	$23,183	$26,064	$53,333	$50,409	$13,736
Management	$631,630	$543,298	$519,370	$690,087	$688,724
Total Operating Expenses (Excl. Taxes)	**$4,992,051**	**$5,338,504**	**$5,789,446**	**$6,253,548**	**$6,486,772**

Operating Expenses PSF	**2020**	**2021**	**2022**	**2023**	**2024 9 Month (Annualized)**
Real Estate Taxes	$1.84	$1.68	$1.76	$1.78	$1.73
Insurance	$0.20	$0.43	$0.65	$0.92	$1.04
Utilities	$0.96	$1.05	$1.13	$1.33	$1.34
Parking	$0.40	$0.48	$0.55	$0.34	$0.58
CAM	$0.14	$0.19	$0.16	$0.16	$0.16
Cleaning and Janitorial	$1.03	$1.02	$1.01	$1.06	$1.11
Repairs and Maintenance	$0.92	$1.01	$1.11	$1.05	$0.95
Payroll	$0.84	$0.86	$0.87	$0.95	$0.90
General, Admin & Misc	$0.25	$0.19	$0.18	$0.19	$0.20
Security	$0.63	$0.68	$0.81	$0.84	$0.88
Non-Pass Through OE	$0.03	$0.03	$0.07	$0.06	$0.02
Management	$0.78	$0.67	$0.64	$0.86	$0.85
Total Operating Expenses PSF (Excl. Taxes)	**$6.19**	**$6.62**	**$7.18**	**$7.75**	**$8.04**

Estimated Operating Expenses

Our stabilized annual expense forecast is presented. We note we base these figures on the leasable area of 806,541 square feet.

Real Estate Taxes

As presented earlier, we forecasted the tax payment at $1,313,416 annually.

Insurance

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

Per SF Summary	2020	2021	2022	2023	2024 9 Month (Annualized)	
Subject	$0.20	$0.43	$0.65	$0.92	$1.04	
Appraiser						**$1.15**

We have projected this expense at $1.15 per square foot, which is consistent with how insurance is trending at the property and the most recent premium forecast.

Utilities

Per SF Summary	2020	2021	2022	2023	2024 9 Month (Annualized)	
Subject	$0.96	$1.05	$1.13	$1.33	$1.34	
Appraiser						**$1.35**

This expense covers all utilities for the subject property including water sewer, electric, and fuel. Based on the historical and projected performance, we have projected this expense at $1.35 per square foot, which is consistent with the historicals and trends at the property.

Parking

This expense is associated with the parking garage. The historical and budgeted amounts are presented below:

Per SF Summary	2020	2021	2022	2023	2024 9 Month (Annualized)	
Subject	$0.40	$0.48	$0.55	$0.34	$0.58	
Appraiser						**$0.50**

We have projected this expense at $0.50 per square foot, which is consistent with the historical amounts.

CAM (Common Area Maintenance)

This expense covers all the common area maintenance charges. CAM expenses are other CAM charges not included in repairs and maintenance. The historical and budgeted amounts are presented below:

Per SF Summary	2020	2021	2022	2023	2024 9 Month (Annualized)	
Subject	$0.14	$0.19	$0.16	$0.16	$0.16	
Appraiser						**$0.16**

We have projected this expense at $0.16 per square foot, which is consistent with the reported expenses.

Cleaning and Janitorial

This expense covers all cleaning and janitorial charges.

Per SF Summary	2020	2021	2022	2023	2024 9 Month (Annualized)	
Subject	$1.03	$1.02	$1.01	$1.06	$1.11	
Appraiser						**$1.10**

We have projected this expense at $1.10 per square foot, which is consistent with the reported expenses.

Repairs & Maintenance

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

Per SF Summary	2020	2021	2022	2023	2024 9 Month (Annualized)	
Subject	$0.92	$1.01	$1.11	$1.05	$0.95	
Appraiser						**$1.10**

We have projected this expense at $1.10 per square foot, which is between the historical amount and the budget.

Payroll

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

Per SF Summary	2020	2021	2022	2023	2024 9 Month (Annualized)	
Subject	$0.84	$0.86	$0.87	$0.95	$0.90	
Appraiser						**$0.95**

We have projected this expense at $0.95 per square foot, which is consistent with the historicals and the 2023 historical.

General, Administrative, Professional & Miscellaneous

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

Per SF Summary	2020	2021	2022	2023	2024 9 Month (Annualized)	
Subject	$0.25	$0.19	$0.18	$0.19	$0.20	
Appraiser						**$0.20**

We have projected this expense at $0.20 per square foot, which is consistent with the recent historical expense.

Security

This expense is for security services.

Per SF Summary	2020	2021	2022	2023	2024 9 Month (Annualized)	
Subject	$0.63	$0.68	$0.81	$0.84	$0.88	
Appraiser						**$0.85**

We have projected this expense at $0.85 per square foot, which is consistent with historical expenses.

Non Pass Through Operating Expenses

This expense is for operating expenses that are not passed through to tenants.

Per SF Summary	2020	2021	2022	2023	2024 9 Month (Annualized)	
Subject	$0.03	$0.03	$0.07	$0.06	$0.02	
Appraiser						**$0.05**

We have projected this expense at $0.05 per square foot, which is consistent with the reported expenses.

Management Fee

Typically, management fees for office properties range from 2% to 6% of effective gross income.

Per SF Summary	2020	2021	2022	2023	2024 9 Month (Annualized)	
Subject	$0.78	$0.67	$0.64	$0.86	$0.85	
Appraiser						**$0.55**

The owner most recently reported this expense at $0.85 per square foot. The 2023 historical is at $0.86 per square foot, which reflects approximately 5% of EGI. This has also been the historic percentage. We applied a management fee of 3.0% of effective gross income, which is consistent with investor expectations. Based on our projected effective gross income, the management fee equates to $0.55 per square foot.

Reserves

Replacement reserves is a capital reserve item that is specifically allocated for long-term capital investment projects or other major and anticipated expenses in the future. For office properties, market participants typically exclude the capital reserve expense in calculating the net operating income for a discounted cash flow.

According to the PwC Real Estate Investor Survey 3Q2024, replacement reserves for the national CBD office market range from $0.15 to $0.75 per square foot and $0.38 per square on average. The subject's average building improvement cost over the past 4 years totaled $260K and most recently was reported at $378k for 2023. The subject is in good condition and a replacement reserve of $375,000 annually or about $0.46 per square foot was assumed.

For office properties, market participants typically exclude the capital reserve expense in calculating the net operating income. Therefore, we adopt this in our analysis in the direct capitalization scenario.

Total Operating Expenses – Net of Taxes

Per SF Summary	2020	2021	2022	2023	2024 9 Month (Annualized)	
Subject	$6.19	$6.62	$7.18	$7.75	$8.04	
Appraiser						**$7.96**

Operating expenses exclusive of real estate taxes were forecasted at $7.96 per square foot. We are in line with the historically reported expenses.

Direct Capitalization Stabilized Income and Expenses

Stabilized Pro Forma

Pro Forma	$ - Year 1	Per SF - Year 1
Income		
Rent	$8,976,822	$11.13
Operating Expense Recovery	$5,448,996	$6.76
Parking	$525,000	$0.65
Other Rental/Sales Income	$84,502	$0.10
Potential Gross Income	**$15,035,320**	**$18.64**
Less Vacancy	$0	$0.00
Less Collection	-$263,128	-$0.33
Effective Gross Income	**$14,772,192**	**$18.32**
Operating Expenses		
Real Estate Taxes	$1,313,416	$1.63
Insurance	$927,522	$1.15
Utilities	$1,088,830	$1.35
Parking	$403,271	$0.50
CAM	$129,047	$0.16
Cleaning and Janitorial	$887,195	$1.10
Repairs and Maintenance	$887,195	$1.10
Payroll	$766,214	$0.95
General and Admin	$161,308	$0.20
Security	$685,560	$0.85
Non-Pass Through OE	$40,327	$0.05
Management	$443,166	$0.55
Total Operating Expenses	**$7,733,051**	**$9.59**
Total Expenses Excluding RE Taxes	$6,419,635	$7.96
Net Operating Income	**$7,039,141**	**$8.73**
Operating Expense Ratio	52%	

Other Rental/Sales Income consists of other income and antenna income.

Income and Expense Comparison

	2020	2021	2022	2023	2024 9 Month (Annualized)	Bowery DCF Year 1	Bowery DCF Year 2
Income							
Rent	$8,102,261	$6,943,182	$6,327,284	$8,871,967	$7,964,863	$8,976,822	$8,878,353
Operating Expense Recovery	$3,834,667	$3,683,078	$3,791,767	$4,264,825	$5,271,532	$5,448,996	$5,242,506
Parking	$524,612	$508,481	$598,618	$388,336	$620,880	$525,000	$540,750
Other Rental/Sales Income	$52,749	$62,512	$82,490	$83,869	$84,232	$84,502	$87,038
Other Income	$8,639	$23,261	$1,678	$346,177	$237,261		
Potential Gross Income	**$12,522,928**	**$11,220,514**	**$10,801,837**	**$13,955,174**	**$14,178,768**	**$15,035,321**	**$14,748,647**
Less Vacancy						$0	$0
Less Collection						-$263,128	-$278,983
Effective Gross Income	**$12,522,928**	**$11,220,514**	**$10,801,837**	**$13,955,174**	**$14,178,768**	**$14,772,193**	**$14,469,664**
Operating Expenses							
Real Estate Taxes	$1,486,171	$1,354,922	$1,418,021	$1,436,809	$1,398,632	$1,313,416	$1,352,818
Insurance	$161,812	$343,847	$525,465	$739,211	$837,147	$927,522	$955,348
Utilities	$773,998	$843,552	$908,253	$1,071,810	$1,083,348	$1,088,830	$1,121,495
Parking	$324,477	$390,217	$443,127	$272,830	$468,465	$403,271	$415,369
CAM	$116,824	$153,779	$130,695	$129,485	$131,595	$129,047	$132,918
Cleaning and Janitorial	$826,763	$823,903	$813,024	$852,593	$896,995	$887,195	$913,811
Repairs and Maintenance	$740,019	$811,827	$895,841	$845,041	$765,197	$887,195	$913,811
Payroll	$678,769	$696,776	$702,069	$769,955	$729,625	$766,214	$789,200
General, Admin & Misc	$204,520	$154,328	$147,345	$153,403	$160,180	$161,308	$166,147
Security	$510,056	$550,913	$650,924	$678,724	$711,760	$685,560	$706,127
Non-Pass Through OE	$23,183	$26,064	$53,333	$50,409	$13,736	$40,327	$41,537
Management	$631,630	$543,298	$519,370	$690,087	$688,724	$443,166	$434,090
Total Operating Expenses	**$6,478,222**	**$6,693,426**	**$7,207,467**	**$7,690,357**	**$7,885,404**	**$7,733,051**	**$7,942,671**
Total Operating Expenses (Excl. Taxes)	$4,992,051	$5,338,504	$5,789,446	$6,253,548	$6,486,772	$6,419,635	$6,589,853
Net Operating Income	**$6,044,706**	**$4,527,088**	**$3,594,370**	**$6,264,817**	**$6,293,364**	**$7,039,142**	**$6,526,992**
Operating Expense Ratio (excl. Taxes)	40%	48%	54%	45%	46%	43%	46%

We note that reserves are considered a below the line expense.

Direct Capitalization

Direct Capitalization Rates

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

Comparable Overall Sale Capitalization Rates

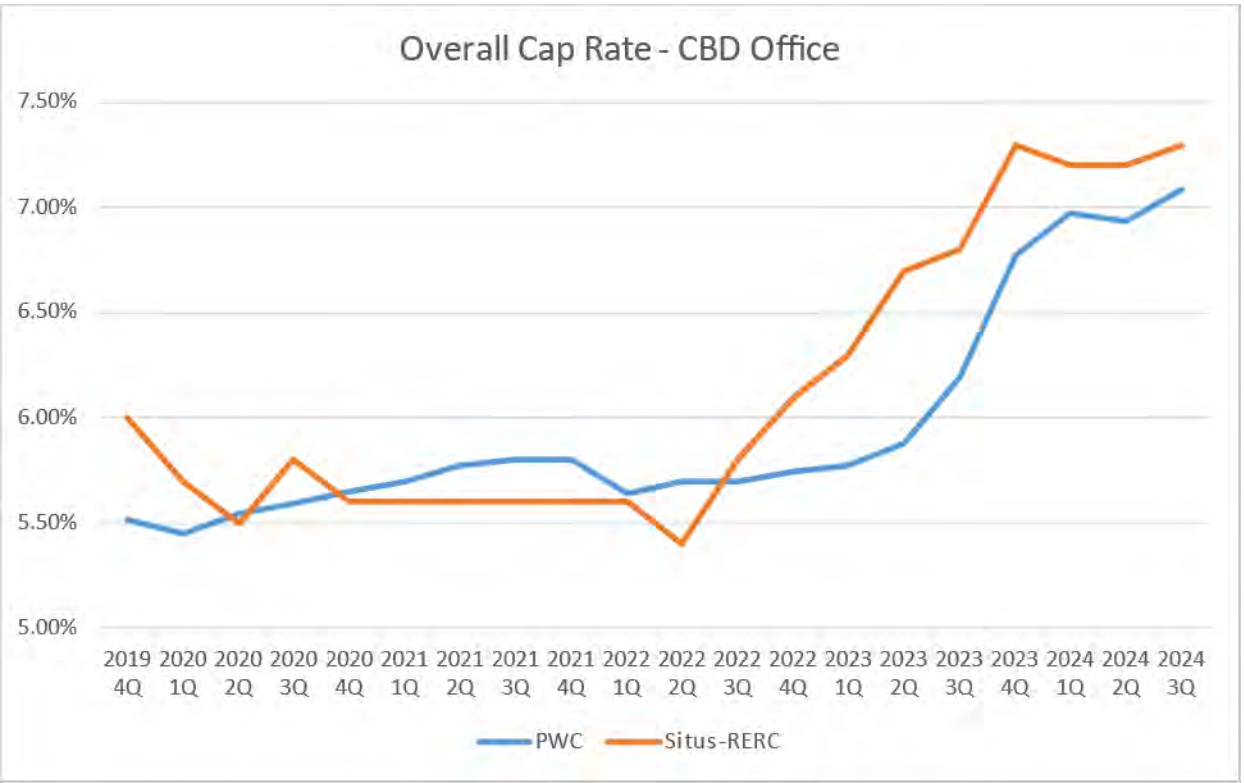
#	Address	Type	GBA	Notes	Sale Date	Cap Rate
1	9700-9703 Bissonnet St	Class B	525,580	52% leased. Auction	Jun-24	10.74%
2	13430 Northwest Fwy	Class A	245,846	62% leased	Feb-24	8.50%
3	7211 Regency Square Blvd	Class B/C	64,063	93% leased	Nov-23	10.00%
4	2646 S Loop West	Class B	106,534	92% leased. Auction sale.	Oct-22	9.85%
5	10255 Richmond Avenue	Class B	107,923	100% leased	Dec-21	7.20%
6	11999 Katy Highway	Class B	104,825	84% leased	For Sale	8.42%
7	6222 Richmond Avenue	Class A	125,000	81% leased	For Sale	8.68%
8	8700 Commerce Park	Class B/C	79,000	78% leased	For Sale	7.75%
					Average	**8.89%**

We analyzed sales of comparable assets within the subject's periphery and they exhibit overall capitalization rates from 7.20% to 10.74% with an average of 8.89%. We have supplemented our cap rate comps with additional comps not used in our sales comparison approach. The additional rates are good indicators for cap rates for the subject and are recent; however, there are differences regarding the comps, which do not justify utilizing the comps in the Sales Comparison approach such as location, size, or date of sale. Further, there is a dearth of sales with capitalization rates for office buildings of this size in this market. Nonetheless, the above-mentioned comps are good indicators of cap rates for a property like the subject. We note that the submarket and market report noted an average cap rate of ~9.70% for office.

Surveys – Overall Capitalization Rates

Survey	Type of Product	Overall Cap Rate		
PwC	Houston Office	7.00%	-	12.00%
Third Quarter - 2024	Market	9.64%	avg	
Situs - R.E.R.C.	National CBD Office	6.00%	-	9.00%
Third Quarter - 2024	Market	7.30%	avg	

The surveyed capitalization rates range from 6.00% to 12.00% and have a central tendency between 7.30% and 9.64%.



While required returns ebbed and flowed for a couple years after the onset of the pandemic, there has been a noticeable shift in investor expectations since the middle of 2022. Rates have risen between 100 and 200 basis points since the middle of 2022. While the rate of increase has slowed in 2024, rates have nonetheless continued higher. As can be seen in the following table, the going in cap rate is 7.00% to 7.50% (up from about 5.6% in 2022). Conversations with local and regional market participants indicated that there is still an appetite for investment in office; however, the continued uncertainty in new leasing as well as renewals is clearly causing investors to require significantly higher returns.

Capitalization Rate Conclusion

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

In terms of its position within the market range, it is our view that an investor would accept a return toward the middle of the range. The asset is in an excellent location and is in good condition as it has been renovated and well maintained. However, market conditions have impacted office assets significantly. Local market conditions dampen the outlook for property appreciation. Cap rates have risen across all property types over the past two years as the cost of debt has increased. While the office sector has witnessed the sharpest rise, some segments have proven more resilient than others. Capitalization rates increased 39 bps over the past year to 9.7% and increased 9 bps in Q3 in the Houston market.

Balancing these factors, it is our view that a 9.00% overall rate would be required by an investor.

- We note that with recent leasing the subject is essentially operating at stabilized occupancy, however, there is some projected turnover of large tenants in year 2 that is not reflected in the stabilized NOI, thus we use the average of the two years.

- We note we deduct absorption and turnover and free rent from the first year which totals $3,202,299 and $196,036.
- Further, tenant improvements and leasing commissions from the first year are deducted totaling $1,303,743 and $100,085 to conclude to a value in the direct capitalization approach.
- Lastly, the outstanding TIs, cap ex, and leasing commissions that were reported by ownership is deducted. This totals $3,585,198 as previously reported.

Deductions

Unused TI/LC/Building Improvements	$3,585,198
Absorption and Turnover	$3,202,299
Free Rent	$196,036
Tenant Improvements	$1,303,743
Leasing Commissions	$100,085
Total Deductions	$8,387,361

The value is calculated below:

Direct Capitalization Summary

	Date of Value	Value	Final Value (Rd)
NOI		$6,783,067	
OAR		9.00%	
Indicated Value		$75,367,411	
Less Deductions		-$8,387,361	
As Is Fair Value Via the Income Capitalization Approach	**September 30, 2024**	**$66,980,050**	**$67,000,000**

Values are rounded to the nearest $100,000.

Sensitivity Analysis

			Cap Rate				
	% Difference		**-1.00%**	**-0.50%**	**0.00%**	**0.50%**	**1.00%**
		Cap Rate / NOI	**8.00%**	**8.50%**	**9.00%**	**9.50%**	**10.00%**
	-10%	**$6,104,760**	$67,900,000	$63,400,000	$59,400,000	$55,900,000	$52,700,000
	-5%	**$6,443,914**	$72,200,000	$67,400,000	$63,200,000	$59,400,000	$56,100,000
NOI	**0.0%**	**$6,783,067**	$76,400,000	$71,400,000	$67,000,000	$63,000,000	$59,400,000
	5%	**$7,122,220**	$80,600,000	$75,400,000	$70,700,000	$66,600,000	$62,800,000
	10%	**$7,461,374**	$84,900,000	$79,400,000	$74,500,000	$70,200,000	$66,200,000

We note the sensitivity analysis is net of the deductions shown in the table above. We note that on a stabilized basis, the value reflects $75,367,411 or $93.45 /SF. After deductions for rent loss and leasing costs associated with the vacant space the current value reflects $67,000,000 or $83.05/SF.

Yield Capitalization Method/Discounted Cash Flow Analysis (DCF)

As previously mentioned, the Direct Capitalization method measures a single year's anticipated income in order to determine a property's value by applying an overall capitalization rate to a single year's income, while the Yield Capitalization method (also known as the Discounted Cash Flow method) considers a series of projected cash flows over a holding period, in this case, 5 years. A residual capitalization rate is applied to the projected Year 6 net operating income, to calculate the value of the property at the end of the holding period. We utilize a 5-year hold with a reversion in year 6 given the substantial rollover in other years which results in a non-stabilized capitalized terminal net operating income.

An appropriate discount rate is applied to calculate the present value of the projected cash flow stream. The assumed discount rate considers risk, debt, and equity return requirements. This analysis relies on existing (or projected) income and market expenses in order to determine annual net operating income levels. The methods to determine an appropriate capitalization and discount rates include comparable sales, surveys and interviews. In this analysis, we apply a discount rate to calculate the present value of the projected cash flows over a holding period. We assume the subject is sold at the end of the holding period and apply a residual capitalization rate to the projected year 6 net operating income.

Holding Period

The DCF analysis utilizes a 5-year holding period based on assumed tenant rollovers and typical investor expectations. The Houston office forecast period reported by investors in the PwC survey from July 2024 ranges from 3 to 10 years with an average of 7 years.

Growth Rate Assumptions

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

Rent Change Surveys

Survey		Rental Growth		
PwC	National CBD Office Market	0.00%	to	3.00%
Third Quarter - 2024		1.13%	average	
Situs - R.E.R.C.	National CBD Office Market	0.00%	to	3.00%
Third Quarter - 2024		1.40%	average	

Expense Change Surveys

Survey		Expense Change		
PwC	National CBD Office Market	0.00%	to	4.00%
Third Quarter - 2024		2.63%	average	
Situs - R.E.R.C.	National CBD Office Market	3.00%	to	3.40%
Third Quarter - 2024		3.10%	average	

In the Market, demand has improved recently but vacancy rates remain up on the year. Despite this, rents are up as well (1.6% YoY), increasing over the past year and quarter. However, it is noted that the subject rents are below the submarket averages. The growth rate for income is concluded at 1.50% over the holding period given worsening market conditions and outlook for office. The estimated growth rates for expenses are concluded at 3.00%, the rate of concluded inflation. Per the contract leases and asking rents, increases are based on $0.50 per square foot.

Occupancy

As was previously discussed, based on current market conditions we apply a structural vacancy as noted above (24%)

Downtime

The following is per investor surveys:

Downtime Survey

Survey		Time to Release
Situs - R.E.R.C.	Office- CBD	
Fourth Quarter - 2024		11.50 average

According to the SITUS Q3 2024 survey, the average marketing time is about 11.50 months. The majority of the leasing brokers we spoke with informed us that average marketing time in the Houston market is anywhere between 8 to 10 months. As such, we assume 8 months of downtime between leases. Additionally, we note that with the structural vacancy, there is no active lease up of vacant space, only rollover of occupied spaces upon expiration.

Tenant Retention

Survey		Tenant Retention		
PwC	National CBD Office Market	50.00%	to	75.00%
Third Quarter - 2024		65.60%	average	
Situs - R.E.R.C.	National CBD Office Market			
Third Quarter - 2024		61.00%	average	

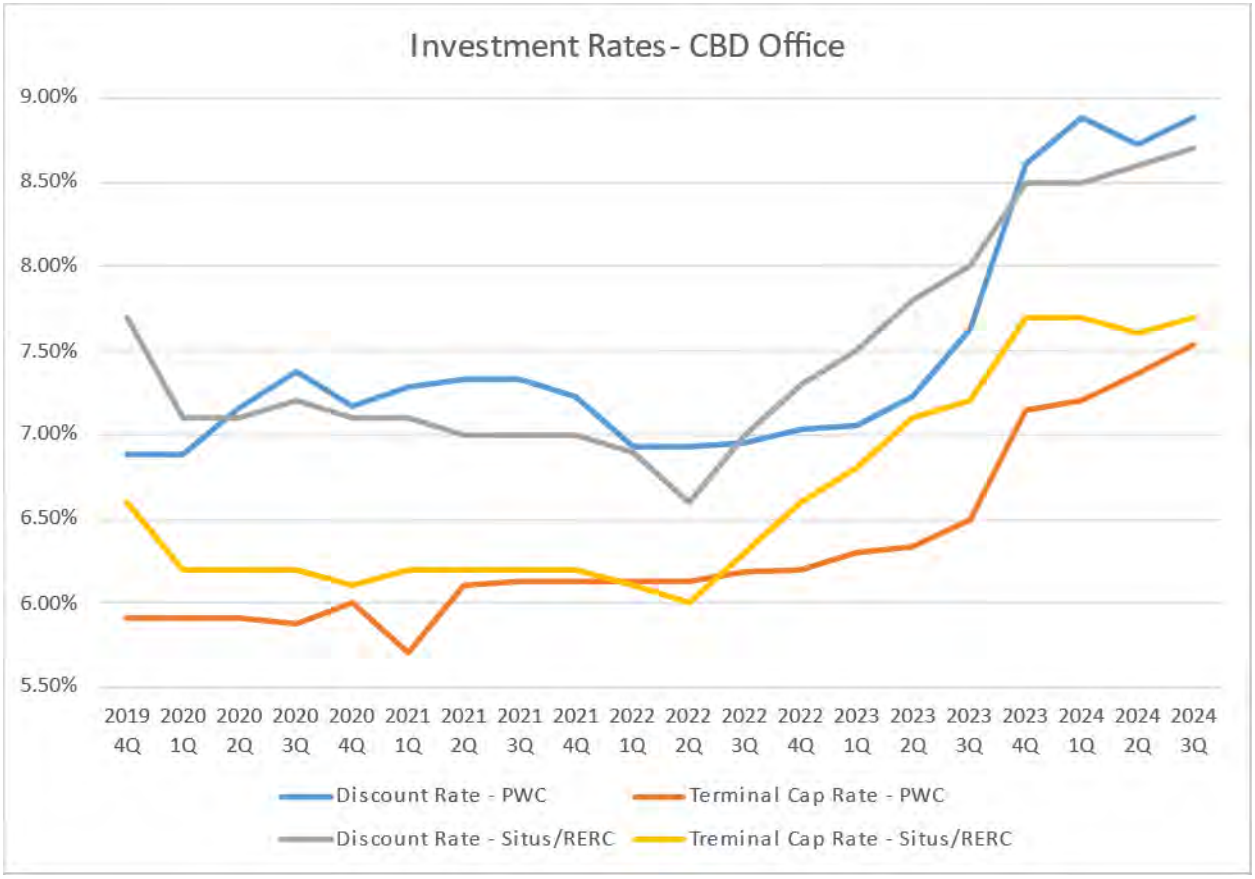
A renewal probability factor of 60% is estimated, which is consistent with retention rates reported by the PWC Korpacz and Situs-RERC. We note that several tenants at the subject facility have signed renewals to remain in occupancy.

Discount Rate Analysis

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

Discount Rate Surveys

Survey	Type of Product	IRR		
PwC	National CBD Office	6.50%	-	12.00%
Third Quarter - 2024	Market	8.88%	avg	
Situs - R.E.R.C.	National CBD Office	7.00%	-	10.00%
Third Quarter - 2024	Market	8.70%	avg	



The PwC Real Estate and Real Estate Research Corporation's investment surveys summarize the expectations of institutional investors. While required returns ebbed and flowed from 2018 until 2022, there has been a noticeable shift in investor expectations since the middle of 2022. Rates have risen between 100 and 190 basis points since the middle of 2022 as well as 50 to 100 basis points just from the last quarter. Conversations with local and regional market participants indicated that there is still an appetite for investment in office; however, the continued uncertainty in new leasing as well as renewals is clearly causing investors to require significantly higher returns.

The discount rates above are national figures. The subject, due to its location in Houston, good condition and current vacancy rate, would likely fall towards the higher of the range. Thus, we assume an 9.50% discount rate. This has remained unchanged from the prior appraisal. Though rates have increased per the investor surveys, the subject has seen positive leasing activity. We have increased this figure by 50 bps from the prior full appraisal.

Terminal Capitalization Rate

The reversionary value of the subject is based on an assumed sale at the end of the holding period based on applying a terminal capitalization rate to the projected Year 6 net operating income.

Terminal Capitalization Rate Surveys

Survey		Residual Cap Rate		
PwC	National CBD Office	5.50%	-	10.00%
Third Quarter - 2024	Market	7.54%	avg	
Situs - R.E.R.C.	National CBD Office	6.50%	-	9.50%
Third Quarter - 2024	Market	7.80%	avg	

The figures above are national figures and the subject's expected residual capitalization rate would likely fall towards the higher end of the range given its speculative leasing and location in Houston which has a lot of supply. We assume a 9.25% terminal rate, which is a reasonable spread of 25 basis points over the concluded stabilized cap rate of 9.00%.

Discounted Cash Flow Assumption

DCF Summary	
General	As Is
Start Date	October 1, 2024
Terms of Analysis	5 years
Basis	Fiscal
Software	Argus Enterprise
Growth Rates	
Income Growth	1.50%
Expense Growth	3.00%
Inflation (CPI)	3.00%
Office	$15.50 PSF NNN
Storage	$10 PSF Gross
Market Leasing	
Free Rent	5 months/2 months
Reimbursements	Office - NNN, Storage - Gross
Annual Escalation	$0.50 PSF annually
Tenant Improvements (New Tenants)	$70 PSF
Tenant Improvements (Renewals)	$35 PSF
Renewal Probability	60.00%
Leasing Commissions	6% new leases; 4% renewals
Lease Term (New Leases)	Office - 5 years
Lease Term (Renewal Leases)	Same as above
Downtime Between Leases	9 months
Outstanding TI, Building Improvements and LC	$3,585,198
Occupancy	24% total. Rather than apply a direct factor, 24% of the subject leasable office space will remain vacant over the holding period to serve as structural vacancy.
Collection Loss	2%
Stabilized Occupancy	76%
Yield Rates	
Discount Rate	9.50%
Terminal Capitalization Rate	9.25%
Cost of Sale	1.00%

Discounted Cash Flow Conclusion

The 5-year projected cash flow and discounted cash flow summary are presented on the following pages.

For the Years Ending	Year 1 Sep-2025	Year 2 Sep-2026	Year 3 Sep-2027	Year 4 Sep-2028	Year 5 Sep-2029	Year 6 Sep-2030
Rental Revenue						
Potential Base Rent	12,375,156	13,076,256	13,209,758	13,405,829	13,696,054	13,906,489
Absorption & Turnover Vacancy	-3,202,299	-3,711,890	-3,413,610	-3,403,397	-3,405,049	-3,887,887
Free Rent	-196,036	-486,014	-105,731	-278,075	-57,160	-374,498
Scheduled Base Rent	8,976,822	8,878,353	9,690,417	9,724,357	10,233,845	9,644,103
Total Rental Revenue	8,976,822	8,878,353	9,690,417	9,724,357	10,233,845	9,644,103
Other Tenant Revenue						
Total Expense Recoveries	5,448,996	5,242,506	5,892,527	5,983,475	6,355,202	6,030,502
Total Other Tenant Revenue	5,448,996	5,242,506	5,892,527	5,983,475	6,355,202	6,030,502
Total Tenant Revenue	14,425,818	14,120,859	15,582,944	15,707,832	16,589,047	15,674,604
Other Revenue						
Other Rent	56,458	58,152	59,896	61,693	63,544	65,450
Antenna	28,044	28,886	29,752	30,645	31,564	32,511
Parking Revenue						
Parking	525,000	540,750	556,973	573,682	590,892	608,619
Total Other Revenue	609,502	627,787	646,621	666,020	686,000	706,580
Potential Gross Revenue	15,035,321	14,748,647	16,229,565	16,373,852	17,275,047	16,381,185
Vacancy & Credit Loss						
Credit Loss	-263,128	-278,983	-288,611	-289,789	-306,647	-287,657
Total Vacancy & Credit Loss	-263,128	-278,983	-288,611	-289,789	-306,647	-287,657
Effective Gross Revenue	14,772,192	14,469,664	15,940,954	16,084,063	16,968,400	16,093,527
Operating Expenses						
Real Estate Tax	1,313,416	1,352,818	1,393,403	1,435,205	1,478,261	1,522,609
Insurance	927,522	955,348	984,008	1,013,528	1,043,934	1,075,252
Utilities	1,088,830	1,121,495	1,155,140	1,189,794	1,225,488	1,262,253
Parking	403,271	415,369	427,830	440,665	453,885	467,501
CAM	129,047	132,918	136,905	141,013	145,243	149,600
Cleaning	887,195	913,811	941,225	969,462	998,546	1,028,502
Repair & Maintenance	887,195	913,811	941,225	969,462	998,546	1,028,502
Payroll	766,214	789,200	812,876	837,263	862,381	888,252
General & Administrative	161,308	166,147	171,132	176,266	181,554	187,000
Security	685,560	706,127	727,310	749,130	771,604	794,752
Non Pass Thru OE	40,327	41,537	42,783	44,066	45,388	46,750
Management	443,166	434,090	478,229	482,522	509,052	482,806
Total Operating Expenses	7,733,051	7,942,671	8,212,067	8,448,376	8,713,882	8,933,780
Net Operating Income	7,039,142	6,526,992	7,728,887	7,635,687	8,254,519	7,159,747
Leasing Costs						
Tenant Improvements	1,303,743	5,627,910	1,353,302	3,154,576	855,872	6,041,208
Leasing Commissions	100,085	425,346	100,697	231,096	61,730	428,995
Total Leasing Costs	1,403,828	6,053,256	1,453,999	3,385,672	917,602	6,470,203
Capital Expenditures						
Structural Reserves	375,000	386,250	397,838	409,773	422,066	434,728
Unused TI/LC	1,696,761	1,696,761	0	0	0	0
Outstanding Capex	191,676	0	0	0	0	0
Total Capital Expenditures	2,263,437	2,083,011	397,838	409,773	422,066	434,728
Total Leasing & Capital Costs	3,667,265	8,136,267	1,851,836	3,795,444	1,339,667	6,904,930
Cash Flow Before Debt Service	3,371,877	-1,609,275	5,877,050	3,840,243	6,914,851	254,817
Cash Flow Available for Distribution	3,371,877	-1,609,275	5,877,050	3,840,243	6,914,851	254,817

Cash Flow Summary

Analysis Period	Period Ending	Cash Flow Before Debt Service	P.V. of Cash Flow @ 9.00%	P.V. of Cash Flow @ 9.25%	P.V. of Cash Flow @ 9.50%	P.V. of Cash Flow @ 9.75%	P.V. of Cash Flow @ 10.00%
Year 1	**Sep-2025**	$3,371,877	$3,093,465	$3,086,386	$3,079,339	$3,072,325	$3,065,342
Year 2	**Sep-2026**	-$1,609,275	-$1,354,494	-$1,348,302	-$1,342,153	-$1,336,045	-$1,329,979
Year 3	**Sep-2027**	$5,877,050	$4,538,161	$4,507,078	$4,476,278	$4,445,758	$4,415,515
Year 4	**Sep-2028**	$3,840,243	$2,720,525	$2,695,708	$2,671,174	$2,646,919	$2,622,938
Year 5	**Sep-2029**	$6,914,851	$4,494,179	$4,442,993	$4,392,505	$4,342,704	$4,293,578
Totals		$18,394,746	$13,491,835	$13,383,863	$13,277,144	$13,171,660	$13,067,394
Property Resale @ 9.25% Cap Rate		$76,628,644	$49,803,361	$49,236,130	$48,676,634	$48,124,751	$47,580,359
Total Unleveraged Present Value			$63,295,196	$62,619,993	$61,953,778	$61,296,411	$60,647,753
Rounded			$63,300,000	$62,600,000	**$62,000,000**	$61,300,000	$60,600,000
Per SqFt- GLA			$78	$78	**$77**	$76	$75

Conclusion

Given recent leasing at the subject which has increased the occupancy to 76%, the NOI remains stable over the holding period with turnover and associated leasing costs limited to tenant turnover upon expiration.

Note that we do not add back free rent to the terminal year NOI for this asset. There is a lot of turnover in every year of the cash flow so the NOI is actually stabilized if we ***don't*** add back free rent.

Income Approach Value Conclusion

The value summary of the Direct Capitalization and Discounted Cash Flow methods is presented below. The values derived by the two income valuation methods differ by 7.46%. Less reliance is placed on the results of the Direct Capitalization method since this method does not adequately reflect expected changes in income levels or future resale value at the end of the expected holding period. Additionally, the Discounted Cash Flow method most closely resembles the criteria and motivations of an investor of an income-producing asset such as the subject. Further, the presence of multiple tenants with staggered lease terms gives further credence to the results of the Discounted Cash Flow method. Therefore, we place sole weight on our yield capitalization analysis and our concluded value by the Income Approach is $62,000,000.

As Is Value Summary

Approach	Interest Appraised	Date of Value	Conclusion
Direct Capitalization	Leased Fee Interest	September 30, 2024	$67,000,000
Discounted Cash Flow	Leased Fee Interest	September 30, 2024	$62,000,000
Conclusion	Leased Fee Interest	September 30, 2024	$62,000,000

Sales Comparison Approach

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

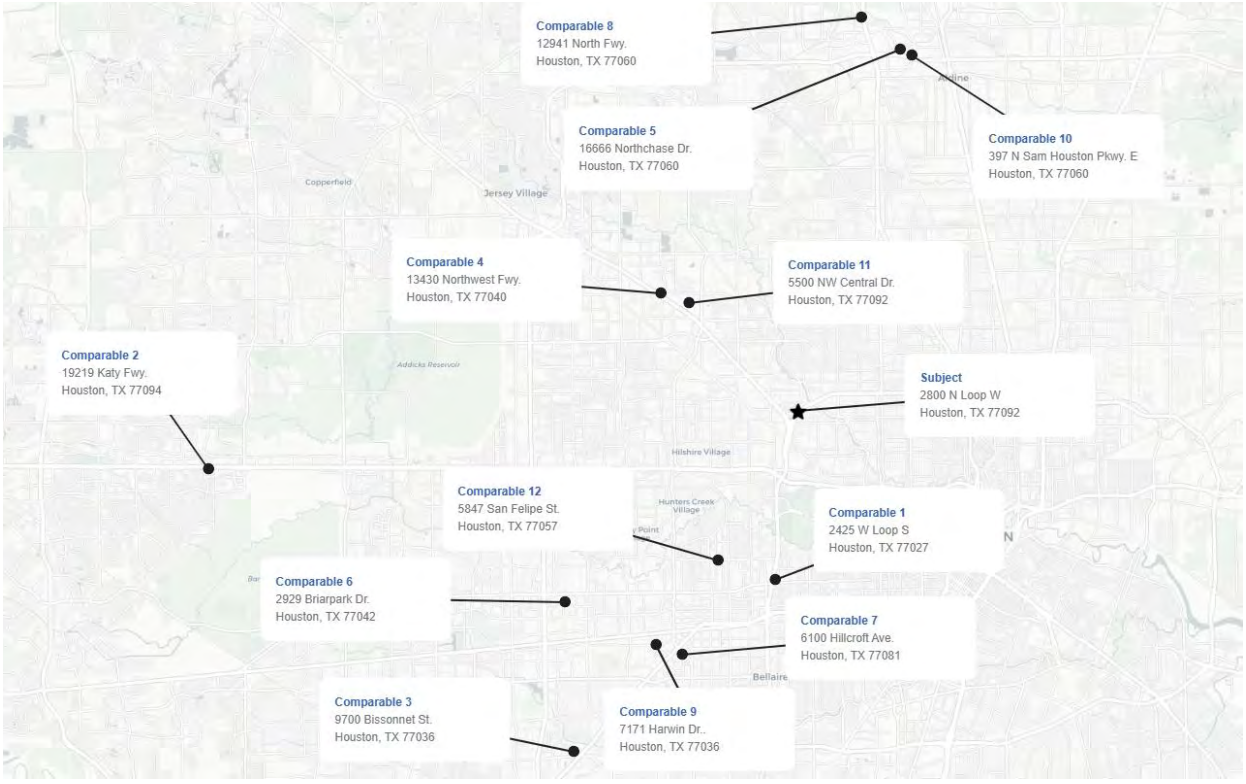
The procedure involved in this Approach is to research the market for sales of improved properties which are comparable, select appropriate units of comparison, adjust the sale prices to the subject, and then reconcile the range of adjusted sale prices into an opinion of value.

Unit of Comparison

In order to analyze comparable sales, it is necessary to convert the sale prices to an appropriate unit of comparison, a process which facilitates price comparisons between properties of different sizes, and it also enables adjustment for qualitative differences. Since investors typically purchase office properties in the subject's area in terms of value per square foot, we have applied this unit of comparison. It is noted that the majority of sales in the market have been auction sales, indicating there is pressure in the market to offload underperforming assets.

Comparable Sales

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



Comparable Sales

#	Address	Sale Date	SF-GLA	Sale Price	Price PSF	Cap Rate	Notes
1	2425 West Loop South	Aug-24	284,896	$27,000,000	$94.77	Not Reported	Class A. Bankruptcy, Auction Sale. 53% leased
2	19219 Katy Fwy	Jul-24	203,284	$17,600,000	$86.58	Not Reported	Class A. Distress Sale. 53% leased
3	9700-9702 Bissonnet Street	Jun-24	525,580	$18,620,250	$35.43	10.74%	Class B. Auction Sale. 52% leased
4	13430 Northwest Fwy	Feb-24	245,846	$11,800,000	$48.00	8.50%	Class A. 62% leased
5	16666 Northchase Drive	Oct-23	147,135	$4,330,625	$29.43	Not Reported	Class A. Auction Sale.
6	2929 Briar Park Drive	Sep-23	140,392	$5,163,625	$36.78	Not Reported	Class A. Auction Sale. 35% leased.
7	6100 Hillcroft Avenue	Sep-23	137,074	$4,100,000	$29.91	Not Reported	Class B. Auction Sale. 100% leased
8	12941 North Fwy	Aug-23	173,908	$3,843,750	$22.10	Not Reported	Class B. Auction Sale. 35% leased.
9	7171 Harwin Drive	Jun-23	73,000	$4,300,000	$58.90	Not Reported	Class B. 100% leased.
10	397 N Sam Houston Pwy E	Apr-23	71,758	$3,050,000	$42.50	Not Reported	Class B. Auction Sale. 79% leased.
11	5500 NW Central Dr	Mar-23	75,289	$4,200,000	$55.79	Not Reported	Class B/C. Sale leaseback - 100% leased.
12	5847 San Felipe St	Feb-23	980,472	$104,500,000	$106.58	Not Reported	Class A. 62% leased.

Notable Sales Summary

Sale 1 is a 284,896 square foot Class A office building designed by IM Pei. The property was listed on the market in May 2024 as an auction. The seller was in bankruptcy at the time of the transaction. The buyer is NY-based NBK. AN affiliate of the National Bank of Kuwait. The property was 53% leased at the time of sale. The property is an 11 story building on 2.45 acres with 929 spaces. The property features state-of-the-art health and wellness amenities for tenants, as well as a newly integrated ground-floor tenant conference facility and lounge area. Other noteworthy features include monument signage, balconies, controlled access, reception area, courtyard, high-end fitness center, on site cade, six elevators, tenant lounge.

Sale 2 is a 5-story, 203,284 square foot Class A building known as the Offices at Greenhouse, built in 2014. It was 53% leased at the time of sale and was considered a distress sale. The seller acquired the property in 2016 for $47,000,000 with a loan of $72,000,000 and has struggled to pay off the debt; its maturity has been extended four times. The buyer, Capital Commercial Investment, plans renovations to the building and plans to have the building full by end of year. The property features controlled access, courtyard, security storage, central heating, on site staff, parking, LEED Silver certified. Current asking rents are $22.50 per square foot, NNN.

Sale 3 is a 2-story 525,580 square foot Class A building known as the Southwest Corporate Center. It was sold via Ten-X auction for $18,620,250, including fees. The building was 52% leased at the time. The seller reported a NOI of $2,689,259 however the buyer reported it was closer to $2,000,000 yielding a cap rate of between 10-14%. The quoted cap rate was 10.74%. The office and medical campus is anchored by Texas Children's Pediatrics, State of Texas and DIRECTV. The campus sits on 39.04 acres of land near the dominant intersection of Highway 59 South and Sam Houston Tollway. The property features turn-key suites primed for lease-up, the potential divestiture or development of four pad sites, and an additional 8.6 acres of undeveloped land suited for multiple commercial uses. The property received strong interest from regional and national bidders and was ultimately sold in a competitive live bid event. The buyer is a local private investor. The property features numerous on-site amenities including a fitness center, tenant lounge, food court and an outdoor courtyard. Additionally, the Property offers secure parking in a gated parking lot as well as around-the-clock security. It has been renovated numerous times in 2006, 2014, and 2019-2020 and is in good condition.

Sale 4 is a 12-story Class A building known as the Tower at 290. It sold for $11,800,000 or $48.00 per square foot The building was 62% leased at the time of sale with a diversified tenant roster with a WALT of 5.83 years. The property was listed on the market in November 2023 for $12,000,000 with a reported NOI of $1,003,000 yielding a cap rate of 8.5%. The buyer is Houston-based David Z Mafrige Interests. The current asking rents on vacant spaces are $12 per square foot, NNN. The property features a crescent design, controlled access, property manager on site, café, and parking.

Reconciliation

The comparable sales exhibited a range between $22.10 and $106.58 with an average of $53.90 and a median of $45.25. Placing greatest weight on Comparable 1 which is located directly south of the subject, it is a similar Class A office building and is the most recent sale. However, the subject is a much larger complex and would trade lower than this size on the basis of size. However, we note that the majority of sales in the market have been conducted via auction. It appears that the market value is still reflected as the property went to the highest bidder. Thus, considering the elements of comparison noted above, our opinion of fair value is $85 per square foot and calculated as follows. The As Is value translates to $81 per square foot.

We only deduct the unused TI as this is considered a liability to ownership and we consider the subject at stabilized occupancy.

Value Conclusion Via Sales Approach

	Date of Value	Value	Final Value (Rd)
Concluded Value Per SF		$85	
SF- GLA		806,541	
Stabilized Value		$68,555,985	
Less Deductions		-$3,585,198	
As Is Fair Value via the Sales Comparison Approach	**September 30, 2024**	**$64,970,787**	**$65,000,000**

Reconciliation & Final Value Opinion

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

Approach	Value	Interest Appraised	Date of Value	Conclusion
Cost Approach	N/A	N/A	N/A	Not Applied
Income Approach	Fair Value	Leased Fee Interest	September 30, 2024	$62,000,000
Sales Approach	Fair Value	Leased Fee Interest	September 30, 2024	$65,000,000

The **Cost Approach** is traditionally a good indicator of value when properties being appraised are new or close to new. The subject was constructed in 1972-1981, and has notable physical and economic depreciation. The difficulty in credibly isolating the influence of these factors on value affects the reliability of this approach. More importantly, investors typically give nominal weight to this analysis since the asset is operating on a stabilized basis and its cost bears little relationship to the value. Therefore, as a result of the limited use of this approach, it has not been applied.

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

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

Final Value Opinion

Value	Interest Appraised	Date of Value	Conclusion
Fair Value	Leased Fee Interest	September 30, 2024	$62,000,000

The value conclusions are subject to the following **Extraordinary Assumptions**[8] that may affect the assignment results. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions:

- None.

The value conclusions are based on the following **Hypothetical Conditions**[9] that may affect the assignment results:

- None.

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

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

[9] *The definition of Hypothetical Conditions can be found in the Glossary of Terms, which is located in the Addenda.*

Certification

We certify to the best of our knowledge:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- Bowery Valuation has performed services, as an appraiser, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The appraisal was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice and the current version of the FIRREA of 1989, including its Title XI regulations.
- WeGoLook, a third-party inspection service, inspected the property on September 26, 2020 and again on October 20, 2021. Din Karnitskiy also performed an interior and exterior inspection of the property on October 3, 2022 and July 26, 2023 as part of prior engagements. Michelle Zell and Diana Zlatkina have not made a personal inspection of the property that is the subject of this report.
- Diana Zlatkina provided significant real property appraisal assistance to the person signing this certification.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.
- As of the date of this report, Michelle Zell, MAI has completed the continuing education program for Designated Members of the Appraisal Institute.
- We have experience in appraising properties similar to the subject, have acquired the necessary geographic competency, and are in compliance with the Competency Rule of USPAP.



Michelle Zell, MAI
Senior Vice President
Certified General Real Estate Appraiser
TX License No. 1380938G
FL License No. RZ4135
michelle.zell@boweryvaluation.com | (917) 533-3141

Addenda

Contingent & Limiting Conditions

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

14. The value estimates reported herein apply to the entire property. Any proration or division of the total into fractional interests will invalidate the value estimates, unless such proration or division of interests is set forth in the report.

15. Any division of the land and improvement values estimated herein is applicable only under the program of utilization shown. These separate valuations are invalidated by any other application.

16. Unless otherwise stated in the report, only the real property is considered, so no consideration is given to the value of personal property or equipment located on the premises or the costs of moving or relocating such personal property or equipment.

17. Unless otherwise stated, it is assumed that there are no subsurface oil, gas or other mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered; unless otherwise stated. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.

18. Any projections of income and expenses, including the reversion at time of resale, are not predictions of the future. Rather, they are our best estimate of current market thinking of what future trends will be. No warranty or representation is made that these projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of an appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future in terms of expectations of growth in rental rates, expenses, and supply and demand. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.

19. Unless subsoil opinions based upon engineering core borings were furnished, it is assumed there are no subsoil defects present, which would impair development of the land to its maximum permitted use or would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

20. Bowery Real Estate Systems, Inc. representatives are not experts in determining the presence or absence of hazardous substances, defined as all hazardous or toxic materials, wastes, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such substances or for loss as a result of the presence of such substances. Appraisers are not qualified to detect such substances. The client is urged to retain an expert in this field.

21. We are not experts in determining the habitat for protected or endangered species, including, but not limited to, animal or plant life (such as bald eagles, gophers, tortoises, etc.) that may be present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such species or for loss as a result of the presence of such species. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent endangered species impact studies, research, and investigation that may be provided.

22. No environmental impact studies were either requested or made in conjunction with this analysis. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, and investigation that may be provided.

23. The appraisal is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the report; further, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.

24. Neither all nor any part of the contents of this report or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales, or any other media, without the prior written consent and approval of the appraisers. This limitation pertains to any valuation conclusions, the identity of the analyst or the firm and any reference to the professional organization of which the appraiser is affiliated or to the designations thereof.

25. Although the appraiser has made, insofar as is practical, every effort to verify as factual and true all information and data set forth in this report, no responsibility is assumed for the accuracy of any information furnished the appraiser either by the client or others. If for any reason, future investigations should prove any data to be in substantial variance with that presented in this report, the appraiser reserves the right to alter or change any or all analyses, opinions, or conclusions and/or estimates of value.

26. If this report has been prepared in a so-called "public non-disclosure" state, real estate sales prices and other data, such as rents, prices, and financing, are not a matter of public record. If this is such a "non-disclosure" state, although extensive effort has been expended to verify pertinent data with buyers, sellers, brokers, lenders, lessors, lessees, and other sources considered reliable, it has not always been possible to independently verify all significant facts. In these instances, the appraiser may have relied on verification obtained and reported by appraisers outside of our office. Also, as necessary, assumptions and adjustments have been made based on comparisons and analyses using data in the report and on interviews with market participants. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

Provided Information

Brookhollow 2024 YTD

PROJ: HO110 — Hertz Houston Brookhollow LP — MONTHLY INCOME STATEMENT — As of September 30, 2024 — Date: 11/1/2024 — Page: 1 — Time: 6:16 PM

	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	Total
OPERATING INCOME													
Rental Income Gross	708,311	719,702	735,232	763,877	766,787	783,296	784,107	788,391	792,067	0	0	0	6,841,770
Rent Abatement	(62,278)	(62,278)	(102,773)	(122,198)	(117,520)	(115,600)	(131,999)	(60,285)	(53,191)	0	0	0	(868,123)
Operating Expense Recovery	380,699	386,851	383,775	610,106	417,739	433,474	417,028	460,421	463,555	0	0	0	3,953,649
Parking Income	31,509	44,402	46,676	99,858	29,864	46,840	72,210	41,240	53,062	0	0	0	465,660
Other Rental Income	5,726	6,185	6,328	6,312	5,854	10,307	7,374	7,401	7,687	0	0	0	63,174
Other Income	0	0	0	0	0	0	177,946	0	0	0	0	0	177,946
TOTAL OPERATING INCOME	1,043,967	1,074,862	1,069,238	1,357,956	1,102,723	1,158,317	1,326,666	1,237,168	1,263,180	0	0	0	10,634,077
OPERATING EXPENSES													
Cleaning and Janitorial	65,726	70,787	69,979	77,968	84,094	76,670	73,591	72,940	80,990	0	0	0	672,746
Repair & Maintenance	57,001	45,962	39,316	72,519	66,369	89,257	66,585	77,391	59,498	0	0	0	573,898
Utilities	87,461	104,406	91,404	82,394	78,735	56,133	110,098	104,376	97,503	0	0	0	812,511
CAM	15,670	9,769	16,294	6,448	4,248	13,829	7,536	14,499	10,404	0	0	0	98,690
Parking Expense	45,609	30,897	67,332	33,578	24,925	29,777	42,947	43,418	32,867	0	0	0	351,349
Security	62,240	58,898	58,347	61,985	58,471	57,887	58,644	58,014	59,333	0	0	0	533,820
Employee Payroll	67,930	46,601	63,362	57,953	67,948	60,183	64,408	61,398	57,437	0	0	0	547,219
General and Administrative	12,518	9,793	20,431	11,363	10,149	13,991	16,905	15,971	9,015	0	0	0	120,135
Management Fee Expense	49,966	53,148	59,950	52,612	70,553	59,552	55,908	54,268	60,585	0	0	0	516,543
Property Taxes	109,573	109,357	109,416	153,842	109,357	109,357	109,357	129,357	109,357	0	0	0	1,048,974
Insurance	72,081	72,081	72,081	72,081	72,082	72,552	75,686	54,565	64,650	0	0	0	627,860
Other Operating Expenses	847	1,229	990	2,317	1,537	677	1,514	441	751	0	0	0	10,302
TOTAL OPERATING EXPENSES	646,624	612,927	668,902	685,061	648,467	639,866	683,177	686,638	642,390	0	0	0	5,914,052
NET OPERATING INCOME	397,343	461,935	400,336	672,895	454,256	518,451	643,489	550,530	620,790	0	0	0	4,720,024

2023 Income and Expenses

PROJ: HO110 — Hertz Houston Brookhollow LP — Page: 1
12 MONTH TRAILING INCOME STATEMENT — Date: 2/7/2024 — Time: 3:33 PM
Hertz Houston Brookhollow LP
Accrual — 01/23 to 12/23

	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023	Total
OPERATING INCOME													
Rental Income Gross	651,509	660,215	666,677	700,017	696,281	702,486	2,467,534	692,858	647,355	674,348	699,982	710,488	9,969,751
Rent Abatement	(83,457)	(44,589)	(49,962)	(80,017)	(219,568)	(94,153)	(76,529)	(79,358)	(66,214)	(99,502)	(93,202)	(111,233)	(1,097,784)
Operating Expense Recovery	361,986	351,854	373,604	367,688	282,748	360,273	371,181	360,712	341,111	367,009	367,009	359,650	4,264,825
Parking Income	61,908	16,246	22,138	55,443	49,851	(4,145)	48,194	42,779	38,176	19,712	21,337	16,699	388,336
Other Rental Income	8,306	10,883	5,156	7,986	11,044	6,429	5,555	6,041	6,016	5,493	5,564	5,415	83,869
Other Income	0	0	(161)	0	53,154	53,322	150	179,312	60,400	0	0	0	346,177
TOTAL OPERATING INCOME	1,000,252	994,588	1,017,453	1,051,116	873,510	1,024,212	2,816,085	1,202,344	1,026,843	967,060	1,000,690	981,020	13,955,174
OPERATING EXPENSES													
Cleaning and Janitorial	89,792	66,073	69,762	70,198	66,887	82,112	63,691	64,703	61,666	64,502	79,796	73,410	852,593
Repair & Maintenance	36,373	77,500	85,537	68,338	26,788	129,478	79,308	61,307	88,391	55,563	71,275	65,184	845,041
Utilities	82,905	72,640	83,708	70,087	82,849	79,461	119,566	109,288	95,427	104,646	92,098	79,136	1,071,810
CAM	8,181	11,198	15,308	6,680	12,800	12,456	7,655	7,711	13,238	13,035	29,104	(7,879)	129,485
Parking Expense	44,719	13,398	25,983	20,054	27,930	4,827	26,146	9,372	22,797	34,125	15,409	26,070	272,830
Security	58,997	54,840	56,505	51,151	59,260	59,391	53,677	57,797	57,239	57,746	58,378	54,743	678,724
Employee Payroll	59,717	54,986	61,802	57,775	60,307	61,187	58,979	59,044	67,935	59,762	61,337	107,125	769,955
General and Administrative	14,989	6,464	8,053	9,344	10,079	7,778	14,962	11,474	11,638	10,860	11,190	36,351	153,403
Management Fee Expense	62,038	48,575	51,035	54,810	51,121	39,130	139,001	63,878	42,764	45,697	45,825	46,213	690,087
Property Taxes	112,036	112,059	112,036	112,036	112,036	112,036	193,398	112,036	112,036	155,175	82,570	109,357	1,436,809
Insurance	46,928	46,928	46,928	46,928	46,928	51,621	51,621	128,671	56,413	72,081	72,081	72,081	739,211
Other Operating Expenses	192	2,074	1,139	530	578	365	2,690	2,454	672	659	530	1,760	13,645
Non-Pass Operating Expenses	0	0	7,239	0	0	7,803	0	0	7,361	0	0	14,360	36,764
TOTAL OPERATING EXPENSES	616,868	568,736	624,036	567,932	557,563	647,644	810,712	687,734	637,777	673,851	619,594	679,912	7,690,357
NET OPERATING INCOME	383,387	427,853	393,417	483,185	315,947	376,568	2,005,372	514,610	389,067	293,209	381,096	301,108	6,264,817

Brookhollow Outstanding CapEx_TI_LC

Database: R52999900001 | Project Cost Summary Report-AP Detail (Open Jobs) | Page: 1
Run for budget type: JCB| | Hertz Investment Group LLC | Date: 12/5/2024
Run for cost list: Cap| | For Period: 01/17 through 12/26 | Time: 11:33 AM
Run for journal entry types: A|

Cost Code	Occupant/Description	Original Budget	Approved Budget	Expensed to Date	Paid to Date	Retention Payable	Remaining To PAY	
TI/LC New and Expansions								
ENTITY:HO111	***Brookhollow Central I***							
JOB: HO111110	***Total Renal Care #850 Return S***							
PHASE: 1	***Total Renal Care Return Space***							
011000	TI New - Allowance/Turnkey	97,148.00	97,148.00	$0.00	$0.00	0.00	97,148.00	
JOB TOTALS:		97,148.00	97,148.00	0.00	0.00	0.00	97,148.00	
JOB: HO111112	***Bowen Miclette & Britt Expansi***							
PHASE: 1	***Bowen, Miclette & Britt***							
011000	TI New - Allowance/Turnkey	343,100.00	343,100.00	$0.00	$0.00	0.00	343,100.00	
015000	Leasing Commissions New	84,909.69	84,909.69	$42,454.85	$0.00	0.00	84,909.69	
JOB TOTALS:		428,009.69	428,009.69	42,454.85	0.00	0.00	428,009.69	
Total Brookhollow Central I		525,157.69	525,157.69	42,454.85	0.00	0.00	525,157.69	
ENTITY:HO112	***Brookhollow Central II***							
JOB: HO112154	***Meneses Law Firm- New #1400***							
PHASE: 1	***TI & LC for New Suite***							
011000	TI New - Allowance/Turnkey	1,063,150.00	1,063,150.00	$0.00	$0.00	0.00	1,063,150.00	
015000	Leasing Commissions New	89,736.25	89,736.25	$119,572.84	$0.00	0.00	89,736.25	
JOB TOTALS:		1,152,886.25	1,152,886.25	119,572.84	0.00	0.00	1,152,886.25	
Total Brookhollow Central II		1,152,886.25	1,152,886.25	119,572.84	0.00	0.00	1,152,886.25	
ENTITY:HO113	***Brookhollow Central III***							
JOB: HO113128	***United HealthCare Services, Inc***	***NewLease #200 United HealthCar***						011747
PHASE: 1	***United Health Care TI/LC***							
011000	TI New - Allowance/Turnkey	363,735.00	363,735.00	$2,250.00	$2,250.00	0.00	361,485.00	
015000	Leasing Commissions New	58,973.34	58,973.34	$93,207.67	$93,207.67	0.00	0.00	
JOB TOTALS:	United HealthCare Services, In	422,708.34	422,708.34	95,457.67	95,457.67	0.00	361,485.00	
JOB: HO113130	***Bank OZK***	***Bank OZK New Lease #950***						011785
PHASE: 1	***TI/LC for New Lease***							
011000	TI New - Allowance/Turnkey	475,349.00	1,436,050.00	$1,439,050.00	$1,295,280.00	0.00	140,770.00	
015000	Leasing Commissions New	109,683.39	109,683.39	$111,516.86	$111,516.86	0.00	0.00	
019000	Tenant Reimbursments New	0.00	-963,701.00	($963,701.00)	($963,701.00)	0.00	0.00	
JOB TOTALS:	Bank OZK	585,032.39	582,032.39	586,865.86	443,095.86	0.00	140,770.00	
Total Brookhollow Central III		1,007,740.73	1,004,740.73	682,323.53	538,553.53	0.00	502,255.00	
TI/LC Renewals								
ENTITY:HO111	***Brookhollow Central I***							
JOB: HO111109	***Total Renal Care #800 Reductio***							

Cost Code	Occupant/Description	Original Budget	Approved Budget	Expensed to Date	Paid to Date	Retention Payable	Remaining To PAY	
PHASE: 1	***Renewal with Space Reduction***							
025000	Leasing Commissions Renewal	68,541.75	68,541.75	$76,070.38	$0.00	0.00	68,541.75	
JOB TOTALS:		68,541.75	68,541.75	76,070.38	0.00	0.00	68,541.75	
JOB: HO111111	***Bowen Miclette & Britt Renewal***							
PHASE: 1	***Bowen Miclette & Britt Renewal***							
021000	TI Renewal - Allowance/Turnkey	395,186.00	395,186.00	$0.00	$0.00	0.00	395,186.00	
025000	Leasing Commissions Renewal	156,655.32	156,655.32	$156,655.32	$0.00	0.00	156,655.32	
JOB TOTALS:		551,841.32	551,841.32	156,655.32	0.00	0.00	551,841.32	
Total Brookhollow Central I		**620,383.07**	**620,383.07**	**232,725.70**	**0.00**	**0.00**	**620,383.07**	
ENTITY: HO112	***Brookhollow Central II***							
JOB: HO112153	***Meneses Law PLLC***	***Meneses Law Firm #300 Extensio***						011240
PHASE: 1	***Term Extension***							
025000	Leasing Commissions Renewal	75,646.29	75,646.29	$35,510.63	$0.00	0.00	75,646.29	
JOB TOTALS:	Meneses Law PLLC	75,646.29	75,646.29	35,510.63	0.00	0.00	75,646.29	
JOB: HO112155	***Endurance Builders LLC***	***Endurance Builders #100 Renew***						009391
PHASE: 1	***TI/LC for Lease Renew***							
021000	TI Renewal - Allowance/Turnkey	83,940.00	83,940.00	$0.00	$0.00	0.00	83,940.00	
025000	Leasing Commissions Renewal	73,267.05	73,267.05	$73,267.05	$0.00	0.00	73,267.05	
JOB TOTALS:	Endurance Builders LLC	157,207.05	157,207.05	73,267.05	0.00	0.00	157,207.05	
Total Brookhollow Central II		**232,853.34**	**232,853.34**	**108,777.68**	**0.00**	**0.00**	**232,853.34**	
ENTITY: HO113	***Brookhollow Central III***							
JOB: HO113115	***EEPB Company***	***EEPB P.C # 1200,900***						008380
PHASE: 1	***EEPB P.C. #1200***							
021000	TI Renewal - Allowance/Turnkey	632,786.21	630,370.51	$617,269.31	$617,269.31	0.00	13,101.20	
025000	Leasing Commissions Renewal	300,996.51	300,996.50	$300,996.50	$300,996.50	0.00	0.00	
JOB TOTALS:	EEPB Company	933,782.72	931,367.01	918,265.81	918,265.81	0.00	13,101.20	
JOB: HO113121	***EEPB Company***	***EEPB Co. # 1200 & 900 Renewal***						008380
PHASE: 1	***EEPB Co TI/LC Renewal***							
021000	TI Renewal - Allowance/Turnkey	255,375.47	255,375.47	$255,375.47	$52,412.13	0.00	202,963.34	
025000	Leasing Commissions Renewal	111,019.00	111,019.00	$269,994.58	$269,994.58	0.00	0.00	
JOB TOTALS:	EEPB Company	366,394.47	366,394.47	525,370.05	322,406.71	0.00	202,963.34	
JOB: HO113124	***Amerapex Corporation***	***Amerapex Corp #1100 Renew***						008429
PHASE: 1	***Amerapex Corp Renewal #1100***							
021000	TI Renewal - Allowance/Turnkey	866,965.50	866,965.50	$434,574.01	$379,650.61	0.00	487,314.89	
025000	Leasing Commissions Renewal	198,293.48	198,293.48	$222,429.43	$222,429.43	0.00	0.00	
JOB TOTALS:	Amerapex Corporation	1,065,258.98	1,065,258.98	657,003.44	602,080.04	0.00	487,314.89	
JOB: HO113133	***Universal Fluid Services LLC***	***Universal Fluid Svcs #130 Renw***						011798

Cost Code	Occupant/Description	Original Budget	Approved Budget	Expensed to Date	Paid to Date	Retention Payable	Remaining To PAY
PHASE: 1	***TI & LC Renewal***						
021000	TI Renewal - Allowance/Turnkey	40,000.00	40,000.00	$5,824.01	$5,824.01	0.00	34,175.99
025000	Leasing Commissions Renewal	17,300.30	17,300.30	$32,679.07	$32,679.07	0.00	0.00
JOB TOTALS:	Universal Fluid Services LLC	57,300.30	57,300.30	38,503.08	38,503.08	0.00	34,175.99
JOB: HO113134	***In Sook Yi & Sang #30 Renew***						
PHASE: 1	***LC for Lease Renewal***						
025100	Leasing Commissions Renewal und	3,432.00	3,432.00	$3,432.00	$0.00	0.00	3,432.00
JOB TOTALS:		3,432.00	3,432.00	3,432.00	0.00	0.00	3,432.00
Total Brookhollow Central III		**2,426,168.47**	**2,423,752.76**	**2,142,574.38**	**1,881,255.64**	**0.00**	**740,987.42**
GRAND TOTALS		**5,965,189.55**	**5,959,773.84**	**3,328,428.98**	**2,419,809.17**	**0.00**	**3,774,522.77**

Total per report	3,774,522.77
Less	
Amerapex Job #HO113124	(381,000.00)
O/S TI converted to free rent	
Revised Total	**3,393,522.77**

Building Improvements - General

ENTITY: HO112 ***Brookhollow Central II***

JOB: HO112128	***Muti Tenant Corridor Level 9***						
PHASE: 1	***Multi Tenant Corridor Level 9***						
030000	Building Improvements - General	159,000.00	159,000.00	91,641.89	91,641.89	0.00	67,358.11
JOB TOTALS:		159,000.00	159,000.00	91,641.89	91,641.89	0.00	67,358.11
JOB: HO112129	***Exterior painting of Art Sculp***						
PHASE: 1	***Exterior painting of Art Sculp***						
030000	Building Improvements - General	100,000.00	100,000.00	17,644.75	17,644.75	0.00	82,355.25
JOB TOTALS:		100,000.00	100,000.00	17,644.75	17,644.75	0.00	82,355.25
JOB: HO112134	***Level 10- Corridor, Elev & RR***						
PHASE: 1	***Level 10-Corridor, Lobby & R&R***						
030000	Building Improvements - General	222,897.00	222,897.00	232,007.61	232,007.61	0.00	0.00

Cost Code	Occupant/Description	Original Budget	Approved Budget	Expensed to Date	Paid to Date	Retention Payable	Remaining To PAY
JOB TOTALS:		222,897.00	222,897.00	232,007.61	232,007.61	0.00	0.00
Total Brookhollow Central II		**481,897.00**	**481,897.00**	**341,294.25**	**341,294.25**	**0.00**	**149,713.36**
ENTITY: HO113	***Brookhollow Central III***						
JOB: HO113119	***Fire Pump Replacement***						
PHASE: 1	***Fire Pump Replacement***						
030000	Building Improvements - General	111,353.53	111,353.53	111,353.53	111,353.53	0.00	0.00
JOB TOTALS:		111,353.53	111,353.53	111,353.53	111,353.53	0.00	0.00
JOB: HO113127	***Level 8- Common Corridor***						
PHASE: 1	***Level 8 - Common Corridor***						
030000	Building Improvements - General	195,000.00	195,000.00	153,036.88	153,036.88	0.00	41,963.12
JOB TOTALS:		195,000.00	195,000.00	153,036.88	153,036.88	0.00	41,963.12
Total Brookhollow Central III		**306,353.53**	**306,353.53**	**264,390.41**	**264,390.41**	**0.00**	**41,963.12**
TOTAL Building Improvements		**788,250.53**	**788,250.53**	**605,684.66**	**605,684.66**	**0.00**	**191,676.48**

Historical Building Cap Ex

Database:	R52999900001	**Income Statement**		Page:	1
Entity:	HO110	**Detailed Capital Improvements**		Date:	12/21/2023
		Hertz Investment Group LLC		Time:	2:29 PM
		Hertz Houston Brookhollow LP			
Accrual					
		Report includes an open period. Entries are not final.			

Year to date through:	**Dec 2020**	**Dec 2021**	**Dec 2022**	**Nov 2023**
Capital Improvements and Leasing Commissions				
Building Improvements				
Building Improvements	373,664.49	123,253.41	163,096.82	378,331.86
Total Building Improvements	**373,664.49**	**123,253.41**	**163,096.82**	**378,331.86**
TI/LC Renewals				
Tenant Improvements - Renewals	977,702.71	159,938.44	4,281.56	380,247.46
Leasing Commissions - Renewals	206,837.77	29,841.12	313,153.50	845,985.99
Total TI/LC Renewals	**1,184,540.48**	**189,779.56**	**317,435.06**	**1,226,233.45**
TI/LC New and Expansion				
Tenant Improvements - New/Expansion	2,595,760.55	3,337,429.62	2,828,083.73	4,076,142.84
Leasing Commissions - New/Expansion	638,296.83	790,777.47	487,846.97	607,906.12
Total TI/LC New and Expansion	**3,234,057.38**	**4,128,207.09**	**3,315,930.70**	**4,684,048.96**
Total TI/LC Capital Improvements	**4,418,597.86**	**4,317,986.65**	**3,633,365.76**	**5,910,282.41**
Total Capital Improvements	**4,792,262.35**	**4,441,240.06**	**3,796,462.58**	**6,288,614.27**

Brookhollow Rent Roll 09.30.2024

Database: R52999900001
Bldg Status: Active only
HO110 Hertz Houston Brookhollow LP

Rent Roll
Brookhollow Central I
9/30/2024

Page: 1
Date: 11/1/2024
Time: 1:19 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
Vacant Suites													
HO111 0100	Vacant			2,856									
HO111 0200	Vacant			16,842									
HO111 0300	Vacant			18,238									
HO111 0410	Vacant			3,129									
HO111 1060	Vacant			4,329									
Occupied Suites													
HO111 0400	Cigna Healthcare and Life Insurance I	5/1/2018	2/28/2026	15,109	21,404.42	17.00	13,241.35			BRO	5/1/2025	22,033.96	17.50
HO111 0500	Cigna Healthcare and Life Insurance I	5/1/2018	2/28/2026	18,238	25,837.17	17.00	15,983.53			BRO	5/1/2025	26,597.08	17.50
HO111 0600	Cigna Healthcare and Life Insurance I	5/1/2018	2/28/2026	18,238	25,837.17	17.00	15,983.53			BRO	5/1/2025	26,597.08	17.50
HO111 0700	Cigna Healthcare and Life Insurance I	5/1/2018	2/28/2026	18,238	25,837.17	17.00	15,983.53			BRO	5/1/2025	26,597.08	17.50
HO111 0800	Total Renal Care Inc.	8/1/2015	1/31/2026	12,937	22,100.71	20.50	16,952.38			BRO	2/1/2025	22,639.75	21.00
HO111 0850	Total Renal Care Inc.	11/1/2016	1/31/2026	5,301	9,055.87	20.50				BRO	2/1/2025	9,276.75	21.00
HO111 0900	Armstrong & Lee LLP	3/1/2024	10/31/2030	10,664	15,107.33	17.00	11,023.65			BRO	6/1/2025	15,551.67	17.50
										BRO	6/1/2026	15,996.00	18.00
										BRO	6/1/2027	16,440.33	18.50
										BRO	6/1/2028	16,884.67	19.00
										BRO	6/1/2029	17,329.00	19.50
										BRO	6/1/2030	17,773.33	20.00
HO111 0910	Off Market LLC	1/1/2022	2/28/2025	3,670	5,352.08	17.50	3,263.33						
HO111 0950	Zim American Integrated Shipping Ser	2/1/2023	6/30/2028	3,904	5,530.67	17.00	3,470.98			BRO	2/1/2025	5,693.33	17.50
										BRO	2/1/2026	5,856.00	18.00
										BRO	2/1/2027	6,018.67	18.50
										BRO	2/1/2028	6,181.33	19.00
HO111 1000	Cadence Bank	9/1/2020	6/30/2031	8,161	12,921.58	19.00	7,255.57			BRO	7/1/2025	13,261.63	19.50
										BRO	7/1/2026	13,601.67	20.00
										BRO	7/1/2027	13,941.71	20.50
										BRO	7/1/2028	14,281.75	21.00

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
										BRO	7/1/2029	14,621.79	21.50
										BRO	7/1/2030	14,961.83	22.00
HO111 1050	Armstrong & Lee LLP	3/1/2024	10/31/2030	5,569	7,889.42	17.00	5,757.44			BRO	6/1/2025	8,121.46	17.50
										BRO	6/1/2026	8,353.50	18.00
										BRO	6/1/2027	8,585.55	18.50
										BRO	6/1/2028	8,817.58	19.00
										BRO	6/1/2029	9,049.63	19.50
										BRO	6/1/2030	9,281.67	20.00
HO111 1100	Bowen Miclette & Brit Insurance Agen	11/1/2021	4/30/2030	18,238	21,657.63	14.25	18,214.40			BRO	12/1/2024	22,037.58	14.50
										BRO	12/1/2025	22,417.54	14.75
										BRO	12/1/2026	22,797.50	15.00
										BRO	12/1/2027	23,177.46	15.25
										BRO	12/1/2028	23,557.42	15.50
										BRO	12/1/2029	23,937.38	15.75
HO111 1200	Bowen Miclette & Brit Insurance Agen	11/1/2021	4/30/2030	17,688	21,004.50	14.25	14,766.69			BRO	12/1/2024	21,373.00	14.50
										BRO	12/1/2025	21,741.50	14.75
										BRO	12/1/2026	22,110.00	15.00
										BRO	12/1/2027	22,478.50	15.25
										BRO	12/1/2028	22,847.00	15.50
										BRO	12/1/2029	23,215.50	15.75
HO111 ROOF	Cogent Communications Group Inc.	3/1/2021	2/29/2024	0					156.67				
HO111 ROOF1	Comcast Cable Communications	1/11/2016	1/10/2021	0									
HO111 ROOF2	Logix Communications LP	6/17/2006	6/16/2021	0									
HO111 ROOF3	CenturyLink Communications LLC	9/1/2018	8/31/2028	0					139.41	OAT	9/1/2025	122.99	0.00
										OAT	9/1/2026	126.68	0.00
HO111 ROOF4	MCImetro Access Transmission Servi	9/1/2021	8/31/2026	0					546.36	OAT	9/1/2025	562.75	0.00
Totals:	Occupied Sqft:	77.46%	13 Units	155,955	219,535.72		139,896.38		842.44				
	Leased/Unoccupied Sqft:		0 Units	0									
	Vacant Sqft:	22.54%	5 Units	45,394									
	Total Sqft:		18 Units	201,349	219,535.72								

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
New, Expansion and Future Renewal Leases													
HO112 0005	King Poppa Gourmet Popcorn	10/15/2024	11/30/2024	170	170.00	12.00	New Lease						
										BRO	10/15/2024	170.00	12.00
HO112 1200	Park Place Technologies LLC	3/1/2025	7/31/2030	6,014	8,018.67	16.00	Renewal						
										BRA	3/1/2025	-8,018.67	-16.00
										BRA	8/1/2025	0.00	0.00
										BRO	3/1/2025	8,018.67	16.00
										BRO	8/1/2026	8,269.25	16.50
										BRO	8/1/2027	8,519.83	17.00
										BRO	8/1/2028	8,770.42	17.50
										BRO	8/1/2029	9,021.00	18.00
HO112 1400	Meneses Law PLLC	3/1/2025	2/28/2035	21,263	29,236.63	16.50	Renewal						
										BRA	3/1/2025	-29,236.63	-16.50
										BRA	10/1/2025	0.00	0.00
										BRO	3/1/2025	29,236.63	16.50
										BRO	3/1/2026	30,122.58	17.00
										BRO	3/1/2027	31,008.54	17.50
										BRO	3/1/2028	31,894.50	18.00
										BRO	3/1/2029	32,780.46	18.50
										BRO	3/1/2030	33,666.42	19.00
										BRO	3/1/2031	34,552.38	19.50
										BRO	3/1/2032	35,438.33	20.00
										BRO	3/1/2033	36,324.29	20.50
										BRO	3/1/2034	37,210.25	21.00
Vacant Suites													
HO112 0002	Vacant			1,695									
HO112 0005	Vacant			170									
HO112 0030	Vacant			652									
HO112 0050	Vacant			697									
HO112 0070	Vacant			2,218									
HO112 0080	Vacant			2,852									
HO112 0425	Vacant			6,375									
HO112 0430	Vacant			8,765									
HO112 0620	Vacant			1,301									

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
HO112 0650	Vacant			5,312									
HO112 1400	Vacant			21,263									
Occupied Suites													
HO112 0060A	Cogent Communications Group Inc.	3/1/2021	2/29/2024	212					156.68				
HO112 0090	Teleport Communications Houston Inc	6/1/2017	5/31/2027	487					1,664.17	OAT	6/1/2025	1,730.73	42.65
										OAT	6/1/2026	1,799.95	44.35
HO112 0100	Endurance Builders LLC	10/1/2019	3/31/2025	8,394	12,241.25	17.50	7,701.01						
HO112 0150	Cadence Bank	9/1/2020	6/30/2031	1,679	2,658.42	19.00	1,472.11			BRO	7/1/2025	2,728.38	19.50
										BRO	7/1/2026	2,798.33	20.00
										BRO	7/1/2027	2,868.29	20.50
										BRO	7/1/2028	2,938.25	21.00
										BRO	7/1/2029	3,008.21	21.50
										BRO	7/1/2030	3,078.17	22.00
HO112 0160	Hertz Houston Brookhollow LP	2/13/2018	12/31/2050	2,214									
HO112 0180	The Heights Insurance Services LLC	7/1/2021	11/30/2026	6,767	9,022.67	16.00	6,194.29			BRO	12/1/2024	9,304.63	16.50
										BRO	12/1/2025	9,586.58	17.00
HO112 0200	Veritex Community Bank	1/1/2023	1/31/2034	21,265	28,796.35	16.25	18,808.08			BRO	9/1/2025	29,682.40	16.75
										BRO	9/1/2026	30,568.44	17.25
										BRO	9/1/2027	31,454.48	17.75
										BRO	9/1/2028	32,340.52	18.25
										BRO	9/1/2029	33,226.56	18.75
										BRO	9/1/2030	34,112.60	19.25
										BRO	9/1/2031	34,998.65	19.75
										BRO	9/1/2032	35,884.69	20.25
										BRO	9/1/2033	36,770.73	20.75
HO112 0300	Meneses Law PLLC	4/1/2023	2/28/2035	21,263	27,464.71	15.50	19,478.52			BRO	4/1/2025	28,350.67	16.00
										BRO	4/1/2026	29,236.63	16.50
										BRO	4/1/2027	30,122.58	17.00
										BRO	4/1/2028	31,008.54	17.50
										BRO	4/1/2029	31,894.50	18.00
										BRO	4/1/2030	32,780.46	18.50
										BRO	4/1/2031	33,666.42	19.00
										BRO	4/1/2032	34,552.38	19.50
										BRO	4/1/2033	35,438.33	20.00
										BRO	11/1/2033	35,438.33	20.00

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
										BRO	4/1/2034	36,324.29	20.50
HO112 0400	Crescent Power Systems Inc	4/1/2023	6/30/2026	3,870	4,998.75	15.50	3,617.53			BRA	8/1/2025	-5,160.00	-16.00
										BRA	9/1/2025	0.00	0.00
										BRO	8/1/2025	5,160.00	16.00
HO112 0410	Placement Partners Inc	9/1/2021	1/31/2027	2,286	3,143.25	16.50	2,003.05			BRO	2/1/2025	3,238.50	17.00
										BRO	2/1/2026	3,333.75	17.50
HO112 0500	Lorance Thompson PC	11/1/2017	12/31/2025	21,263	31,451.52	17.75	19,426.16		100.00	BRO	1/1/2025	32,337.48	18.25
HO112 0600	Innowatts Inc	1/1/2023	1/31/2030	8,123	11,169.13	16.50	7,441.51			BRO	2/1/2025	11,507.58	17.00
										BRO	2/1/2026	11,846.04	17.50
										BRO	2/1/2027	12,184.50	18.00
										BRO	2/1/2028	12,522.96	18.50
										BRO	2/1/2029	12,861.42	19.00
HO112 0625	Progressive Casualty Insurance Co	11/20/2023	4/30/2029	3,621	4,677.13	15.50	3,102.58			BRO	12/1/2024	4,828.00	16.00
										BRO	12/1/2025	4,978.88	16.50
										BRO	12/1/2026	5,129.75	17.00
										BRO	12/1/2027	5,280.63	17.50
										BRO	12/1/2028	5,431.50	18.00
HO112 0675	Thomas Quinn, LP	6/1/2024	11/30/2029	2,906	3,814.13	15.75				BRA	12/1/2024	0.00	0.00
										BRO	5/1/2025	3,935.21	16.25
										BRO	5/1/2026	4,056.29	16.75
										BRO	5/1/2027	4,177.38	17.25
										BRO	5/1/2028	4,298.46	17.75
										BRO	5/1/2029	4,419.54	18.25
										RMI	12/1/2024	2,107.72	8.70
										RRT	12/1/2024	440.15	1.82
HO112 0700	IntegraNet Physician Resource Inc	11/1/2021	9/30/2032	21,263	29,059.43	16.40	19,478.52			BRO	10/1/2024	29,768.20	16.80
										BRO	10/1/2025	30,476.97	17.20
										BRO	10/1/2026	31,185.73	17.60
										BRO	10/1/2027	31,894.50	18.00
										BRO	10/1/2028	32,603.27	18.40
										BRO	10/1/2029	33,312.03	18.80
										BRO	10/1/2030	34,020.80	19.20
										BRO	10/1/2031	34,729.57	19.60
HO112 0800	Norton Lilly International Inc	9/1/2019	4/30/2027	5,030	7,649.79	18.25	4,410.71			BRO	9/1/2025	7,859.38	18.75
										BRO	9/1/2026	8,068.96	19.25
HO112 0810	Norton Lilly International Inc	10/1/2022	4/30/2027	2,974	3,965.33	16.00	2,613.30			BRO	10/1/2024	4,089.25	16.50
										BRO	10/1/2025	4,213.17	17.00
										BRO	10/1/2026	4,337.08	17.50
HO112 0825	Async7 LLC	6/1/2022	10/31/2025	2,186	2,914.67	16.00	1,997.16			BRO	11/1/2024	3,005.75	16.50

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
HO112 0830	CherCo LLC	9/1/2022	6/30/2028	5,743	7,657.33	16.00	5,036.99			BRO	7/1/2025	7,896.63	16.50
										BRO	7/1/2026	8,135.92	17.00
										BRO	7/1/2027	8,375.21	17.50
HO112 0880	McGrath & Co PLLC	8/1/2021	1/31/2028	5,327	7,324.63	16.50	4,671.10			BRO	8/1/2025	7,546.58	17.00
										BRO	8/1/2026	7,768.54	17.50
										BRO	8/1/2027	7,990.50	18.00
HO112 0900	Raptor Technologies LLC	9/1/2022	8/31/2030	10,984	14,645.33	16.00	9,550.52			BRO	9/1/2025	15,103.00	16.50
										BRO	9/1/2026	15,560.67	17.00
										BRO	9/1/2027	16,018.33	17.50
										BRO	9/1/2028	16,476.00	18.00
										BRO	9/1/2029	16,933.67	18.50
HO112 0950	Bowman Consulting Group	6/1/2024	7/31/2032	10,369	13,393.29	15.50				BRA	8/1/2025	0.00	0.00
										BRO	8/1/2026	13,825.33	16.00
										BRO	8/1/2027	14,257.38	16.50
										BRO	8/1/2028	14,689.42	17.00
										BRO	8/1/2029	15,121.46	17.50
										BRO	8/1/2030	15,553.50	18.00
										BRO	8/1/2031	15,985.54	18.50
HO112 1000	Ray Feighny & Hartle PLLC	11/1/2023	8/31/2029	5,007	7,093.25	17.00	4,417.38			BRO	11/1/2024	7,301.88	17.50
										BRO	11/1/2025	7,510.50	18.00
										BRO	11/1/2026	7,719.13	18.50
										BRO	11/1/2027	7,927.75	19.00
										BRO	11/1/2028	8,136.38	19.50
HO112 1010	CTI III LLC	10/1/2023	7/31/2031	6,721	8,681.29	15.50	5,902.30			BRO	10/1/2024	8,961.33	16.00
										BRO	10/1/2025	9,241.38	16.50
										BRO	10/1/2026	9,521.42	17.00
										BRO	10/1/2027	9,801.46	17.50
										BRO	10/1/2028	10,081.50	18.00
										BRO	10/1/2029	10,361.54	18.50
										BRO	10/1/2030	10,641.58	19.00
HO112 1020	Marauder Land Resources LLC	11/1/2023	7/31/2029	1,962	2,697.75	16.50	1,720.49			BRO	11/1/2024	2,779.50	17.00
										BRO	11/1/2025	2,861.25	17.50
										BRO	11/1/2026	2,943.00	18.00
										BRO	11/1/2027	3,024.75	18.50
										BRO	11/1/2028	3,106.50	19.00
HO112 1030	American Postal Workers Union	11/1/2023	5/31/2034	3,300	4,400.00	16.00	2,892.40			BRO	11/1/2024	4,537.50	16.50
										BRO	11/1/2025	4,675.00	17.00
										BRO	11/1/2026	4,812.50	17.50
										BRO	11/1/2027	4,950.00	18.00
										BRO	11/1/2028	5,087.50	18.50

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
										BRO	11/1/2029	5,225.00	19.00
										BRO	11/1/2030	5,362.50	19.50
										BRO	11/1/2031	5,500.00	20.00
										BRO	11/1/2032	5,637.50	20.50
										BRO	11/1/2033	5,775.00	21.00
HO112 1050	Kitchell Contractors Inc	12/1/2023	5/31/2029	4,272	5,696.00	16.00	3,739.02			BRO	6/1/2025	5,874.00	16.50
										BRO	6/1/2026	6,052.00	17.00
										BRO	6/1/2027	6,230.00	17.50
										BRO	6/1/2028	6,408.00	18.00
HO112 1100	Intermarine Americas LLC	12/17/2018	10/31/2029	13,143	19,166.88	17.50	11,738.75			BRO	11/1/2024	19,714.50	18.00
										BRO	11/1/2025	20,262.13	18.50
										BRO	11/1/2026	20,809.75	19.00
										BRO	11/1/2027	21,357.38	19.50
										BRO	11/1/2028	21,905.00	20.00
HO112 1120	Daido Steel (America) Inc.	8/1/2024	1/30/2030	1,510	2,076.25	16.50	132.59			BRO	8/1/2025	2,139.17	17.00
										BRO	8/1/2026	2,202.08	17.50
										BRO	8/1/2027	2,265.00	18.00
										BRO	8/1/2028	2,327.92	18.50
										BRO	8/1/2029	2,390.83	19.00
HO112 1130	Annie McAdams, PC	3/1/2024	7/31/2029	2,415	3,220.00	16.00	2,117.89			BRO	3/1/2025	3,320.63	16.50
										BRO	3/1/2026	3,421.25	17.00
										BRO	3/1/2027	3,521.88	17.50
										BRO	3/1/2028	3,622.50	18.00
										BRO	3/1/2029	3,723.13	18.50
HO112 1150	IPFS Corporation	1/1/2022	9/30/2027	4,195	5,593.33	16.00	3,677.59			BRO	1/1/2025	5,768.13	16.50
										BRO	1/1/2026	5,942.92	17.00
										BRO	1/1/2027	6,117.71	17.50
HO112 1200	Park Place Technologies LLC	3/1/2020	2/28/2025	6,014	8,519.83	17.00	5,509.29						
HO112 1210	Tiberius Energy Services LLC	11/1/2023	6/30/2029	7,037	9,089.46	15.50				BRA	11/1/2024	0.00	0.00
										BRO	11/1/2024	9,382.67	16.00
										BRO	11/1/2025	9,675.88	16.50
										BRO	11/1/2026	9,969.08	17.00
										BRO	11/1/2027	10,262.29	17.50
										BRO	11/1/2028	10,555.50	18.00
										RMI	11/1/2024	5,362.31	9.14
										RRT	11/1/2024	1,065.77	1.82
HO112 1250	NGL Crude Logistics LLC	6/1/2021	8/31/2027	8,211	11,632.25	17.00	7,264.55			BRO	2/1/2025	11,974.38	17.50
										BRO	2/1/2026	12,316.50	18.00
HO112 1300	CHRISTUS Health	3/1/2022	7/31/2027	21,263	31,008.54	17.50	19,478.52			BRO	8/1/2025	31,894.50	18.00

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
										BRO	8/1/2026	32,780.46	18.50
HO112 ROOF1	Comcast Cable Communications	7/1/2019	6/30/2027	0					360.97	OAT	7/1/2025	379.02	0.00
										OAT	7/1/2026	397.97	0.00
HO112 ROOF2	CenturyLink Communications LLC	1/18/2019	1/17/2029	0					127.63	OAT	1/18/2025	134.01	0.00
										OAT	1/18/2026	140.71	0.00
										OAT	1/18/2027	147.75	0.00
										OAT	1/18/2028	155.14	0.00
HO112 ROOF3	Logix Communications LP	4/1/2019	3/31/2024	0					100.00				
HO112 ROOF4	MCImetro Access Transmission Servi	4/1/2021	3/31/2026	0					546.36	OAT	4/1/2025	562.75	0.00
Totals:	Occupied Sqft:	83.16%	35 Units	253,276	344,921.94		205,593.91		3,055.81				
	Leased/Unoccupied Sqft:		0 Units	0									
	Vacant Sqft:	16.84%	11 Units	51,300									
	Total Sqft:		46 Units	304,576	344,921.94								

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
New, Expansion and Future Renewal Leases													
HO113 0130	Universal Fluid Services LLC	10/1/2024	9/30/2029	3,393	0.00		Renewal						
										BRO	10/1/2025	4,665.38	16.50
										BRO	10/1/2026	4,806.75	17.00
										BRO	10/1/2027	4,948.13	17.50
										BRO	10/1/2028	5,089.50	18.00
HO113 0135	Universal Fluid Services LLC	10/1/2024	9/30/2029	4,167	5,556.00	16.00	Expansion						
										BRO	10/1/2024	5,556.00	16.00
										BRO	10/1/2025	5,729.63	16.50
										BRO	10/1/2026	5,903.25	17.00
										BRO	10/1/2027	6,076.88	17.50
										BRO	10/1/2028	6,250.50	18.00
Vacant Suites													
HO113 0005	Vacant			1,191									
HO113 0020	Vacant			1,263									
HO113 0045	Vacant			2,829									
HO113 0055	Vacant			1,558									
HO113 0065	Vacant			1,938									
HO113 0070F	Vacant			1,260									
HO113 0105	Vacant			1,658									
HO113 0105A	Vacant			237									
HO113 0135	Vacant			2,431									
HO113 0140	Vacant			1,736									
HO113 0290	Vacant			4,237									
HO113 0300	Vacant			20,368									
HO113 0350	Vacant			3,789									
HO113 0450	Vacant			5,062									
HO113 0455	Vacant			2,873									

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
HO113 0460	Vacant			1,679									
HO113 0570	Vacant			7,667									
HO113 0600	Vacant			24,157									
HO113 0700	Vacant			24,157									
HO113 0810	Vacant			10,783									
HO113 0920	Vacant			5,175									
Occupied Suites													
HO113 0010	Zoe Products International, LLC	9/1/2024	8/31/2025	835									
HO113 0030	In Sook Yi and Sang	1/1/2021	11/30/2024	2,157	1,250.00	6.95							
HO113 0040	Hertz Small Conference Room	3/1/2024	2/28/2099	415									
HO113 0070	Auditorium	1/12/2012	12/31/2050	1,130									
HO113 0070A	Intermarine Americas LLC	12/17/2018	10/31/2029	221					221.00				
HO113 0070B	Colt Midstream LLC	5/1/2021	8/31/2026	212					212.00				
HO113 0070C	Integranet Physician Resource Inc	4/1/2023	4/30/2023	210					210.00				
HO113 0070D	Integranet Physician Resource Inc	5/1/2021	5/31/2021	202					202.00				
HO113 0070E	Intermarine Americas LLC	12/17/2018	10/31/2029	394					394.00				
HO113 0100	Clayton Services Inc	8/1/2023	12/31/2028	2,251	3,095.13	16.50	1,937.62			BRA	10/1/2025	-3,188.92	-17.00
										BRA	11/1/2025	0.00	0.00
										BRA	10/1/2026	-3,282.71	-17.50
										BRA	11/1/2026	0.00	0.00
										BRO	8/1/2025	3,188.92	17.00
										BRO	8/1/2026	3,282.71	17.50
										BRO	8/1/2027	3,376.50	18.00
										BRO	8/1/2028	3,470.29	18.50
HO113 0130	Universal Fluid Services LLC	10/1/2021	9/30/2024	3,393	4,099.88	14.50	2,919.88						

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
HO113 0145	Fitness Center	1/12/2012	12/31/2050	5,114									
HO113 0150	Hertz Pickle Ball Court	3/1/2024	2/28/2099	2,257									
HO113 0200	United HealthCare Services, Inc	4/1/2024	6/30/2027	19,920	25,730.00	15.50	16,340.91			BRO	4/1/2025	26,560.00	16.00
										BRO	4/1/2026	27,390.00	16.50
										BRO	4/1/2027	28,220.00	17.00
HO113 0400	Godsey Martin PC	4/1/2024	3/31/2025	13,514	19,707.92	17.50	11,505.66						
HO113 0456	Godsey Martin PC	4/1/2024	3/31/2025	1,029	1,500.62	17.50	869.32						
HO113 0500	RGN-Houston XVI LLC	4/1/2024	7/31/2029	16,490	27,483.33	20.00	13,609.18			BRA	1/1/2025	-9,619.67	-7.00
										BRA	4/1/2025	0.00	0.00
										BRO	1/1/2025	19,238.33	14.00
										BRO	4/1/2025	19,238.33	14.00
										BRO	1/1/2026	19,925.42	14.50
										BRO	1/1/2027	20,612.50	15.00
										BRO	1/1/2028	21,299.58	15.50
										BRO	1/1/2029	21,986.67	16.00
HO113 0800	The David L Aldridge Company LLC	3/1/2024	12/31/2031	13,374	17,274.75	15.50				BRA	3/1/2025	0.00	0.00
										BRO	3/1/2025	17,832.00	16.00
										BRO	3/1/2026	18,389.25	16.50
										BRO	3/1/2027	18,946.50	17.00
										BRO	3/1/2028	19,503.75	17.50
										BRO	3/1/2029	20,061.00	18.00
										BRO	3/1/2030	20,618.25	18.50
										BRO	3/1/2031	21,175.50	19.00
HO113 0900	EEPB Company	3/1/2023	1/31/2034	9,281	13,534.79	17.50	7,762.45			BRO	4/1/2025	13,921.50	18.00
										BRO	4/1/2026	14,308.21	18.50
										BRO	4/1/2027	14,695.22	19.00
										BRO	4/1/2028	15,081.63	19.50
										BRO	4/1/2029	15,468.33	20.00
										BRO	4/1/2030	15,855.04	20.50
										BRO	4/1/2031	16,241.75	21.00
										BRO	4/1/2032	16,628.46	21.50
HO113 0950	Bank OZK	9/1/2024	12/31/2032	9,701						BRA	10/1/2024	-14,147.29	-17.50
										BRO	10/1/2024	14,147.29	17.50
HO113 1000	Logix Communications LP	8/1/2023	1/31/2033	24,157	32,209.33	16.00	20,205.19			BRO	8/1/2025	33,215.88	16.50
										BRO	8/1/2026	34,222.42	17.00
										BRO	8/1/2027	35,228.96	17.50
										BRO	8/1/2028	36,235.50	18.00

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases Cat	Date	Monthly Amount	PSF
										BRO	8/1/2029	37,242.04	18.50
										BRO	8/1/2030	38,248.58	19.00
										BRO	8/1/2031	39,255.13	19.50
										BRO	8/1/2032	40,261.67	20.00
HO113 1100	Amerapex Corporation	10/1/2023	3/31/2032	19,050	24,606.25	15.50	16,393.41			BRO	8/1/2025	25,400.00	16.00
										BRO	8/1/2026	26,193.75	16.50
										BRO	8/1/2027	26,987.50	17.00
										BRO	8/1/2028	27,781.25	17.50
										BRO	8/1/2029	28,575.00	18.00
										BRO	8/1/2030	29,368.75	18.50
										BRO	8/1/2031	30,162.50	19.00
										BTA	8/1/2025	-25,400.00	-16.00
										BTA	12/1/2025	-13,031.31	-8.21
HO113 1150	Colt Midstream LLC	4/1/2021	8/31/2026	5,106	7,236.33	17.01	4,393.91			BRO	9/1/2025	7,449.17	17.51
HO113 1200	EEPB Company	3/1/2023	1/31/2034	24,157	35,228.96	17.50	20,205.19			BRO	4/1/2025	36,235.50	18.00
										BRO	4/1/2026	37,242.04	18.50
										BRO	4/1/2027	38,248.58	19.00
										BRO	4/1/2028	39,255.13	19.50
										BRO	4/1/2029	40,261.67	20.00
										BRO	4/1/2030	41,268.21	20.50
										BRO	4/1/2031	42,274.75	21.00
										BRO	4/1/2032	43,281.29	21.50
HO113 ROOF	Cogent Communications Group Inc.	3/1/2021	2/29/2024	0					156.65				
HO113 ROOF1	Comcast Cable Communications Mgm	1/5/2016	1/4/2021	0									
HO113 ROOF2	CenturyLink Inc	12/18/2018	9/30/2024	0					121.55				
HO113 ROOF3	Logix Communications LP	2/1/2011	1/31/2022	0					81.44				
Totals:	Occupied Sqft:	58.07%	24 Units	174,570	212,957.29		116,142.72		1,598.64				
	Leased/Unoccupied Sqft:		0 Units	0									
	Vacant Sqft:	41.93%	21 Units	126,046									
	Total Sqft:		45 Units	300,616	212,957.29								

Database: R52999900001 Bldg Status: Active only HO110 Hertz Houston Brookhollow LP	Rent Roll Brookhollow Central III 9/30/2024	Page: 13 Date: 11/1/2024 Time: 1:19 PM

Bldg Id-Suit Id	Occupant Name	Rent Start	Expiration	GLA Sqft	Monthly Base Rent	Annual Rate PSF	Monthly Cost Recovery	Expense Stop	Monthly Other Income	Future Rent Increases: Cat	Date	Monthly Amount	PSF
Total Hertz Houston Brookhollow LP:													
	Occupied Sqft:	72.38%	72 Units	583,801	777,414.95		461,633.01		5,496.89				
	Leased/Unoccupied Sqft:		0 Units	0									
	Vacant Sqft:	27.62%	37 Units	222,740									
	Total Sqft:		109 Units	806,541	777,414.95								
Grand Total:													
	Occupied Sqft:	72.38%	72 Units	583,801	777,414.95		461,633.01		5,496.89				
	Leased/Unoccupied Sqft:		0 Units	0									
	Vacant Sqft:	27.62%	37 Units	222,740									
	Total Sqft:		109 Units	806,541	777,414.95								

tax bill 1

ANN HARRIS BENNETT
TAX ASSESSOR-COLLECTOR & VOTER REGISTRAR
P.O. BOX 3547
HOUSTON, TEXAS 77253-3547
TEL: 713-274-8000

* 1 0 2 0 4 7 0 0 0 0 0 0 6 *

HERTZ HOUSTON BROOKHOLLOW LP
15303 VENTURA BLVD STE 800
SHERMAN OAKS CA 91403-3198

2024 Property Tax Statement
Web Statement

Statement Date:	November 19, 2024
Account Number	
102-047-000-0006	

Taxing Jurisdiction	Exemptions	Taxable Value	Rate per $100	Taxes
Houston ISD	0	16,413,582	0.868300	$142,519.13
Harris County	0	16,413,582	0.385290	$63,239.89
Harris County Flood Control Dist	0	16,413,582	0.048970	$8,037.73
Port of Houston Authority	0	16,413,582	0.006150	$1,009.44
Harris County Hospital District	0	16,413,582	0.163480	$26,832.92
Harris County Dept. of Education	0	16,413,582	0.004799	$787.69
Houston Community College System	0	16,413,582	0.096183	$15,787.08
City of Houston	0	16,413,582	0.519190	$85,217.68

Page: 1 of 1

Total 2024 Taxes Due By January 31, 2025:	**$343,431.56**
Payments Applied To 2024 Taxes	**$0.00**
Total Current Taxes Due (Including Penalties)	**$343,431.56**
Prior Year(s) Delinquent Taxes Due (If Any)	**$0.00**
Total Amount Due For January 2025	**$343,431.56**

Penalties for Paying Late	Rate	Current Taxes	Delinquent Taxes	Total
By February 28, 2025	7%	$367,471.77	$0.00	$367,471.77
By March 31, 2025	9%	$374,340.40	$0.00	$374,340.40
By April 30, 2025	11%	$381,209.03	$0.00	$381,209.03
By May 31, 2025	13%	$388,077.67	$0.00	$388,077.67
By June 30, 2025	15%	$394,946.29	$0.00	$394,946.29

Property Description
2800 N LOOP W 800 77092 TRS 1E & 1F BLK 5 BROOKHOLLOW/HOUSTON SEC 3 3.0960 AC

Appraised Values	
Land - Market Value	2,697,240
Impr - Market Value	13,716,342
Total Market Value	16,413,582
Less Capped Mkt Value	0
Appraised Value	16,413,582

Exemptions/Deferrals

Tax Bill Increase (Decrease) from 2019 to 2024: Appraised Value 16%, Taxable Value 16%, Tax Rate -14%, Tax Bill 0%.

PLEASE CUT AT THE DOTTED LINE AND RETURN THIS PORTION WITH YOUR PAYMENT.

* 1 0 2 0 4 7 0 0 0 0 0 0 6 *

HERTZ HOUSTON BROOKHOLLOW LP
15303 VENTURA BLVD STE 800
SHERMAN OAKS CA 91403-3198

PAYMENT COUPON

Account Number
102-047-000-0006
Amount Enclosed
$_____ . _____

Make check payable to:

Web Statement - Date Printed: 11-19-2024

IF YOU ARE 65 YEARS OF AGE OR OLDER OR ARE DISABLED AND THE PROPERTY DESCRIBED IN THIS DOCUMENT IS YOUR RESIDENCE HOMESTEAD, YOU SHOULD CONTACT THE APPRAISAL DISTRICT REGARDING ANY ENTITLEMENT YOU MAY HAVE TO A POSTPONEMENT IN THE PAYMENT OF THESE TAXES.

ANN HARRIS BENNETT
TAX ASSESSOR-COLLECTOR
P.O. BOX 4622
HOUSTON, TEXAS 77210-4622

1020470000006 2024 034343156 036747177 037434040 038120903

tax bill 2

ANN HARRIS BENNETT
TAX ASSESSOR-COLLECTOR & VOTER REGISTRAR
P.O. BOX 3547
HOUSTON, TEXAS 77253-3547
TEL: 713-274-8000

* 1 0 2 0 4 7 0 0 0 0 0 0 5 *

HERTZ HOUSTON BROOKHOLLOW LP
15303 VENTURA BLVD SUITE 800
SHERMAN OAKS CA 91403-3198

2024 Property Tax Statement
Web Statement

Statement Date:	November 19, 2024
Account Number	
102-047-000-0005	

Taxing Jurisdiction	Exemptions	Taxable Value	Rate per $100	Taxes
Houston ISD	0	23,211,358	0.868300	$201,544.22
Harris County	0	23,211,358	0.385290	$89,431.04
Harris County Flood Control Dist	0	23,211,358	0.048970	$11,366.60
Port of Houston Authority	0	23,211,358	0.006150	$1,427.50
Harris County Hospital District	0	23,211,358	0.163480	$37,945.93
Harris County Dept. of Education	0	23,211,358	0.004799	$1,113.91
Houston Community College System	0	23,211,358	0.096183	$22,325.38
City of Houston	0	23,211,358	0.519190	$120,511.05

Page: 1 of 1

Total 2024 Taxes Due By January 31, 2025:	**$485,665.63**
Payments Applied To 2024 Taxes	**$0.00**
Total Current Taxes Due (Including Penalties)	**$485,665.63**
Prior Year(s) Delinquent Taxes Due (If Any)	**$0.00**
Total Amount Due For January 2025	**$485,665.63**

Penalties for Paying Late	Rate	Current Taxes	Delinquent Taxes	Total
By February 28, 2025	7%	$519,662.23	$0.00	$519,662.23
By March 31, 2025	9%	$529,375.52	$0.00	$529,375.52
By April 30, 2025	11%	$539,088.85	$0.00	$539,088.85
By May 31, 2025	13%	$548,802.18	$0.00	$548,802.18
By June 30, 2025	15%	$558,515.49	$0.00	$558,515.49

Property Description
2900 N LOOP W 77092 TR 1D BLK 5 BROOKHOLLOW/HOUSTON SEC 3 3.6570 AC

Appraised Values	
Land - Market Value	3,185,980
Impr - Market Value	20,025,378
Total Market Value	23,211,358
Less Capped Mkt Value	0
Appraised Value	23,211,358

Exemptions/Deferrals

Tax Bill Increase (Decrease) from 2019 to 2024: Appraised Value 0%, Taxable Value 0%, Tax Rate -14%, Tax Bill -14%.

PLEASE CUT AT THE DOTTED LINE AND RETURN THIS PORTION WITH YOUR PAYMENT.

* 1 0 2 0 4 7 0 0 0 0 0 0 5 *

HERTZ HOUSTON BROOKHOLLOW LP
15303 VENTURA BLVD SUITE 800
SHERMAN OAKS CA 91403-3198

PAYMENT COUPON

Account Number
102-047-000-0005
Amount Enclosed
$_____ . _____

Make check payable to:

Web Statement - Date Printed: 11-19-2024

IF YOU ARE 65 YEARS OF AGE OR OLDER OR ARE DISABLED AND THE PROPERTY DESCRIBED IN THIS DOCUMENT IS YOUR RESIDENCE HOMESTEAD, YOU SHOULD CONTACT THE APPRAISAL DISTRICT REGARDING ANY ENTITLEMENT YOU MAY HAVE TO A POSTPONEMENT IN THE PAYMENT OF THESE TAXES.

ANN HARRIS BENNETT
TAX ASSESSOR-COLLECTOR
P.O. BOX 4622
HOUSTON, TEXAS 77210-4622

1020470000005B 2024 048566563 051966223 052937552 053908885

tax bill 3

ANN HARRIS BENNETT
TAX ASSESSOR-COLLECTOR & VOTER REGISTRAR
P.O. BOX 3547
HOUSTON, TEXAS 77253-3547
TEL: 713-274-8000

* 1 0 2 0 4 7 0 0 0 0 0 0 7 *

HERTZ HOUSTON BROOKHOLLOW LP
15303 VENTURA BLVD SUITE 800
SHERMAN OAKS CA 91403-3198

2024 Property Tax Statement
Web Statement

Statement Date:	November 19, 2024
Account Number	
102-047-000-0007	

Taxing Jurisdiction	Exemptions	Taxable Value	Rate per $100	Taxes
Houston ISD	0	23,147,000	0.868300	$200,985.40
Harris County	0	23,147,000	0.385290	$89,183.08
Harris County Flood Control Dist	0	23,147,000	0.048970	$11,335.09
Port of Houston Authority	0	23,147,000	0.006150	$1,423.54
Harris County Hospital District	0	23,147,000	0.163480	$37,840.72
Harris County Dept. of Education	0	23,147,000	0.004799	$1,110.82
Houston Community College System	0	23,147,000	0.096183	$22,263.48
City of Houston	0	23,147,000	0.519190	$120,176.91

Page: 1 of 1

Total 2024 Taxes Due By January 31, 2025:	**$484,319.04**
Payments Applied To 2024 Taxes	**$0.00**
Total Current Taxes Due (Including Penalties)	**$484,319.04**
Prior Year(s) Delinquent Taxes Due (If Any)	**$0.00**
Total Amount Due For January 2025	**$484,319.04**

Penalties for Paying Late	Rate	Current Taxes	Delinquent Taxes	Total
By February 28, 2025	7%	$518,221.38	$0.00	$518,221.38
By March 31, 2025	9%	$527,907.75	$0.00	$527,907.75
By April 30, 2025	11%	$537,594.13	$0.00	$537,594.13
By May 31, 2025	13%	$547,280.51	$0.00	$547,280.51
By June 30, 2025	15%	$556,966.89	$0.00	$556,966.89

Property Description
2950 N LOOP W 77092 TR 1D-1 BLK 5 BROOKHOLLOW/HOUSTON SEC 3 3.2460 AC

Appraised Values	
Land - Market Value	2,827,920
Impr - Market Value	20,319,080
Total Market Value	23,147,000
Less Capped Mkt Value	0
Appraised Value	23,147,000

Exemptions/Deferrals

Tax Bill Increase (Decrease) from 2019 to 2024: Appraised Value 0%, Taxable Value 0%, Tax Rate -14%, Tax Bill -13%.

PLEASE CUT AT THE DOTTED LINE AND RETURN THIS PORTION WITH YOUR PAYMENT.

* 1 0 2 0 4 7 0 0 0 0 0 0 7 *

HERTZ HOUSTON BROOKHOLLOW LP
15303 VENTURA BLVD SUITE 800
SHERMAN OAKS CA 91403-3198

PAYMENT COUPON

Account Number
102-047-000-0007
Amount Enclosed
$_____ . _____

Make check payable to:

Web Statement - Date Printed: 11-19-2024

IF YOU ARE 65 YEARS OF AGE OR OLDER OR ARE DISABLED AND THE PROPERTY DESCRIBED IN THIS DOCUMENT IS YOUR RESIDENCE HOMESTEAD, YOU SHOULD CONTACT THE APPRAISAL DISTRICT REGARDING ANY ENTITLEMENT YOU MAY HAVE TO A POSTPONEMENT IN THE PAYMENT OF THESE TAXES.

ANN HARRIS BENNETT
TAX ASSESSOR-COLLECTOR
P.O. BOX 4622
HOUSTON, TEXAS 77210-4622

102047000000074 2024 048431904 051822138 052790775 053759413

Subject Property Photos

We note that the below photos were captured on July 26, 2023. Additional photos are included and dated from a prior inspection we conducted in December of 2019.

Building Facade



Building Facade



Building Facade



Building Facade



Building Facade



Building Facade



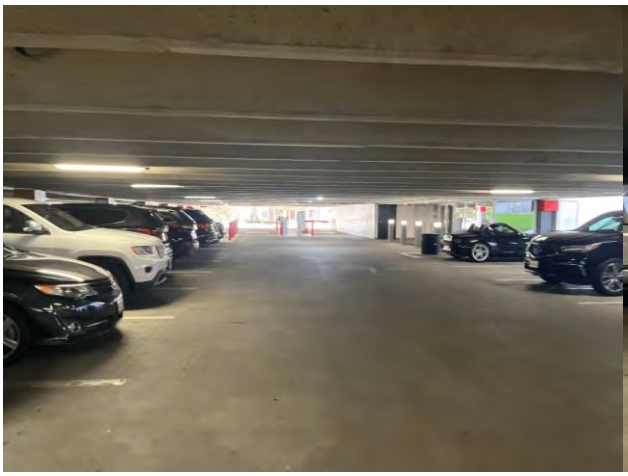
Building Facade



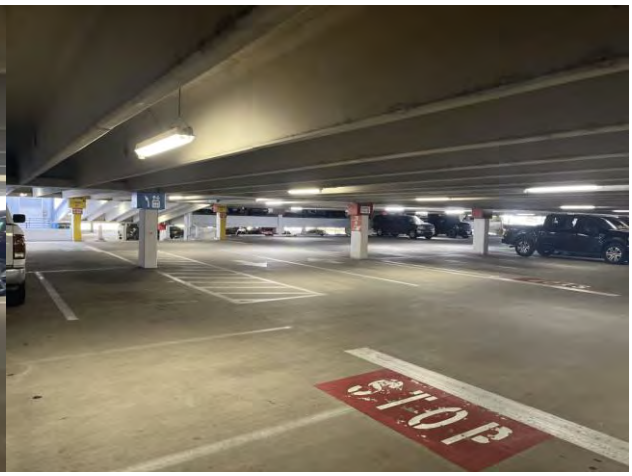
Exterior Entrance



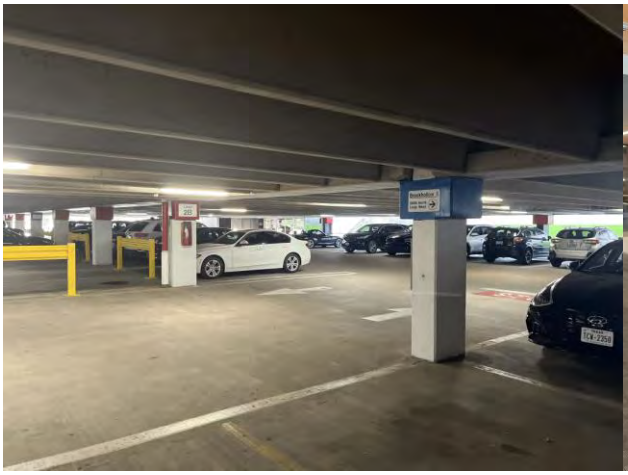
Parking Garage



Parking Garage



Parking Garage



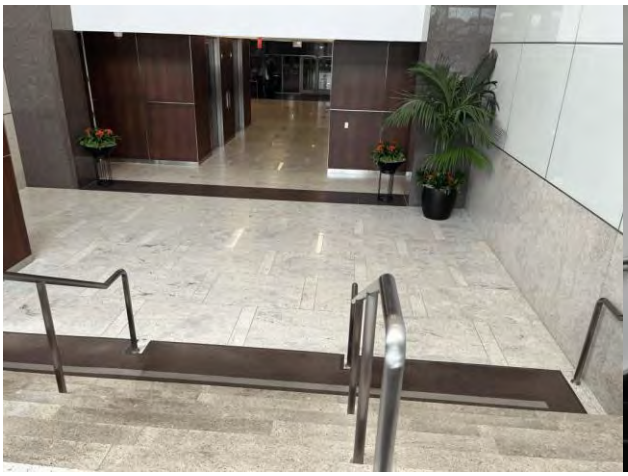
Lobby



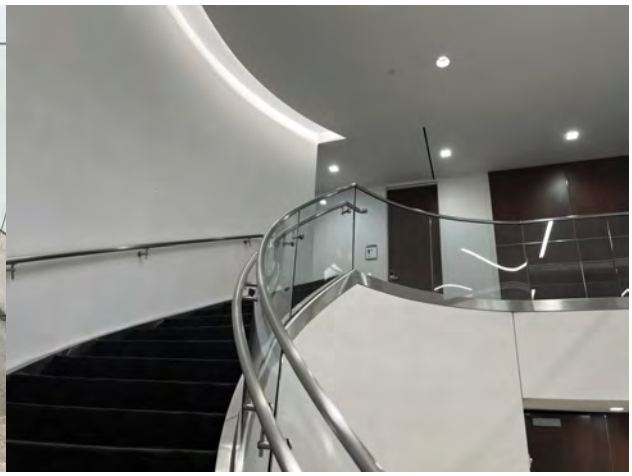
Lobby



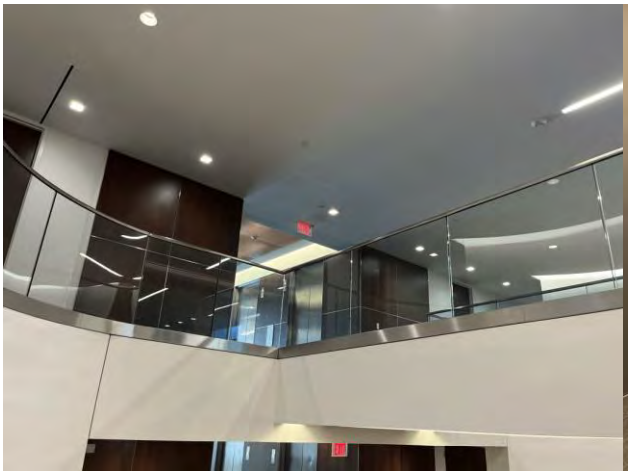
Lobby



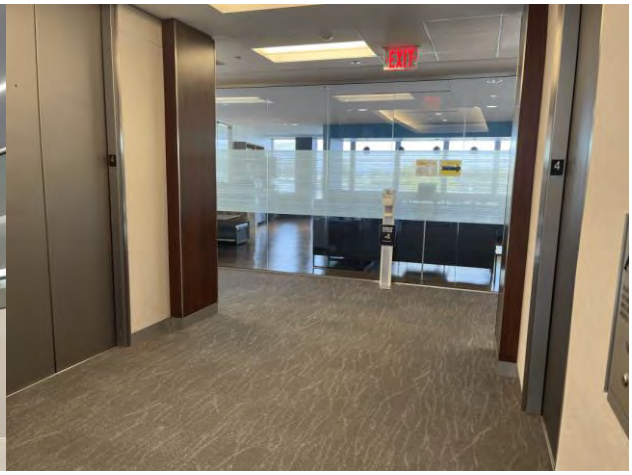
Lobby



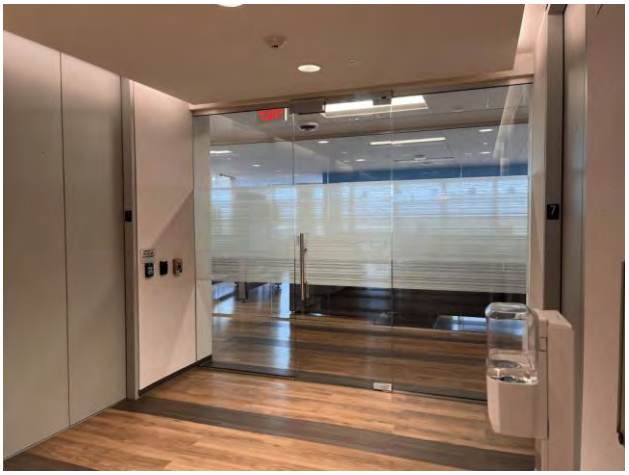
Lobby



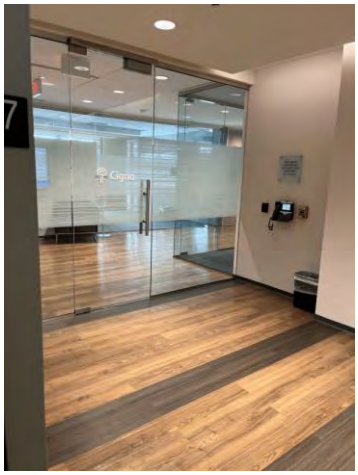
Office



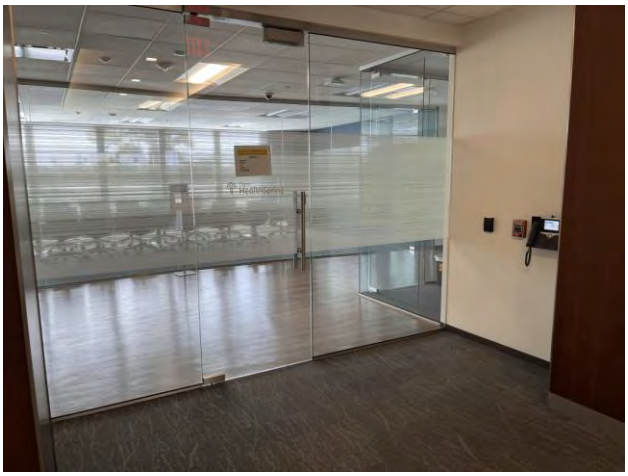
Office



Office



Office



The remainder of these photos were taken in December of 2019, on a previous inspected we conducted.

Building Facade



Building Facade



Street View



Street View



Building Facade



Parking Garage



Building Facade



Building Facade



Building Facade



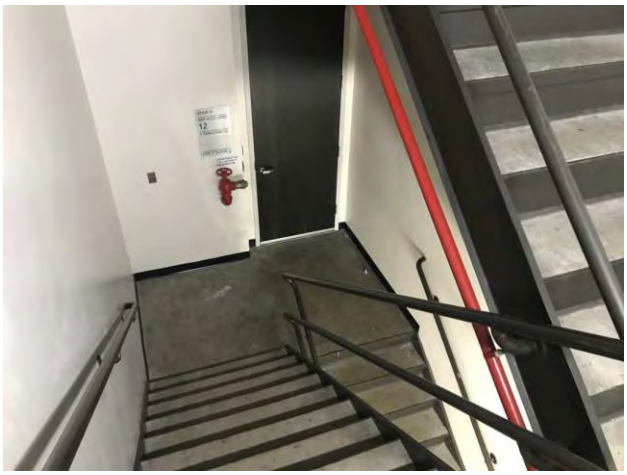
Subject Street



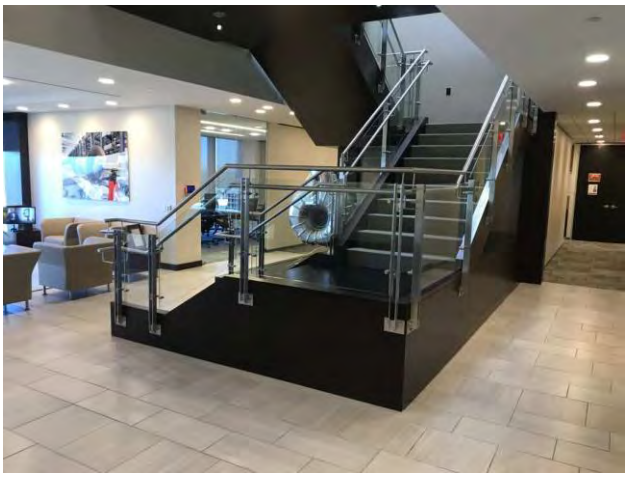
Typical Elevator



Typical Stairway



Duplexed Office Interior



Mechanicals



Roof



Parking



Parking



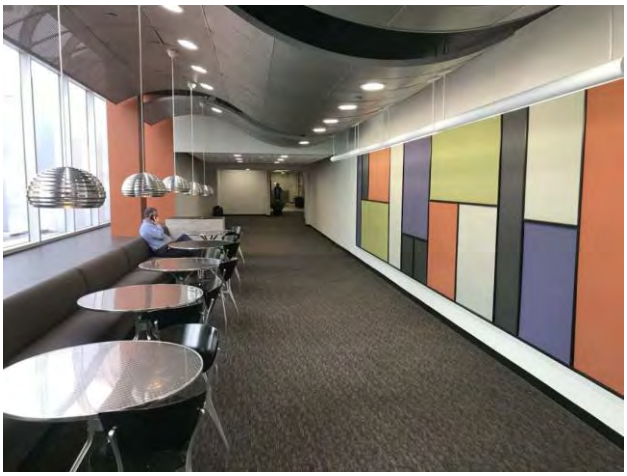
Office Interiors



Office Interiors



Office Interiors



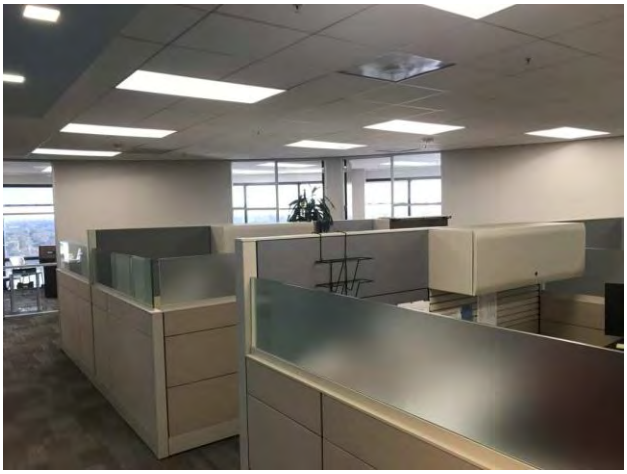
Office Interiors



Office Interiors



Office Interiors



Office Interiors



Office Interiors



Office Interiors



Office Interiors



Office Interiors



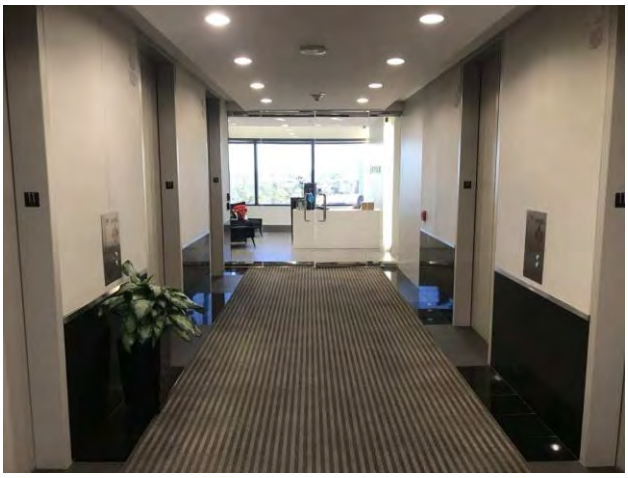
Office Interiors



Office Interiors



Office Interiors



Office Interiors



Office Interiors



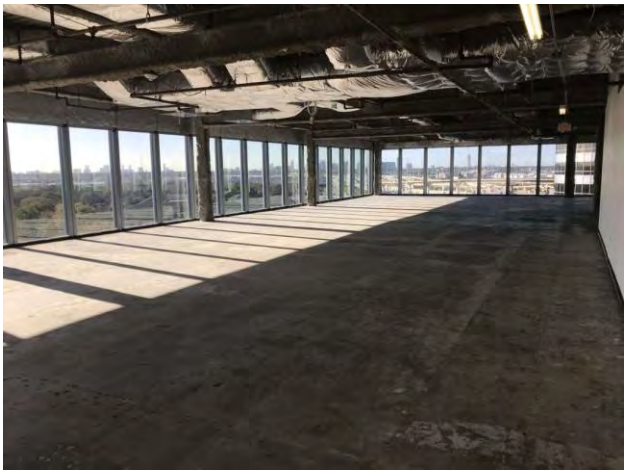
Office Interiors



Office Interiors



Office Interiors



Office Interiors



Office Interiors



Office Interiors



Roof Mounted HVAC



HVAC



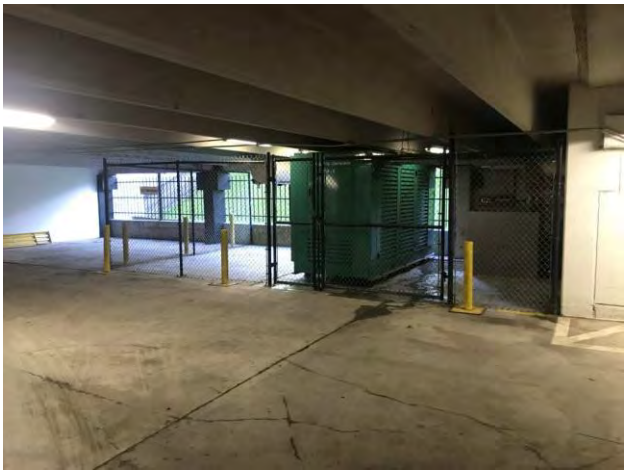
Chiller/Heat Pumps



Backup Generator



Mechanicals



Mechanicals



Chiller/Heat Pumps



Mechanicals



Mechanicals



Subject Photos – 10/20/2021

Building Facade



Building Facade



Subject Street



Subject Street



Subject Street



Subject Street



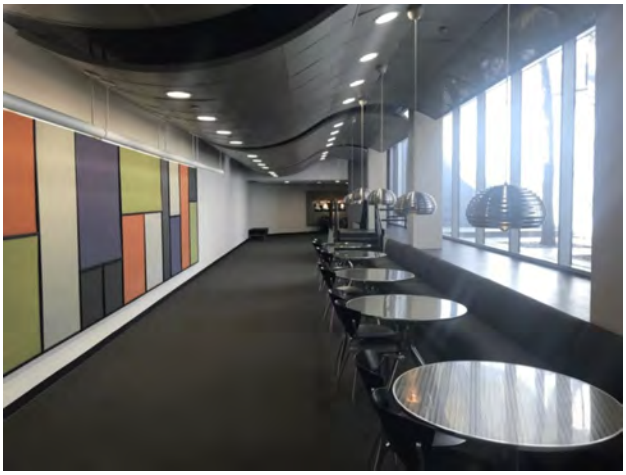
Parking Garage



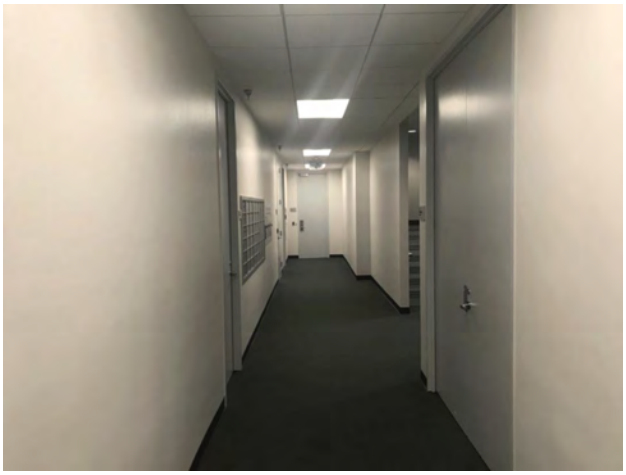
Office



Office

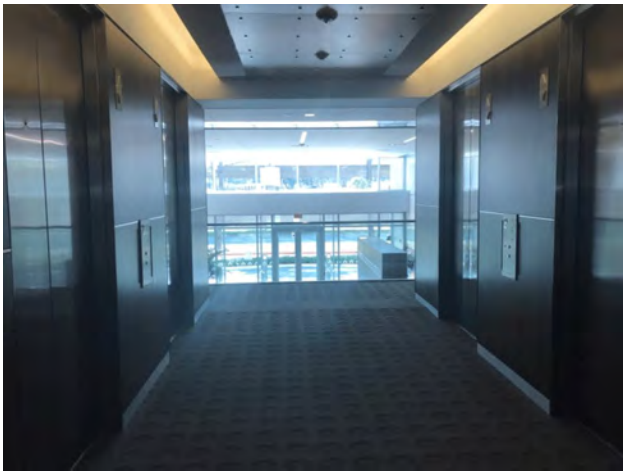


Office

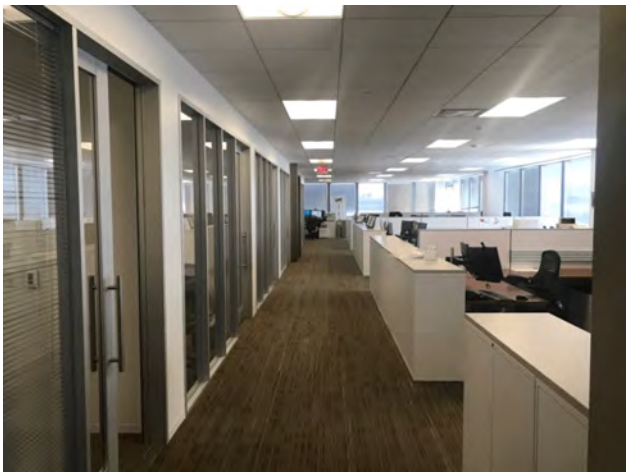


Office





Office



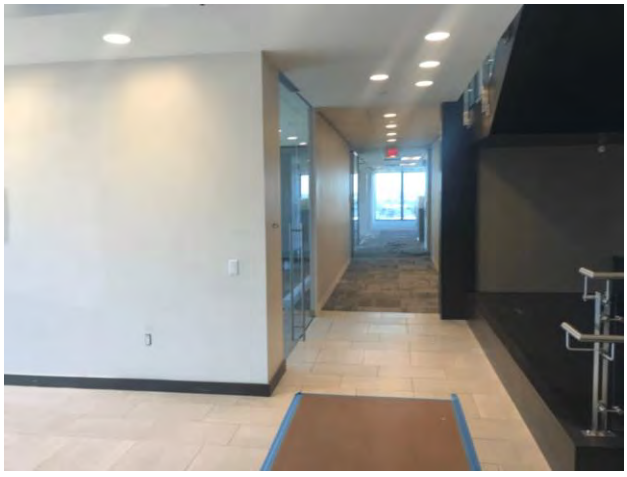
Office



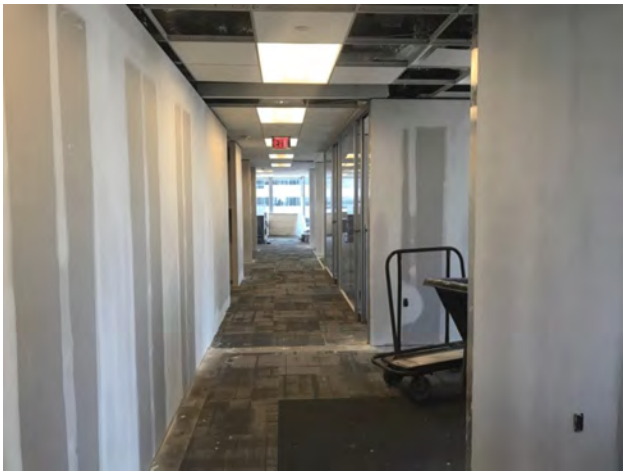
Office



Office



Office



Office



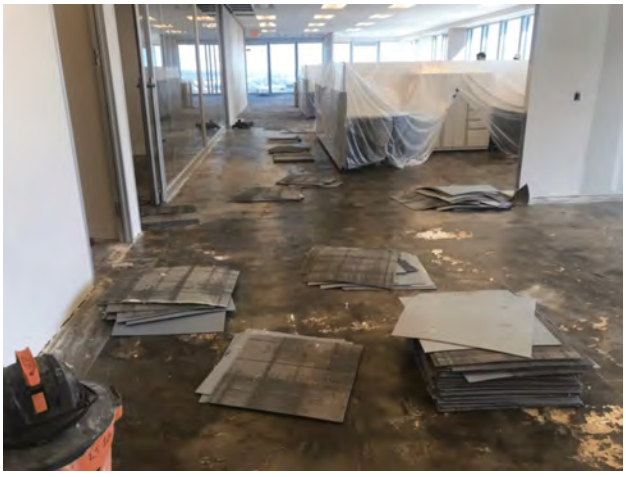
Office



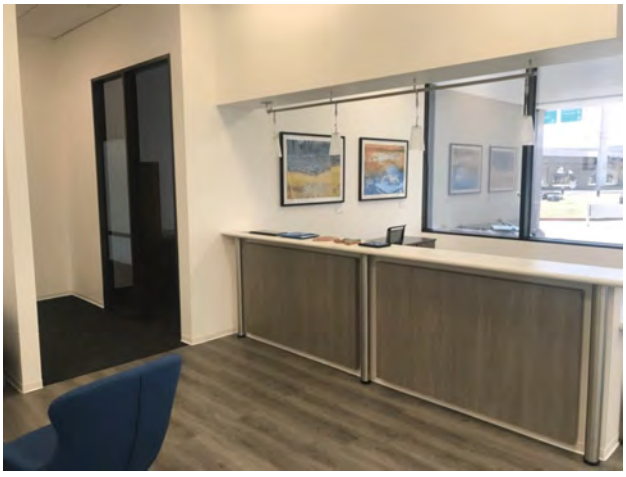
Office



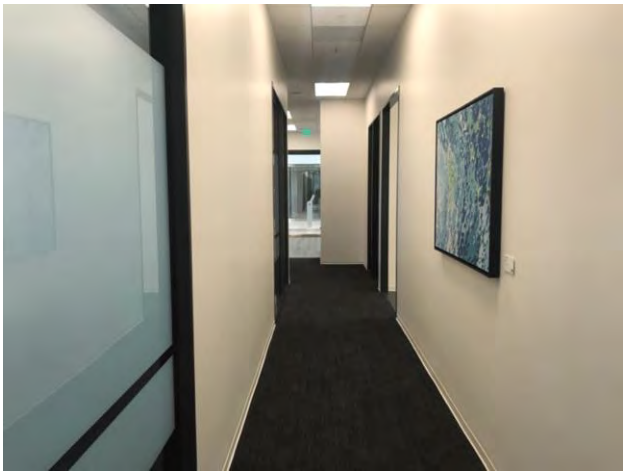
Office



Office



Office



Office



Office



Office



Office



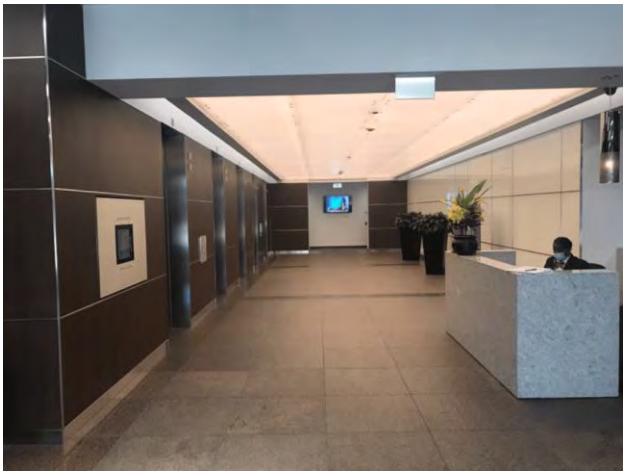
Office



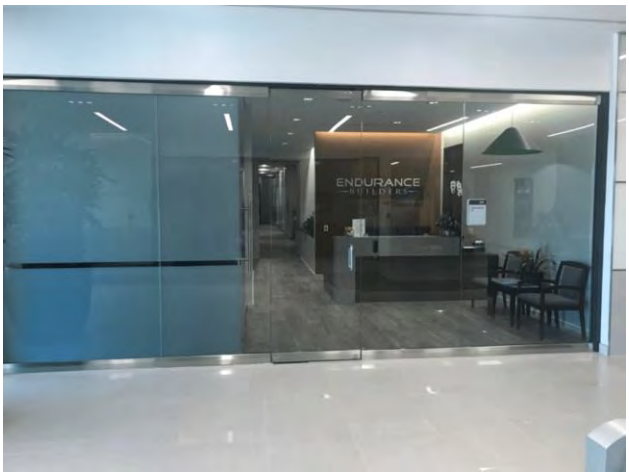
Office



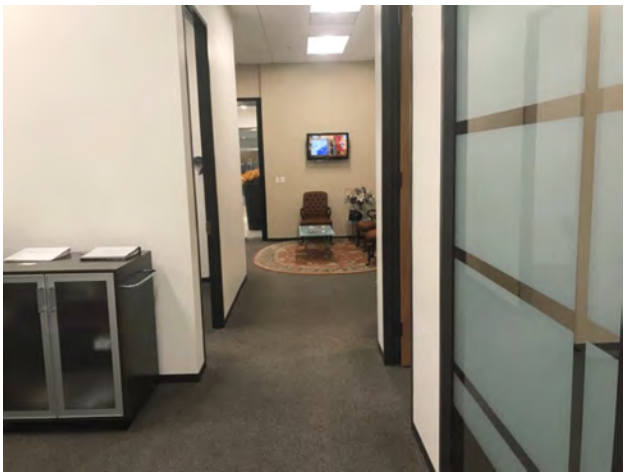
Office



Office



Office



Office



Office



Mechanicals



Mechanicals



Mechanicals



Mechanicals



Mechanicals



Qualifications

Michelle Zell, MAI

Senior Vice President

Experience

Michelle Zell is a Senior Vice President at Bowery Valuation, who joined the firm in October 2019. She has worked in the real estate appraisal industry for 18 years.

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

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

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

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

Education

Cornell University	Bachelor of Science
Emory University	Master of Public Health

Certifications & Professional Designations

Appraisal Institute	MAI, Designated Member Currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members.
Certified General Real Estate Appraiser	New York (46-49921) Florida (RZ4135) Texas (TX 1380938G) Georgia (CG404989) Louisiana (G4507)

Publications

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

Diana Zlatkina

Vice President

Experience

Diana Zlatkina is a Vice President at Bowery Valuation who joined the firm in August 2018. She has worked in the real estate appraisal industry for a total of 5 years. Ms. Zlatkina has appraised multifamily, mixed-use, retail, industrial, office, and proposed properties in New York and New Jersey, specializing in multifamily and proposed properties.

Prior to joining Bowery, Ms. Zlatkina served as an appraiser at BBG, Inc. based in New York.

Education

Boston University, Questrom School of Business	Cum Laude, Dean's List Bachelor of Business Administration with a concentration in Finance and a minor in Hospitality
Appraisal Institute	Basic Appraisal Principals Basic Appraisal Procedures 15-Hour USPAP General Appraiser Market Analysis and Highest and Best Use Real Estate Finance, Statistics and Valuation Modeling General Appraiser Sales Comparison Approach General Appraiser Site Valuation and Cost Approach General Appraiser Income Approach Parts 1 and 2 General Appraiser Report Writing and Case Studies Fair Housing, Fair Lending, and Environmental Issues

Certifications & Professional Designations

Certified General Real Estate Appraiser	New York (46000052754) New Jersey (#42RG00279200)

License



TALCB
TEXAS APPRAISER LICENSING & CERTIFICATION BOARD

Certified General Real Estate Appraiser

Appraiser: **Michelle Robyn Zell**
License #: **TX 1380938 G** License Expires: **10/31/2025**

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Occupations Code, Chapter 1103, authorization is granted to use this title: Certified General Real Estate Appraiser

For additional information or to file a complaint please contact TALCB at www.talcb.texas.gov.

Chelsea Buchholtz
Commissioner

Glossary of Terms

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

As Is Market Value — The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date, according to the Interagency Appraisal and Evaluation Guidelines (Federal Deposit Insurance Corporation: 2010). Note: The use of the "as is" phrase is specific to appraisal regulations pursuant to FIRREA applying to appraisals prepared for regulated lenders in the United States.

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

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

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

Direct Capitalization — A method used to convert an estimate of a single year's net operating income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. This technique employs capitalization rates and multipliers extracted from sales. Only the first year's income is considered. Yield and value change are implied, but not identified overall. This method is most useful when the property is already operating on a stabilized basis, according to The Appraisal of Real Estate, 14th Edition (Appraisal Institute: 2013).

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

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

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

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

Equity Dividend — The portion of net income that remains after debt service is paid; this is returned to

	the equity position.
Exposure Time	(1) The time a property remains on the market. (2) The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. Note: Exposure time is a retrospective.
Extraordinary Assumption	An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.
Fee Simple Interest	Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.
Financial Feasibility	An analysis to determine which of those uses deemed possible and legal can provide a net return to the owner of the site.
Gross Building Area	Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.
Highest and Best Use	(1) The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. (2) The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid, according to David Parker's International Valuation Standards (John Wiley & Sons, Ltd: 2016). (3) The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future, according to the Uniform Appraisal Standards for Federal Land Acquisitions (The Appraisal Foundation: 2016).
Hypothetical Condition	A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis.
Leased Fee Interest	The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.
Leasehold Interest	The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.
Legally Permissible Use	An investigation into existing zoning regulations, lease terms, and deed restrictions on the site to determine which uses are legally permitted.
Marketing Time	An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.
Market Rent	The most probable rent that property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant

	improvements (TIs).
Net Operating Income	The anticipated net income remaining after all operating expenses are deducted from effective gross income.
Net Rentable Area	For office or retail buildings, the tenant's pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based; calculated according to local practice.
Physically Possible Use	An analysis to determine those uses of the subject which can be deemed physically possible.
Potential Gross Income	The total potential income attributable to the real property at full occupancy before operating expenses are deducted. It may refer to the level of rental income prevailing in the market or that contractually determine by existing leases.
Property Rights Appraised	The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.
Prospective Opinion of Value	A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.
Replacement Costs	The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout.
Reproduction Costs	The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, super-adequacies, and obsolescence of the subject building.
Retrospective Value Opinion	A value opinion effective as of a specified historical date. The term retrospective does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion".
Reversion	A lump-sum benefit an investor expects to receive upon the termination of the investment.
Stabilized Income	(1) An estimate of income, either current or forecasted, that presumes the property is at stabilized occupancy. (2) The forecast of the subject property's yearly average income (or average- equivalent income) expected for the economic life of the subject property. (3) Projected income that is subject to change but has been adjusted to reflect an equivalent, stable annual income.
Stabilized Occupancy	(1) The occupancy of a property that would be expected at a particular point in time, considering its relative competitive strength and supply and demand conditions at the time, and presuming it is priced at market rent and has had reasonable market

	exposure. A property is at stabilized occupancy when it is capturing its appropriate share of market demand. (2) An expression of the average or typical occupancy that would be expected for a property over a specified projection period or over its economic life.
Yield Capitalization	The capitalization method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate. This method explicitly considers a series of cash flows (net income over a holding period) over time together with any reversion value or resale proceeds. Since this technique explicitly reflects the investment's income pattern, it is especially suited to multi-tenant properties with varying leasing schedules as well as properties that are not operating at stabilized occupancy, according to The Appraisal of Real Estate, 14th Edition (Appraisal Institute: 2013).