

DEAL POINTS



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Rose Hill Group

Commercial Finance and Advisory Services

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Loan Amount: \$2,000,000

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PROJECT:

The Borrower is requesting permanent financing of \$2,000,000 for the refinancing of \pm 28,560 NRSF, Class-B Office Portfolio located at 556, 560 and 564 Franklin Street. The Subject also includes one, 950 SF Multi-Family unit that rents for \$900 per month. Tenant pays their own electric while radiant heat is provided by the Borrower.

In November of 2012, the Borrower purchased the Subject for \$1,290,000. At the time of acquisition, the Building was approximately 50% leased. Subsequent to the acquisition, the Borrower has also completed approximately \$500,000 in Buildouts and Renovations. Included in the \$500,000 is the restoration of original hardwood floors and windows, as well as a buildout for Child & Adolescent Treatment Services, a replacement of 40% of the roof and HVAC work done for Allentown Pediatrics. The Borrower's total cost into the Project to date is \$1,790,000. As of 10/1/2016, the Property is 73% \pm occupied.

As such, the Borrower will be using the Loan Proceeds to recoup the \$1,790,000 already into the Project. The remaining \$210,000 will be used as a reserve for future tenant improvements.

PROPERTY:

The Property (herein known as "The Subject") is a \pm 28,560 Class-B Office Portfolio located at 556, 560 and 564 Franklin Street in Buffalo, New York. In November of 2012, the Property was purchased by the Borrower for \$1.29 million. At the time of acquisition, the property was approximately 50% occupied. Subsequently, the Borrower has invested in excess of \$500,000 of Capital Improvements into the Subject. Included in the \$500,000 is the restoration of original hardwood floors and windows. A buildout for Child & Adolescent Treatment Services, a replacement of 40% of the roof and HVAC work done for Allentown Pediatrics have been completed as well.

Situated on 0.96 acre(s), the Property includes two separate but adjacent buildings each rising to three stories tall. The Subject sits on three separate tax parcels and the Tax Identification Numbers are 100.70-4-1, 100.70-4-2 and 100.70-4-3.

The Subject was built in the early 1900's with a stone and concrete slab foundation and wood and brick structure. Both Buildings feature 200-Amp electrical service, central air-conditioning and an air-exchange heating system for Allentown Pediatrics. The remainder of the Building is serviced by a boiler system. According to the Borrower, over 40% of the roof has been replaced since the time of acquisition.

The Site features 55 asphalt surface parking spaces available free of charge. In addition, the Subject has four (4) points of ingress / egress. Three of the points open to Franklin Street, while the fourth point of ingress / egress opens to the east/west traversing North Street. Franklin Street is a one-way street with cars traveling north. According to CoStar, the average daily traffic count for Franklin Street and North Street are 2,335 and 7,654 vehicles per day, respectively. Delaware Avenue, located one street to the west of the Subject, receives an average daily traffic count of 14,980 cars per day.

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LOCATION:

The Subject is located on the western corner of Franklin Street and North Street in the City of Buffalo, Erie County, New York. Both Franklin Street and North Street are moderate-heavily traveled north/south and east/west thoroughfares within the City of Buffalo.

The surrounding area is dominated by the Buffalo Niagara Medical Campus (BNMC), which is being constructed two block to the east of the Subject on Main Street. (BNMC) is a medical center of health care, life sciences research and medical educational institutions, co-located on 120 acres in Buffalo, New York.

Nearly two million square feet of construction projects were recently completed across the Medical Campus and almost two million square feet more coming online in the next couple of years. Building this clinical, research and development space will create hundreds of new construction jobs and bring almost the number of employees working on the Medical Campus to 17,000 by 2020. This is funded by an investment of nearly \$750 million in private, public and philanthropic dollars.

The campus is a public-private partnership that has drastically increased the demand for, and value of real estate in the surrounding areas. The campus, in development for more than ten years, benefits from easy access to major transit arteries, as well as public use transit options.

Additionally, the Subject is located less than 1.0 mile(s) to the east of Elmwood Ave. Elmwood Avenue has seen immense revitalization with the addition of restaurants, shops, multifamily residences and several amenities which have made the area an attractive location to live.

Demographics

The chart below illustrates the 1, 3, 5 mile demographics for the Subject

Description	5 Miles	10 Miles	15 Miles
Population (1/1/2010)	26,227	132,613	301,283
Population (1/1/2016)	26,406	133,400	303,288
Median Household Income (\$)	\$29,700	\$27,342	\$34,193
Average Household Income (\$)	\$47,900	\$47,377	\$50,215

Source: Easi Demographics

The chart below illustrates the 5, 10, 15 mile demographics for the Subject

Description	5 Miles	10 Miles	15 Miles
Population (1/1/2010)	301,283	663,766	881,446
Population (1/1/2016)	303,288	667,605	885,810
Median Household Income (\$)	\$34,193	\$45,405	\$51,128
Average Household Income (\$)	\$50,215	\$59,729	\$67,433

Source: Easi Demographics

DEAL POINTS

REGIONAL ECONOMY:

The Subject is located in the Buffalo-Niagara MSA, which is comprised of Erie and Niagara counties. The area's geographic position (adjacent to Lake Erie, Lake Ontario, the Niagara River and the Province of Ontario, Canada) allows for ready access to markets in the populous Northeast and Canada. More than half the population in both countries (± 160 million people), as well as 52% of the personal income (\$5 trillion) created by the United States and Canada is within 500 miles of Erie County. In addition, three-quarters of Canada's manufacturing activity and 55% of the United States' manufacturing activity falls within that radius.

The regions two international airports (Niagara Falls International Airport and Buffalo-Niagara International Airport), have undergone extensive upgrading over the last few years to better serve the market. Erie County, being a border market of Canada, has greatly benefited from the Free Trade Agreement with over 20 Canadian companies opening offices in the Buffalo metropolitan area. In addition, retail trade locally has increased significantly as a direct result of Canadian dollars being injected into the local economy.

The Buffalo area is served by an excellent highway transportation system consisting of Interstate Routes 90, 190, 290 and 198. I-90 is the New York State Thruway that traverses the central part of the state from the Pennsylvania line to Albany and Boston in the east. It is the major east/west highway connecting Buffalo, Rochester, Syracuse and Albany. Interstate 190 runs from Interstate 90 near Buffalo, NY, through Grand Island, NY and into to Lewiston, NY via Niagara Falls.

The region is seeing an economic revival driven by financial services, technology, health care and education. Forbes has recently ranked Buffalo as the 10th place to raise a family, as well as the most affordable city in the U.S. The Buffalo/Niagara MSA has an estimated population of 1,134,210 as of January 1, 2014; down slightly from the 2000 census population of 1,170,111. The total number of households is estimated at 464,345 as of January 1, 2013; down from the 2000 census of 468,719. Buffalo-Niagara is the second largest metropolitan area in the state, with over 1.10 million people.

The City of Buffalo, New York State's second largest city, has a population of approximately 259,000. The Buffalo/Niagara region is home to 13 colleges and universities, with the largest: University at Buffalo 'UB' enrolling 19,831 undergraduates, 10,019 graduates, and employing 6,791 faculty, staff and researchers as of 2014.

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Major Employers

According to Business First of Buffalo (2015), the area's top full-time employers include the following:

<u>Employer</u>	<u># of Employees</u>
State of New York	15,085
Federal Executive Board	10,000
Kalieda Health	10,000
University at Buffalo	6,790
Catholic Health	6,575
M&T Bank	6,500
Tops Friendly Markets	5,772
Buffalo City School Districts	4,646
Erie County	4,203
Seneca Gaming Corp.	4,000

Franklin North

556, 560, 564 Franklin Street
Buffalo, NY

Economic Analysis and Historicals

Economic Analysis - As Stabilized									
Income:	Rental Income:	(1)	Lease Start	Lease End	Square Feet	Lease Type	2015 - Tax Return		
							Rent Per SF	Annual Rent	2013 - Tax Return
	Child and Adolescent Treatment Services		4/19/1999	12/13/2018	7,200	Gross	\$ 10.20	\$ 73,440	
	Allentown Pediatric & Adolescent Medicine		4/1/2013	3/31/2028	6,000	Gross	\$ 20.83	\$ 125,000	
	Wood Dental (Rent increases to \$49,800 on 1/1/17)		1/1/2012	12/31/2019	4,720	Modified Gross	\$ 10.55	\$ 49,800	
	Chameleon Communications West		10/1/2005	9/30/2019	2,640	Gross	\$ 13.64	\$ 36,000	
	Available - Office		-	-	8,000		\$ 10.00	\$ 80,000	
	Multi-Family - 1 Unit - 2 BR/BA		-	-	950		\$ 0.95	\$ 10,800	
	Total Rental Income:				29,510	Total SF	\$ 12.71	\$ 375,040	
	Rent Reimbursement Income:						\$ 0.04	\$ 1,196	
	Total Gross Potential Income:						\$ 12.75	\$ 376,236	
	Less Actual Vacancy:						\$ (2.71)	\$ (80,000)	
	Effective Gross Income:						\$ 10.04	\$ 296,236	
Expenses: (4)									
	1 Real Estate Taxes						\$ (1.17)	\$ (34,414)	
	2 Insurance						\$ (0.37)	\$ (10,974)	
	3 Utilities						\$ (0.76)	\$ (22,415)	
	4 Repairs & Maintenance						\$ (0.41)	\$ (12,000)	
	5 Professional Fees						\$ (0.08)	\$ (2,500)	
	6 Miscellaneous						\$ (0.03)	\$ (881)	
	7 Management Expense						\$ (0.30)	\$ (8,887)	
	8 Reserve for Replacement - Apartment						\$ (0.01)	\$ (250)	
	9 Reserve for Replacement - Office						\$ (0.15)	\$ (4,427)	
	Total Expenses:						\$ (3.28)	\$ (96,747)	
	Net Operating Income:						\$ 6.76	\$ 199,490	
Income Value Estimate Utilizing A Capitalization Rate of (rounded):									
	Value per SF:							2,800,000	
	Loan Amount:							94.88	
	Loan Per SF:							1,950,000	
	Loan To Value:							66.08	
	Debt Service:							70%	
	Debt Service Coverage Ratio:							151,216	
								1.32x	

Notes

- Rental income is based off of Borrower Provided Rent Roll dated 10-1-2016. Wood Dental's 2016 rental rate is \$47,700 per annum, increasing to \$49,800 as of 1/1/17
- The increase in Rental Income from 2015 over 2014 is a result of CATS taking on additional space as of 1/1/2015.
- Reimbursement for 2013, 2014, and 2015 are included in Total Rental Income.
- With the exception of Repairs and Maintenance and Professional Fees, all expenses have been increased by 3.0% over 2015 to account for inflation. Both Repairs and Maintenance and Professional Fees have been brought to normalized historical levels.
- Real Estate Taxes are based off of City and County tax bills for 2015-2016
- 2015 Professional Fees were high as a result of a lease procurement fee in the amount of \$16,000.
- 2015 Maintenance and Repairs included approx. \$20,000 in build out for CATS expansion
2014 Maintenance and Repairs included approx. \$35,000 in HVAC work done for Allentown Pediatrics.

Franklin North - Rent Roll

Tenant Name	Lease Start	Lease End	Square Feet	Annual Rent	PSF	Renewal Period(s)	Lease Type
Child & Adolescent Treatment Services	4/19/1999	12/31/2018	7,200	\$ 73,440	\$ 10.20	1 for two years 1st-\$6,242.50 2nd-\$6492.20	Gross
Allentown Pediatric & Adolescent Medicine	4/1/2013	3/31/2028	6,000	\$ 125,000	\$ 20.83	1 for 5 years at \$145,000	Gross
Wood Dental	1/1/2012	12/31/2019	4,720	\$ 49,800	\$ 10.55	None	Modified Gross
Chameleon Communications West	10/1/2005	9/30/2019	2,640	\$ 36,000	\$ 13.64	None	Gross
Available	-	-	8,000	\$ 80,000	\$ 10.00	-	-
Apartment - 2 BR / 1 BA			950	\$ 10,800	\$ 0.95		Tenant Pays Electric
Total:			29,510	\$ 375,040	\$ 12.71		
In Place Office Average Rent PSF:				\$ 13.81			

FRANKLIN NORTH

556, 560, 564 FRANKLIN STREET
BUFFALO, NEW YORK 14202

OFFICE RENT COMPARABLE STUDY

The following information has been deducted from an Office Rent Comparable Study. It should be noted that each of five (5) constituents in this Study are Gross Leases:

Rent Comparables:

- A Rent range of \$12.00 to \$21.03 PSF.
- Median Rent PSF of \$18.11.
- Average Rent PSF of \$16.92.

Subject:

- The Subject's average Office Rent PSF is \$13.81.
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Based on this Rent Comparable Study, the Subject's Gross Rent PSF is within range and easily justifiable.



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OFFICE RENT COMPARABLE STUDY

Franklin North - Office Rent Comp Study

	Address:	Tenant:	Tenant SF:	Lease End:	Annual Rent:	Rent PSF:	Lease Type:	Includes:
	Subject Average					\$ 13.69 (1)	Gross	Parking
1	600 Delaware Ave., Buffalo, New York 14202	Alliance Advisory Group Inc.	15,860	7/31/2021	\$ 333,550	\$ 21.03	Gross	Parking
2	329 Elmwood Ave., Buffalo, New York, 14202	Pope Law Firm	3,600	Confidential	\$ 43,290	\$ 12.00	Gross	Parking
3	300 Delaware Avenue., Buffalo, NY 14202	Steiner and Blomik	1,500	12/31/2018	\$ 18,675	\$ 12.45	Gross	Parking
4	374 Delaware Ave., Buffalo, NY 14202	Emblem Helath	3,887	Confidential	\$ 81,627	\$ 21.00	Gross	
5	120 West Tupper Street, Buffalo, NY 14201	MBK & Associates	1,723	11/30/2019	\$ 31,204	\$ 18.11	Gross	
	Median PSF					\$ 18.11		
	Average PSF					\$ 16.92		
	PSF Range					\$12.00 - \$21.03		

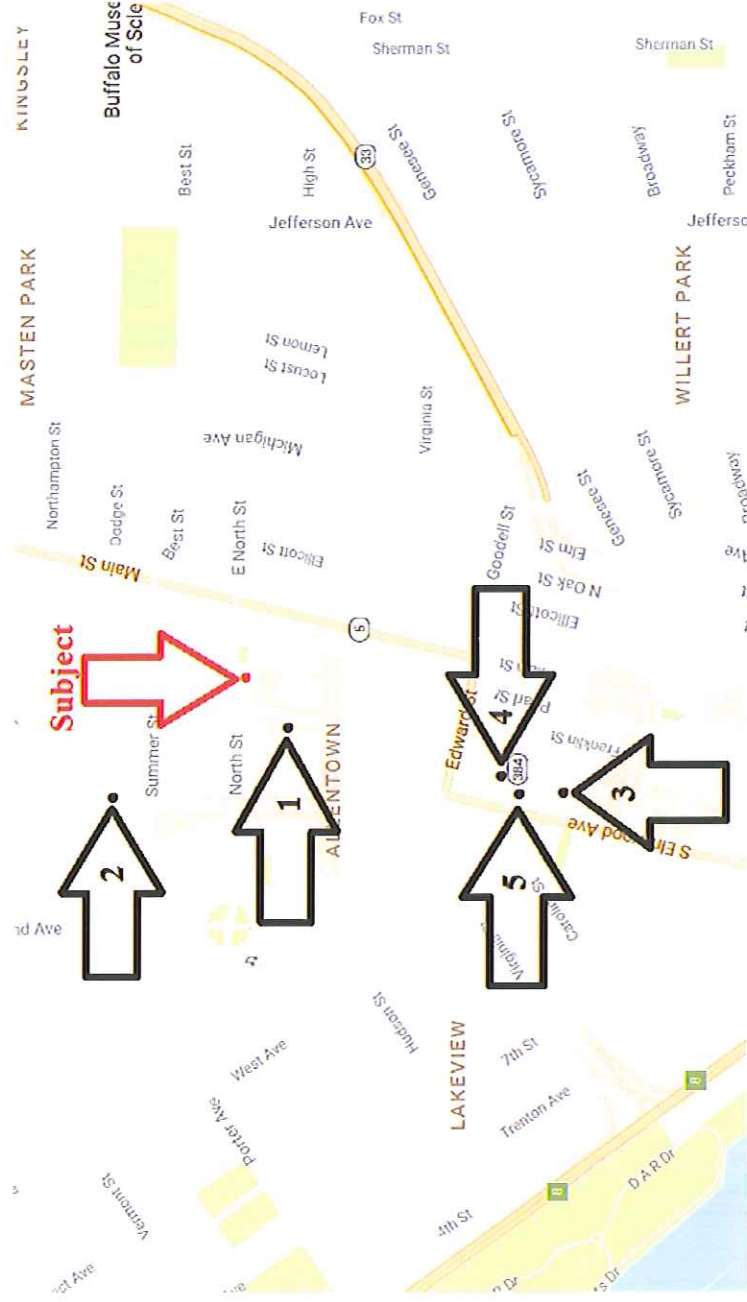
Notes

(1) Subject Rent PSF utilizes Average Rental Income PSF from Borrower Provided Rent Roll

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BUFFALO, NEW YORK 14202

OFFICE RENT COMPARABLE STUDY



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OFFICE RENT COMPARABLE STUDY

COMPARABLE RENTAL #1

600 Delaware Ave., Buffalo, New York

Tenant:	Alliance Advisory Group, Inc
Tenant SF:	15,860 SF
Lease Maturity:	7/31/2021
Annual Rent:	\$333,550
Rent PSF:	\$21.03
Includes:	Parking



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OFFICE RENT COMPARABLE STUDY

COMPARABLE RENTAL #2

329 Elmwood Ave., Buffalo, NY 14202

Tenant:	Pope Law Firm
Tenant SF:	3,600 SF
Lease Maturity:	Confidential
Annual Rent:	\$43,200
Rent PSF:	\$12.00
Includes:	Parking



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OFFICE RENT COMPARABLE STUDY

COMPARABLE RENTAL #3

300 Delaware Ave., Buffalo, New York 14202

Tenant:	Steiner and Blotnik
Tenant SF:	1,500 SF
Lease Maturity:	12/31/2018
Annual Rent:	\$18,675
Rent PSF:	\$12.45
Includes:	Parking



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OFFICE RENT COMPARABLE STUDY

COMPARABLE RENTAL #4

374 Delaware Ave., Buffalo, NY 14202

Tenant:	Emblem Health
Tenant SF:	3,887 SF
Lease Maturity:	Confidential
Annual Rent:	\$81,627
Rent PSF:	\$21.00
Includes:	-



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OFFICE RENT COMPARABLE STUDY

COMPARABLE RENTAL #5

120 West Tupper Street, Buffalo, NY 14202

Tenant:	MBK & Associates
Tenant SF:	1,723 SF
Lease Maturity:	11/30/2019
Annual Rent:	\$31,204
Rent PSF:	\$18.11
Includes:	-



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MAPS AND AERIAL VIEWS

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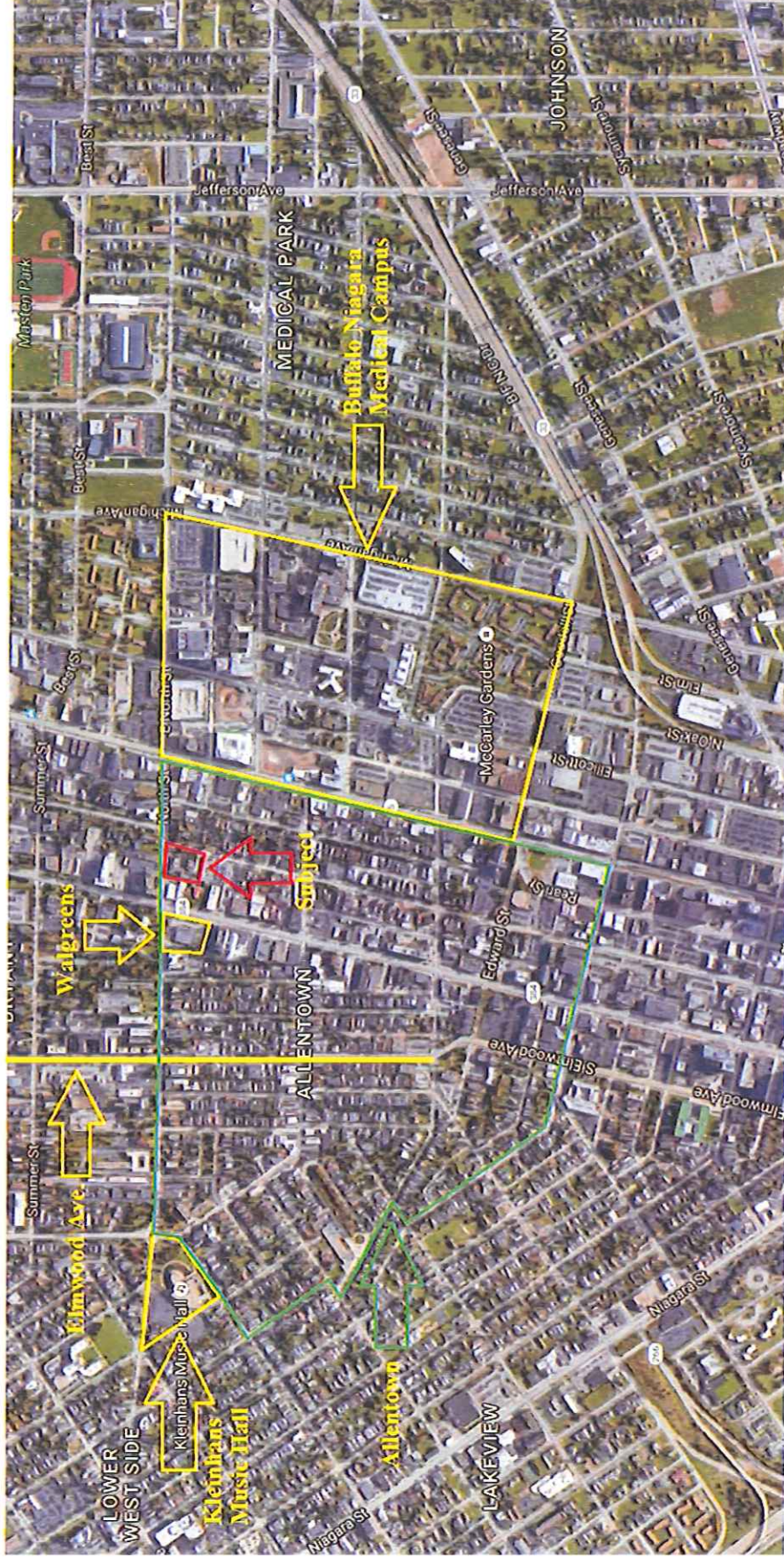
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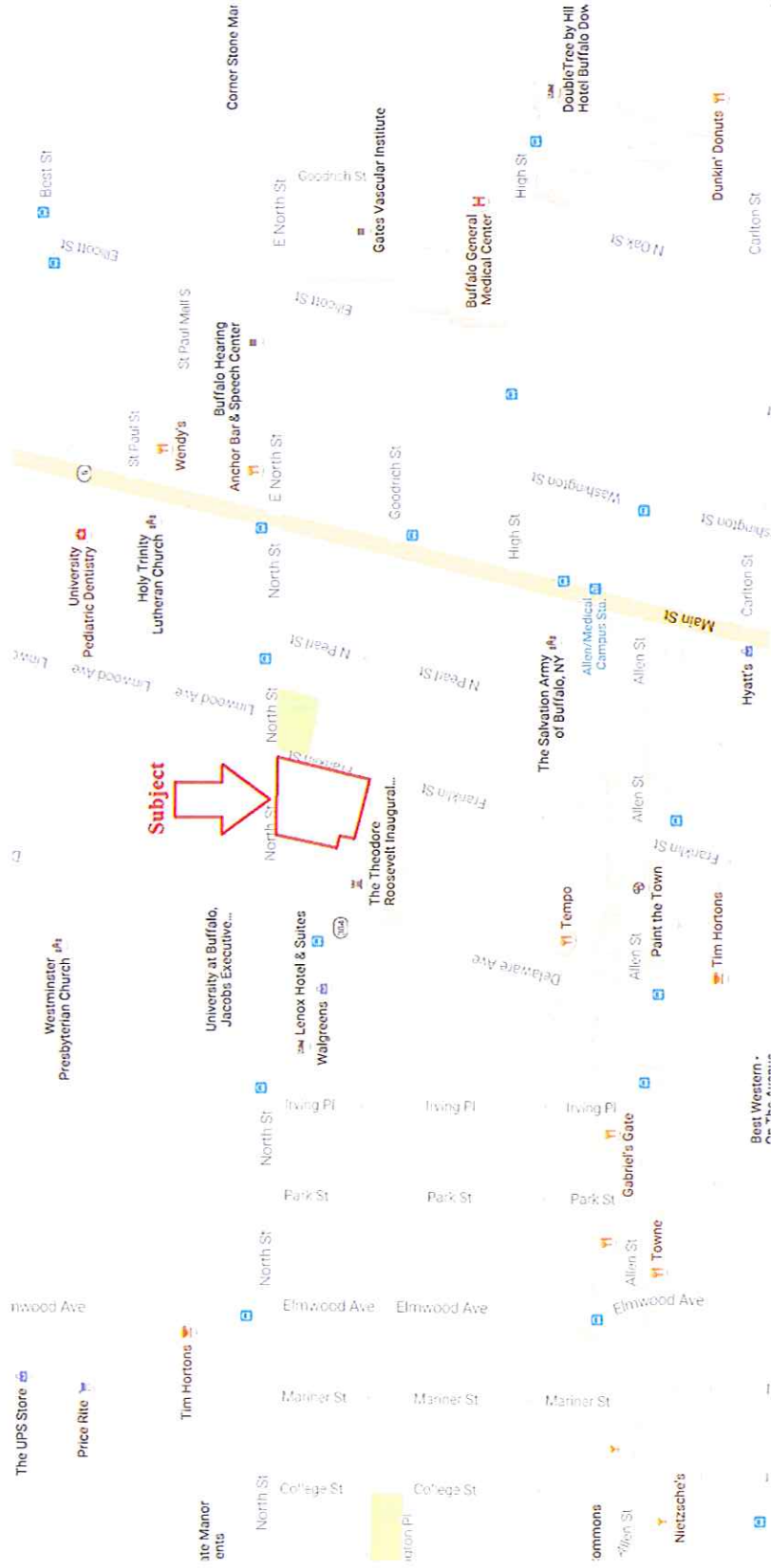
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MAPS AND AERIAL VIEWS



MAPS AND AERIAL VIEWS



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A map of Buffalo, New York, and surrounding areas. A red arrow points to Cheektowaga, which is labeled 'Subject' in red text. The map shows major highways, including I-190, I-19, and I-190. Other cities and towns visible include Buffalo, Tonawanda, Cheektowaga, and Cheektowaga. The Niagara River is shown flowing through the area. The map also includes labels for various landmarks and features, such as the Niagara Falls and the Buffalo Niagara Convention Center.

SUBJECT PHOTOS



Subject Exterior



Subject Exterior

SUBJECT PHOTOS



Subject Exterior



Subject Parking

SUBJECT PHOTOS



Subject Exterior and Signage



Subject Exterior

SUBJECT PHOTOS



Subject Exterior



Subject Interior – Chameleon Communications West

SUBJECT PHOTOS



Subject Interior – Allentown Pediatrics

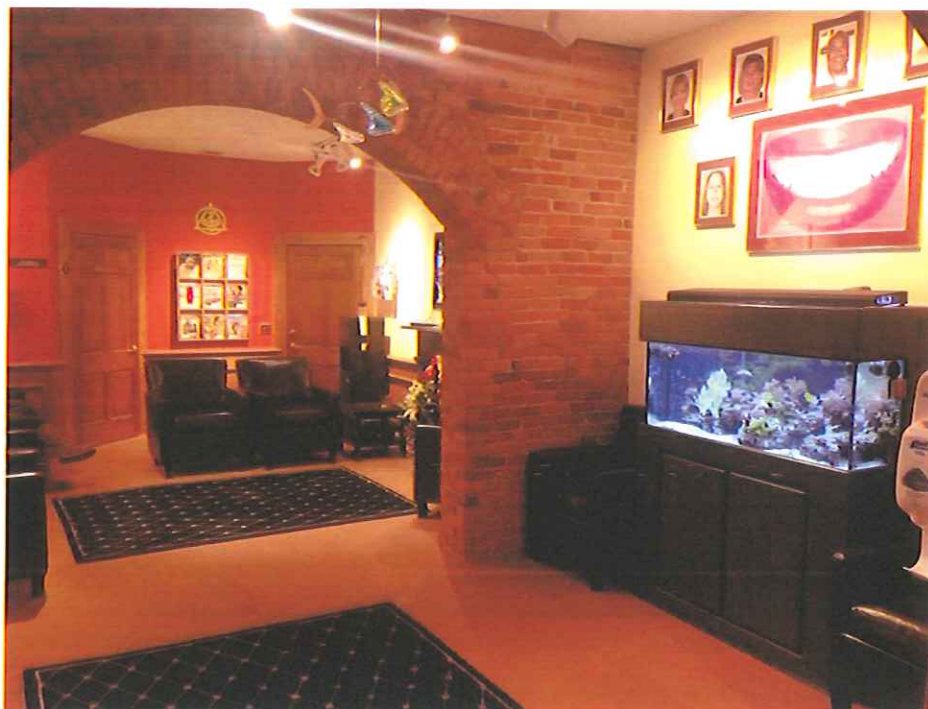


Subject Interior – Allentown Pediatrics

SUBJECT PHOTOS



Subject Interior – Allentown Pediatrics



Subject Interior – Wood Dental

SUBJECT PHOTOS



Subject Interior – Wood Dental

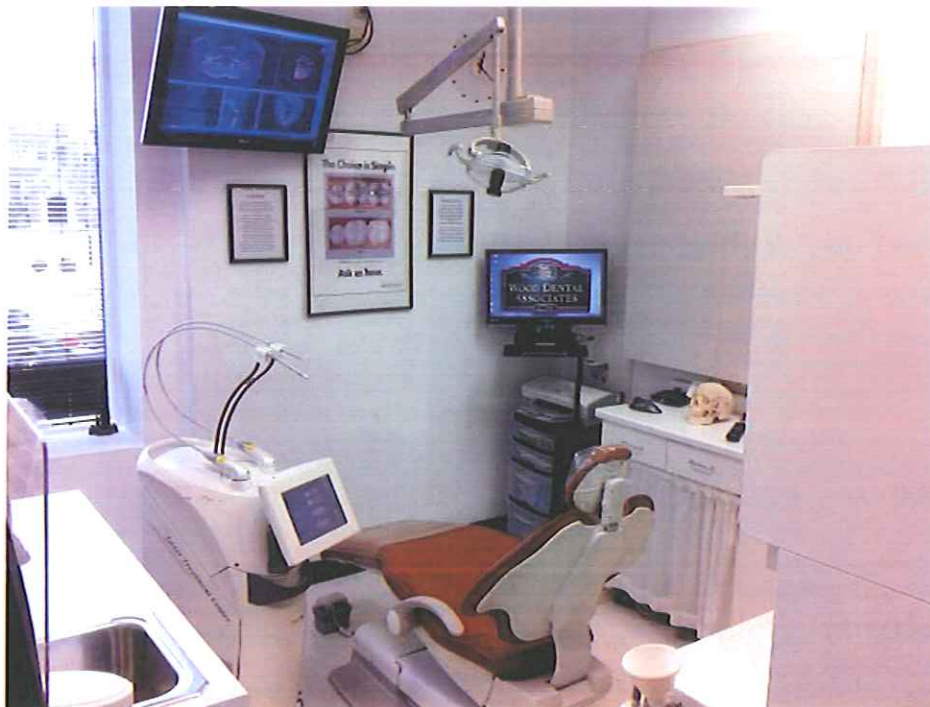


Subject Interior – Wood Dental

SUBJECT PHOTOS

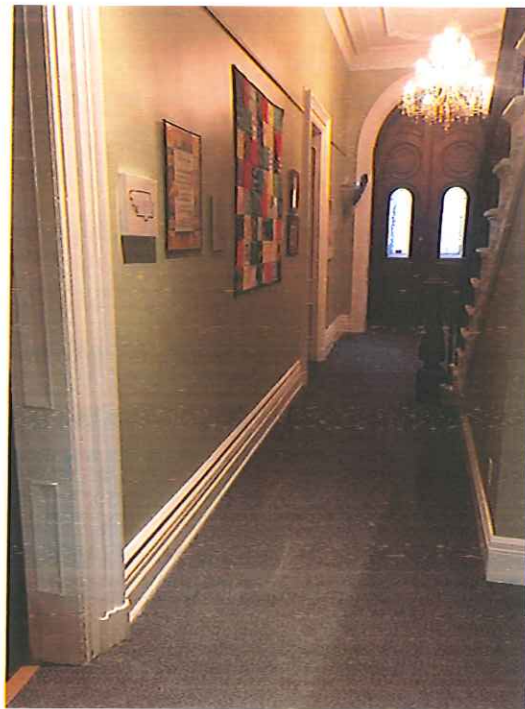


Subject Interior – Wood Dental



Subject Interior – Wood Dental

SUBJECT PHOTOS



Subject Interior – Child and Adolescents Treatment Services



Subject Interior – Child and Adolescents Treatment Services