



# BBG

## **AN APPRAISAL OF**

**A 5-STORY MIXED-USE APARTMENT BUILDING  
7 WEST 24TH STREET  
NEW YORK, NY 10010  
BBG FILE No. 0117003792**

## **FOR**

**MS. LISA CRUZ  
FIRST NATIONAL BANK OF SOUTHERN CALIFORNIA  
3727 ARLINGTON AVENUE  
SUITE 202A  
RIVERSIDE CALIFORNIA, 92506**

*Date of Valuation "As Is": May 15, 2017  
Date of Report: June 26, 2017*

## **BY**

**BBG, INC.  
3070 BRISTOL STREET, SUITE 615  
COSTA MESA, CA 92626  
714.415.4750**

**FOR QUESTIONS OR MORE INFORMATION ABOUT  
THIS REPORT,  
PLEASE CONTACT YOUR BBG CLIENT MANAGER,  
MARK HASKELL AT 714-415-0151  
MHASKELL@BBGRES.COM**



June 26, 2017

Ms. Lisa Cruz  
First National Bank of Southern California  
3727 Arlington Avenue  
Suite 202A  
Riverside California, 92506

**Re:**  
**A 5-Story Mixed-Use Apartment Building**  
**7 West 24th Street**  
**New York, NY 10010**  
**BBG File No.0117003792**

Dear Ms. Cruz:

We have performed an appraisal on the above referenced property, the conclusions of which are set forth in the attached Appraisal Report.

The subject property consists of a 5-story mixed-use apartment building containing 6 apartments and 1,848± square feet of retail space. According to public records the improvements contain 8,344 square feet of gross building area above grade and were constructed in 1925. According to the owner provided rent roll the leasable area is 7,288± square feet. The site contains 2,373± square feet of land and is zoned C5-2 Commercial. The subject is located on the north side of West 24th Street, 192± feet west of Broadway in the NoMad section of the Borough of Manhattan, City and State of New York. The site is identified on the New York County tax maps as Block 826, Lot 33.

In view of the following facts and data in conjunction with this appraisal, it is our opinion that the Market Value, subject to the general underlying assumptions and limiting conditions, is:

MARKET VALUE CONCLUSION			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
As Is	Leased Fee	May 15, 2017	\$12,300,000

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The following appraisal sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to the opinion of value. The analyses, opinions and conclusions were developed based on, and this report has been prepared in conformance with, the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute. In addition, this report was written in conformance with Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) guidelines.

Our firm appreciates the opportunity to have performed this appraisal assignment on your behalf. If we may be of further service, please contact us.

Respectfully submitted,

**BBG, Inc.**



Lauren Mann  
Senior Appraiser  
Certified General Real Estate Appraiser  
NY Certificate #46-50987



Anthony Legotti, CSA-G  
Appraiser  
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NY Certificate # 46-45471

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## SUMMARY OF SALIENT FACTS

<b>Property Name</b>	7 West 24th Street
<b>Location</b>	New York, NY 10010
<b>Block and Lot</b>	Block 826, Lot 33
<b>Date of Inspection</b>	May 15, 2017
<b>Date of Report</b>	June 26, 2017
<b>Date of As Is Value</b>	May 15, 2017
<b>Property Rights Appraised</b>	Leased Fee
<b>Highest and Best Use</b>	
As If Vacant	Mixed-use development
As Improved	Continued mixed-use with future utilization or sale of the additional development rights
<b>Zoning:</b>	C5-2 Commercial
<b>Estimated Exposure Time</b>	6 to 12 months
<b>Estimated Marketing Time</b>	6 to 12 months
<b>Property Type</b>	Mixed-Use
<b>Physical Data</b>	
Land Area (SF)	2,373
Gross Leasable Area (GLA) (SF)	7,288
Gross Building Area (GBA) (SF)	8,344
Year Built	1925
Number of Buildings	1
Number of Stories	5
Building Quality	Average
Current Occupancy	100%
<b>Value Indications</b>	
<b>Market Value As Is on</b>	May 15, 2017
Income Capitalization Approach	\$12,300,000
Sales Comparison Approach	\$12,300,000
Cost Approach	Not Used
<b>Estimated Market Value</b>	<b>\$12,300,000</b>

### EXTRAORDINARY ASSUMPTIONS & HYPOTHETICAL CONDITIONS

An extraordinary assumption is uncertain information accepted as fact. 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. The value conclusions are subject to the following extraordinary assumptions:

None Noted

A hypothetical condition is a fact that is known to be false, but presumed to be true for the purposes of the appraisal. The value conclusions are subject to the following hypothetical conditions:

None noted

### Exposure/Marketing Time

Current appraisal guidelines require an estimate of a reasonable time period in which the subject could be brought to market and sold. This reasonable time frame can either be examined historically or prospectively. In a historical analysis, this is referred to as exposure time. Exposure time always precedes the date of value, with the underlying premise being the time a property would have been on the market prior to the date of value, such that it would sell at its appraised value as of the date of value. On a prospective basis, the term marketing time is most often used. The exposure/marketing time is a function of price, time, and use. It is not an isolated estimate of time alone. In consideration of these factors, we have analyzed the following:

- exposure periods for comparable sales used in this appraisal;
- the opinions of market participants.

It is our opinion that a normal exposure time for the subject property is 6 to 12 months. This conclusion is predicated on interviews with brokers and other real estate industry sources and on information obtained in the verification process. The value reported herein presumes such an exposure time.

### Property Identification

The subject property consists of a 5-story mixed-use apartment building containing 6 apartments and 1,848± square feet of retail space. According to public records the improvements contain 8,344 square feet of gross building area above grade and were constructed in 1925. According to the owner provided rent roll the leasable area is 7,288± square feet. The site contains 2,373± square feet of land and is zoned C5-2 Commercial. The subject is located on the north side of West 24th Street, 192± feet west of Broadway in the NoMad section of the Borough of Manhattan, City and State of New York. The site is identified on the New York County tax maps as Block 826, Lot 33.

### Purpose of the Appraisal

The purpose of this appraisal is to estimate the as is market value of the subject property's leased fee estate.

### Intended Use

The intended use is for mortgage financing purposes.

### Client and Intended User

The client of the appraisal is First National Bank of Southern California. The intended user of the valuation report is First National Bank of Southern California. No other user is an intended user of this appraisal.

### Property Rights Appraised

The existence of leases within the subject property indicates that the property should be appraised on the basis of a leased fee estate (encumbered). A leased fee estate is an ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others; the rights of the lessor (the leased fee owner) and the lessee (leaseholder) are specified by contract terms contained within the lease.

### History of the Subject Property

According to public records the subject property is owned by 7 W 24th St LLC who purchased the property on January 10, 2015 for a recorded consideration of \$9,500,000. Our as is value conclusion of \$12,300,000 is 29% greater than the acquisition price. This increase is reasonable given strengthening market conditions and the buyer's 2015 renovation which included upgrades to the electric and renovation of the entryway and all units, with the exception of the retail and 5th floor (new floors, bathrooms, kitchens).

To the best of our knowledge, there have been no additional transfers of the property during the previous three years. Please note, however, that this information is included only to satisfy the requirements of USPAP. It is not intended as a guarantee to the chain of title and a title search should be performed by a title company should a definitive abstract be desired.



**Definition of Market Value**

The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States:

*The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:*

- a. Buyer and seller are typically motivated;*
- b. Both parties are well informed or well advised, and acting in what they consider their best interests;*
- c. A reasonable time is allowed for exposure in the open market;*
- d. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- e. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.<sup>1</sup>*

**Scope of Appraisal/Extent of the Data Collection Process**

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Within the course of this assignment, the appraisers have:

- Researched the subject's location in terms of its economic activity, development patterns, and future trends and related their impact on the subject's residential 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 levels and vacancy levels of similar mixed-use buildings.
- Projected the subject's stabilized net operating income and applied a market-derived capitalization rate.

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<sup>1</sup> (Interagency Appraisal and Evaluation Guidelines; December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472)



## AREA ANALYSIS

The New York Metropolitan Statistical Area (MSA) consists of the city of New York's five counties and the counties of Westchester and Rockland. The subject property is located in Manhattan, which is a borough of the city of New York. Manhattan is also known as New York County. New York City's five boroughs cover 309 square miles. New York City is the nation's center for finance, the arts, media, fashion, telecommunications, and corporate headquarters.

The city's other boroughs are Brooklyn (Kings County); the Bronx (Bronx County); Queens (Queens County); and Staten Island (Richmond County). Brooklyn and Queens have the largest economies behind Manhattan.

### Population

According to 2017 estimates, Manhattan has a total population of 1,656,943. This represents an annual increase of 4.48% from the 2010 population level. Summarized below are population statistics for the five boroughs and all of New York City over the past five decades.

NEW YORK CITY TOTAL POPULATION 1970-2021							
	1970	1980	1990	2000	2010	Est. 2017	Est. 2022
Bronx	1,471,701	1,168,972	1,203,789	1,332,650	1,385,108	1,475,915	1,534,568
% Change	N/A	-20.60%	3.00%	10.70%	3.90%	6.56%	3.97%
Brooklyn	2,602,012	2,230,936	2,300,664	2,465,326	2,504,700	2,668,187	2,767,532
% Change	N/A	14.30%	3.10%	7.20%	1.60%	6.53%	3.72%
<b>Manhattan</b>	<b>1,539,233</b>	<b>1,428,285</b>	<b>1,487,536</b>	<b>1,537,195</b>	<b>1,585,873</b>	<b>1,656,943</b>	<b>1,703,058</b>
<b>% Change</b>	<b>N/A</b>	<b>7.20%</b>	<b>4.10%</b>	<b>3.30%</b>	<b>3.20%</b>	<b>4.48%</b>	<b>2.78%</b>
Queens	1,986,473	1,891,325	1,951,598	2,229,379	2,230,722	2,367,950	2,455,385
% Change	N/A	4.80%	3.20%	14.20%	0.60%	6.15%	3.69%
Staten Island	295,443	352,121	378,977	443,728	468,730	476,264	483,976
% Change	N/A	19.20%	7.60%	17.10%	5.60%	1.61%	1.62%
Overall	7,894,862	7,071,639	7,322,564	8,008,278	8,175,133	8,645,259	8,944,519
% Annual Change	N/A	-10.43%	3.55%	9.36%	2.08%	5.75%	3.46%
Source: 1970-2000, US Census							
Source: 2017 The Nielsen Company							

New York City is home to nearly 8.65 million people in over 3.1 million households. Brooklyn is the most populous borough with 30% of the city's population. Manhattan's 1.65 million residents, at 72,000 residents per square mile, make it one of the most densely populated residential areas in the nation. While the 1970's and 1980's saw the continuing trend of ex-migration of city residents to neighboring suburbs, due primarily to high housing costs and density of living, the total population is bolstered by the large number of immigrants arriving in the city each year.

The 5.75% increase in the City's population from 2010 to 2017 can be attributed to the decrease in unemployment rate as well as increasing appeal of the City over the course of the long term. The city's population is expected to continue growth over the next 5 years.

## New York City Economy

New York City has a thriving diversified economy which explains its economic resiliency and ability to recover from economic downturns at a faster than national average rate. As the single largest regional urban economy in the country, New York City is the leading job hub for finance, communication, real estate and hospitality industries in the U.S. New York is also a major manufacturing center and shipping port, and has a thriving technological sector. The city's comprehensive economic diversification strategy has proven to be effective.

New York City's Largest Employers	
Employer	# of Employees Firmwide
City of New York	151,678
New York City Department of Education	119,618
United States Government	80,900
State of New York	69,926
Metropolitan Transportation Authority	67,381
North Shore-Long Island Jewish Health System	48,650
J.P.Morgan Chase & Co.	37,363
New York City Health and Hospitals Corp.	35,044
Mount Sinai Health System	32,056
Macy's Inc.	31,200

Source: *Crain's Book of Lists*

The traditional core sectors of the city's economy—finance and real estate—remain the foundation of the city's economic strength. The importance of financial service industry to the overall wellbeing of the city cannot be overstated. At 20% of the city's economic output, the contribution of financial services is at least twice that of the next top-grossing industry. Although the industry represents only 9% of the city's private sector jobs, it accounts for nearly a third of the private sector payroll. It also pays at least \$8 billion, or 18%, of the city's annual tax revenues. The financial services industry generates even greater economic impact due to what is known as the economic multiplier effect, which is a standard economic measure of the additional indirect and induced jobs, wages and demand in non-financial services industries resulting from an increase or decrease in financial services industry employment.

Real estate is a significant component of the New York City economy. A booming real estate market has also brought tremendous growth to the value of construction projects across the city. One notable example is the entirely new neighborhood of Hudson Yards, the single largest private real estate development in the history of the United States. When complete, the new west side neighborhood will provide over 25 million square feet of new office, retail, and residential space. Significant public investment has already gone into the recently-opened 7 subway extension and Hudson Park, reflecting a historic step towards delivering critical infrastructure and beautiful green open space to the West Side.

The City also demonstrated its commitment to working with the private sector to bring online 60 million square feet of new commercial office space citywide. Much of that will come out of the East

Midtown rezoning, which will bring state-of-the-art, high rise commercial buildings to the 73-block area around Grand Central Station.

The hospitality industry, which is sensitive to economic fluctuations, lost relatively few jobs during the last recession. This was due in part to technological advances in room pricing, which allowed hoteliers to quickly adjust room rates in order to reduce the inventory of unused rooms and maximize revenues. The post-recession return of the business traveler, in combination with a successful marketing campaign by the City, has meant that local growth in this sector outpaced the nation as a whole.

### Unemployment

As of February 2017, New York City's unemployment rate was at 4.8%. Manhattan 's unemployment rate is lower at 4.2%. The following table illustrates historical and current unemployment rates:

UNEMPLOYMENT RATES							
Year	Brooklyn	Bronx	Queens	Manhattan	NYC	NYS	USA
2002	8.6%	9.7%	7.1%	7.6%	8.0%	6.1%	5.8%
2003	9.1%	10.6%	7.4%	7.5%	8.3%	6.4%	6.0%
2004	7.6%	9.2%	6.3%	6.2%	7.1%	5.8%	5.5%
2005	6.2%	7.6%	5.2%	5.1%	5.8%	5.0%	5.1%
2006	5.4%	6.7%	4.5%	4.3%	5.0%	4.5%	4.6%
2007	5.4%	6.8%	4.5%	4.3%	5.0%	4.6%	4.6%
2008	6.0%	7.6%	5.0%	4.9%	5.6%	5.4%	5.8%
2009	9.9%	12.0%	8.4%	8.4%	9.3%	8.3%	9.3%
2010	9.9%	12.0%	8.6%	8.6%	9.5%	8.6%	9.6%
2011	9.6%	11.9%	8.1%	7.8%	9.1%	8.3%	8.9%
2012	9.8%	12.4%	8.3%	8.0%	9.3%	8.5%	8.1%
2013	9.3%	11.7%	7.7%	7.5%	8.8%	7.7%	7.4%
2014	7.6%	9.7%	6.3%	6.1%	7.2%	6.3%	6.2%
2015	5.9%	7.7%	5.0%	4.8%	5.7%	5.3%	5.5%
2016	4.5%	6.2%	3.9%	3.9%	5.2%	4.5%	4.5%
Feb-17	4.8%	6.5%	4.2%	4.2%	4.8%	4.4%	4.7%

Source: NYS Department of Labor, Bureau of Labor Statistics

### Income

The following table illustrates average and median income figures for New York City and the various boroughs.

NYC HOUSEHOLD INCOME BY BOROUGH		
	Average Household Income 2017	Median Household Income 2017
Bronx	\$51,078	\$34,959
Brooklyn	\$77,180	\$50,530
<b>Manhattan</b>	<b>\$134,059</b>	<b>\$77,932</b>
Queens	\$79,982	\$60,760
Staten Island	\$94,071	\$73,481
New York City	\$88,462	\$56,226
New York State	\$91,198	\$62,222
United States	\$80,853	\$42,728
Source: 2017 The Nielsen Company		

Manhattan is the most affluent borough in New York City, with a 2017 estimated average household income level of \$134,059.

### Culture and Recreation

New York City offers an unsurpassed variety of cultural activities. New York is a world renowned center of culture, entertainment, and shopping. New York contains hundreds of museums, art galleries, theaters, restaurants, and retail stores.

The city is home to such musical institutions as the New York City Symphony, Carnegie Hall, Lincoln Center, Brooklyn Academy of Music, and Metropolitan Opera and, with its many Broadway and off-Broadway plays and musicals, is the performing arts capital of the world. Several world famous dance troupes are located in New York including the Alvin Ailey Company and Dance Theater of Harlem.

World class museums include the Metropolitan Museum of Art, Museum of Modern Art, The Guggenheim, and Museum of Natural History. Other attractions include the Statue of Liberty, New York Aquarium, Bronx Zoo, Brooklyn Botanical Gardens, Empire State Building, United Nations, New York Stock Exchange, and many others, which draw millions of visitors each year.

New York City has significant parkland including Central Park, an 843-acre oasis in Manhattan; Prospect Park in Brooklyn; and Jamaica Bay National Wildlife Refuge in Queens. New York City has teams in every major professional sport.

### Educational and Professional Facilities

New York City has 173 schools of higher education including 21 two-year colleges, 45 four-year colleges, professional schools, law schools, and vocational schools. Manhattan is home to some of the most prominent educational institutions in the nation including Columbia University, New York University, The Juilliard School, and Manhattan School of Music. The CUNY (City University of New York) system offers an affordable education in its 6 community colleges and 11 campuses with 4-year and graduate programs across all 5 boroughs. Notable colleges and universities located outside Manhattan include Pratt Institute in Brooklyn—a well-recognized school of art and architecture; St. John's University and Queens College in Queens; and Fordham University in the Bronx. New York City also has two of the most highly regarded public high schools in the nation—Stuyvesant and Bronx Science. As in most urban areas, the City's public primary and secondary



education system is considered only fair overall with a wide range in quality of education from district to district.

New York City has 59 general hospitals, of the 189 hospitals in New York State, many of which are affiliated with local professional universities. World famous research hospitals include NYU-Cornell, Rockefeller, Columbia, and New York Hospital. Other highly ranked hospitals include Memorial Sloan-Kettering Cancer Center, Mount Sinai Hospital, New York Eye and Ear Infirmary, and New York Presbyterian Hospital.

### **Transportation**

New York City is served by the most diverse transportation system in the United States. The region's transportation network links the area to the regional, national, and global commerce and trade. A brief synopsis of the area's transportation system follows:

#### **RAIL SYSTEM**

- NYC Subway System: a 660-mile subway line servicing approximately 5.6 million passengers on an average weekday and approximately 1.7 billion passengers a year. NYC Transit operates approximately 6,485 cars 24 hours a day throughout Manhattan, Queens, Brooklyn, and the Bronx. The 26 subway routes are interconnected, and many lines feature express trains, across-the-platform transfers to local trains, and "skip-stop" express service.
- Metro North: Based in the landmark Grand Central Terminal in Midtown Manhattan, the MTA Metro North Railroad is the second largest commuter line in the United States, providing approximately 270,000 customer trips each weekday and some 86 million trips per year. With 384 route miles and 775 miles of track, Metro North goes to 120 stations distributed in seven counties in New York State--Dutchess, Putnam, Westchester, Bronx, New York (Manhattan), Rockland, and Orange--and two counties in the state of Connecticut--New Haven and Fairfield.
- Long Island Railroad: This commuter line runs from the eastern tip of Long Island to Pennsylvania Station in Manhattan and to Atlantic Terminal in Brooklyn. The MTA Long Island Rail Road is the busiest commuter railroad in North America, carrying an average of 301,000 customers each weekday on 735 daily trains.
- Port Authority Trans-Hudson (PATH) Subway System: The PATH carries 70% of all passengers entering New York City from New Jersey. Approximately 270,000 commuters use the PATH each weekday. The annual passenger trips for 2016 were 78.6 million.

#### **BUS SYSTEM**

- New York City Transit: Regularly scheduled bus service in New York City's five boroughs handles 2.4 million riders daily and 738 million annually. 208 local and 36 express bus routes operate in the five boroughs, covering 2,109 miles.
- Port Authority Bus Terminal: Regional bus lines serve approximately 57 million passengers a year, with most service to and from New Jersey.

## AIRPORTS

- **LaGuardia Airport:** LaGuardia Airport (LGA) has been operated by The Port Authority of New York and New Jersey under a lease with the City of New York since June 1, 1947. LGA consists of 680 acres and 72 aircraft gates.
- **John F. Kennedy Airport:** John F. Kennedy International Airport (JFK) is operated by The Port Authority of New York and New Jersey under a lease with the City of New York since June 1, 1947. JFK is located in the southeastern section of Queens County, New York City, on Jamaica Bay. It is 15 miles by highway from midtown Manhattan. JFK consists of 4,930 acres, including 880 acres in the central terminal area. The airport has more than 30 miles of roadway.
- **Newark Airport:** The Port Authority of New York and New Jersey has operated Newark Liberty International Airport (EWR) under a lease with the City of Newark since March 22, 1948. EWR is located in Essex and Union Counties between the New Jersey Turnpike (accessible from Exits 13A and 14), U. S. Routes 1 & 9, and I-78. The airport is about 16 miles from Midtown Manhattan. EWR consists of about 2,027 acres.

## VEHICLE NETWORK

There are several bridges and tunnels that provide access for automobiles and trucks to and through the island of Manhattan.

- **Hudson River Crossings** include the Lincoln Tunnel (connecting Weehawken, NJ and Midtown Manhattan), the Holland Tunnel (connecting Jersey City and Downtown Manhattan), and the George Washington Bridge (Interstate 95 connecting Fort Lee, NJ, and Northern Manhattan).
- **East River Crossings** include the Brooklyn Battery Tunnel (connecting Brooklyn and the Financial District), the Queens Midtown Tunnel (connecting Queens and Midtown), the Brooklyn Bridge (connecting Brooklyn and Lower Manhattan), the Manhattan Bridge (connecting Brooklyn and Lower Manhattan), the Williamsburg Bridge (connecting Williamsburg and Lower Manhattan), the Queensboro Bridge (connecting Long Island City and Midtown Manhattan).
- **Major Road and Highways** linking Manhattan include Interstate 78 (via the Holland Tunnel from New Jersey), Interstate 95 (via the George Washington Bridge from New Jersey to the Cross Bronx Expressway and New England), the Henry Hudson Parkway (to the Bronx and points north), and Interstate 495 (via the Queens Midtown Tunnel from Long Island). The FDR Drive, Harlem River Drive, West Side Highway, and Henry Hudson Parkway also serve as major routes along Manhattan's coast.

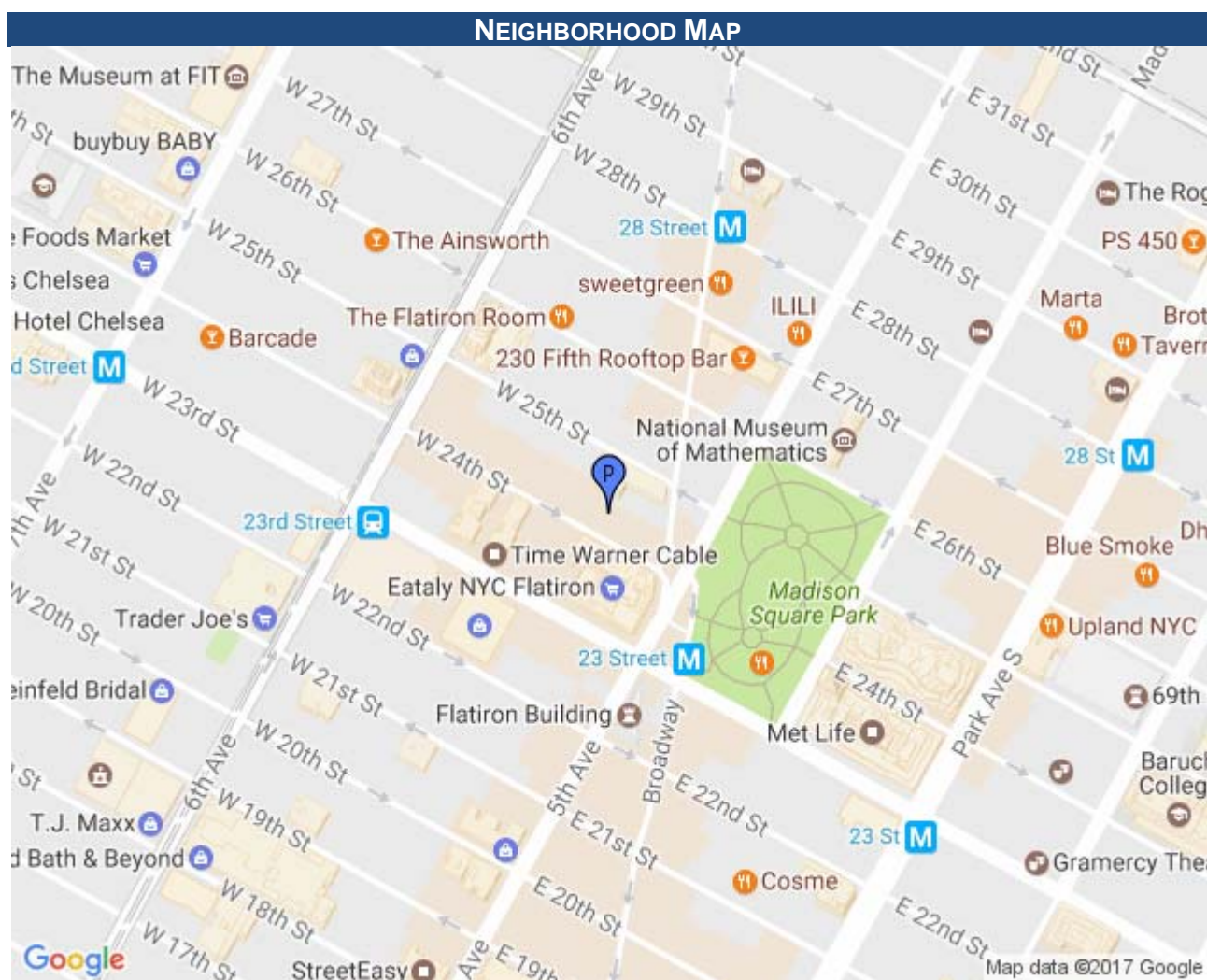
## Summary

Manhattan is often described as the cultural and financial capital of the world and hosts the United Nations Headquarters. Anchored by Wall Street in the Financial District of Lower Manhattan, New York City has been called both the most economically powerful city and the leading financial center



of the world, and Manhattan is home to the world's two largest stock exchanges by total market capitalization: the New York Stock Exchange and NASDAQ.

New York City has several key competitive advantages, including access to talent, customers, partners, and investors, which drive long-term employment growth. Knowledge-based industries, such as finance, legal services, technology and consulting, benefit from the area's key strengths.



## NEIGHBORHOOD ANALYSIS

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The subject property is located in the NoMad section of Manhattan. NoMad ("NOrth of MADison Square Park") is derived from the area's location north of Madison Square Park. The neighborhood is generally bordered by East 25th Street to the south, East 29th Street to the north, Sixth Avenue to the west and Madison Avenue to the east. The neighborhood has become one of Manhattan's most coveted mixed-use areas and offers excellent shopping and dining experiences. Landmark buildings in the general area include the Metropolitan Life Insurance Building, The New York Life Building, and the Flatiron Building.

Madison Square Park is bound to the east by Madison Avenue; on the south by 23rd Street; on the north by 26th Street; and on the west by Fifth Avenue and Broadway as they cross. On the south end of Madison Square, southwest of the park, is the Flatiron Building, one of the oldest of the original New York skyscrapers. To the east at 1 Madison Avenue is the Met Life Tower, which is now occupied by Credit Suisse, with the New York Edition Hotel comprising the clock tower portion of the building. Shake Shack, a popular permanent stand that serves food as well as wine sits near the southeast entrance to the park. Eataly, a 50,000 square foot high end food court/market is located at the southern end of the park at 200 Fifth Avenue.

The neighborhood was mainly improved with industrial and loft commercial buildings that underwent a steady period of reinvestment beginning in the 1980's. Over the past several years, the area has drawn T.A.M.I tenants (Technology, Arts, Media and Internet) who are attracted to the unconventional office space within the market, comprised mostly of "loft" style buildings. Traditional space requirements regarding this segment ranged between 5,000 and 50,000 square feet though as larger firms are moving to the area there is an increasing demand for larger units.

Beginning in the late 1990's many older loft buildings have been converted to residential condominiums and there has been substantial new residential construction in the neighborhood, most notably One Madison Park, the 47-story, 91-unit residential tower located at 23 East 22nd Street.

The area has become a desirable location for new hotels, restaurants, specialty shops, and night clubs. The Gansevoort Hotel located at Park Avenue South opened 2010 and East 29th Street and the NoMad and Ace Hotels located on Broadway and East 27th and East 28th Street, were both gut renovated and converted to hotel use in 2009 and 2012. The NoMad features the NoMad restaurant, a collaboration from Eleven Madison Park alum Daniel Humm and Will Guidara. The Ace Hotel features the trendy Breslin Bar and Dining Room. In May 2015, the New York Edition, launched by Marriot in partnership with Ian Schrager opened in the clock tower portion of the Metropolitan Life Insurance Building.

### Demographic Analysis

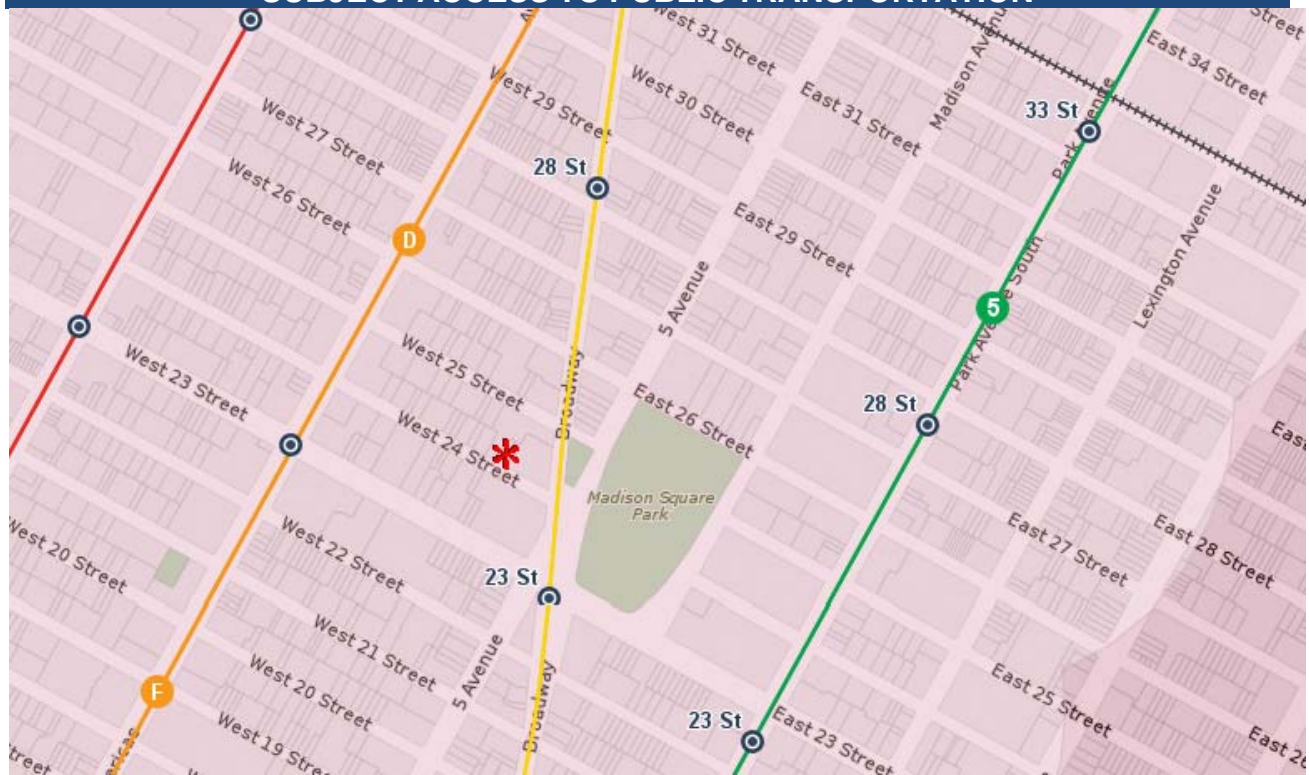
The following demographic profile, assembled by Nielson, Inc, a nationally recognized compiler of demographic data, reflects the 10010 zip code. The area is projected to have a 2017 population of 32,963 in 17,397 household units. The current projections, as forecasted by Nielson, are as follows:

DEMOGRAPHIC ANALYSIS		
Description	Zip Code 10010	New York City
<b>Population</b>		
2017 Estimate	32,963	8,645,259
Change 2011-2017	3.29%	5.75%
Change 2017-2022	2.47%	3.46%
2017 Est. Median Age	35	37
2017 Est. Average Age	40	38
<b>Households</b>		
2017 Estimate	17,397	3,304,103
Change 2011-2017	3.41%	6.25%
Change 2017-2022	2.69%	3.68%
<b>2017 Est. Households by Household Income</b>		
Income Less than \$15,000	11.2%	16.0%
Income \$15,000 - \$24,999	4.7%	10.3%
Income \$25,000 - \$34,999	3.5%	8.6%
Income \$35,000 - \$49,999	5.7%	11.4%
Income \$50,000 - \$74,999	11.2%	14.8%
Income \$75,000 - \$99,999	10.8%	10.9%
Income \$100,000 - \$124,999	9.2%	7.9%
Income \$125,000 - \$149,999	7.4%	5.3%
Income \$150,000 - \$199,999	10.0%	6.0%
Income \$200,000 - \$249,999	5.7%	2.7%
Income \$250,000 - \$499,999	10.0%	3.5%
Income \$500,000 and more	10.5%	2.5%
<b>2017 Est. Average Household Income</b>	<b>\$166,055</b>	<b>\$88,462</b>
<b>2017 Est. Median Household Income</b>	<b>\$107,625</b>	<b>\$56,226</b>
<b>2016 Est. Tenure of Occupied Housing Units</b>		
Owner Occupied	24.39%	30.67%
Renter Occupied	75.61%	69.33%
<b>2016 Est. Median All Owner-Occupied Housing Value</b>	<b>\$866,776</b>	<b>\$643,158</b>
Source: 2017 Neilson		

### Specific Subject Location

The subject is situated on the north side of West 24th Street, 192± feet west of Broadway. The subject's block is improved primarily with older low, mid and hi-rise commercial buildings with ground floor retail space. Madison Square Park is located less than one block east of the subject property.

## SUBJECT ACCESS TO PUBLIC TRANSPORTATION



Access to public transportation from the subject's location is excellent, with bus routes running along the avenues. Crosstown service is available along 23rd and 34th Streets. Subway service is provided by the 6 subway at 23<sup>rd</sup> Street and 28th Street at Park Avenue South, the F and M lines at 23<sup>rd</sup> Street and Sixth Avenue and the N and R lines at 23<sup>rd</sup> Street and 28<sup>th</sup> Street and Broadway.

### Conclusion

The subject is located in a densely populated mixed-use area within Manhattan. The neighborhood provides excellent access to public amenities including transportation, retail, personal services as well as local attractions. The overall character of the neighborhood is stable, and is highly suitable for residential and retail use.



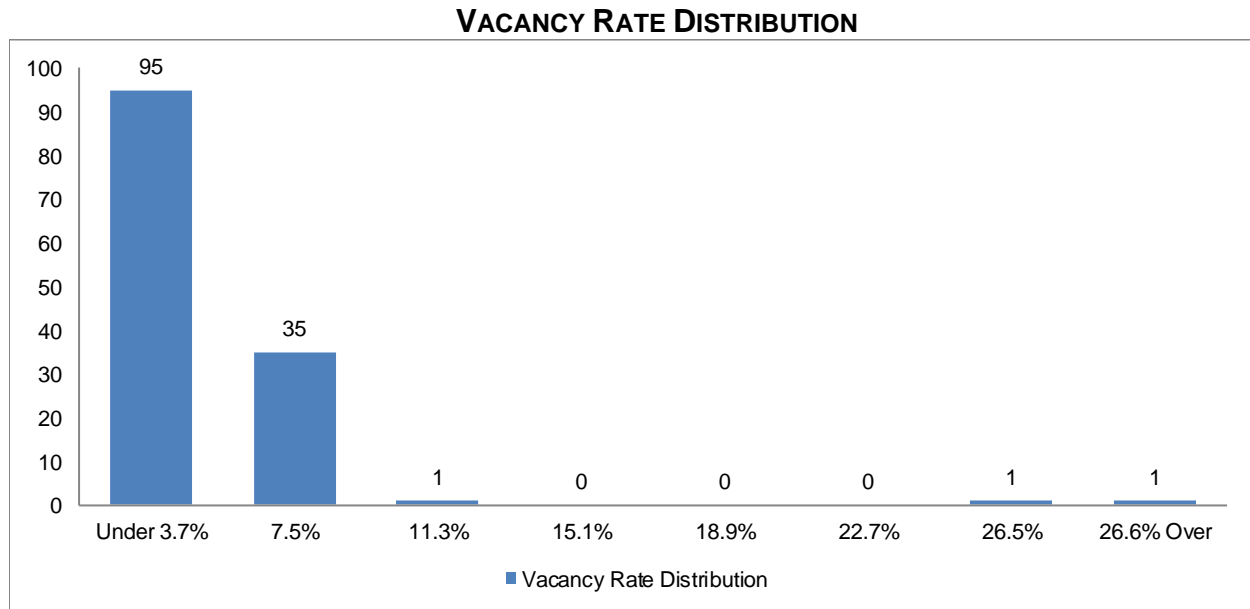


The subject property is in the Midtown West residential submarket as defined by Reis. The data related in this section is reported by Reis, Inc., an internationally recognized subscription service providing real-estate focused economic data. It is our experience that Reis is widely considered by market participants of all types, including investors, lenders, and analysts.

We note that this report is a survey sample of property owners, reflecting the performance of 133 assets and 28,357 housing units. Like other statistical readings, this study is meant to be generally instructive regarding specific performance, but individual characteristics may lead to divergence. Overall, however, it is our experience that the broad tone of the Sub Market Trend Report is often consistent with performance at the property level. Thus, given the breadth of the availability and market reliance of this data, we feel this is not only a strong indication of current local conditions, but of the assumptions investors would apply in valuing a specific asset.

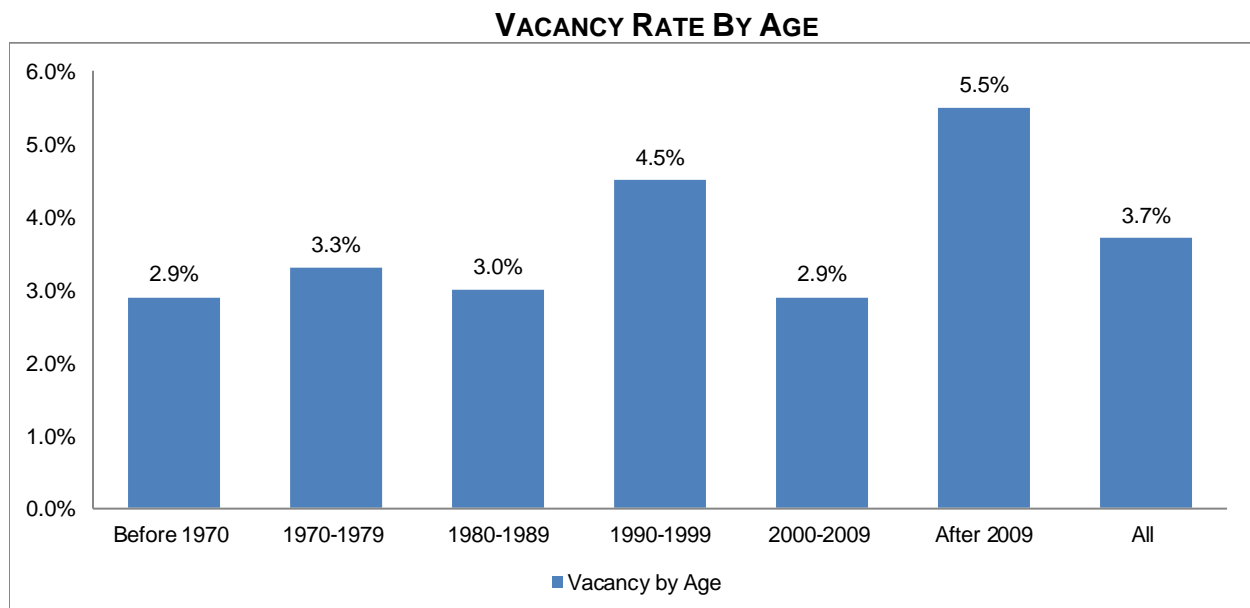
## Vacancy

Most recently, Reis reports median submarket vacancy at 2.9%, while the average vacancy rate is 3.7%.



**Source: Reis 2017**

Reis indicates that newer projects built after 2009, those which are likely to have the highest rental rates, and several of which are in their initial stabilization period exhibit above average vacancy with a predominant rate of 5.5% in the most recent quarter.



**Source: Reis 2017**

Vacancy in the submarket has increased slightly over the previous quarter's reading of 2.9%. Overall, it has remained fairly stable with the 5-year vacancy rate in Midtown West at 3.2% and the 3-year vacancy rate at 3.3%.

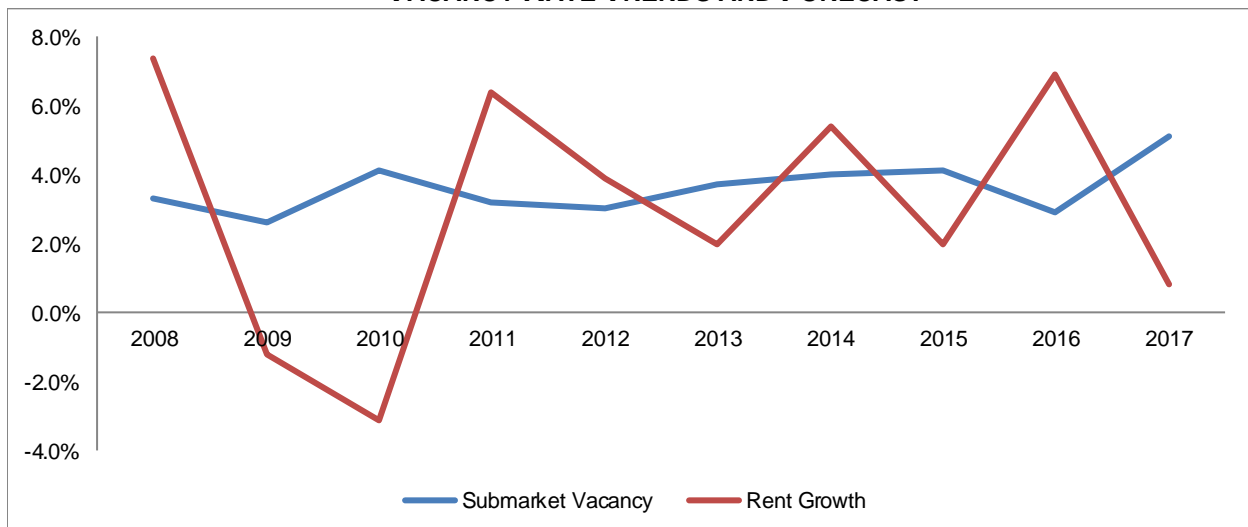
The current quarter in the submarket reflects an increase in vacancy over 4Q 2016. However, the submarket average vacancy rate of 3.7% is similar to the Metro NYC vacancy rate and the Northeast vacancy rate of 3.8% and is below the United States vacancy rate of 4.3%. The submarket, Metro NYC, Northeast and United States average vacancy rates have all remained fairly stable over the last 1, 3, and 5 year periods, though vacancy is forecast to increase over the upcoming five years. Within the submarket, vacancy is forecast to average 5.1% in 2017 and an average of 6.2% over the next 5-years.

	Vacancy Rates						
	Quarterly			Annualized			
	1Q17	4Q16	YTD Avg	1 Year	3 Year	5 Year	5 Yr Forecast
Midtown West	3.7%	2.9%	3.7%	3.2%	3.3%	3.2%	6.2%
Metro NYC	3.6%	3.3%	3.6%	3.1%	3.1%	2.8%	6.0%
Northeast	3.8%	3.8%	3.8%	3.8%	3.7%	3.7%	4.8%
United States	4.3%	4.2%	4.3%	4.3%	4.3%	4.5%	5.0%
Period Ending:	03/31/17	12/31/16	12/31/16	12/31/16	12/31/16	12/31/16	12/31/21

Source: Reis 2017

Below we have contrasted vacancy and rent trends. Observe that while rent growth has been expectedly erratic, vacancy has remained steady below 5%.

#### VACANCY RATE TRENDS AND FORECAST



Source: Reis 2017

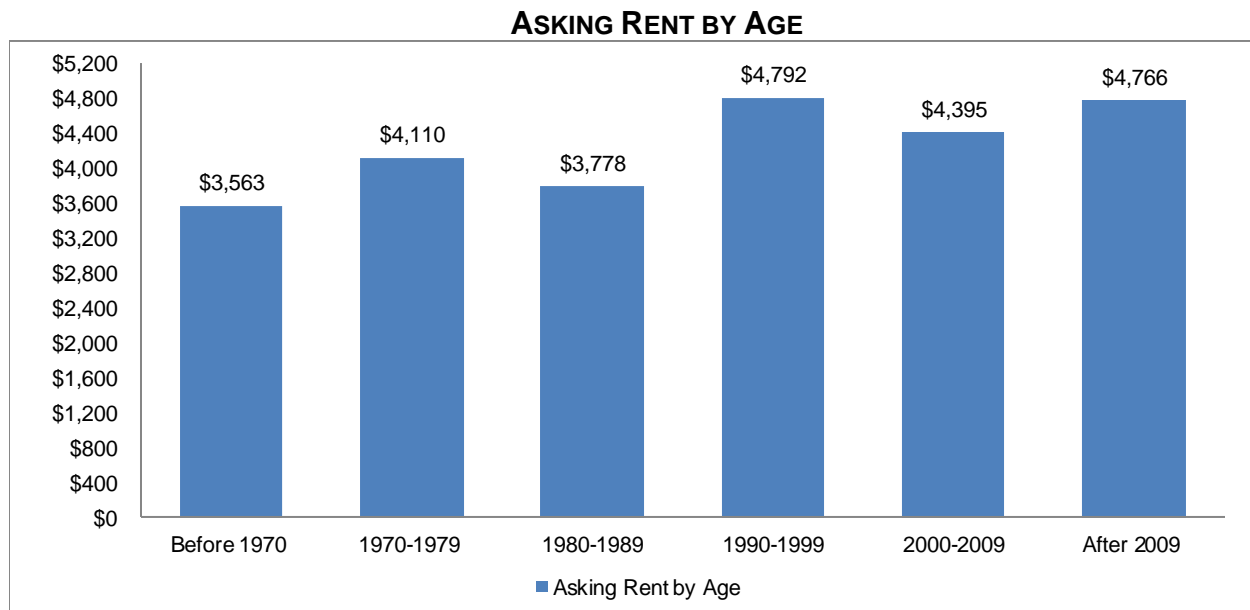
### Rental Rates

Average rental rates in the submarket are \$4,570 per month, with a range between \$2,494 and \$5,938 per month.

RENTAL RATES						
	Low	25%	Mean	Median	75%	High
Asking Rents	\$2,494	\$3,660	\$4,570	\$4,205	\$4,828	\$5,938
Rent Growth Rates	-14.4%	-1.4%	0.0%	-0.3%	0.2%	6.8%

Source: Reis 2017

Distinguishing between the ages of properties reveals that newer properties tend to outperform. Rental rates for projects built after 1990 are generally the highest, reflecting a new standard of finishes and luxury services.



Source: Reis 2017

Rents appreciated steadily from 2008 to 2017, exhibiting a 3.0% compound rate of change although growth has recently slowed. The submarket has outperformed the Metro NYC area over the past 1-year, 3-year and 5-year periods in terms of rental rate growth. While it has underperformed the Northeast and United States, rent growth within the submarket over the upcoming 5-year period is forecast to outpace growth in Metro NYC, the Northeast and the United States.

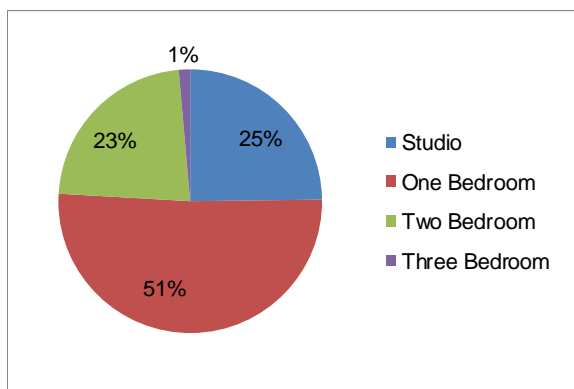
The comparison of rental trends in the submarket, Metro market, Northeast, and Nation are illustrated below:



## ASKING RENT GROWTH

	Asking Rent Growth						
	Quarterly			Annualized			
	1Q17	4Q16	YTD Avg	1 Year	3 Year	5 Year	5 Yr Forecast
Midtown West	0.0%	-0.9%	0.0%	0.8%	3.2%	3.4%	3.0%
Metro NYC	-0.5%	-0.3%	-0.5%	0.1%	3.0%	3.3%	1.9%
Northeast	0.3%	0.0%	0.3%	2.3%	3.7%	3.6%	2.6%
United States	0.4%	4.0%	0.4%	3.8%	4.6%	4.1%	2.7%
Period Ending:	03/31/17	12/31/16	12/31/16	12/31/16	12/31/16	12/31/16	12/31/21

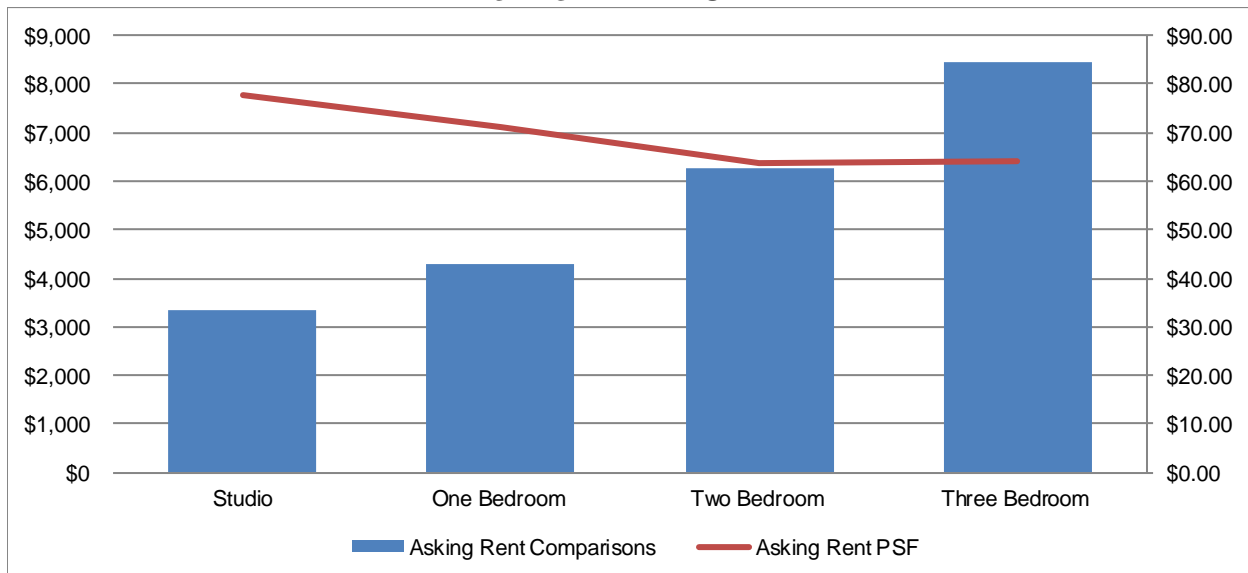
Source: Reis 2017



Reflecting the transience of the population, combined with demand, studios and one-bedrooms are the overwhelming majority of the stock at 24.8% and 51.1% of the total, while family-sized, three bedrooms are just 1.4%. Two-bedrooms make up a fair share at 22.7%.

Source: Reis 2017

## ASKING RENT BY UNIT TYPE



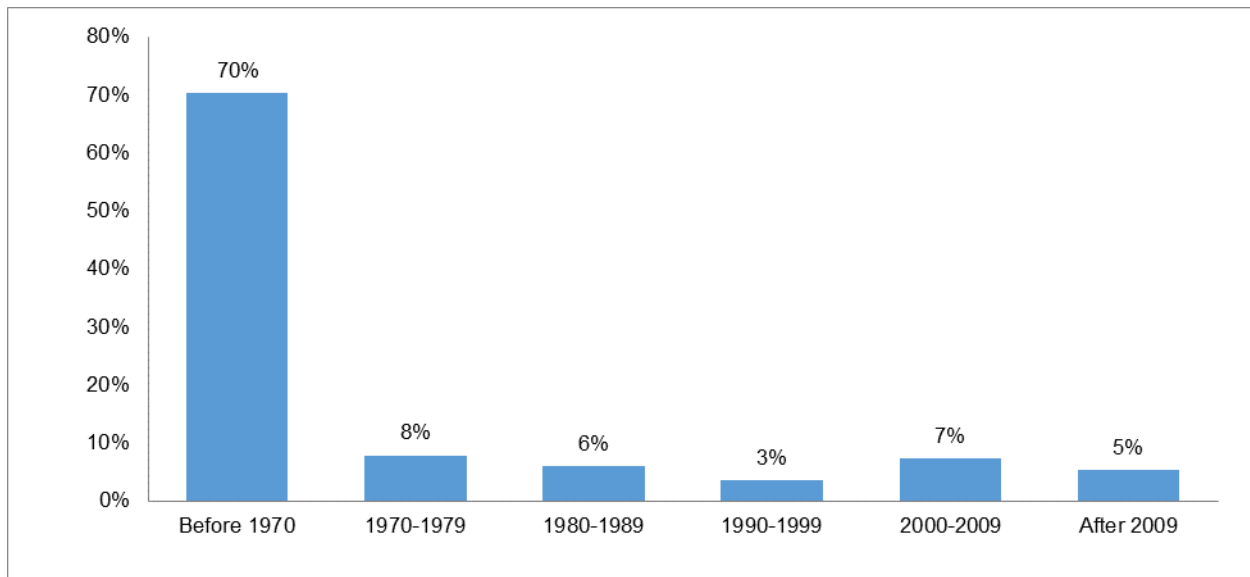
Source: Reis 2017

As indicated, rents per square foot generally vary inversely with size, as larger units command less per square foot.

### Inventory Trends

As indicated below, the overwhelming majority of housing units in the Metro market were delivered before 1970, with 70% built prior to 1970 and over forty percent built before 1940. This is similar to the submarket. Though there has been a major revitalization in the submarket, new additions to supply have been fairly inconsequential in terms of total inventory. As a result, new construction is absorbed rapidly and commands the highest rents.

### HOUSING UNITS BY YEAR BUILT (METRO NYC)



Source: Neilson, NYC

Supply growth was reported at 1.1% in the first quarter 2017 within the submarket, in line with the annualized 3-year averages of 3.2% and 3.0%. As indicated, the rates of inventory growth both locally and in Metro NYC significantly exceed that exhibited in the Northeast Region and Nationally.

### INVENTORY GROWTH COMPARISON

	Inventory Growth Comparison						
	Quarterly			Annualized			
	1Q17	4Q16	YTD Avg	1 Year	3 Year	5 Year	5 Yr Forecast
Midtown West	1.1%	3.4%	1.1%	4.0%	3.2%	3.9%	4.6%
Metro NYC	0.8%	1.3%	0.8%	4.2%	3.0%	2.9%	4.4%
Northeast	0.3%	0.5%	0.3%	1.9%	1.8%	1.5%	1.6%
United States	0.4%	0.5%	0.4%	1.9%	1.9%	1.6%	1.6%
Period Ending:	03/31/17	12/31/16	12/31/16	12/31/16	12/31/16	12/31/16	12/31/21

Source: Reis 2017

Going forward, local supply growth of 4.6% is expected over the next five years, while nationally inventory is forecast to increase at 1.6% per annum. This dynamic is reflective of the high demand for housing in the area. Although there are still relatively high barriers to entry with high development costs, investors/builders view the sub- and metro markets favorably.

### **Summary and Conclusion**

While rent growth in the submarket is forecast to increase at 3.0% per annum over the next five years, outperforming Metro NYC, the Northeast and the United States, vacancy is forecast to increase to 6.2%

## MANHATTAN RETAIL MARKET ANALYSIS

New York City is a major retail market and has one of the largest sales volumes of any city in the nation. The Manhattan retail market does not contain shopping centers in the sense that we use the term when talking about other cities or suburban areas. However, the City consists of shopping districts that function much like suburban malls. That is, the stores in that neighborhood are interdependent to some degree; each neighborhood has a couple of “anchor stores” whose performance can drive or stall dozens of smaller retailers. According to retail brokers, approximately 80% of Manhattan's retail space is in street level shops. Of the remainder, about 5 million square feet is in department stores and another 5 million square feet in office building atriums and retail projects configured as urban malls such as Trump Tower, Herald Center, Manhattan Mall, Rockefeller Center, and the Time Warner Center at Columbus Circle.

New York City tourism continued to rise and remains a critical driver of brick and mortar store sales and retail activity, as a record 60.3 million tourists visited the city throughout 2016 with 50.0 million visitors to the Times Square area alone. This record tourism, combined with rising employment and increased year-over-year average income, should boost retail store sales and curtail store closings. According to Moody's Analytics, New York City retail sales increased an estimated 2.3% in 2016 up from the 0.7 gain recorded in 2015.

According to the CoStar's Property Manhattan Retail Market Report for the First Quarter 2017, there are 53.1 million square feet of retail space within Manhattan with an overall vacancy rate of 4.1% and an average asking rent of \$89.86 per square foot. We note that within Manhattan asking rents vary on a block by block basis, with rents ranging from \$30 per square foot to over \$4,500 per square foot in the most desirable locations.

### Current Retail Environment

A comprehensive overview of current conditions within the Manhattan retail market is provided by CoStar Property Services, a market research firm. The following pages reflect the CoStar Retail Market Report for New York City (Manhattan) retail market, as of the First Quarter 2017. The CoStar market survey includes statistics for the Uptown, Downtown, Midtown and Midtown South markets.

### Total Retail Market Statistics

First Quarter 2017

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total GLA	Direct SF	Total SF	Vac %		# Blds	Total GLA	# Blds	Total GLA	
2017 1q	4,422	53,133,276	2,076,493	2,164,868	4.1%	(54,419)	3	114,528	23	2,381,590	\$89.86
2016 4q	4,419	53,018,748	1,920,527	1,995,921	3.8%	(37,262)	4	117,320	22	2,284,734	\$83.83
2016 3q	4,417	52,910,653	1,799,942	1,850,564	3.5%	560,933	5	534,088	23	2,130,616	\$85.89
2016 2q	4,419	52,423,906	1,880,697	1,924,750	3.7%	(157,549)	2	26,694	27	2,654,324	\$88.60
2016 1q	4,427	52,486,936	1,771,678	1,830,231	3.5%	(123,862)	0	0	26	2,519,168	\$83.66
2015 4q	4,432	52,579,439	1,744,697	1,798,872	3.4%	(40,531)	0	0	24	2,508,243	\$81.34
2015 3q	4,447	52,723,980	1,851,559	1,902,882	3.6%	(40,167)	2	21,268	19	2,306,857	\$92.91
2015 2q	4,454	52,764,262	1,851,546	1,902,997	3.6%	39,390	3	128,580	17	2,146,182	\$89.83
2015 1q	4,471	52,773,626	1,907,253	1,951,751	3.7%	7,678	1	24,682	16	1,098,992	\$88.25
2014	4,483	52,908,586	2,048,321	2,094,389	4.0%	(874,677)	6	125,246	15	1,058,558	\$93.92
2013	4,516	53,517,442	1,796,171	1,828,568	3.4%	(459,704)	7	202,265	11	593,598	\$92.87
2012	4,531	53,525,471	1,295,218	1,376,893	2.6%	(130,471)	3	21,788	11	394,343	\$92.89
2011	4,547	53,723,372	1,422,997	1,444,323	2.7%	352,084	7	477,898	8	286,644	\$70.55
2010	4,557	53,459,095	1,506,355	1,532,130	2.9%	422,683	10	293,481	7	476,178	\$92.99
2009	4,547	53,167,528	1,638,429	1,663,246	3.1%	757,213	8	641,639	13	660,251	\$87.77
2008	4,560	52,696,990	1,914,621	1,949,921	3.7%	560,925	3	215,056	15	1,199,976	\$82.63

Source: CoStar Property®

The New York City retail market experienced a slight decline in market conditions in the first quarter 2017. The vacancy rate went from 3.8% in the previous quarter to 4.1% in the current quarter. Net absorption was negative (54,419) square feet, and vacant sublease space increased by 12,981 square feet. Quoted rental rates increased from fourth quarter 2016 levels, ending at \$89.86 per square foot per year. A total of 3 retail buildings with 114,528 square feet of retail space were delivered to the market in the quarter, with 2,381,590 square feet still under construction at the end of the quarter.

### **Vacancy**

New York City's retail vacancy rate increased in the first quarter 2017, ending the quarter at 4.1%. In prior quarters, the market has seen an overall increase in the vacancy rate, with the rate going from 3.7% in the second quarter 2016, to 3.5% at the end of the third quarter 2016, 3.8% at the end of the fourth quarter 2016.

The amount of vacant sublease space in the New York City market has trended up over the past four quarters. At the end of the second quarter 2016, there were 44,053 square feet of vacant sublease space. Currently, there are 88,375 square feet vacant in the market.

### **Rental Rates**

Average quoted asking rental rates in the New York City retail market are up over previous quarter levels, and up from their levels four quarters ago. Quoted rents ended the first quarter 2017 at \$89.86 per square foot per year. That compares to \$83.83 per square foot in the fourth quarter 2016, and \$88.60 per square foot at the end of the second quarter 2016. This represents a 7.2% increase in rental rates in the current quarter, and a 1.40% increase from four quarters ago.

### **Largest Lease Signings**

The largest lease signings occurring in 2017 include: the 47,286-square-foot-lease signed by Nordstrom Rack at 855 Avenue of the Americas; the 39,821-square-foot-deal signed by Target at 111 W 33rd St; and the 30,045-square-foot-lease signed by Town Sports International at 2 Astor Pl.

### **Current Market Data from REBNY: Fall 2016 Retail Report**

The REBNY (Real Estate Board of New York) Fall 2016 Retail Report, the most recent report published, reflects only Manhattan's most prominent retail corridors. The report summarizes the state of the market as follows:

Increasing retail inventory and a slower retail sales environment in New York City have started to affect ground floor asking rents in Manhattan's most prominent retail corridors. The Real Estate Board of New York's (REBNY) Fall 2016 Manhattan Retail Report shows that average asking rents declined in 11 of the 17 retail corridors surveyed, which is a shift from Spring 2016 when availability was accumulating in some corridors, but the effect on asking rents was subdued.

While the range of ground floor asking rents in these corridors started to decrease on both the high and low ends in Fall 2016, members of our Manhattan Retail Report Advisory Group identified that these asking rent adjustments are indicative of a natural correction in a market that had been soaring for a brief period following the 2008 financial crisis.

According to REBNY's advisory group, the lower asking rents recorded in Fall 2016 have brought disinterested retailers off of the sidelines and back into the market as they anticipate higher carrying costs for property owners.

However, the factors causing the decline in asking rents are not all byproducts of the state of the economy and retail demand. In an environment of high asking rents, retailers are willing to wait longer for the ideal space to become available. Members of the advisory group noted that more retailers are finely combing for options that accommodate their needs and are situated in locations that best suit their brands, while also becoming more cost-conscious as a means to increase profitability. Additionally, our advisory group explained that some retailers, now looking to relocate, will sacrifice larger store size and wider frontage for ideal placement in a corridor that most effectively reflects their brand.

REBNY notes that the rents quoted are asking rents for available space. It is also noted that the physical components of a retail space factor greatly into its rental value. Attributes such as street/avenue frontage, ceiling height, presence of below and above grade space, and locational factors can affect value.

## AVERAGE ASKING RENT: SELECTED MAJOR RETAIL CORRIDORS

### Available Ground Floor Space Only

	Fall 2016	Spring 2016	Fall 2015	% Change from Spring 2016	% Change from Fall 2015
<b>EASTSIDE</b>					
Madison Ave: 57 <sup>th</sup> – 72 <sup>nd</sup> St	\$1,433	\$1,644	\$1,613	-13%	-11%
Third Ave: 60 <sup>th</sup> – 72 <sup>nd</sup> St	\$340	\$371	\$335	-8%	2%
East 86 <sup>th</sup> Street: Lexington Ave – 2 <sup>nd</sup> Ave	\$428	\$455	\$430	-6%	-1%
<b>WESTSIDE</b>					
Broadway: 72 <sup>nd</sup> – 86 <sup>th</sup> St	\$341	\$359	\$361	-5%	-6%
Columbus Ave: 66 <sup>th</sup> – 79 <sup>th</sup> St	\$403	\$405	\$375	-1%	8%
<b>MIDTOWN</b>					
East 57 Street: 5 <sup>th</sup> Ave – Park Ave	\$1,438	\$1,625	\$1,600	-12%	-10%
Fifth Ave: 42 <sup>nd</sup> – 49 <sup>th</sup> St	\$1,259	\$1,368	\$1,203	-8%	5%
Fifth Ave: 49 <sup>th</sup> – 59 <sup>th</sup> St	\$3,484	\$3,398	\$3,397	3%	3%
Broadway & 7 <sup>th</sup> Ave: 42 <sup>nd</sup> – 47 <sup>th</sup> St	\$2,170	\$2,363	\$2,390	-8%	-9%
<b>MIDTOWN SOUTH</b>					
<b>Flatiron</b>					
Fifth Ave: 14 <sup>th</sup> – 23 <sup>rd</sup> St	\$390	\$385	\$394	1%	-1%
Broadway: 14 <sup>th</sup> – 23 <sup>rd</sup> St	\$390	\$447	\$510	-13%	-23%
<b>Herald Square</b>					
West 34 <sup>th</sup> St: 5 <sup>th</sup> – 7 <sup>th</sup> Ave	\$745	\$890	\$836	-16%	-11%
<b>DOWNTOWN</b>					
<b>Meatpacking</b>					
14 <sup>th</sup> St: 9 <sup>th</sup> – 10 <sup>th</sup> Ave	\$345	\$348	\$372	-1%	-7%
<b>Financial District</b>					
Broadway: Battery Park – Chambers St	\$369	\$326	\$308	13%	20%
<b>SoHo</b>					
Broadway: Houston – Broome St	\$755	\$824	\$831	-8%	-9%
<b>West Village</b>					
Bleaker St: 7 <sup>th</sup> Ave South – Houston St	\$471	\$513	\$468	-8%	1%
<b>UPPER MANHATTAN</b>					
<b>Harlem</b>					
125 <sup>th</sup> St (River to River)	\$125	\$138	\$132	-9%	-5%

\*Statistics reflect availabilities on 10/15/16

**Submarket Performance**

The subject property is located in the Chelsea retail submarket. CoStar indicates an average asking rent of \$85.03 psf as of 1Q 2017 within the Chelsea submarket, a slight decrease from \$85.98 psf as of 1Q 2016. However, retail rents within Manhattan vary significantly on a block by block basis and average submarket rental rates can vary depending on which particular spaces are available at any time. According to CoStar, the overall vacancy rate for retail space in Chelsea was 4.1% as of 1Q 2017 which is up from 2.6% as of 1Q 2016. This trend is similar to Manhattan overall where the vacancy rate increased from 3.5% in 1Q 2016 to 4.1% in the 1Q 2017.

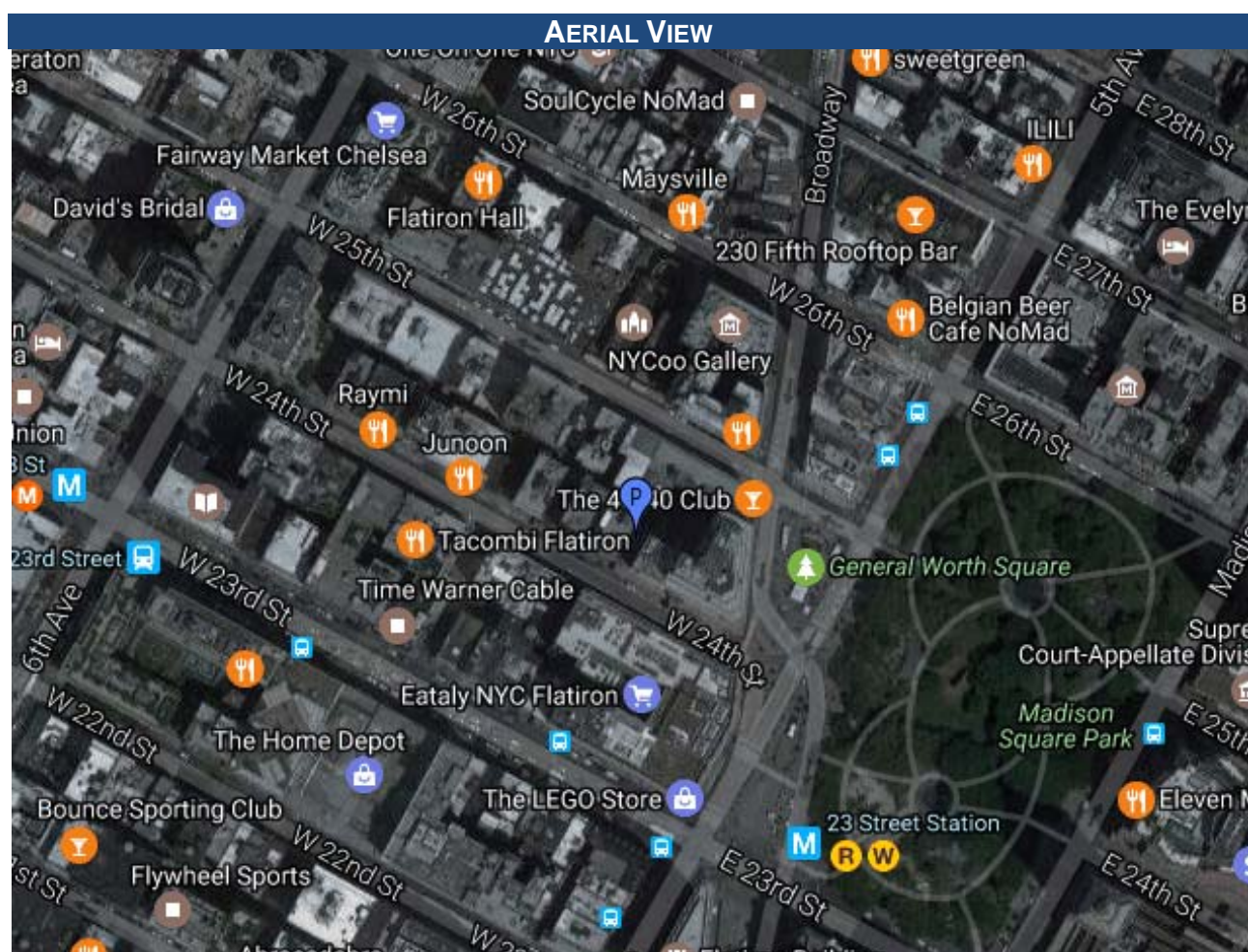
**Summary and Conclusion**

The subject property has average retail frontage along a desirable secondary (side street) retail corridor, less than one block west of Madison Square Park. Retailers located on side streets in the neighborhood are mostly local tenants servicing residents, workers and tourists and include a wide variety of restaurants, shops and services. Overall, the subject property is well located with a desirable mixed-use neighborhood and can be expected to compete well within the market.



The particulars of the site are summarized as follows:

<b>SITE DESCRIPTION</b>	
<b>Physical Description</b>	
<b>Site Area (SF)</b>	2,373
<b>Assessor Parcel Numbers</b>	Block 826, Lot 33
<b>Shape</b>	Rectangular
<b>Topography</b>	Generally Level
<b>Street, Access, and Frontage</b>	
<b>Street</b>	West 24th Street
<b>Frontage</b>	24 feet
<b>Curbs</b>	Yes
<b>Sidewalks</b>	Yes
<b>Direction of Traffic</b>	East
<b>Traffic Levels</b>	Typical
<b>Signals/Traffic Control</b>	Typical
<b>Access/Curb Cuts</b>	Typical
<b>Visibility</b>	Good
<b>Zoning</b>	C5-2 Commercial
<b>Flood Area Panel No. &amp; Date</b>	360497-0201F
<b>Flood Zone</b>	X
<b>Landscaping</b>	None/Typical
<b>Drainage</b>	Assumed Adequate
<b>Utilities</b>	
<b>Water</b>	New York City
<b>Sewer</b>	New York City
<b>Natural Gas</b>	Consolidated Edison Company of NY
<b>Electricity</b>	Consolidated Edison Company of NY
<b>Telephone</b>	Various
<b>Public Transportation</b>	Metropolitan Transportation Authority
<b>Other</b>	
<b>Detrimental Easements</b>	Unknown
<b>Encroachments</b>	No
<b>Reciprocal Parking Rights</b>	No
<b>Deed Restrictions</b>	Unknown
<i>Compiled from Various Sources By BBG</i>	



### Environmental Issues

No apparent hazards or nuisances, such as smoke and hazardous materials, were noted on or near the site upon inspection. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraisers. We have no knowledge of the existence of such materials on or in the property. The appraisers, however, are not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, radon, and other potentially hazardous materials may affect the value of the property. The value opinions are predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them.

### Conclusion

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



View of the Subject Property





View of West 24th Street



**Lobby/Laundry**



**Common Hallways**





**Apartment Interiors**



Apartment Interiors





Apartment Interiors



Apartment Interiors



**Apartment Interior**



**Apt 2 Roof Deck**



Retail Interiors





Electric Meters



Water Heaters



Boiler



Roof

IMPROVEMENTS SUMMARY AND ANALYSIS		
Property Type	Mixed-Use	
Construction Class	B	
Building Quality	Average	
Number of Buildings	1	
Number of Stories	5	
Gross Leasable Area (SF)	7,288	
Gross Building Area (SF)	8,344	
Year Built	1925	
Actual Age	92 Years	
Effective Age	10 Years	
Total Economic Life	60 Years	
Remaining Economic Life	50 Years	
Age/Life Depreciation	16.67%	
Functional Utility	Typical	
Improvement Summary	Description	Condition
Structural:	Concrete foundations and is steel framed with reinforced concrete.	Good
Exterior Walls	Brick and masonry	Good
Windows:	Double-hung windows	Good
Roof	Flat with built-up composition	Good
Elevators	None	Good
Stairs	One	Good
HVAC	Oil fired boiler provides heat and hot water, tenant provided air-conditioning	Good
Plumbing	Assumed adequate	Good
Amenities:	Laundry in lobby, second floor apartment has roof deck	Good
<i>Source: Various sources collected by BBG</i>		

### Finishes

With the exception of the fifth floor unit, all apartments were renovated in 2015 with new kitchens, bathrooms and flooring. Renovated apartments are finished with painted sheetrock and exposed brick walls and painted sheetrock ceilings. Flooring is tiled in bathrooms and generally hardwood in the remaining areas. Kitchens contain hardwood or high gloss cabinets and marble and stone countertops with stainless steel appliances including a refrigerator, oven/stove and microwave. Bathrooms have modern wood vanities or pedestal sinks, and porcelain toilets and bathtubs. Common areas are finished with hardwood floors and exposed brick and painted walls. Finishes in the renovated units were found to be high end similar to other luxury rental properties and in good condition. In addition, the second floor apartment has a private roof deck. Access was not provided to the fifth floor unit.



The retail space has fixed plate glass storefronts and is finished with hardwood floors, painted walls and painted ceilings with recessed lighting. The retail space was observed to be in good condition.

#### **Condition/Deferred Maintenance**

The building was constructed in 1925 and has been periodically renovated. Subsequent to the 2015 purchase the owner performed a renovation of the property including a lobby upgrade, renovation of the 2<sup>nd</sup> to 4<sup>th</sup> floor units, with new floors, bathrooms and kitchens, and an upgrade of the electric throughout the building. The renovation cost was not provided.

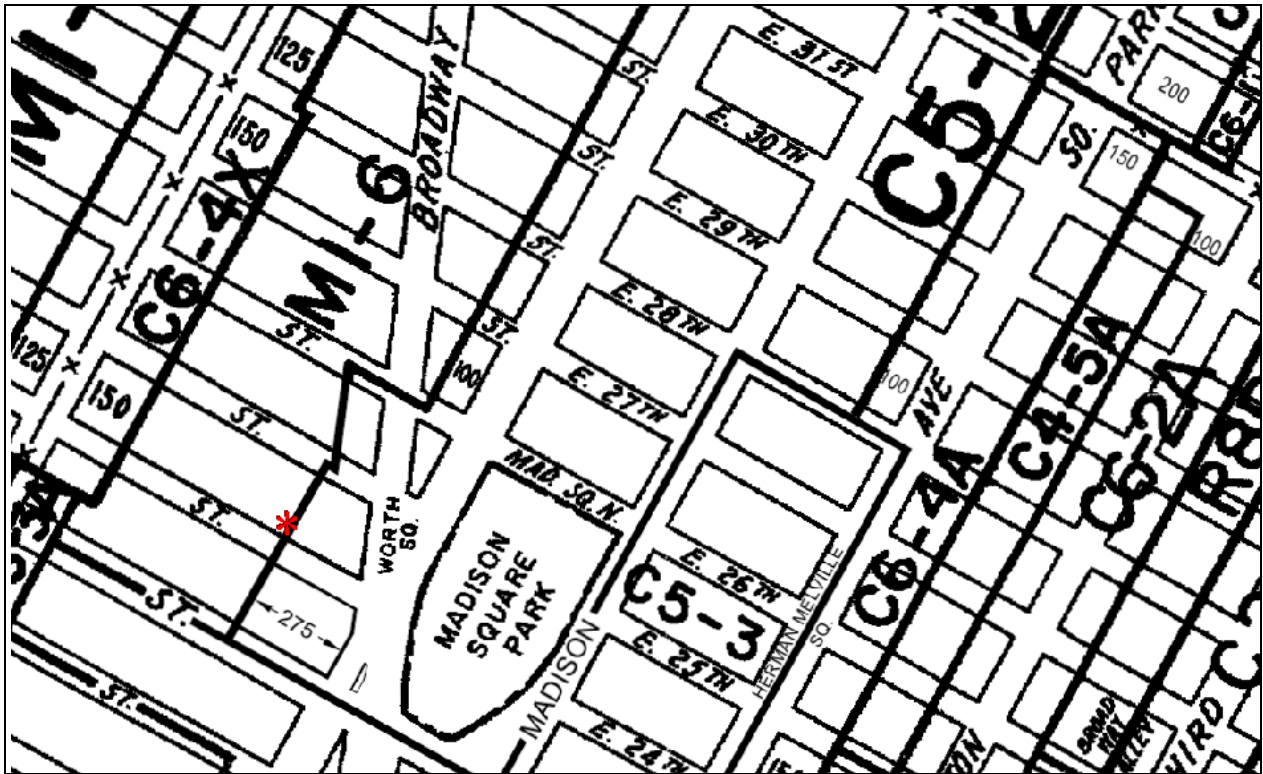
At the time of inspection May 15, 2017 the subject property appeared to be in good condition with no deferred maintenance observed. Please note the appraisers are not qualified to render an opinion as to the adequacy or condition of the mechanical or structural components of the property.

#### **Economic Age and Life**

The subject property has an estimated effective age of 10 years and the economic life span of a building like the subject is approximately 60 years, indicating a remaining economic life of 50 years and 17% depreciation. Future capital investment will serve to improve the asset productivity and extend its life during the holding period. The physical depreciation is not expected to impact marketability. No functional obsolescence is considered to be present, nor is the subject impacted by external obsolescence.

#### **Conclusion**

The functional utility and design of the subject building is rated as good and similar to other properties within this market. The improvements are conducive to occupancy by residential and retail tenants.



The subject is zoned C5-2 Commercial by the City of New York.

"C5 is a restricted central commercial district often called the 'gilt-edged' district because it is intended primarily for high quality retail uses which serve the metropolitan region and for areas where continuous retail frontage is desired. The districts are typically developed with department stores, large office buildings, and mixed use buildings with residential space above office or commercial floors. Home maintenance services, auto rental establishments, and other uses such as bowling alleys are not permitted because they are not in character with the district."

#### Use Regulations

The following uses are permitted in the C5-2 Commercial district.

USE REGULATIONS	
Category	C5-2 Commercial
Use Group 1	Single-family detached residences.
Use Group 2	Residences of all kinds including apartment hotels and non-profit residences for the elderly.
Use Group 3	Community facilities which include colleges or universities, libraries, museums, non-commercial art galleries, trade schools, nursing homes, and health related facilities.
Use Group 4	Churches, medical offices.
Use Group 5	Hotels used primarily for transient occupancy.
Use Group 6	Retail stores, offices and personal service establishments that serves the local shopping needs, like food and small clothing stores, beauty parlors and dry cleaners.
Use Group 7	Home maintenance and repairs services like plumbing and electrical shops which serve nearby residential areas.
Use Group 8	Amusement establishments like small bowling alleys and movie theatres, and service uses like upholstery and appliance repair shops.
Use Group 9	Business and other services like printers or caterers.
Use Group 10	Large retail establishments like department stores and appliance stores which serve a large area.
Use Group 11	Custom manufacturing activities like art needlework and jewelry manufacturing.
Source: NYC Department of City Planning	

### Bulk Regulations

The following regulations are permitted in the C5-2 Commercial district.

AS OF RIGHT FAR	
C5-2 Commercial	
Residential	10.0
Commercial	10.0
Source: NYC Department of City Planning	

### Summary of Zoning

The subject's residential and retail uses are permitted.

Based on the maximum FAR of 10.00 and site size of 2,373 square feet, 23,730 square feet of bulk development is permitted on the site. Thus, with 8,344 square feet of GBA above grade the subject appears to conform to the bulk regulations of the district. In addition, there are approximately 15,386± square feet of additional development rights.

It should be noted that we are not experts in the interpretation of complex zoning ordinances, but the subject property appears to be a legal complying bulk and use. The determination of compliance, however, is beyond the scope of a real estate appraisal.

**Other Restrictions**

We know of no deed restrictions, private or public, that limit the subject's use. The research required to determine whether or not such restrictions are existing, however, is also 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.



The subject property is designated on the tax maps of New York County as Block 826, Lot 33. The tentative 2017/2018 assessed values for the subject property are as follows:

ASSESSMENTS		
Block 826, Lot 33	Actual	Transitional
Land	\$418,500	\$418,500
Building	+ 792,450	687,040
Total	\$1,210,950	\$1,105,540
Source: NYC Department of Finance		

Since 1981/82, increases in assessed value for real properties have been phased in over a five-year transitional period. The actual assessed value represents the future or target assessment when the transitional or phase-in period is over, and the transitional assessed value, therefore, represents the current assessment. Taxes in any year are based upon the lower of the actual or transitional assessed value.

In order to estimate the appropriateness of the current assessment, we have researched actual assessments of similar buildings. Since the actual assessment reflects the assessor's estimate of value, this is the assessment that will be used for comparison purposes. The actual assessment, which represents the target assessment that the assessor has estimated based on the market value, is \$1,210,950; this equates to \$145.13 per square foot, based on above grade building area.

We note that although the subject has a certificate of occupancy for apartments on floors 2-5 and commercial space on the first floor it is classified as a Class 4 commercial property by the City of New York.

The following table illustrates actual assessments of Class 4 mixed-use buildings in the subject's area.

Address	GBA (SF)	Actual Assessment PSF
25 West 23rd Street	8,175	\$175.21
69 West 23rd Street	8,181	\$118.78
57 West 28th Street	7,100	\$130.82
41 West 28th Street	5,233	\$189.44
45 West 28th Street	6,592	\$155.17
51 West 28th Street	5,038	\$142.91
	Min:	\$118.78
	Max:	\$189.44
	Average:	\$152.06

Source: NYC Department of Finance

The tax comparables illustrate an assessment range of \$118.78 to \$189.44 per square foot with an average of \$152.06 per square foot. As indicated, assessments can range substantially within similar buildings. This is due in part to changes in income levels, renovations, occupancy, phase-in of actual assessments and assessor's discretion. The subject's actual assessment of \$145.13 per square foot is within the range of the comparables and is considered reasonable.

### Real Estate Tax Rates

The City of New York has four tax categories for real properties. The subject is designated as a Class 4 property. The following is a historical analysis of New York City tax rates:

### REAL ESTATE TAX RATES, NEW YORK CITY

TAX RATES								
Year	Class 1	% change from prior year	Class 2	% change from prior year	Class 3	% change from prior year	Class 4	% change from prior year
2007/2008	\$15.434		\$11.928		\$11.577		\$10.059	
2008/2009	\$16.196	4.94%	\$12.596	5.60%	\$12.137	4.84%	\$10.241	1.81%
2009/2010	\$17.088	5.51%	\$13.241	5.12%	\$12.743	4.99%	\$10.426	1.81%
2010/2011	\$17.364	1.62%	\$13.353	0.85%	\$12.631	-0.88%	\$10.312	-1.09%
2011/2012	\$18.205	4.84%	\$13.433	0.60%	\$12.473	-1.25%	\$10.152	-1.55%
2012/2013	\$18.569	2.00%	\$13.181	-1.88%	\$12.477	0.03%	\$10.288	1.34%
2013/2014	\$19.191	3.35%	\$13.145	-0.27%	\$11.902	-4.61%	\$10.323	0.34%
2014/2015	\$19.157	-0.18%	\$12.855	-2.21%	\$11.125	-6.53%	\$10.684	3.50%
2015/2016	\$19.554	2.07%	\$12.883	0.22%	\$10.813	-2.80%	\$10.656	-0.26%
2016/2017	\$19.991	2.23%	\$12.892	0.07%	\$10.934	1.12%	\$10.574	-0.77%
Cumulative Change	\$4.557	29.53%	\$0.964	8.08%	-\$0.643	-5.55%	\$0.515	5.12%
Average Annual Change		2.93%		0.90%		-0.57%		0.57%
Compound Annual Change		2.62%		0.78%		-0.57%		0.50%

Source: NYC Department of Finance

The 2016/2017 Class 4 tax rate is \$10.574 per assessed value, representing a 0.77% decrease from the previous year and a compounded 0.50% increase over the past 10 years. The 2017/2018 tax rate has not yet been established. Based on the historical increases over the past 10 years, we expect a tax rate growth of 0.50%. The projected 2017/2018 tax rate is calculated as follows:

2016/2017		2017/2018 Tax	
Tax Rate	% change	Rate	
\$10.574	+	0.50%	= \$10.627

The current tax liability is projected as follows:

2017/2018 Taxable AV	Projected 2017/2018 Tax Rate		Tax Liability	
\$1,105,540	x	10.627%	=	\$117,486



The concept of highest and best use is a fundamental element in the determination of value of real property, either as if vacant or as improved. USPAP requires that a property's highest and best use be analyzed. Only if the current improvements do not reflect the highest and best use of the property does the highest and best use of the site "as if" vacant need to be considered.

Highest and best use is defined as follows:

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property—specific with respect to the user and timing of the use—that is adequately supported and results in the highest present value.

### **As if Vacant<sup>2</sup>**

Among all reasonable, alternative use, the use that yields the highest present land value, after payments are made for labor, capital and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.

### **Legally Permissible**

The subject property is zoned C5-2 Commercial. Permitted uses include a wide range of commercial uses including hotel, retail, office and residential uses.

No known zoning changes to uses other than these are currently being considered or anticipated. The mixed-use nature of the area, combined with the generally good condition of the area's improvements and the current and expected trends in supply and demand, all support the current zoning. It is our opinion that the site, if vacant, could be developed for the legally permitted uses in the ZONING ANALYSIS.

### **Physically Possible**

All necessary utilities are available, and there are no apparent easements or encroachments that would hinder or prevent development. The subject's site size falls within the range of improved sites in the area although it is slightly smaller than average and there are no adjacent parcels with which to create an assemblage. However, the size is not considered to significantly restrict the

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<sup>2</sup> Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 4th ed., s.v. "Highest and Best Use as Vacant." (Chicago: Appraisal Institute, 2002). CD-ROM

utility of the subject in relation to competing sites. The above legally permitted uses, therefore, are considered physically possible.

#### **Financially Feasible**

Residential, hotel and office/retail development are financially feasible uses, demonstrated by the new construction of these property types in the subject area. Based upon the foregoing, it is the opinion of the appraisers that the most financially feasible use of the site as vacant would be for mixed-use development.

#### **Maximally Productive/Highest and Best Use**

All legally permissible, physically possible, and financially feasible uses of the subject property, as vacant, have been presented and examined. The highest and best use, as vacant is for mixed-use development.

#### **As Improved**

##### **Legally Permissible**

The subject property is zoned C5-2 Commercial. Permitted uses include a wide range of commercial uses including hotel retail, office and residential uses. The subject improvement conforms to the bulk and use regulations of the zoning district and has 15,386 square feet of additional development rights. In addition, the property is subject to a mid-term retail lease that expires in April 2021 and has a five-year renewal option.

##### **Physically Possible**

The physical possibility of the subject improvement is manifest by its existence. The subject building was observed upon inspection to be in good condition. The subject property is well suited for continued mixed-use.

##### **Financially Feasible**

The subject is located in a desirable mixed-use neighborhood and as improved, the subject is generating positive net cash flow and an adequate return to the owners. We note that the subject's land value approximates \$575 per square foot of buildable area or approximately \$13,600,000. However, based on the retail lease in place the subject cannot presently be demolished and there are no adjacent receiver parcels to receive air rights as of right. However, future redevelopment or utilization of the additional air rights will maximize the property value.

#### **Maximally Productive/Highest and Best Use**

All legally permissible, physically possible, and financially feasible uses of the subject property, as vacant, have been presented and examined. The highest and best use, as improved, is continued use as a mixed-use building with future redevelopment or utilization of the additional development rights.

**Overview**

The three traditional approaches to valuing improved properties are,

1. Sales Comparison Approach - a comparison of the property appraised with reasonable similar, recently conveyed properties for which the price, terms and conditions of sale are known.
2. Income Approach - the processing of a projected net income into a valuation estimate via one or more capitalization techniques.
3. Cost Approach - an estimate of the replacement cost of all structural improvements as if new, less loss in value attributable to depreciation from all causes plus the value of the land as if vacant.

The Appraisal Process is concluded by a review and re-examination of each of the approaches to value that was employed. Consideration is given to the type and reliability of data used, the applicability of each approach to the type of property being appraised and the value being sought.

APPROACHES TO VALUE		
Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Applicable	Utilized
<i>Compiled by BBG</i>		

In the Income Approach, a property's capacity to generate future benefits is analyzed; the forecasted income is then capitalized into an indication of present value. Commonly used measures of anticipated benefits are:

- **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 determined by existing leases.
- **Effective Gross Income:** the anticipated income from all operations of real property adjusted for vacancy and collection losses.
- **Net Operating Income:** the anticipated net income remaining after all operating expenses are deducted from effective gross income.
- **Equity Dividend:** the portion of net income that remains after debt service is paid; this is returned to the equity position.
- **Reversion:** A lump-sum benefit an investor expects to receive upon the termination of the investment.

### *Direct vs. Yield Capitalization*

The income capitalization approach supports two methodologies: direct and yield capitalization.

- **Direct capitalization:** A method used to convert an estimate of a single year's 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.
- **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.

The subject's residential space is encumbered by short-term leases reflecting a level stream of income. Therefore, direct capitalization is the most applicable valuation method.

## Income

The subject property contains 6 residential units and 1,848 square feet of retail space. The apartments are presently 100% occupied and the retail space is presently 100% occupied. Income from each source will be analyzed separately.

## Residential Income

The subject contains 6 residential units. The residential rent roll is presented below.

RESIDENTIAL RENT ROLL							
Unit	#	BR	BA	Type	Monthly Rent	Unit Size (SF)	Annual Rent PSF
1	2	1	1.5	Market	\$8,000	1,360	\$71
2	3F	1	1	Market	\$4,200	680	\$74
3	3R	1	1	Market	\$4,056	680	\$72
4	4F	1	1	Market	\$4,300	680	\$76
5	4R	1	1	Market	\$4,160	680	\$73
6	5	2	1.5	Market	\$6,625	1,360	\$58
Monthly Total					\$31,341	5,440	
Annual Total					\$376,092		

The subject's apartment units are not subject to rent stabilization guidelines and are all market rents. The apartment units rent for \$4,056 to \$8,000 per month and from \$58 to \$76 per square foot. All of the units with the exception of the fifth floor unit were renovated in 2015. We also note that the second floor apartment has a private roof deck.

## Market Rent Survey

We have surveyed the local rental market to determine the economic validity of the subject's contract rents.

ONE BEDROOM RENT COMPARABLES							
No.	Address	Area (SF)	BRs	BA	Monthly Rental Rate	Annual Rent PSF	Comments
1	77 West 24th Street #8E	669	1	1	\$4,250	\$76	301 units, 29 stories, built 1999. Rental, doorman, concierge, gym.
2	5 East 22nd Street #8R	708	1	1	\$4,150	\$70	423 units, 29 stories, built 1985. Condo, doorman, concierge, gym.
3	133 West 22nd Street #2J	639	1	1	\$4,800	\$90	99 units, 12 stories, built 2008. Condominium, doorman, gym, roof deck.
4	60 West 23rd Street #1046	663	1	1	\$4,395	\$80	431 units, 22 stories, built 2000. Rental, doorman, pool, roof deck.
5	120 West 21st Street #713	670	1	1	\$4,804	\$86	210 units, 14 stories, built 2000. Rental, doorman, roof deck.
6	147 East 18th Street #1	N/A	1	1	\$4,200	N/A	3 units, 4 stories, built 1910. Rental, walk-up.
7	234 East 18th Street #6	N/A	1	1	\$4,500	N/A	7 units, 4 stories, built 1900. Rental, walk-up.
8	34 East 22nd Street #303	N/A	1	1	\$4,395	N/A	8 units, 5 stories, built 1920. Rental, walk-up.

LARGE ONE BEDROOM RENT COMPARABLES							
No.	Address	Area (SF)	BRs	BA	Monthly Rental Rate	Annual Rent PSF	Comments
1	104 East 17th Street #1	1,500	1	1	\$6,000	\$48	6 units, 3-stories, built 1900. Rental, walk-up..
2	650 Sixth Avenue #5A	1,280	1	1	\$6,500	\$61	67 units, 7 stories, built 1892, converted 2012. Condominium, doorman, gym, roof deck.
3	351 West 19th Street #Garden	1,400	1	1.5	\$6,000	\$51	2 units, 3 stories, built 1901. Unit has outdoor space.
4	252 Seventh Avenue #5Q	1,541	1	2	\$8,600	\$67	352 units, 19 stories, built 1910. Condominium, doorman, roof deck.
5	121 West 19th Street #8F	1,317	1	1	\$6,250	\$57	67 units, 11 stories, built 1903, converted 2005. Condominium, doorman.
6	46 West 21st Street #3	1,600	1	1	\$6,495	\$49	5 units, 5 stories, built 1920. Rental, walk-up.
7	121 West 19th Street #9E	1,529	1	2	\$9,000	\$71	67 units, 11 stories, built 1903, converted 2005. Condominium, doorman.
TWO BEDROOM RENT COMPARABLES							
No.	Address	Area (SF)	BRs	BA	Monthly Rental Rate	Annual Rent PSF	Comments
1	260 Park Avenue South #8C	1,409	2	2	\$8,950	\$76	109 units, 12-stories, built 1917, renovated 2004. Condo, doorman, concierge, deck.
2	49 East 21st Street #6C	1,461	2	2	\$8,200	\$67	43 units, 12-stories, built 1913, renovated 2004. Condo, doorman, roof deck.
3	77 West 24th Street #23B	1,150	2	2	\$7,050	\$74	301 units, 29 stories, built 1999. Rental, doorman, concierge, gym.
4	5 East 22nd Street #23J	1,273	2	2	\$6,850	\$65	423 units, 29 stories, built 1985. Condo, doorman, concierge, gym.
5	16 West 21st Street 3rd Floor	1,368	2	2	\$7,500	\$66	9 units, 14 stories, built 2009. Condo, virtual doorman.
6	14 West 17th Street #5N	1,500	2	1	\$6,650	\$53	18 units, 12 stories, built 1906. Coop, part time doorman.
7	13 West 17th Street #1	1,512	2	2	\$6,500	\$52	2 units, 4 stories, built 1840.
8	116 East 19th Street #3	1,000	2	2	\$6,695	\$80	7 units, 5 stories, built 1920. Rental building.
9	112 East 17th Street #1E	N/A	2	2	\$6,500	N/A	12 units, 6 stories, built 1910. Rental building, elevator.
10	235 East 18th Street #Garden	N/A	2	2.5	\$7,000	N/A	2 units, 3 stories, built 1901. Unit has outdoor space.

### Analysis of Rent Comparables

Important considerations in determining potential rental value include location, access to transportation and neighborhood amenities, and building design and condition. The subject is in a desirable location within NoMad, a neighborhood that has seen significant investment in the past 5 to 10 years. The site has excellent access to mass transportation, local amenities and services and is located less than one block from Madison Square Park.

The comparables are all recent and are situated within close proximity to the subject property. Overall, the subject's location falls at the upper end of the competitive range in terms of location and is superior to the less centrally located comparables. The subject property has on-site laundry and no other amenities although the second floor tenant has a private roof deck. While certain

comparables have superior amenities some tenants have preferences for smaller, more private buildings which typically have fewer amenities. All of the units with the exception of the fifth floor apartment were renovated in 2015. The finishes in the subject's renovated units are high-end and are similar to the comparables. Considering the subject's location and condition as well as the individual unit attributes, our forecast of market rent is presented:

MARKET RENT ANALYSIS					
Monthly	Market Survey		Subject's Units		Market Rent Forecast
1BR Monthly Range	\$4,150	\$4,804	\$4,056	\$4,300	\$4,200
1BR Average	\$4,437		\$4,179		
Large 1BR Monthly Range	\$6,000	\$9,000	\$8,000	\$8,000	\$8,000
Large 1 BR Average	\$6,978		\$8,000		
2 BR Monthly Range	\$6,500	\$8,950	\$6,625	\$6,625	\$6,700
2BR Average	\$7,190		\$6,625		
Per SF	Market Survey		Subject's Units		Market Rent Forecast
1BR PSF Range	\$70	\$90	\$72	\$76	\$74
1BR Average	\$80		\$74		
Large 1BR PSF Range	\$48	\$71	\$71	\$71	\$71
Large 1 BR Average	\$58		\$71		
2 BR PSF Range	\$52	\$80	\$58	\$58	\$59
2BR Average	\$67		\$58		

The subject's in-place market rent conforms to market parameters on both a per month and per square foot basis and will be utilized in our analysis.

Potential residential income is therefore projected as follows:

<b>POTENTIAL RESIDENTIAL INCOME</b>	
In-Place Residential	\$376,092
Vacant	\$0
<b>Total Potential Residential Income</b>	<b>\$376,092</b>

Our market rent conclusion assumes the landlord is responsible for refuse removal, heat and hot water, water & sewer, common area maintenance, and common area heat and electric. Tenants are responsible for electric.

#### **Rent Concessions**

No rental concessions are currently being offered for the residential units, which is typical of the market.

#### **Commercial Income**

The subject contains one ground floor retail store. The retail rent roll is presented below:



COMMERCIAL RENT ROLL						
#	Tenant	Lease Start	Lease Expiration	Current Annual Rent	Area (SF)	Price PSF
1	Skin Solutions Dermatology	Apr-11	Apr-21	\$119,637	1,848	\$65
Comments: Rent increases 3.0% per annum. Tenant is directly metered for electricity. No real estate tax escalation. Tenant has a 5-year renewal option at the greater of fair market rent or the previous years rent multiplied by CPI						
Total				\$119,637	1,848	\$65

### Summary of Retail Rental Comparables

In order to determine market rent we have researched comparable leases in the subject's neighborhood.

RETAIL RENT COMPARABLES						
No.	Address	Area (SF)	Start Date	Term (yrs)	Base Rent	Leasing Terms
1	31 West 26th Street	2,469	12/16	10	\$112	R.E. Taxes over base plus electricity. Annual base rent increases.
2	30 West 15th Street	3,795	7/16	10	\$95	R.E. Taxes over base plus electricity. Annual base rent increases.
3	48 West 22nd Street	2,300	10/15	10	\$108	R.E. Taxes over base plus electricity. Annual base rent increases.
4	43 West 27th Street	1,800	8/15	10	\$123	R.E. Taxes over base plus electricity. Annual base rent increases.
5	107-113 West 25th Street	1,800	7/15	10	\$93	R.E. Taxes over base plus electricity. Annual base rent increases.
Minimum		1,800			\$93	
Maximum		3,795			\$123	
Average		2,433			\$106	

### Analysis of Rent Comparables

#### Market Conditions

The retail leases were signed since July 2015. Retail rents within the submarket have remained fairly stable during that time and no adjustments are required.

#### Location

The subject is located in a desirable secondary retail location within Chelsea. All of the comparables are located in generally similar locations and no adjustments are required.

**Size**

Smaller spaces typically rent for a premium per square foot as compared to larger spaces. The comparables range in size from 1,800 to 3,795 square feet. The subject's unit contains 1,848 square feet. The subject and the comparables are generally similar in size and no adjustments are required.

**Utility**

The subject and the comparables are all ground floor retail stores with generally similar utility and no adjustments are required. The comparables all have similar utility characteristics so adjustments are not required.

**Lease Terms**

We will project a market lease structure where the tenant pays real estate tax over base year similar to the comparables, and no adjustments are required.

**Adjustment Grid**

The following table illustrates the adjustment grid.

RETAIL RENT ADJUSTMENT GRID									
Comp	Unadjusted Rent PSF	Time	Trended Rent	Loc.	Size	Utility/ Cond.	Lease Terms	Total Adjustment	Adjusted Rent PSF
1	\$112	0.0%	\$112	0%	0%	0%	0%	0%	\$112
2	\$95	0.0%	\$95	0%	0%	0%	0%	0%	\$95
3	\$108	0.0%	\$108	0%	0%	0%	0%	0%	\$108
4	\$123	0.0%	\$123	0%	0%	0%	0%	0%	\$123
5	\$93	0.0%	\$93	0%	0%	0%	0%	0%	\$93
Low:	\$93							Low:	\$93
High:	\$123							High:	\$123
Average:	\$106							Average:	\$106
Median:	\$108							Median:	\$108

Following adjustments, the comparables range from \$93 to \$123 with an average of \$106 per square foot. We project a market rental rate of \$110 per square foot. Our market rent conclusion assumes a 10-year term and for the tenant to pay real estate taxes over base year, 3% annual increases and to be directly metered for electricity.

The in place tenant is currently paying \$65 per square foot which is 41% below market. In addition, the lease does not include real estate tax escalations. However, there are four years remaining on the lease, and the existing rent will be utilized. We will consider the upside potential in our determination of an overall capitalization rate.

**Vacancy and Collection Loss**

Our review of occupancy rates of comparable residential properties indicates an occupancy rate range between 96% and 100%, while Reis reports average submarket vacancy at 3.7%. The subject's apartment units are currently 100% occupied. Based on the subject's operating results,

macro market conditions, and investor expectations we have forecast residential vacancy and collection loss at 5%.

The subject's retail space is 100% occupied. A walking tour of the neighborhood, as well as discussions with local brokers, revealed that retail vacancy in the subject neighborhood is between 0% and 5%. According to Costar the retail vacancy rate for the Chelsea submarket was 4.1% as of 1Q 2017. Based on the foregoing, and considering that the subject's retail lease is significantly below market, we have applied a 3% vacancy and collection loss to the subject's retail income.

<b>INCOME SUMMARY</b>		
Potential Residential Income		\$376,092
Potential Retail Income		\$119,637
Total Potential Gross Income		\$495,729
Less Residential V/C Loss	5%	-\$18,805
Less Commercial V/C Loss	3%	-\$3,589
Effective Gross Income		\$473,335

### **Operating Expenses**

The owner provided historical expenses for 2016. We analyzed the subject's actual expenses in conjunction with market-derived operating expenses as a basis for developing operating expense projections.

The expense comparables consist of small mixed-use apartment buildings generally similar to the subject in size, age, and quality. The subject and comparable expenses are presented on the following pages and analyzed on an expense per square foot (gross building area) and per unit basis.

### HISTORICAL OPERATING EXPENSES

Actual 2016	
<b>Operating Expenses</b>	
Insurance	\$14,116
Utilities	\$9,433
Water and Sewer	\$3,187
Repairs and Maintenance/Payroll	\$25,726
Miscellaneous	\$10,000
Management Fees	\$0
<b>Total Operating Expenses (Excl. Taxes)</b>	<b>\$62,463</b>
Actual 2016	
<b>Operating Expenses PSF</b>	
Insurance	\$1.69
Utilities	\$1.13
Water and Sewer	\$0.38
Repairs and Maintenance/Payroll	\$3.08
Miscellaneous	\$1.20
Management Fees	\$0.00
<b>Total Operating Expenses PSF</b>	<b>\$7.49</b>
Actual 2016	
<b>Operating Expenses Per Unit</b>	
Insurance	\$2,353
Utilities	\$1,572
Water and Sewer	\$531
Repairs and Maintenance/Payroll	\$4,288
Miscellaneous	\$1,667
Management Fees	\$0
<b>Total Operating Expenses Per Unit</b>	<b>\$10,410</b>

COMPARABLE OPERATING EXPENSES

	31 West 17th	115-117 West	4 East 8th	207 East 14th	241 East 18th	
Address:	Street	23rd Street	Street	Street	Street	Average
SF:	27,601	27,122	11,562	12,945	4,940	
Units:	11	18	11	18	7	
Expense Year:	2015	2015	2015	2015	2015	
<b><u>Operating Expenses</u></b>						
Insurance	\$9,631	\$15,539	\$6,469	\$7,548	\$7,029	\$9,243
Utilities	\$15,045	\$30,770	\$12,124	\$17,640	\$10,089	\$17,134
Water & Sewer	\$16,032	\$21,570	\$3,940	\$21,015	\$4,341	\$13,380
Repairs & Maintenance/Payroll	\$59,526	\$22,661	\$9,335	\$20,286	\$10,874	\$24,536
Miscellaneous	\$1,874	\$18,710	\$1,456	\$3,660	\$749	\$5,290
Management Fees	<u>\$38,322</u>	<u>\$16,500</u>	<u>\$16,741</u>	<u>\$17,222</u>	\$5,535	\$18,864
Total Operating Expenses	\$140,430	\$125,750	\$50,065	\$87,371	\$38,617	\$88,447
<b><u>Operating Expenses PSF</u></b>						
Insurance	\$0.35	\$0.57	\$0.56	\$0.58	\$1.42	\$0.70
Utilities	\$0.55	\$1.13	\$1.05	\$1.36	\$2.04	\$1.23
Water & Sewer	\$0.58	\$0.80	\$0.34	\$1.62	\$0.88	\$0.84
Repairs & Maintenance/Payroll	\$2.16	\$0.84	\$0.81	\$1.57	\$2.20	\$1.51
Miscellaneous	\$0.07	\$0.69	\$0.13	\$0.28	\$0.15	\$0.26
Management Fees	\$1.39	\$0.61	\$1.45	\$1.33	\$1.12	\$1.18
Total Operating Expenses	\$5.09	\$4.64	\$4.33	\$6.75	\$7.82	\$5.72
<b><u>Operating Expenses Per Unit</u></b>						
Insurance	\$876	\$863	\$588	\$419	\$1,004	\$750
Electric	\$1,368	\$1,709	\$1,102	\$980	\$1,441	\$1,320
Water & Sewer	\$1,457	\$1,198	\$358	\$1,168	\$620	\$960
Repairs & Maintenance/Payroll	\$5,411	\$1,259	\$849	\$1,127	\$1,553	\$2,040
Miscellaneous	\$170	\$1,039	\$132	\$203	\$107	\$331
Management Fees	\$3,484	\$917	\$1,522	\$957	\$791	\$1,534
Total Operating Expenses	\$12,766	\$6,986	\$4,551	\$4,854	\$5,517	\$6,935

### Projected Operating Expenses

As discussed within the “Assessed Value and Real Estate Taxes” section of this report, the 2017/2018 real estate taxes are projected to be \$117,486 or \$14.08 per square foot. The remaining operating expense projections are summarized as follows:

NON-TAX EXPENSE SUMMARY					
Expense	Comps			2016 Historical	Appriaser Projection
	Min	Max	Avg		
Insurance	\$0.35	\$1.42	\$0.70	\$1.69	\$1.00
Utilities	\$0.55	\$2.04	\$1.23	\$1.13	\$1.15
Water and Sewer	\$0.34	\$1.62	\$0.84	\$0.38	\$0.40
Repairs and Maintenance/Payroll	\$0.81	\$2.20	\$1.51	\$3.08	\$1.50
Reserves	N/A	N/A	N/A	N/A	\$0.25
Miscellaneous	\$0.07	\$0.69	\$0.26	\$1.20	\$0.25
Management Fees	\$0.61	\$1.45	\$1.18	\$0.00	\$1.13
Total Operating Expenses	\$4.33	\$7.82	\$5.72	\$7.49	\$5.68

### Property Insurance

Insurance costs vary by the type of coverage. Costs are generally lower (on a per unit or per square foot basis) for larger buildings and for multi-building policies. The historical expense was \$1.69 per square foot. The comparables range from \$0.35 to \$1.42 per square foot with an average \$0.70 per square foot. Considering both sources, we have applied an insurance expense of \$1.00 per square foot.

### Utilities

This expense includes heat and common area electric. The historical expense was \$1.13 per square foot. The comparable properties range from \$0.55 to \$2.04 per square foot with an average expense of \$1.23 per square foot. Considering both sources, we project this expense at \$1.15 per square foot for the upcoming year.

### Water and Sewer

The comparable water and sewer expense ranges from \$0.34 to \$1.62 per square foot and averaged \$0.84 per square foot. The historical expense was \$0.38 per square foot. Considering both sources, we will project the expense at \$0.40 per square foot.

### Repairs & Maintenance/Payroll

This expense varies depending on building age, management philosophy, services provided, and accounting methodology. Some management companies expense items which 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. Based on the subject's size this expense includes an annual salary for a part-time superintendent.

The comparables ranged from \$0.81 to \$2.20 per square foot with an average of \$1.51 per square foot. The historical expense was \$3.08 per square foot and likely includes certain capital expenses. We project this expense at \$1.50 per square foot for the upcoming year.



### Reserves

This expense provides for the periodic replacement of building components that wear out more rapidly than the building itself and that must be replaced periodically during the building's economic life. The comparables did not provide data for this expense and this has not been budgeted by the owner. We have projected a reserves expense of \$0.25 per square foot.

### Miscellaneous

The expense allows for any expenditures not included in the above categories of expenses including permits and dues, legal and professional fees, miscellaneous repairs, equipment rental, exterminating, rubbish removal, legal and advertising, etc. The historical expense was \$1.20 per square foot. The comparables range from \$0.07 to \$0.69 per square foot with an average \$0.26 per square foot. With emphasis on the comparables we project this expense at \$0.25 per square foot.

### Management Fee

Typically, management fees range from 2%-6% of effective gross income. Comparable expenses ranged from \$0.61 to \$1.45 per square foot with an average of \$1.18 per square foot. The historicals did not indicate this expense. We applied a management fee of 2.0% of effective gross income, which results in a management cost of \$1.13 per square foot

Projected Stabilized Income And Expense Statement			
	Whole Dollar	PSF	Per Unit
<b>Income</b>			
Potential Residential Income	\$376,092	\$45.07	\$62,682
Potential Retail Income	\$119,637	\$14.34	\$19,940
Total Potential Gross Income	\$495,729	\$59.41	\$82,622
Less Residential V/C Loss	-\$18,805	-\$2.25	-\$3,134
Less Commercial V/C Loss	-\$3,589	-\$0.43	-\$598
Effective Gross Income	\$473,335	\$56.73	\$78,889
<b>Operating Expenses</b>			
Real Estate Taxes	\$117,486	\$14.08	\$19,581
Insurance	\$8,344	\$1.00	\$1,391
Utilities	\$9,596	\$1.15	\$1,599
Water and Sewer	\$3,338	\$0.40	\$556
Repairs and Maintenance/Payroll	\$12,516	\$1.50	\$2,086
Reserves	\$2,086	\$0.25	\$348
Miscellaneous	\$2,086	\$0.25	\$348
Management Fees	\$9,467	\$1.13	\$1,578
Total Operating Expenses	\$164,918	\$19.76	\$27,486
Operating Expenses Excluding Taxes	\$47,432	\$5.68	\$7,905
<b>Net Operating Income</b>	\$308,418	\$36.96	\$51,403
Operating Expense Ratio	35%		

***Total Operating Expenses***

Operating expenses are forecast for the upcoming fiscal year at \$19.76 including real estate taxes and \$5.68 per square foot excluding real estate taxes. Expenses per unit are forecast at \$7,905 excluding real estate taxes. Exclusive of taxes, the comparable expenses range from \$4.33 to \$7.82 per square foot, with an average of \$5.72 and a range of \$4,551 to \$12,766 per unit, with an average of \$6,935 per unit. The projected expenses conform to the range on a per square foot basis and per unit basis. Overall, our projected expenses are reasonable considering the comparables and operating expense history of the property.

***Capitalization Techniques***

Capitalization is the process of converting a net income stream into an indication of value. This approach to valuation can be accomplished by: (1) by dividing a single year's net operating income by an appropriate overall capitalization rate, i.e., Direct Capitalization; or (2) by discounting to present value a net income stream and property reversion over a projected holding period, i.e., Discounted Cash Flow Analysis. In this appraisal, we elected to capitalize the subject's anticipated net operating income via Direct Capitalization.

The selection of the most appropriate overall capitalization rate (Ro) in Direct Capitalization can be accomplished by several methods. Both the Market Derivation Method and Band of Investment Technique were used in this analysis.

***Financing***

Lending institutions typically lend at a 65% to 75% loan to value ratio. Interest rates, in a recent period of time, ranged from 3.75% to 4.75% with loan terms at five years and with twenty- to thirty-year payout schedules. We have selected a 75% loan to value ratio, a 4.00% interest rate, and a 30-year payout. The mortgage constant is 0.0573.

***Holding Period***

Most investors/purchasers intend to hold a property for a period that typically ranges from five to fifteen years. We have selected a period of ten years.

***Equity Yield Rate***

Investors typically require a rate of return for investment quality property such as the subject which is greater than the safe rates offered for long-term treasury notes and bonds or high-grade corporate bonds. The difference between an investor's required rate of return and the safe rate is basically the premium necessary to compensate the investor for the added risks of lack of liquidity offered by a real estate investment.

SURVEY OF COMPETITIVE RATES	
Indicator	Rate (%)
Federal Funds	0.91%
Prime Rate	4.00%
10-yr. T-Note	2.39%
30-yr. T-Note	3.03%
Corporate Bond AAA	3.87%
<i>Source: Federal Reserve and NY Times - May 2017</i>	

- The Federal Funds Rate is a foundational rate determining the cost of funds by Federal Reserve banks to depository institutions.
- The Prime Rate is a base rate posted by large banks for loans to corporations. It is a rate for business loans to banks' most creditworthy customers. It is no longer a lending rate, per se but a base rate, from which other rates are adjusted.
- The 10 and 30-year Treasury Notes are long-term obligations that are guaranteed by the federal government.
- Corporate Bonds with AAA credit exhibit a minimal amount of risk.

In selecting an appropriate yield rate, we have considered the foregoing yields as well as the subject property's location, age, and condition relative to competing properties. The base rate is 3.0%, which is increased for asset management, location and liquidity resulting in a 6.0% overall yield rate is suggested.

#### *Investor Surveys*

Another source of anticipatory yield rates is provided by the PricewaterhouseCoopers' (PwC) and Real Estate Research Corporation (RERC) Real Estate Investment Survey, which summarize expected rates of return, including capitalization rates and income and expense growth rates, from a representative sample of institutional investors. The rates reflect acceptable expectations of yields desired by investors currently in the marketplace. We have used neighborhood shopping center and multifamily properties, as these are the most comparable investor class to the subject property.

INVESTOR SURVEYS - DISCOUNT RATE		
	PwC 1Q 2017	Situs-RERC Flash 1Q2017
	National Apartment	National Apartment
Range	5.5% to 10%	5.8% to 9.0%
Average	7.24%	7.20%
<i>Source: PwC Real Estate Investor Survey &amp; Situs RERC Real Estate Report</i>		

Investors in Manhattan generally pay a premium for properties as compared to the nation overall due to the overall good economics of the New York City area as well as the lack of supply of stable

and good quality NYC properties. We have concluded to an overall yield rate of 6.0% which is reasonably at the low end of the survey based on the subject's excellent location and low level of risk due to the below market retail lease and upside due to the additional development rights. We have concluded to an equity yield rate of 6.50% which is higher than the overall yield rate reflecting the additional return an investor seeks on the equity portion of the investment.

#### **Adjustment for Mortgage Amortization**

Reasons that the return overall yielded by the expected annual income does not need to be as high if the annual cash flows are used to pay down the debt since the investor will receive the debt reduction cash flow when the property is sold.

#### **Change in Value**

Based on the activity within the local market, and potential upside based on a 41% below market retail lease and 15,386 square feet of additional development rights, we have applied a 30% change in value over the holding period.

Akerson Formula						
Assumptions						
Loan to value ratio						75%
Interest Rate						4.00%
Term (years payout)						30
Annual Constant						0.0573
Equity Yield Rate						6.50%
Holding Period						10
Appreciation Over Term						30%
Development of Capitalization Rate						
Mortgage Funds	0.75	x	0.0573	=		0.043
Equity Funds	0.25	x	0.0650	=		<u>0.0163</u>
Weighted Rate						0.05925
Less Adjustment for Mortgage Amortization						
	0.2122	x	0.75	x	0.0741	=
Basic Rate						<u>0.01179</u>
Less Adjustment for Appreciation						0.0475
	0.3	x	0.0741	=		0.0222
Capitalization Rate						0.0253
(rounded to)						2.50%

#### **Market Derivation Method**

The comparables used in the Sales Comparison Approach exhibited overall rates as follows:

COMPARABLE OVERALL RATES				
No	Location	Sale Price	Sale Date	Overall Cap Rate
1	176 Bleecker Street	\$9,167,000	Apr-17	N/A
2	104 East 30th Street	\$7,150,000	Apr-17	3.25%
3	165 Avenue B	\$7,215,000	Jan-17	4.10%
4	52 West 21st Street	\$6,625,000	Oct-16	N/A
5	209 West 20th Street	\$11,575,000	Aug-16	2.40%
6	26 Bond Street	\$10,800,000	Mar-16	3.70%
7	329 East 10th Street	\$11,400,000	Jun-16	4.20%
			Low:	2.40%
			High:	4.20%
			Average:	3.53%

The comparable sales used in our Sales Comparison Approach reported above exhibit overall capitalization rates from 2.40% to 4.20% with an average of 3.53%. Our developed capitalization rate of 2.50% is below the average of the comparable sales based on the significant upside potential due to the below market retail lease and additional development rights.

#### National Investors' Survey

PWC Real Estate Investor Survey indicates an overall capitalization rate (OAR) range for the national investment grade apartment market at 3.5% to 8.0% with an average of 5.33% representing an increase of 7 basis points from last quarter and a decrease of 46 basis points from one year ago.

INVESTOR SURVEYS - OVERALL CAPITALIZATION RATE		
	PwC 1Q 2017 National Apartment	Situs-RERC Flash 1Q2017 National Apartment
Range	3.5% to 8.0%	4.0% to 6.5%
Average	5.33%	5.20%
Source: PwC Real Estate Investor Survey & RERC Cap Rate Survey		

#### Local Broker Surveys

According to the Cushman & Wakefield 1Q 2017 Property Sales Report the overall capitalization rate for mixed-use properties in Manhattan is 3.99%, which is up 35 basis points since the 2016 year-end average cap rate of 3.64%.

#### Capitalization Rate Conclusion

The following chart summarizes the OAR conclusions.

OVERALL CAPITALIZATION RATE CONCLUSION	
Source	OAR
Akerson Formula of the Ellwood Method	2.50%
Market Comparables	2.4% to 4.2%
National Investor Surveys	3.5% to 8.0%
Local Brokers	3.99%
Indicated OAR:	2.50%
Compiled from Various Sources by BBG	

The investor surveys indicate going-in capitalization rates range from 3.5% to 8.0%, with an average of 5.2% to 5.33% for institutional quality investments. Capitalization rates in Manhattan tend to be lower than national rates reflecting the desirability of Manhattan real estate. This is demonstrated by the local comparables which range from 2.4% to 4.2%. The subject is located in the NoMad section of Manhattan, a desirable mixed-use location and has significant upside potential due to a below market retail lease and 15,386 square feet of additional development rights. The concluded rate of 2.50% is reasonably at the low end of the comparable range and our opinion of value offers a competitive return.

### Direct Capitalization

Applying the concluded rate of 2.50% the value is calculated as follows:

INCOME CAPITALIZATION		
Net Operating Income		\$308,418
OAR	÷	2.50%
Indicated Value		\$12,336,710
Rounded		\$12,300,000



The Sales Comparison Approach is defined as:

The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available."<sup>3</sup>

The Sales Comparison Approach is based on the principle of substitution. This implies that a knowledgeable investor will pay no more for a property than would be paid for a substitute property of similar utility and desirability. The procedure involved is to research the market for sales of improved properties similar to the subject, verify the information, select appropriate units of comparison, compare each sale to the subject property, adjust the sales to the subject, and reconcile the various value indicators into a single indication of value for the subject property.

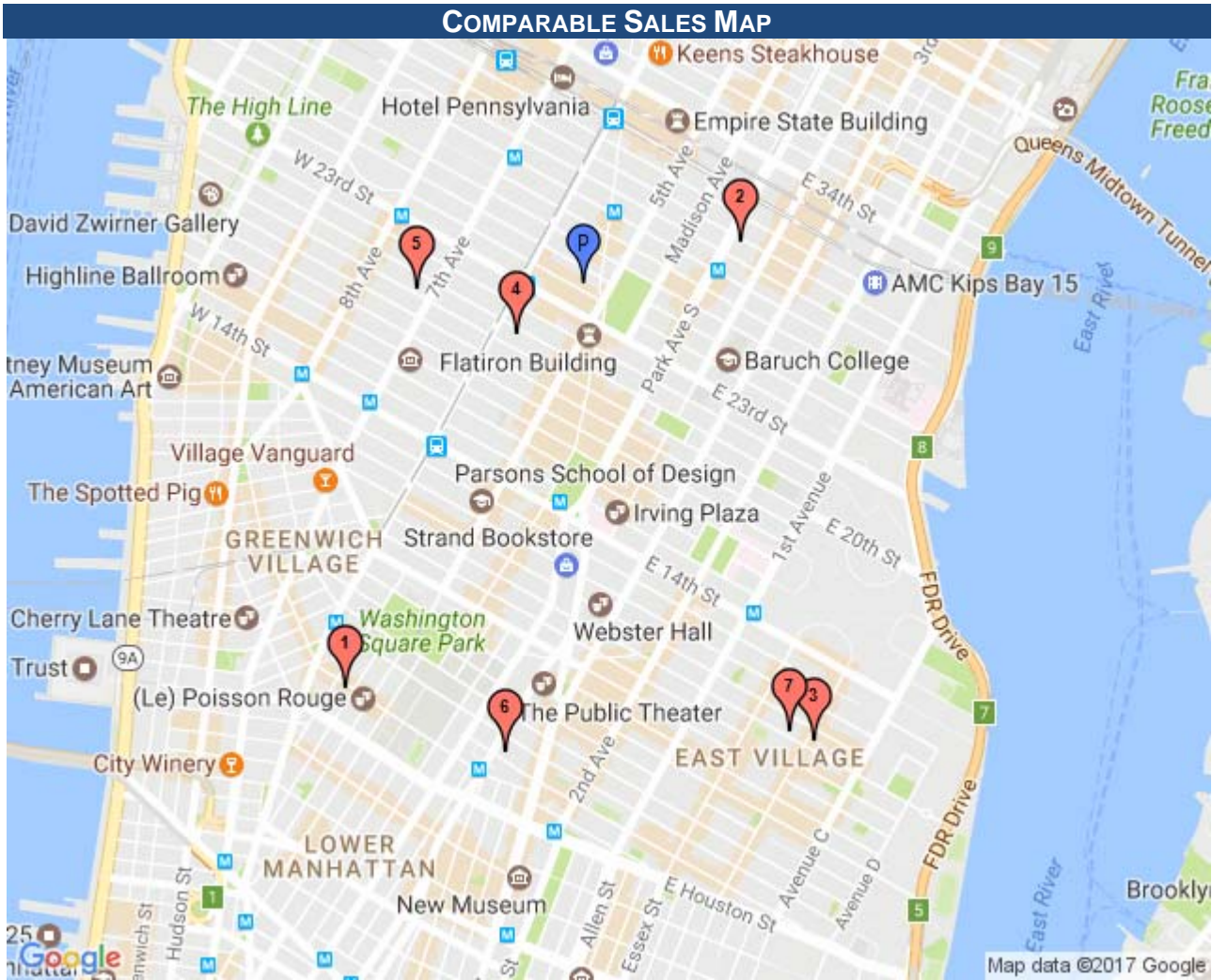
### **Unit of Comparison**

In order to evaluate the comparable sales, it is generally necessary to convert the sales prices to an appropriate unit of comparison. This process facilitates price comparisons between properties of different sizes, and it also enables the appraiser to adjust for qualitative differences. Based on the disparity in unit sizes the comparable sales will be analyzed on the basis of price per square foot of gross building area. The subject contains 8,344 square feet of gross building area.

The sales are described on the following pages, along with a picture of each sale and a map of the sales' locations.

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<sup>3</sup> Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).



## COMPARABLE SALE NO. 1

Sale No.:

1



Location:

176 Bleecker Street

NY, NY

Block/Lot

526/61

Site Area (SF):

2,140

Gross Building Area (SF):

5,040

No. Units:

4

Property Description:

A 4-story walk-up building with 4 apartments and one retail unit located in Greenwich Village. The property has 2,322 square feet of additional development rights although it is located in the South Village historic district. The property was vacant at the time of sale, the retail space is currently being marketed at \$150 psf.

Sale Date:

April 18, 2017

Year Built:

1900

Grantor:

176 Bleecker Street Realty Corp. (Mario Flotta Jr.)

Grantee:

176 Bleecker LLC (Jialin Jia)

Sale Price:

\$9,167,000

Price PSF:

\$1,819

Price Per Unit:

\$2,291,750

NOI:

N/A

NOI PSF:

N/A

NOI Per Unit:

N/A

Cap Rate:

N/A

Document Number:

2017000160382

Terms:

Cash to seller.

## COMPARABLE SALE NO. 2

Sale No.:

2



Location:

104 East 30th Street  
NY, NY

Block/Lot

885/86

Site Area (SF):

1,580

Gross Building Area (SF):

5,875

No. Units:

6

Property Description:

A 4-story walk-up building with 6 apartments and one office unit located in Gramercy Park. The property has 9,925 square feet of additional development rights.

Sale Date:

April 17, 2017

Year Built:

1920

Grantor:

Munshi Bishan Singh Kochhar Foundation

Grantee:

Graham 104 LLC

Sale Price:

\$7,150,000

Price PSF:

\$1,217

Price Per Unit:

\$1,191,667

NOI:

\$232,375

NOI PSF:

\$39.55

NOI Per Unit:

\$38,729

Cap Rate:

3.25%

Document Number:

2016000374998

Terms:

NA

## COMPARABLE SALE NO. 3

Sale No.:

3



Location:

165 Avenue B

NY, NY

Block/Lot:

393/4

Site Area (SF):

2,201

Gross Building Area (SF):

5,608

No. Units:

4

Property Description:

A 5-story walk-up building with 5 apartments and one retail store located in the East Village. The property has 3,196 square feet of additional development rights.

Sale Date:

January 30, 2017

Year Built:

1900/renovated 2013

Grantor:

165 Avenue B LLC

Grantee:

Triboro Realty

Sale Price:

\$7,215,000

Price PSF:

\$1,287

Price Per Unit:

\$1,803,750

NOI:

\$295,815

NOI PSF:

\$52.75

NOI Per Unit:

\$1,803,750

Cap Rate:

4.10%

Document Number:

2017000053919

Terms:

Cash to seller.

## COMPARABLE SALE NO. 4

Sale No.:

4



Location:

52 West 21st Street

NY, NY

Block/Lot:

822/69

Site Area (SF):

1,392

Gross Building Area (SF):

5,118

No. Units:

4

Property Description:

A 5-story walk-up building with 4 apartments and one retail store located in the Flatiron District. The property has 8,802 square feet of additional development rights although it is located within the Ladies' Mile historic district.

Sale Date:

October 14, 2016

Year Built:

1910/renovated 2010

Grantor:

Sinan Commrcial USA Inc.

Grantee:

Vipin Garg

Sale Price:

\$6,625,000

Price PSF:

\$1,294

Price Per Unit:

\$1,656,250

NOI:

N/A

NOI PSF:

N/A

NOI Per Unit:

N/A

Cap Rate:

N/A

Document Number:

2016000374998

Terms:


Cash to seller.



## COMPARABLE SALE NO. 5

<b>Sale No.:</b>	5
	
<b>Location:</b>	209 West 20th Street NY, NY
<b>Block/Lot:</b>	770/33
<b>Site Area (SF):</b>	2,050
<b>Gross Building Area (SF):</b>	8,525
<b>No. Units:</b>	12
<b>Property Description:</b>	A 7-story elevator apartment building located in Chelsea. The building contains 12 apartment units all of which are free market. There are no additional air rights.
<b>Sale Date:</b>	August 10, 2016
<b>Year Built:</b>	2004
<b>Grantor:</b>	West 20th St Realty LLC
<b>Grantee:</b>	Chelsea 209 W 20th Street LLC
<b>Sale Price:</b>	\$11,575,000
<b>Price PSF:</b>	\$1,358
<b>Price Per Unit:</b>	\$964,583
<b>NOI:</b>	\$277,800
<b>NOI PSF:</b>	\$32.59
<b>NOI Per Unit:</b>	\$23,150
<b>Cap Rate:</b>	2.40%
<b>Document Number:</b>	2016000286649
<b>Terms:</b>	Cash to seller.

## COMPARABLE SALE NO. 6

<b>Sale No.:</b>	6
	
<b>Location:</b>	26 Bond Street NY, NY
<b>Block/Lot:</b>	530/55
<b>Site Area (SF):</b>	2,675
<b>Gross Building Area (SF):</b>	7,363
<b>No. Units:</b>	6
<b>Property Description:</b>	A 3.5-story walk-up apartment building located in Noho. The building contains 6 apartment units (3 IMD, 3 free market), two office units and one retail unit. The property has 6,012 square feet of additional development rights although it is located in the NoHo Extension historic district.
<b>Sale Date:</b>	March 21, 2016
<b>Year Built:</b>	1915
<b>Grantor:</b>	26 Bond Street Management LLC
<b>Grantee:</b>	26 BNDO LLC
<b>Sale Price:</b>	\$10,800,000
<b>Price PSF:</b>	\$1,467
<b>Price Per Unit:</b>	\$1,800,000
<b>NOI:</b>	\$399,600
<b>NOI PSF:</b>	\$54.27
<b>NOI Per Unit:</b>	\$66,600
<b>Cap Rate:</b>	3.70%
<b>Document Number:</b>	2016000116490
<b>Terms:</b>	Cash to seller.

## COMPARABLE SALE NO. 7

Sale No.:

7



Location:

329 East 10th Street

NY, NY

Block/Lot:

404/41

Site Area (SF):

2,369

Gross Building Area (SF):

7,100

No. Units:

10

Property Description:

A 5-story walk-up apartment building located in the East Village. The building contains 10 apartment units and was fully renovated by the seller who purchased the property in August 2013 for \$5.2 million. The property has 2,376 square feet of additional development rights although it is located in the East 10th Street historic district.

Sale Date:

June 20, 2016

Year Built:

1910/renovated 2013/14

Grantor:

329 East 10 Realty LLC (Icon Realty)

Grantee:

Marusin Warehouse Corp.

Sale Price:

\$11,400,000

Price PSF:

\$1,606

Price Per Unit:

\$1,140,000

NOI:

\$478,800

NOI PSF:

\$67.44

NOI Per Unit:

\$47,880

Cap Rate:

4.20%

Document Number:

2016000222236

Terms:

Cash to seller.

SUMMARY OF COMPARABLE SALES						
Sale No.	Address	GBA (SF)	No. Units	Sale Date	Sale Price	Price PSF
1	176 Bleecker Street	5,040	4	Apr-17	\$9,167,000	\$1,819
2	104 East 30th Street	5,875	6	Apr-17	\$7,150,000	\$1,217
3	165 Avenue B	5,608	4	Jan-17	\$7,215,000	\$1,287
4	52 West 21st Street	5,118	4	Oct-16	\$6,625,000	\$1,294
5	209 West 20th Street	8,525	12	Aug-16	\$11,575,000	\$1,358
6	26 Bond Street	7,363	6	Mar-16	\$10,800,000	\$1,467
7	329 East 10th Street	7,100	10	Jun-16	\$11,400,000	\$1,606

### ***Adjustments***

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

### ***Property Rights Appraised***

The purpose of this adjustment is to account for differences in the property rights which were transferred with the sale. The property rights being valued in this analysis are the leased fee interest for the subject. Since all of the comparable properties are rental buildings with similar ownership interests, no adjustments were required.

### ***Financing Terms***

The purpose of adjusting for financing terms is to determine cash equivalent sale prices for the comparable sales in accordance with the definition of market value for this report. All of the sales were cash transactions or financed at market rates. No adjustments were required.

### ***Conditions of Sale***

Conditions of sale refers to the motivations of the buyer and seller involved in a particular transaction. All sales appear to be arm's length transactions and did not require adjustments.

### ***Market Conditions (Time)***

The comparable sales transacted since June 2016. While market conditions have continued to strengthen, it is difficult to credibly extract an adjustment, and the analysis is further complicated by changes in leasing status making it difficult to isolate appreciation simply as result of market trends. Thus, we will consider timing qualitatively in our reconciliation.

### ***Location***

The subject property is located within the NoMad section of Manhattan. Sale 1 is located on Bleecker Street within Greenwich Village, a superior location, and requires downward adjustment. Sales 2, 3 and 7 are located in inferior locations within the East Village and Gramercy Park and require upward adjustment. The remaining sales are located within generally comparable neighborhoods in Manhattan and no adjustments are required.

**Size**

This adjustment accounts for the difference in size between each of the comparables and the subject property. The subject property contains 8,344 square feet and 6 residential units. The comparables range in size from 4 to 12 units and 5,040 to 8,525 square feet. The sales are all generally comparable in size and no adjustments are required.

**Income Level**

Mixed-use apartment buildings often have substantial differences in net operating income levels, even when their physical and locational features are similar. These differences are mainly attributable to each property's unique occupancy history, commercial leases, and the effects of rent regulation.

To account for differences in income levels, the comparable sales have been adjusted according to their net operating income. The subject's NOI is projected at \$308,418, or \$36.96 per square foot. Each sale property's NOI and the resulting adjustment is summarized as follows:

Sale No.	NOI PSF	Adjustment Applied
1	N/A	0%
2	\$39.55	0%
3	\$52.75	-15%
4	N/A	0%
5	\$32.59	0%
6	\$54.27	-15%
7	\$67.44	-25%

We emphasize that these adjustments are approximations and are not intended to represent exact dollar for dollar adjustments. Factors such as potential upside from below-market unit turnover are taken into consideration in our NOI level adjustments.

**Utility**

This adjustment accounts for such factors as building height, layout, retail to building ratio, exterior appeal, frontage, elevators and additional development potential. The subject is a walk-up apartment building with ground floor retail space and 15,386 square feet of additional development rights. Sale 5 has an elevator and requires slight downward adjustment. Sales 5 and 7 have no ground floor commercial space which typically rents for more than residential space and require upward adjustment. The subject has superior additional development potential as compared to all but Sale 2 and these sales require upward adjustment. Consideration was given to whether the sales with additional development rights are located in historic districts since the development rights cannot be utilized without the permission of the Landmarks Preservation Commission.

No.	Elev.	Comm. Space	Dev. Rights	Total Adj.
1	0%	0%	10%	10%
2	0%	0%	0%	0%
3	0%	0%	10%	10%
4	0%	0%	10%	10%
5	-5%	5%	10%	10%
6	0%	0%	10%	10%
7	0%	5%	10%	15%

#### Condition

The subject improvements were constructed in 1925, have been periodically renovated including in 2015, and are in good condition. Sales 1 and 2 are in inferior condition and require upward adjustment. The remaining sales are in generally similar condition and no adjustments are required.



## Sales Adjustment Grid

Sale No.	1	2	3	4	5	6	7
Address:	176 Bleecker Street	104 East 30th Street	165 Avenue B	52 West 21st Street	209 West 20th Street	26 Bond Street	329 East 10th Street
Sale Date:	Apr-17	Apr-17	Jan-17	Oct-16	Aug-16	Mar-16	Jun-16
Area (SF):	5,040	5,875	5,608	5,118	8,525	7,363	7,100
Units:	4	6	4	4	12	6	10
Sale Price:	\$9,167,000	\$7,150,000	\$7,215,000	\$6,625,000	\$11,575,000	\$10,800,000	\$11,400,000
Sale Price Per SF of GBA:	\$1,819	\$1,217	\$1,287	\$1,294	\$1,358	\$1,467	\$1,606
Property Rights Appraised:	0%	0%	0%	0%	0%	0%	0%
Financing Terms:	0%	0%	0%	0%	0%	0%	0%
Conditions of Sale:	0%	0%	0%	0%	0%	0%	0%
Market Conditions (Time):	0%	0%	0%	0%	0%	0%	0%
Trended Unit of Comparison:	\$1,819	\$1,217	\$1,287	\$1,294	\$1,358	\$1,467	\$1,606
Location:	-10%	5%	5%	0%	0%	0%	5%
Size:	0%	0%	0%	0%	0%	0%	0%
Income Level:	0%	0%	-15%	0%	0%	-15%	-25%
Utility:	10%	0%	10%	10%	10%	10%	15%
Condition:	5%	5%	0%	0%	0%	0%	0%
Total Adjustment:	5%	10%	0%	10%	10%	-5%	-5%
Adjusted Unit of Comparison:	\$1,910	\$1,339	\$1,287	\$1,424	\$1,494	\$1,393	\$1,525
Unadjusted		Adjusted					
LOW		LOW					
HIGH		HIGH					
AVERAGE		AVERAGE					
MEDIAN		MEDIAN					

All adjustments are percentages. A positive adjustment indicates an inferior characteristic to the subject. A negative adjustment indicates a superior characteristic to the subject.

Before adjustments, the comparable sales show a range from \$1,217 to \$1,819 per square foot. After adjustments, the comparable sales show a range of \$1,287 to \$1,910 per square foot with an average of \$1,482 and a median of \$1,424 per square foot. Considering the adjusted range of the comparables, the subject's location and condition, as well as the additional development rights, we have concluded at a market value of \$1,475 per square foot for the subject property.

## AS IS VALUE CONCLUSION - SALES COMPARISON APPROACH

Concluded Value Per SF:	\$1,475
GBA SF	x 8,344
Value Indication:	\$12,307,400
<b>Rounded:</b>	<b>\$12,300,000</b>

## RECONCILIATION AND FINAL VALUE CONCLUSION

### Reconciliation

Reconciliation and correlation of Market Value is performed when more than one approach to value is used to value real property. It weighs the relative significance, applicability, and defensibility of each value indication and relies most heavily on the one that is most appropriate to the purpose of the appraisal. The conclusion drawn in the reconciliation is based on the appropriateness, the accuracy, and the quantity of the evidence in the entire appraisal.

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

SUMMARY OF VALUE CONCLUSIONS	
	As Is on May 15, 2017
Income Capitalization Approach	\$12,300,000
Sales Comparison Approach	\$12,300,000
Cost Approach	Not Used
<b>Reconciled Value</b>	<b>\$12,300,000</b>
<i>Compiled by BBG</i>	

The Cost Approach is traditionally a good indicator of value when properties being appraised are new or close to new. The subject improvements were constructed in 1925 and suffer from accrued physical depreciation as a result of age and normal wear. The improvements also suffer from functional obsolescence due to inadequacies in design that are less than current market standards. Difficulty in estimating all forms of accrued depreciation limits the reliability of this Approach. The Cost Approach, therefore, has not been utilized in this report.

The Income Approach is considered to be a good indicator of value when market rents, stabilized expenses, capitalization rates, discount rates and vacancy rates are based on reliable market data. For our analysis, income and expenses were derived from actual and market figures and were considered reliable. Vacancy rates were based on a neighborhood survey and were considered to be reflective of market demand for the subject property. The capitalization and discount rates were derived from reliable market surveys of investor criteria.

The Sales Comparison Approach is considered a reliable indicator of value when few differences exist between the sales and the subject, and the sales data collected is considered to be reliable and accurate. The sales used to estimate the value of the subject property were considered to be comparable in most respects, although adjustments were required. Overall, the indicated value estimate by this Approach is considered to be a good indicator and is given secondary weight in the final value estimate.

Overall, the Income Approach is considered a better indicator of value than the Sales Comparison Approach. The value indicated by the Income Approach is a reflection of a prudent investor's analysis of an income-producing property. Since the subject property is income-producing by nature, an analysis of income, expenses, overall capitalization rates and yield rates is considered to

be an appropriate method. The presence of long-term leased space in the subject increases the need to analyze income as it relates to value. In the case of the subject, the Sales Comparison Approach value is similar to the Income Approach value and, therefore, provides secondary support.

Therefore, the final value conclusions for the subject property are as follows:

MARKET VALUE CONCLUSION			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
As Is	Leased Fee	May 15, 2017	\$12,300,000

**INSURABLE VALUE**

**CERTIFICATE OF OCCUPANCY**

**LETTER OF ENGAGEMENT**

**CONTINGENT AND LIMITING CONDITIONS**

**CERTIFICATION**

**QUALIFICATIONS**

### INSURABLE VALUE

Insurable Value, as used herein, is not a market value, but rather a percentage of the estimated replacement cost that would typically be covered by an insurer in the event of damage or destruction to the subject improvements. In estimating replacement cost new, the appraiser has utilized the comparative unit method as calculated by Marshall & Swift Building Cost Survey as follows:

INSURABLE VALUE			
Primary Building Type:	Apartments		
MVS Sec/Page:	11/18		
Quality/Building Class:	B, Good		
Manual Dated:	Nov-16		
Base Unit Cost New PSF			\$150.00
Current Cost Multiplier	1.06		
Height Multiplier	1.01		
Local Multiplier	x 1.47		
Total Multiplier		x 1.57	
Adjusted Replacement Cost New PSF			\$236.07
Area		x 8,344	
Replacement Cost New			\$1,969,746
<b>Exclusions</b>			
Excavation	0.32%		\$6,303
Foundations	3.00%		\$59,092
Architect's Fees	6.20%		\$122,124
<b>TOTAL EXCLUSIONS</b>	9.52%		\$187,520
Indicated Insurable Value			\$1,782,226
<b>Rounded:</b>			<b>\$1,800,000</b>

# CERTIFICATE OF OCCUPANCY

ALT 102091852

Borough of Manhattan

THE CITY OF NEW YORK



## DEPARTMENT OF BUILDINGS CERTIFICATE OF OCCUPANCY

BOROUGH MANHATTAN

DATE MAY 10 2000

NO. 119433

This certificate supersedes C.O. NO. T119244

ZONING DISTRICT M1-6

THIS CERTIFIES that the ~~new~~-altered-~~existing~~-building—premises located at  
7 WEST 24TH STREET

Block 826 Lot 33

CONFORMS SUBSTANTIALLY TO THE APPROVED PLANS AND SPECIFICATIONS AND TO THE REQUIREMENTS OF ALL APPLICABLE LAWS, RULES, AND REGULATIONS FOR THE USES AND OCCUPANCIES SPECIFIED HEREIN.

### PERMISSIBLE USE AND OCCUPANCY

STORY	LIVE LOAD LBS PER SQ FT	MAXIMUM NO OF APARTMENTS PERMITTED	FLOORING CHANGES DURING RENOVATION	BUILDING CODE HABITABLE ROOMS	ZONING USE GROUP	BUILDING CODE OCCUPANCY GROUP	DESCRIPTION OF USE
CELLAR	OG						ACCESSORY STORAGE/BOILER ROOM
1ST FLOOR	60	5			6	COMM.	OFFICES
2ND FLOOR	40		1		2	RES.	CLASS "A" APARTMENT
3RD FLOOR	40		2		2	RES.	CLASS "A" APARTMENT
4TH FLOOR	40		2		2	RES.	CLASS "A" APARTMENT
5TH FLOOR	40		1		2	RES.	CLASS "A" APARTMENT
			OLD CODE				
			TOTAL OF SIX (6)	APARTMENTS			



## LETTER OF ENGAGEMENT



Date: 04/24/17  
 Appraisal Firm: BBG – Butler Burgher Group  
 Address: 3070 Bristol Street Suite 615, Costa Mesa, CA 92626  
 Sent Via E-mail: mhaskeli@bbgres.com

RE: Appraisal of the Commercial property located at: 7 W. 24<sup>th</sup> Street  
 New York, NY 10001

Dear Mark:

Please prepare a Narrative appraisal in a Summary format of the Commercial Property further described below. Please address the appraisal to First National Bank of Southern California. The anticipated usage is a mortgage underwriting decision.

Owner: Mark Garagos  
 Property Address: 7 W. 24<sup>th</sup> Street  
 New York, NY 10001  
 Property Type: 6 Story Mixed use Office/Retail building

For additional information please contact:  
 Name:

The report is to be in accordance with the minimums set forth in this letter and "First National Bank of Southern California Appraisal Standards". These standards are to be incorporated as part of the scope of the appraisal. You are expected to conform to the current version of the Uniform Standards of Professional Appraisal Practice (USPAP), the Interagency Appraisal and Evaluation Guidelines and the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA).

You shall sign the appraisal report as the primary appraiser and you or a qualified partner in your firm shall personally inspect the subject. In addition, all other persons assisting in the collection of data and/or analysis shall be identified. Any other person signing the report shall be state licensed or certified as appropriate for the property being appraised. Please include your State license/certification number under your signature in the appraisal report.

Please e-mail the appraisal report in PDF format, along with your invoice for payment of the appraisal fee in the amount of **\$4,800.00**, are to be addressed to Lisa Cruz of First National Bank of Southern CA at **lcruz@fnbsocal.com**. It is my understanding the appraisal will be completed by no later than **May 16, 2017**. Please note that a signed copy of this letter must be included in your appraisal report. First National Bank of Southern CA reserves the right to convey a copy of the appraisal to a third party. You may be requested to discuss the analysis in the appraisal report with us.

Your appraisal will be reviewed considering the above data and the bank's review policy. Payment of your fee will be made after our review is completed. Any changes or corrections in your report required because of non-compliance with the terms of this Assignment will be made in a timely manner without additional cost to the bank.

The following are included to assist you in preparing this report:

- |   |  |
|---|--|
| <input type="checkbox"/> Legal Description                  | <input type="checkbox"/> Cost Estimates  |
| <input type="checkbox"/> Preliminary Title Report           | <input checked="" type="checkbox"/> Operating Statements/Projections (Proforma)                |
| <input checked="" type="checkbox"/> Rent Roll and/or Leases | <input type="checkbox"/> Plans and Specifications for Improvements (not optional for proposed) |

Revised 12/6/07

- ☐ Environmental Report      ☐ Other: License to operate

Information supplied to the appraiser, which is considered to be confidential, includes the following: \_\_\_\_\_.  
This data may be identified for valuation purposes in this report only.

The real property interest(s) to be appraised are marked as follows:

Market Value of:

- ☐ Fee Simple "As is Land"  
☐ Prospective Fee Simple "At Completion"  
☐ Prospective Leased Fee "At Completion"  
☐ Prospective Fee Simple "At Stabilized Occupancy"  
☒ Prospective Leased Fee "At Stabilized Occupancy"  
☐ Fair Value of the Fee Simple Interest  
☐ Partial Interest Appraisal  
☐ Other (such as Leasehold Interest, Sub-leasehold Interest, etc.):

If, in your opinion, a value estimate which is not requested above is applicable, it is your responsibility to contact the undersigned before proceeding.

Confidential Information: "You" acknowledge that all information and documents disclosed by First National Bank of Southern CA ("Bank") to You, or which comes to your attention during the course of the performance of Services under this Assignment, constitute valuable assets of and are proprietary to the Bank, and also acknowledge that the Bank has a responsibility to its customers and employees to keep the Bank's records and information confidential and proprietary.

Therefore, you agree not to disclose, either directly or indirectly, to any person, firm, or corporation, information of any kind, nature or description concerning matters affecting or relating to the business of the Bank unless the information is already in the public domain.

This provision shall survive termination of this Assignment.

If the terms and conditions outlined herein are acceptable, please execute both copies of this letter and return one copy to me in the enclosed envelope within five (5) days of receipt. Thank you for your consideration in performing this Assignment.

If you have any questions or require any additional information, please feel free to contact me at 951-300-4630.

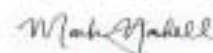
Sincerely,  
First National Bank of Southern CA

By:   
Its: \_\_\_\_\_ Sr. Loan Processor \_\_\_\_\_

#### ACKNOWLEDGMENT

The undersigned acknowledges the terms and conditions set forth in this letter and agrees the appraiser is qualified under the federal regulations applicable to the Bank to perform this appraisal. By signing this acknowledgement you and First National Bank of Southern CA have agreed to the scope of work prior to the engagement.

Appraisal Firm

By:   
Its: \_\_\_\_\_ Managing Director \_\_\_\_\_

Date: April 24, 2017

Revised 02/01/07

## First National Bank of Southern CA Appraisal Standards

### GENERAL REQUIREMENTS

- 1). Conform to generally accepted appraisal standards as evidenced by the Uniform Standards of Professional Practice (USPAP) promulgated by the Appraisal Standards Board (ASB) of the Appraisal Foundation (unless principles of safe and sound banking require compliance with stricter standards). An appraiser may not appraise any property in which the appraiser has an interest, direct or indirect, financial or otherwise.
- 2). Include, in addition to the certification required by USPAP, statements that (a) the appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of the loan, and (b) the appraiser's state registration/certification has not been revoked, suspended, cancelled or restricted.
- 3). Be written and contain sufficient information and analysis to support the Bank's decision to engage in the transaction.
  - a) Include, for each land and building sale comparable, the listing price and associated marketing time for that listing when available.
  - b) Indicate confirmation and/or source of land sales, improved property sales and rental information. It is not sufficient to state that additional data was used without including it in the report.
  - c) Indicate calculations of cash equivalencies.
  - d) Include adjustment grids which summarize the analysis for land sales, building sales and rent comparables (if applicable). Grids should show both the direction and magnitude of each adjustment as compared to the subject.
  - e) Contain a copy of the flood map if in a flood hazard area.
  - f) Contain sufficient maps and plats to show the location of the subject and the comparables for land, improved building sites and rental properties, as applicable.
  - g) Contain photographs of the subject property, street scenes and any items of major deferred maintenance or unusual characteristics. Include photos of all comparable sales and comparable rents (if applicable).
  - h) Include any special or specific assumptions or limiting conditions applicable only to the subject property. These must be set out separately from general assumptions and limiting conditions. The extraordinary/hypothetical assumptions and limiting conditions must be stated in the Letter of Transmittal.
  - i) Appraisals on existing multi-family properties may be prepared on forms approved by the Federal National Mortgage Corporation (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac).
  - j) Appraisals on existing or proposed one-to-four family residential properties which qualify for use of the most recent revision of the Uniform Residential Appraisal Report (URAR) form or the Small Residential Income Property Appraisal Report form. This exception does not apply to proposed tract developments.
- 4). Analyze and report appropriate deductions and discounts for proposed construction or renovation, partially leased buildings, non-market lease terms, and tract developments with unsold units.
- 5). Be based upon the definition of market value as set forth in the regulations. The market value for real estate is the most probable price a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
  - a) Both parties are well-informed or well-advised and acting in what they consider their own best interest.
  - b) A reasonable time is allowed for exposure in the open market.
  - c) Payment is made in U.S. Dollars.
  - d) Buyer and seller are typically motivated.
  - e) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.
  - f) The appraisal was performed by a state-licensed or state-certified appraiser as required by the regulation.

Revised 02/01/07

REQUIREMENTS BY PROPERTY TYPE

- 1). Existing Income Properties:
  - a) All appraisals on existing income properties must contain a summary of actual operating statements, together with a supported forecast of the most likely financial performance of the property. Current and historical revenue, expenses and vacancies are to be indicated and analyzed.
  - b) On all appraisal assignments involving leases, the appraiser must review all leases and lease addenda and comment on their quality and value. A summary of all leases must be included in the report. If leases are not available, the rent roll must be checked for accuracy.
  - c) Existing income producing properties which have not reached stabilized occupancy require an absorption period estimate and analysis of associated expenses necessary to reach stabilized occupancy. A detailed discounted cash flow analysis which is reflective of the anticipated expenses and costs involved in attaining stabilized occupancy should be included.
- 2). Proposed Income Properties:
  - a) Projects are to be analyzed as instructed for income properties, as applicable.
  - b) Proposed projects shall contain a prospective value upon completion of construction and upon reaching a stabilized occupancy. The prospective values upon completion and upon reaching stabilized occupancy must be supported by a detailed discounted cash flow analysis.
- 3). Subdivisions and Condominiums:
  - a) On projects developed for sale to individual buyers the appraisal report must reflect all appropriate adjustments, deductions and discounts, and the anticipated cash flows to be derived from the disposition of the asset over time. Appropriate deductions and discounts are those that reflect all expenses associated with the disposition of the real property, and the cost of capital and entrepreneurial profit.
- 4). Ground Leases:
  - a) When the subject involves a ground lease, the appraisal report must include a summary of all conditions of that lease.

ADDITIONAL STANDARDS

- 1). Nothing contained above shall prevent First National Bank of Southern CA from requiring additional appraisal standards if deemed appropriate.

Revised 02/01/97

## CONTINGENT AND LIMITING CONDITIONS

This appraisal report has been made with the following general assumptions:

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. BBG, 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. BBG, 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.
27. The American Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative impact upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.
28. This appraisal report has been prepared for the exclusive benefit of the client. It may not be used or relied upon by any other party. Any other party who is not the identified client within this report who uses or relies upon any information in this report does so at their own risk.
29. The dollar amount of any value opinion herein rendered is based upon the purchasing power and price of the United States Dollar as of the effective date of value. This appraisal is based on market conditions existing as of the date of this appraisal.
30. The right is reserved by the appraiser to make adjustments to the analyses, opinions, and conclusions set forth in this report as may be required by consideration of additional or more reliable data that may become available. No change of this report shall be made by anyone other than the appraiser or appraisers. The appraiser(s) shall have no responsibility for any unauthorized change(s) to the report.
31. If the client instructions to the appraiser were to inspect only the exterior of the improvements in the appraisal process, the physical attributes of the property were observed from the street(s) as of the inspection date of the appraisal. Physical characteristics of the property were obtained from tax assessment records, available plans, if any, descriptive information, and interviewing the client and other knowledgeable persons. It is assumed the interior of the subject property is consistent with the exterior conditions as observed and that other information relied upon is accurate.
32. The submission of this report constitutes completion of the services authorized. It is submitted on the condition the client will provide reasonable notice and customary compensation, including expert witness fees, relating to any subsequent required attendance at conferences, depositions, and judicial or administrative proceedings. In the

event the appraiser is subpoenaed for either an appearance or a request to produce documents, a best effort will be made to notify the client immediately. The client has the sole responsibility for obtaining a protective order, providing legal instruction not to appear with the appraisal report and related work files and will answer all questions pertaining to the assignment, the preparation of the report, and the reasoning used to formulate the estimate of value. Unless paid in whole or in part by the party issuing the subpoena or by another party of interest in the matter, the client is responsible for all unpaid fees resulting from the appearance or production of documents regardless of who orders the work.

33. Use of this appraisal report constitutes acknowledgement and acceptance of the general assumptions and limiting conditions, special assumptions (if any), extraordinary assumptions (if any), and hypothetical conditions (if any) on which this estimate of market value is based.
34. If provided, the estimated insurable value is included at the request of the client and has not been performed by a qualified insurance agent or risk management underwriter. This cost estimate should not be solely relied upon for insurable value purposes. The appraisers are not familiar with the definition of insurable value from the insurance provider, the local governmental underwriting regulations, or the types of insurance coverage available. These factors can impact cost estimates and are beyond the scope of the intended use of this appraisal. The appraisers are not cost experts in cost estimating for insurance purposes.

## CERTIFICATION

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

- 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.
- The undersigned have not performed services, as appraisers or in any other capacity, regarding the subject property within the 3-year period immediately preceding this assignment.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- Anthony Legotti made a personal inspection of the interior and exterior of the property that is the subject of this report. Lauren Mann has not inspected the property but has reviewed the inspection notes and photographs to ascertain the condition of the property.
- No one provided significant real property appraisal assistance to the persons signing this certification.
- 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 the Standards of Professional Appraisal Practice of the Appraisal Institute, the minimum appraisal standards cited in Section 323.4 of Title XI of FIRREA, and the requirements of the state appraiser licensing board in which the property is located.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, the undersigned have completed the requirements of the continuing education program of the Appraisal Institute. The undersigned have completed the requirements of the state appraiser licensing board in which the property is located.



\_\_\_\_\_  
 Lauren Mann  
 Senior Appraiser  
 NY State Certified General Appraiser #46-50987



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 Anthony Legotti, CSA-G  
 Appraiser  
 NY State Certified General Appraiser #46-45471

## QUALIFICATIONS



**Lauren Mann**  
Senior Appraiser  
Work: 212.682.5619  
lmann@bbgres.com

### PROFILE

Lauren is a Senior Appraiser at BBG in New York City (formerly Leitner Group). Ms. Mann has more than fifteen years of experience in the real estate appraisal industry. Assignments have included appraisals of Class A, B and C office buildings, apartment buildings, condominium and cooperative complexes, industrial facilities, retail properties, shopping centers, vacant land and various special use facilities. In addition, she has provided litigation support and tax abatement/exemption analyses. Projection and modeling software utilized includes Argus and Microsoft Excel.

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### PROFESSIONAL AFFILIATIONS & LICENCES

#### General Certified Appraiser:

State of New York (License # 46000050987)

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### EDUCATION

University of Pennsylvania (Philadelphia, Pennsylvania)  
Bachelor of Arts in History

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### COURSEWORK

#### Appraisal Institute:

Basic Appraisal Principles  
Basic Appraisal Procedures  
National USPAP  
General Market Analysis and Highest & Best Use  
Statistics, Modeling and Finance  
General Appraiser Sales Comparison Approach  
General Appraiser Site Valuation and Cost Approach  
General Appraiser Income Approach Part I  
General Appraiser Income Approach Part II  
General Appraiser Report Writing and Case Studies  
Fair Housing, Fair Lending and Environmental Issues  
Using the HP12C Financial Calculator



Anthony J. Legotti, CSA-G  
Appraiser  
212-682-0400  
alegotti@bbgres.com

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#### PROFILE

Anthony is an Appraiser at BBG in New York City. He is FHA certified and has been appraising real estate primarily in the New York City and Long Island area since January of 2001. He has experience appraising a wide range of property types including but not limited to office, industrial, retail, multifamily, vacant land, special use, and residential. These properties have been appraised for property owners, private investors, lending institutions, developers, governmental agencies and legal counsel. Anthony is recognized as an appraisal instructor in the State of New York where he has taught several of the appraisal qualification courses. Anthony also serves as a Regional Advisor to the New York Department of State Division of Licensing Services where he reviews appraisal reports that involve potential appraiser misconduct. In addition to his extensive appraisal background, Anthony is also a Licensed Real Estate Salesperson who specializes in the sales and leasing of investment properties.

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#### PROFESSIONAL AFFILIATIONS

Columbia Society of Real Estate Appraisers  
Member, Board of Governors, 2008  
Licensed Real Estate Salesperson, State of New York (License #40LE1172345)

#### General Certified Appraiser:

State of New York (License # 4600045471)  
State of Pennsylvania (License # GA003643)

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#### EDUCATION

Associate in Applied Science in Criminal Justice, Community College of the Air Force 2010

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#### APPRAISAL COURSEWORK

##### Appraisal Institute

510 - Advanced Income Capitalization  
520 - General Market Analysis and Highest & Best Use  
530 - Advanced Sales Comparison & Cost Approaches  
540 - Report Writing and Valuation Analysis  
550 - Advanced Applications

##### CCIM Institute

CI Intro - Introduction to Commercial Investment Real Estate  
CI 101 - Financial Analyses for Commercial Investment Real Estate



# LICENSES

UNIQUE ID NUMBER <b>46000050987</b>	State of New York Department of State DIVISION OF LICENSING SERVICES	FOR OFFICE USE ONLY Control No. <b>99239</b>
PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R.E. APPRAISERS.		EFFECTIVE DATE MO. DAY YR. <b>05 06 17</b>
<b>MANN LAUREN H</b> <b>C/O BBG</b> <b>112 MADISON AVE</b> <b>11TH FL</b> <b>NEW YORK, NY 10016</b>		EXPIRATION DATE MO. DAY YR. <b>05 05 19</b>
HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R. E. GENERAL APPRAISER		
In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.		
		<b>ROSSANA ROSADO</b> SECRETARY OF STATE
DOS-1098 (Rev. 3/01)		

UNIQUE ID NUMBER <b>46000045471</b>	State of New York Department of State DIVISION OF LICENSING SERVICES	FOR OFFICE USE ONLY Control No. <b>85200</b>
PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R.E. APPRAISERS.		EFFECTIVE DATE MO. DAY YR. <b>06 20 15</b>
<b>LEGOTTI ANTHONY J</b> <b>C/O LEGOTTI ANTHONY J</b> <b>61 MARC DRIVE</b> <b>RIDGE, NY 11961</b>		EXPIRATION DATE MO. DAY YR. <b>06 19 17</b>
HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R. E. GENERAL APPRAISER		
In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.		
		<b>CESAR A. PERALES</b> SECRETARY OF STATE
DOS-1098 (Rev. 3/01)		

UNIQUE ID NUMBER <b>46000045471</b>	<i>State of New York</i> <i>Department of State</i> <b>DIVISION OF LICENSING SERVICES</b>	FOR OFFICE USE ONLY Control No. <b>100562</b>
PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R.E. APPRAISERS.		EFFECTIVE DATE MO. DAY YR. <b>06 20 17</b>
LEGOTTI ANTHONY J C/O LEGOTTI ANTHONY J 61 MARC DRIVE RIDGE, NY 11961		EXPIRATION DATE MO. DAY YR. <b>06 19 19</b>
HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R. E. GENERAL APPRAISER		
In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed. <b>ROSSANA ROSADO</b> SECRETARY OF STATE		
DOS-1096 (Rev. 3/01)		